CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Consolidated Financial Statements
June 30, 2012
(Unaudited)

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

	Note	June 30, 2012	December 31, 2011	June 30, 2011
Assets				
Non-current assets				
Investment properties	3	$ 1,921,632	$ 1,622,083	$ 1,531,833
Intangible assets	4	33,895	26,232	25,308
Other assets	5	67,252	56,436	52,194
Notes receivable	6	2,064	2,440	2,945
		2,024,843	1,707,191	1,612,280
Current assets				
Cash and cash equivalents		142	54	-
Other assets	5	32,904	20,610	25,053
Notes receivable	6	882	927	861
		33,928	21,591	25,914
Total Assets		**2,058,771**	**1,728,782**	**1,638,194**
Liabilities				
Non-current liabilities				
Investment property debt	7	1,047,229	847,201	720,729
Convertible debentures	8	90,622	124,351	139,104
Deferred taxes	9	81,500	82,400	83,200
Employee future benefits obligation	10	7,206	7,069	6,048
Trade and other payables	11	5,724	5,818	5,910
		1,232,281	1,066,839	954,991
Current liabilities				
Investment property debt	7	49,723	30,806	136,579
Employee future benefits obligation	10	214	214	212
Trade and other payables	11	60,820	49,262	43,042
		110,757	80,282	179,833
Total liabilities excluding net assets attributable to Unitholders		**1,343,038**	**1,147,121**	**1,134,824**
Net assets attributable to Unitholders		**$ 715,733**	**$ 581,661**	**$ 503,370**
Net assets attributable to Unitholders represented by				
Crombie REIT Unitholders		$ 413,748	$ 326,487	$ 273,543
Special Voting Units and Class B Limited Partnership Unitholders		301,985	255,174	229,827
		$ 715,733	**$ 581,661**	**$ 503,370**
Commitments and contingencies	21			
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See accompanying notes to the interim consolidated financial statements.

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

	Note	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Property revenue	12	$ 63,646	$ 56,357	$ 123,093	$ 112,675
Property operating expenses		22,585	20,639	45,637	42,063
Net property income		**41,061**	**35,718**	**77,456**	**70,612**
Lease terminations		-	163	113	163
Depreciation of investment properties	3	(9,771)	(6,304)	(17,012)	(12,605)
Amortization of deferred leasing costs	3	(138)	(111)	(284)	(233)
Amortization of intangible assets	4	(1,443)	(1,195)	(2,581)	(2,529)
General and administrative expenses		(3,138)	(2,861)	(6,108)	(5,361)
Operating income before finance costs and income taxes		**26,571**	**25,410**	**51,584**	**50,047**
Finance costs - operations	15	(16,735)	(15,684)	(32,485)	(31,095)
Operating income before income taxes		**9,836**	**9,726**	**19,099**	**18,952**
Taxes - deferred	9	600	(600)	900	(500)
Operating income attributable to Unitholders		**10,436**	**9,126**	**19,999**	**18,452**
Finance costs - distributions to Unitholders		(18,760)	(14,870)	(35,927)	(29,621)
Decrease in net assets attributable to Unitholders		**(8,324)**	**(5,744)**	**(15,928)**	**(11,169)**
Other comprehensive income					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		1,042	1,044	2,084	2,098
Net change in derivatives designated as cash flow hedges		(60)	(208)	(60)	358
Other comprehensive income		**982**	**836**	**2,024**	**2,456**
Comprehensive income (loss)		**$ (7,342)**	**$ (4,908)**	**$ (13,904)**	**$ (8,713)**

See accompanying notes to the interim consolidated financial statements.

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

	REIT Units, Special Voting Units and Class B LP Units	Operating Income	Finance Costs - Distributions	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Total	Attributable to	
							REIT Units	Class B LP Units
	(Note 16)							
Balance, January 1, 2012	$ 728,359	$ 151,604	$ (273,284)	$ (25,149)	$ 131	$ 581,661	$ 326,487	$ 255,174
Units released under EUPP	29	-	-	-	(29)	-	-	-
Units issued under EUPP	409	-	-	-	-	409	409	-
Loans receivable under EUPP	(409)	-	-	-	-	(409)	(409)	-
EUPP compensation	-	-	-	-	17	17	17	-
Repayment of EUPP loans receivable	257	-	-	-	-	257	257	-
Conversion of debentures	30,777	-	-	-	-	30,777	30,777	-
Statements of comprehensive income (loss)	-	19,999	(35,927)	2,024	-	(13,904)	(7,925)	(5,979)
Unit issue proceeds, net of costs of $3,210	116,925	-	-	-	-	116,925	64,135	52,790
Balance, June 30, 2012	**$ 876,347**	**$ 171,603**	**$ (309,211)**	**$ (23,125)**	**$ 119**	**$ 715,733**	**$ 413,748**	**$ 301,985**

See accompanying notes to the interim consolidated financial statements.

