CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
June 30, 2014
(Unaudited)

Contents

	Page
Condensed Consolidated Balance Sheets	1
Condensed Consolidated Statements of Comprehensive Income (Loss)	2
Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders	3
Condensed Consolidated Statements of Cash Flows	4
Notes to the Interim Condensed Consolidated Financial Statements	5 - 23

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

	Note	June 30, 2014	December 31, 2013	June 30, 2013
Assets				
Non-current assets				
Investment properties	3	**$ 3,126,234**	$ 3,168,097	$ 2,169,082
Intangible assets	4	**46,567**	49,237	35,387
Other assets	5	**89,406**	77,365	77,801
Long term receivables	6	**12,754**	1,127	1,401
		3,274,961	3,295,826	2,283,671
Current assets				
Cash and cash equivalents		**—**	7,167	—
Other assets	5	**45,150**	41,478	43,249
Long term receivables	6	**793**	694	768
Investment properties held for sale	7	**33,653**	—	—
		79,596	49,339	44,017
Total Assets		**3,354,557**	3,345,165	2,327,688
Liabilities				
Non-current liabilities				
Investment property debt	8	**1,430,653**	1,553,297	1,142,942
Senior unsecured notes	9	**273,463**	173,937	—
Convertible debentures	10	**175,348**	174,929	118,123
Deferred taxes	11	**80,100**	80,825	82,600
Employee future benefits obligation		**7,081**	6,945	7,057
Trade and other payables	12	**—**	—	2,249
		1,966,645	1,989,933	1,352,971
Current liabilities				
Investment property debt	8	**114,754**	140,903	126,262
Employee future benefits obligation		**233**	233	225
Trade and other payables	12	**71,940**	89,798	73,674
		186,927	230,934	200,161
Total liabilities excluding net assets attributable to Unitholders		**2,153,572**	2,220,867	1,553,132
Net assets attributable to Unitholders		**$ 1,200,985**	$ 1,124,298	$ 774,556
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		**$ 726,346**	$ 680,935	$ 467,846
Special Voting Units and Class B Limited Partnership Unitholders		**474,639**	443,363	306,710
		$ 1,200,985	$ 1,124,298	$ 774,556
Commitments and contingencies	22			
Subsequent events	23			

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Property revenue	13	**$ 89,008**	$ 71,270	**$ 179,921**	$ 141,852
Property operating expenses		**27,409**	25,696	**56,963**	52,514
Net property income		**61,599**	45,574	**122,958**	89,338
Gain (loss) on derecognition of investment properties		**(3)**	6	**(160)**	436
Depreciation of investment properties	3	**(14,567)**	(9,958)	**(29,015)**	(19,240)
Amortization of deferred leasing costs	3	**(147)**	(142)	**(278)**	(278)
Amortization of intangible assets	4	**(1,229)**	(1,885)	**(3,175)**	(3,589)
General and administrative expenses		**(4,083)**	(3,366)	**(7,839)**	(6,572)
Operating income before finance costs and taxes		**41,570**	30,229	**82,491**	60,095
Finance costs - operations	16	**(25,070)**	(17,648)	**(50,316)**	(34,455)
Operating income before taxes		**16,500**	12,581	**32,175**	25,640
Taxes - deferred	11	**500**	—	**725**	(100)
Operating income attributable to Unitholders		**17,000**	12,581	**32,900**	25,540
Finance costs - other					
Distributions to Unitholders		**(28,480)**	(20,480)	**(55,835)**	(40,918)
Change in fair value of financial instruments	12	**130**	1,585	**185**	2,202
		(28,350)	(18,895)	**(55,650)**	(38,716)
Decrease in net assets attributable to Unitholders		**(11,350)**	(6,314)	**(22,750)**	(13,176)
Other comprehensive income					
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		**666**	959	**1,508**	1,924
Net change in derivatives designated as cash flow hedges		**1**	8	**7**	10
Other comprehensive income		**667**	967	**1,515**	1,934
Comprehensive income (loss)		**$ (10,683)**	$ (5,347)	**$ (21,235)**	$ (11,242)

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 17)					
Balance, January 1, 2014	17	$ 1,363,025	$ (222,728)	$ (15,999)	$ 1,124,298	$ 680,935	$ 443,363
Adjustments related to EUPP		818	(43)	—	775	775	—
Statements of comprehensive income (loss)		—	(22,750)	1,515	(21,235)	(12,701)	(8,534)
Unit issue proceeds, net of costs of $2,876		97,147	—	—	97,147	57,337	39,810
Balance, June 30, 2014		$ 1,460,990	$ (245,521)	$ (14,484)	$ 1,200,985	$ 726,346	$ 474,639

	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	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		453	(30)	—	423	423	—
Conversion of debentures		2,763	—	—	2,763	2,763	—
Conversion feature of debentures	12	611	—	—	611	611	—
Statements of comprehensive income (loss)		—	(13,176)	1,934	(11,242)	(6,698)	(4,544)
Balance, June 30, 2013		$ 980,939	$ (188,330)	$ (18,053)	$ 774,556	$ 467,846	$ 306,710

See accompanying notes to the interim condensed consolidated financial statements.

