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

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

	Note	September 30, 2012	December 31, 2011	September 30, 2011
Assets				
Non-current assets				
Investment properties	3	$ 1,948,042	$ 1,622,083	$ 1,556,428
Intangible assets	4	33,778	26,232	25,309
Other assets	5	70,447	56,436	53,803
Notes receivable	6	1,886	2,440	2,743
		2,054,153	1,707,191	1,638,283
Current assets				
Cash and cash equivalents		-	54	-
Other assets	5	26,541	20,610	21,040
Notes receivable	6	857	927	842
		27,398	21,591	21,882
Total Assets		**2,081,551**	**1,728,782**	**1,660,165**
Liabilities				
Non-current liabilities				
Investment property debt	7	1,013,159	847,201	849,768
Convertible debentures	8	121,559	124,351	124,332
Deferred taxes	9	81,000	82,400	83,000
Employee future benefits obligation		7,278	7,069	6,135
Trade and other payables	11	5,675	5,818	5,864
		1,228,671	1,066,839	1,069,099
Current liabilities				
Investment property debt	7	53,407	30,806	29,427
Employee future benefits obligation		214	214	212
Trade and other payables	11	65,187	49,262	47,214
		118,808	80,282	76,853
Total liabilities excluding net assets attributable to Unitholders		**1,347,479**	**1,147,121**	**1,145,952**
Net assets attributable to Unitholders		**$ 734,072**	**$ 581,661**	**$ 514,213**
Net assets attributable to Unitholders represented by				
Crombie REIT Unitholders		$ 436,086	$ 326,487	$ 286,407
Special Voting Units and Class B Limited Partnership Unitholders		297,986	255,174	227,806
		$ 734,072	**$ 581,661**	**$ 514,213**
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 September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Property revenue	12	$ 64,459	$ 54,781	$ 187,552	$ 167,456
Property operating expenses		21,731	19,611	67,368	61,674
Net property income		**42,728**	**35,170**	**120,184**	**105,782**
Lease terminations		273	-	386	163
Depreciation of investment properties	3	(10,417)	(6,435)	(27,429)	(19,040)
Amortization of deferred leasing costs	3	(154)	(137)	(438)	(370)
Amortization of intangible assets	4	(1,629)	(1,146)	(4,210)	(3,675)
General and administrative expenses		(3,105)	(2,487)	(9,213)	(7,848)
Operating income before finance costs and income taxes		**27,696**	**24,965**	**79,280**	**75,012**
Finance costs - operations	15	(20,285)	(16,075)	(52,770)	(47,170)
Operating income before income taxes		**7,411**	**8,890**	**26,510**	**27,842**
Taxes - deferred	9	500	200	1,400	(300)
Operating income attributable to Unitholders		**7,911**	**9,090**	**27,910**	**27,542**
Finance costs - distributions to Unitholders		(19,343)	(15,132)	(55,270)	(44,753)
Decrease in net assets attributable to Unitholders		**(11,432)**	**(6,042)**	**(27,360)**	**(17,211)**
Other comprehensive income					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		1,751	1,038	3,835	3,136
Net change in derivatives designated as cash flow hedges		7	400	(53)	758
Other comprehensive income		**1,758**	**1,438**	**3,782**	**3,894**
Comprehensive income (loss)		**$ (9,674)**	**$ (4,604)**	**$ (23,578)**	**$ (13,317)**

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	-	-	-	-	26	26	26	-
Repayment of EUPP loans receivable	273	-	-	-	-	273	273	-
Conversion of debentures	58,765	-	-	-	-	58,765	58,765	-
Statements of comprehensive income (loss)	-	27,910	(55,270)	3,782	-	(23,578)	(13,600)	(9,978)
Unit issue proceeds, net of costs of $3,210	116,925	-	-	-	-	116,925	64,135	52,790
Balance, September 30, 2012	**$ 904,351**	**$ 179,514**	**$ (328,554)**	**$ (21,367)**	**$ 128**	**$ 734,072**	**$ 436,086**	**$ 297,986**