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

	REIT Units, Special Voting Units and Class B LP Units	Operating Income	Finance Costs - Distributions	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 16)							
Balance, January 1, 2011	$ 629,709	$ 113,389	$ (212,001)	$ (29,264)	$ 142	$ 501,975	$ 268,201	$ 233,774
Units released under EUPP	58	-	-	-	(58)	-	-	-
Units issued under EUPP	281	-	-	-	-	281	281	-
Loans receivable under EUPP	(281)	-	-	-	-	(281)	(281)	-
EUPP compensation	-	-	-	-	47	47	47	-
Repayment of EUPP loans receivable	231	-	-	-	-	231	231	-
Conversion of debentures	25,784	-	-	-	-	25,784	25,784	-
Units acquired and cancelled under NCIB	(281)	-	-	-	-	(281)	(281)	-
Statements of comprehensive income (loss)	-	38,215	(61,283)	4,115	-	(18,953)	(10,530)	(8,423)
Unit issue proceeds, net of costs of $2,245	72,858	-	-	-	-	72,858	43,035	29,823
Balance, December 31, 2011	**$ 728,359**	**$ 151,604**	**$ (273,284)**	**$ (25,149)**	**$ 131**	**$ 581,661**	**$ 326,487**	**$ 255,174**

See accompanying notes to the interim consolidated financial statements.

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

	REIT Units, Special Voting Units and Class B LP Units	Operating Income	Finance Costs - Distributions	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Total	Attributable to	
							REIT Units	Class B LP Units
	(Note 16)							
Balance, January 1, 2011	$ 629,709	$ 113,389	$ (212,001)	$ (29,264)	$ 142	$ 501,975	$ 268,201	$ 233,774
Units issued under EUPP	281	-	-	-	-	281	281	-
Loans receivable under EUPP	(281)	-	-	-	-	(281)	(281)	-
EUPP compensation	-	-	-	-	29	29	29	-
Repayment of EUPP loans receivable	201	-	-	-	-	201	201	-
Conversion of debentures	10,159	-	-	-	-	10,159	10,159	-
Units acquired and cancelled under NCIB	(281)	-	-	-	-	(281)	(281)	-
Statements of comprehensive income (loss)	-	18,452	(29,621)	2,456	-	(8,713)	(4,766)	(3,947)
Balance, June 30, 2011	**$ 639,788**	**$ 131,841**	**$ (241,622)**	**$ (26,808)**	**$ 171**	**$ 503,370**	**$ 273,543**	**$ 229,827**

See accompanying notes to the interim consolidated financial statements.

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

		Three Months Ended June 30,		Six Months Ended June 30,	
Cash flows provided by (used in)	**Note**	**2012**	**2011**	**2012**	**2011**
Operating Activities					
Decrease in net assets attributable to Unitholders		$ (8,324)	$ (5,744)	$ (15,928)	$ (11,169)
Items not affecting operating cash	17	12,944	10,207	23,405	20,136
		4,620	4,463	7,477	8,967
Change in other non-cash operating items	17	7,176	(10,406)	(930)	(5,917)
Cash provided by (used in) operating activities		**11,796**	**(5,943)**	**6,547**	**3,050**
Financing Activities					
Issue of investment property debt		131,800	58,259	136,056	58,259
Increase in deferred financing charges		(1,048)	(746)	(1,273)	(848)
Repayment of investment property debt		(7,730)	(6,096)	(24,535)	(12,104)
Settlement of effective interest rate swap agreement		-	(1,731)	-	(1,731)
Redemption of convertible debentures		(3,707)	-	(3,707)	-
REIT Units and Class B LP Units issued		-	-	120,135	-
REIT Units and Class B LP Units issue costs		-	-	(3,210)	-
REIT Units acquired and cancelled under NCIB		-	(281)	-	(281)
Repayment of EUPP loans receivable		14	16	257	201
Decrease in liabilities related to derecognized property		(45)	(43)	(89)	(85)
Collection of notes receivable		208	259	421	537
Cash provided by (used in) financing activities		**119,492**	**49,637**	**224,055**	**43,948**
Investing Activities					
Acquisition of investment properties		(206,645)	(39,152)	(212,901)	(39,152)
Additions to investment properties		(3,230)	(3,871)	(9,548)	(8,052)
Additions to tenant incentives		(4,041)	(2,100)	(7,926)	(4,734)
Additions to deferred leasing costs		(137)	(164)	(278)	(363)
Decrease in assets related to derecognized property		116	113	139	133
Cash used in investing activities		**(213,937)**	**(45,174)**	**(230,514)**	**(52,168)**
Net change in cash and cash equivalents		**(82,649)**	**(1,480)**	**88**	**(5,170)**
Cash and cash equivalents, beginning of period		**82,791**	**1,480**	**54**	**5,170**
Cash and cash equivalents, end of period		**$ 142**	**$ -**	**$ 142**	**$ -**

See accompanying notes to the interim consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is 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 interim consolidated financial statements for the three months and six months ended June 30, 2012 and June 30, 2011 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The interim consolidated financial statements were authorized for issue by the Board of Trustees on August 7, 2012.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and do not contain all of the information required by IAS 1, Presentation of Financial Statements.

(b) Basis of presentation

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

(c) Presentation of financial statements

The interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. In subsequent periods, 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 June 30, 2012. Subsidiaries are all entities over which Crombie has the power to control the financial and operating policies so as to benefit from its activities. All subsidiaries have a reporting date of June 30, 2012.

All intercompany transactions, balances, income and expenses are eliminated in preparing the interim consolidated financial statements. Where any 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) Significant accounting policies

The Company describes its significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2011.

