CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
September 30, 2015
(Unaudited)

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CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Balance Sheets

(In thousands of CAD dollars)

(Unaudited)

	Note	September 30, 2015	December 31, 2014	September 30, 2014
Assets				
Non-current assets				
Investment properties	3	**$ 3,227,825**	$ 3,196,097	$ 3,096,881
Intangible assets	4	**45,305**	48,106	45,169
Other assets	5	**99,984**	93,489	89,753
Long term receivables	6	**12,398**	12,572	12,657
		3,385,512	3,350,264	3,244,460
Current assets				
Cash and cash equivalents		**—**	611	—
Other assets	5	**39,387**	27,902	39,680
Long term receivables	6	**1,440**	1,059	926
Investment properties held for sale	7	**—**	33,578	58,703
		40,827	63,150	99,309
Total Assets		**3,426,339**	3,413,414	3,343,769
Liabilities				
Non-current liabilities				
Investment property debt	8	**1,490,407**	1,496,925	1,410,122
Senior unsecured notes	9	**397,953**	273,592	273,536
Convertible debentures	10	**131,363**	175,215	174,992
Deferred taxes	11	**76,400**	78,400	79,200
Employee future benefits obligation		**8,051**	7,803	7,176
Trade and other payables	12	**9,466**	4,781	8,218
		2,113,640	2,036,716	1,953,244
Current liabilities				
Investment property debt	8	**91,234**	127,622	125,178
Employee future benefits obligation		**239**	239	233
Trade and other payables	12	**67,921**	65,523	78,988
		159,394	193,384	204,399
Total liabilities excluding net assets attributable to Unitholders		**2,273,034**	2,230,100	2,157,643
Net assets attributable to Unitholders		**$ 1,153,305**	$ 1,183,314	$ 1,186,126
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		**$ 698,166**	$ 716,025	$ 717,750
Special Voting Units and Class B Limited Partnership Unitholders		**455,139**	467,289	468,376
		$ 1,153,305	$ 1,183,314	$ 1,186,126
Commitments and contingencies	22			
Subsequent events	23			

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands of CAD dollars)

(Unaudited)

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Property revenue	13	**$ 89,611**	$ 87,796	**$ 277,019**	$ 267,717
Property operating expenses		**26,892**	25,333	**84,403**	82,296
Net property income		**62,719**	62,463	**192,616**	185,421
Gain (loss) on derecognition of investment properties		**—**	11	**(2)**	(149)
Impairment of investment properties	3	**—**	(3,250)	**(5,275)**	(3,250)
Depreciation of investment properties	3	**(15,001)**	(14,334)	**(45,042)**	(43,349)
Amortization of deferred leasing costs	3	**(154)**	(128)	**(445)**	(406)
Amortization of intangible assets	4	**(1,185)**	(1,170)	**(4,300)**	(4,345)
General and administrative expenses		**(3,923)**	(3,529)	**(10,860)**	(11,368)
Operating income before finance costs and taxes		**42,456**	40,063	**126,692**	122,554
Finance costs - operations	16	**(24,306)**	(24,701)	**(74,011)**	(75,017)
Operating income before taxes		**18,150**	15,362	**52,681**	47,537
Taxes - current	11	**(621)**	—	**(2,897)**	—
Taxes - deferred	11	**400**	900	**2,000**	1,625
Operating income attributable to Unitholders		**17,929**	16,262	**51,784**	49,162
Finance costs - other					
Distributions to Unitholders		**(29,153)**	(29,050)	**(87,340)**	(84,885)
Change in fair value of financial instruments	12	**(3,112)**	(3,342)	**(3,012)**	(3,157)
		(32,265)	(32,392)	**(90,352)**	(88,042)
Decrease in net assets attributable to Unitholders		**(14,336)**	(16,130)	**(38,568)**	(38,880)
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		**627**	647	**1,897**	2,155
Net change in derivatives designated as cash flow hedges		**—**	—	**—**	7
Other comprehensive income		**627**	647	**1,897**	2,162
Comprehensive income (loss)		**$ (13,709)**	$ (15,483)	**$ (36,671)**	$ (36,718)

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders

(In thousands of CAD dollars)

(Unaudited)

	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	Class B LP Units
	(Note 17)					
Balance, January 1, 2015	**$ 1,462,101**	**$ (265,010)**	**$ (13,777)**	**$ 1,183,314**	**$ 716,025**	**$ 467,289**
Adjustments related to EUPP	**57**	**37**	**—**	**94**	**94**	**—**
Conversion of debentures	**205**	**—**	**—**	**205**	**205**	**—**
Statements of comprehensive income (loss)	**—**	**(38,568)**	**1,897**	**(36,671)**	**(21,881)**	**(14,790)**
Units issued under DRIP	**6,363**	**—**	**—**	**6,363**	**3,723**	**2,640**
Balance, September 30, 2015	**$ 1,468,726**	**$ (303,541)**	**$ (11,880)**	**$ 1,153,305**	**$ 698,166**	**$ 455,139**

