Crombie REIT

2013
Annual Report

ADVANCING OUR STRATEGY

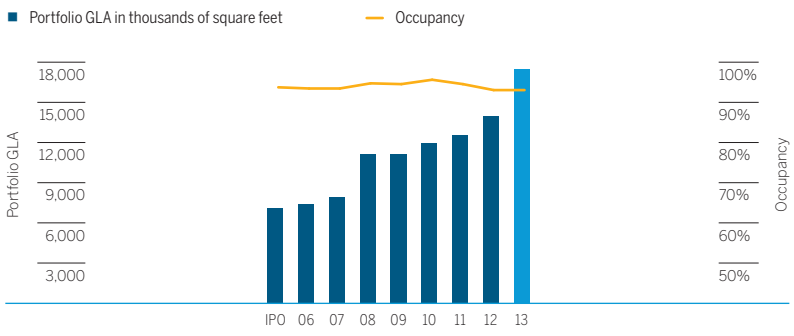
Corporate Profile

Crombie Real Estate Investment Trust owns, manages and operates a diverse portfolio of commercial real estate with a primary holding of retail properties. Its objectives are to generate reliable and growing cash distributions; to enhance asset value; to maximize long-term unit value through active management; to expand its asset base; and to increase cash available for distribution through accretive acquisitions. Crombie is characterized by its primary focus on grocery- and drugstore-anchored retail properties; its long-term approach to operational management through the continued reinvestment in its portfolio; its conservative financial structure and the long-term growth opportunities provided through its relationship with Empire Company Limited, and Sobeys Inc.

10.2%

Compound average annual growth in gross leasable area since IPO.

SIGNIFICANT PROPERTY AND GLA GROWTH WITH STEADY OCCUPANCY



Inside This Report

2 Financial and Operating Highlights
3 Message from the CEO
5 Our Strategic Priorities
6 At-a-Glance
8 Advancing Our Strategy
16 Social and Corporate Responsibility
18 Message from the Chair and Lead Independent Trustee
19 Board of Trustees
20 Our Growing Team
21 Financial Review
22 Management's Discussion and Analysis
69 Management's Statement of Responsibility for Financial Reporting
70 Independent Auditor's Report
71 Consolidated Financial Statements
75 Notes to Consolidated Financial Statements
106 Property Portfolio
108 Corporate and Unitholder Information
IBC Top 20 Tenants

On the Cover

A downtown Safeway store at 813–11th Avenue S.W., Calgary, Alberta.

This Page

Sobeys-anchored Mountain Locks Plaza in St. Catharines, Ontario.

ADVANCING OUR STRATEGY

The landmark acquisition of 70 Safeway-anchored properties in Western Canada signalled the latest stage in Crombie REIT's evolution into one of the country's leading national retail property landlords. It also significantly advanced our strategy to achieve geographic diversification, strengthen our presence in the country's top 36 markets and focus growth on the retail segment of our portfolio, which now represents 88 percent of total annual minimum rent.

IN REVIEW

$1.221B

Crombie acquired 81 properties totaling $1.221 billion in 2013.

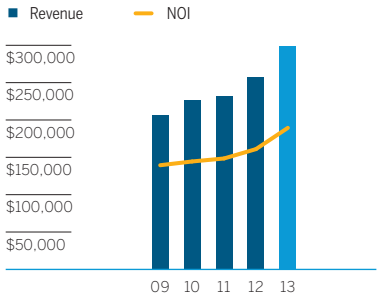
93.2%

The occupancy rate for Crombie REIT's portfolio was 93.2% at the end of 2013.

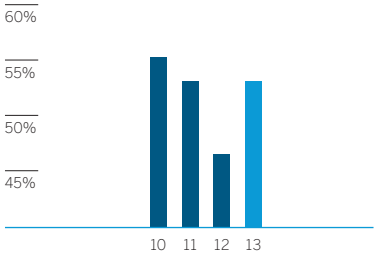
56.6%

Fifty-six percent of the rental income in our portfolio is generated outside of Atlantic Canada compared to 15% at the time of the IPO in 2006.

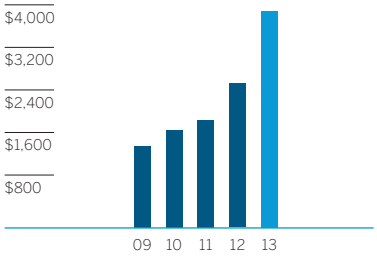
REVENUE AND NOI
(in thousands of dollars)



LEVERAGE – DEBT TO GBV (FV)
(%)



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



63%

Sixty-three percent of annual minimum rent is derived from investment-grade tenants.

2.73

Interest service coverage ratio for 2013 was 2.73 times EBITDA compared to 2.61 times EBITDA in 2012.

15.8%

Property revenue rose $40.5 million to $296.6 million in 2013, an increase of 15.8%.

TRULY NATIONAL

The more than $1.2 billion in acquisitions during 2013 have transformed Crombie into a truly national REIT, with high-quality properties from coast to coast and a growing portfolio of the steadiest performing assets in commercial real estate, grocery-and drugstore-anchored retail properties.

Since Crombie made its debut as a publicly listed REIT in March 2006, our long-term goal has never changed. We are focused on building a well-managed national portfolio of high-quality retail properties that delivers steady income and capital appreciation to our investors. Integral to the realization of this goal is a strong financial position – with high-quality tenants and long-term leases matched to long-term financing – and an optimal capital structure that provides ample liquidity and multiple sources of capital.

With this in mind, we have purposefully focused our growth on grocery- and drugstore-anchored plazas and freestanding stores that serve the everyday needs of Canadians, one of the most reliable and defensive sectors in commercial real estate. At the same time, we have endeavoured to create a more geographically diversified and urban REIT by concentrating our investments in the fastest growing markets in Central and Western Canada.

The major market forces that influence our strategy continue to gain momentum. Crombie's growth is focused on the top 36 markets in Canada because they are growing faster than the Canadian average and, generally, are home to younger populations with higher rates of income growth and consumer spending. Our focus is on target properties located at "Main & Main", in the heart of vibrant urban and suburban neighbourhoods where busy consumers successfully shop for modern conveniences and services. We believe we can successfully invest in these markets on a risk-adjusted basis primarily by working closely with Sobeys.

These locations are attractive despite the changing face of retail formats and tend to be less affected by competition from Internet commerce.

During 2013, Crombie acquired $1.2 billion of Canadian retail property to advance our strategy. The acquisition of 70 Safeway-anchored properties from Sobeys in November totalling 3 million square feet for approximately $1.0 billion was the landmark event that accelerated the transformation of Crombie into a truly national landlord. In a single transaction, we materially increased the number of properties owned by Crombie to 249, our square footage to 17.6 million square feet and the fair value of our total assets by 35 percent to approximately $3.9 billion. Also important was the effect of the Safeway acquisition on the overall quality of Crombie's portfolio and credit profile.

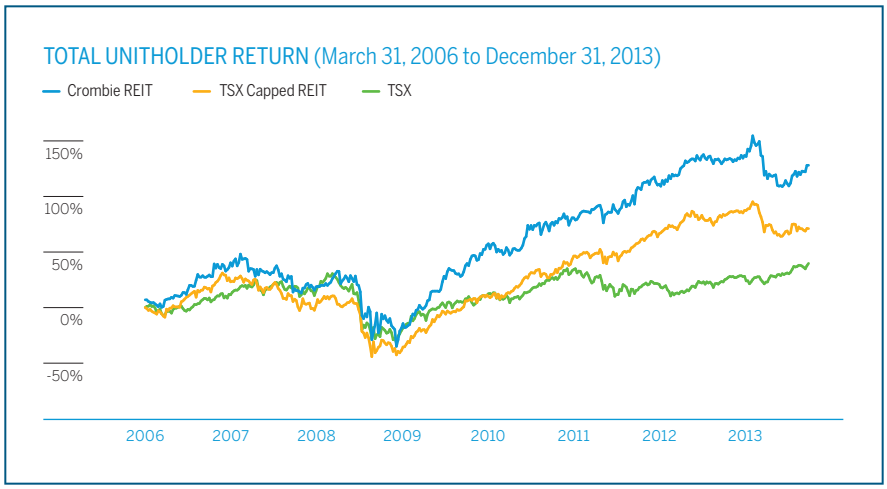
Today, 32 percent of the annual minimum rent in our portfolio is generated in Western Canada, the country's fastest growing region, compared to 11 percent prior to the acquisition and zero percent at the time of our IPO. At the same time, the Safeway acquisition has moved Crombie much closer toward a pure play retail REIT with 88 percent of our revenue coming from retail assets. The Safeway acquisition is a superior property portfolio with difficult-to-replicate properties and 61 percent of the property revenue located in Vancouver, Calgary, Edmonton and Winnipeg. As a result, the proportion of Crombie's net operating income derived from our targeted top 36 markets has increased from 60 to 65 percent. The Safeway banner also matches up well with Sobeys full-service market position, which makes them an ideal anchor tenant and powerful draw for other leading everyday retailers.

"The Safeway acquisition is a superior property portfolio with difficult-to-replicate properties and 61 percent of the property revenue located in Vancouver, Calgary, Edmonton and Winnipeg."

Donald E. Clow, FCA
President and
Chief Executive Officer

128%

Crombie REIT has produced a total Unitholder return of 128 percent since our IPO, compared to a 71 percent total return for the S&P/TSX Capped REIT index and a 40 percent total return for the S&P/TSX Composite Index.



The transaction improved our overall financial and operating metrics with a positive impact on cash net operating income, occupancy rates, average lease and mortgage terms, and average cost of capital. In addition, 63 percent of our revenue now comes from investment grade tenants and 80 percent of our revenue comes from national and regional tenants.

The quality of the Safeway assets, together with our existing portfolio and capital structure, helped us secure a coveted investment grade credit rating in October 2013 that gave us additional flexibility in securing funding for the acquisition and enabled Crombie's first issue of unsecured subordinate debentures in November 2013. In a capital-intensive business like commercial real estate, timely access to multiple sources of capital (i.e. equity, mortgages, convertible debentures, unsecured debentures, bank debt, etc.) in a fast-moving yet uncertain global market is a competitive advantage that Crombie will enjoy into the future. In addition, at the completion of the Safeway transaction, Crombie had approximately $474 million of unencumbered assets, a significant increase from the pre-transaction value of approximately $80 million.

At the same time, Crombie's new scale, as evidenced by a total market capitalization of approximately $1.6 billion and a public float approaching $1.0 billion at year-end, has put us on the radar screens of new institutional investors in North America and Europe.

The national platform we have created extends beyond the location of our assets to the quality of our regional management teams and the systems and processes we have put in place to grow and optimize the efficiency of our business. Our ability to execute $1.2 billion in acquisitions while conducting our ongoing business is a testament to Crombie's growing organizational capacity and bench strength. Under the direction of Chief Talent Officer Cheryl Fraser, we have improved our disciplined approach toward employee recruitment, leadership development, talent management and succession planning.

As we look ahead, we believe the Canadian commercial real estate industry will continue to experience strong fundamentals and a relative scarcity of accretive high-quality retail assets and development. Our strategic relationship with Empire and Sobeys is expected to continue to provide the sustainable competitive advantage of preferred access to high quality retail assets into the future. Sobeys typically has approximately $300 to $500 million of development pipeline activity and, on average, we expect to purchase approximately $100 million of new retail development each year from them. In addition, the Safeway acquisition added 17 prime mixed-use development opportunities primarily in key urban markets in Vancouver, Calgary, Edmonton and Winnipeg that are expected to be developed in a joint venture partnership with Sobeys over the next 15 to 20 years. This important addition to our existing development pipeline is expected to provide embedded cash flow growth opportunities over the long term.

In closing, I would like to extend my heartfelt thanks to all of my colleagues at Crombie, including the leasing, administrative, development and property management teams responsible for our solid operating performance and high standards of customer service. I would also like to commend our acquisition and finance teams, our partners at Sobeys and Empire and our Board of Trustees for their extraordinary contributions during a year of unprecedented high level activity. Together, we significantly advanced our key strategies during the past year and successfully transformed Crombie into a truly national REIT.

Sincerely,

Donald E. Clow, FCA
President and Chief Executive Officer

ADVANCING OUR STRATEGY

1.
High-quality Assets

We are focused on owning one of Canada's best grocery- and drugstore-anchored retail portfolios with assets in the heart of Canada's top 36 markets. These properties are among the steadiest performing assets in commercial real estate.

2.
Better Performance

We are committed to continuously improving operational effectiveness to grow NOI, FFO, AFFO and EBITDA. Through strong asset management and superior operating effectiveness, we will position our properties to maintain or grow market share, expand or develop properties as appropriate as well as maximize returns on our investments.

3.
Strong Foundations

We expect to maintain a strong balance sheet and optimal capital structure including an investment grade credit rating to optimize financial liquidity, flexibility and minimize our cost of capital.

4.
Steady Growth

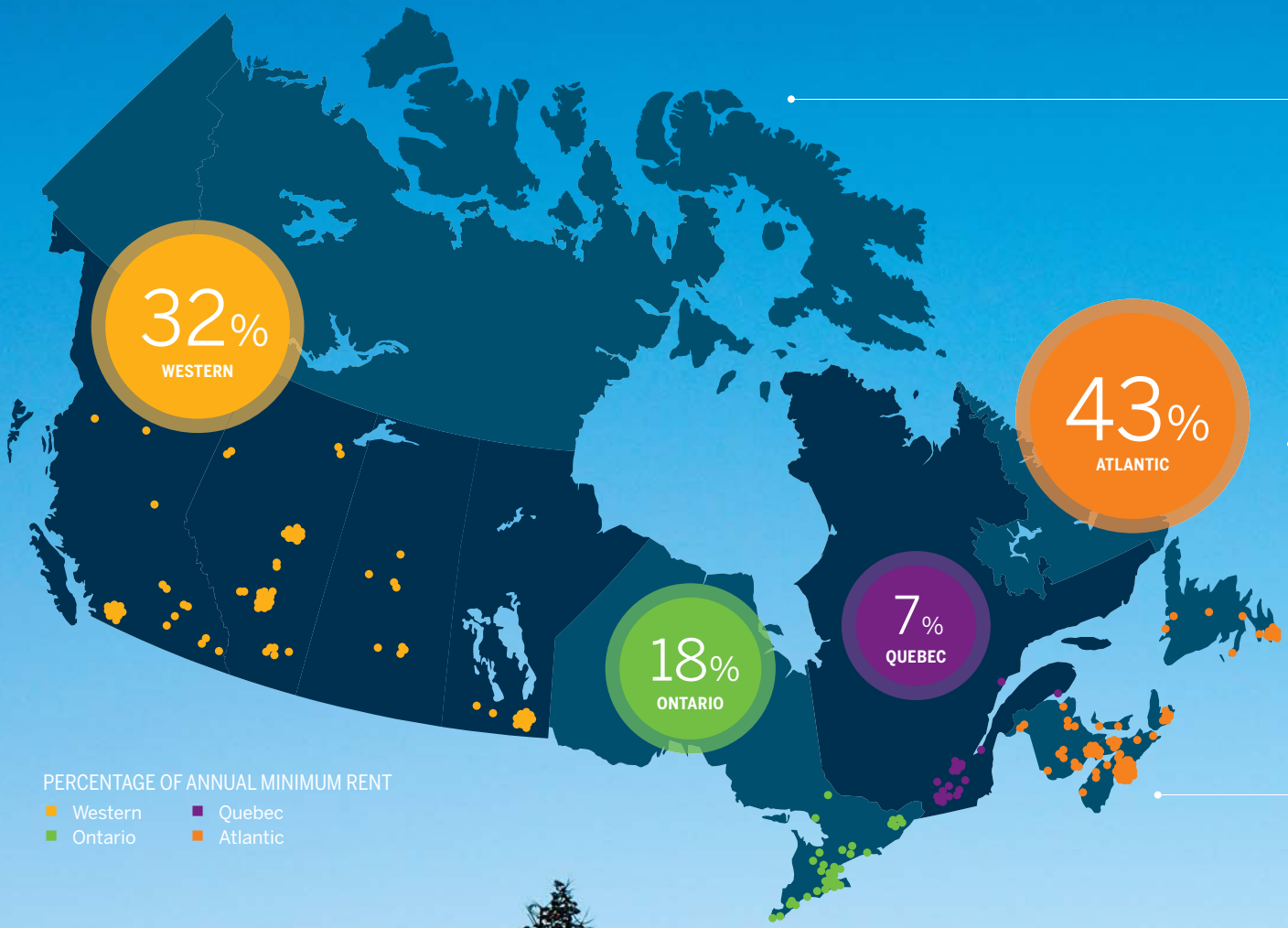
Our strategic partnership with Empire and Sobeys, and growing relationships with third-party vendors, provide accretive asset growth and attractive development opportunities.

SENIOR MANAGEMENT TEAM (left to right)

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

OUR NATIONAL PLATFORM FOR GROWTH

In the approximately eight years since our IPO, Crombie has transformed an Atlantic Canada portfolio of commercial real estate assets into a geographically diversified, retail-focused national REIT. The November 2013 acquisition of 70 Safeway properties from Sobeys significantly advanced this evolution with the creation of a truly national platform for growth.



249

properties across Canada

88%

of annual minimum rent generated by retail

17.6

million square feet of gross leasable area

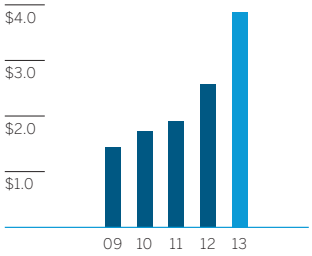
BIGGER

The landmark acquisition of 70 Safeway properties for $991.3 million has transformed Crombie into a significantly larger REIT.

TOTAL ASSETS

(in millions of dollars)

Crombie REIT's total assets rose by 35% to $3.9 billion in 2013. The Safeway acquisition accounted for approximately $1.0 billion of the increase.



GROSS LEASABLE AREA

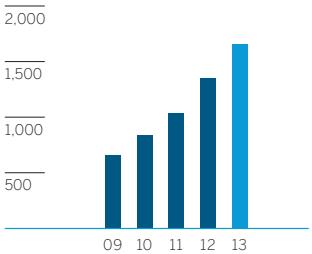
(in millions of square feet)

The gross leasable area in Crombie's property portfolio rose from 14.1 million square feet to 17.6 million in 2013. The Safeway acquisition represented 3.1 million square feet of the increase.

MARKET CAPITALIZATION

(in millions of dollars)

Crombie's market capitalization reached approximately $1.6 billion, with a public float approaching $1.0 billion at year-end.



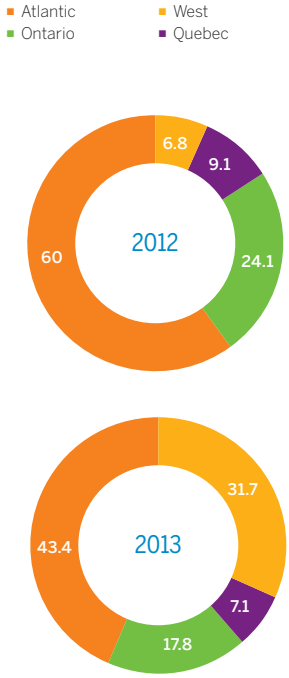
BETTER

Equally important, it has more than quadrupled Crombie's presence in Western Canada and sharpened our retail focus.

GEOGRAPHIC DIVERSIFICATION

(% of annual minimum rent)

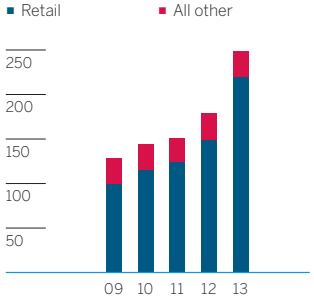
Today, 32% of the annual minimum rent in our portfolio is generated in Western Canada, the country's fastest growing region, compared to 7% prior to our 2013 acquisitions.



A GROWING RETAIL PRESENCE

(in millions of dollars)

At the same time, the Safeway acquisition has moved Crombie much closer toward a pure play retail REIT with 88% of our revenue now derived from retail assets.



HIGH-QUALITY ASSETS

Crombie's growth is focused on the steadiest performing assets in commercial real estate – grocery- and drugstore-anchored plazas and freestanding stores that serve the everyday needs of their communities.

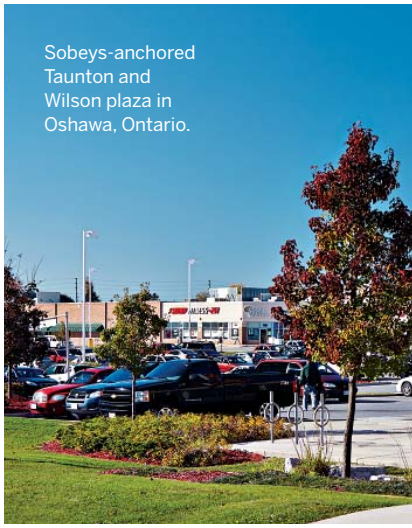
Anchored by powerful tenants such as Sobeys, Canada's second largest grocery retailer, such properties attract a complementary mix of other leading national and regional tenants and steady customer traffic, which translates into high occupancy rates, longer-term leases and high operating margins.

As in all forms of commercial real estate, location is critical to success. That's why we always aspire to be at the heart of prosperous and growing communities. Our growth strategy today is focused on the top 36 markets in Canada, each of them supported by positive long-term fundamentals. Among these are relatively strong rates of economic growth, healthy demographics, higher-than-average income growth and increasing urbanization. Many of these markets are located in Western Canada, a region with the fastest growing economy in Canada but one that has been historically under-represented in our portfolio.

The acquisition of 70 well-located Safeway properties from Sobeys in 2013 has validated this approach. Today, grocery- and drugstore-anchored plazas and freestanding stores represent 71 percent of the annual minimum rent generated by our asset portfolio compared to 68 percent one year ago and 44 percent at the time of our IPO in 2006. At the same time, the acquisitions made during the past year have geographically diversified our asset portfolio and created a more powerful national platform for growth. Today, 31.7 percent of Crombie's annual minimum rent is generated by our properties in Western Canada compared to 6.8 percent at the end of 2012. What's more, 80 percent of NOI generated by the properties we acquired in 2013 is located within the top 36 markets as defined by our growth strategy with 61 percent located in hard-to-replicate locations in Western Canada's four largest metropolitan areas.

Today, grocery- and drugstore-anchored plazas and freestanding stores represent 71 percent of the annual minimum rent generated by our asset portfolio compared to 68 percent one year ago and 44 percent at the time of our IPO in 2006.

At the same time, we continue to benefit from the stability of our core assets in Atlantic Canada, which command strategic locations in a region that is characterized by high barriers to entry and limited construction of new space. Less prone to volatility than other regions of the country, the Atlantic Canadian economy will continue to benefit from more than approximately $60 billion in planned resource and infrastructure projects in Newfoundland and Labrador as well as Irving Shipyard's $30 billion contract with the federal government in Nova Scotia.



Sobeys-anchored Taunton and Wilson plaza in Oshawa, Ontario.

#1

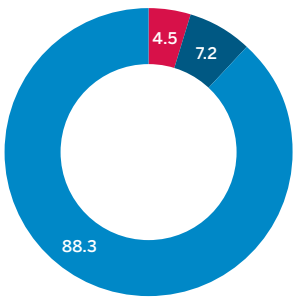
St. John's Avalon Mall is the largest enclosed mall in Newfoundland and Labrador and among the Top 20 malls in Canada by tenant sales per square foot.

Avalon Mall is an attractive location for today's most popular retailers.

Steady Performance

Most of these retail assets are comprised of grocery- and drugstore-anchored plazas and freestanding stores. Our largest tenant is Sobeys, a strong and growing tenant that helps to attract an optimal mix of other leading merchants.

ASSET CLASS DIVERSIFICATION BY ANNUAL MINIMUM RENT (%)



88.3%

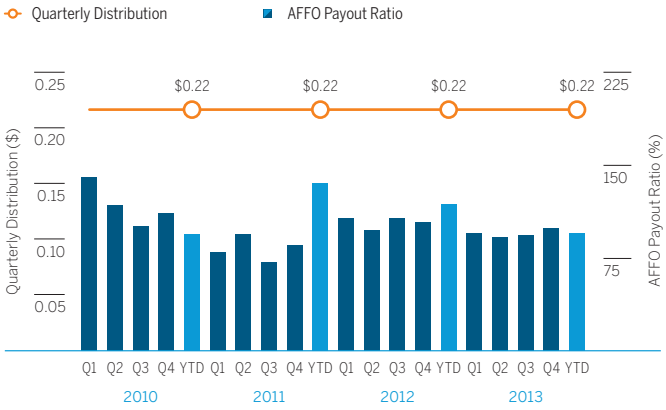
Crombie's retail assets now account for 88.3% of the total annual minimum rent generated by our portfolio.

21.3%

2013 was a solid year as funds from operations (FFO) and adjusted funds from operations (AFFO) increasedby 20.0 percent and 21.3 percent respectively.

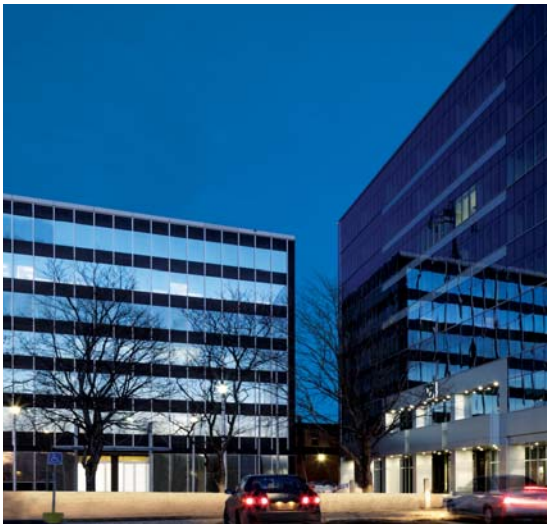
Lawton's Drugs, Halifax, Nova Scotia.

QUARTERLY DISTRIBUTION AND AFFO PAYOUT RATIO



An Attractive Yield

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



1234 Main Street,
Moncton,
New Brunswick.

BETTER PERFORMANCE

Crombie REIT's steady growth in same-asset net operating income over approximately the past eight years has come from the stability of our tenants and the active management and development of our properties.

The high-quality cash flow generated by Crombie's property portfolio begins with the strength of the valued tenants that occupy our grocery- and drugstore-anchored community plazas and freestanding stores across the country. The largest of these is Sobeys/Safeway, now solidly positioned as the second largest grocer in Canada, with an expanding national network of more than 1,600 stores and a strong competitive position in the full-service segment of the grocery market.

During 2013, we invested more than $30.4 million to improve the productive capacity of our existing assets through a combination of modernization and reconfiguration projects.

Following $1.2 billion in acquisitions of such properties from Sobeys and third-party sources in 2013, approximately 80 percent of Crombie's annual minimum rent will be derived from national and regional tenants with 63 percent of annual minimum rent from investment grade tenants. What's more, the stability of such businesses can be seen in a variety of other financial and operating metrics. As a result of the Safeway property acquisition, the occupancy rate of our portfolio increased from 91.8 percent to 93.2 percent.

One of Crombie's guiding principles is to continuously improve the operating effectiveness of our portfolio. 2013 was a solid year in this respect as funds from operations (FFO) and adjusted funds from operations (AFFO) increased by 20.0 percent and 21.3 percent, respectively, with the FFO payout ratio declining to 79.9 percent from 83.1 percent in 2012. Meanwhile, same asset cash net operating income increased 1.9 percent, reflecting solid operating performance from our dedicated and focused property management and leasing teams.

Overall, we completed a high level of successful leasing activity during the year. This included: 486,000 square feet of expiring 2013 lease renewals at an average rent increase of 7.2 percent; 170,000 square feet of 2014 and later renewals at an average rent increase of 23.9 percent; and 449,000 square feet of new leases at an average rate of $16.30 per square foot.

Our efforts to continuously improve Crombie's same-asset cash net operating income also extend to the active management and development of our properties. During 2013, we invested more than $30.4 million to improve the productive capacity of our existing assets through a combination of modernization and reconfiguration projects. Nine major initiatives were completed during the year including the revitalization and expansion of Terminal Centres in Moncton, New Brunswick.