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. During the year, management revised the useful life of two investment properties. Revisions to the estimated useful lives of investment properties constitutes 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. The impact of this change in accounting estimate resulted in an increase in depreciation expense of $1,666 to June 30, 2012 and an increase in quarterly depreciation expense of approximately $1,400.

There have been no additional changes in the Company's significant accounting policies since December 31, 2011.

3) INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2012	$ 455,713	$ 1,283,032	$ 3,905	$ 1,742,650
Acquisitions	67,222	243,317	-	310,539
Additions	5	6,037	264	6,306
Balance June 30, 2012	522,940	1,532,386	4,169	2,059,495
Accumulated depreciation and amortization				
Opening balance, January 1, 2012	-	118,914	1,653	120,567
Depreciation and amortization	-	17,012	284	17,296
Balance, June 30, 2012	-	135,926	1,937	137,863
Net carrying value, June 30, 2012	$ 522,940	$ 1,396,460	$ 2,232	$ 1,921,632

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2011	$ 418,426	$ 1,161,508	$ 3,276	$ 1,583,210
Acquisitions	39,141	113,367	-	152,508
Additions	8	21,134	629	21,771
Derecognition	(1,862)	(12,977)	-	(14,839)
Balance, December 31, 2011	455,713	1,283,032	3,905	1,742,650
Accumulated depreciation and amortization				
Opening balance, January 1, 2011	-	94,077	1,141	95,218
Depreciation and amortization	-	25,849	512	26,361
Derecognition	-	(1,012)	-	(1,012)
Balance, December 31, 2011	-	118,914	1,653	120,567
Net carrying value, December 31, 2011	$ 455,713	$ 1,164,118	$ 2,252	$ 1,622,083

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2011	$ 418,426	$ 1,161,508	$ 3,276	$ 1,583,210
Acquisitions	14,617	42,338	-	56,955
Additions	4	6,785	101	6,890
Derecognition	(966)	(6,725)	-	(7,691)
Balance, June 30, 2011	432,081	1,203,906	3,377	1,639,364
Accumulated depreciation and amortization				
Opening balance, January 1, 2011	-	94,077	1,141	95,218
Depreciation and amortization	-	12,605	233	12,838
Derecognition	-	(525)	-	(525)
Balance, June 30, 2011	-	106,157	1,374	107,531
Net carrying value, June 30, 2011	$ 432,081	$ 1,097,749	$ 2,003	$ 1,531,833

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

	Fair Value	Carrying Value
June 30, 2012	$ 2,334,000	$ 2,022,798
December 31, 2011	$ 1,918,000	$ 1,703,995
June 30, 2011	$ 1,821,000	$ 1,608,032

Carrying value includes investment properties, intangible assets as well as accrued straight-line rent receivable and tenant incentives which are included in other assets. Fair value represents management's estimate of the amount at which the properties could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's length transaction at the date of valuation.

Investment properties have been fair valued using the methods and key assumptions as described in Crombie's audited consolidated financial statements for the year ended December 31, 2011.

As at June 30, 2012, all properties have been subjected to external, independent appraisal since January 1, 2010.

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
June 30, 2012	6.87%	$ (83,000)	$ 89,000
December 31, 2011	7.37%	$ (64,000)	$ 68,000
June 30, 2011	7.54%	$ (59,000)	$ 63,000

Investment Property Acquisitions

The operating results of acquired properties are included from the respective date of acquisition.

2012

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Purchase (Disposition) Price	Assumed Mortgages	New Mortgages
March 9, 2012	1	40,000	$ 13,800	$ 7,604	$ 1,356
April 10, 2012	22	886,000	254,647	95,754	23,700
June 26, 2012	5	107,000	42,801	-	29,100
		1,033,000	**$ 311,248**	**$ 103,358**	**$ 54,156**

All of the properties acquired during the period were from third parties. The initial purchase prices stated above exclude closing and transaction costs. The April acquisitions, after deducting assumed and new mortgage proceeds, were funded with proceeds from the March 29, 2012, $120,000 REIT and Class B LP Units offering and the floating rate revolving credit facility. The other acquisitions, after deducting assumed and new mortgage proceeds, were funded through Crombie's floating rate revolving credit facility.

2011

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Purchase (Disposition) Price	Assumed Mortgages	New Mortgages
May 2, 2011	1	74,000	$ 21,850	$ 10,708	$ 1,000
May 10, 2011	2	137,000	27,490	-	20,100
May 20, 2011	1	48,000	7,400	-	-
		259,000	**56,740**	**10,708**	**21,100**
May 20, 2011	(1)	(54,000)	(7,400)	-	-
		205,000	**$ 49,340**	**$ 10,708**	**$ 21,100**

All of the above properties, excluding the property acquired on May 2, 2011, were acquired or exchanged with subsidiaries of Empire Company Limited, a related party. The initial purchase price for the acquired properties stated above exclude closing and transaction costs. The purchase price of the acquired property and the disposal price of the derecognized property on May 20, 2011, were based on the carrying value of the derecognized property, which approximated their respective fair values. No gain or loss on disposal was realized. The balance of the acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate revolving credit facility.