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	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 issued under EUPP	281	-	-	-	-	281	281	-
Loans receivable under EUPP	(281)	-	-	-	-	(281)	(281)	-
EUPP compensation	-	-	-	-	39	39	39	-
Repayment of EUPP loans receivable	217	-	-	-	-	217	217	-
Conversion of debentures	25,580	-	-	-	-	25,580	25,580	-
Units acquired and cancelled under NCIB	(281)	-	-	-	-	(281)	(281)	-
Statements of comprehensive income (loss)	-	27,542	(44,753)	3,894	-	(13,317)	(7,349)	(5,968)
Balance, September 30, 2011	**$ 655,225**	**$ 140,931**	**$ (256,754)**	**$ (25,370)**	**$ 181**	**$ 514,213**	**$ 286,407**	**$ 227,806**

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)

Cash flows provided by (used in)	Note	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Operating Activities					
Decrease in net assets attributable to Unitholders		$ (11,432)	$ (6,042)	$ (27,360)	$ (17,211)
Items not affecting operating cash	17	16,396	10,125	39,801	30,261
		4,964	4,083	12,441	13,050
Change in other non-cash operating items	17	8,628	6,371	7,698	454
Cash provided by (used in) operating activities		**13,592**	**10,454**	**20,139**	**13,504**
Financing Activities					
Issue of investment property debt		18,100	36,286	154,156	94,545
Increase in deferred financing charges		(869)	(324)	(2,142)	(1,172)
Repayment of investment property debt		(54,744)	(14,416)	(79,279)	(26,520)
Issue of convertible debentures		60,000	-	60,000	-
Issue costs of convertible debentures		(1,815)	-	(1,815)	-
Redemption of convertible debentures		-	-	(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)
Settlement of effective interest rate swap agreement		-	-	-	(1,731)
Repayment of EUPP loans receivable		16	16	273	217
Decrease in liabilities related to derecognized property		(46)	(43)	(135)	(128)
Collection of notes receivable		203	221	624	758
Cash provided by (used in) financing activities		**20,845**	**21,740**	**244,900**	**65,688**
Investing Activities					
Acquisition of investment properties		(25,005)	(25,419)	(237,906)	(64,570)
Additions to investment properties		(5,622)	(4,213)	(15,170)	(12,266)
Additions to tenant incentives		(3,438)	(2,351)	(11,364)	(7,085)
Additions to deferred leasing costs		(537)	(233)	(815)	(596)
Decrease in assets related to derecognized property		23	22	162	155
Cash provided by (used in) investing activities		**(34,579)**	**(32,194)**	**(265,093)**	**(84,362)**
Net change in cash and cash equivalents		**(142)**	**-**	**(54)**	**(5,170)**
Cash and cash equivalents, beginning of period		**142**	**-**	**54**	**5,170**
Cash and cash equivalents, end of period		**$ -**	**$ -**	**$ -**	**$ -**

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 nine months ended September 30, 2012 and September 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 November 13, 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 September 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 September 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 $3,157 to September 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	76,712	262,729	-	339,441
Additions	7	13,575	803	14,385
Balance September 30, 2012	532,432	1,559,336	4,708	2,096,476
Accumulated depreciation and amortization				
Opening balance, January 1, 2012	-	118,914	1,653	120,567
Depreciation and amortization	-	27,429	438	27,867
Balance, September 30, 2012	-	146,343	2,091	148,434
Net carrying value, September 30, 2012	$ 532,432	$ 1,412,993	$ 2,617	$ 1,948,042

	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	22,789	58,438	-	81,227
Additions	7	13,379	399	13,785
Derecognition	(966)	(6,725)	-	(7,691)
Balance, September 30, 2011	440,256	1,226,600	3,675	1,670,531
Accumulated depreciation and amortization				
Opening balance, January 1, 2011	-	94,077	1,141	95,218
Depreciation and amortization	-	19,040	370	19,410
Derecognition	-	(525)	-	(525)
Balance, September 30, 2011	-	112,592	1,511	114,103
Net carrying value, September 30, 2011	$ 440,256	$ 1,114,008	$ 2,164	$ 1,556,428

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

	Fair Value	Carrying Value
September 30, 2012	$ 2,459,000	$ 2,053,057
December 31, 2011	$ 1,918,000	$ 1,703,995
September 30, 2011	$ 1,842,000	$ 1,634,103

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 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 September 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
September 30, 2012	6.66%	$ (90,000)	$ 96,000
December 31, 2011	7.37%	$ (64,000)	$ 68,000
September 30, 2011	7.53%	$ (60,000)	$ 64,000

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
August 16, 2012	1	41,000	9,600	5,126	-
August 31, 2012	1	135,000	20,000	-	-
		1,209,000	**$ 340,848**	**$ 108,484**	**$ 54,156**

All of the properties acquired during the year were from third parties. The initial purchase prices stated above exclude closing and transaction costs. With the exception of the April 10, 2012, transactions, the balance of the acquisitions, after deducting assumed and new mortgage proceeds, were funded through Crombie's floating rate revolving credit facility. 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.