STRONG FOUNDATIONS

While Crombie's property portfolio has experienced a compound average growth rate of more than 25.1 percent since its March 2006 IPO, we have remained committed to conservative financial principles and improving the credit profile of the organization.

Crombie's success is built upon a history of almost 50 years in the acquisition, development, and management of commercial real estate. Today, as always, our ability to deliver steady income growth and capital appreciation over time rests on solid financial foundations and a prudent management approach.

These strengths can be seen in the debt to gross book value (fair value) of our balance sheet, which at 53.0 percent remains well below the 60 to 65 percent maximum specified by our Declaration of Trust. We also maintain a high degree of liquidity, with $150 million of unused credit and $474 million in unencumbered assets at year-end. Our conservative principles are also reflected in the nature of our debt financing. The average term to maturity of our mortgage portfolio increased from 7.4 to 8.0 years in 2013 and continues to be one of the longest in the Canadian REIT industry. We are also well protected in the event of rising interest rates, with low debt turnover (an average of approximately 5 percent per year) over the next 5 years. The relatively low interest rate environment in 2013 gave Crombie opportunities to minimize our cost of capital as well. We completed $14.3 million in mortgage refinancing with a corresponding 33 percent reduction in related interest expense and secured $693 million in new mortgage financing at an average rate of 4.34 percent.

Our lease profile is similarly conservative with an average term to maturity of 12.1 years, again, one of the longest durations in the industry. Our top 10 tenants, who now account for 64.4 percent of annual minimum rent, represent an average term to maturity of 14.8 years. Lease maturities are also well distributed with no more than 4.9 percent of leases renewing in each of the next 5 years.

Crombie achieved an investment grade rating in October 2013 in connection with the Safeway property acquisition, which helped provide financial flexibility and access to capital.

Crombie's strong balance sheet and conservative financial approach played an important role in allowing us to take advantage of extraordinary opportunities in 2013. Crombie achieved an investment grade rating in October 2013 in connection with the Safeway property acquisition, which helped provide financial flexibility and access to capital, including our first issue of unsecured debentures. Our ability to prudently fund this transaction was also enhanced by the presence of a motivated strategic partner. Empire is a strong public company with a 41.6 percent ownership in Crombie REIT and a long-term approach to value creation that encourages steady and conservatively financed asset growth. Empire invested an additional $150 million in Crombie to fund the Safeway acquisition.

8 yrs

The average term to maturity in our mortgage portfolio increased from 7.4 to 8.0 years during 2013, one of the longest in the industry.

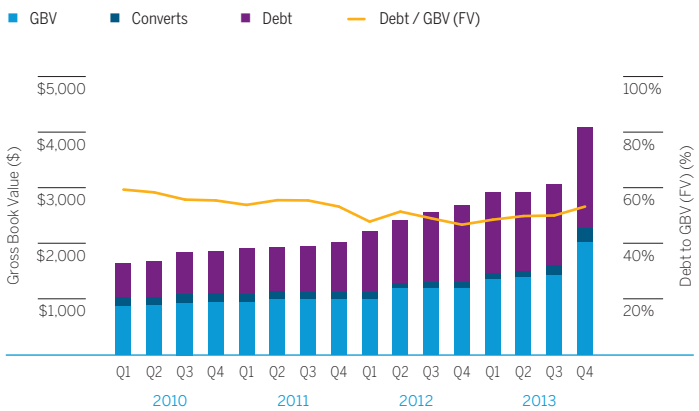
This dramatic addition to Scotia Square will include 25,000 sq. ft. of new retail and office space.

Sobeys-anchored plaza in Stittsville, Ontario near Ottawa.

Moderate Leverage, Ample Liquidity

The ratio of Debt to Gross Book Value (FV) (including convertible debentures) measured 53.0% at the end of 2013 compared to 50.0% at the end of 2012 and well below the 60.0 to 65.0% maximum specified in our Declaration of Trust.

GROSS BOOK VALUE (FV) AND DEBT (in millions of dollars)

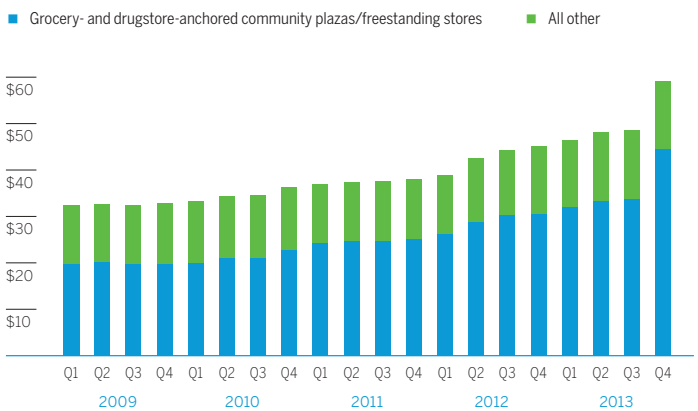


70

The acquisition of 70 Safeway-anchored properties accounted for 3.1 million square feet of the total 3.7 million square feet in GLA added to our portfolio in 2013.

This retail property in Calgary, Alberta is part of Crombie's increasingly urban footprint.

ANNUAL MINIMUM RENT (in millions of dollars)



Everyday Retailing

The percentage of annual minimum rent derived from grocery- and drugstore-anchored plazas and freestanding stores has increased steadily since our inception, reflecting Crombie's strategy for growth in one of the steadiest performing asset classes in commercial real estate.

Newly renovated Safeway location in downtown Regina, Saskatchewan.

STEADY GROWTH

Crombie REIT's strategic relationship with Empire and Sobeys provides preferred and ongoing access to high-quality grocery- and drugstore-anchored properties at the heart of our growth strategies.

In the approximately eight years since Crombie REIT's creation, our asset portfolio has grown from 44 to 249 properties, a compound growth rate of 25.1 percent. One hundred and sixty-six of those properties have come to us through Empire and Sobeys. This relationship has been a unique competitive advantage for Crombie because it provides reliable access to approximately $100 million in new retail properties each year, including periods of relatively limited supply in the broader commercial real estate market.

We have augmented this powerful source of growth with a strengthening presence in the wider commercial real estate market, which has generated $655 million in third-party acquisitions to date.

The value of the Sobeys property pipeline was more apparent than ever in 2013. It enabled the acquisition of 80 grocery- and drugstore-anchored plazas and freestanding stores, accelerated our advancement toward a pure retail REIT, and diversified a high-quality property portfolio that now extends from coast to coast. Over the past eight years, we have augmented this powerful source of growth with a strengthening presence in the wider commercial real estate market that has generated $655 million in third-party acquisitions to date. This trend remained intact during 2013 with $176 million in third-party acquisitions of eight grocery- and drugstore-anchored properties, the second highest total in Crombie's history. Six of these properties are located in Western Canada. Our growing success in the wider commercial real estate market reflects the pursuit of a disciplined growth strategy and the careful development of our regional management teams over the past three years.

At the same time, we are blessed with more opportunities for organic growth in our portfolio than ever before. Safeway Canada's history extends back to 1929 and as such, it has traditionally occupied exceptionally well-located properties in the heart of Western Canada's most populous cities. Today, many of these neighbourhoods are experiencing a period of revitalization and growth as young and old alike migrate toward the convenience and variety of services that urban environments have to offer. Thirty-one of the 70 Safeway properties acquired in 2013 are located in Western Canada's four largest metropolitan areas – Vancouver, Calgary, Edmonton and Winnipeg. Among these are 17 promising mixed-use opportunities to create value through complementary commercial and/or mixed use development.

RESPONSIBLE CITIZENSHIP

For almost 50 years, Crombie REIT and its predecessor companies have done their best to earn the respect of the communities that are home to our properties. This tradition continued in 2013 with our support for social causes and ongoing efforts to minimize our environmental impact.

Supporting our Communities

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

Our head office and regional offices across the country also support numerous other causes each year. In 2013, these included the Canadian Heart and Stroke Foundation, the Nova Scotia Cancer Society, Dreams Take Flight, Ronald McDonald House, the Special Olympics of Pictou County and regional health care and recreational facilities.

Improving the Environment

Crombie continues to make significant progress to reduce energy consumption and environmental impact. Today, all of our new-build designs match LEED equivalent standards and we continue to earn and upgrade BOMA BESt certification for our enclosed retail and office properties.

In 2013,Crombie completed the renovation of Terminal Centres in Moncton, New Brunswick which has yielded significant reductions in fuel and electrical consumption following natural gas conversion and the installation of new air handling units and high efficiency boilers. New Smardt chillers were installed in this plant in 2012. Other efficiencies built into the renovation included a new curtain wall, heat recovery wall, variable speed drives and lighting retrofits. Energy savings from the proposed upgrades are estimated at $135,000 per year and Efficiency New Brunswick provided $110,000 in incentive funding for the energy saving measures installed during the project.

All Downtown Halifax buildings are certified BOMA BESt Level II, including Park Lane, as well as Highland Square Mall in New Glasgow, Nova Scotia and Avalon Mall, St John's, Newfoundland and Labrador. We are in the process of re-certifying all buildings and are working towards BOMA BESt Level III certification. Each level of certification helps reduce our operating costs while delivering more value to our clients. Furthermore, asset value is also increased as studies have shown that each dollar spent implementing environmentally preferable management practices increases the overall property value.

Brunswick Place

Ride For Heart

Barrington Tower

Barrington Tower and Brunswick Place, Halifax, Nova Scotia along with Avalon Mall, St John's, Newfoundland and Labrador all received an Award of Excellence in 2013.

In the fall of 2013, Barrington Tower and Brunswick Place were chosen as finalists in The Outstanding Building of the Year (TOBY) Awards. This national program is the most prestigious and comprehensive of its kind, recognizing quality in buildings and rewarding excellence in building management. All facets of a building's operations are thoroughly evaluated, from community involvement and site management to "green" policies and procedures.

Since 2008, we have reduced electrical consumption in our Downtown Halifax buildings alone by 8.4 million kWh. Two new air-handling units were installed in Brunswick Place and the CIBC Building in 2013.

We've continued our partnership with Efficiency Nova Scotia to upgrade equipment and complete lighting retrofits within the entire portfolio to further reduce our electrical consumption and reduce carbon emissions. In 2013 we completed a lighting retrofit in the CIBC Building that will result in an estimated savings of 350,000 kWh per year. We also installed occupancy sensors in the stairwells within Barrington Tower, and will do so in the remainder of our Downtown Halifax buildings in 2014. A lighting retrofit in our Park Lane parkade will save approximately 157,000 kWh annually.

Barrington Place was completely renovated in 2013, with upgrades including daylight harvesting and occupancy sensors and LED lighting in common areas. A state-of-the-art GoodLife Fitness opened in Barrington Place in the fall of 2013. This facility features controlled ventilation systems complete with variable frequency drives on supply and return fans, all natural gas hot water, and efficient lighting.

SUPPORTING OUR COMMUNITY

Race on the River

The Crombie Crushers Dragon Boat team was the top corporate fundraiser for the 5th year in a row at the annual Dragon Boat Festival in New Glasgow, Nova Scotia. Of the approximately $150,000 raised for the event, Team Crombie raised one-third with the help of co-workers, business partners, family and friends. Charities benefiting from this annual Race on the River include the Women Alike Breast Cancer Survivors Society, the Special Olympics of Pictou County and the Pictou County Cancer Support Association.

Riding for the Cause

Several team members from Crombie's Mississauga, Ontario office took part in both The Ride To Conquer Cancer, the Ride For Heart and other charity bike rides. Between the three largest rides, the 12-team members rode their bikes over 1,500 km and raised more than $25,000 in 2013. The Crombie riding team has joined up with the Sobeys riding team this year and we hope to ride farther and raise more in 2014.

SUSTAINING TRUST

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

The ultimate purpose of Crombie's Board of Trustees is to ensure sustainable creation of value for all Unitholders. Our ability to do so requires the highest possible standards of corporate governance.

Crombie REIT's principal objective is to create long-term returns for our Unitholders through income and capital appreciation. Crombie's Board of Trustees strives to create a positive relationship with our Unitholders, employees and other stakeholders through the adoption and application of high standards of corporate governance.

Crombie's Board consists of both elected and appointed Trustees, the majority of which are both elected by our Unitholders and independent. Empire Company Limited appoints the balance. The Chairs of all Committees (Investment, Human Resource, Audit and Governance & Nominating Committees) as well as the Lead Trustee, are Independent Trustees. Decisions relating to an acquisition of an Empire- or Sobeys-related property are only voted on by our Elected Trustees. In addition, although senior management attend much of each Board and Committee meeting, in-camera meetings occur at each meeting without management present and includes a meeting of independent elected Trustees. We believe these are all very beneficial governance practices.

The Board also assesses the financial and operating performance of the management team and approves the REIT's strategic plans, including their financial, economic and risk assumptions. We also keep the future interests of the Trust in mind by ensuring there is a valid succession plan in place for senior management and the Board.

Last year we noted that success in commercial real estate is the result of astute buying, financing and operations. In 2013, we believe Crombie's senior management, supported by a growing team of talented and engaged employees, has once again performed well on all counts. Without compromising the financial metrics that ensure accretive growth, they continued to advance Crombie's evolution into a national REIT with the acquisition of 70 Safeway stores in Western Canada.

In conjunction with this acquisition, Crombie achieved an investment grade credit rating, which demonstrates improved credit quality and provides the REIT with improved access to capital.

On behalf of the Board, we would like to express our thanks to all Crombie employees across the country. They helped deliver another year of strong performance while laying the foundations for continued success.

We would like to extend a note of gratitude to David Graham, who will be retiring from the Board this year, for his 12 years of service on Crombie's Board. His contributions over the years have been greatly appreciated. We wish him the very best in the years to come.

Sincerely,

Frank C. Sobey
Trustee and Chairman

John Eby
Lead Independent Trustee

BOARD OF TRUSTEES

(left to right from image below):

Kent R. Sobey
Independent Trustee since 2008

Kent Sobey founded film and video production company Farmhouse Productions Ltd. in 2002. In 2008, he formed Sumac Realty Canada, which invests in commercial real estate in Canada and Europe. Mr. Sobey is a Director of The North York Harvest Food Bank. He received his Bachelor of Arts from Dalhousie University and is a graduate of the Vancouver Film School.

Brian A. Johnson
Independent Trustee since 2008

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

David A. Leslie
Independent Trustee since 2007

David Leslie, a Fellow of the Institute of Chartered Accountants of Ontario, retired in 2004 after 37 years of service with Ernst & Young LLP, where he was Chairman and Chief Executive Officer from 1999 to 2004. He is a director of Empire Company Limited, Enbridge Gas Distribution Inc., Enbridge Inc., and Sobeys Inc.

Frank C. Sobey
Trustee since 2006 and Chairman

Frank Sobey is President of ECL Properties Limited and has been a director of Crombie and its predecessors since 1981 and Chairman since 1998. Mr. Sobey is a director and was Chairman of the former Oversight Committee of Empire Company Limited. He is also Chairman of the Dalhousie Medical Research Foundation. In 2013, Mr. Sobey received the ICD.D designation.

Elisabeth Stroback
Independent Trustee since 2006

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

Donald E. Clow
Trustee since 2009, President and CEO

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

Paul D. Sobey
Trustee since 2006

Paul Sobey retired as President and Chief Executive Officer of Empire Company Limited in 2013 after 32 years with the company. He received his B. Comm. from Dalhousie University, attended Harvard University's Advanced Management Program and is an FCA. Mr. Sobey also sits on the boards of Empire Company Limited, Sobeys Inc. and the Bank of Nova Scotia.

Paul V. Beesley
Trustee since 2009

Chief Corporate Development Officer of Sobeys Inc., Paul Beesley is also a director of Genstar Development Partnership and NB Power Group. Prior to joining Empire Co. Ltd. in 1999, Mr. Beesley was VP and C.F.O. of The Globe and Mail. He holds a B.Sc. and MBA and received his CA designation in 1984. He completed the Advanced Management Program at Harvard University in 2006 and in 2011 received the ICD.D designation.

J. Michael Knowlton
Independent Trustee since 2011

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

David G. Graham
Independent Trustee since 2006

David Graham is the President of Atlantic Developments Inc. He has held various positions with CB Richard Ellis Canada Inc. and was an Assistant to the Federal Minister of Fitness and Amateur Sport. Mr. Graham has a Bachelor of Business Administration and a B.Ed. from St. Francis Xavier University, and an M.Sc. in Real Estate Development from Columbia University.

John Eby
Independent Trustee since 2008

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

E. John Latimer
Independent Trustee since 2006

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

OUR MOST VALUABLE ASSETS

While the buildings in our commercial real estate portfolio are Crombie's most tangible assets, our success depends on the skill of many dedicated people. In 2013, we continued to strengthen our teams to support Crombie's national growth platform.

Lynn MacAulay
Manager, Financial Reporting

Lynn MacAulay joined the Crombie REIT team in our Halifax, Nova Scotia office as Manager, Financial Reporting in September 2013. Lynn joins us from Deloitte where she held the role of Manager, Assurance & Advisory.

Nadim Hanna
General Manager, Quebec and Eastern Ontario

Nadim joined Crombie REIT in September 2013 following an 18-year career at Ivanhoe Cambridge Inc., most recently in the role of Vice-President, Asset Management. Nadim holds a Bachelor of Business Administration and a Master of Business Administration from École des Hautes Études Commerciales.

Matthew Craig
Manager, Talent and Development

Matthew Craig joined Crombie REIT's HR team in July 2013 as Manager, Talent and Development following a similar role at Empire Theatres. Matt holds a Bachelor of Arts from the University of New Brunswick and a Certified Human Resource Professional (CHRP) designation.

Marlene Couto
Lease Administrator

Marlene joined the Crombie team in April 2013 to fill the newly created position of Lease Administrator following nine years of experience in similar positions.

Michelle Zunti
Manager, Design and Tenant Coordination

Michelle Zunti joined Crombie's construction team in April 2013 to fill the newly created role of Manager, Design and Tenant Coordination. She is a qualified Interior Designer who worked in the Sobeys Engineering Department and previous to that with two of the larger architectural firms in Ottawa.

Paul Marconi
Director, Construction

Paul joined Crombie in April 2013 having most recently served at Orlando Corporation as a Design Build Project Manager. Paul has a unique background that includes leasing and estimating. He holds a Bachelor of Engineering Science, is a LEED Accredited Professional and holds Real Estate sales credentials.

(left to right): Lynn MacAulay, Nadim Hanna, Matthew Craig, Marlene Couto, Michelle Zunti and Paul Marconi.

FINANCIAL REVIEW

Management's Discussion and Analysis

22 Financial Highlights
23 Non-IFRS Financial Measures
23 Introduction
25 Forward-looking Information
26 Overview of the Property Portfolio
31 Financial Results
37 Other 2013 Performance Measures
40 Liquidity and Capital Resources
48 Financial Results Fourth Quarter
54 Other Fourth Quarter Performance Measures
62 Risk Management
66 Subsequent Events
66 Controls and Procedures
67 Quarterly Information

Consolidated Financial Statements

69 Management's Statement of Responsibility for Financial Reporting
70 Independent Auditor's Report
71 Consolidated Balance Sheets
72 Consolidated Statements of Comprehensive Income (Loss)
73 Consolidated Statements of Changes in Net Assets Attributable to Unitholders
74 Consolidated Statements of Cash Flows
75 Notes to Consolidated Financial Statements

FINANCIAL HIGHLIGHTS

Financial Highlights for the years ended December 31, 2013 and 2012 are as follows:

At December 31	2013	2012
Number of properties	249	170
Gross leaseable area (square feet)	17,558,000	14,053,000
Debt to gross book value – fair value basis	53.0%	46.5%
Debt to gross book value – cost basis	55.9%	50.0%
Diluted number of units for AFFO purposes	102,815,715	90,830,978

Year ended December 31 (In thousands of CAD dollars, except per unit amounts and as otherwise noted)		
Property revenue	$ 296,558	$ 256,022
Property net operating income	$ 189,885	$ 161,500
FFO as adjusted	$ 108,376	$ 90,327
FFO as adjusted per unit – diluted	$ 1.10	$ 1.06
FFO as adjusted payout ratio (%)	79.9%	83.1%
AFFO as adjusted	$ 91,525	$ 75,478
AFFO as adjusted per unit – diluted	$ 0.94	$ 0.89
Distributions per unit	$ 0.89	$ 0.89
AFFO as adjusted payout ratio (%)[1]	94.7%	99.5%

(1) AFFO payout ratio is calculated using a per square foot charge for maintenance expenditures (see "AFFO" section).

2013 Highlights

- FFO as adjusted for the year ended December 31, 2013 increased 20.0% to $108,376 or $1.10 per unit Diluted, a 4.1% increase over the same period in 2012. FFO as adjusted for the three months ended December 31, 2013 increased 26.7% to $30,324 or $0.27 per unit Diluted, a 0.4% increase over the same period in 2012.
- AFFO as adjusted for the year ended December 31, 2013 increased 21.3% to $91,525 or $0.94 per unit Diluted, a 5.0% increase over the same period in 2012. AFFO as adjusted for the three months ended December 31, 2013 increased 27.4% to $25,493 or $0.23 per unit Diluted, a 1.1% increase over the same period in 2012.
- FFO payout ratio of 79.9% for the year ended December 31, 2013 improved from 83.1% for the same period in 2012. FFO payout ratio of 83.0% for the quarter ended December 31, 2013 increased slightly compared to 82.7% for the same period in 2012. AFFO payout ratio improved by 4.8% to 94.7% for the year ended December 31, 2013 from 99.5% for the year ended December 31, 2012. AFFO payout ratio of 98.8% for the quarter ended December 31, 2013 improved slightly from 99.1% for the same period in 2012.
- Continued high quality growth of Crombie's retail portfolio of $1.2 billion via the acquisition of 80 grocery or drug store anchored shopping centres, one retail freestanding property and one retail development on an existing property during the year ended December 31, 2013.
- 15.8% growth of property revenue for the year ended December 31, 2013 ($296,558 versus $256,022 for the year ended December 31, 2012). Property revenue for the three months ended December 31, 2013 grew by 22.6% over the three months ended December 31, 2012.
- Solid growth of same-asset cash NOI for the year ended December 31, 2013 of 1.9% ($139,777 compared to $137,153 for the year ended December 31, 2012). Same-asset cash NOI for the three months ended December 31, 2013 increased by $425 or 1.3% over the three months ended December 31, 2012.
- Committed occupancy was 93.2% at December 31, 2013 compared with 92.2% at September 30, 2013 and 93.2% at December 31, 2012.
- Crombie completed leasing activity on a total of 1,105,000 square feet during the year ended December 31, 2013, including:
  - Renewals on 486,000 square feet of 2013 expiring leases at an average rate of $12.99 per square foot, an increase of 7.2% over the expiring lease rate;
  - Renewals on 170,000 square feet of 2014 and later expiring leases at an average rate of $19.89 per square foot, an increase of 23.9% over the expiring lease rate; and
  - New leases on 449,000 square feet of space, at an average rate of $16.30 per square foot.
- Debt to gross book value (fair value basis) was 53.0% at December 31, 2013, compared with 46.5% at December 31, 2012. Debt to gross book value (cost basis) was 55.9% at December 31, 2013, compared with 50.0% at December 31, 2012.
- Crombie's interest service coverage for the year ended December 31, 2013 was 2.73 times EBITDA and debt service coverage was 1.79 times EBITDA, compared to 2.61 times EBITDA and 1.76 times EBITDA, respectively, for the same period in 2012.
- Crombie completed the acquisition of a portfolio of retail properties from a wholly-owned subsidiary of Sobeys Inc., a related party, for $991.3 million on November 3, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2013, with a comparison to the financial condition and results of operations for the comparable periods in 2012.

This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2013 and December 31, 2012, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

NON-IFRS FINANCIAL MEASURES

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

INTRODUCTION

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 26, 2014, except as otherwise noted.

Financial and Operational Summary

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Property revenue	$ 83,950	$ 68,470	$ 296,558	$ 256,022
Operating income attributable to Unitholders	$ (492)	$ 11,825	$ 36,552	$ 39,735
Basic operating income attributable to Unitholders per unit	$ —	$ 0.13	$ 0.38	$ 0.48
Diluted operating income attributable to Unitholders per unit	$ —	$ 0.13	$ 0.38	$ 0.48
The following FFO and AFFO information is based on the adjusted calculations as explained in the FFO and AFFO sections:				
FFO as adjusted	$ 30,324	$ 23,941	$ 108,376	$ 90,327
FFO as adjusted per unit – basic	$ 0.27	$ 0.27	$ 1.12	$ 1.09
FFO as adjusted per unit – diluted	$ 0.27	$ 0.27	$ 1.10	$ 1.06
FFO as adjusted payout ratio (%)	83.0%	82.7%	79.9%	83.1%
AFFO as adjusted	$ 25,493	$ 19,997	$ 91,525	$ 75,478
AFFO as adjusted per unit – basic	$ 0.23	$ 0.23	$ 0.95	$ 0.91
AFFO as adjusted per unit – diluted	$ 0.23	$ 0.22	$ 0.94	$ 0.89
Distributions per unit	$ 0.22	$ 0.22	$ 0.89	$ 0.89
AFFO as adjusted payout ratio (%)(1)	98.8%	99.1%	94.7%	99.5%

(1) AFFO payout ratio is calculated using a per square foot charge for maintenance expenditures (see "AFFO" section).

Overview of the Business and Recent Developments

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

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a future growth strategy focused primarily on the acquisition of grocery-anchored and drugstore-anchored retail properties in Canada's top 36 markets. At December 31, 2013, Crombie owned a portfolio of 249 investment properties in ten provinces, comprising approximately 17.6 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through a subsidiary, holds a 41.6% economic and voting interest in Crombie at December 31, 2013.

Significant Developments during 2013 include:

Acquisitions and related financings completed up to and including December 31, 2013 include:

(in thousands of CAD dollars, except as otherwise noted)						Weighted Average Mortgage		
Date Acquired in 2013	Number of Properties	Province	GLA (sq. ft.)	Initial Purchase Price	Assumed and New Mortgages	Rate	Term in Years	Amortization in Years
February 22	4	AB	311,000	$ 131,890	$ 85,025	4.16%	10.2	25.0
March 22	1	NB	66,000	14,650	10,750	3.90%	10.0	25.0
March 27	1	NS	45,000	15,450	9,500	4.37%	12.0	25.0
March 28	–	QC	9,000	2,455	9,675	3.90%	10.0	25.0
April 30	1	AB	59,000	20,875	14,000	4.35%	10.0	25.0
September 6	4	AB, MB, ON, QC	77,000	44,370	29,450	4.53%	10.0	25.0
November 3	70	MB, SK, AB, BC	3,105,000	991,300	402,084	4.37%	9.6	24.9
	81		3,672,000	$ 1,220,990	$ 560,484			

The initial purchase price excludes closing and transaction costs.

The February and September acquisitions were transacted with third parties while the remaining acquisitions were from subsidiaries of Empire.

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

In February 2013, Crombie completed the disposition of one non-core mixed use property for $1.7 million. In December 2013, Crombie completed the disposition of one non-core retail enclosed property for $13.4 million.

In February and March 2013, Crombie entered new mortgages totaling $135,350 with a weighted average interest rate of 4.22% and a weighted average term to maturity of 11.3 years. These mortgages replaced $92,397 of mortgages with a weighted average interest rate of 5.91% previously assigned to a portfolio of 23 properties that had been renegotiated in September 2012.

Business Objectives and Outlook

The objectives of Crombie are threefold:

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

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

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

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

Crombie continues to work closely with ECLD and SDLP to identify opportunities that further Crombie's growth strategy. The relationship with ECLD is governed by an agreement described in the Material Contracts section of Crombie's Annual Information Form, and SDLP has confirmed that certain properties now held by SDLP that it acquired from ECLD continue to be governed by that agreement. In addition, Crombie has a right of first offer agreement with Sobeys to acquire both existing income producing commercial properties from Sobeys as well

as properties from SDLP's development pipeline, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with property development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions.