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

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended
Investment property acquired, net:	2012	2011	2012	2011	December 31, 2011
Land	$ 64,615	$ 14,617	$ 67,222	$ 14,617	$ 39,141
Buildings	232,326	42,338	243,317	42,338	113,367
Intangible assets	9,901	1,754	10,244	1,754	5,323
Fair value debt adjustment on assumed mortgages	(4,443)	(1,506)	(4,524)	(1,506)	(1,543)
Net purchase price	302,399	57,203	316,259	57,203	156,288
Assumed mortgages	(95,754)	(10,708)	(103,358)	(10,708)	(13,585)
	$ 206,645	$ 46,495	$ 212,901	$ 46,495	$ 142,703
Consideration funded by:					
Revolving credit facility	$ 36,920	$ 25,395	$ 41,820	$ 25,395	$ 58,473
Mortgage financing	52,800	21,100	54,156	21,100	84,230
Cash from REIT Unit offering	116,925	-	116,925	-	-
Total consideration paid	$ 206,645	$ 46,495	$ 212,901	$ 46,495	$ 142,703

4) INTANGIBLE ASSETS

Tenant Relationships	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2012	$ 60,648	$ 34,416	$ 26,232
Acquisitions	10,244	-	10,244
Amortization	-	2,581	(2,581)
Balance, June 30, 2012	**$ 70,892**	**$ 36,997**	**$ 33,895**
Balance, January 1, 2011	$ 55,776	$ 29,518	$ 26,258
Acquisitions	1,754	-	1,754
Amortization	-	2,529	(2,529)
Derecognition	(239)	(64)	(175)
Balance, June 30, 2011	**$ 57,291**	**$ 31,983**	**$ 25,308**

5) OTHER ASSETS

	June 30, 2012	December 31, 2011	June 30, 2011
Trade receivables	$ 13,529	$ 7,767	$ 9,152
Provision for doubtful accounts	(891)	(401)	(648)
Net trade receivables	12,638	7,366	8,504
Accrued straight-line rent receivable	20,100	17,785	16,046
Tenant incentives	47,171	37,895	34,845
Prepaid expenses and deposits	12,605	6,289	11,266
Restricted cash	1,380	1,310	49
Assets related to derecognized property	6,262	6,401	6,537
	$ 100,156	**$ 77,046**	**$ 77,247**

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2012	$ 56,413	$ 18,518	$ 37,895
Additions	12,348	-	12,348
Amortization	-	3,072	(3,072)
Balance, June 30, 2012	**$ 68,761**	**$ 21,590**	**$ 47,171**
Balance, January 1, 2011	$ 46,798	$ 13,350	$ 33,448
Additions	3,866	-	3,866
Amortization	-	2,467	(2,467)
Derecognition	(3)	(1)	(2)
Balance, June 30, 2011	**$ 50,661**	**$ 15,816**	**$ 34,845**

6) NOTES RECEIVABLE

On March 23, 2006, Crombie acquired 44 properties from Empire Company Limited's subsidiary, ECL Properties Limited ("ECL") and certain affiliates, resulting in ECL Developments Limited issuing two demand 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.

The balance of each note is as follows:

	June 30, 2012	December 31, 2011	June 30, 2011
Capital expenditure program	$ 105	$ 105	$ 105
Interest rate subsidy	2,841	3,262	3,701
	$ 2,946	**$ 3,367**	**$ 3,806**

7) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2012
Fixed rate mortgages	3.33 - 6.90%	5.35%	7.3 years	$ 995,893
Floating rate revolving credit facility		3.08%	3 years	109,000
Deferred financing charges				(7,941)
				$ 1,096,952

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2011
Fixed rate mortgages	4.06 - 7.30%	5.62%	7.9 years	$ 845,490
Floating rate revolving credit facility		3.20%	2.5 years	40,000
Deferred financing charges				(7,483)
				$ 878,007

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2011
Fixed rate mortgages	4.53 - 7.30%	5.77%	7.4 years	$ 763,875
Floating rate revolving credit facility		3.20%	3.0 years	100,159
Deferred financing charges				(6,726)
				$ 857,308

As at June 30, 2012, debt retirements for the next 5 years are:

12 Months ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
June 30, 2013	$ 31,191	$ 17,239	$ -	$ 48,430
June 30, 2014	31,044	92,443	-	123,487
June 30, 2015	29,684	47,636	109,000	186,320
June 30, 2016	28,758	75,005	-	103,763
June 30, 2017	22,453	70,867	-	93,320
Thereafter	124,836	414,715	-	539,551
	$ 267,966	$ 717,905	$ 109,000	1,094,871
Deferred financing charges				(7,941)
Unamortized fair value debt adjustment				10,022
				$ 1,096,952

Specific investment properties with a carrying value of $1,921,302 as at June 30, 2012 (December 31, 2011 - $1,625,674; June 30, 2011 - $1,502,985) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, intangible assets, as well as accrued straight-line rent and tenant incentives which are included in other assets.