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	-	-
September 15, 2011	1	60,000	13,040	-	9,130
September 28, 2011	2	71,000	11,780	-	-
		390,000	**81,560**	**10,708**	**30,230**
May 20, 2011	(1)	(54,000)	(7,400)	-	-
		336,000	**$ 74,160**	**$ 10,708**	**$ 30,230**

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 September 30,		Nine Months Ended September 30,		Year Ended
Investment property acquired, net:	**2012**	**2011**	**2012**	**2011**	**December 31, 2011**
Land	$ 9,490	$ 8,172	$ 76,712	$ 22,789	$ 39,141
Buildings	19,412	16,100	262,729	58,438	113,367
Intangible assets	1,512	1,147	11,756	2,901	5,323
Fair value debt adjustment on assumed mortgages	(283)	-	(4,807)	(1,506)	(1,543)
Net purchase price	30,131	25,419	346,390	82,622	156,288
Assumed mortgages	(5,126)	-	(108,484)	(10,708)	(13,585)
	$ 25,005	$ 25,419	$ 237,906	$ 71,914	$ 142,703
Consideration funded by:					
Revolving credit facility	$ 25,005	$ 16,289	$ 66,825	$ 41,684	$ 58,473
Mortgage financing	-	9,130	54,156	30,230	84,230
Cash from REIT Unit offering	-	-	116,925	-	-
Total consideration paid	$ 25,005	$ 25,419	$ 237,906	$ 71,914	$ 142,703

4) INTANGIBLE ASSETS

Tenant Relationships	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2012	$ 60,648	$ 34,416	$ 26,232
Acquisitions	11,756	-	11,756
Amortization	-	4,210	(4,210)
Balance, September 30, 2012	**$ 72,404**	**$ 38,626**	**$ 33,778**
Balance, January 1, 2011	$ 55,776	$ 29,518	$ 26,258
Acquisitions	2,901	-	2,901
Amortization	-	3,675	(3,675)
Derecognition	(239)	(64)	(175)
Balance, September 30, 2011	**$ 58,438**	**$ 33,129**	**$ 25,309**

5) OTHER ASSETS

	September 30, 2012	December 31, 2011	September 30, 2011
Trade receivables	$ 9,211	$ 7,767	$ 8,428
Provision for doubtful accounts	(674)	(401)	(492)
Net trade receivables	8,537	7,366	7,936
Accrued straight-line rent receivable	21,349	17,785	16,846
Tenant incentives	49,888	37,895	35,520
Prepaid expenses and deposits	9,211	6,289	8,026
Restricted cash	1,764	1,310	-
Assets related to derecognized property	6,239	6,401	6,515
	$ 96,988	**$ 77,046**	**$ 74,843**

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2012	$ 56,413	$ 18,518	$ 37,895
Additions	16,792	-	16,792
Amortization	-	4,799	(4,799)
Balance, September 30, 2012	**$ 73,205**	**$ 23,317**	**$ 49,888**
Balance, January 1, 2011	$ 46,798	$ 13,350	$ 33,448
Additions	5,910	-	5,910
Amortization	-	3,836	(3,836)
Derecognition	(3)	(1)	(2)
Balance, September 30, 2011	**$ 52,705**	**$ 17,185**	**$ 35,520**

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:

	September 30, 2012	December 31, 2011	September 30, 2011
Capital expenditure program	$ 105	$ 105	$ 105
Interest rate subsidy	2,638	3,262	3,480
	$ 2,743	**$ 3,367**	**$ 3,585**

7) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	September 30, 2012
Fixed rate mortgages	3.12 - 6.90%	5.27%	7.6 years	$ 918,403
Floating rate revolving credit facility		3.07%	2.8 years	62,558
Floating rate term credit facility		3.07%	2.5 years	92,697
Deferred financing charges				(7,092)
				$ 1,066,566