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

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

(In thousand of CAD dollars) Date Acquired	Number of Properties	GLA (sq. ft.)	Acquisition Cost[1]	Vendor
2006–2011	91	4,825,000	751,799	Empire subsidiaries
2006–2011	9	713,000	137,750	3rd parties
2012	2	154,000	43,705	Empire subsidiary
2012	30	1,209,000	340,848	3rd parties
March 22, 2013	1	66,000	14,650	Empire subsidiaries
March 27, 2013	1	45,000	15,450	Empire subsidiaries
March 28, 2013[2]	–	9,000	2,455	Empire subsidiaries
April 30, 2013	1	59,000	20,875	Empire subsidiaries
November 3, 2013	70	3,105,000	991,300	Empire subsidiaries
February 22, 2013	4	311,000	131,890	3rd parties
September 6, 2013	4	77,000	44,370	3rd parties

(1) Excluding closing and transaction costs.
(2) Relates to the acquisition of additional development on a pre-existing retail property.

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

Business Environment

Since the latter part of 2009, the Canadian economy continues to display strengthening results in a number of key economic areas, which indicate that a modest economic recovery has taken place. However, concerns still exist as to the sustainability of the recovery as debt levels of both governments and consumers and unemployment levels remain high. Also, during this 2009 – 2013 period, the credit and equity markets experienced a dramatic improvement in their liquidity compared to the dramatic contraction of late 2008. This liquidity expansion has helped reduce credit spreads to more historically normal levels and resulted in attractive overall financing costs which many Canadian real estate investment trusts ("REITs") and real estate companies, including Crombie, have taken advantage of to strengthen their financial position, improve liquidity and lower their weighted average cost of capital.

In light of the improving economic conditions and improved access to capital since 2009, capitalization rates have returned to very low levels. This capitalization rate reduction resulted in a positive impact to the cost of capital and unit prices of many REITs since 2009. The prospects for higher interest rates commencing in 2013 as a result of stronger consumer demand and improving economic fundamentals has disaffected REIT Unit prices and cost of capital since mid-year as investment funds have migrated away from REITs to less interest sensitive investments. While capitalization rates have shown no discernible change to date, REIT acquisition activity has abated somewhat as REITs adjust to their higher cost of capital driven by softer unit price valuations.

FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

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

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

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

(ix) anticipated subsidy payments from ECL Developments Limited ("ECLD"), which are dependent on tenant leasing and construction activity;

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

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

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

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

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

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

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At December 31, 2013, the property portfolio consisted of 249 investment properties that contain approximately 17.6 million square feet of GLA in all ten provinces.

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

	GLA (sq. ft.)						
Province	January 1, 2013	Acquisitions (Dispositions)	Other	December 31, 2013	Number of Properties	% of GLA	% of Annual Minimum Rent
AB	409,000	1,602,000	4,000	2,015,000	40	11.5%	16.9%
BC	–	1,275,000	–	1,275,000	30	7.2%	8.7%
MB	39,000	453,000	–	492,000	13	2.8%	3.4%
NB	1,811,000	(78,000)	–	1,733,000	22	9.9%	7.2%
NL	1,652,000	–	5,000	1,657,000	14	9.4%	11.0%
NS	5,503,000	45,000	(5,000)	5,543,000	47	31.6%	24.1%
ON	2,883,000	16,000	15,000	2,914,000	51	16.6%	17.8%
PE	313,000	–	(52,000)	261,000	2	1.5%	1.1%
QC	1,174,000	21,000	19,000	1,214,000	22	6.9%	7.1%
SK	269,000	185,000	–	454,000	8	2.6%	2.7%
Total	14,053,000	3,519,000	(14,000)	17,558,000	249	100.0%	100.0%

Since January 1, 2013, the portfolio has increased by 3,663,000 square feet through the acquisition of 81 properties; 31 in Alberta, 30 in British Columbia, 12 in Manitoba, four in Saskatchewan, and one each in Ontario, Quebec, New Brunswick, and Nova Scotia. These acquisitions were offset by 144,000 square feet due to dispositions of two properties in New Brunswick.

Other increases in GLA are the result of the acquisition of additional development on an existing retail property in Quebec, land use intensification development in Alberta, Newfoundland and Labrador and Ontario, offset by space configuration from redevelopment activity in Nova Scotia and Prince Edward Island.

Crombie continues to diversify its geographic composition from its Atlantic Canadian roots through growth opportunities, as evidenced by 30 property acquisitions in British Columbia, 40 in Alberta, 36 in Ontario, 10 in Quebec, 13 in Manitoba and eight in Saskatchewan since Crombie's 2006 IPO. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

REDEVELOPMENT

On a regular basis, Crombie will complete redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. As at December 31, 2013, Crombie properties currently under redevelopment include: Downsview Plaza and Downsview Mall in Halifax, Nova Scotia, Aberdeen Business Centre in New Glasgow, Nova Scotia, Amherst Centre in Amherst, Nova Scotia and County Fair Mall in Summerside, Prince Edward Island are being reconfigured to accommodate new tenancies; 1234 Main Street (Terminal Centres) in Moncton, New Brunswick is being refurbished and upgraded, including GLA expansion; and County Fair Mall in New Minas, Nova Scotia has been designated for redevelopment which has not yet commenced.

Properties under redevelopment are excluded from same-asset results until the redevelopment is complete and the operating results from the redevelopment property are available for the current and comparative reporting years.

The following table outlines properties designated for redevelopment:

Province	Property	Current GLA	Redevelopment	Estimated Cost	Incurred To Date	Estimated Completion
NB	Terminal Centres	202,000	Refurbish and upgrade, including GLA expansion to accommodate leasing future	$ 18,000	$ 13,104	First quarter 2014
NS	Aberdeen Business Centre	401,000	Reconfigure space to accommodate future leasing	In planning	$ –	To be determined
NS	Amherst Centre	228,000	Reconfigure space to accommodate future leasing	In planning	$ –	To be determined
NS	County Fair Mall – New Minas	268,000	To be determined	In planning	$ –	To be determined
NS	Downsview Plaza	239,000	Reconfigure space to accommodate future leasing	Phase II – $ 2,400	$ 1,260	First quarter 2014
NS	Downsview Mall	142,000	To be determined	In planning	$ –	To be determined
PE	County Fair Mall – Summerside	237,000	Reconfigure space to accommodate future leasing	$ 2,625	$ 2,920	First quarter 2014

During the third quarter of 2012, Crombie commenced the redevelopment of 1234 Main Street (Terminal Centres) to accommodate current and future leasing. Construction is nearing completion with the balance of costs expected to be incurred primarily related to specific tenant requirements.

Aberdeen Business Centre is undergoing redevelopment to accommodate new tenant leasing requirements and initial work for future tenants.

Amherst Centre has been designated for redevelopment. Planning and design work is currently underway and is subject to management review and approval. Work has commenced to reconfigure space to accommodate new tenants, however, the estimated cost is subject to specific tenant requirements.

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

Redevelopment work is currently underway on Phase II of Downsview Plaza to accommodate the requirements of new tenants and initial work for future tenants. Downsview Mall, an adjacent property, has also been designated for redevelopment, subject to management review and approval of planning and design work.

Redevelopment work on County Fair Mall – Summerside, to accommodate the requirements of new tenants and initial work for future tenants is nearing completion. New tenants are scheduled to open in Spring 2014. Total GLA for this property has decreased as a result of the redevelopment work.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at December 31, 2013.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys[1]	49.0%	15.9 years
Shoppers Drug Mart	6.0%	13.2 years
Cineplex	1.8%	11.5 years
Province of Nova Scotia	1.5%	4.5 years
CIBC	1.2%	16.3 years
Lawtons/Sobeys Pharmacy	1.1%	12.6 years
GoodLife Fitness	1.1%	12.7 years
Best Buy Canada Ltd.	1.0%	7.6 years
Bank of Nova Scotia	0.9%	3.6 years
Dollarama	0.8%	4.6 years
Total	64.4%	

(1) Excludes Lawtons.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 49.0% of annual minimum rent and Shoppers Drug Mart which accounts for 6.0% of annual minimum rent, no other tenant accounts for more than 1.8% of Crombie's annual minimum rent.

Lease Maturities

The following table sets out as of December 31, 2013, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2014	252	732,000	4.2%	$ 15.90
2015	183	804,000	4.6%	14.01
2016	180	848,000	4.8%	14.33
2017	178	862,000	4.9%	18.24
2018	161	668,000	3.8%	18.98
Thereafter	639	12,456,000	70.9%	17.44
Total	1,593	16,370,000	93.2%	$ 17.16

The weighted average remaining term of all leases is approximately 12.1 years. This lengthy remaining lease term is influenced by the average Sobeys and Shoppers Drug Mart remaining lease terms of 15.9 years and 13.2 years, respectively.

During the year ended December 31, 2013, Crombie's lease renewals for 2013 lease expiries were completed at an average rate of $12.99 per square foot; an increase of 7.2% over the expiring rate, while new leasing activity was completed at an average rate of $17.67 per square foot. Both of these rates compare favourably with the average rent per square foot on full year 2013 lease maturities of $10.95 per square foot.

2013 Portfolio Occupancy and Committed Activity

The portfolio occupancy and committed activity for the year ended December 31, 2013 were as follows:

	Occupied Space (sq. ft.)								
Province	January 1, 2013	Acquisitions (Dispositions)	New Leases[1]	Lease Expiries	Other Changes[2]	December 31, 2013	Committed Space (sq ft.)[3]	Total Leased Space (sq ft.)	Leased December 31, 2013
AB	409,000	1,590,000	6,000	–	–	2,005,000	3,000	2,008,000	99.7%
BC	–	1,275,000	–	–	–	1,275,000	–	1,275,000	100.0%
MB	39,000	453,000	–	–	–	492,000	–	492,000	100.0%
NB	1,547,000	(35,000)	23,000	(22,000)	(36,000)	1,477,000	5,000	1,482,000	85.6%
NF	1,594,000	–	78,000	(111,000)	(16,000)	1,545,000	–	1,545,000	93.2%
NS	5,025,000	45,000	162,000	(266,000)	(78,000)	4,888,000	43,000	4,931,000	89.0%
ON	2,672,000	16,000	66,000	(27,000)	(10,000)	2,717,000	33,000	2,750,000	94.4%
PE	299,000	–	–	(105,000)	–	194,000	36,000	230,000	88.0%
QC	1,162,000	21,000	30,000	(4,000)	(1,000)	1,208,000	1,000	1,209,000	99.6%
SK	269,000	185,000	1,000	(16,000)	–	439,000	9,000	448,000	98.6%
Total	13,016,000	3,550,000	366,000	(551,000)	(141,000)	16,240,000	130,000	16,370,000	93.2%

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space increased from 86,000 square feet at December 31, 2012 to 130,000 square feet at December 31, 2013.

Overall leased space (occupied plus committed) remained unchanged at 93.2% at December 31, 2013 when compared to December 31, 2012. This occupancy stability is primarily the result of the acquisition of 70 fully-occupied Safeway properties in the fourth quarter of 2013 offset by lease expiries in 2013 from the departure of Zellers as a tenant in three locations during the year.

SECTOR INFORMATION

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

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

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

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

As at December 31, 2012, the portfolio distribution of GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail Enclosed	11	2,291,000	16.3%	17.5%	87.1%
Retail Freestanding	69	2,549,000	18.1%	19.9%	99.8%
Retail Plazas	76	6,307,000	44.9%	46.2%	94.3%
Portfolio sub-totals for retail	156	11,147,000	79.3%	83.6%	94.1%
Mixed Use	9	1,851,000	13.2%	10.4%	94.2%
Office	5	1,055,000	7.5%	6.0%	82.2%
Total	170	14,053,000	100.0%	100.0%	93.2%

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

Retail properties represent 83.4% of Crombie's GLA and 88.3% of annual minimum rent at December 31, 2013 compared to 79.3% of GLA and 83.6% of annual minimum rent at December 31, 2012 reflecting Crombie's strategy to focus primarily on retail properties as evidenced by its acquisition activity.

Leased space in retail properties of 94.5% at December 31, 2013, has increased from 94.1% at December 31, 2012, due to recent acquisitions of fully leased space and new leasing activity, offset in part by the 2013 departure of Zellers as a tenant in two retail locations. The change in leased space for mixed use properties reflects a Zellers departure in one property, while the improvement in leased occupancy of office properties reflects increases in Halifax office properties offset by one of the two Terminal Centres office buildings being vacated for redevelopment.

The following table sets out as of December 31, 2013, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail Enclosed		Retail Freestanding		Retail Plazas	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2014	177,000	8.3%	–	0.0%	265,000	3.3%
2015	111,000	5.2%	9,000	0.2%	310,000	3.9%
2016	182,000	8.6%	3,000	0.1%	410,000	5.2%
2017	276,000	13.0%	5,000	0.1%	282,000	3.6%
2018	140,000	6.6%	10,000	0.2%	428,000	5.4%
Thereafter	860,000	40.4%	4,557,000	99.4%	5,810,000	73.2%
Total	1,746,000	82.1%	4,584,000	100.0%	7,505,000	94.6%

Year	Mixed Use		Office		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2014	183,000	9.9%	107,000	10.1%	732,000	4.2%
2015	305,000	16.4%	69,000	6.5%	804,000	4.6%
2016	186,000	10.0%	67,000	6.4%	848,000	4.8%
2017	171,000	9.2%	128,000	12.2%	862,000	4.9%
2018	35,000	1.9%	55,000	5.2%	668,000	3.8%
Thereafter	767,000	41.3%	462,000	43.9%	12,456,000	70.9%
Total	1,647,000	88.7%	888,000	84.3%	16,370,000	93.2%

Of the 13,835,000 square feet of retail properties under lease, 11,228,000 square feet, or 81.2% is scheduled for maturity after 2018. This long-term stability in lease maturities is primarily driven by the longer term nature of the Sobeys and Shoppers Drug Mart leases.

In the office and mixed use properties, lease maturities after 2018 represents 48.5% of the leased square footage for these sectors.

The following table sets out the average rent per square foot expiring during the periods indicated:

Year	Retail Enclosed	Retail Freestanding	Retail Plazas	Mixed Use	Office	Total
2014	$ 21.59	$ –	$ 14.53	$ 13.32	$ 14.26	$ 15.90
2015	$ 25.90	$ 25.32	$ 15.06	$ 9.52	$ 12.07	$ 14.01
2016	$ 18.97	$ 29.00	$ 15.29	$ 7.79	$ 13.19	$ 14.33
2017	$ 19.06	$ 26.00	$ 20.08	$ 13.27	$ 18.77	$ 18.24
2018	$ 23.49	$ 15.45	$ 18.33	$ 18.96	$ 13.17	$ 18.98
Thereafter	$ 15.75	$ 19.29	$ 17.39	$ 12.36	$ 11.31	$ 17.44
Total as at December 31, 2013	$ 18.46	$ 19.31	$ 17.23	$ 11.66	$ 13.06	$ 17.16
Total as at December 31, 2012	$ 16.61	$ 15.55	$ 15.07	$ 11.48	$ 12.82	$ 14.77

FINANCIAL RESULTS YEAR TO DATE

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As at December 31, 2013	December 31, 2012	December 31, 2011
Total assets	$ 3,345,165	$ 2,135,620	$ 1,728,782
Total investment property debt and unsecured debt	$ 2,043,066	$ 1,185,940	$ 1,002,358
Debt to gross book value – fair value basis[1]	53.0%	46.5%	53.0%
Debt to gross book value – cost basis[2]	55.9%	50.0%	52.5%

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

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Year ended December 31, 2013	2012	2011
Property revenue	$ 296,558	$ 256,022	$ 226,138
Property operating expenses	106,673	94,522	84,202
Property NOI	189,885	161,500	141,936
NOI margin percentage	64.0%	63.1%	62.8%
Other items:			
Lease terminations	485	3,844	168
Gain on derecognition of investment properties	2,858	–	–
Impairment of investment property	(12,270)	–	–
Depreciation and amortization	(50,028)	(44,570)	(31,387)
General and administrative expenses	(13,666)	(11,530)	(10,654)
Operating income before finance costs and taxes	117,264	109,244	100,063
Finance costs – operations	(82,387)	(69,409)	(62,148)
Operating income before taxes	34,877	39,835	37,915
Taxes – deferred	1,675	(100)	300
Operating income attributable to Unitholders	36,552	39,735	38,215
Finance costs – distributions to Unitholders	(86,620)	(75,079)	(61,283)
Finance income (costs) – change in fair value of financial instruments	2,473	(1,878)	(8,644)
Decrease in net assets attributable to Unitholders	$ (47,595)	$ (37,222)	$ (31,712)
Operating income attributable to Unitholders per Unit, Basic and Diluted	$ 0.38	$ 0.48	$ 0.56
Basic weighted average Units outstanding (in 000's)	96,838	83,200	68,251
Diluted weighted average Units outstanding (in 000's)	97,026	83,385	68,431
Distributions per Unit to Unitholders	$ 0.89	$ 0.89	$ 0.89

Comparative Figures

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

Operating income attributable to Unitholders for the year ended December 31, 2013 of $36,552 decreased by $3,183 or 8.0% from $39,735 for the year ended December 31, 2012. The decrease was primarily due to:

- Crombie recorded an impairment on an investment property of $12,270 (2012 – $ nil);
- higher finance costs – operations related to ongoing financing on property acquisitions and non-recurring costs of $6,033 related to arranging financing on the November 2013 property acquisition;
- lower lease termination income;
- higher depreciation and amortization expense related to property acquisitions;
- higher general and administrative expenses including costs associated with hiring of additional staff related to continued growth and higher incentive payments; and

Offset in part by:

- higher property NOI caused by the impact of property acquisitions during 2012 and 2013, increased average rental rates and improved expense recovery rates;
- during the year ended December 31, 2013 Crombie recorded a gain on derecognition of investment properties of $2,858 (2012 – $ nil); and
- deferred tax recovery in 2013 related to the investment property impairment.

Adjusted Net Assets Attributable to Unitholders

Crombie is presenting the following adjusted net assets attributable to Unitholders, a non-GAAP measure, to provide more meaningful period over period comparison of its closest measure to net income:

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Year ended December 31, 2013	2012
Decrease in net assets attributable to Unitholders	$ (47,595)	$ (37,222)
Adjusted for the following:		
Impairment of investment property[1]	12,270	–
Deferred tax recovery[2]	(3,675)	–
Finance costs – operations[3]	6,033	–
Adjusted decrease in net assets attributable to Unitholders	$ (32,967)	$ (37,222)

(1) During 2013, Crombie recognized an impairment of $12,270 to one investment property. Crombie records its investment properties using the cost method, which is not comparable to its industry peers who recognize their investment properties on a fair value basis. Therefore, the impairment is being adjusted to allow Crombie and others to have a more meaningful comparison of operating results.
(2) As a result of the impairment, Crombie has recorded a deferred tax recovery of $3,675 which is being adjusted as it directly relates to the impairment.
(3) During 2013, Crombie incurred finance costs related to arranging financing for the 70 property acquisition in the fourth quarter. These costs included $3,437 for a Subscription Receipt Adjustment Payment and $2,596 related to an acquisition bridge facility in place as interim financing related to the acquisition.

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

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

Property Revenue and Property Operating Expenses

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

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Same-asset property revenue	$ 218,351	$ 212,866	$ 5,485
Acquisition, disposition and redevelopment property revenue	78,207	43,156	35,051
Property revenue	$ 296,558	$ 256,022	$ 40,536

Same-asset property revenue of $218,351 for the year ended December 31, 2013 increased 2.6% from the year ended December 31, 2012 due to increased base rent driven by lease renewal activity, land use intensifications at several properties and increased recoveries as a result of higher recoverable property expenses. Acquisition, disposition and redevelopment property revenue growth of $35,051 is due to higher acquisition and redevelopment activity in 2012 and 2013.

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Same-asset property operating expenses	$ 82,115	$ 76,839	$ 5,276
Acquisition, disposition and redevelopment property operating expenses	24,558	17,683	6,875
Property operating expenses	$ 106,673	$ 94,522	$ 12,151

Same-asset property expenses of $82,115 for the year ended December 31, 2013 increased by $5,276 or 6.9% from the year ended December 31, 2012 due primarily to higher recoverable property expenses; primarily property taxes.

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Same-asset property NOI	$ 136,236	$ 136,027	$ 209
Acquisition, disposition and redevelopment property NOI	53,649	25,473	28,176
Property NOI	$ 189,885	$ 161,500	$ 28,385

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the year ended December 31, 2013 increased by $28,385 or 17.6% from the year ended December 31, 2012 due primarily to acquisitions and completed redevelopment activity during 2012 and 2013.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Property NOI	$ 189,885	$ 161,500	$ 28,385
Non-cash straight-line rent	(5,484)	(4,809)	(675)
Non-cash tenant incentive amortization	8,026	6,332	1,694
Property cash NOI	192,427	163,023	29,404
Acquisition, disposition and redevelopment property cash NOI	52,650	25,870	26,780
Same-asset property cash NOI	$ 139,777	$ 137,153	$ 2,624

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $2,624 or 1.9% increase in same-asset cash NOI for the year ended December 31, 2013 over the same period in 2012 is primarily the result of increased average rent per square foot from leasing activity, improved recovery rates and land use intensifications at several properties offset in part by the impact of lower occupancy.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period.

Acquisition, disposition and redevelopment property cash NOI is as follows:

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Acquisition and disposition property cash NOI	$ 42,260	$ 15,181	$ 27,079
Redevelopment property cash NOI	10,390	10,689	(299)
Total acquisition, disposition and redevelopment property cash NOI	$ 52,650	$ 25,870	$ 26,780

The significant growth in acquisition and disposition property cash NOI reflects the strong level of property acquisitions throughout 2012 and 2013.

Cash NOI for redevelopment properties decreased $299 or 2.8% for the year ended December 31, 2013 over the year ended December 31, 2012 due to redevelopment work at Terminal Centres in Moncton, New Brunswick, Aberdeen Business Centre in New Glasgow, Nova Scotia, Amherst Centre in Amherst, Nova Scotia, County Fair Mall in New Minas, Nova Scotia, Downsview Plaza and Downsview Mall in Halifax, Nova Scotia and County Fair Mall in Summerside, Prince Edward Island. These properties have temporary vacancies as the redevelopment work proceeds. This was partially offset by the completion of redevelopment work at Barrington Tower in Halifax, Nova Scotia.

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

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

Property NOI for the year ended December 31, 2013 by province was as follows:

	2013			2012	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	Property NOI	Variance
AB	$ 24,833	$ 4,886	$ 19,947	$ 7,464	$ 12,483
BC	3,895	–	3,895	–	3,895
MB	2,146	11	2,135	468	1,667
NB	27,607	11,857	15,750	14,642	1,108
NL	40,659	14,615	26,044	24,656	1,388
NS	101,361	45,392	55,969	55,540	429
ON	62,512	19,213	43,299	36,805	6,494
PE	3,754	1,391	2,363	2,907	(544)
QC	24,248	7,768	16,480	15,870	610
SK	5,543	1,540	4,003	3,148	855
Total	$ 296,558	$ 106,673	$ 189,885	$ 161,500	$ 28,385

The variances from 2012 primarily relate to:

- Property acquisitions during 2012 and 2013, in particular the acquisition of 70 properties in Western Canada during the fourth quarter of 2013;
- Completion of redevelopment properties;
- Land use intensification projects; and
- Increased base rent due to lease renewal activity.

In Alberta, Crombie acquired two retail properties during 2012 and an additional 30 retail properties in 2013.

In Ontario, Crombie acquired 23 retail properties during 2012 and an additional one retail property during 2013 as well as additional development on a preexisting retail property.

During 2013 Crombie acquired 30 retail properties in British Columbia, 12 retail properties in Manitoba and four retail properties in Saskatchewan.

In Prince Edward Island, Crombie commenced redevelopment of a property subsequent to the departure of Zellers.

Depreciation, Amortization and Impairment

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Same-asset depreciation and amortization	$ 30,039	$ 33,924	$ 3,885
Acquisition, disposition and redevelopment depreciation and amortization	19,989	10,646	(9,343)
Depreciation and amortization	$ 50,028	$ 44,570	$ (5,458)

Depreciation and amortization increased by $5,458 for the year ended December 31, 2013 compared to the same period in 2012. The increase is due to increased depreciation related to Crombie's increased acquisition and redevelopment activity, offset in part by accelerated depreciation in 2012 on two separate properties related to a change in their estimated useful life.

Depreciation and amortization consists of:

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Depreciation of investment properties	$ 42,101	$ 38,095	$ (4,006)
Amortization of intangible assets	7,383	5,888	(1,495)
Amortization of deferred leasing costs	544	587	43
Depreciation and amortization	$ 50,028	$ 44,570	$ (5,458)

Crombie's total fair value of investment properties exceeds carrying value by $570,710 at December 31, 2013 (2012 – $466,720). Crombie uses the cost method for accounting for investment properties, and such change in fair value over carrying value is not recognized until realized through disposition or derecognition of properties, while impairment is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

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

No amounts for impairment were recorded in 2012 and prior years.

General and Administrative Expenses

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

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Salaries and benefits	$ 7,724	$ 6,465	$ (1,259)
Professional fees	1,590	1,186	(404)
Public company costs	1,610	1,444	(166)
Rent and occupancy	961	673	(288)
Other	1,781	1,762	(19)
General and administrative expenses	$ 13,666	$ 11,530	$ (2,136)
As a percentage of property revenue	4.6%	4.5%	(0.1)%

General and administrative expenses, as a percentage of property revenue, increased by 0.1% for the year ended December 31, 2013 compared to the same period in 2012. General and administrative expenses increased $2,136 or 18.5% over 2012, while property revenue increased by 15.8% over the same period, resulting in the slight increase in general and administrative expenses as a percentage of property revenue. Salaries and benefits increased due to the hiring of additional staff related to continued growth and higher incentive payments. Professional fees increased mainly due to consulting fees related to Crombie's growth and costs related to aborted acquisitions.

Finance Costs – Operations

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Same-asset finance costs	$ 47,933	$ 50,936	$ 3,003
Acquisition, disposition and redevelopment finance costs	25,277	9,049	(16,228)
Amortization of effective swaps and deferred financing charges	9,177	9,424	247
Finance costs – operations	$ 82,387	$ 69,409	$ (12,978)

Same-asset finance costs for the year ended December 31, 2013 decreased by $3,003 or 5.9% compared to the same period in 2012 primarily due to the interest savings realized from mortgage refinancings in September 2012 as well as refinancing of maturing mortgages at lower interest rates and conversions of convertible debentures.

Growth in acquisition, disposition and redevelopment finance costs is consistent with Crombie's acquisition activity in 2012 and 2013. During the fourth quarter of 2013, Crombie incurred finance costs totaling $6,033 related to arranging financing for the 70 property acquisition on November 3, 2013. The finance costs included $3,437 for a subscription receipt adjustment payment on their exchange to REIT Units and $2,596 in fees associated with a $600,000 bridge credit facility.

The decrease of $247 in amortization of effective swaps and deferred financing charges for the year ended December 31, 2013 compared to the same period in 2012 is primarily due to the conversion and redemption of Series B Debentures in 2013 offset in part by the refinancing of the mortgages in 2012, which resulted in a one-time write off of the remaining deferred finance charges on the refinanced mortgages; and, continuing reduction in amortization of effective swaps.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and management expects to realize a further $2,904 over that period. The amount of interest rate subsidy received during the year ended December 31, 2013 was $888 (year ended December 31, 2012 – $1,047).

Income Taxes

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

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout the 2012 and 2013 fiscal years. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

The deferred tax liability represents the future tax provision for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

SECTOR INFORMATION

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

Retail Enclosed Properties

	Year ended December 31, 2013			Year ended December 31, 2012		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 37,904	$ 8,998	$ 46,902	$ 35,161	$ 10,920	$ 46,081
Property operating expenses	14,974	4,831	19,805	12,646	4,812	17,458
Property NOI	$ 22,930	$ 4,167	$ 27,097	$ 22,515	$ 6,108	$ 28,623
NOI Margin %	60.5%	46.3%	57.8%	64.0%	55.9%	62.1%
Actual occupancy %	91.5%	56.9%	79.8%	91.0%	80.5%	86.9%

Same-asset property revenue increased by $2,743 or 7.8% primarily due to rental rate increases, increases in revenue from percent rent and land use intensification development. Same-asset property operating expenses increased by $2,328 or 18.4% due to higher non-recoverable costs. Acquisition, dispositions and redevelopment property NOI and occupancy decreased during 2013 due to the departure of Zellers in two retail enclosed properties.