Mortgage activity during 2012

Date		Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
January 20, 2012	New	1	3.33%	5	25	$ 2,900
March 9, 2012	Assumed	1	4.06%	5	20	7,604
March 9, 2012	New	1	4.06%	5	20	1,356
April 10, 2012	New	1	4.50%	15	25	2,700
April 10, 2012	New	1	3.96%	10	25	21,000
April 10, 2012	Assumed [(1)]	18	3.86%	4	22	95,754
June 26, 2012	New	1	4.15%	15	25	6,150
June 26, 2012	New	1	4.15%	10	25	7,950
June 26, 2012	New	1	4.32%	17	25	3,860
June 26, 2012	New	2	4.33%	17	25	11,140
						$ 160,414

(1) The mortgages assumed on April 10, 2012, are at the weighted average interest rate. The terms and amortization periods are reflected at the weighted average remaining terms and amortization periods on assumption.

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $200,000 (December 31, 2011 and June 30, 2011 - $150,000) and matures June 30, 2015. It is used by Crombie for working capital purposes and to provide financing for future acquisitions. It is secured by a pool of first and second mortgages on certain properties and subject to available borrowing base. The floating interest rate is based on bankers' acceptance rates or specific margins over prime rate. The specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds.

On June 22, 2012, as part of the annual renewal, the revolving credit facility's accordion feature was exercised and approved by lenders which increased the maximum principal amount thereof from $150,000 to $200,000.

See Note 19(a) for fair value information.

8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	June 30, 2012	December 31, 2011	June 30, 2011
7% (CRR.DB)	$ 13.00	March 20, 2013	7.00%	$ -	$ 29,985	$ 29,985
Series B (CRR.DB.B)	$ 11.00	June 30, 2015	6.25%	47,980	52,479	68,104
Series C (CRR.DB.C)	$ 15.30	June 30, 2017	5.75%	45,000	45,000	45,000
Deferred financing charges				(2,358)	(3,113)	(3,985)
				$ 90,622	**$ 124,351**	**$ 139,104**

Debenture Conversions	Conversion Price	Six Months Ended June 30, 2012	Year Ended December 31, 2011	Six Months Ended June 30, 2011
7%	$ 13.00	$ 26,278	$ -	$ -
Series B	$ 11.00	4,499	25,784	10,159
		$ 30,777	**$ 25,784**	**$ 10,159**
REIT Units Issued		2,430,366	2,343,981	923,533

As at June 30, 2012, debenture retirements for the next 5 years are:

12 Months ending	Series B	Series C	Total
June 30, 2013	$ -	$ -	$ -
June 30, 2014	-	-	-
June 30, 2015	47,980	-	47,980
June 30, 2016	-	-	-
June 30, 2017	-	45,000	45,000
Thereafter	-	-	-
	$ 47,980	$ 45,000	92,980
Deferred financing charges			(2,358)
			$ 90,622

On April 18, 2012, Crombie announced it had exercised its right to redeem the remaining outstanding principal amount of its 7.00% Extendible Convertible Unsecured Subordinated Debentures (the "7% Debentures") maturing on March 20, 2013, in accordance with the terms of the Trust Indenture. Holders of 7% Debentures were entitled to convert their 7% Debentures to Units based on the conversion price of $13.00 per Unit until May 22, 2012. The redemption of the then outstanding 7% Debentures was completed on May 23, 2012 for a total payment of $3,707 on account of principal plus accrued interest.

9) INCOME TAXES

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

	June 30, 2012	December 31, 2011	June 30, 2011
Tax liabilities relating to difference in tax and book value	$ 93,507	$ 93,837	$ 93,929
Tax asset relating to non-capital loss carry-forward	(12,007)	(11,437)	(10,729)
Deferred tax liability	**$ 81,500**	**$ 82,400**	**$ 83,200**

The income tax recovery (expense) consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Provision for income taxes at the expected rate	$ (3,073)	$ (3,008)	$ (5,968)	$ (5,922)
Tax effect of income attribution to Crombie's Unitholders	3,673	3,208	6,868	6,222
Decreased income tax resulting from a change in the expected rate	-	(800)	-	(800)
Taxes - deferred	**$ 600**	**$ (600)**	**$ 900**	**$ (500)**

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

10) EMPLOYEE FUTURE BENEFITS

For the three months and six months ended June 30, 2012, the net defined contribution pension plans expense were $126 and $260 respectively (three months and six months ended June 30, 2011 - $117 and $335 respectively).

11) TRADE AND OTHER PAYABLES

	June 30, 2012	**December 31, 2011**	**June 30, 2011**
Tenant incentives and capital expenditures	$ 19,986	$ 19,084	$ 16,670
Property operating costs	26,500	17,231	14,064
Advance rents	3,678	3,631	3,250
Finance costs on investment property debt and debentures	4,102	3,624	3,510
Distributions payable	6,308	5,511	4,972
Fair value of interest rate swap agreements	60	-	400
Liabilities related to derecognized property	5,910	5,999	6,086
	$ 66,544	**$ 55,080**	**$ 48,952**

12) PROPERTY REVENUE

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Rental revenue contractually due from tenants	$ 63,420	$ 55,864	$ 122,672	$ 111,929
Contingent rental revenue	491	627	1,178	1,398
Straight-line rent recognition	1,294	987	2,315	1,815
Tenant incentive amortization	(1,559)	(1,121)	(3,072)	(2,467)
	$ 63,646	**$ 56,357**	**$ 123,093**	**$ 112,675**

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		**2011**		**2012**		**2011**	
	Revenue	**Percentage**	**Revenue**	**Percentage**	**Revenue**	**Percentage**	**Revenue**	**Percentage**
Sobeys Inc.	$ 24,421	38.4%	$ 19,419	34.5%	$ 41,201	33.5%	$ 36,645	32.5%

13) OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at June 30, 2012, is as follows:

	Remaining	Year Ending December 31,					
	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Future minimum rental income	$ 96,488	$ 159,636	$ 150,306	$ 140,808	$ 131,345	$1,083,941	$ 1,762,524

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 13 to 73 years including renewal options:

	Remaining	Year Ending December 31,					
	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Future minimum lease payments	$ 637	$ 1,227	$ 1,228	$ 1,229	$ 1,231	$ 47,225	$ 52,777

14) EMPLOYEE BENEFIT EXPENSE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Wages and salaries	$ 3,965	$ 3,765	$ 10,017	$ 8,739
Post-employment benefits	126	117	260	335
	$ 4,091	**$ 3,882**	**$ 10,277**	**$ 9,074**

15) FINANCE COSTS – OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Fixed rate mortgages	$ 14,355	$ 12,507	$ 27,655	$ 24,876
Floating rate term, revolving and demand facilities	834	883	1,295	1,584
Convertible debentures	1,546	2,294	3,535	4,635
Finance costs - operations	**16,735**	**15,684**	**32,485**	**31,095**
Amortization of fair value debt adjustment and accretion income	622	429	1,026	864
Change in accrued finance costs	1,675	2,284	(478)	(50)
Amortization of effective swap agreements	(1,042)	(1,044)	(2,084)	(2,098)
Amortization of deferred financing charges	(875)	(805)	(1,570)	(1,490)
Finance costs - operations, paid	**$ 17,115**	**$ 16,548**	**$ 29,379**	**$ 28,321**

16) 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, 2012	41,181,881	$ 403,895	33,115,360	$ 324,464	74,297,241	$ 728,359
Units issued (proceeds are net of issue costs)	4,630,000	64,135	3,655,200	52,790	8,285,200	116,925
Units issued under EUPP	28,893	409	-	-	28,893	409
Units released under EUPP	-	29	-	-	-	29
Net change in EUPP loans receivable	-	(152)	-	-	-	(152)
Conversion of debentures	2,430,366	30,777	-	-	2,430,366	30,777
Balance, June 30, 2012	**48,271,140**	**$ 499,093**	**36,770,560**	**$ 377,254**	**85,041,700**	**$ 876,347**

	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, 2011	35,327,900	$ 335,068	30,780,730	$ 294,641	66,108,630	$ 629,709
Units issued (proceeds are net of issue costs)	3,510,000	43,035	2,334,630	29,823	5,844,630	72,858
Units issued under EUPP	21,417	281	-	-	21,417	281
Units released under EUPP	-	58	-	-	-	58
Net change in EUPP loans receivable	-	(50)	-	-	-	(50)
Conversion of debentures	2,343,981	25,784	-	-	2,343,981	25,784
Units acquired and cancelled under NCIB	(21,417)	(281)	-	-	(21,417)	(281)
Balance, December 31, 2011	**41,181,881**	**$ 403,895**	**33,115,360**	**$ 324,464**	**74,297,241**	**$ 728,359**

	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, 2011	35,327,900	$ 335,068	30,780,730	$ 294,641	66,108,630	$ 629,709
Units issued under EUPP	21,417	281	-	-	21,417	281
Net change in EUPP loans receivable	-	(80)	-	-	-	(80)
Conversion of debentures	923,533	10,159	-	-	923,533	10,159
Units acquired and cancelled under NCIB	(21,417)	(281)	-	-	(21,417)	(281)
Balance, June 30, 2011	**36,251,433**	**$ 345,147**	**30,780,730**	**$ 294,641**	**67,032,163**	**$ 639,788**

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

On March 29, 2012, Crombie closed a public offering, on a bought deal basis, of 4,630,000 Units, at a price of $14.50 per Unit for gross proceeds of $67,135. Concurrently, with the issuance of the REIT Units, ECL Developments Limited purchased 3,655,200 Class B LP Units and the associated SVUs at a price per Class B LP Unit of $14.50 for gross proceeds of $53,000 on a private placement basis.

During the first six months of 2012, $26,278 of 7% Debentures were converted to a total of 2,021,373 REIT Units at the conversion price of $13.00 per Unit.

During the first six months of 2012, $4,499 of Series B Convertible Debentures were converted to a total of 408,993 REIT Units at the conversion price of $11.00 per Unit.

17) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Items not affecting operating cash:				
Accrued straight-line rent	$ (1,294)	$ (987)	$ (2,315)	$ (1,815)
Amortization of tenant incentives	1,559	1,121	3,072	2,467
Depreciation of investment properties	9,771	6,304	17,012	12,605
Amortization of intangible assets	1,443	1,195	2,581	2,529
Amortization of deferred leasing costs	138	111	284	233
Unit based compensation	10	14	17	29
Amortization of effective swap agreements	1,042	1,044	2,084	2,098
Amortization of deferred financing charges	875	805	1,570	1,490
Taxes – deferred	(600)	600	(900)	500
	$ 12,944	**$ 10,207**	**$ 23,405**	**$ 20,136**

b) Change in other non-cash operating items

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Cash provided by (used in):				
Trade receivables	$ (4,924)	$ (3,961)	$ (5,272)	$ (3,238)
Prepaid expenses and deposits and other assets	4,825	(4,231)	(6,386)	(5,456)
Payables and other liabilities	7,275	(2,214)	10,728	2,777
	$ 7,176	**$ (10,406)**	**$ (930)**	**$ (5,917)**