	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	September 30, 2011
Fixed rate mortgages	4.23 - 7.30%	5.73%	7.6 years	$ 786,188
Floating rate revolving credit facility		3.20%	2.8 years	99,716
Deferred financing charges				(6,709)
				$ 879,195

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

12 Months ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
September 30, 2013	$ 29,856	$ 21,061	$ -	$ 50,917
September 30, 2014	28,949	77,841	-	106,790
September 30, 2015	27,883	64,794	155,255	247,932
September 30, 2016	26,126	38,978	-	65,104
September 30, 2017	21,453	45,679	-	67,132
Thereafter	127,232	398,920	-	526,152
	$ 261,499	$ 647,273	$ 155,255	1,064,027
Deferred financing charges				(7,092)
Unamortized fair value debt adjustment				9,631
				$ 1,066,566

Specific investment properties with a carrying value of $1,944,781 as at September 30, 2012 (December 31, 2011 - $1,625,674; September 30, 2011 - $1,536,890) are currently pledged as security for mortgages or provided as security for the floating rate credit facilities. 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
July 24, 2012	Repayment [(2)]	7	5.03%	5	24	(39,227)
July 24, 2012	New [(2)]	7	4.38%	10	25	43,736
July 24, 2012	New	1	3.46%	6	20	5,491
August 16, 2012	Assumed	1	5.17%	4	24	5,126
September 21, 2012	Repayment [(3)]	4	5.91%	4	25	(92,397)
September 28, 2012	New	1	3.12%	4	25	7,800
						$ 90,943

(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.

(2) The mortgages repaid and acquired on July 24, 2012, are at the weighted average interest rate. The terms and amortization periods are reflected at the weighted average remaining terms and amortization periods.

(3) The mortgages repaid on September 21, 2012, are at the weighted average interest rate. The terms and amortization periods are reflected at the weighted average remaining terms and amortization periods.

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $200,000 (December 31, 2011 and September 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 plus a spread or specific margins over prime rate. The specified spread or 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.

Floating Rate Term Credit Facility

On September 21, 2012, Crombie assigned a portfolio of mortgages on 23 properties to a new lender. The mortgages, with a weighted average interest rate of 5.91% and terms to maturity of between 2013 and 2017, totalled $92,397. Concurrent with the assignment of the mortgages to the new lender, Crombie renegotiated the terms of the debt and entered into a 30 month floating rate term credit facility for $92,697. The floating interest rate is based, at the option of Crombie, on Bankers' Acceptance rates or Prime Rates plus, in each case, a spread resulting in a current interest rate of 3.07%. The term facility is to be repaid from proceeds of new mortgages expected to be placed on some or all of the 23 investment properties presently pledged as security.

See Note 19(a) for fair value information.

8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	September 30, 2012	December 31, 2011	September 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%	19,992	52,479	52,683
Series C (CRR.DB.C)	$ 15.30	June 30, 2017	5.75%	45,000	45,000	45,000
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	60,000	-	-
Deferred financing charges				(3,433)	(3,113)	(3,336)
				$ 121,559	**$ 124,351**	**$ 124,332**

Debenture Conversions	**Conversion Price**	**Nine Months Ended September 30, 2012**	**Year Ended December 31, 2011**	**Nine Months Ended September 30, 2011**
7%	$ 13.00	$ 26,278	$ -	$ -
Series B	$ 11.00	32,487	25,784	25,580
		$ 58,765	**$ 25,784**	**$ 25,580**
REIT Units Issued		4,974,722	2,343,981	2,325,428

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

12 Months ending	Series B	Series C	Series D	Total
September 30, 2013	$ -	$ -	$ -	$ -
September 30, 2014	-	-	-	-
September 30, 2015	19,992	-	-	19,992
September 30, 2016	-	-	-	-
September 30, 2017	-	45,000	-	45,000
Thereafter	-	-	60,000	60,000
	$ 19,992	$ 45,000	$ 60,000	124,992
Deferred financing charges				(3,433)
				$ 121,559

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.

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 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.