	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	Class B LP Units
	(Note 17)					
Balance, January 1, 2014	$ 1,363,025	$ (222,728)	$ (15,999)	$ 1,124,298	$ 680,935	$ 443,363
Adjustments related to EUPP	830	(31)	—	799	799	—
Conversion of debentures	600	—	—	600	600	—
Statements of comprehensive income (loss)	—	(38,880)	2,162	(36,718)	(21,921)	(14,797)
Unit issue proceeds, net of costs of $2,876	97,147	—	—	97,147	57,337	39,810
Balance, September 30, 2014	$ 1,461,602	$ (261,639)	$ (13,837)	$ 1,186,126	$ 717,750	$ 468,376

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of CAD dollars)

(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
Cash flows provided by (used in)	**Note**	**2015**	2014	**2015**	2014
Operating Activities					
Decrease in net assets attributable to Unitholders		**$ (14,336)**	$ (16,130)	**$ (38,568)**	$ (38,880)
Items not affecting operating cash	18	**22,160**	21,910	**65,468**	55,862
Change in other non-cash operating items	18	**11,126**	12,888	**(3,644)**	(5,491)
Cash provided by (used in) operating activities		**18,950**	18,668	**23,256**	11,491
Financing Activities					
Issue of investment property debt		**—**	—	**5,484**	40,616
Deferred financing charges - investment property debt		**(28)**	(271)	**(140)**	(821)
Advance (repayment) of investment property debt		**(3,619)**	(10,294)	**(67,798)**	(200,179)
Issue of senior unsecured notes		**—**	—	**125,000**	100,393
Deferred financing charges - senior unsecured notes		**(3)**	—	**(988)**	(1,017)
Redemption of convertible debentures		**—**	—	**(44,795)**	—
REIT Units and Class B LP Units issued		**—**	—	**—**	100,023
REIT Units and Class B LP Units issue costs		**—**	—	**—**	(2,876)
Repayment of EUPP loans receivable		**18**	12	**57**	496
Decrease in liabilities related to derecognized property		**—**	—	**—**	(5,627)
Issue of long term receivables		**—**	—	**—**	(11,856)
Collection of (increase in) long term receivables		**(83)**	(36)	**(207)**	111
Cash provided by (used in) financing activities		**(3,715)**	(10,589)	**16,613**	19,263
Investing Activities					
Acquisition of investment properties and intangible assets		**(8,565)**	—	**(18,443)**	(11,893)
Additions to investment properties		**(3,539)**	(9,232)	**(16,540)**	(22,715)
Proceeds on derecognition of investment properties		**—**	4,092	**2,770**	5,292
Additions to tenant incentives		**(2,613)**	(2,625)	**(7,575)**	(13,726)
Additions to deferred leasing costs		**(518)**	(314)	**(692)**	(709)
Decrease in assets related to derecognized property		**—**	—	**—**	5,830
Cash provided by (used in) investing activities		**(15,235)**	(8,079)	**(40,480)**	(37,921)
Net change in cash and cash equivalents		**—**	—	**(611)**	(7,167)
Cash and cash equivalents, beginning of period		**—**	—	**611**	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 investing in income-producing retail, office and mixed use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The interim condensed consolidated financial statements for the nine months ended September 30, 2015 and September 30, 2014 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 November 9, 2015.

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, 2014.

(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 September 30, 2015. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of September 30, 2015.

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, 2014.

New standards adopted

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

i. Long-term employee benefits

Crombie initiated a Restricted Unit Plan ("RUP"), which is being accounted for under IAS 19, Employee Benefits, see Note 17. The RUP entitles certain employees to receive Restricted Units which have a specified vesting period. The amount payable to employees is recognized as a liability over the service period that the employees become entitled to payment. The change in the liability is recognized in general and administrative expenses in the consolidated statements of comprehensive income (loss).

Future changes in accounting standards

The International Accounting Standards Board ("IASB") has 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 consolidated financial statements.

(i) IFRS 9 - Financial Instruments

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

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

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and is to be applied retrospectively. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

3) INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2015	**$ 977,895**	**$ 2,479,018**	**$ 5,540**	**$ 3,462,453**
Acquisitions	**9,193**	**25,986**	**—**	**35,179**
Additions	**3,272**	**13,902**	**908**	**18,082**
Derecognition	**(1,160)**	**(706)**	**—**	**(1,866)**
Transfer from investment properties held for sale (Note 7)	**7,139**	**28,319**	**454**	**35,912**
Balance, September 30, 2015	**996,339**	**2,546,519**	**6,902**	**3,549,760**
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2015	**—**	**263,391**	**2,965**	**266,356**
Depreciation and amortization	**—**	**45,042**	**445**	**45,487**
Derecognition	**—**	**(23)**	**—**	**(23)**
Impairment	—	**5,275**	**—**	**5,275**
Transfer from investment properties held for sale (Note 7)	—	**4,608**	**232**	**4,840**
Balance, September 30, 2015	**—**	**318,293**	**3,642**	**321,935**
Net carrying value, September 30, 2015	**$ 996,339**	**$ 2,228,226**	**$ 3,260**	**$ 3,227,825**