Retail Freestanding Properties

	Year ended December 31, 2013			Year ended December 31, 2012		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 33,292	$ 17,707	$ 50,999	$ 32,309	$ 6,211	$ 38,520
Property operating expenses	6,946	1,455	8,401	6,111	669	6,780
Property NOI	$ 26,346	$ 16,252	$ 42,598	$ 26,198	$ 5,542	$ 31,740
NOI Margin %	79.1%	91.8%	83.5%	81.1%	89.2%	82.4%
Actual occupancy %	100.0%	100.0%	100.0%	99.9%	100.0%	99.9%

Same-asset property revenue increased $983 or 3.0% in 2013 while property operating expenses increased $835 or 13.7%. The net effect is an increase in property NOI of $148 or 0.6% with a decrease in the NOI margin % by 2.0%. Acquisitions, dispositions and redevelopment property NOI increased from 2012 primarily due to the acquisition of 15 freestanding properties during the second quarter of 2012 and an additional 54 freestanding properties in 2013.

Retail Plaza Properties

	Year ended December 31, 2013			Year ended December 31, 2012		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 98,815	$ 40,733	$ 139,548	$ 96,922	$ 17,523	$ 114,445
Property operating expenses	34,264	11,200	45,464	32,583	5,749	38,332
Property NOI	$ 64,551	$ 29,533	$ 94,084	$ 64,339	$ 11,774	$ 76,113
NOI Margin %	65.3%	72.5%	67.4%	66.4%	67.2%	66.5%
Actual occupancy %	93.4%	94.5%	93.8%	94.8%	88.2%	93.4%

Same-asset property revenue increased $1,893 or 2.0% due to rental rate increases from leasing activity offset by higher non-recoverable costs related to the decrease in occupancy rates. Acquisitions, dispositions and redevelopment property NOI increased significantly over 2012 primarily due to the acquisition activity during 2012 and 2013, mainly in Central and Western Canada.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Year ended December 31, 2012 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 31,805	$ 5,664	$ 37,469	$ 32,123	$ 4,052	$ 36,175
Property operating expenses	17,194	2,981	20,175	17,006	2,074	19,080
Property NOI	$ 14,611	$ 2,683	$ 17,294	$ 15,117	$ 1,978	$ 17,095
NOI Margin %	45.9%	47.4%	46.2%	47.1%	48.8%	47.3%
Actual occupancy %	88.4%	88.0%	88.3%	92.3%	95.9%	93.4%

Same-asset property NOI decreased by $506 or 3.3% due to lower percent rent income and higher non-recoverable costs due to lower occupancy. Acquisition, dispositions and redevelopment property NOI increased by $705 compared to the same period in 2012 due to the acquisition of a property in Newfoundland and Labrador in the third quarter of 2012, offset in part by the departure of Zellers in one mixed use property.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Year ended December 31, 2012 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 16,535	$ 5,105	$ 21,640	$ 16,351	$ 4,450	$ 20,801
Property operating expenses	8,737	4,091	12,828	8,493	4,379	12,872
Property NOI	$ 7,798	$ 1,014	$ 8,812	$ 7,858	$ 71	$ 7,929
NOI Margin %	47.2%	19.9%	40.7%	48.1%	1.6%	38.1%
Actual occupancy %	93.1%	68.3%	84.0%	92.9%	61.9%	81.5%

Same-asset property NOI decreased by $60 or 0.8% compared to 2012 due primarily to an increase in non-recoverable costs. Acquisition, dispositions and redevelopment property NOI increased $943 compared to the same period in 2012 primarily due to improved results at Barrington Tower in Halifax, Nova Scotia where redevelopment work was completed in the third quarter of 2012.

OTHER 2013 PERFORMANCE MEASURES

Per Unit Measures

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

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013	2012
Operating income attributable to Unitholders	$ 36,552	$ 39,735
Operating income attributable to Unitholders per unit – Basic	$ 0.38	$ 0.48
Operating income attributable to Unitholders per unit – Diluted	$ 0.38	$ 0.48
The following FFO and AFFO information is based on the adjusted calculations as explained in the FFO and AFFO sections:		
FFO as adjusted – Basic	$ 108,376	$ 90,327
FFO as adjusted – Diluted	$ 116,216	$ 97,402
FFO as adjusted per Unit – Basic	$ 1.12	$ 1.09
FFO as adjusted per Unit – Diluted	$ 1.10	$ 1.06
AFFO as adjusted – Basic	$ 91,525	$ 75,478
AFFO as adjusted – Diluted	$ 96,365	$ 81,065
AFFO as adjusted per Unit – Basic	$ 0.95	$ 0.91
AFFO as adjusted per Unit – Diluted	$ 0.94	$ 0.89

Operating income attributable to Unitholders is determined before Finance costs – distributions to Unitholders and Finance costs – change in fair value of financial instruments.

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

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

	Year ended December 31,	
	2013	2012
Basic number of Units for all measures	96,837,669	83,200,062
Diluted for operating income attributable to Unitholders purposes	97,026,365	83,384,642
Diluted for FFO purposes	105,800,789	92,315,359
Diluted for AFFO purposes	102,815,715	90,830,978

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation. For operating income attributable to Unitholders, all series of convertible debentures are anti-dilutive. For FFO purposes, all series of convertible debentures are dilutive. For AFFO purposes, all series of convertible debentures are dilutive except the Series D Debentures.

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

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
Operating income attributable to Unitholders	$ 36,552	$ 39,735
Finance costs – distributions to Unitholders	(86,620)	(75,079)
Finance costs – change in fair value of financial instruments	2,473	(1,878)
Decrease in net assets attributable to Unitholders	$ (47,595)	$ (37,222)

FFO AND AFFO

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

Funds from Operations (FFO)

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

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

REALpac provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the year ended December 31, 2013 and year ended December 31, 2012 is as follows:

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Decrease in net assets attributable to Unitholders	$ (47,595)	$ (37,222)	$ (10,373)
Add (deduct):			
Finance costs – distributions to Unitholders	86,620	75,079	11,541
Finance costs – change in fair value of financial instruments	(2,473)	1,878	(4,351)
Amortization of tenant incentives	8,026	6,332	1,694
Depreciation of investment properties	42,101	38,095	4,006
Amortization of intangible assets	7,383	5,888	1,495
Amortization of deferred leasing costs	544	587	(43)
Gain on derecognition of investment property	(2,858)	–	(2,858)
Impairment of investment properties	12,270	–	12,270
Taxes – deferred	(1,675)	100	(1,775)
FFO	$ 102,343	$ 90,737	$ 11,606

The $11,606 increase in FFO for the year ended December 31, 2013 was primarily due to the acquisition activity in 2012 and 2013 including an increase in NOI partially offset by an increase in finance costs – operations.

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
FFO as calculated above	$ 102,343	$ 90,737
Adjusted for the following:		
Finance costs – operations[1]	6,033	–
Lease termination income[2]	–	(3,410)
Refinanced mortgages[3]	–	3,000
FFO as adjusted	$ 108,376	$ 90,327

(1) Related to the financing of 70 retail properties acquired during the fourth quarter of 2013, Crombie incurred $3,437 as a Subscription Receipt Adjustment Payment in accordance with our prospectus dated August 8, 2013. In addition, Crombie incurred costs of $2,596 related to an acquisition bridge facility in place as interim financing related to the acquisition.
(2) As discussed in our December 31, 2012 MD&A, Crombie recognized lease termination income from a national retailer for early retirement of two leases.
(3) As discussed in our December 31, 2012 MD&A, Crombie refinanced a portfolio of mortgages resulting in finance costs associated with the refinancing.

FFO and AFFO per unit measures and payout ratios in this MD&A are being calculated based on the adjusted FFO and AFFO amounts as these are more reflective of Crombie's ongoing operating results as measured by management.

Adjusted Funds from Operations (AFFO)

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

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

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of $1.05 per square foot to be charged against AFFO. The rate will be reviewed periodically and adjusted if required. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The 70 property, $991,300 fourth quarter acquisition contains lease provisions whereby the tenant, not Crombie, is responsible for maintenance expenditures. As a result. the $1.05 per square foot charge against AFFO does not reflect any amount related to the November 3, 2013 acquisition and Crombie will reassess this $1.05 rate in 2014.

The calculation of AFFO for the year ended December 31, 2013 and 2012 is as follows:

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
FFO	$ 102,343	$ 90,737	$ 11,606
Add (deduct):			
Amortization of effective swap agreements	3,759	4,808	(1,049)
Straight-line rent adjustment	(5,458)	(4,809)	(649)
Maintenance expenditures on a square footage basis	(15,152)	(14,131)	(1,021)
AFFO	$ 85,492	$ 76,605	$ 8,887

AFFO for the year ended December 31, 2013 was $85,492, an increase of $8,887 or 11.6% over the same period in 2012, due primarily to the improved FFO results as previously discussed.

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
AFFO as calculated above	$ 85,492	$ 76,605
Adjusted for the following:		
Finance costs – operations[1]	6,033	–
Lease termination income[2]	–	(3,410)
Refinanced mortgages[3]	–	2,283
AFFO as adjusted	$ 91,525	$ 75,478

(1), (2), (3) Refer to the explanation under FFO on page 39.

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

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Cash provided by (used in) operating activities	$ 27,310	$ 30,269	$ (2,959)
Add back (deduct):			
Finance costs – distributions to Unitholders	86,620	75,079	11,541
Change in other non-cash operating items	(8,085)	(9,960)	1,875
Unit-based compensation expense	(40)	(36)	(4)
Amortization of deferred financing charges	(5,161)	(4,616)	(545)
Maintenance expenditures on a square footage basis	(15,152)	(14,131)	(1,021)
AFFO	$ 85,492	$ 76,605	$ 8,887

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

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

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to finance future growth: (i) secured short-term financing through an authorized three year revolving credit facility of up to $285,000, subject to available borrowing base, of which $120,000 ($124,135 including outstanding letters of credit) was drawn at December 31, 2013; (ii) the issue of new units; (iii) mortgage and term debt on unencumbered assets; (iv) senior unsecured notes; and, (v) unsecured convertible debentures. During 2013, Crombie achieved an investment grade credit rating which may further expand available sources of financing.

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

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Operating activities	$ 27,310	$ 30,269	$ (2,959)
Financing activities	$ 1,224,514	$ 301,864	$ 922,650
Investing activities	$ (1,244,657)	$ (332,187)	$ (912,470)

Operating Activities

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$ 19,225	$ 20,309	$ (1,084)
Non-cash operating items	8,085	9,960	(1,875)
Cash provided by operating activities	$ 27,310	$ 30,269	$ (2,959)

Net assets attributable to unitholders and non-cash items decreased by $1,084 or 5.3% primarily due to finance costs associated with increased acquisition activity. The decrease in non-cash operating items was primarily influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Net issue of mortgage loans and borrowings	$ 613,503	$ 71,173	$ 542,330
Net issue of senior unsecured notes	173,906	–	173,906
Net issue of convertible debentures	70,516	54,580	15,936
Net issue of units	365,621	175,181	190,440
Other items (net)	968	930	38
Cash provided by financing activities	$ 1,224,514	$ 301,864	$ 922,650

Cash from financing activities in the year ended December 31, 2013 increased by $922,650 over 2012. During the year ended December 31, 2013, Crombie raised cash to finance the acquisitions of investment properties through: the issuance of REIT Units and Class B LP Units; Series E Convertible Debentures, Series A Senior Unsecured Notes; mortgage financing; and, use of Crombie's revolving credit facility.

Investing Activities

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Acquisition of investment properties and intangible assets	$ (1,217,189)	$ (292,084)	$ (925,105)
Additions to investment properties	(23,395)	(25,289)	1,894
Proceeds on disposal of investment properties	14,250	–	14,250
Additions to tenant incentives	(17,980)	(14,113)	(3,867)
Additions to deferred leasing costs	(633)	(982)	349
Other items (net)	290	281	9
Cash used in investing activities	$ (1,244,657)	$ (332,187)	$ (912,470)

Cash used in investing activities for the year ended December 31, 2013 was $1,244,657. The increase of $912,470 primarily relates to the 70 properties acquired in November 2013, partially offset by an increase in proceeds on disposal of investment properties of $14,250.

Tenant Incentives ("TI") and Capital Expenditures

There are two types of TI and capital expenditures:

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

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

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

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

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
Total additions to investment properties	$ 23,395	$ 25,289
Less: productive capacity enhancements and recoverable amounts	(17,924)	(18,928)
Maintenance capital expenditures	$ 5,471	$ 6,361

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
Total additions to TI and deferred leasing costs	$ 18,613	$ 15,095
Less: productive capacity enhancements	(12,526)	(1,719)
Maintenance TI and deferred leasing costs	$ 6,087	$ 13,376

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

Maintenance capital expenditures for the year ended December 31, 2013, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during 2013 with the more significant costs related to new tenants and lease renewals in the office properties.

Productive capacity enhancements during the year ended December 31, 2013, consisted primarily of GLA expansions at Niagara Plaza, Niagara Falls, Ontario, Rockhaven, Peterborough, Ontario, Lindsay Street Centre, Fenelon Falls, Ontario, Millwoods Common, Edmonton, Alberta and Willowcreek Plaza, Peterborough, Ontario; and redevelopment work at Downsview Plaza, Halifax, Nova Scotia, Aberdeen Shopping Centre, New Glasgow, Nova Scotia, Barrington Place, Halifax, Nova Scotia, Evangeline Mall, Digby, Nova Scotia, County Fair Mall, Summerside, Prince Edward Island, Park Lane, Halifax, Nova Scotia, Tantallon Plaza, Tantallon, Nova Scotia, Terminal Centres, Moncton, New Brunswick and Rymal Road Plaza, Hamilton, Ontario.

Capital Structure

(In thousands of CAD dollars)	December 31, 2013		December 31, 2012		December 31, 2011	
Investment property debt	$ 1,694,200	53.3%	$ 1,065,411	54.2%	$ 878,007	55.9%
Senior unsecured notes	173,937	5.5%	–	0.0%	–	0.0%
Convertible debentures	174,929	5.5%	120,529	6.1%	124,351	7.9%
Crombie REIT Unitholders	680,935	21.6%	470,747	23.9%	247,570	15.8%
Special Voting Units and Class B Limited Partnership Unitholders	443,363	14.1%	311,254	15.8%	321,288	20.4%
	$ 3,167,364	100.0%	$ 1,967,941	100.0%	$ 1,571,216	100.0%

Bank Credit Facilities and Investment Property Debt

Crombie has in place an authorized floating rate revolving credit facility of up to $285,000 (the "revolving credit facility"), of which $120,000 ($124,135 including outstanding letters of credit) was drawn as at December 31, 2013. On February 22, 2013, the borrowing base and available limit on Crombie's revolving credit facility was increased to $285,000 to provide financing for the first quarter's acquisitions. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers' acceptance rates plus a spread or specified margins over prime rate. The spread or specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2013, Crombie had sufficient Borrowing Base to permit $270,812 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

As of December 31, 2013, Crombie had fixed rate mortgages outstanding of $1,585,960 ($1,592,552 after including the fair value debt adjustment of $6,592), carrying a weighted average interest rate of 4.82% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 8.0 years.

During the year ended December 31, 2013, Crombie repaid and canceled a floating rate term credit facility of $92,697 using proceeds of new mortgages.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). As part of the 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
Year	Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
2014	$ 93,435	$ –	$ 93,435	7.3%	$ 45,473	$ 138,908	8.2%
2015	57,596	–	57,596	4.6%	45,632	103,228	6.1%
2016	36,322	120,000	156,322	12.3%	43,721	200,043	11.8%
2017	38,757	–	38,757	3.0%	40,921	79,678	4.7%
2018	61,176	–	61,176	4.8%	40,145	101,321	6.0%
Thereafter	866,208	–	866,208	68.0%	209,982	1,076,190	63.2%
Total[(1)]	$ 1,153,494	$ 120,000	$ 1,273,494	100.0%	$ 425,874	$ 1,699,368	100.0%

(1) Excludes fair value debt adjustment of $6,592 and deferred financing charges of $11,760.

Of the maturing debt balances, only 16.2% of fixed rate debt, and 24.2% of total maturing debt balances matures over the next three years.

Convertible Debentures

(In thousands of CAD dollars, except per unit amounts)	Series C	Series D	Series E
Issue value	$ 45,000	$ 60,000	$ 75,000
Outstanding amount as at December 31, 2013	$ 45,000	$ 60,000	$ 75,000
Annual interest rate (payable semi-annually)	5.75%	5.00%	5.25%
Conversion price per Unit	$ 15.30	$ 20.10	$ 17.15
Issue date	February 8, 2010	July 3, 2012	August 14, 2013
Maturity date	June 30, 2017	September 30, 2019	March 31, 2021
Trading symbol	CRR.DB.C	CRR.DB.D	CRR.DB.E

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

On August 14, 2013, Crombie issued $75,000 of convertible unsecured subordinated debentures (the "Series E Debentures"). The Series E Debentures have an interest rate of 5.25% per annum and pay interest semi-annually on March 31 and September 30, commencing on September 30, 2013. Crombie has the option to pay interest on any interest payment date by issuing REIT Units and applying the proceeds to satisfy its interest obligation. Each one thousand dollars principal amount of Series E Debenture is convertible into approximately 58.3090 units of Crombie, at any time, at the option of the holder, representing a conversion price of $17.15 per unit. If all conversion rights attaching to the Series E Debentures were exercised, as at December 31, 2013, Crombie would be required to issue approximately 4,373,177 REIT Units, subject to anti-dilution adjustments.

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

The Series C Debentures, the Series D Debentures, and the Series E Debentures (collectively the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars principal amount of approximately: 65.3595 REIT Units for Series C Convertible Debentures, 49.7512 REIT Units for Series D Convertible Debentures; and 58.3090 REIT Units for Series E Convertible Debentures. If all conversion rights attaching to the Series C Convertible Debentures, the Series D Convertible Debentures, and the Series E Debentures were exercised, as at December 31, 2013, Crombie would be required to issue approximately 2,941,176 REIT Units, 2,985,074 REIT Units, and 4,373,177 REIT Units respectively, subject to anti-dilution adjustments.

The following represents debentures converted and redeemed from date of issue to January 31, 2014:

Conversion (Redemption) Date	Convertible Debenture Series	Debentures Face Value (In thousands of CAD dollars)	Units Issued
January 2010 through December 2012	7%	$ 30,000	2,022,526
January 2010 through December 2012	Series B	66,321	6,029,137
Conversions and redemptions to December 31, 2012		96,321	8,051,663
January through March 2013	Series B	1,317	119,723
April through June 2013	Series B	1,446	131,450
July through September 2013	Series B	7,353	668,444
October 2013	Series B	6,999	636,270
October 2013 (redemption)	Series B	1,564	–
November 3013	N/A	–	–
December 2013	N/A	–	–
Conversions and redemptions to December 31, 2013		$ 115,000	9,607,550
January 2014	N/A	–	–
Conversions and redemptions to January 31, 2014		$ 115,000	9,607,550

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

On September 6, 2013, Crombie exercised its right to redeem all of the remaining outstanding principal amount of its Series B Debentures maturing on June 30, 2015, in accordance with the terms of the Trust Indenture. Holders of the Series B Debentures were entitled to convert

their Series B Debentures to Units based on the conversion price of $11.00 per Unit until October 10, 2013. The redemption of the then outstanding Series B Debentures was completed on October 11, 2013 for a principal payment of $1,564 plus interest.

Senior Unsecured Notes

On October 31, 2013, Crombie issued, on a private placement basis, $175,000 Series A Notes (senior unsecured) with a five year term and an annual interest rate of 3.986%. There are no required fixed payments and the full $175,000 is due at maturity on October 31, 2018. Interest is payable in equal semi-annual installments in arrears on April 30 and October 31. The first interest payment date will be April 30, 2014.

Under the terms governing the senior unsecured notes, Crombie must maintain certain covenants:

- maintain consolidated EBITDA to consolidated interest expense of not less than 1.65 to 1;
- maintain at all times an Adjusted Net Assets Attributable to Unitholders of at least $300,000;
- consolidated indebtedness (excluding any convertible indebtedness) must not exceed 60% of Aggregate Adjusted Assets (including any cash or cash equivalents on hand of a Joint Venture Arrangement, but excluding all other cash or cash equivalents on hand) calculated on a pro forma basis, and consolidated indebtedness (including any convertible indebtedness) must not exceed 65% of Aggregate Adjusted Assets (including any cash or cash equivalents on hand of a Joint Venture Arrangement, but excluding all other cash or cash equivalents on hand) calculated on a pro forma basis; and
- maintain at least one rating on the senior unsecured notes from any of the Specified Rating Agencies, provided that such rating is available on commercially reasonable terms.

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

In March 2013, there were 43,522 REIT Units awarded as part of the Employee Unit Purchase Plan (March 2012 – 28,893 REIT Units).

For the year ended December 31, 2013, a total of $17,115 of 6.25% Series B Debentures was converted for a total of 1,555,887 REIT Units. For the year ended December 31, 2012, a total of $26,278 of 7% and $33,800 of 6.25% Series B Debentures were converted for a total of 5,094,081 REIT Units.

Total units outstanding at January 31, 2014 were as follows:

Units	72,662,264
Special Voting Units[1]	50,241,245

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 50,241,245 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

Taxation of Distributions

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

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

Taxation Year	Return of Capital	Investment Income	Capital Gains
2012 per $ of distribution	67.1%	32.9%	0.0%
2011 per $ of distribution	62.5%	37.5%	0.0%
2010 per $ of distribution	64.7%	35.3%	0.0%
2009 per $ of distribution	51.0%	49.0%	0.0%
2008 per $ of distribution	27.2%	72.7%	0.1%

Borrowing Capacity and Debt Covenants

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge (the "Borrowing Base"). The revolving credit facility provides Crombie with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

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

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any negative mark-to-market position on any interest rate swap agreements or other hedging instruments plus any outstanding letters of credit, may not exceed the "Aggregate Coverage Amount", which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At December 31, 2013, the remaining amount available under the revolving credit facility was $150,812 (prior to reduction for standby letters of credit outstanding of $4,135) and was not limited by the Aggregate Coverage Amount.

At December 31, 2013, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value – Fair Value Basis

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

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

The debt to gross book value on a cost basis was 55.9% at December 31, 2013 compared to 50.0% at December 31, 2012 while debt to gross book value on a fair value basis was 53.0% and 46.5% at December 31, 2013 and December 31, 2012, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

	As at				
(In thousands of CAD dollars, except as otherwise noted)	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Fixed rate mortgages	$ 1,585,960	$ 1,170,801	$ 1,163,195	$ 1,098,165	$ 949,571
Senior unsecured notes	175,000	–	–	–	–
Convertible debentures	180,000	188,563	120,916	122,362	123,679
Revolving credit facility payable	120,000	81,134	115,146	145,000	30,405
Floating rate term credit facility	–	–	–	–	92,695
Total debt outstanding	2,060,960	1,440,498	1,399,257	1,365,527	1,196,350
Less: Applicable fair value debt adjustment	(2,903)	(3,109)	(3,326)	(3,553)	(3,791)
Debt	$ 2,058,057	$ 1,437,389	$ 1,395,931	$ 1,361,974	$ 1,192,559
Investment properties, at fair value	$ 3,877,000	$ 2,884,000	$ 2,814,000	$ 2,828,000	$ 2,574,000
Notes receivable	1,821	1,991	2,169	2,354	2,545
Other assets, cost[1]	21,327	25,783	29,088	21,110	19,675
Cash and cash equivalents	7,167	–	–	386	–
Deferred financing costs	17,894	14,811	11,930	11,197	10,410
Interest rate subsidy	(2,903)	(3,109)	(3,326)	(3,553)	(3,791)
FV adjustment to deferred taxes	(38,585)	(39,045)	(39,045)	(39,045)	(39,245)
Gross book value – fair value basis	$ 3,883,721	$ 2,884,431	$ 2,814,816	$ 2,820,449	$ 2,563,594
Debt to gross book value – fair value basis	53.0%	49.8%	49.6%	48.3%	46.5%
Debt to Gross Book Value – Cost Basis					
Debt – as calculated above	$ 2,058,057	$ 1,437,389	$ 1,395,931	$ 1,361,974	$ 1,192,559
Investment properties, cost	$ 3,380,073	$ 2,398,244	$ 2,346,757	$ 2,319,190	$ 2,158,474
Below-market lease component, cost[2]	71,173	70,916	70,916	70,877	62,753
Intangible assets, cost	96,397	79,649	79,022	78,553	73,853
Notes receivable	1,821	1,991	2,169	2,354	2,545
Other assets, cost[3]	145,592	144,490	143,826	127,650	119,031
Cash and cash equivalents	7,167	–	–	386	–
Deferred financing charges	17,894	14,811	11,930	11,197	10,410
Interest rate subsidy	(2,903)	(3,109)	(3,326)	(3,553)	(3,791)
Fair value adjustment to deferred taxes	(38,585)	(39,045)	(39,045)	(39,045)	(39,245)
Gross book value – cost basis	$ 3,678,629	$ 2,667,947	$ 2,612,249	$ 2,567,609	$ 2,384,030
Debt to gross book value – cost basis	55.9%	53.9%	53.4%	53.0%	50.0%
Maximum borrowing capacity[4]	65.0%	65.0%	65.0%	65.0%	65.0%

(1) Other assets exclude Tenant Incentives, Accrued straight-line rent receivable, and Assets related to derecognized property.
(2) Below-market lease component is included in the carrying value of investment properties.
(3) Other assets as per financial statements adjusted for Accumulated amortization of tenant incentives, and Assets related to derecognized property.
(4) Maximum permitted by the Declaration of Trust.

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

Debt and Interest Service Coverage

Crombie's interest and debt service coverage ratios for the year ended December 31, 2013 were 2.73 times EBITDA and 1.79 times EBITDA. This compares to 2.61 times EBITDA and 1.76 times EBITDA respectively for the year ended December 31, 2012. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

	Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	2013	2012
Property revenue	$ 296,558	$ 256,022
Amortization of tenant incentives	8,026	6,332
Adjusted property revenue	304,584	262,354
Property operating expenses	(106,673)	(94,522)
General and administrative expenses	(13,666)	(11,530)
EBITDA (1)	$ 184,245	$ 156,302
Finance costs – operations	$ 82,387	$ 69,409
Amortization of deferred financing charges	(5,161)	(4,616)
Amortization of effective swap agreements	(3,759)	(4,808)
Finance costs associated with arranging financing for the 70 property acquisition:		
Subscription receipts adjustments payment	(3,437)	–
Bridge credit facility costs	(2,596)	–
Adjusted interest expense (2)	$ 67,434	$ 59,985
Debt repayments	$ 213,586	$ 119,556
Amortization of fair value debt premium	(1,887)	(1,210)
Payments relating to interest rate subsidy	(888)	(1,047)
Payments relating to credit facilities	(156,561)	(88,595)
Lump sum payments on mortgages	(18,608)	–
Adjusted debt repayments (3)	$ 35,642	$ 28,704
Interest service coverage ratio {(1)/(2)}	2.73	2.61
Debt service coverage ratio {(1)/((2)+(3))}	1.79	1.76

Distributions and Distribution Payout Ratios

Distribution Policy

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

Details of distributions to Unitholders are as follows:

	Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	2013	2012
Distributions to Unitholders	$ 50,664	$ 42,771
Distributions to Special Voting Unitholders	35,956	32,308
Total distributions	$ 86,620	$ 75,079
FFO as adjusted payout ratio	79.9%	83.1%
AFFO as adjusted payout ratio (target ratio = 95%)	94.7%	99.5%

FINANCIAL RESULTS FOURTH QUARTER

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2013	2012	Variance
Property revenue	$ 83,950	$ 68,470	$ 15,480
Property operating expenses	28,563	25,804	2,759
Property NOI	55,387	42,666	12,721
NOI margin percentage	66.0%	62.3%	3.7%
Other items:			
Lease terminations	80	3,458	(3,378)
Gain on derecognition of investment properties	2,422	–	2,422
Impairment of investment property	(12,270)	–	(12,270)
Depreciation and amortization	(15,045)	(12,493)	(2,552)
General and administrative expenses	(4,243)	(3,667)	(576)
Operating income before finance costs and taxes	26,331	29,964	(3,633)
Finance costs – operations	(29,098)	(16,639)	(12,459)
Operating income before taxes	(2,767)	13,325	(16,092)
Taxes – deferred	2,275	(1,500)	3,775
Operating income attributable to Unitholders	(492)	11,825	(12,317)
Finance costs – distributions to Unitholders	(25,157)	(19,809)	(5,348)
Finance costs – change in fair value of financial instruments	422	3,984	(3,562)
Decrease in net assets attributable to Unitholders	$ (25,227)	$ (4,000)	$ (21,227)
Operating income attributable to Unitholders per Unit, Basic	$ 0.00	$ 0.13	
Operating income attributable to Unitholders per Unit, Diluted	$ 0.00	$ 0.13	
Basic weighted average Units outstanding (in 000's)	111,749	88,252	
Diluted weighted average Units outstanding (in 000's)	111,939	88,438	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22	

Operating income attributable to Unitholders for the three months ended December 31, 2013 decreased by $12,317 from $11,825 for the three months ended December 31, 2012. The decrease was primarily due to:

- Crombie recorded an impairment on an investment property of $12,270 (2012 – $ nil);
- higher finance costs – operations related to ongoing financing on property acquisitions and non-recurring costs of $6,033 related to arranging financing on the November 2013 property acquisition;
- lower lease termination income;
- higher depreciation and amortization expense related to property acquisitions; and
- higher general and administration expenses including costs associated with hiring of additional staff related to continued growth and higher incentive payments.