9) INCOME TAXES

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

	September 30, 2012	December 31, 2011	September 30, 2011
Tax liabilities relating to difference in tax and book value	$ 93,278	$ 93,837	$ 94,066
Tax asset relating to non-capital loss carry-forward	(12,278)	(11,437)	(11,066)
Deferred tax liability	**$ 81,000**	**$ 82,400**	**$ 83,000**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Provision for income taxes at the expected rate	$ (1,896)	$ (2,778)	$ (7,864)	$ (8,700)
Tax effect of income attribution to Crombie's Unitholders	2,396	2,978	9,264	9,200
Decreased income tax resulting from a change in the expected rate	-	-	-	(800)
Taxes - deferred	**$ 500**	**$ 200**	**$ 1,400**	**$ (300)**

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 nine months ended September 30, 2012, the net defined contribution pension plans expense were $132 and $392 respectively (three months and nine months ended September 30, 2011 - $119 and $454 respectively).

11) TRADE AND OTHER PAYABLES

	September 30, 2012	December 31, 2011	September 30, 2011
Tenant incentives and capital expenditures	$ 22,683	$ 19,084	$ 18,812
Property operating costs	27,996	17,231	14,058
Advance rents	2,909	3,631	3,457
Finance costs on investment property debt and debentures	4,861	3,624	5,632
Distributions payable	6,496	5,511	5,076
Fair value of interest rate swap agreements	53	-	-
Liabilities related to derecognized property	5,864	5,999	6,043
	$ 70,862	**$ 55,080**	**$ 53,078**

12) PROPERTY REVENUE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Rental revenue contractually due from tenants	$ 64,472	$ 54,882	$ 187,144	$ 166,811
Contingent rental revenue	465	468	1,643	1,866
Straight-line rent recognition	1,249	800	3,564	2,615
Tenant incentive amortization	(1,727)	(1,369)	(4,799)	(3,836)
	$ 64,459	**$ 54,781**	**$ 187,552**	**$ 167,456**

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	$ 18,451	28.6%	$ 17,726	32.4%	$ 59,652	31.8%	$ 54,371	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 September 30, 2012, is as follows:

	Remaining	Year Ending December 31,					
	2012	2013	2014	2015	2016	Thereafter	Total
Future minimum rental income	$ 43,306	$ 168,593	$ 159,454	$ 149,414	$ 139,147	$1,128,251	$ 1,788,165

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 72 years including renewal options:

	Remaining	Year Ending December 31,					
	2012	2013	2014	2015	2016	Thereafter	Total
Future minimum lease payments	$ 308	$ 1,234	$ 1,235	$ 1,236	$ 1,237	$ 47,526	$ 52,776

14) EMPLOYEE BENEFIT EXPENSE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Wages and salaries	$ 3,908	$ 3,697	$ 13,925	$ 12,436
Post-employment benefits	132	119	392	454
	$ 4,040	**$ 3,816**	**$ 14,317**	**$ 12,890**

15) FINANCE COSTS – OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Fixed rate mortgages	$ 17,927	$ 12,802	$ 45,582	$ 37,678
Floating rate term, revolving and demand facilities	511	1,112	1,806	2,696
Convertible debentures	1,847	2,161	5,382	6,796
Finance costs - operations	**20,285**	**16,075**	**52,770**	**47,170**
Amortization of fair value debt adjustment and accretion income	729	426	1,755	1,290
Change in accrued finance costs	(759)	(2,122)	(1,237)	(2,172)
Amortization of effective swap agreements	(1,751)	(1,038)	(3,835)	(3,136)
Amortization of deferred financing charges	(2,458)	(990)	(4,028)	(2,480)
Finance costs - operations, paid	**$ 16,046**	**$ 12,351**	**$ 45,425**	**$ 40,672**

During the quarter ending September 30, 2012, Crombie expensed approximately $3,000 of costs associated with the refinancing of mortgages with a floating rate term credit facility as explained in Note 7. The expenses included repayment fees, term facility set up costs, legal fees and write-off of the unamortized portion of deferred financing charges and other costs relating to the mortgage financing.

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	-	(136)	-	-	-	(136)
Conversion of debentures	4,974,722	58,765	-	-	4,974,722	58,765
Balance, September 30, 2012	**50,815,496**	**$ 527,097**	**36,770,560**	**$ 377,254**	**87,586,056**	**$ 904,351**

	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	-	(64)	-	-	-	(64)
Conversion of debentures	2,325,438	25,580	-	-	2,325,438	25,580
Units acquired and cancelled under NCIB	(21,417)	(281)	-	-	(21,417)	(281)
Balance, September 30, 2011	**37,653,338**	**$ 360,584**	**30,780,730**	**$ 294,641**	**68,434,068**	**$ 655,225**