18) 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 June 30, 2012, Empire Company Limited, through its wholly-owned subsidiary ECL Developments Limited, holds a 43.2% (fully diluted 40.8%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2012	**2011**	**2012**	**2011**
Property revenue	(a)	$ 26,669	$ 22,834	$ 45,405	$ 40,372
Head lease income	(b)	$ 260	$ 213	$ 663	$ 356
Management support services provided	(c)	$ 143	$ 262	$ 346	$ 527
Property management services	(d)	$ 181	$ 296	$ 389	$ 561
Rental expense	(e)	$ 47	$ 47	$ 94	$ 94
Interest rate subsidy	(b)	$ 267	$ 334	$ 542	$ 692
Finance costs - operations	(f)	$ 156	$ 232	$ 312	$ 464
Finance costs - distributions to Unitholders		$ 8,181	$ 6,849	$ 15,821	$ 13,698

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

(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 real estate subsidiaries of Empire Company Limited 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 Company Limited.

(d) Certain on-site maintenance and management employees of Crombie provide property management services to certain subsidiaries of Empire Company Limited 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. The lease expires December 2027.

(f) $10,000 of Series B Convertible Debentures with an annual interest rate of 6.25% is held by Empire Company Limited.

In addition to the above:

- On March 29, 2012, concurrently with a public offering of units, ECL Developments Limited purchased 3,655,200 Class B LP Units and the attached SVUs at a price of $14.50 per Class B LP Unit for proceeds of $52,790 net of issue costs, on a private placement basis.

- During the second quarter of 2011, Crombie acquired two retail properties for a purchase price of $27,490, excluding closing and transaction costs. The properties contain approximately 137,000 square feet with one located Nova Scotia and one in Ontario. They were acquired from subsidiaries of Empire Company Limited. In addition, Crombie exchanged a property with a subsidiary of Empire Company Limited. The purchase price of the acquired property and the disposal price of the derecognized property were based on the carrying value of the derecognized property, which approximated their respective fair values.

- During the third quarter of 2011, Crombie acquired three retail properties for a purchase price of $24,820, excluding closing and transaction costs. The properties contain approximately 131,000 square feet with two located in Ontario and one in Quebec. They were acquired from subsidiaries of Empire Company Limited.

- On October 20, 2011, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 2,334,630 Class B LP Units and the attached SVUs at a price of $12.85 per Class B LP Unit for proceeds of $29,823 net of issue costs, on a private placement basis.

- On October 31, 2011, Crombie repaid $5,622 in second mortgage financings with a weighted average interest rate of 5.38% held by Empire Company Limited.

- During the fourth quarter of 2011, Crombie acquired three retail properties from subsidiaries of Empire Company Limited. The properties contain approximately 261,000 square feet with two located in Nova Scotia and one in Ontario. The total price of the three acquisitions was approximately $67,280, excluding closing and transaction costs. In addition, Crombie completed the disposition of a 49,300 square foot freestanding retail property in Riverview, New Brunswick to a subsidiary of Empire Company Limited. The disposition price was $7,000, which approximated the carrying value of the property. Crombie paid out the mortgage on the property of $2,449.

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 June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Salary, bonus and other short-term employee benefits	$ 671	$ 492	$ 1,314	$ 1,023
Other long-term benefits	25	19	49	105
	$ 696	$ 511	$ 1,363	$ 1,128

19) FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair values at the balance sheet date.

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.

The following table summarizes the carrying value (excluding deferred financing charges) and fair value of those financial instruments which have a fair value different from their carrying value at the balance sheet date.

	June 30, 2012		December 31, 2011		June 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets related to derecognized property	$ 6,262	$ 6,332	$ 6,401	$ 6,547	$ 6,537	$ 6,675
Investment property debt	$ 1,104,893	$ 1,203,262	$ 885,490	$ 985,627	$ 864,034	$ 912,242
Convertible debentures	$ 92,980	$ 111,173	$ 127,464	$ 145,911	$ 143,089	$ 159,590
Liabilities related to derecognized property	$ 5,910	$ 6,167	$ 5,999	$ 6,350	$ 6,086	$ 6,362

Crombie uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

Level 1 - quoted prices in active markets

Level 2 - inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly

Level 3 - inputs are not based on observable market data (unobservable inputs)

The following categorizes and summarizes the significant methods and assumptions used in estimating the fair values of the financial instruments reflected in the above table:

Level 1:

Convertible debentures: The fair value of the convertible debentures is estimated based on their market trading prices at the reporting date.

Assets related to derecognized property: The fair value of the bonds and treasury bills are based on market trading prices at the reporting date.

Level 3:

Investment property debt and liabilities related to derecognized property: The fair value of Crombie's investment property debt and liabilities related to derecognized property is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying debt, plus an estimated credit spread at the reporting date.