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

	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	2,720	18,327	518	21,565
Derecognition	(7,296)	(8,873)	—	(16,169)
Transfer to investment properties held for sale (Note 7)	(14,125)	(48,485)	(559)	(63,169)
Balance, September 30, 2014	944,147	2,395,815	5,580	3,345,542
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2014	—	209,218	2,758	211,976
Depreciation and amortization	—	43,349	406	43,755
Derecognition	—	(1,247)	—	(1,247)
Impairment	—	3,250	—	3,250
Transfer to investment properties held for sale (Note 7)	—	(8,774)	(299)	(9,073)
Balance, September 30, 2014	—	245,796	2,865	248,661
Net carrying value, September 30, 2014	$ 944,147	$ 2,150,019	$ 2,715	$ 3,096,881

Impairment

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $659,368 at September 30, 2015 (December 31, 2014 - $563,060; September 30, 2014 - $554,055). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

During the nine months ended September 30, 2015, Crombie recorded an impairment of $5,275 on two retail properties. The impairments were the result of the fair value impact of tenant departures during the period. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

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

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

	Fair Value	Carrying Value
September 30, 2015	**$ 4,042,000**	**$ 3,382,632**
December 31, 2014	$ 3,939,000	$ 3,375,940
September 30, 2014	$ 3,854,000	$ 3,299,945

Carrying value consists of the net carrying value of:

	Note	September 30, 2015	December 31, 2014	September 30, 2014
Investment properties	3	**$ 3,227,825**	$ 3,196,097	$ 3,096,881
Intangible assets	4	**45,305**	48,106	45,169
Accrued straight-line rent receivable	5	**47,249**	38,908	36,469
Tenant incentives	5	**62,253**	59,251	62,723
Investment properties held for sale	7	**—**	33,578	58,703
Total carrying value		**$ 3,382,632**	$ 3,375,940	$ 3,299,945

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the estimated 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
September 30, 2015	**6.16%**	**$ (159,000)**	**$ 173,000**
December 31, 2014	6.22%	$ (154,000)	$ 167,000
September 30, 2014	6.23%	$ (147,000)	$ 167,000

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.

2015

Transaction Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 2, 2015	—	51,000	$ 12,650	$ 5,479
April 1, 2015	—	7,500	2,333	—
August 18, 2015	1	50,000	20,500	12,077
		108,500	**$ 35,483**	**$ 17,556**

The acquisitions of a retail property on August 18, 2015 and an addition to an existing retail property on February 2, 2015 were transacted with third parties. The acquisition of an addition to an existing retail property on April 1, 2015 was transacted with a subsidiary of Empire Company Limited ("Empire"), a related party. The initial purchase prices stated above exclude closing and transaction costs.

During the first quarter of 2015, Crombie disposed of a portion of one property's land and building through a partial expropriation. The carrying value of the portion disposed was derecognized at that time.

2014

Transaction 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)	—
August 21, 2014 [2]	—	—	(1,900)	—
		21,100	$ 8,566	$ —

[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.

All of the properties acquired and the property disposed in March were transacted with Empire, a related party, or its subsidiaries. The partial disposition in January was transacted with a third party. The initial purchase price stated above excludes 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.

On August 21, 2014 Crombie completed a sale-leaseback of the land component of an investment property. The disposition was recorded at the fair value of the land.

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

	Three months ended September 30,		**Nine months ended September 30,**		Year Ended
Investment property acquired, net:	**2015**	2014	**2015**	2014	December 31, 2014
Land	**$ 2,868**	$ —	**$ 9,193**	$ 6,176	$ 46,425
Buildings	**18,017**	—	**25,986**	17,066	118,271
Intangible assets	**735**	—	**1,499**	779	4,977
Fair value debt adjustment on assumed mortgages	**(978)**	—	**(679)**	—	—
Net purchase price	**20,642**	—	**35,999**	24,021	169,673
Assumed mortgages	**(12,077)**	—	**(17,556)**	—	—
	$ 8,565	$ —	**$ 18,443**	$ 24,021	$ 169,673

4) INTANGIBLE ASSETS

Tenant Relationships	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2015	**$ 99,019**	**$ 50,913**	**$ 48,106**
Acquisitions	**1,499**	**—**	**1,499**
Amortization	**—**	**4,300**	**(4,300)**
Transfer from investment properties held for sale (Note 7)	**92**	**92**	**—**
Balance, September 30, 2015	**$ 100,610**	**$ 55,305**	**$ 45,305**
Balance, January 1, 2014	$ 96,397	$ 47,160	$ 49,237
Acquisitions	779	—	779
Dispositions	(404)	(130)	(274)
Amortization	—	4,345	(4,345)
Transfer to investment properties held for sale (Note 7)	(1,235)	(1,007)	(228)
Balance, September 30, 2014	$ 95,537	$ 50,368	$ 45,169

5) OTHER ASSETS

	September 30, 2015	December 31, 2014	September 30, 2014
Trade receivables	**$ 11,950**	$ 7,415	$ 8,175
Provision for doubtful accounts	**(75)**	(59)	(25)
Net trade receivables	**11,875**	7,356	8,150
Marketable securities	**2,078**	2,123	1,172
Prepaid expenses and deposits	**15,862**	10,144	17,264
Restricted cash	**54**	3,609	3,655
Accrued straight-line rent receivable	**47,249**	38,908	36,469
Tenant incentives	**62,253**	59,251	62,723
	$ 139,371	$ 121,391	$ 129,433