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

During the first nine months of 2012, $32,487 of Series B Convertible Debentures was converted to a total of 2,953,349 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 September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Items not affecting operating cash:				
Accrued straight-line rent	$ (1,249)	$ (800)	$ (3,564)	$ (2,615)
Amortization of tenant incentives	1,727	1,369	4,799	3,836
Depreciation of investment properties	10,417	6,435	27,429	19,040
Amortization of deferred leasing costs	154	137	438	370
Amortization of intangible assets	1,629	1,146	4,210	3,675
Unit based compensation	9	10	26	39
Amortization of effective swap agreements	1,751	1,038	3,835	3,136
Amortization of deferred financing charges	2,458	990	4,028	2,480
Taxes - deferred	(500)	(200)	(1,400)	300
	$ 16,396	**$ 10,125**	**$ 39,801**	**$ 30,261**

b) Change in other non-cash operating items

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Cash provided by (used in):				
Trade receivables	$ 4,101	$ 568	$ (1,171)	$ (2,670)
Prepaid expenses and deposits and other assets	3,010	3,289	(3,376)	(2,167)
Payables and other liabilities	1,517	2,514	12,245	5,291
	$ 8,628	**$ 6,371**	**$ 7,698**	**$ 454**

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 September 30, 2012, Empire Company Limited, through its wholly-owned subsidiary ECL Developments Limited, holds a 43.0% (fully diluted 40.8%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2012	2011	2012	2011
Property revenue	(a)	$ 20,379	$ 19,344	$ 65,784	$ 59,716
Head lease income	(b)	$ 134	$ 90	$ 797	$ 446
Management support services provided	(c)	$ 136	$ 163	$ 482	$ 690
Property management services	(d)	$ 96	$ 136	$ 485	$ 697
Rental expense	(e)	$ 47	$ 47	$ 141	$ 141
Interest rate subsidy	(b)	$ 257	$ 292	$ 799	$ 984
Finance costs - operations	(f)	$ 425	$ 207	$ 737	$ 671
Finance costs - distributions to Unitholders		$ 8,249	$ 6,849	$ 24,070	$ 20,547

(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% was held by Empire Company Limited until September 17, 2012. $24,000 of Series D Debentures with an annual interest rate of 5.00% is held by Empire Company Limited.

In addition to the above:

- On September 17, 2012, Empire Company Limited exercised its right to convert its $10,000 Series B Convertible Debentures with an annual interest rate of 6.25%, into 909,090 Units.
- On July 3, 2012, Empire Company Limited acquired $24,000 Series D Debentures with an annual interest rate of 5.00% in satisfaction of wholly-owned ECL Developments Limited's pre-emptive right with respect to the Debenture offering.
- 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 year ended December 31, 2011, the following transactions occurred with subsidiaries of Empire Company Limited: Crombie acquired eight retail properties for a total purchase price of $119,590, excluding closing and transaction costs; exchanged a property; and disposed of a freestanding retail property for $7,000.

- 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.

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 September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Salary, bonus and other short-term employee benefits	$ 610	$ 514	$ 1,924	$ 1,537
Other long-term benefits	21	21	70	126
	$ 631	$ 535	$ 1,994	$ 1,663

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.

	September 30, 2012		December 31, 2011		September 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets related to derecognized property	$ 6,239	$ 6,273	$ 6,401	$ 6,547	$ 6,515	$ 6,707
Investment property debt	$ 1,073,658	$ 1,156,662	$ 885,490	$ 985,627	$ 885,904	$ 979,702
Convertible debentures	$ 124,992	$ 137,819	$ 127,464	$ 145,911	$ 127,668	$ 138,047
Liabilities related to derecognized property	$ 5,864	$ 6,077	$ 5,999	$ 6,350	$ 6,043	$ 6,336

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 credit facilities	**Decrease in rate**	**Increase in rate**
Three Months Ended September 30, 2012	$ 79	$ (79)
Three Months Ended September 30, 2011	$ 186	$ (186)
Nine Months Ended September 30, 2012	$ 255	$ (255)
Nine Months Ended September 30, 2011	$ 482	$ (482)