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

Cash flows provided by (used in)	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Operating Activities					
Decrease in net assets attributable to Unitholders		**$ (11,350)**	$ (6,314)	**$ (22,750)**	$ (13,176)
Items not affecting operating cash	18	**16,554**	12,698	**33,952**	25,045
Change in other non-cash operating items	18	**(20,542)**	(11,391)	**(18,379)**	(10,881)
Cash provided by (used in) operating activities		**(15,338)**	(5,007)	**(7,177)**	988
Financing Activities					
Issue of investment property debt		**—**	79,800	**40,616**	342,195
Deferred financing charges - investment property debt		**(120)**	(1,345)	**(550)**	(2,720)
Repayment of investment property debt		**(59,182)**	(44,623)	**(189,885)**	(147,680)
Issue of senior unsecured notes		**—**	—	**100,393**	—
Deferred financing charges - senior unsecured notes		**(108)**	—	**(1,017)**	—
REIT Units and Class B LP Units issued		**100,023**	—	**100,023**	—
REIT Units and Class B LP Units issue costs		**(2,876)**	—	**(2,876)**	—
Repayment of EUPP loans receivable		**250**	14	**484**	403
Decrease in liabilities related to derecognized property		**(5,578)**	(47)	**(5,627)**	(94)
Issue of long term receivables		**10**	—	**(11,856)**	—
Collection of long term receivables		**(15)**	185	**147**	376
Cash provided by (used in) financing activities		**32,404**	33,984	**29,852**	192,480
Investing Activities					
Acquisition of investment properties and intangible assets		**(10,388)**	(20,951)	**(11,893)**	(175,502)
Additions to investment properties		**(5,756)**	(4,936)	**(13,483)**	(8,756)
Proceeds on derecognition of investment properties		**—**	—	**1,200**	1,700
Additions to tenant incentives		**(7,423)**	(3,381)	**(11,101)**	(10,694)
Additions to deferred leasing costs		**(326)**	(218)	**(395)**	(362)
Decrease in assets related to derecognized property		**5,708**	123	**5,830**	146
Cash provided by (used in) investing activities		**(18,185)**	(29,363)	**(29,842)**	(193,468)
Net change in cash and cash equivalents		**(1,119)**	(386)	**(7,167)**	—
Cash and cash equivalents, beginning of period		**1,119**	386	**7,167**	—
Cash and cash equivalents, end of period		**$ —**	$ —	**$ —**	$ —

See accompanying notes to the interim condensed consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is the acquisition of retail and office properties for purposes of leasing. Crombie is registered in Canada and the address of its registered office is 115 King Street, Stellarton, Nova Scotia, Canada, B0K 1S0. The interim condensed consolidated financial statements for the six months ended June 30, 2014 and June 30, 2013 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on August 8, 2014.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not contain all of the information required by IAS 1, Presentation of Financial Statements. Therefore, they should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013.

(b) Basis of presentation

The interim condensed consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The interim condensed consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value with changes in fair value 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 June 30, 2014. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of June 30, 2014.

All intercompany transactions, balances, income and expenses are eliminated in preparing the interim condensed 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) Significant accounting policies

The Company describes its significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2013.

New standards adopted

There has been no change in the Company's significant accounting policies since December 31, 2013, except for the the application of the following standards effective January 1, 2014:

(i) IAS 32 - Financial Instruments Presentation

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

(ii) 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. Crombie has assessed the applicability of IFRIC 21 and has determined there is no impact on the interim condensed consolidated financial statements.

Future changes in accounting standards

The International Accounting Standard Board ("IASB") have issued a number of standards and interpretations with an effective date after the date of these financial statements. Set out below are only those standards that may have a material impact on the interim condensed consolidated financial statements in future periods. Management is currently evaluating the impact of these future policies on its interim condensed consolidated financial statements.

(i) IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments will replace International Accounting Standard ("IAS") 39 Financial Instruments: Recognition and Measurement. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, with early adoption permitted and is to be applied retrospectively.

(f) 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 condensed consolidated balance sheets, condensed consolidated statements of changes in net assets attributable to Unitholders or the condensed consolidated statements of cash flows.

3) INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2014	**$ 956,672**	**$ 2,417,780**	**$ 5,621**	**$ 3,380,073**
Acquisitions	**6,176**	**17,066**	**—**	**23,242**
Additions	**257**	**7,567**	**473**	**8,297**
Dispositions	**(5,406)**	**(8,873)**	**—**	**(14,279)**
Transfer to investment properties held for sale (Note 7)	**(7,139)**	**(28,288)**	**(454)**	**(35,881)**
Balance, June 30, 2014	**950,560**	**2,405,252**	**5,640**	**3,361,452**
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2014	**—**	**209,218**	**2,758**	**211,976**
Depreciation and amortization	**—**	**29,015**	**278**	**29,293**
Dispositions	**—**	**(1,247)**	**—**	**(1,247)**
Transfer to investment properties held for sale (Note 7)	**—**	**(4,572)**	**(232)**	**(4,804)**
Balance, June 30, 2014	**—**	**232,414**	**2,804**	**235,218**
Net carrying value, June 30, 2014	**$ 950,560**	**$ 2,172,838**	**$ 2,836**	**$ 3,126,234**

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

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2013	$ 545,337	$ 1,608,276	$ 4,861	$ 2,158,474
Acquisitions	47,085	134,121	—	181,206
Additions	40	9,028	388	9,456
Dispositions	(806)	(1,573)	—	(2,379)
Balance, June 30, 2013	591,656	1,749,852	5,249	2,346,757
Accumulated depreciation and amortization				
Opening balance, January 1, 2013	—	157,009	2,240	159,249
Depreciation and amortization	—	19,240	278	19,518
Dispositions	—	(1,092)	—	(1,092)
Balance, June 30, 2013	—	175,157	2,518	177,675
Net carrying value, June 30, 2013	$ 591,656	$ 1,574,695	$ 2,731	$ 2,169,082

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

	Fair Value	Carrying Value
June 30, 2014	**$ 3,864,000**	**$ 3,305,127**
December 31, 2013	$ 3,877,000	$ 3,309,020
June 30, 2013	$ 2,814,000	$ 2,290,457

Carrying value consists of the net carrying value of:

	Note	June 30, 2014	December 31, 2013	June 30, 2013
Investment properties	3	**$ 3,126,234**	$ 3,168,097	$ 2,169,082
Intangible assets	4	**46,567**	49,237	35,387
Accrued straight-line rent receivable	5	**33,512**	28,052	25,161
Tenant incentives	5	**65,161**	63,634	60,827
Investment properties held for sale	7	**33,653**	—	—
Total carrying value		**$ 3,305,127**	$ 3,309,020	$ 2,290,457

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

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

		Impact of a 0.25% Change in Capitalization Rate	
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
June 30, 2014	**6.21%**	**$ (151,000)**	**$ 164,000**
December 31, 2013	6.18%	$ (152,000)	$ 165,000
June 30, 2013	6.42%	$ (105,000)	$ 114,000

Investment Property Acquisitions and Dispositions

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

2014

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
January 31, 2014[1]	—	6,700	$ 1,490	$ —
March 31, 2014[3]	1	53,000	12,127	—
May 1, 2014	1	39,400	10,176	
		99,100	**23,793**	**—**
January 16, 2014[2]	—	(25,000)	(1,200)	—
March 31, 2014[3]	(1)	(53,000)	(12,127)	—
		21,100	**$ 10,466**	**$ —**

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

The partial disposition on January 16, 2014 was transacted with a third party. The other property transactions in 2014 have been transacted with subsidiaries of Empire Company Limited ("Empire"), a related party. The initial purchase prices stated above exclude closing and transaction costs. On March 31, 2014, Crombie exchanged properties in Canmore, Alberta with Empire. The acquired property is measured at the carrying value of the disposed property, resulting in no gain or loss on exchange.

2013

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 22, 2013	4	311,000	$ 131,890	$ 10,744
March 22, 2013	1	66,000	14,650	—
March 27, 2013	1	45,000	15,450	—
March 28, 2013[1]	—	9,000	2,455	—
April 30, 2013	1	59,000	20,875	—
		490,000	185,320	10,744
February 4, 2013	(1)	(31,000)	(1,700)	—
		459,000	$ 183,620	$ 10,744

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

All of the above properties acquired and disposed in February were transacted with third parties. The March and April acquisitions were acquired from subsidiaries of Empire. The initial purchase prices stated above exclude closing and transaction costs. The disposal price of the derecognized property on February 4, 2013 approximated its carrying value, resulting in a small gain. The balance of the acquisitions, after deducting assumed and new mortgage proceeds, were funded through Crombie's floating rate revolving credit facility.