Tenant Incentives	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2015	**$ 94,825**	**$ 35,574**	**$ 59,251**
Additions	**8,236**	**—**	**8,236**
Amortization	**—**	**7,200**	**(7,200)**
Derecognition	**—**	**540**	**(540)**
Transfer from investment properties held for sale (Note 7)	**4,413**	**1,907**	**2,506**
Balance, September 30, 2015	**$ 107,474**	**$ 45,221**	**$ 62,253**
Balance, January 1, 2014	$ 96,213	$ 32,579	$ 63,634
Additions	10,121	—	10,121
Amortization	—	6,653	(6,653)
Transfer to investment properties held for sale (Note 7)	(7,956)	(3,577)	(4,379)
Balance, September 30, 2014	$ 98,378	$ 35,655	$ 62,723

See Note 20(a) for fair value information.

6) LONG TERM RECEIVABLES

	September 30, 2015	December 31, 2014	September 30, 2014
Capital expenditure program	**$ 105**	$ 105	$ 105
Interest rate subsidy	**802**	1,127	1,258
Amount receivable from related party	**12,931**	12,399	12,220
	$ 13,838	$ 13,631	$ 13,583

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

	Land	**Buildings**	**Deferred Leasing Costs**	**Tenant Relationships**	**Tenant Incentives**	**Total**
Opening balance, January 1, 2015	**$ 7,139**	**$ 23,711**	**$ 222**	**$ —**	**$ 2,506**	**$ 33,578**
Assets transferred from held for sale	**(7,139)**	**(23,711)**	**(222)**	**—**	**(2,506)**	**(33,578)**
Net carrying value, September 30, 2015	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

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

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2014	$ —	$ —	$ —	$ —	$ —	$ —
Assets transferred to held for sale	14,125	39,711	260	228	4,379	58,703
Net carrying value, September 30, 2014	$ 14,125	$ 39,711	$ 260	$ 228	$ 4,379	$ 58,703

During the first quarter of 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and was reclassified to in use. The determination was based on the decision to defer the sale to maximize Crombie's return on the property. As a result, depreciation and amortization totalling $673 was recognized in the first quarter of 2015. This represents the depreciation and amortization not recorded during the period the property was classified as held for sale.

8) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity		September 30, 2015
Fixed rate mortgages	**3.12 - 6.90%**	**4.76%**	**7.1 years**	**$**	**1,427,408**
Floating rate revolving credit facility		**2.39%**	**2.8 years**		**163,663**
Deferred financing charges					**(9,430)**
				$	**1,581,641**

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

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity		September 30, 2014
Fixed rate mortgages	3.12 - 6.90%	4.77%	7.6 years	$	1,507,127
Floating rate revolving credit facility		2.96%	2.8 years		39,270
Deferred financing charges					(11,097)
				$	1,535,300

As at September 30, 2015, debt retirements for the next five years are:

12 Months Ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
September 30, 2016	$ 46,265	$ 43,912	$ —	$ 90,177
September 30, 2017	42,002	51,755	—	93,757
September 30, 2018	41,339	61,203	163,663	266,205
September 30, 2019	41,402	10,832	—	52,234
September 30, 2020	37,294	188,559	—	225,853
Thereafter	157,960	700,626	—	858,586
	$ 366,262	$ 1,056,887	$ 163,663	1,586,812
Deferred financing charges				(9,430)
Unamortized fair value debt adjustment				4,259
				$ 1,581,641

Specific investment properties with a carrying value of $2,543,931 as at September 30, 2015 (December 31, 2014 - $2,675,267; September 30, 2014 - $2,726,297) 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

For the nine months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
September 30, 2015	New	1	3.23%	7.3	25.0	$ 5,484
	Assumed	2	4.88%	4.7	25.0	17,556
	Repayment	9	4.99%	—	—	(50,588)
						$ (27,548)

For the nine months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
September 30, 2014	New	4	4.23%	8.8	25.0	$ 40,616
	Renewal	1	3.97%	1.0	10.0	—
	Repayment	19	5.22%	—	—	(82,909)
						$ (42,293)

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $300,000 (December 31, 2014 - $300,000; September 30, 2014 - $300,000) and matures June 30, 2018. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (September 30, 2015 – 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 changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

See Note 20(a) for fair value information.

9) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**September 30, 2015**	December 31, 2014	September 30, 2014
Series A senior unsecured notes	October 31, 2018	3.986%	**$ 175,000**	$ 175,000	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.962%	**100,000**	100,000	100,000
Series C senior unsecured notes	February 10, 2020	2.775%	**125,000**	—	—
Unamortized Series B issue premium			**308**	348	362
Deferred financing charges			**(2,355)**	(1,756)	(1,826)
			$ 397,953	$ 273,592	$ 273,536

On February 10, 2015 Crombie issued, on a private placement basis, $125,000 Series C Notes (senior unsecured) with a five year term and an annual interest rate of 2.775%. There are no principal repayments until maturity and interest is payable in equal semi-annual installments in arrears on February 10 and August 10. The first semi-annual interest payment date was August 10, 2015.