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 September 30,					
	Contractual Cash Flows[1]	2013	2014	2015	2016	2017	Thereafter
Fixed rate mortgages[2]	$ 1,195,998	$ 97,271	$ 148,597	$ 129,766	$ 97,843	$ 89,860	$ 632,661
Convertible debentures	161,722	6,838	6,838	26,517	5,588	49,941	66,000
	1,357,720	104,109	155,435	156,283	103,431	139,801	698,661
Floating rate revolving credit facility	67,840	1,921	1,921	63,998	-	-	-
Floating rate term credit facility	99,727	2,846	2,846	94,035	-	-	-
Total	$ 1,525,287	$ 108,876	$ 160,202	$ 314,316	$ 103,431	$ 139,801	$ 698,661

(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:

	September 30, 2012	December 31, 2011	September 30, 2011
Investment property debt	$ 1,066,566	$ 878,007	$ 879,195
Convertible debentures	121,559	124,351	124,332
Crombie REIT Unitholders	436,086	326,487	286,407
SVU and Class B LP Unitholders	297,986	255,174	227,806
	$ 1,922,197	$ 1,584,019	$ 1,517,740

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:

	September 30, 2012	December 31, 2011	September 30, 2011
Fixed rate mortgages	$ 918,403	$ 845,490	$ 786,188
Convertible debentures	124,992	127,464	127,668
Revolving credit facility	62,558	40,000	99,716
Floating rate term credit facility	92,697	-	-
Total debt outstanding	1,198,650	1,012,954	1,013,572
Less: Applicable fair value debt adjustment	(4,038)	(4,837)	(5,121)
Debt	$ 1,194,612	$ 1,008,117	$ 1,008,451
Investment properties, cost	$ 2,096,476	$ 1,742,650	$ 1,670,531
Below-market lease component, cost [(1)]	62,923	58,064	56,606
Intangible assets, cost	72,404	60,648	58,438
Notes receivable	2,743	3,367	3,585
Other assets, cost (see below)	114,066	89,163	85,513
Cash and cash equivalents	-	54	-
Deferred financing charges	10,525	10,596	10,045
Interest rate subsidy	(4,038)	(4,837)	(5,121)
Fair value adjustment to deferred taxes	(39,245)	(39,245)	(39,245)
	$ 2,315,854	$ 1,920,460	$ 1,840,352
Debt to gross book value	51.6%	52.5%	54.8%

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

Other assets are calculated as follows:

	September 30, 2012	December 31, 2011	September 30, 2011
Other assets per Note 5	$ 96,988	$ 77,046	$ 74,843
Add back (deduct):			
Tenant incentive accumulated amortization	23,317	18,518	17,185
Assets related to derecognized property	(6,239)	(6,401)	(6,515)
Other assets, cost	$ 114,066	$ 89,163	$ 85,513

As at September 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 $793 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 $8,900 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 72 years including renewal options. For the three months and nine months ended September 30, 2012, Crombie paid $308 and $913 in land lease payments to third party landlords (three months and nine months ended September 30, 2011 - $294 and $882 respectively). Crombie's commitments under the land leases are disclosed in Note 13.

As at September 30, 2012, Crombie had signed construction contracts totaling $10,935 of which $7,604 has been paid.

22) SUBSEQUENT EVENTS

(a) On October 5, 2012, Crombie completed the acquisition of an 80,000 square foot retail property in Ottawa, Ontario, from a subsidiary of Empire Company Limited, a related party. The total purchase price was $24,455, excluding closing adjustments and transaction costs. The purchase price was funded using Crombie's revolving credit facility.

(b) On October 19, 2012, Crombie completed the acquisition of a 72,000 square foot retail property in Moncton, New Brunswick, from a subsidiary of Empire Company Limited, a related party. The total purchase price was $19,250, excluding closing adjustments and transaction costs. The purchase price was initially funded using Crombie's revolving credit facility. On November 8, 2012, the property was mortgaged for $14,000 with a 10 year term, a 25 year amortization period and an interest rate of 3.71%.

(c) On October 19, 2012, Crombie declared distributions of 7.417 cents per unit for the period from October 1, 2012, to and including, October 31, 2012. The distributions of $6,500 will be payable on November 15, 2012, to Unitholders of record as of October 31, 2012.

(d) On October 31, 2012, Crombie completed the acquisition of a 22,000 square foot expansion to an existing Crombie retail property in Ottawa, Ontario, from a subsidiary Empire Company Limited, a related party. The total purchase price was $6,925, excluding closing adjustments and transaction costs. The purchase price was funded using new mortgage proceeds, with the balance funded using Crombie's revolving credit facility.

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.