Offset in part by:

- higher property NOI resulting from increased average rental rates, improved expense recovery rates and the impact of property acquisitions during 2013; and
- deferred tax recovery in 2013 related to the investment property impairment.

Adjusted Net Assets Attributable to Unitholders

Crombie is presenting the following adjusted net assets attributable to Unitholders, a non-GAAP measure, to provide more meaningful period over period comparison of its closest measure to net income:

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2013	2012
Decrease in net assets attributable to Unitholders	$ (25,227)	$ (4,000)
Adjusted for the following:		
Impairment of investment property[1]	12,270	–
Deferred tax recovery[2]	(3,675)	–
Finance costs – operations[3]	6,033	–
Adjusted increase (decrease) in net assets attributable to Unitholders	$ (10,599)	$ (4,000)

(1) During 2013, Crombie recognized an impairment of $12,270 to one investment property. Crombie records its investment properties using the cost method, which is not comparable to its industry peers who recognize their investment properties on a fair value basis. Therefore, the impairment is being adjusted to allow Crombie and others to have a more meaningful comparison of operating results.
(2) As a result of the impairment, Crombie has recorded a deferred tax recovery of $3,675 which is being adjusted as it directly relates to the impairment.
(3) During 2013, Crombie incurred finance costs related to arranging financing for the 70 property acquisition in the fourth quarter. These costs included $3,437 for a Subscription Receipt Adjustment Payment and $2,596 related to an acquisition bridge facility in place as interim financing related to the acquisition.

Property Revenue and Property Operating Expenses

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

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Same-asset property revenue	$ 55,112	$ 54,614	$ 498
Acquisition, disposition and redevelopment property revenue	28,838	13,856	14,982
Property revenue	$ 83,950	$ 68,470	$ 15,480

Same-asset property revenue of $55,112 for the three months ended December 31, 2013 was 0.9% higher than the three months ended December 31, 2012 due to increased base rent driven by lease renewal activity and land use intensifications at several properties. Acquisition, disposition and redevelopment property revenue growth of $14,982 is due to higher acquisition and redevelopment activity in 2012 and 2013.

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Same-asset property operating expenses	$ 21,573	$ 20,735	$ (838)
Acquisition, disposition and redevelopment property operating expenses	6,990	5,069	(1,921)
Property operating expenses	$ 28,563	$ 25,804	$ (2,759)

Same-asset property operating expenses of $21,573 for the three months ended December 31, 2013 increased by $838 or 4.0% from the three months ended December 31, 2012 due to higher non-recoverable costs.

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Same-asset property NOI	$ 33,539	$ 33,879	$ (340)
Acquisition, disposition and redevelopment property NOI	21,848	8,787	13,061
Property NOI	$ 55,387	$ 42,666	$ 12,721

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the three months ended December 31, 2013 increased by $12,721 or 29.8% from the three months ended December 31, 2012 due primarily to acquisitions and completed redevelopment activity during 2012 and 2013. The increase of $13,061 in acquisition, disposition and redevelopment property NOI for the three months ended December 31, 2013 compared to the same period in 2012 was primarily due to the acquisition of 70 retail properties in the fourth quarter of 2013.

Property NOI on a cash basis is as follows:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Property NOI	$ 55,387	$ 42,666	$ 12,721
Non-cash straight-line rent	(1,934)	(1,245)	(689)
Non-cash tenant incentive amortization	2,165	1,533	632
Property cash NOI	55,618	42,954	12,664
Acquisition, disposition and redevelopment property cash NOI	21,602	9,363	12,239
Same-asset property cash NOI	$ 34,016	$ 33,591	$ 425

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The increase of $425 or 1.3% in same-asset cash NOI for the three months ended December 31, 2013 over the three months ended December 31, 2012 is primarily the result of increased average rent per square foot from leasing activity and land use intensification at several properties.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period.

Acquisition, disposition and redevelopment property cash NOI is as follows:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Acquisition and disposition property cash NOI	$ 18,932	$ 6,695	$ 12,237
Redevelopment property cash NOI	2,670	2,668	2
Total acquisition, disposition and redevelopment property cash NOI	$ 21,602	$ 9,363	$ 12,239

The significant growth in acquisition and disposition property cash NOI is primarily due to the acquisition of 70 retail properties in the fourth quarter of 2013.

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

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

Property NOI for the three months ended December 31, 2013 by province was as follows:

	2013			2012	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	Property NOI	Variance
AB	$ 10,415	$ 1,492	$ 8,923	$ 1,944	$ 6,979
BC	3,895	–	3,895	–	3,895
MB	1,632	2	1,630	162	1,468
NB	6,946	3,038	3,908	3,656	252
NL	10,220	3,647	6,573	6,437	136
NS	25,430	12,009	13,421	13,928	(507)
ON	16,265	5,491	10,774	10,749	25
PE	892	383	509	687	(178)
QC	6,385	2,037	4,348	4,237	111
SK	1,870	464	1,406	866	540
Total	$ 83,950	$ 28,563	$ 55,387	$ 42,666	$ 12,721

The variances from 2012 primarily relate to:

- Property acquisitions during 2012 and 2013, in particular the acquisition of 70 properties in Western Canada during the fourth quarter of 2013;
- Completion of redevelopment properties; and
- Land use intensification projects.

In the fourth quarter of 2013, Crombie acquired 30 retail properties in British Columbia, 25 in Alberta, 11 in Manitoba and four in Saskatchewan contributing to the property NOI growth in those provinces.

Offset in part by:

- Redevelopment in Nova Scotia and Prince Edward Island and the related interruption in property revenue; and
- Higher non-recoverable operating expenses.

Depreciation, Amortization and Impairment

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Same-asset depreciation and amortization	$ 7,490	$ 8,764	$ 1,274
Acquisition, disposition and redevelopment depreciation and amortization	7,555	3,729	(3,826)
Depreciation and amortization	$ 15,045	$ 12,493	$ (2,552)

Depreciation and amortization increased by $2,552 for the three months ended December 31, 2013 compared to the same period in 2012. The increase is due to increased depreciation related to Crombie's increased acquisition and redevelopment activity, offset in part by accelerated depreciation in 2012 on two separate properties related to a change in their estimated useful life.

Depreciation and amortization consists of:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Depreciation of investment properties	$ 12,967	$ 10,666	$ (2,301)
Amortization of intangible assets	1,947	1,678	(269)
Amortization of deferred leasing costs	131	149	18
Depreciation and amortization	$ 15,045	$ 12,493	$ (2,552)

Crombie recorded impairment of $12,270 during the three months ended December 31, 2013 as described in the financial results year to date.

General and Administrative Expenses

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

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Salaries and benefits	$ 2,725	$ 2,580	$ (145)
Professional fees	311	135	(176)
Public company costs	400	322	(78)
Rent and occupancy	245	36	(209)
Other	562	594	32
General and administrative expenses	$ 4,243	$ 3,667	$ (576)
As a percentage of property revenue	5.1%	5.4%	0.3%

General and administrative expenses, as a percentage of property revenue, decreased by 0.3% for the three months ended December 31, 2013 compared to the same period in 2012 with expenses increasing $576 or 15.7% and property revenue increasing 22.6% in 2013. Salaries and benefits increased due to the hiring of additional staff related to continued growth.

Finance Costs – Operations

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Same-asset finance costs	$ 11,854	$ 11,774	$ (80)
Acquisition, disposition and redevelopment finance costs	12,988	3,340	(9,648)
Amortization of effective swaps and deferred financing charges	4,256	1,525	(2,731)
Finance costs – operations	$ 29,098	$ 16,639	$ (12,459)

Finance costs – operations increased $12,459 or 74.9% primarily due to higher acquisition, disposition and redevelopment finance costs related to the acquisition of 70 retail properties in the fourth quarter of 2013.

During the fourth quarter of 2013, Crombie incurred finance costs totaling $6,033 related to arranging financing for the 70 property acquisition on November 3, 2013. The finance costs included $3,437 for a subscription receipt adjustment payment on their conversion to REIT Units and $2,596 in fees associated with a $600,000 bridge credit facility.

Amortization of effective swaps and deferred financing charges for the three months ended December 31, 2013 increased by $2,731 or 163.3% compared to the same period in 2012. This increase is primarily due to increased amortization of deferred financing charges related to financing obtained for the acquisition of 70 retail properties which was repaid during the period.

SECTOR INFORMATION

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

Retail Enclosed Properties

	Three months ended December 31, 2013			Three months ended December 31, 2012		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 9,462	$ 2,060	$ 11,522	$ 9,139	$ 2,700	$ 11,839
Property operating expenses	3,649	1,255	4,904	3,522	1,296	4,818
Property NOI	$ 5,813	$ 805	$ 6,618	$ 5,617	$ 1,404	$ 7,021
NOI Margin %	61.4%	39.1%	57.4%	61.5%	52.0%	59.3%
Actual occupancy %	91.5%	56.9%	79.8%	91.0%	80.5%	86.9%

Same-asset property revenue increased by $323 or 3.5% primarily due to rental rate increases and land use intensification development. Same-asset property operating expenses increased by $127 or 3.6% due to higher non-recoverable costs. Property NOI and occupancy for acquisition, disposition and redevelopment properties decreased primarily due to the early termination of Zellers leases in two properties.

Retail Freestanding Properties

	Three months ended December 31, 2013			Three months ended December 31, 2012		
(In thousands of CAD dollars, except as otherwise noted)	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 8,475	$ 9,893	$ 18,368	$ 8,226	$ 2,282	$ 10,508
Property operating expenses	1,850	395	2,245	1,706	236	1,942
Property NOI	$ 6,625	$ 9,498	$ 16,123	$ 6,520	$ 2,046	$ 8,566
NOI Margin %	78.2%	96.0%	87.8%	79.3%	89.7%	81.5%
Actual occupancy %	100.0%	100.0%	100.0%	99.9%	100.0%	99.9%

Same-asset NOI increased by $105 or 1.6% due to rental rate increases. Acquisitions, dispositions and redevelopment property NOI increased significantly from 2012 primarily due to the acquisition of 49 freestanding properties during the fourth quarter of 2013.

Retail Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013			Three months ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 25,420	$ 14,088	$ 39,508	$ 25,090	$ 6,446	$ 31,536
Property operating expenses	9,269	3,582	12,851	8,877	1,952	10,829
Property NOI	$ 16,151	$ 10,506	$ 26,657	$ 16,213	$ 4,494	$ 20,707
NOI Margin %	63.5%	74.6%	67.5%	64.6%	69.7%	65.7%
Actual occupancy %	93.4%	94.5%	93.8%	94.8%	88.2%	93.4%

Same-asset property revenue increased $330 or 1.3%, while same-asset property operating expenses increased $392 or 4.4%, resulting in a decrease of $62 in same-asset property NOI. The changes relate to rental rate increases and higher non-recoverable costs. Acquisitions, dispositions and redevelopment property NOI increased from the same period in 2012 primarily due to acquisition activity during 2012 and 2013, mainly in Central and Western Canada.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013			Three months ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 7,736	$ 1,460	$ 9,196	$ 7,974	$ 1,405	$ 9,379
Property operating expenses	4,606	763	5,369	4,484	657	5,141
Property NOI	$ 3,130	$ 697	$ 3,827	$ 3,490	$ 748	$ 4,238
NOI Margin %	40.5%	47.7%	41.6%	43.8%	53.2%	45.2%
Actual occupancy %	88.4%	88.0%	88.3%	92.3%	95.9%	93.4%

Same-asset property revenue decreased $238 or 3.0% due to lower revenue from lower occupancy; and same-asset property operating expenses increased $122 or 2.7% due to higher non-recoverable costs. Acquisitions, disposition and redevelopment property NOI decrease of $51 or 6.8% is attributed to higher non-recoverable repair work.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013			Three months ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 4,019	$ 1,337	$ 5,356	$ 4,185	$ 1,023	$ 5,208
Property operating expenses	2,199	995	3,194	2,146	928	3,074
Property NOI	$ 1,820	$ 342	$ 2,162	$ 2,039	$ 95	$ 2,134
NOI Margin %	45.3%	25.6%	40.4%	48.7%	9.3%	41.0%
Actual occupancy %	93.1%	68.3%	84.0%	92.9%	61.9%	81.5%

Same-asset property NOI decreased by $219 or 10.7% compared to the same period in 2012 due primarily to an increase in non-recoverable costs and decrease in recovery of property operating costs. Acquisition, dispositions and redevelopment property NOI increased $247 compared to the same period in 2012 primarily due to improved results at Barrington Tower in Halifax, Nova Scotia where redevelopment work was completed in the third quarter of 2012.

OTHER FOURTH QUARTER PERFORMANCE MEASURES

Per Unit Measures

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

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013	2012
Operating income attributable to Unitholders	$ (492)	$ 11,825
Operating income attributable to Unitholders per unit – Basic	$ –	$ 0.13
Operating income attributable to Unitholders per unit – Diluted	$ –	$ 0.13
The following FFO and AFFO information is based on the adjusted calculations as explained in the FFO and AFFO sections:		
FFO as adjusted – Basic	$ 30,324	$ 23,941
FFO as adjusted – Diluted	$ 32,717	$ 25,634
FFO as adjusted per Unit – Basic	$ 0.27	$ 0.27
FFO as adjusted per Unit – Diluted	$ 0.27	$ 0.27
AFFO as adjusted – Basic	$ 25,493	$ 19,997
AFFO as adjusted – Diluted	$ 27,130	$ 20,934
AFFO as adjusted per Unit – Basic	$ 0.23	$ 0.23
AFFO as adjusted per Unit – Diluted	$ 0.23	$ 0.22

Operating income attributable to Unitholders is determined before Finance costs – distributions to Unitholders and Finance costs – change in fair value of financial instruments.

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

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

	Three months ended December 31, 2013	2012
Basic number of Units for all measures	111,749,228	88,252,304
Diluted for operating income attributable to Unitholders purposes	111,938,795	88,438,130
Diluted for FFO purposes	122,255,223	96,125,609
Diluted for AFFO purposes	119,270,148	93,140,534

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation. For operating income attributable to Unitholders, all series of convertible debentures are anti-dilutive. For FFO purposes, all series of convertible debentures are dilutive. For AFFO purposes for the three months ended December 31, 2013, all series of convertible debentures except Series D are dilutive.

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

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012
Operating income attributable to Unitholders	$ (492)	$ 11,825
Finance costs – distributions to Unitholders	(25,157)	(19,809)
Finance costs – change in fair value of financial instruments	422	3,984
Decrease in net assets attributable to Unitholders	$ (25,227)	$ (4,000)

Funds from Operations (FFO)

FFO is as previously defined in the MD&A. The calculation of FFO for the three months ended December 31, 2013 and three months ended December 31, 2012 is as follows:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Decrease in net assets attributable to Unitholders	$ (25,227)	$ (4,000)	$ (21,227)
Add (deduct):			
Finance costs – distributions to Unitholders	25,157	19,809	5,348
Gain on derecognition of investment properties	(2,422)	–	(2,422)
Impairment of investment property	12,270	–	12,270
Finance costs – change in fair value of financial instruments	(422)	(3,984)	3,562
Amortization of tenant incentives	2,165	1,533	632
Depreciation of investment properties	12,967	10,666	2,301
Amortization of intangible assets	1,947	1,678	269
Amortization of deferred leasing costs	131	149	(18)
Taxes – deferred	(2,275)	1,500	(3,775)
FFO	$ 24,291	$ 27,351	$ (3,060)

The $3,060 decrease in FFO for the three months ended December 31, 2013 is primarily due to:

- increased finance costs – operations related to the acquisition of 70 retail properties in the fourth quarter of 2013, including $6,033 in costs related to arranging financing as noted below; and
- high lease termination income in the fourth quarter of 2012.

Offset in part by:

- increased property NOI related to the acquisition of 70 retail properties in the fourth quarter of 2013.

	Three months ended December 31,	
(In thousands of CAD dollars)	2013	2012
FFO as calculated above	$ 24,291	$ 27,351
Adjusted for the following:		
Finance costs – operations[1]	6,033	–
Lease termination income[2]	–	(3,410)
FFO as adjusted	$ 30,324	$ 23,941

(1) Related to the financing of 70 retail properties acquired during the fourth quarter of 2013, Crombie incurred $3,437 as a Subscription Receipt Adjustment Payment in accordance with our prospectus dated August 8, 2013. In addition, Crombie incurred costs of $2,596 related to a bridge facility in place as interim financing related to the acquisition.
(2) As discussed in our December 31, 2012 MD&A, Crombie recognized lease termination income from a national retailer for early retirement of two leases.

Adjusted Funds from Operations (AFFO)

AFFO is as previously defined in the MD&A. The calculation of AFFO for the three months ended December 31, 2013 and 2012 is as follows:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
FFO	$ 24,291	$ 27,351	$ (3,060)
Add (deduct):			
Amortization of effective swap agreements	889	973	(84)
Straight-line rent adjustment	(1,908)	(1,245)	(663)
Maintenance expenditures on a square footage basis	(3,812)	(3,672)	(140)
AFFO	$ 19,460	$ 23,407	$ (3,947)

The AFFO for the quarter ended December 31, 2013 was $19,460, a decrease of $3,947 or 17.0% over the same period in 2012, due primarily to the decrease in FFO results as previously discussed.

	Three months ended December 31,	
(In thousands of CAD dollars)	2013	2012
AFFO as calculated above	$ 19,460	$ 23,407
Adjusted for the following:		
Finance costs – operations[1]	6,033	–
Lease termination income[2]	–	(3,410)
AFFO as adjusted	$ 25,493	$ 19,997

(1), (2) refer to the explanation under FFO on page 55.

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

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Cash provided by (used in) operating activities	$ 13,339	$ 10,130	$ 3,209
Add back (deduct):			
Finance costs – distributions to Unitholders	25,157	19,809	5,348
Change in other non-cash operating items	(12,104)	(2,262)	(9,842)
Unit-based compensation expense	(10)	(10)	–
Amortization of deferred financing charges	(3,110)	(588)	(2,522)
Maintenance expenditures on a square footage basis	(3,812)	(3,672)	(140)
AFFO	$ 19,460	$ 23,407	$ (3,947)

Sources and Uses of Funds

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

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Cash provided by (used in):			
Operating activities	$ 13,339	$ 10,130	$ 3,209
Financing activities	$ 988,826	$ 56,964	$ 931,862
Investing activities	$ (994,998)	$ (67,094)	$ (927,904)

Operating Activities

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$ 1,235	$ 7,868	$ (6,633)
Non-cash operating items	12,104	2,262	9,842
Cash provided by (used in) operating activities	$ 13,339	$ 10,130	$ 3,209

Net assets attributable to Unitholders decreased by $6,633 due to increased depreciation and amortization expense driven by acquisition and development activity and an increase in distributions to Unitholders due to REIT and Class B LP Units issued to partially finance increased acquisition and development activity. The increase in non-cash operating items was primarily influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Net issue (repayment) of loans and borrowings	$ 448,433	$ (1,562)	$ 449,995
Net issue of senior unsecured notes	173,906	–	173,906
Net issue (redemption) of convertible debentures	(1,071)	102	(1,173)
Net issue of units	367,421	58,256	309,165
Other items (net)	137	168	(31)
Cash provided by (used in) financing activities	$ 988,826	$ 56,964	$ 931,862

Cash provided by financing activities in the three months ended December 31, 2013 increased by $931,862 over the same period in 2012. During the three months ended December 31, 2013, Crombie raised cash through mortgage financing and the issuance of REIT Units, Series A Notes and Class B LP Units to finance the acquisition of investment properties.

Investing Activities

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Acquisition of investment properties and intangible assets	$ (996,702)	$ (54,178)	$ (942,524)
Additions to investment properties	(8,009)	(10,119)	2,110
Proceeds on derecognition of investment properties	12,550	–	12,550
Additions to tenant incentives	(2,772)	(2,749)	(23)
Additions to deferred leasing costs	(186)	(167)	(19)
Other items (net)	121	119	2
Cash used in investing activities	$ (994,998)	$ (67,094)	$ (927,904)

Cash used in investing activities for the three months ended December 31, 2013 was $994,998. The increase is reflective of the increase in property acquisitions in the three months ended December 31, 2013, as compared to the same period in 2012.

Tenant Incentives and Capital Expenditures

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012
Total additions to investment properties	$ 8,009	$ 10,119
Less: productive capacity enhancements and recoverable amounts	(5,662)	(7,805)
Maintenance capital expenditures	$ 2,347	$ 2,314

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012
Total additions to TI and deferred leasing costs	$ 2,958	$ 2,916
Less: productive capacity enhancements	(1,504)	(296)
Maintenance TI and deferred leasing costs	$ 1,454	$ 2,620

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

Maintenance capital expenditures for the three months ended December 31, 2013, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during 2013 with the more significant costs related to new tenants and lease renewals in the office properties.

Productive capacity enhancements during the three months ended December 31, 2013, consisted primarily of redevelopment work and GLA expansion at Lindsay Street Centre, Fenelon Falls, Ontario, Downsview Plaza, Halifax, Nova Scotia, Barrington Place, Halifax, Nova Scotia, Evangeline Mall, Digby, Nova Scotia, County Fair Mall, Summerside, Prince Edward Island, Park Lane, Halifax, Nova Scotia, Tantallon Plaza, Tantallon, Nova Scotia, Terminal Centres, Moncton, New Brunswick and Rymal Road Plaza, Hamilton, Ontario.

Related Party Transactions

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

As at December 31, 2013, Empire, through its wholly-owned subsidiary ECLD, holds a 41.6% (fully diluted 39.3%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

		Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	Note	2013	2012	2013	2012
Property revenue	(a)	$ 32,629	$ 22,374	$ 106,926	$ 88,158
Head lease income	(b)	$ 177	$ 205	$ 712	$ 1,002
Management support services provided	(c)	$ 58	$ 134	$ 344	$ 616
Property management services	(d)	$ 68	$ 134	$ 224	$ 619
Rental expense	(e)	$ 46	$ 46	$ 187	$ 187
Interest rate subsidy	(b)	$ 206	$ 248	$ 888	$ 1,047
Finance costs – operations	(f)	$ 302	$ 303	$ 1,200	$ 1,040
Finance costs – distributions to Unitholders		$ 10,506	$ 8,508	$ 36,766	$ 32,578

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

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

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

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

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

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

In addition to the above:

- During the fourth quarter of 2013, Crombie acquired 70 properties (the "Acquisition Properties") from a wholly-owned subsidiary of Sobeys Inc. ("Sobeys") for an aggregate purchase price of $991,300, excluding closing and transition costs (the "Acquisition"). As part of the closing of the Acquisition, Sobeys and Sobeys West Inc. ("Sobeys West") entered into an omnibus environmental indemnity agreement with Crombie LP, Snowcat Properties Holdings Limited and Crombie providing for an unlimited indemnity by Sobeys and Sobeys West for any issues related to the presence of hazardous materials on the applicable Acquisition Properties identified in the course of Crombie's environmental due diligence and for which any additional work as required or recommended by an independent professional consulting engineering firm retained by Crombie for matters identified up to 90 days after the closing of the acquisition of the Acquisition Properties (the "Omnibus Environmental Indemnity").
- On November 4, 2013, contemporaneously with the closing of the acquisition of 70 properties, ECL Developments Limited purchased 11,811,024 Class B LP Units and the attached SVUs at a price of $12.70 per Class B LP Unit for proceeds of $149,905, net of issue costs, on a private placement basis.
- During the second quarter of 2013, Crombie acquired one property from a subsidiary of Empire for a total purchase price of $20,875 excluding closing and transaction costs.

- During the first quarter of 2013, Crombie acquired two properties and acquired one development addition to an existing property from subsidiaries of Empire for a total purchase price of $32,555 excluding closing and transaction costs.
- During the fourth quarter of 2012, Crombie acquired two properties and acquired development additions to two existing properties from subsidiaries of Empire for a total purchase price of $53,099 excluding closing and transaction costs.
- On December 14, 2012, concurrent with a public offering of units, ECL Developments Limited purchased 1,659,661 Class B LP Units and the attached SVUs at a price of $14.75 per Class B LP Unit for proceeds of $24,332 net of issue costs, on a private placement basis.
- On September 17, 2012, Empire 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 acquired $24,000 Series D Convertible 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 $52,810 net of issue costs, on a private placement basis.

Key Management Personnel Compensation

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

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

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2013	2012	2013	2012
Salary, bonus and other short-term employee benefits	$ 809	$ 652	$ 3,251	$ 2,576
Other long-term benefits	22	24	94	94
	$ 831	$ 676	$ 3,345	$ 2,670

Critical Accounting Estimates

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

Crombie allocates the purchase price based on the following:

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

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

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

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

Investment Properties

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

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

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

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

Change in Useful Life of Investment Properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties 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.

Revenue Recognition

Property revenue includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from leases on a straight-line basis over the term of

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

Use of Estimates and Judgments

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

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

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

Impairment of Long-lived Tangible and Definite Life Intangible Assets

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

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

Defined Benefit Liability

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

Investment Property Valuation

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

Deferred Taxes

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

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

Purchase Price Allocation

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

Fair Value of Financial Instruments

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

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

Financial Instruments

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ –	$ –	$ 986	$ 986
Total financial assets	$ –	$ –	$ 986	$ 986
Financial liabilities				
Interest rate swaps	$ –	$ 21	$ –	$ 21
Embedded derivatives in convertible debentures	–	–	–	–
Total financial liabilities	$ –	$ 21	$ –	$ 21

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2013.

The fair value of other financial instruments is based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The following table summarizes the estimated fair value of other financial instruments which have a fair value different from their carrying value:

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding interest rate swaps, embedded derivatives and liabilities related to derecognized property)

	December 31, 2013		December 31, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Assets related to derecognized property	$ 5,733	$ 5,830	$ 6,116	$ 6,120
Notes receivable	1,901	1,821	2,781	2,545
Total financial assets	$ 7,634	$ 7,651	$ 8,897	$ 8,665
Financial liabilities				
Investment property debt	$ 1,725,981	$ 1,705,960	$ 1,150,888	$ 1,072,671
Senior unsecured notes	175,035	175,000	–	–
Convertible debentures	183,863	180,000	134,276	123,679
Liabilities related to derecognized property	5,676	5,627	5,997	5,818
Total financial liabilities	$ 2,090,555	$ 2,066,587	$ 1,291,161	$ 1,202,168

Commitments and Contingencies

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

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire. Details of this agreement are disclosed in "Related Party Transactions".

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at December 31, 2013, Crombie has a total of $4,135 in outstanding letters of credit related to:

- $720 for construction work that is being performed on investment properties;
- $1,715 in favour of the mortgage lender in connection with the defeasance of derecognized property;
- $1,700 in favour of mortgage lenders primarily to satisfy mortgage financings on 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 11 to 76 years including renewal options. For the year ended December 31, 2013, Crombie paid $1,240 in land lease payments to third party landlords (year ended December 31, 2012 – $1,206).