As at September 30, 2015, senior unsecured note retirements for the next five years are:

12 Months Ending	Series A	Series B	Series C	Total
September 30, 2016	$ —	$ —	$ —	$ —
September 30, 2017	—	—	—	—
September 30, 2018	—	—	—	—
September 30, 2019	175,000	—	—	175,000
September 30, 2020	—	—	125,000	125,000
Thereafter	—	100,000	—	100,000
	$ 175,000	$ 100,000	$ 125,000	400,000
Unamortized Series B issue premium				308
Deferred financing charges				(2,355)
				$ 397,953

See Note 20(a) for fair value information.

10) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	September 30, 2015	December 31, 2014	September 30, 2014
Series C (CRR.DB.C)	$ 15.30	February 18, 2015	5.75%	**$ —**	$ 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%	**74,400**	74,400	74,400
Deferred financing charges				**(3,037)**	(4,185)	(4,408)
				$ 131,363	$ 175,215	$ 174,992

Debenture Conversions	**Conversion Price**	**Nine months ended September 30, 2015**	Year Ended December 31, 2014	Nine months ended September 30, 2014
Series C	$ 15.30	**$ 205**	$ —	$ —
Series E	$ 17.15	**—**	600	600
		$ 205	$ 600	$ 600
REIT Units Issued		**13,398**	34,984	34,984

As at September 30, 2015, debenture retirements for the next five years are:

12 Months Ending	Series D	Series E	Total
September 30, 2016	$ —	$ —	$ —
September 30, 2017	—	—	—
September 30, 2018	—	—	—
September 30, 2019	60,000	—	60,000
September 30, 2020	—	—	—
Thereafter	—	74,400	74,400
	$ 60,000	$ 74,400	134,400
Deferred financing charges			(3,037)
			$ 131,363

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

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:

	September 30, 2015	December 31, 2014	September 30, 2014
Tax liabilities relating to difference in tax and book value	**$ 88,043**	$ 87,853	$ 91,174
Tax asset relating to non-capital loss carry-forward	**(11,643)**	(9,453)	(11,974)
Deferred tax liability	**$ 76,400**	$ 78,400	$ 79,200

The tax recovery (expense) consists of the following:

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
Taxes - current				
Taxes - gains on derecognition of investment properties	**$ —**	$ —	**$ (2,076)**	$ —
Taxes - operating income earned in corporate subsidiaries	**(621)**	—	**(821)**	—
Total current taxes	**$ (621)**	$ —	**$ (2,897)**	$ —
Taxes - deferred				
Provision for income taxes at the expected rate	**$ (5,435)**	$ (4,600)	**$ (15,765)**	$ (14,243)
Tax effect of income attribution to Crombie's Unitholders	**5,835**	5,500	**15,689**	15,868
	400	900	**(76)**	1,625
Taxes - gains on derecognition of investment properties	**—**	—	**2,076**	—
Total deferred taxes	**$ 400**	$ 900	**$ 2,000**	$ 1,625

In the ordinary course of business, Crombie is subject to audits by tax authorities. One of Crombie's non-taxable subsidiaries was subject to audit by Canada Revenue Agency ("CRA") for fiscal years 2010 and 2011. The CRA audit has been concluded and there is no reassessment of the completed returns.

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

12) TRADE AND OTHER PAYABLES

	September 30, 2015	December 31, 2014	September 30, 2014
Tenant incentives and capital expenditures	**$ 16,835**	$ 15,999	$ 24,829
Property operating costs	**28,548**	26,143	29,253
Prepaid rents	**4,141**	4,726	4,524
Finance costs on investment property debt, notes and debentures	**10,139**	8,891	10,619
Distributions payable	**9,724**	9,685	9,682
Fair value of embedded derivatives in convertible debentures	**3,142**	—	3,437
Deferred revenue	**4,858**	4,860	4,862
	$ 77,387	$ 70,304	$ 87,206

Fair value of embedded derivatives in convertible debentures:

	September 30, 2015	December 31, 2014	September 30, 2014
Balance, beginning of period	**$ —**	$ —	$ —
Change in fair value of financial instruments	**3,142**	—	3,437
Balance, end of period	**$ 3,142**	$ —	$ 3,437

Change in fair value of financial instruments:

	Nine months ended September 30, 2015	Year ended December 31, 2014	Nine months ended September 30, 2014
Change in fair value of embedded derivatives in convertible debentures	**$ (3,142)**	$ —	$ (3,437)
Change in fair value of marketable securities	**130**	289	280
Change in fair value of financial instruments	**$ (3,012)**	$ 289	$ (3,157)

13) PROPERTY REVENUE

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
Rental revenue contractually due from tenants	**$ 89,291**	$ 86,537	**$ 270,470**	$ 264,155
Contingent rental revenue	**310**	423	**1,241**	1,578
Straight-line rent recognition	**2,453**	2,957	**8,341**	8,417
Tenant incentive amortization	**(2,443)**	(2,126)	**(7,200)**	(6,653)
Lease terminations	**—**	5	**4,167**	220
	$ 89,611	$ 87,796	**$ 277,019**	$ 267,717