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 action 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. 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 (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. There have been no significant changes to Crombie's credit risk since December 31, 2011.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. 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**
Three Months Ended June 30, 2012	$ 128	$ (128)
Three Months Ended June 30, 2011	$ 172	$ (172)
Six Months Ended June 30, 2012	$ 176	$ (176)
Six Months Ended June 30, 2011	$ 296	$ (296)

Crombie does not enter into interest rate swap transactions on a speculative basis. As part of the April 10, 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014.

There have been no significant changes to Crombie's interest rate risk since December 31, 2011.

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 and/or refinance debt obligations as they mature.

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

		Twelve Months Ending June 30,					
	Contractual Cash Flows[1]	**2013**	**2014**	**2015**	**2016**	**2017**	**Thereafter**
Fixed rate mortgages[2]	$ 1,312,679	$ 100,431	$ 171,348	$ 119,723	$ 140,975	$ 125,466	$ 654,736
Convertible debentures	114,917	5,587	5,587	53,567	2,588	47,588	-
	1,427,596	106,018	176,935	173,290	143,563	173,054	654,736
Floating rate revolving credit facility	119,071	3,357	3,357	112,357	-	-	-
Total	$ 1,546,667	$ 109,375	$ 180,292	$ 285,647	$ 143,563	$ 173,054	$ 654,736

(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 since December 31, 2011.

20) 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 60% 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:

	June 30, 2012	December 31, 2011	June 30, 2011
Investment property debt	$ 1,096,952	$ 878,007	$ 857,308
Convertible debentures	90,622	124,351	139,104
Crombie REIT Unitholders	413,748	326,487	273,543
SVU and Class B LP Unitholders	301,985	255,174	229,827
	$ 1,903,307	$ 1,584,019	$ 1,499,782

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).

Crombie does not include 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, in total debt for purposes of its debt to gross book value calculation. Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

	June 30, 2012	December 31, 2011	June 30, 2011
Fixed rate mortgages	$ 995,893	$ 845,490	$ 763,875
Convertible debentures	92,980	127,464	143,089
Revolving credit facility	109,000	40,000	100,159
Total debt outstanding	1,197,873	1,012,954	1,007,123
Less: Applicable fair value debt adjustment	(4,296)	(4,837)	(5,414)
Debt	$ 1,193,577	$ 1,008,117	$ 1,001,709
Investment properties, cost	$ 2,059,495	$ 1,742,650	$ 1,639,364
Below-market lease component, cost [(1)]	61,728	58,064	55,885
Intangible assets, cost	70,892	60,648	57,291
Notes receivable	2,946	3,367	3,806
Other assets, cost (see below)	115,484	89,163	86,526
Cash and cash equivalents	142	54	-
Deferred financing charges	10,299	10,596	10,711
Interest rate subsidy	(4,296)	(4,837)	(5,414)
Fair value adjustment to deferred taxes	(39,245)	(39,245)	(39,245)
	$ 2,277,445	$ 1,920,460	$ 1,808,924
Debt to gross book value	52.4%	52.5%	55.4%

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

Other assets are calculated as follows:

	June 30, 2012	December 31, 2011	June 30, 2011
Other assets per Note 5	$ 100,156	$ 77,046	$ 77,247
Add back (deduct):			
Tenant incentive accumulated amortization	21,590	18,518	15,816
Assets related to derecognized property	(6,262)	(6,401)	(6,537)
Other assets, cost	$ 115,484	$ 89,163	$ 86,526

As at June 30, 2012, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

21) 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 entered into a management cost sharing agreement with a subsidiary of Empire Company Limited. Details of this agreement are disclosed in "Related Party Transactions" (Note 18).

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. Crombie has $2,118 in standby letters of credit for construction work that is being performed on its investment properties. In connection with the defeasance of the derecognized property investment property debt, Crombie has issued a standby letter of credit in the amount of $1,715 in favour of the mortgage lender. In addition, to satisfy the requirements of mortgage financings, Crombie has issued standby letters of credit in the amount of $9,597 in favour of mortgage lenders primarily related to redevelopment properties. 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 13 to 73 years including renewal options. For the three months and six months ended June 30, 2012, Crombie paid $305 and $605 respectively in land lease payments to third party landlords (three months and six months ended June 30, 2011 - $294 and $588 respectively). Crombie's commitments under the land leases are disclosed in Note 13.

As at June 30, 2012, Crombie had signed construction contracts totaling $16,145 of which $11,962 has been paid.

22) SUBSEQUENT EVENTS

(a) On July 3, 2012, Crombie issued $60,000 of convertible unsecured subordinate debentures (the "Series D Debentures" or the "Debentures"). The Debentures have an interest rate of 5.00% per annum and will pay interest semi-annually in arrears on March 31 and September 30 each year commencing on September 30, 2012. Each one thousand dollars principal amount of Debenture is convertible into approximately 49.7512 units of Crombie, at any time, at the option of the holder, representing a conversion price of $20.10 per unit. The Debentures mature on September 30, 2019. Empire Company Limited has acquired $24,000 of these Series D Debentures on the same terms, in satisfaction of wholly-owned ECL Developments Limited's pre-emptive right with respect to the Debenture offering.

(b) On July 18, 2012, Crombie declared distributions of 7.417 cents per unit for the period from July 1, 2012, to and including, July 31, 2012. The distributions of $6,421 will be payable on August 15, 2012, to Unitholders of record as of July 31, 2012.

23) 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.

24) 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.