As at December 31, 2013, Crombie had signed construction contracts totaling $23,678 of which $20,826 has been paid.

RISK MANAGEMENT

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

Real Property Ownership and Tenant Risks

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

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

Credit Risk

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

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2013:

- Excluding Sobeys and Shoppers Drug Mart (which account for 49.0% and 6.0%, respectively, of Crombie's minimum rent), no other tenant accounts for more than 2.0% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 4.9% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue for the year ended December 31, 2013 of $106,926 (year ended December 31, 2012 – $88,158) from subsidiaries of Empire.

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

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

There have been no significant changes to Crombie's credit risk since December 31, 2012.

(In thousands of CAD dollars)	Year ended December 31, 2013	2012
Provision for doubtful accounts, beginning of period	$ 439	$ 401
Additional provision	279	1,082
Recoveries	(222)	(824)
Write-offs	(449)	(220)
Provision for doubtful accounts, end of period	$ 47	$ 439

Competition

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

Risk Factors Related to the Business of Crombie

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 50.1% of the annual minimum rent generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition. Crombie's portfolio of properties has been heavily concentrated in Atlantic Canada. In the fourth quarter of 2013, Crombie acquired 70 retail properties in Western Canada, reducing Crombie's geographic concentration in Atlantic Canada, and reducing the adverse impact an economic downturn concentrated in Atlantic Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2013 is detailed under the Property Portfolio section.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 60.0% at December 31, 2012 to 43.4% at December 31, 2013.

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt. As at December 31, 2013:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 8.0 years;
- Crombie had a floating rate revolving credit facility available to a maximum of $285,000, subject to available borrowing base of $270,812, with a balance of $120,000.

Crombie estimates that $2.767 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2014, based on all settled swap agreements to December 31, 2013.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

(In thousands of CAD dollars)	Impact 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 December 31, 2013	$ 191	$ (191)
Three months ended December 31, 2012	$ 217	$ (217)
Year ended December 31, 2013	$ 648	$ (648)
Year ended December 31, 2012	$ 472	$ (472)

Crombie does not enter into interest rate swap transactions on a speculative basis. As part of 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

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

Liquidity Risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance the debt obligations as they mature or meet its ongoing obligations as they arise.

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

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

Access to the revolving credit facility is limited to the amount utilized under the facility, the amount of any outstanding letters of credit, plus any unfavorable mark-to-market position on any interest rate swap agreements, and cannot exceed the borrowing base security provided by Crombie. Any deterioration in the mark-to-market position may reduce Crombie's available credit in the revolving credit facility.

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

		Year ending December 31,					
(In thousands of CAD dollars)	Contractual Cash Flows[1]	2014	2015	2016	2017	2018	Thereafter
Fixed rate mortgages[2]	$ 2,077,293	$ 213,627	$ 165,404	$ 141,330	$ 136,872	$ 153,895	$ 1,266,165
Senior unsecured notes	208,714	6,976	6,976	6,976	6,976	180,810	–
Convertible debentures	235,625	9,526	9,526	9,526	53,232	6,938	146,877
	2,521,632	230,129	181,906	157,832	197,080	341,643	1,413,042
Floating rate revolving credit facility	128,910	3,564	3,564	121,782	–	–	–
Total	$ 2,650,542	$ 233,693	$ 185,470	$ 279,614	$ 197,080	$ 341,643	$ 1,413,042

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

Environmental Matters

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

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

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

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

Potential Conflicts of Interest

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

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of ECL and/or its affiliates or will provide management or other services to ECL and its affiliates. ECL and its affiliates are engaged in a wide variety of real estate and other business activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and ECL have entered into a number of agreements to outline how potential conflicts of interest will be dealt with including a Non-Competition Agreement, Management Cost Sharing Agreement and Development Agreement. As well, the Declaration of

Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of ECL appointees to the Board, "conflict of interest" guidelines, as well as outlining which matters require the approval of a majority of the independent elected trustees such as any property acquisitions or dispositions between Crombie and ECL or another related party.

Reliance on Key Personnel

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

Reliance on ECL, Sobeys and Other Empire Affiliates

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

Prior Commercial Operations

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

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

Risk Factors Related to the Units

Cash Distributions Are Not Guaranteed

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

Restrictions on Redemptions

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

Potential Volatility of Unit Prices

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

Tax-Related Risk Factors

Crombie intends to make distributions not less than the amount necessary to eliminate Crombie's liability for tax under Part I of the Income Tax Act (Canada). Where the amount of net income and net realized capital gains of Crombie in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will

generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

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

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

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

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

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

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2013 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

Indirect Ownership of Units by Empire

ECLD holds a 41.6% (fully diluted 39.3%) economic interest in Crombie through the ownership of Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECL is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Debentures

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

SUBSEQUENT EVENTS

(a) On January 21, 2014, Crombie declared distributions of 7.417 cents per unit for the period January 1, 2014 to and including, January 31, 2014. The distributions were paid February 17, 2014, to Unitholders of record as of January 31, 2014.

(b) On February 18, 2014, Crombie declared distributions of 7.417 cents per unit for the period February 1, 2014 to and including, February 28, 2014. The distributions will be paid March 17, 2014, to Unitholders of record as of February 28, 2014.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to Crombie's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to

allow timely decisions regarding disclosure. Our Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2013. They have concluded that our current disclosure controls and procedures are effective.

In addition, our Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. Further, our Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the financial quarter end and have concluded that our current ICFR was effective at the financial quarter end based on that evaluation. There have been no material changes to Crombie's internal controls during the year.

QUARTERLY INFORMATION

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

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	**Dec. 31, 2013**	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012
						(As Restated)		
Property revenue	**$ 83,950**	$ 70,850	$ 71,182	$ 70,576	$ 68,470	$ 64,459	$ 63,646	$ 59,447
Property operating expenses	**28,563**	25,596	25,696	26,818	25,804	22,181	23,035	23,502
Property net operating income	**55,387**	45,254	45,486	43,758	42,666	42,278	40,611	35,945
Lease terminations	**80**	311	88	6	3,458	273	–	113
Gain on derecognition	**2,422**	–	6	430	–	–	–	–
Expenses:								
General and administrative	**(4,243)**	(2,851)	(3,366)	(3,206)	(3,667)	(2,655)	(2,688)	(2,520)
Finance costs – operations	**(29,098)**	(18,834)	(17,648)	(16,807)	(16,639)	(20,285)	(16,735)	(15,750)
Depreciation and amortization	**(15,045)**	(11,876)	(11,985)	(11,122)	(12,493)	(12,200)	(11,352)	(8,525)
Impairment	**(12,270)**	–	–	–	–	–	–	–
Operating income before taxes	**(2,767)**	12,004	12,581	13,059	13,325	7,411	9,836	9,263
Taxes – deferred	**2,275**	(500)	–	(100)	(1,500)	500	600	300
Operating income	**(492)**	11,504	12,581	12,959	11,825	7,911	10,436	9,563
Finance costs – distributions to Unitholders	**(25,157)**	(20,545)	(20,480)	(20,438)	(19,809)	(19,343)	(18,760)	(17,167)
Finance costs – change in fair value of financial instruments	**422**	(151)	1,585	617	3,984	(4,047)	(3,675)	1,860
Increase (decrease) in net assets attributable to Unitholders	**$ (25,227)**	$ (9,192)	$ (6,314)	$ (6,862)	$ (4,000)	$ (15,479)	$ (11,999)	$ (5,744)
Operating income per unit – Basic	**$ –**	$ 0.13	$ 0.14	$ 0.14	$ 0.13	$ 0.09	$ 0.12	$ 0.13
Operating income per unit – Diluted	**$ –**	$ 0.12	$ 0.14	$ 0.14	$ 0.13	$ 0.09	$ 0.12	$ 0.13

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended							
	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012
	(as adjusted)							
AFFO	$ 25,493	$ 21,993	$ 22,433	$ 21,606	$ 23,407	$ 18,237	$ 18,954	$ 16,007
FFO	$ 30,324	$ 25,841	$ 26,490	$ 25,721	$ 27,351	$ 21,338	$ 22,747	$ 19,301
Distributions	$ 25,157	$ 20,545	$ 20,480	$ 20,438	$ 19,809	$ 19,343	$ 18,760	$ 17,167
AFFO per unit – basic	$ 0.23	$ 0.24	$ 0.24	$ 0.24	$ 0.27	$ 0.21	$ 0.23	$ 0.22
AFFO per unit – diluted[1]	$ 0.23	$ 0.24	$ 0.24	$ 0.23	$ 0.26	$ 0.21	$ 0.22	$ 0.21
FFO per unit – basic	$ 0.27	$ 0.28	$ 0.28	$ 0.28	$ 0.31	$ 0.25	$ 0.27	$ 0.26
FFO per unit – diluted[1]	$ 0.27	$ 0.28	$ 0.28	$ 0.28	$ 0.30	$ 0.24	$ 0.26	$ 0.25
Distributions per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22

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

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

- Property acquisitions – During the three months ended December 31, 2013, Crombie acquired 70 retail properties for a total purchase price of $996,702; during the three months ended September 30, 2013, Crombie acquired four retail properties for a total purchase price of $44,985; during the three months ended June 30, 2013, Crombie acquired one retail property for a total purchase price of $20,875; during the three months ended March 31, 2013, Crombie acquired six retail properties and one development addition to an existing retail property for a total purchase price of $164,445; during the three months ended December 31, 2012, Crombie acquired two retail plazas for a total purchase price of $43,475; during the three months ended December 31, 2012, Crombie acquired a retail plaza for a total purchase price of $9,600 and a mixed use property for a total purchase price of $20,000; during the three months ended June 30, 2012, Crombie acquired 15 freestanding properties and 12 retail plazas for a total purchase price of $297,448; and during the first quarter of 2012, Crombie acquired a freestanding property for a purchase price of $13,800.
- Property revenue and property operating expenses – Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include such expenses as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include such expenses as paving and roof repairs.

Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs of $365,621 in the quarter ended December 31, 2013; of $58,256 in the quarter ended December 31, 2012; and of $116,925 in the quarter ended March 31, 2012.

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

Dated: February 26, 2014
Stellarton, Nova Scotia, Canada

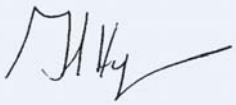
MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

Donald E. Clow, FCA
President and
Chief Executive Officer



Glenn R. Hynes, FCA
Chief Financial Officer
and Secretary

February 26, 2014

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Crombie Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Crombie Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of comprehensive income (loss), changes in net assets attributable to unitholders and cash flows for the years ended December 31, 2013 and December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crombie Real Estate Investment Trust as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Chartered Accountants
Halifax, Canada

February 26, 2014

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(In thousands of CAD dollars)	Note	December 31, 2013	December 31, 2012
Assets			
Non-current assets			
Investment properties	3	$ 3,168,097	$ 1,999,225
Intangible assets	4	49,237	33,549
Other assets	5	77,365	73,313
Notes receivable	6	1,127	1,716
		3,295,826	2,107,803
Current assets			
Cash and cash equivalents		7,167	–
Other assets	5	41,478	26,988
Notes receivable	6	694	829
		49,339	27,817
Total Assets		3,345,165	2,135,620
Liabilities			
Non-current liabilities			
Investment property debt	7	1,553,297	997,953
Senior unsecured notes	8	173,937	–
Convertible debentures	9	174,929	120,529
Deferred taxes	10	80,825	82,500
Employee future benefits obligation	11	6,945	6,920
Trade and other payables	12	–	10,689
		1,989,933	1,218,591
Current liabilities			
Investment property debt	7	140,903	67,458
Employee future benefits obligation	11	233	225
Trade and other payables	12	89,798	67,345
		230,934	135,028
Total liabilities excluding net assets attributable to Unitholders		2,220,867	1,353,619
Net assets attributable to Unitholders		$ 1,124,298	$ 782,001
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		$ 680,935	$ 470,747
Special Voting Units and Class B Limited Partnership Unitholders		443,363	311,254
		$ 1,124,298	$ 782,001
Commitments and contingencies	22		
Subsequent events	23		

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of CAD dollars)	Note	Year ended December 31, 2013	Year ended December 31, 2012
Property revenue	13	$ 296,558	$ 256,022
Property operating expenses		106,673	94,522
Net property income		189,885	161,500
Lease terminations		485	3,844
Gain on derecognition of investment properties		2,858	—
Impairment of investment property	3	(12,270)	—
Depreciation of investment properties	3	(42,101)	(38,095)
Amortization of deferred leasing costs	3	(544)	(587)
Amortization of intangible assets	4	(7,383)	(5,888)
General and administrative expenses		(13,666)	(11,530)
Operating income before finance costs and taxes		117,264	109,244
Finance costs – operations	16	(82,387)	(69,409)
Operating income before taxes		34,877	39,835
Taxes – deferred	10	1,675	(100)
Operating income attributable to Unitholders		36,552	39,735
Finance costs – other			
Distributions to Unitholders		(86,620)	(75,079)
Change in fair value of financial instruments	12	2,473	(1,878)
		(84,147)	(76,957)
Decrease in net assets attributable to Unitholders		(47,595)	(37,222)
Other comprehensive income			
Items that will not be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Change in employee future benefit obligation	11	207	397
Items that will be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs – operations		3,759	4,808
Net change in derivatives designated as cash flow hedges		22	(43)
Other comprehensive income		3,988	5,162
Comprehensive income (loss)		$ (43,607)	$ (32,060)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(In thousands of CAD dollars)	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Compre-hensive Income (Loss)	Attributable to Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 17)					
Balance, January 1, 2013		$ 977,112	$ (175,124)	$ (19,987)	$ 782,001	$ 470,747	$ 311,254
Adjustments related to EUPP	17	483	(9)	—	474	474	—
Conversion of debentures		17,115	—	—	17,115	17,115	—
Conversion feature of debentures	12	2,694	—	—	2,694	2,694	—
Statements of comprehensive income (loss)		—	(47,595)	3,988	(43,607)	(25,811)	(17,796)
Unit issue proceeds, net of costs of $9,423		365,621	—	—	365,621	215,716	149,905
Balance, December 31, 2013		$ 1,363,025	$ (222,728)	$ (15,999)	$ 1,124,298	$ 680,935	$ 443,363

(In thousands of CAD dollars)	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Compre-hensive Income (Loss)	Attributable to Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 17)					
Balance, January 1, 2012		$ 731,916	$ (137,909)	$ (25,149)	$ 568,858	$ 321,288	$ 247,570
Adjustments related to EUPP		318	7	—	325	325	—
Conversion of debentures		60,078	—	—	60,078	60,078	—
Conversion feature of debentures	12	9,619	—	—	9,619	9,619	—
Statements of comprehensive income (loss)		—	(37,222)	5,162	(32,060)	(18,602)	(13,458)
Unit issue proceeds, net of costs of $4,952		175,181	—	—	175,181	98,039	77,142
Balance, December 31, 2012		$ 977,112	$ (175,124)	$ (19,987)	$ 782,001	$ 470,747	$ 311,254

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of CAD dollars)	Note	Year ended December 31, 2013	Year ended December 31, 2012
Cash flows provided by (used in)			
Operating Activities			
Decrease in net assets attributable to Unitholders		$ (47,595)	$ (37,222)
Items not affecting operating cash	18	66,820	57,531
Change in other non-cash operating items	18	8,085	9,960
Cash provided by (used in) operating activities		27,310	30,269
Financing Activities			
Issue of investment property debt		835,720	193,446
Deferred financing charges – investment property debt		(8,631)	(2,717)
Repayment of investment property debt		(213,586)	(119,556)
Issue of senior unsecured notes		175,000	–
Deferred financing charges – senior unsecured notes		(1,094)	–
Issue of convertible debentures		75,000	60,000
Deferred financing charges – convertible debentures		(2,920)	(1,713)
Redemption of convertible debentures		(1,564)	(3,707)
REIT Units and Class B LP Units issued		375,044	180,133
REIT Units and Class B LP Units issue costs		(9,423)	(4,952)
Repayment of EUPP loans receivable		435	289
Decrease in liabilities related to derecognized property		(191)	(181)
Collection of notes receivable		724	822
Cash provided by financing activities		1,224,514	301,864
Investing Activities			
Acquisition of investment properties and intangible assets	3	(1,217,189)	(292,084)
Additions to investment properties		(23,395)	(25,289)
Proceeds on derecognition of investment properties		14,250	–
Additions to tenant incentives		(17,980)	(14,113)
Additions to deferred leasing costs		(633)	(982)
Decrease in assets related to derecognized property		290	281
Cash used in investing activities		(1,244,657)	(332,187)
Net change in cash and cash equivalents		7,167	(54)
Cash and cash equivalents, beginning of year		–	54
Cash and cash equivalents, end of year		$ 7,167	$ –

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2013

NOTE 1 GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is the acquisition of retail and office properties for purposes of leasing. Crombie is registered in Canada and the address of its registered office is 115 King Street, Stellarton, Nova Scotia, Canada, B0K 1S0. The consolidated financial statements for the years ended December 31, 2013 and December 31, 2012 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The consolidated financial statements were authorized for issue by the Board of Trustees on February 26, 2014.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of presentation

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

(c) Presentation of financial statements

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

(d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2013. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 2013.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements. Where unrealized losses on intercompany asset sales are reversed on consolidation, the underlying asset is also tested for impairment from an entity perspective.

Operating income (loss) and other comprehensive income (loss) of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(e) Investment properties

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

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

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

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

NOTE 2
(CONTINUED)

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

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

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

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

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

Change in useful life of investment properties
The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties 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.

(f) Intangible assets
Intangible assets include the value of tenant relationships.

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

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

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

(h) Assets held for sale and discontinued operations
A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction. Crombie classifies properties that meet certain criteria as held for sale and separately discloses any operating income and gain (loss) on disposal for current and prior periods as discontinued operations. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a purchaser for the property at a sales price that is reasonable in relation to the current estimated fair value of the property, and the sale is expected to be completed within a one year period. Properties held for sale are carried at the lower of their carrying values and estimated fair value less costs to sell. In addition, assets held for sale are no longer depreciated and amortized. A property that is subsequently reclassified as held and in use is measured at the lower of its carrying value amount before it was classified as held for sale, adjusted for any depreciation and amortization expense that would have been recognized had it been continuously classified as held and in use, and its estimated fair value at the date of the subsequent decision not to sell.

Assets that are classified as held for sale and that constitute a component of Crombie are presented as discontinued operations and are presented separately in the statement of comprehensive income (loss). A component of Crombie includes a property type or geographic area of operations.

(i) Convertible debentures
Convertible debentures issued by Crombie are convertible into a fixed number of REIT Units (a liability) at the option of the holder and are redeemable by the issuer under certain conditions (Note 9).

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

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

NOTE 2
(CONTINUED)

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

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

(j) Employee future benefits obligation

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

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

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

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

Crombie has a unit purchase plan for certain employees, which is described in Note 17.

(l) Revenue recognition

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

(m) Leasing

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

Operating leases

(i) Crombie as lessor

Crombie has determined that all of its leases with its tenants are operating leases. Revenue is recorded in accordance with Crombie's revenue recognition policy (Note 2(l)).

(ii) Crombie as lessee

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

NOTE 2
(CONTINUED)

(n) Deferred financing charges

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

(o) Finance costs – operations

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

(p) Finance costs – distributions to Unitholders

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

(q) Income taxes

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

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

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

(r) Hedges

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

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

(s) Comprehensive income (loss)

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

(t) Provisions

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

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

NOTE 2
(CONTINUED)

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

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

(u) Financial instruments

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

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

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

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

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

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

The fair value of financial instruments is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Crombie.

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

NOTE 2
(CONTINUED)

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

(v) Net assets attributable to Unitholders

(i) Balance Sheet presentation

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

(ii) Balance Sheet measurement

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

(iii) Statement of Comprehensive Income (Loss) presentation

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

(iv) Presentation of per unit measures

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

(v) Allocation of Comprehensive income (loss)

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

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

(w) Critical judgements in applying accounting policies

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

(i) Investment properties

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

(ii) Leases

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

(iii) Classifications of Units as liabilities

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

NOTE 2
(CONTINUED)

(iv) Income taxes

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

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

(x) Critical accounting estimates and assumptions

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

(i) Fair value measurement

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

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

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by Crombie.

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

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

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

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

In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions. The significant methods and assumptions used in estimating fair value are set out in Notes 3 and 20.

(ii) Investment properties

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

NOTE 2
(CONTINUED)

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

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

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

(iv) Investment property valuation

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

(v) Defined benefit liability

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

(vi) Purchase price allocation

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

(y) Application of new and revised IFRSs

Crombie has applied the following new and revised IFRSs effective January 1, 2013:

(i) IAS 1 – Presentation of Financial Statements

The IASB issued amendments to IAS 1 – Presentation of Financial Statements in June 2011. The amendments were effective for annual periods beginning on or after July 1, 2012. The amendments to IAS 1 require companies to group together items within Other Comprehensive Income ("OCI") that may be reclassified to the decrease in net assets attributable to Unitholders section of the Consolidated Statement of Comprehensive Income from those that will not be reclassified. The amendments also reaffirm existing requirements that items in OCI and decrease in net assets attributable to Unitholders should be presented as either a single statement or two consecutive statements. Crombie accordingly has grouped OCI items as required for both the current and comparative period.

(ii) IFRS 10 – Consolidated Financial Statements

IFRS 10 was issued by the IASB on May 12, 2011 and replaced IAS 27 Consolidated and Separate Financial Statements. The new standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The new standard did not have an impact on Crombie.

(iii) IFRS 11 – Joint Arrangements

IFRS 11 was issued by the IASB on May 12, 2011 and replaced IAS 31 Interests in Joint Ventures. IFRS 11 classifies joint arrangements as either joint ventures or joint operations. Interests in joint ventures are accounted for using equity accounting, eliminating the proportionate consolidation option previously available under IAS 31. The new standard did not have an impact on Crombie.

NOTE 2
(CONTINUED)

(iv) IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 was issued by the IASB on May 12, 2011 and establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off balance sheet vehicles. The new standard did not have an impact on Crombie.

(v) IFRS 13 – Fair Value Measurement

IFRS 13 was issued by the IASB on May 12, 2011 and is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value, and outlines requirements for disclosures of fair value measurements. Management has reviewed the standard and determined that there is no impact on Crombie for the year ended December 31, 2013; however, enhanced disclosures have been included in Notes 3 and 20 to these audited consolidated financial statements.

(vi) IAS 19R – Employee Future Benefits

IAS 19R (as revised in May 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. Management has reviewed the standard and has determined there is no impact on Crombie for the year ended December 31, 2013; however, additional disclosures have been included in Note 11 to these audited consolidated financial statements.

(z) Future changes in accounting standards

(i) IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments is the first of a multi-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities.

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortized cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward, unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity's own credit risk to be presented in other comprehensive income (loss). An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in operating income, in which case all gains or losses on that liability are to be presented in operating income.

The standard was initially effective for annual periods beginning on or after January 1, 2013. In November 2013, Chapter 6 of IFRS 9 on hedge accounting was published. At the same time, Chapter 7 containing the effective date and transition provisions was amended to remove the mandatory effective date of IFRS 9. This was intended to provide sufficient time for preparers to make the transition to the new requirements. Entities may still choose to apply IFRS 9 immediately, but are not required to do so.

In subsequent phases, the IASB is addressing impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Crombie's financial assets, but will not have an impact on classification and measurements of financial liabilities. Crombie will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

(ii) IAS 32 – Financial Instruments Presentation

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of off-set' and 'simultaneous realization and settlement'.

The amendments are applicable for annual periods beginning on or after January 1, 2014; however, earlier application is permitted. Management is currently evaluating the impact these amendments will have on Crombie's consolidated financial statements.

(iii) International Financial Reporting Standards Interpretations Committee Interpretation 21 – Levies ("IFRIC 21")

In May 2013, IFRIC 21 was issued. IFRIC 21 addresses various accounting issues relating to levies imposed by a government. This interpretation is effective for annual periods beginning on or after January 1, 2014. Management is currently assessing the impact the adoption of this interpretation may have on Crombie's consolidated financial statements.

(aa) Comparative figures

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

NOTE 3 INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2013	$ 545,337	$ 1,608,276	$ 4,861	$ 2,158,474
Acquisitions	418,938	786,300	–	1,205,238
Additions	195	28,029	829	29,053
Dispositions	(3,526)	(9,097)	(69)	(12,692)
Balance, December 31, 2013	960,944	2,413,508	5,621	3,380,073
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2013	–	157,009	2,240	159,249
Depreciation and amortization	–	42,101	544	42,645
Dispositions	–	(2,162)	(26)	(2,188)
Impairment	–	12,270	–	12,270
Balance, December 31, 2013	–	209,218	2,758	211,976
Net carrying value, December 31, 2013	$ 960,944	$ 2,204,290	$ 2,863	$ 3,168,097

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2012	$ 455,713	$ 1,283,032	$ 3,905	$ 1,742,650
Acquisitions	89,573	302,597	–	392,170
Additions	51	22,647	956	23,654
Balance, December 31, 2012	545,337	1,608,276	4,861	2,158,474
Accumulated depreciation and amortization				
Opening balance, January 1, 2012	–	118,914	1,653	120,567
Depreciation and amortization	–	38,095	587	38,682
Balance, December 31, 2012	–	157,009	2,240	159,249
Net carrying value, December 31, 2012	$ 545,337	$ 1,451,267	$ 2,621	$ 1,999,225

Impairment

Crombie's total fair value of investment properties exceeds carrying value by $570,710 at December 31, 2013 (2012 – $466,720). Crombie uses the cost method for accounting for investment properties, and such change in fair value over carrying value is not recognized until realized through disposition or derecognition of properties, while impairment is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

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

No amounts for impairment were recorded in 2012 and prior years.

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

	Fair Value	Carrying Value
December 31, 2013	$ 3,877,000	$ 3,309,020
December 31, 2012	$ 2,574,000	$ 2,107,280

NOTE 3 (CONTINUED)

Carrying value consists of the net carrying value of:

	Note	December 31, 2013	December 31, 2012
Investment properties	3	$ 3,168,097	$ 1,999,225
Intangible assets	4	49,237	33,549
Accrued straight-line rent receivable	5	28,052	22,594
Tenant incentives	5	63,634	51,912
Total carrying value		$ 3,309,020	$ 2,107,280

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

The fair value included in this summary reflects the fair value of the properties as at December 31, 2013 and 2012, respectively. Four of Crombie's investment properties have a fair value estimate that, based on an assumption that highest and best use is as a redevelopment property, exceeds their current value in use as a revenue generating investment property. For all of Crombie's other investment properties, highest and best use is its current use.

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

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

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

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

As at December 31, 2013, all properties have been subjected to external, independent appraisal since January 1, 2010.

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

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

		Impact of a 0.25% Change in Capitalization Rate	
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
December 31, 2013	6.18%	$ (152,000)	$ 165,000
December 31, 2012	6.60%	$ (96,000)	$ 101,000

NOTE 3
(CONTINUED)

Investment Property Acquisitions and Dispositions

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

2013

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Purchase (Disposition) Price	Assumed Mortgages	New Mortgages
February 22, 2013	4	311,000	$ 131,890	$ 10,744	$ –
March 22, 2013	1	66,000	14,650	–	10,750
March 27, 2013	1	45,000	15,450	–	–
March 28, 2013[1]	–	9,000	2,455	–	–
April 30, 2013	1	59,000	20,875	–	–
September 6, 2013	4	77,000	44,370	–	–
November 3, 2013	70	3,105,000	991,300	–	399,084
		3,672,000	1,220,990	10,744	409,834
February 4, 2013	(1)	(31,000)	(1,700)	–	–
December 10, 2013	(1)	(113,000)	(13,431)	–	–
		3,528,000	$ 1,205,859	$ 10,744	$ 409,834

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

All of the properties acquired and disposed in February, September, and December were transacted with third parties. The remaining acquisitions were acquired from subsidiaries of Empire Company Limited ("Empire"), a related party. The initial purchase prices stated above exclude closing and transaction costs. Excluding the November 3, 2013 transaction, the balance of the 2013 acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate revolving credit facility. The November acquisition, after deducting new mortgage proceeds, was financed through proceeds from REIT Units, Series E Debentures, Series A Notes and Class B LP Units issued in conjunction with the acquisition.