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

	Three months ended June 30,		**Six months ended June 30,**		Year Ended
Investment property acquired, net:	**2014**	2013	**2014**	2013	December 31, 2013
Land	**$ 1,882**	$ 3,920	**$ 6,176**	$ 47,085	$ 414,666
Buildings	**8,074**	16,562	**17,066**	134,121	790,572
Intangible assets	**432**	469	**779**	5,452	23,107
Fair value debt adjustment on assumed mortgages	**—**	—	**—**	(412)	(412)
Net purchase price	**10,388**	20,951	**24,021**	186,246	1,227,933
Assumed mortgages	**—**	—	**—**	(10,744)	(10,744)
	$ 10,388	$ 20,951	**$ 24,021**	$ 175,502	$ 1,217,189

4) INTANGIBLE ASSETS

Tenant Relationships	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2014	**$ 96,397**	**$ 47,160**	**$ 49,237**
Acquisitions	**779**	**—**	**779**
Dispositions	**(404)**	**(130)**	**(274)**
Amortization	**—**	**3,175**	**(3,175)**
Transfer to investment properties held for sale (Note 7)	**(92)**	**(92)**	**—**
Balance, June 30, 2014	**$ 96,680**	**$ 50,113**	**$ 46,567**
Balance, January 1, 2013	$ 73,853	$ 40,304	$ 33,549
Acquisitions	5,452	—	5,452
Dispositions	(283)	(258)	(25)
Amortization	—	3,589	(3,589)
Balance, June 30, 2013	$ 79,022	$ 43,635	$ 35,387

5) OTHER ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Trade receivables	**$ 13,223**	$ 6,389	$ 12,341
Provision for doubtful accounts	**(39)**	(47)	(402)
Net trade receivables	**13,184**	6,342	11,939
Assets related to derecognized property	**—**	5,830	5,974
Marketable securities	**1,108**	986	—
Prepaid expenses and deposits	**17,939**	8,356	16,401
Restricted cash	**3,652**	5,643	748
Accrued straight-line rent receivable	**33,512**	28,052	25,161
Tenant incentives	**65,161**	63,634	60,827
	$ 134,556	$ 118,843	$ 121,050

Tenant Incentives	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2014	**$ 96,213**	**$ 32,579**	**$ 63,634**
Additions	**8,630**	**—**	**8,630**
Amortization	**—**	**4,527**	**(4,527)**
Transfer to investment properties held for sale (Note 7)	**(4,483)**	**(1,907)**	**(2,576)**
Balance, June 30, 2014	**$ 100,360**	**$ 35,199**	**$ 65,161**
Balance, January 1, 2013	$ 76,762	$ 24,850	$ 51,912
Additions	12,815	—	12,815
Amortization	—	3,900	(3,900)
Balance, June 30, 2013	$ 89,577	$ 28,750	$ 60,827

6) LONG TERM RECEIVABLES

	June 30, 2014	December 31, 2013	June 30, 2013
Capital expenditure program	**$ 105**	$ 105	$ 105
Interest rate subsidy	**1,401**	1,716	2,064
Amount receivable from related party	**12,041**	—	—
	$ 13,547	$ 1,821	$ 2,169

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

See Note 20(a) for fair value information.

7) INVESTMENT PROPERTIES HELD FOR SALE

Investment properties held for sale consist of:

	Note	June 30, 2014	December 31, 2013	June 30, 2013
Land	3	$ 7,139	$ —	$ —
Buildings	3	23,716	—	—
Deferred leasing costs	3	222	—	—
Intangible assets	4	—	—	—
Tenant incentives	5	2,576	—	—
		$ 33,653	$ —	$ —

In March 2014, Crombie determined that an investment property listed for sale met the criteria for classification as held for sale. The property is carried at its carrying value at the time of classification as held for sale; representing the lesser of carrying value and fair value less costs to sell. No depreciation or amortization will be recorded while the property is classified as held for sale. Crombie expects to complete the sale of the property during the 12 months subsequent to classification as held for sale.

8) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2014
Fixed rate mortgages	3.12 - 6.90%	4.78%	7.8 years	$ 1,527,904
Floating rate revolving credit facility		3.00%	3.0 years	28,785
Deferred financing charges				(11,282)
				$ 1,545,407

	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	June 30, 2013
Fixed rate mortgages	3.12 - 6.90%	5.00%	7.7 years	$ 1,163,195
Floating rate revolving credit facility		3.07%	2.0 years	115,146
Deferred financing charges				(9,137)
				$ 1,269,204

As at June 30, 2014, debt retirements for the next five years are:

12 Months Ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
June 30, 2015	$ 46,040	$ 66,957	$ —	$ 112,997
June 30, 2016	46,093	54,594	—	100,687
June 30, 2017	41,412	53,565	28,785	123,762
June 30, 2018	40,952	46,205	—	87,157
June 30, 2019	41,074	10,832	—	51,906
Thereafter	194,632	880,000	—	1,074,632
	$ 410,203	$ 1,112,153	$ 28,785	1,551,141
Deferred financing charges				(11,282)
Unamortized fair value debt adjustment				5,548
				$ 1,545,407

Specific investment properties with a carrying value of $2,743,326 as at June 30, 2014 (December 31, 2013 - $2,832,554; June 30, 2013 - $2,159,565) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, intangible assets, as well as accrued straight-line rent and tenant incentives which are included in other assets.