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

	Three months ended September 30,				**Nine months ended September 30,**			
	2015		2014		**2015**		2014	
	Revenue	**Percentage**	Revenue	Percentage	**Revenue**	**Percentage**	Revenue	Percentage
Sobeys Inc.	**$ 37,712**	**42.1%**	$ 37,278	42.5%	**$ 122,422**	**44.2%**	$ 113,007	42.2%

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 September 30, 2015, is as follows:

	Remaining	Year Ending December 31,					
	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Future minimum rental income	$ 64,264	$ 248,588	$ 237,379	$ 227,562	$ 217,231	$ 2,046,588	$ 3,041,612

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from 10 to 74 years including renewal options:

	Remaining	Year Ending December 31,					
	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Future minimum lease payments	$ 367	$ 1,469	$ 1,523	$ 1,550	$ 1,551	$ 65,727	$ 72,187

15) EMPLOYEE BENEFIT EXPENSE

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Wages and salaries	**$ 4,900**	$ 4,554	**$ 17,646**	$ 18,587
Post-employment benefits	**162**	149	**504**	504
	$ 5,062	$ 4,703	**$ 18,150**	$ 19,091

16) FINANCE COSTS – OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Fixed rate mortgages	**$ 17,685**	$ 19,282	**$ 53,903**	$ 58,689
Floating rate term, revolving and demand facilities	**975**	293	**2,672**	1,748
Senior unsecured notes	**3,761**	2,743	**10,782**	7,464
Convertible debentures	**1,885**	2,383	**6,654**	7,116
Finance costs - operations	**24,306**	24,701	**74,011**	75,017
Amortization of fair value debt adjustment and accretion income	**310**	515	**1,072**	1,620
Change in accrued finance costs	**(106)**	(1,597)	**(1,248)**	(1,960)
Amortization of effective swap agreements	**(627)**	(647)	**(1,897)**	(2,155)
Amortization of issue premium on senior unsecured notes	**14**	—	**41**	—
Amortization of deferred financing charges	**(720)**	(770)	**(2,887)**	(2,409)
Finance costs - operations, paid	**$ 23,177**	$ 22,202	**$ 69,092**	$ 70,113

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, 2015	**77,304,079**	**$ 870,578**	**53,275,266**	**$ 591,523**	**130,579,345**	**$ 1,462,101**
Net change in EUPP loans receivable	**—**	**57**	**—**	**—**	**—**	**57**
Units issued under DRIP	**296,223**	**3,723**	**210,071**	**2,640**	**506,294**	**6,363**
Conversion of debentures	**13,398**	**205**	**—**	**—**	**13,398**	**205**
Balance, September 30, 2015	**77,613,700**	**$ 874,563**	**53,485,337**	**$ 594,163**	**131,099,037**	**$ 1,468,726**

	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	—	28	—	—	—	28
Conversion of debentures	34,984	600	—	—	34,984	600
Balance, September 30, 2014	77,282,715	$ 870,281	53,260,113	$ 591,321	130,542,828	$ 1,461,602

Crombie REIT Units

During the nine months ended September 30, 2015, $205 of Series C Convertible Debentures were converted for a total of 13,398 REIT Units at the conversion price of $15.30 per unit.

Restricted Unit Plan ("RUP")

The RUP is designed to: promote a greater alignment of interests between the executives and employees of Crombie and its subsidiaries and the holders of REIT Units; and assist Crombie in attracting, retaining and rewarding key executives and employees. Eligible employees currently elect each calendar year to participate in the RUP and receive all, or if permitted by the Human Resources Committee ("HRC"), a portion, of their eligible remuneration in the form of an allocation of Restricted Units ("RUs").

Units granted under the RUP are subject to vesting conditions in order to provide long-term compensation incentive. The RUs are subject to forfeiture until the participant has held his or her position with Crombie for a specified period of time. Full vesting of the RUs does not occur until the final day of the third quarter of the third calendar year of the RUs term. The number of RUs which vest for each participant shall be determined by adding the number of RUs awarded to that participant to the number of RUs or fractions thereof that would be credited to such participant upon the payment of distributions by Crombie on the REIT Units, based on the number of additional REIT Units a participant would have received had the vested RUs been treated as REIT Units under a distribution reinvestment plan ("DRIP") during the term. On the vesting date, each participant shall be entitled to receive an amount equal to the number of vested RUs held by the participant multiplied by the market value on the vesting date. Unless otherwise provided in the RUP, the payout amount shall be paid to each participant within 90 days of the vesting date and after the approval of the HRC, but, in any event, not later than December 31st of the year in which the vesting date occurs. Unless otherwise provided in this RUP, the payout amount payable to each participant shall be paid, subject to applicable withholding taxes as required by applicable legislation, by Crombie in cash in the currency of Canada. Crombie shall not issue any REIT Units or other securities of Crombie from treasury for the purpose of the RUP.

18) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Items not affecting operating cash:				
Accrued straight-line rent	**$ (2,453)**	$ (2,957)	**$ (8,341)**	$ (8,417)
Amortization of tenant incentives	**2,443**	2,126	**7,200**	6,653
Loss (gain) on derecognition of investment properties	**—**	(11)	**2**	149
Impairment of investment properties	**—**	3,250	**5,275**	3,250
Depreciation of investment properties	**15,001**	14,334	**45,042**	43,349
Amortization of deferred leasing costs	**154**	128	**445**	406
Amortization of intangible assets	**1,185**	1,170	**4,300**	4,345
Unit based compensation	**16**	11	**37**	31
Amortization of effective swap agreements	**627**	647	**1,897**	2,155
Amortization of deferred financing charges	**720**	770	**2,887**	2,409
Amortization of issue premium on senior unsecured notes	**(14)**	—	**(41)**	—
Non-cash distributions to Unitholders in the form of DRIP Units	**2,586**	—	**6,363**	—
Income taxes	**621**	—	**2,897**	—
Income taxes paid	**(1,438)**	—	**(3,507)**	—
Taxes - deferred	**(400)**	(900)	**(2,000)**	(1,625)
Change in fair value of financial instruments	**3,112**	3,342	**3,012**	3,157
	$ 22,160	$ 21,910	**$ 65,468**	$ 55,862

b) Change in other non-cash operating items

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Cash provided by (used in):				
Trade receivables	**$ 6,777**	$ 5,034	**$ (3,909)**	$ (1,808)
Prepaid expenses and deposits and other assets	**7,287**	672	**(2,163)**	(6,927)
Payables and other liabilities	**(2,938)**	7,182	**2,428**	3,244
	$ 11,126	$ 12,888	**$ (3,644)**	$ (5,491)

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 September 30, 2015, Empire, through its wholly-owned subsidiary ECL Developments Limited ("ECLD"), holds a 41.5% (fully diluted 40.2%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	2014	**2015**	2014
Property revenue	**$ 38,590**	$ 38,371	**$ 122,422**	$ 116,615
Head lease income	**$ 101**	$ 203	**$ 566**	$ 689
Management support services provided	**$ 63**	$ 84	**$ 306**	$ 285
Property management services	**$ 320**	$ 129	**$ 638**	$ 393
Lease termination income	**$ —**	$ —	**$ 3,999**	$ —
Rental expense	**$ —**	$ 47	**$ 78**	$ 140
Property operating expenses	**$ 34**	$ 48	**$ 102**	$ 103
Interest rate subsidy	**$ 114**	$ 170	**$ 383**	$ 546
Interest income	**$ 179**	$ 179	**$ 532**	$ 364
Finance costs - operations	**$ 302**	$ 302	**$ 897**	$ 897
Finance costs - distributions to Unitholders	**$ 12,096**	$ 12,053	**$ 36,239**	$ 35,264

In addition to the above:

- On April 1, 2015, Crombie acquired additional development space from Empire on a pre-existing retail property for $2,333 excluding closing and transaction costs. The property, located in Nova Scotia, contains approximately 7,500 square feet of fully occupied space.
- During the second quarter of 2015, Sobeys closed two retail stores on Crombie properties for which Crombie recognized lease termination income in the amount of $3,849; a portion of which has not been received. In relation to one of the store closures, Sobeys has assigned to Crombie future development activity rights in their leases on specific other Crombie properties in exchange for a fee on future developments which will reduce the actual cash Crombie will receive from the lease termination income.
- During the first nine months of 2015, Crombie issued 210,071 Class B LP Units to ECLD under the DRIP (Note 17).
- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeys Developments Limited Partnership ("SDLP"). Crombie's 50% portion of the acquisition cost was $2,676, including closing and transaction costs.
- During the third quarter of 2014 Crombie received $2,650 from a subsidiary of Empire related to a prepayment of their future obligation under a land sub-lease. The amount has been deferred and will be recognized as a reduction in property operating expenses over the remaining term of the land lease.
- On May 30, 2014, ECLD purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,830, net of issue costs, on a private placement basis.
- During the second quarter of 2014, Crombie acquired a retail property from SDLP for $10,176 excluding closing 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 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.

Key management personnel compensation

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Salary, bonus and other short-term employee benefits	**$ 641**	$ 1,003	**$ 2,025**	$ 3,092
Other long-term benefits	**23**	25	**78**	77
	$ 664	$ 1,028	**$ 2,103**	$ 3,169

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 September 30, 2015:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,078	$ 2,078
Total financial assets measured at fair value	$ —	$ —	$ 2,078	$ 2,078
Financial liabilities				
Embedded derivatives in convertible debentures	$ —	$ 3,142	$ —	$ —
Total financial liabilities measured at fair value	$ —	$ 3,142	$ —	$ —

There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2015.

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:

	September 30, 2015		December 31, 2014		September 30, 2014	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long term receivables	**$ 13,869**	**$ 13,838**	$ 13,663	$ 13,631	$ 13,602	$ 13,583
Total other financial assets	**$ 13,869**	**$ 13,838**	$ 13,663	$ 13,631	$ 13,602	$ 13,583
Financial liabilities						
Investment property debt	**$ 1,723,612**	**$ 1,591,071**	$ 1,757,910	$ 1,635,187	$ 1,639,958	$ 1,546,397
Senior unsecured notes	**403,065**	**400,000**	284,778	275,000	283,069	275,000
Convertible debentures	**139,332**	**134,400**	183,698	179,400	185,942	179,400
Total other financial liabilities	**$ 2,266,009**	**$ 2,125,471**	$ 2,226,386	$ 2,089,587	$ 2,108,969	$ 2,000,797

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 and embedded derivatives).