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	–	–
October 5, 2012	1	80,000	24,455	–	18,300
October 19, 2012	1	74,000	19,250	–	14,000
October 31, 2012	0[1]	22,000	6,925	–	5,190
December 20, 2012	0[1]	11,000	2,469	–	1,800
		1,396,000	$ 393,947	$ 108,484	$ 93,446

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

All of the above properties acquired during 2012 excluding the properties acquired in October and December 2012, were from third parties. The October and December acquisitions were acquired from subsidiaries of Empire, a related party. The initial purchase prices stated above exclude closing and transaction costs. With the exception of the April 10, 2012 transaction, 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.

NOTE 3 (CONTINUED)

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

Investment property acquired, net:	Year ended December 31, 2013	Year ended December 31, 2012
Land	$ 418,938	$ 89,573
Buildings	786,300	302,597
Intangible assets	23,107	13,205
Fair value debt adjustment on assumed mortgages	(412)	(4,807)
Net purchase price	1,227,933	400,568
Assumed mortgages	(10,744)	(108,484)
	$ 1,217,189	$ 292,084
Consideration funded by:		
Revolving credit facility	$ 195,748	$ 81,713
Senior unsecured notes	173,906	–
Series E convertible debentures	72,080	–
Mortgage financing	409,834	93,446
Cash from Unit issue	365,621	116,925
Total consideration paid	$ 1,217,189	$ 292,084

NOTE 4 INTANGIBLE ASSETS

Tenant Relationships	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2013	$ 73,853	$ 40,304	$ 33,549
Acquisitions	23,107	–	23,107
Dispositions	(563)	(527)	(36)
Amortization	–	7,383	(7,383)
Balance, December 31, 2013	$ 96,397	$ 47,160	$ 49,237
Balance, January 1, 2012	$ 60,648	$ 34,416	$ 26,232
Acquisitions	13,205	–	13,205
Amortization	–	5,888	(5,888)
Balance, December 31, 2012	$ 73,853	$ 40,304	$ 33,549

NOTE 5 OTHER ASSETS

	December 31, 2013	December 31, 2012
Trade receivables	$ 6,389	$ 10,538
Provision for doubtful accounts	(47)	(439)
Net trade receivables	6,342	10,099
Accrued straight-line rent receivable	28,052	22,594
Tenant incentives	63,634	51,912
Prepaid expenses and deposits	8,356	8,851
Restricted cash	5,643	725
Assets related to derecognized property[a]	5,830	6,120
Marketable securities[b]	986	–
	$ 118,843	$ 100,301

(a) During the fourth quarter of 2008, Crombie defeased the mortgage associated with a derecognized property. The transaction did not qualify for defeasance accounting, therefore the defeased loan and related asset have not been removed from the balance sheet. The defeased loan is payable in monthly payments of $42 and bears interest at 5.46%, was originally amortized over 25 years and is due April 1, 2014. Crombie holds short term investments pledged as security to the mortgage company. The assets and liabilities related to the derecognized property are measured at amortized cost using the effective interest method, until April 1, 2014 at which time they will be extinguished.

(b) During the fourth quarter of 2013, as partial consideration for a property disposition, Crombie received units of a publicly traded real estate entity with an estimated fair value of $881. The marketable securities, which Crombie is restricted from trading until April 2014, are carried at their estimated fair value. Unrealized gains or losses are recorded in the change in fair value of financial instruments. Refer to Note 20(a) for fair value information.

NOTE 5 (CONTINUED)

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2013	$ 76,762	$ 24,850	$ 51,912
Additions	20,835	–	20,835
Amortization	–	8,026	(8,026)
Derecognition	(1,384)	$ (297)	(1,087)
Balance, December 31, 2013	**$ 96,213**	**$ 32,579**	**$ 63,634**
Balance, January 1, 2012	$ 56,413	$ 18,518	$ 37,895
Additions	20,349	–	20,349
Amortization	–	6,332	(6,332)
Balance, December 31, 2012	$ 76,762	$ 24,850	$ 51,912

NOTE 6 NOTES RECEIVABLE

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

The interest rate subsidy is carried at present value.

The balance of each note is as follows:

	December 31, 2013	December 31, 2012
Capital expenditure program	$ 105	$ 105
Interest rate subsidy	1,716	2,440
	$ 1,821	$ 2,545

NOTE 7 INVESTMENT PROPERTY DEBT

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

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2012
Fixed rate mortgages	3.12–6.90%	5.21%	7.4 years	$ 949,571
Floating rate revolving credit facility		3.08%	2.5 years	30,405
Floating rate term credit facility		3.08%	2.2 years	92,695
Deferred financing charges				(7,260)
				$ 1,065,411

NOTE 7 (CONTINUED)

As at December 31, 2013, debt retirements for the next five years are:

12 Months Ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
December 31, 2014	$ 45,473	$ 93,435	$ –	$ 138,908
December 31, 2015	45,632	57,596	–	103,228
December 31, 2016	43,721	36,322	120,000	200,043
December 31, 2017	40,921	38,757	–	79,678
December 31, 2018	40,145	61,176	–	101,321
Thereafter	209,982	866,208	–	1,076,190
	$ 425,874	$ 1,153,494	$ 120,000	1,699,368
Deferred financing charges				(11,760)
Unamortized fair value debt adjustment				6,592
				$ 1,694,200

Specific investment properties with a carrying value of $2,832,554 as at December 31, 2013 (December 31, 2012 – $2,001,074) 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 2013

New mortgages for the three months ended:	Type	Number of Mortgages	Weighted Average Rate	Weighted Average Term in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
March 31, 2013	New	18	4.36%	10.5	23.6	$ 158,544
June 30, 2013	New	4	4.14%	10.0	25.0	79,800
September 30, 2013	New	2	4.34%	10.9	25.0	23,125
December 31, 2013	New	32	4.38%	9.7	24.9	431,534
Other mortgage activity:						
April 5, 2013	Renewal	1	3.40%	5.0	23.4	–
April 5, 2013	Renewal	1	3.40%	5.0	20.5	–
June 13, 2013	Repayment	1	7.48%	—	—	(4,894)
August 13, 2013	Repayment	1	5.71%	—	—	(5,591)
November 28, 2013	Repayment	1	5.49%	—	—	(6,223)
Total						$ 676,295

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $285,000 (December 31, 2012 – $200,000) and matures June 30, 2016. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (December 31, 2013 – borrowing base of $270,812). The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin increases as Crombie's overall debt leverage increases beyond specific thresholds.

On February 22, 2013, the available limit on Crombie's revolving credit facility was increased to $285,000 to provide financing for the acquisitions completed during the first quarter.

See Note 20(a) for fair value information.

NOTE 8 SENIOR UNSECURED NOTES

	December 31, 2013	December 31, 2012
Series A senior unsecured notes	$ 175,000	$ –
Deferred financing charges	(1,063)	–
	$ 173,937	$ –

On October 31, 2013 Crombie issued, on a private placement basis, $175,000 Series A Notes (senior unsecured) with a five year term and an annual interest rate of 3.986%. There are no required fixed payments and the full $175,000 is due at maturity on October 31, 2018. Interest is payable in equal semi-annual installments in arrears on April 30 and October 31. The first semi-annual interest payment date will be April 30, 2014.

NOTE 9 CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	December 31, 2013	December 31, 2012
Series B (CRR.DB.B)	$ 11.00	October 11, 2013	6.25%	$ –	$ 18,679
Series C (CRR.DB.C)	$ 15.30	June 30, 2017	5.75%	45,000	45,000
Series D (CRR.DB.D)	$ 20.10	Sept. 30, 2019	5.00%	60,000	60,000
Series E (CRR.DB.E)	$ 17.15	Mar. 31, 2021	5.25%	75,000	–
Deferred financing charges				(5,071)	(3,150)
				$ 174,929	$ 120,529

Debenture Conversions	Conversion Price	Year ended December 31, 2013	Year ended December 31, 2012
7%	$ 13.00	$ –	$ 26,278
Series B	$ 11.00	17,115	33,800
		$ 17,115	$ 60,078
REIT Units Issued		1,555,887	5,094,081

As at December 31, 2013, debenture retirements for the next five years are:

12 Months Ending	Series C	Series D	Series E	Total
December 31, 2014	$ –	$ –	$ –	$ –
December 31, 2015	–	–	–	–
December 31, 2016	–	–	–	–
December 31, 2017	45,000	–	–	45,000
December 31, 2018	–	–	–	–
Thereafter	–	60,000	75,000	135,000
	$ 45,000	$ 60,000	$ 75,000	180,000
Deferred financing charges				(5,071)
				$ 174,929

NOTE 9
(CONTINUED)

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

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

On July 3, 2012, Crombie issued $60,000 of convertible unsecured subordinate debentures (the "Series D Debentures"). The Series D 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. Each one thousand dollars principal amount of Series D 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 Series D Debentures mature on September 30, 2019. Empire 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.

On April 18, 2012, Crombie 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 principal payment of $3,707 plus interest.

The Series C Convertible Debentures pay interest semi-annually on June 30 and December 31 of each year. The Series D and Series E Debentures pay interest semi-annually on March 31 and September 30 each year. Crombie has the option to pay interest on any interest payment date by issuing REIT units and applying the proceeds to satisfy its interest obligation.The Series C, Series D, and Series E Convertible Debentures (collectively the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars principal amount of approximately: 65.3595 REIT Units for Series C Convertible Debentures, 49.7512 REIT Units for Series D Convertible Debentures; and 58.3090 REIT Units for Series E Convertible Debentures. If all conversion rights attaching to the Series C Convertible Debentures, the Series D Convertible Debentures and the Series E Convertible Debentures were exercised, as at December 31, 2013, Crombie would be required to issue approximately 2,941,176 REIT Units, 2,985,074 REIT Units, and 4,373,177 REIT Units, respectively, subject to anti-dilution adjustments.

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

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

See Note 20(a) for fair value information.

NOTE 10 INCOME TAXES

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

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

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

	December 31, 2013	December 31, 2012
Tax liabilities relating to difference in tax and book value	$ 91,906	$ 94,892
Tax asset relating to non-capital loss carry-forward	(11,081)	(12,392)
Deferred tax liability	$ 80,825	$ 82,500

The tax recovery (expense) consists of the following:

	Year ended December 31, 2013	Year ended December 31, 2012
Provision for income taxes at the expected rate	$ (10,017)	$ (11,841)
Tax effect of income attribution to Crombie's Unitholders	11,692	11,741
Taxes – deferred	$ 1,675	$ (100)

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

NOTE 11 EMPLOYEE FUTURE BENEFITS

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

Defined contribution pension plans

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

Defined benefit pension plans

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

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

NOTE 11
(CONTINUED)

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

The total defined benefit cost related to pension plans and post-retirement benefit plans for the year ended December 31, 2013 was $465 (year ended December 31, 2012 – $473).

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

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

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

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

	Most recent valuation date	Next required valuation date
Senior Management Pension Plan	December 31, 2013	December 31, 2016
Post Retirement Benefit Plans	May 1, 2012	May 1, 2015

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

	December 31, 2013		December 31, 2012	
	Senior Management Pension Plan	Post-Retirement Benefit Plans	Senior Management Pension Plan	Post-Retirement Benefit Plans
Discount rate – accrued benefit obligation	4.50%	4.75%	3.75%	4.00%
Discount rate – periodic cost	3.75%	4.00%	4.00%	4.25%
Rate of compensation increase	4.00%	N/A	4.00%	N/A

For measurement purposes, a 7.50% annual inflation rate in the per capita cost of covered health care benefits was assumed. The cumulative rate expectation to 2018 is 5.0%.

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

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

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

NOTE 11
(CONTINUED)

Defined benefit plans

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

	December 31, 2013		December 31, 2012	
	Senior Management Pension Plan	Post-Retirement Benefit Plans	Senior Management Pension Plan	Post-Retirement Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	$ 3,439	$ 3,706	$ 3,230	$ 4,053
Impact of assumption changes	–	–	–	–
Current service cost	143	42	114	55
Interest cost	131	149	130	174
Actuarial losses (gains)	131	(338)	165	(562)
Benefits paid	(200)	(25)	(200)	(14)
Balance, end of year	3,644	3,534	3,439	3,706
Plan Assets				
Fair value, beginning of the year	–	–	–	–
Employer contributions	200	25	200	14
Benefits paid	(200)	(25)	(200)	(14)
Fair value, end of year	–	–	–	–
Funded status – deficit	3,644	3,534	3,439	3,706
Current portion	200	33	200	25
Non-current portion	3,444	3,501	3,239	3,681
Accrued benefit obligation recorded as a liability	$ 3,644	$ 3,534	$ 3,439	$ 3,706
Net expense				
Current service cost	$ 143	$ 42	$ 114	$ 55
Interest cost	131	149	130	174
Net expense	$ 274	$ 191	$ 244	$ 229

The table below outlines the sensitivity of the fiscal 2013 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses. There was no change to the method and assumptions used in preparing the sensitivity analysis from prior years.

	Senior Management Pension Plan		Post-Retirement Benefit Plans	
	Benefit Obligations	Benefit Cost[1]	Benefit Obligations	Benefit Cost[1]
Discount Rate	4.50%	4.50%	4.75%	4.75%
Impact of: 1% increase	$ (405)	$ (13)	$ (547)	$ (3)
1% decrease	$ 493	$ 15	$ 687	$ (1)
Growth rate of health costs[2]			7.00%	7.00%
Impact of: 1% increase			$ 578	$ 32
1% decrease			$ (468)	$ (26)

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

For the year ended December 31, 2013, the net defined contribution pension plans expense was $632 (year ended December 31, 2012 – $531).

NOTE 12 TRADE AND OTHER PAYABLES

	December 31, 2013	December 31, 2012
Tenant incentives and capital expenditures	$ 30,417	$ 22,795
Property operating costs	27,444	27,908
Advance rents	8,514	3,083
Finance costs on investment property debt and debentures	8,659	6,518
Distributions payable	9,116	6,807
Fair value of interest rate swap agreements	21	43
Fair value of embedded derivatives in convertible debentures	–	5,062
Liabilities related to derecognized property	5,627	5,818
	$ 89,798	$ 78,034

Fair value of embedded derivatives in convertible debentures:

	December 31, 2013	December 31, 2012
Balance, beginning of year	$ 5,062	$ 12,803
Change in fair value of financial instruments	(2,368)	1,878
Impact of debentures converted	(2,694)	(9,619)
Balance, end of year	$ –	$ 5,062

Change in fair value of financial instruments:

	Note	December 31, 2013	December 31, 2012
Change in fair value of embedded derivatives in convertible debentures	12	$ 2,368	$ (1,878)
Change in fair value of marketable securities	5	105	–
Change in fair value of financial instruments		$ 2,473	$ (1,878)

NOTE 13 PROPERTY REVENUE

	Year ended December 31, 2013	Year ended December 31, 2012
Rental revenue contractually due from tenants	$ 296,959	$ 255,505
Contingent rental revenue	2,141	2,040
Straight-line rent recognition	5,484	4,809
Tenant incentive amortization	(8,026)	(6,332)
	$ 296,558	$ 256,022

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

	Year ended December 31, 2013		Year ended December 31, 2012	
	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	$ 98,874	33.3%	$ 79,914	31.2%

NOTE 14 OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at December 31, 2013, is as follows:

	2014	2015	2016	2017	2018	Thereafter	Total
Future minimum rental income	$ 242,792	$ 233,738	$ 223,791	$ 212,659	$ 201,032	$ 2,057,693	$ 3,171,705

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 11 to 76 years including renewal options:

	2014	2015	2016	2017	2018	Thereafter	Total
Future minimum lease payments	$ 1,235	$ 1,236	$ 1,238	$ 1,292	$ 1,320	$ 44,859	$ 51,180

NOTE 15 EMPLOYEE BENEFIT EXPENSE

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

	Year ended December 31, 2013	Year ended December 31, 2012
Wages and salaries	$ 21,155	$ 18,169
Post-employment benefits	632	531
	$ 21,787	$ 18,700

NOTE 16 FINANCE COSTS – OPERATIONS

	Year ended December 31, 2013	Year ended December 31, 2012
Fixed rate mortgages	$ 66,429	$ 58,791
Floating rate term, revolving and demand facilities	3,496	3,543
Senior unsecured notes	1,185	–
Convertible debentures	7,840	7,075
Subscription receipts adjustment payment	3,437	–
Finance costs – operations	82,387	69,409
Amortization of fair value debt adjustment and accretion income	2,938	2,481
Change in accrued finance costs	(2,141)	(2,894)
Amortization of effective swap agreements	(3,759)	(4,808)
Amortization of deferred financing charges	(5,161)	(4,616)
Finance costs – operations, paid	$ 74,264	$ 59,572

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

	Crombie REIT Units		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	$ 407,452	33,115,360	$ 324,464	74,297,241	$ 731,916
Units issued (proceeds are net of issue costs)	7,038,000	98,039	5,314,861	77,142	12,352,861	175,181
Units issued under EUPP	28,893	409	–	–	28,893	409
Units released under EUPP	–	29	–	–	–	29
Net change in EUPP loans receivable	–	(120)	–	–	–	(120)
Conversion of debentures	5,094,081	60,078	–	–	5,094,081	60,078
Conversion feature of debentures	–	9,619	–	–	–	9,619
Balance, December 31, 2012	53,342,855	$ 575,506	38,430,221	$ 401,606	91,773,076	$ 977,112

Crombie REIT Units

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

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

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

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

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

NOTE 17
(CONTINUED)

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

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

On December 14, 2012, Crombie closed a public offering, on a bought deal basis, of 2,408,000 Units, at a price of $14.75 per Unit for proceeds of $33,875 net of issue costs.

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 proceeds of $64,164 net of issue costs.

During the year ended December 31, 2012, $26,278 of 7% Debentures and $33,800 of Series B Convertible Debentures were converted to a total of 2,021,373 and 3,072,708 REIT Units respectively. This represents a conversion price of $13.00 per Unit for the 7% Debentures and $11.00 per Unit for the Series B Convertible Debentures.

Crombie REIT SVU and Class B LP Units

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

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

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

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

On December 14, 2012, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 1,659,661 Class B LP Units and the attached SVUs at a price of $14.75 per Class B LP Unit for proceeds of $24,332 net of issue costs, on a private placement basis.

On March 29, 2012, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, 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 $52,810 net of issue costs, on a private placement basis.

Employee Unit Purchase Plan

Crombie provides for REIT Unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP will allow executives to purchase REIT Units from treasury at the average daily high and low board lot trading prices per REIT Unit on the TSX for the five trading days preceding the issuance. Executives are provided non-recourse loans at 3% annual interest by Crombie for the purpose of acquiring REIT Units from treasury and the REIT Units purchased are held as collateral for the loan. The loan is repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as well as the after-tax portion of any Long-Term Incentive Plan cash awards received, as payments on interest and principal. As at December 31, 2013, there are loans receivable from executives of $1,971 under Crombie's EUPP, representing 189,566 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2013 was $2,567.

The compensation expense related to the EUPP for the year ended December 31, 2013 was $40 (year ended December 31, 2012 – $36).

NOTE 18 SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year ended December 31, 2013	Year ended December 31, 2012
Items not affecting operating cash:		
Accrued straight-line rent	$ (5,458)	$ (4,809)
Amortization of tenant incentives	8,026	6,332
Gain on derecognition of investment properties	(2,858)	–
Impairment of investment property	12,270	–
Depreciation of investment properties	42,101	38,095
Amortization of deferred leasing costs	544	587
Amortization of intangible assets	7,383	5,888
Unit based compensation	40	36
Amortization of effective swap agreements	3,759	4,808
Amortization of deferred financing charges	5,161	4,616
Taxes – deferred	(1,675)	100
Change in fair value of financial instruments	(2,473)	1,878
	$ 66,820	$ 57,531

b) Change in other non-cash operating items

	Year ended December 31, 2013	Year ended December 31, 2012
Cash provided by (used in):		
Trade receivables	$ 3,757	$ (2,733)
Prepaid expenses and deposits and other assets	(4,423)	(1,977)
Payables and other liabilities	8,751	14,670
	$ 8,085	$ 9,960

NOTE 19 RELATED PARTY TRANSACTIONS

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

As at December 31, 2013, Empire, through its wholly-owned subsidiary ECL Developments Limited, holds a 41.6% (fully diluted 39.3%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

		Year ended December 31, 2013	Year ended December 31, 2012
Property revenue	(a)	$ 106,926	$ 88,158
Head lease income	(b)	$ 712	$ 1,002
Management support services provided	(c)	$ 344	$ 616
Property management services	(d)	$ 224	$ 619
Rental expense	(e)	$ 187	$ 187
Interest rate subsidy	(b)	$ 888	$ 1,047
Finance costs – operations	(f)	$ 1,200	$ 1,040
Finance costs – distributions to Unitholders		$ 36,766	$ 32,578

NOTE 19
(CONTINUED)

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

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

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

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

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

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

In addition to the above:

- During the fourth quarter of 2013, Crombie acquired 70 properties from a wholly-owned subsidiary of Sobeys Inc. for an aggregate purchase price of $991,300, excluding closing and transition costs.
- On November 4, 2013, contemporaneously with the closing of the acquisition of 70 properties, ECL Developments Limited purchased 11,811,024 Class B LP Units and the attached SVUs at a price of $12.70 per Class B LP Unit as detailed in a Short Form Prospectus filed August 8, 2013 for proceeds of $149,905, net of issue costs, on a private placement basis.
- During the second quarter of 2013, Crombie acquired one property from a subsidiary of Empire for a total purchase price of $20,875 excluding closing and transaction costs.
- During the first quarter of 2013, Crombie acquired two properties and acquired one development addition to an existing property from subsidiaries of Empire for a total purchase price of $32,555 excluding closing and transaction costs.
- During the fourth quarter of 2012, Crombie acquired two properties and acquired development additions to two existing properties from subsidiaries of Empire for a total purchase price of $53,099 excluding closing and transaction costs.
- On December 14, 2012, concurrent with a public offering of units, ECL Developments Limited purchased 1,659,661 Class B LP Units and the attached SVUs at a price of $14.75 per Class B LP Unit for proceeds of $24,332 net of issue costs, on a private placement basis.
- On September 17, 2012, Empire 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 acquired $24,000 Series D Convertible 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 $52,810 net of issue costs, on a private placement basis.

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:

	Year ended December 31, 2013	Year ended December 31, 2012
Salary, bonus and other short-term employee benefits	$ 3,251	$ 2,576
Other long-term benefits	94	94
	$ 3,345	$ 2,670

NOTE 20 FINANCIAL INSTRUMENTS

a) Fair Value of Financial Instruments

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ –	$ –	$ 986	$ 986
Total financial assets	$ –	$ –	$ 986	$ 986
Financial liabilities				
Interest rate swaps	$ –	$ 21	$ –	$ 21
Embedded derivatives in convertible debentures	–	–	–	–
Total financial liabilities	$ –	$ 21	$ –	$ 21

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2013.

The fair value of other financial instruments is based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The following table summarizes the estimated fair value of other financial instruments which have a fair value different from their carrying value:

	December 31, 2013		December 31, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Assets related to derecognized property	$ 5,733	$ 5,830	$ 6,116	$ 6,120
Notes receivable	1,901	1,821	2,781	2,545
Total financial assets	$ 7,634	$ 7,651	$ 8,897	$ 8,665
Financial liabilities				
Investment property debt	$ 1,725,981	$ 1,705,960	$ 1,150,888	$ 1,072,671
Senior unsecured notes	175,035	175,000	–	–
Convertible debentures	183,863	180,000	134,276	123,679
Liabilities related to derecognized property	5,676	5,627	5,997	5,818
Total financial liabilities	$ 2,090,555	$ 2,066,587	$ 1,291,161	$ 1,202,168

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding interest rate swaps, embedded derivatives and liabilities related to derecognized property)

b) Risk Management

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

NOTE 20
(CONTINUED)

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 con0ducting credit assessments for new and renewing tenants. As at December 31, 2013:

- Excluding Sobeys (which accounts for 49.0% of Crombie's go forward minimum rent), no other tenant accounts for more than 6.0% of Crombie's minimum rent; and
- Over the next five years, no more than 4.9% of the gross leasable area of Crombie will expire in any one year.

As outlined in Note 19, Crombie earned property revenue of $106,926 for the year ended December 31, 2013 (year ended December 31, 2012 – $88,158) from Sobeys Inc. and other subsidiaries of Empire.

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

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

	Year ended December 31, 2013	Year ended December 31, 2012
Provision for doubtful accounts, beginning of year	$ 439	$ 401
Additional provision	279	1,082
Recoveries	(222)	(824)
Write-offs	(449)	220
Provision for doubtful accounts, end of year	$ 47	$ 439

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt and, on occasion, utilizing interest rate swap agreements.

As at December 31, 2013:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 8.0 years;
- Crombie has a floating rate revolving credit facility available to a maximum of $285,000, subject to available borrowing base, with a balance of $120,000 at December 31, 2013; and
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that $2,767 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2014, based on all settled swap agreements as of December 31, 2013.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Decrease in rate	Increase in rate
Year ended December 31, 2013	**$ 648**	**$ (648)**
Year ended December 31, 2012	$ 472	$ (472)

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.

NOTE 20 (CONTINUED)

Liquidity risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance debt obligations as they mature or meet its ongoing obligations as they arise.

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

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 21, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited by the amount utilized under the facility, the amount of any outstanding letters of credit, plus any unfavourable mark-to-market position on any interest rate swap agreements, and cannot exceed the borrowing base security provided by Crombie. Any deterioration in the mark-to-market position may reduce Crombie's available credit under the revolving credit facility.

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

		Year ending December 31,					
	Contractual Cash Flows[1]	2014	2015	2016	2017	2018	Thereafter
Fixed rate mortgages[2]	$ 2,077,293	$ 213,627	$ 165,404	$ 141,330	$ 136,872	$ 153,895	$ 1,266,165
Senior unsecured notes	208,714	6,976	6,976	6,976	6,976	180,810	–
Convertible debentures	235,625	9,526	9,526	9,526	53,232	6,938	146,877
	2,521,632	230,129	181,906	157,832	197,080	341,643	1,413,042
Floating rate revolving credit facility	128,910	3,564	3,564	121,782	–	–	–
Total	$ 2,650,542	$ 233,693	$ 185,470	$ 279,614	$ 197,080	$ 341,643	$ 1,413,042

(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.

NOTE 21 CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	December 31, 2013	December 31, 2012
Investment property debt	$ 1,694,200	$ 1,065,411
Senior unsecured notes	173,937	–
Convertible debentures	174,929	120,529
Crombie REIT Unitholders	680,935	470,747
SVU and Class B LP Unitholders	443,363	311,254
	$ 3,167,364	$ 1,967,941

NOTE 21
(CONTINUED)

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

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

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

	December 31, 2013	December 31, 2012
Fixed rate mortgages	$ 1,585,960	$ 949,571
Senior unsecured notes	175,000	–
Convertible debentures	180,000	123,679
Revolving credit facility	120,000	30,405
Floating rate term credit facility	–	92,695
Total debt outstanding	2,060,960	1,196,350
Less: Applicable fair value debt adjustment	(2,903)	(3,791)
Debt	$ 2,058,057	$ 1,192,559
Investment properties, cost	$ 3,380,073	$ 2,158,474
Below-market lease component, cost[1]	71,173	62,753
Intangible assets, cost	96,397	73,853
Notes receivable	1,821	2,545
Other assets, cost (see below)	145,592	119,031
Cash and cash equivalents	7,167	–
Deferred financing charges	17,894	10,410
Interest rate subsidy	(2,903)	(3,791)
Fair value adjustment to deferred taxes	(38,585)	(39,245)
	$ 3,678,629	$ 2,384,030
Debt to gross book value	55.9%	50.0%

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

Other assets are calculated as follows:

	December 31, 2013	December 31, 2012
Other assets per Note 5	$ 118,843	$ 100,301
Add back (deduct):		
Tenant incentive accumulated amortization	32,579	24,850
Assets related to derecognized property	(5,830)	(6,120)
Other assets, cost	$ 145,592	$ 119,031

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;

NOTE 21
(CONTINUED)

- access to the revolving credit facility is limited by the amount utilized under the facility, the amount of any outstanding letters of credit, and any negative mark-to-market position on any interest rate swap agreements, not to exceed the borrowing base security provided by Crombie; and
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at December 31, 2013, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

NOTE 22 COMMITMENTS AND CONTINGENCIES

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

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire. Details of this agreement are disclosed in "Related Party Transactions" (Note 19).