Mortgage Activity During 2014

New mortgages for the six months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
June 30, 2014	New	4	4.23%	8.8	25.0	$ 40,616
Other mortgage activity:						
January 2, 2014	Repayment	1	5.47%	—	—	(3,446)
January 6, 2014	Repayment	2	5.15%	—	—	(16,924)
January 31, 2014	Repayment	1	5.73%	—	—	(3,828)
March 3, 2014	Repayment	7	4.89%	—	—	(24,297)
April 1, 2014	Repayment	4	5.48%	—	—	(22,052)
April 7, 2014	Repayment	1	4.77%	—	—	(3,804)
						$ (33,735)

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $300,000 (December 31, 2013 - $285,000; June 30, 2013 - $285,000) and matures June 30, 2017. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (June 30, 2014 – borrowing base of $300,000). The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin increases as Crombie's overall debt leverage increases beyond specific thresholds.

See Note 20(a) for fair value information.

9) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**June 30, 2014**	December 31, 2013	June 30, 2013
Series A senior unsecured notes	October 31, 2018	3.986%	**$ 175,000**	$ 175,000	$ —
Series B senior unsecured notes	June 1, 2021	3.962%	**100,000**	—	—
Unamortized Series B issue premium			**376**	—	—
Deferred financing charges			**(1,913)**	(1,063)	—
			$ 273,463	$ 173,937	$ —

As at June 30, 2014, senior unsecured note retirements for the next five years are:

12 Months Ending	**Series A**	**Series B**	**Total**
June 30, 2015	$ —	$ —	$ —
June 30, 2016	—	—	—
June 30, 2017	—	—	—
June 30, 2018	—	—	—
June 30, 2019	175,000	—	175,000
Thereafter	—	100,000	100,000
	$ 175,000	$ 100,000	275,000
Unamortized Series B issue premium			376
Deferred financing charges			(1,913)
			$ 273,463

See Note 20(a) for fair value information.

10) CONVERTIBLE DEBENTURES

	Conversion Price	**Maturity Date**	**Interest Rate**	**June 30, 2014**	December 31, 2013	June 30, 2013
Series B (CRR.DB.B)	$ 11.00	October 11, 2013	6.25%	**$ —**	$ —	$ 15,916
Series C (CRR.DB.C)	$ 15.30	June 30, 2017	5.75%	**45,000**	45,000	45,000
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	**60,000**	60,000	60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	**75,000**	75,000	—
Deferred financing charges				**(4,652)**	(5,071)	(2,793)
				$ 175,348	$ 174,929	$ 118,123

Debenture Conversions	**Conversion Price**	**Six months ended June 30, 2014**	Year Ended December 31, 2013	Six months ended June 30, 2013
Series B	$ 11.00	**$ —**	$ 17,115	$ 2,763
		$ —	$ 17,115	$ 2,763
REIT Units Issued		**—**	1,555,887	251,173

As at June 30, 2014, debenture retirements for the next five years are:

12 Months Ending	Series C	Series D	Series E	Total
June 30, 2015	$ —	$ —	$ —	$ —
June 30, 2016	—	—	—	—
June 30, 2017	45,000	—	—	45,000
June 30, 2018	—	—	—	—
June 30, 2019	—	—	—	—
Thereafter	—	60,000	75,000	135,000
	$ 45,000	$ 60,000	$ 75,000	180,000
Deferred financing charges				(4,652)
				$ 175,348

See Note 20(a) for fair value information.

11) INCOME TAXES

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

	June 30, 2014	December 31, 2013	June 30, 2013
Tax liabilities relating to difference in tax and book value	**$ 91,869**	$ 91,906	$ 95,239
Tax asset relating to non-capital loss carry-forward	**(11,769)**	(11,081)	(12,639)
Deferred tax liability	**$ 80,100**	$ 80,825	$ 82,600

The tax recovery (expense) consists of the following:

	Three months ended June 30,		**Six months ended June 30,**	
	2014	2013	**2014**	2013
Provision for income taxes at the expected rate	**$ (4,796)**	$ (3,740)	**$ (9,643)**	$ (7,622)
Tax effect of income attribution to Crombie's Unitholders	**5,296**	3,740	**10,368**	7,522
Taxes - deferred	**$ 500**	$ —	**$ 725**	$ (100)

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

12) TRADE AND OTHER PAYABLES

	June 30, 2014	December 31, 2013	June 30, 2013
Tenant incentives and capital expenditures	**$ 22,295**	$ 30,417	$ 25,159
Property operating costs	**26,251**	27,444	25,670
Prepaid rents	**4,692**	8,514	5,039
Finance costs on investment property debt, notes and debentures	**9,022**	8,659	5,220
Distributions payable	**9,680**	9,116	6,829
Fair value of interest rate swap agreements	**—**	21	33
Fair value of embedded derivatives in convertible debentures	**—**	—	2,249
Liabilities related to derecognized property	**—**	5,627	5,724
	$ 71,940	$ 89,798	$ 75,923

Fair value of embedded derivatives in convertible debentures:

	June 30, 2014	December 31, 2013	June 30, 2013
Balance, beginning of period	**$ —**	$ 5,062	$ 5,062
Change in fair value of financial instruments	**—**	(2,368)	(2,202)
Impact of debentures converted	**—**	(2,694)	(611)
Balance, end of period	**$ —**	$ —	$ 2,249

Change in fair value of financial instruments:

	Note	**June 30, 2014**	December 31, 2013	June 30, 2013
Change in fair value of embedded derivatives in convertible debentures	12	**$ —**	$ 2,368	$ 2,202
Change in fair value of marketable securities	5	**185**	105	—
Change in fair value of financial instruments		**$ 185**	$ 2,473	$ 2,202

13) PROPERTY REVENUE

	Three months ended June 30,		**Six months ended June 30,**	
	2014	2013	**2014**	2013
Rental revenue contractually due from tenants	**$ 88,022**	$ 71,350	**$ 177,618**	$ 141,840
Contingent rental revenue	**507**	554	**1,155**	1,251
Straight-line rent recognition	**2,706**	1,208	**5,460**	2,567
Tenant incentive amortization	**(2,390)**	(1,930)	**(4,527)**	(3,900)
Lease terminations	**163**	88	**215**	94
	$ 89,008	$ 71,270	**$ 179,921**	$ 141,852

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

	Three months ended June 30,				**Six months ended June 30,**			
	2014		2013		**2014**		2013	
	Revenue	**Percentage**	Revenue	Percentage	**Revenue**	**Percentage**	Revenue	Percentage
Sobeys Inc.	**$ 40,631**	**45.6%**	$ 26,394	37.0%	**$ 75,728**	**42.1%**	$ 45,485	32.1%

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 June 30, 2014, is as follows:

	Remaining	**Year Ending December 31,**					
	2014	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**
Future minimum rental income	$ 123,891	$ 240,674	$ 230,939	$ 219,630	$ 208,562	$ 2,096,703	$ 3,120,399

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:

	Remaining	Year Ending December 31,						
	2014	**2015**	**2016**	**2017**	**2018**	**Thereafter**		**Total**
Future minimum lease payments	$ 646	$ 1,236	$ 1,238	$ 1,292	$ 1,320	$ 44,859	$	50,591

15) EMPLOYEE BENEFIT EXPENSE

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Wages and salaries	**$ 5,135**	$ 4,777	**$ 14,033**	$ 12,007
Post-employment benefits	**182**	154	**355**	319
	$ 5,317	$ 4,931	**$ 14,388**	$ 12,326

16) FINANCE COSTS – OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Fixed rate mortgages	**$ 19,332**	$ 14,860	**$ 39,407**	$ 28,588
Floating rate term, revolving and demand facilities	**611**	1,128	**1,455**	2,548
Senior unsecured notes	**2,742**	—	**4,721**	—
Convertible debentures	**2,385**	1,660	**4,733**	3,319
Finance costs - operations	**25,070**	17,648	**50,316**	34,455
Amortization of fair value debt adjustment and accretion income	**535**	997	**1,105**	1,727
Change in accrued finance costs	**819**	(76)	**(363)**	1,298
Amortization of effective swap agreements	**(666)**	(959)	**(1,508)**	(1,924)
Amortization of deferred financing charges	**(878)**	(612)	**(1,639)**	(1,200)
Finance costs - operations, paid	**$ 24,880**	$ 16,998	**$ 47,911**	$ 34,356

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, 2014	**72,662,264**	**$ 811,514**	**50,241,245**	**$ 551,511**	**122,903,509**	**$ 1,363,025**
Units issued (proceeds are net of issue costs)	**4,530,000**	**57,337**	**3,018,868**	**39,810**	**7,548,868**	**97,147**
Units issued under EUPP	**55,467**	**738**	**—**	**—**	**55,467**	**738**
Units released under EUPP	**—**	**64**	**—**	**—**	**—**	**64**
Net change in EUPP loans receivable	**—**	**16**	**—**	**—**	**—**	**16**
Balance, June 30, 2014	**77,247,731**	**$ 869,669**	**53,260,113**	**$ 591,321**	**130,507,844**	**$ 1,460,990**

	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 under EUPP	43,522	634	—	—	43,522	634
Units released under EUPP	—	49	—	—	—	49
Net change in EUPP loans receivable	—	(230)	—	—	—	(230)
Conversion of debentures	251,173	2,763	—	—	251,173	2,763
Conversion feature of debentures	—	611	—	—	—	611
Balance, June 30, 2013	53,637,550	$ 579,333	38,430,221	$ 401,606	92,067,771	$ 980,939

Crombie REIT Units

On May 30, 2014, Crombie closed a public offering, on a bought deal basis, of 4,530,000 Units, at a price of $13.25 per Unit for proceeds of $57,337 net of issue costs.

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

On May 30, 2014, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,810 net of issue costs, on a private placement basis.

18) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Items not affecting operating cash:				
Accrued straight-line rent	**$ (2,706)**	$ (1,208)	**$ (5,460)**	$ (2,567)
Amortization of tenant incentives	**2,390**	1,930	**4,527**	3,900
Loss (gain) on derecognition of investment property	**3**	(6)	**160**	(436)
Depreciation of investment properties	**14,567**	9,958	**29,015**	19,240
Amortization of deferred leasing costs	**147**	142	**278**	278
Amortization of intangible assets	**1,229**	1,885	**3,175**	3,589
Unit based compensation	**10**	11	**20**	19
Amortization of effective swap agreements	**666**	959	**1,508**	1,924
Amortization of deferred financing charges	**878**	612	**1,639**	1,200
Taxes - deferred	**(500)**	—	**(725)**	100
Change in fair value of financial instruments	**(130)**	(1,585)	**(185)**	(2,202)
	$ 16,554	$ 12,698	**$ 33,952**	$ 25,045

b) Change in other non-cash operating items

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Cash provided by (used in):				
Trade receivables	**$ (4,414)**	$ (856)	**$ (6,842)**	$ (1,840)
Prepaid expenses and deposits and other assets	**(7,212)**	(7,122)	**(7,599)**	(7,573)
Payables and other liabilities	**(8,916)**	(3,413)	**(3,938)**	(1,468)
	$ (20,542)	$ (11,391)	**$ (18,379)**	$ (10,881)

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 June 30, 2014, Empire, through its wholly-owned subsidiary ECL Developments Limited, holds a 41.5% (fully diluted 39.3%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
Property revenue	**$ 41,974**	$ 29,137	**$ 78,244**	$ 50,143
Head lease income	**$ 214**	$ 150	**$ 487**	$ 353
Management support services provided	**$ 95**	$ 87	**$ 201**	$ 205
Property management services	**$ 129**	$ 48	**$ 264**	$ 108
Rental expense	**$ 47**	$ 47	**$ 94**	$ 94
Property operating expenses	**$ 32**	$ —	**$ 55**	$ —
Interest rate subsidy	**$ 182**	$ 227	**$ 377**	$ 465
Finance costs - operations	**$ 299**	$ 299	**$ 595**	$ 595
Finance costs - distributions to Unitholders	**$ 11,830**	$ 8,754	**$ 23,211**	$ 17,507

In addition to the above:

- On May 30, 3014 ECL Developments Limited purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,810, net of issue costs, on a private placement basis.
- During the second quarter of 2014 Crombie acquired a retail property from Sobeys Developments Limited Partnership ("SDLP") for $10,176 excluding closing adjustments and transactions cost. The property, located in Ontario, contains approximately 39,000 square feet of fully occupied space.
- During the first quarter of 2014 Crombie exchanged properties with a subsidiary of Empire by acquiring 1200 Railway Avenue in Canmore, Alberta in exchange for disposing of 555 Main Street in Canmore, Alberta. Crombie also acquired additional development space from Empire on a pre-existing retail property for $1,490 excluding closing and transaction costs.
- During the first quarter of 2014, Crombie entered into a loan agreement with SDLP to partially finance SDLP's acquisition of development lands in Langford, British Columbia. The $11,856 loan bears interest at a rate of 6% per annum and has no principal repayments until maturity on October 1, 2016.
- During the second quarter of 2013, Crombie acquired one property from a subsidiary of Empire for a total purchase price of $20,875 excluding closing and transactions costs.

- During the first quarter of 2013, Crombie acquired two properties and acquired one development addition to an existing property from subsidiaries of Empire for a total purchase price of $32,555 excluding closing and transaction costs.

Key management personnel compensation

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

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	**2013**
Salary, bonus and other short-term employee benefits	**$ 1,058**	$ 878	**$ 2,089**	$ 1,674
Other long-term benefits	**26**	25	**52**	50
	$ 1,084	$ 903	**$ 2,141**	$ 1,724

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 June 30, 2014:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 1,108	$ 1,108
Total financial assets measured at fair value	$ —	$ —	$ 1,108	$ 1,108
Financial liabilities				
Interest rate swaps	$ —	$ —	$ —	$ —
Embedded derivatives in convertible debentures	—	—	—	—
Total financial liabilities measured at fair value	$ —	$ —	$ —	$ —

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2014.

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

	June 30, 2014		December 31, 2013		June 30, 2013	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Assets related to derecognized property	**$ —**	**$ —**	$ 5,733	$ 5,830	$ 5,900	$ 5,974
Long term receivables	**13,537**	**13,547**	1,901	1,821	2,369	2,169
Total other financial assets	**$ 13,537**	**$ 13,547**	$ 7,634	$ 7,651	$ 8,269	$ 8,143
Financial liabilities						
Investment property debt	**$ 1,619,297**	**$ 1,556,689**	$ 1,725,981	$ 1,705,960	$ 1,318,039	$ 1,278,341
Senior unsecured notes	**284,053**	**275,000**	175,035	175,000	—	—
Convertible debentures	**186,420**	**180,000**	183,863	180,000	125,682	120,916
Liabilities related to derecognized property	**—**	**—**	5,676	5,627	5,835	5,724
Total other financial liabilities	**$ 2,089,770**	**$ 2,011,689**	$ 2,090,555	$ 2,066,587	$ 1,449,556	$ 1,404,981

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:

Credit risk

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

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

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

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.