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. There has been no significant change in Crombie's risk management during the nine months ended September 30, 2015. These risks, the actions taken to manage them, and changes to dollar amount impacts 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, 2014.

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 September 30, 2015	**$ 185**	**$ (185)**
Three months ended September 30, 2014	$ 37	$ (37)
Nine months ended September 30, 2015	**$ 463**	**$ (463)**
Nine months ended September 30, 2014	$ 225	$ (225)

There have been no significant changes to Crombie's interest rate risk since December 31, 2014.

Liquidity risk

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

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

		Twelve months ending September 30,						
	Contractual Cash Flows[1]	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**
Fixed rate mortgages[2]	$ 1,817,456	$ 155,139	$ 154,167	$ 158,480	$ 104,383	$ 268,471	$ 976,816
Senior unsecured notes	459,088	14,407	14,407	14,407	183,012	130,214	102,641
Convertible debentures	167,883	6,906	6,906	6,906	66,906	3,906	76,353
	2,444,427	176,452	175,480	179,793	354,301	402,591	1,155,810
Floating rate revolving credit facility	174,429	3,915	3,915	166,599	—	—	—
Total	$ 2,618,856	$ 180,367	$ 179,395	$ 346,392	$ 354,301	$ 402,591	$ 1,155,810

[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, 2014.

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:

	September 30, 2015	December 31, 2014	September 30, 2014
Investment property debt	**$ 1,581,641**	$ 1,624,547	$ 1,535,300
Senior unsecured notes	**397,953**	273,592	273,536
Convertible debentures	**131,363**	175,215	174,992
Crombie REIT Unitholders	**698,166**	716,025	717,750
SVU and Class B LP Unitholders	**455,139**	467,289	468,376
	$ 3,264,262	$ 3,256,668	$ 3,169,954

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:

	September 30, 2015	December 31, 2014	September 30, 2014
Fixed rate mortgages	**$ 1,427,408**	$ 1,490,187	$ 1,507,127
Senior unsecured notes	**400,000**	275,000	275,000
Convertible debentures	**134,400**	179,400	179,400
Revolving credit facility	**163,663**	145,000	39,270
Total debt outstanding	**2,125,471**	2,089,587	2,000,797
Less: Applicable fair value debt adjustment	**(1,820)**	(2,203)	(2,357)
Debt	**$ 2,123,651**	$ 2,087,384	$ 1,998,440
Investment properties, cost	**$ 3,549,760**	$ 3,462,453	$ 3,345,542
Below-market lease component, cost [(1)]	**71,967**	71,368	72,209
Intangible assets, cost	**100,610**	99,019	95,537
Long term receivables	**13,838**	13,631	13,583
Other assets, cost (see below)	**184,592**	156,965	165,088
Cash and cash equivalents	**—**	611	—
Deferred financing charges	**14,822**	16,581	17,331
Investment properties held for sale, cost	**—**	40,417	72,360
Interest rate subsidy	**(1,820)**	(2,203)	(2,357)
Fair value adjustment to deferred taxes	**(34,645)**	(34,645)	(38,545)
Gross book value	**$ 3,899,124**	$ 3,824,197	$ 3,740,748
Debt to gross book value	**54.5%**	54.6%	53.4%

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

Other assets are calculated as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Other assets per Note 5	**$ 139,371**	$ 121,391	$ 129,433
Add back (deduct):			
Tenant incentive accumulated amortization	**45,221**	35,574	35,655
Other assets, cost	**$ 184,592**	$ 156,965	$ 165,088

As at September 30, 2015, 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 and satisfying mortgage financing requirements. As at September 30, 2015, Crombie has a total of $1,425 in outstanding letters of credit related to:

	September 30,	
	2015	2014
Construction work being performed on investment properties	$ 1,425	$ 979
Total outstanding letters of credit	**$ 1,425**	$ 979

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

Land leases have varying terms ranging from 10 to 74 years including renewal options. For the three and nine months ended September 30, 2015, Crombie paid $335 and $1,064 respectively in land lease payments to third party landlords (three and nine months ended September 30, 2014 - $301 and $917 respectively). Crombie's commitments under the land leases are disclosed in Note 14.

As at September 30, 2015, Crombie had signed construction contracts totalling $16,311 of which $7,432 has been paid.

23) SUBSEQUENT EVENTS

(a) On October 21, 2015, Crombie declared distributions of 7.417 cents per unit for the period from October 1, 2015 to and including, October 31, 2015. The distribution will be paid on November 13, 2015, to Unitholders of record as of October 30, 2015.

(b) On November 3, 2015, Crombie acquired four retail properties and an addition to an existing retail property from a subsidiary of Empire. The properties, totalling 217,600 square feet, were acquired for $57,300, excluding closing and transaction costs.

(c) On November 9, 2015, Crombie obtained secured mortgage financing of $110,150 with a weighted average term of 4.5 years and a weighted average interest rate of 2.80%.

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.