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at December 31, 2013, Crombie has a total of $4,135 in outstanding letters of credit related to:

- $720 for construction work that is being performed on investment properties;
- $1,715 in favour of the mortgage lender in connection with the defeasance of derecognized property; and
- $1,700 in favour of mortgage lenders primarily to satisfy mortgage financings on 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 11 to 76 years including renewal options. For the year ended December 31, 2013, Crombie paid $1,240 in land lease payments to third party landlords (year ended December 31, 2012 – $1,206). Crombie's commitments under the land leases are disclosed in Note 14.

As at December 31, 2013, Crombie had signed construction contracts totaling $23,678 of which $20,826 has been paid.

NOTE 23 SUBSEQUENT EVENTS

(a) On January 21, 2014, Crombie declared distributions of 7.417 cents per unit for the period January 1, 2014 to and including, January 31, 2014. The distributions were paid February 17, 2014, to Unitholders of record as of January 31, 2014.

(b) On February 18, 2014, Crombie declared distributions of 7.417 cents per unit for the period February 1, 2014 to and including, February 28, 2014. The distributions will be paid March 17, 2014, to Unitholders of record as of February 28, 2014.

NOTE 24 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.

NOTE 25 INDEMNITIES

Crombie has agreed to indemnify its trustees and officers, and particular employees in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

PROPERTY PORTFOLIO

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
NEWFOUNDLAND & LABRADOR				
2A Commerce St.	Deer Lake	Retail – Plazas	18,000	100.0
10 Elizabeth Ave	St John's	Retail – Freestanding	80,000	100.0
21 Cromer Ave	Grand Falls	Retail – Freestanding	27,000	100.0
45 Ropewalk Lane	St John's	Retail – Freestanding	50,000	100.0
69 Blockhouse Rd	Placentia	Retail – Freestanding	20,000	100.0
71 Grand View Blvd	Grand Bank	Retail – Freestanding	19,000	100.0
Avalon Mall	St John's	Retail – Enclosed	598,000	94.6
Conception Bay Plaza	Conception Bay	Retail – Plazas	65,000	100.0
Hamlyn Road Plaza	St John's	Retail – Plazas	43,000	46.1
Kenmount Business Centre	St John's	Mixed Use	136,000	90.8
Random Square	Clarenville	Retail – Enclosed	110,000	99.1
Topsail Rd Plaza	St John's	Retail – Plazas	158,000	100.0
Torbay Rd Plaza	St John's	Retail – Plazas	161,000	86.3
Valley Mall	Corner Brook	Retail – Enclosed	172,000	88.0
			1,657,000	93.3
PRINCE EDWARD ISLAND				
531 North Main	Montague	Retail – Freestanding	25,000	100.0
County Fair	Summerside	Retail – Enclosed	236,000	71.4
			261,000	74.1
NOVA SCOTIA				
2 Forest Hills Parkway	Dartmouth	Retail – Freestanding	44,000	100.0
25 Acadia Avenue	Stellarton	Retail – Freestanding	24,000	100.0
25 Brookside St.	Glace Bay	Retail – Freestanding	17,000	100.0
39 Pitt St.	Sydney Mines	Retail – Freestanding	18,000	100.0
75 Emerald St	New Waterford	Retail – Freestanding	26,000	100.0
99 Keltic Dr.	Sydney River	Retail – Freestanding	51,000	100.0
133 Church St.	Antigonish	Retail – Freestanding	51,000	100.0
268 Baker Drive Russell Lake Sobeys	Dartmouth	Retail – Freestanding	47,000	100.0
279 Herring Cove Road	Spryfield	Retail – Freestanding	73,000	100.0
634 Reeves Street	Port Hawkesbury	Retail – Freestanding	34,000	100.0
22579 Hwy #7	Sheet Harbour	Retail – Freestanding	9,000	100.0
Aberdeen Business Centre	New Glasgow	Mixed Use	401,000	87.3
Amherst Centre	Amherst	Retail – Enclosed	228,000	46.1
Amherst Plaza	Amherst	Retail – Plazas	25,000	100.0
Blink Bonnie Plaza	Pictou	Retail – Plazas	45,000	93.7
County Fair Mall	New Minas	Retail – Enclosed	268,000	53.8
Dartmouth Crossing – Cineplex	Dartmouth	Retail – Freestanding	45,000	100.0
Downsview Mall	Lower Sackville	Retail – Plazas	142,000	48.2
Downsview Plaza	Lower Sackville	Retail – Plazas	239,000	83.8
Elmsdale Plaza	Hants County	Retail – Plazas	136,000	82.5
Evangeline Mall	Digby	Retail – Enclosed	61,000	76.5
Fall River Plaza	Fall River	Retail – Plazas	98,000	100.0
Fort Edward Plaza	Windsor	Retail – Plazas	147,000	79.6
Fundy Trail Centre	Truro	Retail – Enclosed	130,000	95.7
Hemlock Square	Bedford	Retail – Plazas	149,000	100.0
Highland Square	New Glasgow	Retail – Enclosed	194,000	92.7
Lacewood & Dunbrack	Halifax	Retail – Freestanding	59,000	100.0
Mill Cove Plaza	Bedford	Retail – Plazas	139,000	97.6
New Minas Plaza	New Minas	Retail – Plazas	52,000	91.0
North & Windsor Streets	Halifax	Retail – Freestanding	50,000	100.0
North Shore Ctr	Tatamagouche	Retail – Plazas	17,000	100.0
Panavista Dr	Dartmouth	Retail – Freestanding	48,000	100.0
Park Lane	Halifax	Mixed Use	265,000	80.3
Penhorn Plaza	Dartmouth	Retail – Plazas	92,000	100.0
Prince Street Plaza	Sydney	Retail – Plazas	71,000	100.0
Queen St Plaza	Halifax	Retail – Plazas	54,000	93.1
Sydney Shopping Centre	Sydney	Retail – Plazas	214,000	97.8
Tantallon Plaza	Tantallon	Retail – Plazas	145,000	96.7
West Side Plaza	New Glasgow	Retail – Plazas	71,000	97.4
Halifax Developments Properties				
Barrington Place	Halifax	Mixed Use	190,000	99.2
Barrington Tower	Halifax	Office	186,000	99.3
Brunswick Place	Halifax	Mixed Use	257,000	99.0
CIBC Building	Halifax	Office	207,000	92.8
Cogswell Tower	Halifax	Office	204,000	90.2
Duke Tower	Halifax	Office	254,000	95.7
Scotia Square Mall	Halifax	Mixed Use	266,000	91.3
Scotia Square Parkade	Halifax	Mixed Use		
			5,543,000	88.3

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
NEW BRUNSWICK				
26 Michaud St.	Edmundston	Retail – Freestanding	8,000	100.0
273 Pleasant St	Newcastle	Retail – Freestanding	20,000	100.0
501 Regis St.	Dieppe	Retail – Freestanding	25,000	100.0
850 St. Peters Avenue	Bathurst	Retail – Freestanding	18,000	100.0
Bridgeview Plaza	Miramichi	Retail – Plazas	89,000	91.5
Brookside Mall	Fredericton	Retail – Freestanding	43,000	100.0
Catherwood St	Saint John	Retail – Freestanding	46,000	100.0
Champlain Place Sobeys	Dieppe	Retail – Freestanding	52,000	100.0
Charlotte Mall	St Stephen	Retail – Plazas	119,000	72.1
Edmundston	Edmundston	Retail – Plazas	42,000	83.2
Elmwood Drive	Moncton	Retail – Plazas	74,000	100.0
Fairvale Plaza	Rothesay	Retail – Freestanding	52,000	100.0
Loch Lomond Place	Saint John	Mixed Use	192,000	76.8
Mountain Road	Moncton	Retail – Plazas	17,000	100.0
Northwest Centre, Mountain Rd	Moncton	Retail – Freestanding	52,000	100.0
Prospect St Plaza	Fredericton	Retail – Plazas	21,000	100.0
Riverview – Findlay Blvd	Riverview	Retail – Plazas	67,000	100.0
Riverview Place	Riverview	Mixed Use	150,000	83.0
Terminal Centres	Moncton	Office	202,000	39.7
Tracadie	Tracadie	Retail – Plazas	39,000	83.5
Uptown Centre	Fredericton	Retail – Plazas	320,000	97.1
Vaughan Harvey Blvd	Moncton	Retail – Plazas	85,000	100.0
			1,733,000	85.3
QUÉBEC				
88-90 Bould. D'Anjou	Chateauguay	Retail – Freestanding	58,000	100.0
254 Hotel de Ville	Riviere du Loup	Retail – Plazas	69,000	100.0
645 Thibeau Street	Cap de la Madeleine	Retail – Freestanding	49,000	100.0
1500 Rue Bretagne	Baie Comeau	Retail – Freestanding	50,000	100.0
3260 Blvd, Lapiniere	Brossard, Longueuil	Retail – Freestanding	39,000	100.0
3950 Rue King Ouest	Sherbrooke	Retail – Freestanding	52,000	100.0
8980 Boul Lacroix	St Georges de Beauce	Retail – Freestanding	44,000	100.0
Beauport Plaza	Beauport	Retail – Plazas	68,000	100.0
Greenfield Park Centre	Longueuil	Retail – Plazas	184,000	100.0
Ile Perrot	Ile Perrot	Retail – Freestanding	24,000	100.0
Lebourgneuf	Charlesbourg	Retail – Freestanding	59,000	100.0
Les Saules, DeLormiere	Quebec	Retail – Plazas	69,000	100.0
McMasterville, Laurier Blvd	McMasterville	Retail – Plazas	47,000	100.0
Paspebiac Plaza	Paspebiac	Retail – Plazas	74,000	93.5
Saint Apollinaire	Saint Apollinaire	Retail – Plazas	55,000	100.0
Shawinigan	Shawinigan	Retail – Plazas	60,000	97.7
St Augustin (Mirabel)	St Augustin de Mirabel	Retail – Plazas	38,000	100.0
St Charles de Drummond	Saint Charles de Drummond	Retail – Plazas	48,000	100.0
St Lambert	St Lambert	Retail – Freestanding	19,000	100.0
St Romuald	St Romuald	Retail – Plazas	70,000	100.0
Vanier	Vanier	Retail – Freestanding	17,000	100.0
Westminster Shoppers	Montreal	Retail – Freestanding	21,000	100.0
			1,214,000	99.5
ONTARIO				
44 Livingstone Ave	Grimbsy	Retail – Freestanding	36,000	100.0
215 Park Ave W,	Chatham	Retail – Freestanding	48,000	100.0
318 Ontario Street	St Catharines	Retail – Freestanding	47,000	100.0
385 Springbank	Woodstock	Retail – Plazas	50,000	96.9
409 Bayfield Street	Barrie	Retail – Freestanding	48,000	100.0
977 Golf Links Road	Ancaster	Retail – Freestanding	65,000	100.0
Algonquin Avenue Mall	North Bay	Retail – Plazas	209,000	100.0
Bradford	Bradford	Retail – Freestanding	35,000	100.0
Brampton Mall	Brampton	Retail – Plazas	103,000	83.0
Brampton Plaza	Brampton	Retail – Plazas	76,000	100.0
Burlington Plaza	Burlington	Retail – Plazas	56,000	93.5
Carleton Place Mews	Carleton Place	Retail – Plazas	80,000	98.4
Dorchester Road Centre	Dorchester	Retail – Freestanding	18,000	100.0
Dorchester Road Plaza	Dorchester	Retail – Plazas	32,000	77.2
Eglinton Centre	Toronto	Retail – Freestanding	17,000	100.0
Glendale Ave Mountain Locks Plaza	St Catharines	Retail – Plazas	85,000	100.0
Grimsby Centre	Grimbsy	Retail – Freestanding	29,000	100.0
Grimsby Plaza	Grimsby	Retail – Plazas	34,000	100.0
Havelock Centre	Havelock	Retail – Freestanding	15,000	100.0
Huron Street Plaza	Stratford	Retail – Freestanding	27,000	100.0
International Gateway Centre	Fort Erie	Retail – Plazas	92,000	96.8

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
Lansdowne Centre Rockhaven	Peterborough	Retail – Plazas	24,000	100.0
Lansdowne Plaza	Peterborough	Retail – Plazas	67,000	100.0
Lindsay Street Centre	Fenelon Falls	Retail – Freestanding	35,000	100.0
Markham Plaza	Toronto	Retail – Plazas	39,000	94.9
Middle Road Plaza	Burlington	Retail – Plazas	11,000	82.1
Milligan Corners	Napanee	Retail – Plazas	25,000	100.0
Niagara Falls Centre	Niagara Falls	Retail – Freestanding	17,000	100.0
Niagara Falls Plaza	Niagara Falls	Retail – Plazas	64,000	100.0
Notre Dame Street Centre	Embrun	Retail – Freestanding	17,000	100.0
Orleans – 5150 Innes Rd	Ottawa	Retail – Plazas	63,000	100.0
Parry Sound	Parry Sound	Retail – Freestanding	36,000	100.0
Perth Mews	Perth	Retail – Plazas	103,000	96.0
Port Colborne Mall	Port Colborne	Retail – Enclosed	130,000	73.7
Queensland Plaza	Stratford	Retail – Plazas	48,000	94.8
Queensway Plaza	Toronto	Retail – Plazas	67,000	100.0
Riddell Rd	Orangeville	Retail – Freestanding	46,000	100.0
Rose City Plaza	Welland	Retail – Plazas	116,000	61.5
Rymal Road Plaza	Hamilton	Retail – Plazas	65,000	86.2
Sinclair Place	Georgetown	Retail – Plazas	28,000	100.0
South Pelham Market Plaza	Welland	Retail – Plazas	63,000	98.1
Southdale	London	Retail – Plazas	20,000	88.3
385 Springbank	Woodstock	Retail – Plaza	50,000	100.0
Stittsville Corner 1122 Carp Road	Stittsville	Retail – Plazas	80,000	100.0
Stoney Creek Plaza	Stoney Creek	Retail – Plazas	9,000	63.5
Taunton & Wilson Plaza	Oshawa	Retail – Plazas	107,000	95.3
Town Centre	LaSalle	Retail – Plazas	88,000	77.6
Upper James Square	Hamilton	Retail – Plazas	114,000	96.5
Village Square Mall	Nepean	Retail – Plazas	92,000	100.0
Weston Rd Shoppers	Toronto	Retail – Freestanding	16,000	100.0
White Horse Plaza	Simcoe	Retail – Plazas	94,000	69.1
Windsor Huron Church Rd	Windsor	Retail – Freestanding	29,000	100.0
			2,914,000	93.2

MANITOBA

498 Mountain Avenue Safeway	Neepawa	Retail – Freestanding	18,000	100.0
594 Mountain Avenue Safeway	Winnipeg	Retail – Freestanding	18,000	100.0
1305-1321 Pembina Highway Safeway	Winnipeg	Retail – Plazas	39,000	100.0
2155 Pembina Hwy.	Winnipeg	Retail – Freestanding	46,000	100.0
Bird's Hill Road Plaza	Birds Hill	Retail – Freestanding	39,000	100.0
Jefferson Avenue	Winnipeg	Retail – Freestanding	55,000	100.0
Kildare Avenue East	Winnipeg	Retail – Freestanding	43,000	100.0
Marion Street	Winnipeg	Retail – Freestanding	38,000	100.0
Manitoba Avenue	Selkirk	Retail – Freestanding	42,000	100.0
Osborne Street Safeway	Winnipeg	Retail – Freestanding	20,000	100.0
Portage La Praire Shoppers	Portage la Prairie	Retail – Freestanding	20,000	100.0
Portage Avenue Safeway	Winnipeg	Retail – Freestanding	55,000	100.0
River Avenue Safeway	Winnipeg	Retail – Plazas	59,000	100.0
			492,000	100.0

SASKATCHEWAN

1 Avenue NW Safeway	Moose Jaw	Retail – Freestanding	39,000	100.0
2 Avenue West Safeway	Prince Albert	Retail – Freestanding	56,000	100.0
13th Avenue	Regina	Retail – Plazas	41,000	100.0
McOrmond Drive Safeway	Saskatoon	Retail – Freestanding	50,000	100.0
Albert Street South	Regina	Retail – Plazas	41,000	100.0
River City Centre	Saskatoon	Retail – Plazas	160,000	90.7
Territorial Drive Plaza	North Battleford	Retail – Plazas	30,000	100.0
University Park	Regina	Retail – Freestanding	37,000	100.0
			454,000	96.7

ALBERTA

4th Street NW Safeway	Calgary	Retail – Plazas	48,000	100.0
10 Street NW Safeway	Calgary	Retail – Freestanding	38,000	100.0
11th Avenue SW Safeway	Calgary	Retail – Freestanding	40,000	100.0
16th Avenue NW Safeway	Calgary	Retail – Freestanding	42,000	100.0
23rd Street North Safeway	Lethbridge	Retail – Freestanding	45,000	100.0
32nd Avenue NE Safeway	Calgary	Retail – Freestanding	69,000	100.0
34th Avenue SW Safeway	Calgary	Retail – Plazas	48,000	100.0
100 Street Safeway	Grande Prairie	Retail – Plazas	66,000	100.0
109 Street NW Safeway	Edmonton	Retail – Plazas	34,000	100.0
114th Avenue Safeway	Grand Prairie	Retail – Plazas	62,000	100.0
130th Avenue SE Safeway	Calgary	Retail – Plazas	54,000	100.0
137th Avenue NW Safeway	Edmonton	Retail – Freestanding	55,000	100.0
555 Main Street	Canmore	Retail – Freestanding	53,000	100.0
688 Wye Road, Nottingham	Sherwood Park	Retail – Freestanding	46,000	100.0
1109 James Mowatt Trail Southbrook Sobeys	Edmonton	Retail – Freestanding	45,000	100.0
Beaumont Plaza	Beaumont	Retail – Plazas	59,000	100.0
Big Rock Lane Safeway	Okotoks	Retail – Freestanding	42,000	100.0
Calgary McKenzie Town Drive	Calgary	Retail – Freestanding	19,000	100.0
Cassils Road West Safeway	Brooks	Retail – Plazas	54,000	100.0
Castleridge Boulevard NE Safeway	Calgary	Retail – Freestanding	56,000	100.0
Chestermere Station Way Safeway	Chestermere	Retail – Freestanding	43,000	100.0
Clearwater Landing	Fort McMurray	Retail – Plazas	142,000	100.0
Crowfoot Cresent NW Safeway	Calgary	Retail – Plazas	75,000	100.0
Elbow Drive Safeway	Calgary	Retail – Freestanding	25,000	100.0
Fairway Plaza Road South Safeway	Lethbridge	Retail – Plazas	64,000	100.0
Forest Lawn Sobeys	Calgary	Retail – Freestanding	42,000	100.0
Franklin Avenue & JW Mann Drive Safeway	Fort McMurray	Retail – Freestanding	40,000	100.0
Gaetz South Plaza	Red Deer	Retail – Plazas	74,000	100.0
Guardian Road NW Safeway	Edmonton	Retail – Freestanding	49,000	100.0
Marten Street Safeway	Banff	Retail – Freestanding	19,000	100.0
Manning Crossing	Edmonton	Retail – Freestanding	49,000	100.0
Millwood Sobeys	Edmonton	Retail – Plazas	58,000	96.9
Namao Centre	Edmonton	Retail – Freestanding	37,000	100.0
Namao Centre 167 Ave/95 St	Edmonton	Retail – Plazas	34,000	85.0
Saddletowne Circle NE	Calgary	Retail – Freestanding	51,000	100.0
South Park Drive Safeway	Stony Plain	Retail – Freestanding	44,000	100.0
Red Deer Cineplex Hwy II	Red Deer	Retail – Freestanding	40,000	100.0
West Highlands	Lethbridge	Retail – Plazas	29,000	100.0
West Lethbridge	Lethbridge	Retail – Plazas	104,000	97.0
Whyte Avenue Shoppers	Edmonton	Retail – Freestanding	21,000	100.0
			2,015,000	99.5

BRITISH COLUMBIA

2nd Avenue West Safeway	Prince Rupert	Retail – Plazas	52,000	100.0
27th Street East Safeway	North Vancouver	Retail – Freestanding	37,000	100.0
30th Avenue Safeway	Vernon	Retail – Freestanding	29,000	100.0
32nd Street Safeway	Vernon	Retail – Freestanding	56,000	100.0
120 Street Safeway	Surrey	Retail – Plazas	53,000	100.0
152nd Street Safeway	Surrey	Retail – Freestanding	56,000	100.0
20871 Fraser Highway Safeway	Langley	Retail – Freestanding	48,000	100.0
27566 Fraser Highway Safeway	Langley	Retail – Freestanding	45,000	100.0
Alder Avenue	100 Mile House	Retail – Plazas	28,000	100.0
Austin Road Safeway	Coquitlam	Retail – Freestanding	21,000	100.0
Baker Street Safeway	Cranbrook	Retail – Freestanding	48,000	100.0
Bernard Avenue Safeway	Kelowna	Retail – Freestanding	30,000	100.0
Blundell Road	Richmond	Retail – Freestanding	28,000	100.0
Columbia Avenue Safeway	Castlegar	Retail – Freestanding	27,000	100.0
Columbia Street West Safeway	Kamloops	Retail – Freestanding	50,000	100.0
Davie Street Safeway	Vancouver	Retail – Plazas	37,000	100.0
East Broadway Safeway	Vancouver	Retail – Freestanding	42,000	100.0
King Edward Avenue	Vancouver	Retail – Freestanding	28,000	100.0
Fortune Drive Safeway	Kamloops	Retail – Freestanding	56,000	100.0
Kingsway Safeway	Vancouver	Retail – Plazas	51,000	100.0
Lougheed Highway Safeway	Mission	Retail – Plazas	55,000	100.0
McBride Boulevard Safeway	New Westminster	Retail – Freestanding	43,000	100.0
Mt. Seymour Rd Safeway	North Vancouver	Retail – Freestanding	36,000	100.0
Main Street Safeway	Penticton	Retail – Plazas	59,000	100.0
Reid Street Safeway	Quesnel	Retail – Freestanding	30,000	100.0
Second Avenue Safeway	Trail	Retail – Plazas	32,000	100.0
Shaughnessy Street Safeway	Port Coquitlam	Retail – Freestanding	49,000	100.0
West Broadway Safeway	Vancouver	Retail – Plazas	55,000	100.0
Yale Road Safeway	Chilliwack	Retail – Freestanding	52,000	100.0
Yellowhead Highway Safeway	Smithers	Retail – Freestanding	42,000	100.0
			1,275,000	100.0

TOTAL

			17,558,000	92.5

UNITHOLDER INFORMATION

BOARD OF TRUSTEES

Donald E. Clow
Trustee,
President and Chief Executive Officer

Frank C. Sobey
Trustee and Chairman

Paul D. Sobey
Trustee

David G. Graham
Independent Trustee

J. Michael Knowlton
Independent Trustee

E. John Latimer
Independent Trustee

John Eby
Independent Trustee and Lead Trustee

Elisabeth Stroback
Independent Trustee

David Leslie
Independent Trustee

Paul Beesley
Trustee

Kent R. Sobey
Independent Trustee

Brian A. Johnson
Independent Trustee

OFFICERS

Frank C. Sobey
Chairman

Donald E. Clow
President and Chief Executive Officer

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

Patrick G. Martin
Executive Vice President, Operations

Gary Finkelstein
Regional Vice President Central Canada

Scott R. MacLean
Regional Vice President Atlantic Canada

CROMBIE REIT

Head Office:
115 King Street
Stellarton, Nova Scotia, B0K 1S0
Telephone: (902) 755-8100
Fax: (902) 755-6477
Internet: www.crombiereit.com

UNIT SYMBOL

REIT Trust Units – CRR.UN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts and investors should direct their financial inquiries or requests to:

Glenn R. Hynes, FCA
Executive Vice President, Chief Financial Officer and Secretary
Email: investing@crombie.ca

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, Canadian Stock Transfer Company.

DISTRIBUTION RECORD AND PAYMENT DATES FOR FISCAL 2013

Record Date	Payment Date
January 31, 2013	February 15, 2013
February 28, 2013	March 15, 2013
March 31, 2013	April 15, 2013
April 30, 2013	May 15, 2013
May 31, 2013	June 17, 2013
June 30, 2013	July 15, 2013
July 31, 2013	August 15, 2013
August 31, 2013	September 16, 2013
September 30, 2013	October 15, 2013
October 31, 2013	November 15, 2013
November 30, 2013	December 16, 2013
December 31, 2013	January 15, 2014

TRANSFER AGENT

Canadian Stock Transfer Company
1660 Hollis Street
Centennial Building, 4th Floor
Halifax, Nova Scotia, B3J 1V7
Telephone: (800) 387-0825
Email: inquiries@canstockta.com
Website: www.canstockta.com

COUNSEL

Stewart McKelvey
Halifax, Nova Scotia

AUDITORS

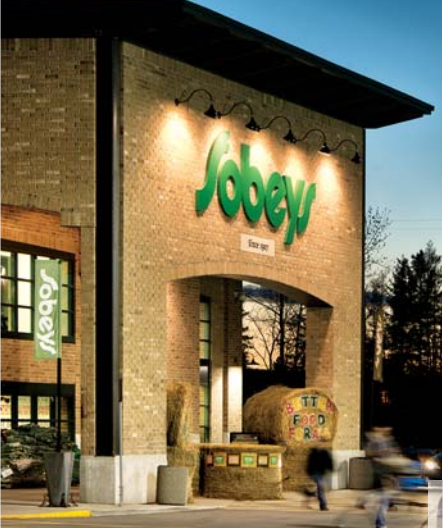
Grant Thornton, LLP
New Glasgow, Nova Scotia

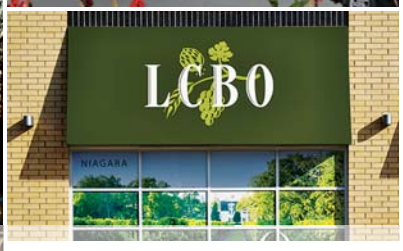
MULTIPLE MAILINGS

If you have more than one account, you may receive a separate mailing for each.

If this occurs, please contact Canadian Stock Transfer Company at
(800) 387-0825 or (416) 682-3860
to eliminate multiple mailings.

DESIGN: CRAIB DESIGN & COMMUNICATIONS WWW.CRAIB.COM PRINTED IN CANADA





TOP 20 TENANTS

Crombie's portfolio is leased to a wide diversity of regional and national tenants. Other than Sobeys, which accounts for 49.0 percent of annual minimum rent, no other tenant represents more than 6.0 percent of minimum annual rent.

Tenant (As at December 31, 2013)	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys Stores[1]	49.0%	15.9 years
Shoppers Drug Mart	6.0%	13.2 years
Cineplex Entertainment LP	1.8%	11.5 years
Province of Nova Scotia	1.5%	4.5 years
CIBC	1.2%	16.3 years
Lawtons/Sobeys Pharmacy	1.1%	12.6 years
Good Life Fitness	1.1%	12.7 years
Best Buy Canada	1.0%	7.6 years
Bank of Nova Scotia	0.9%	3.6 years
Dollarama	0.8%	4.6 years
Marks Work Wearhouse	0.8%	3.5 years
Bell (Aliant)	0.8%	5.1 years
Target Canada Co.	0.7%	10.7 years
Public Works Canada	0.7%	3.7 years
Reitmans (Canada) Limited	0.7%	4.0 years
Sears Canada	0.6%	11.9 years
Winners	0.5%	2.6 years
Staples	0.5%	3.4 years
Brick Warehouse	0.5%	11.8 years
Liquor Control Board of Ont.	0.5%	11.3 years
Total	70.7%	

(1) Excludes Lawtons and Fast Fuel locations.

ADVANCING OUR STRATEGY

Crombie significantly advanced its strategy of retail property growth in Canada's top 36 metropolitan markets in 2013 with $1.2 billion in focused acquisitions. Today:

- 71% of annual minimum rent is produced by grocery- and drugstore-anchored plazas and freestanding stores;
- 57% of annual minimum rent is generated outside Atlantic Canada; and
- 63% of annual minimum rent comes from investment-grade tenants.

www.crombiereit.ca