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Decrease in rate	Increase in rate
Three months ended June 30, 2014	**$ 75**	**$ (75)**
Three months ended June 30, 2013	$ 148	$ (148)
Six months ended June 30, 2014	**$ 188**	**$ (188)**
Six months ended June 30, 2013	$ 361	$ (361)

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

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

		Twelve months ending June 30,					
	Contractual Cash Flows[1]	2015	2016	2017	2018	2019	Thereafter
Fixed rate mortgages[2]	$ 1,993,706	$ 182,204	$ 164,789	$ 154,853	$ 142,883	$ 103,898	$ 1,245,079
Senior unsecured notes	332,633	10,938	10,938	10,938	10,938	181,287	107,594
Convertible debentures	230,095	9,526	9,526	54,526	6,938	6,938	142,641
	2,556,434	202,668	185,253	220,317	160,759	292,123	1,495,314
Floating rate revolving credit facility	31,377	864	864	29,649	—	—	—
Total	$ 2,587,811	$ 203,532	$ 186,117	$ 249,966	$ 160,759	$ 292,123	$ 1,495,314

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

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

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:

	June 30, 2014	December 31, 2013	June 30, 2013
Investment property debt	**$ 1,545,407**	$ 1,694,200	$ 1,269,204
Senior unsecured notes	**273,463**	173,937	—
Convertible debentures	**175,348**	174,929	118,123
Crombie REIT Unitholders	**726,346**	680,935	467,846
SVU and Class B LP Unitholders	**474,639**	443,363	306,710
	$ 3,195,203	$ 3,167,364	$ 2,161,883

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:

	June 30, 2014	December 31, 2013	June 30, 2013
Fixed rate mortgages	**$ 1,527,904**	$ 1,585,960	$ 1,163,195
Senior unsecured notes	**275,000**	175,000	—
Convertible debentures	**180,000**	180,000	120,916
Revolving credit facility	**28,785**	120,000	115,146
Total debt outstanding	**2,011,689**	2,060,960	1,399,257
Less: Applicable fair value debt adjustment	**(2,526)**	(2,903)	(3,326)
Debt	**$ 2,009,163**	$ 2,058,057	$ 1,395,931
Investment properties, cost	**$ 3,361,452**	$ 3,380,073	$ 2,346,757
Below-market lease component, cost [(1)]	**72,209**	71,173	70,916
Intangible assets, cost	**96,680**	96,397	79,022
Long term receivables	**13,547**	1,821	2,169
Other assets, cost (see below)	**169,755**	145,592	143,826
Cash and cash equivalents	**—**	7,167	—
Deferred financing charges	**17,847**	17,894	11,930
Investment properties held for sale	**33,653**	—	—
Interest rate subsidy	**(2,526)**	(2,903)	(3,326)
Fair value adjustment to deferred taxes	**(38,545)**	(38,585)	(39,045)
Gross book value	**$ 3,724,072**	$ 3,678,629	$ 2,612,249
Debt to gross book value	**54.0%**	55.9%	53.4%

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

Other assets are calculated as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Other assets per Note 5	**$ 134,556**	$ 118,843	$ 121,050
Add back (deduct):			
Tenant incentive accumulated amortization	**35,199**	32,579	28,750
Assets related to derecognized property	**—**	(5,830)	(5,974)
Other assets, cost	**$ 169,755**	$ 145,592	$ 143,826

As at June 30, 2014, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

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.

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 June 30, 2014, Crombie has a total of $2,535 in outstanding letters of credit related to:

	Six months ended June 30,	
	2014	2013
Construction work being performed on investment properties	**$ 835**	$ 714
Mortgage lender primarily to satisfy defeasance of derecognized property	**—**	1,715
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	**1,700**	8,900
Total outstanding letters of credit	**$ 2,535**	$ 11,329

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 three months and six months ended June 30, 2014, Crombie paid $308 and $616 respectively in land lease payments to third party landlords (three months and six months ended June 30, 2013 - $309 and $618 respectively). Crombie's commitments under the land leases are disclosed in Note 14.

As at June 30, 2014, Crombie had signed construction contracts totaling $22,337 of which $18,401 has been paid.

23) SUBSEQUENT EVENTS

(a) On July 22, 2014, Crombie declared distributions of 7.417 cents per unit for the period from July 1, 2014 to and including, July 31, 2014. The distribution will be paid on August 15, 2014, to Unitholders of record as of July 31, 2014.

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.