

# ADVANCING OUR STRATEGY

2015 ANNUAL REPORT



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**CORPORATE PROFILE**

Crombie REIT (TSX: CRR.UN, Crombie) is an open-ended real estate investment trust. Established in 2006, we are one of the country's leading national retail property landlords. Our strategy is focused on increasing asset value and income growth through the acquisition, ownership, management and development of high-quality grocery and drug store anchored shopping centres and freestanding stores in Canada's top 36 markets. As of December 31, 2015, Crombie owned a portfolio of 260 retail and office properties across Canada, comprising approximately 17.7 million square feet of gross leasable area (GLA) and approximately \$4.2 billion in assets.

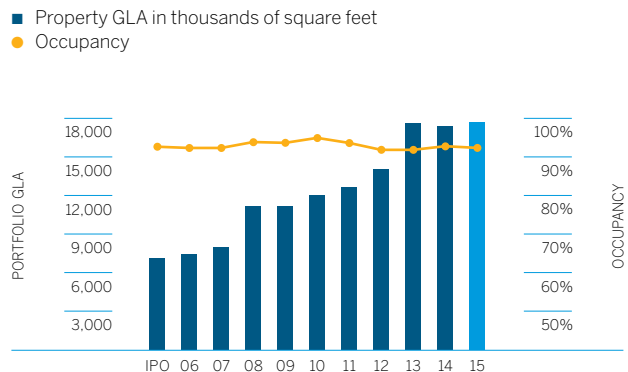


**9.7%**

Since Crombie's IPO in March 2006, the gross leasable area in our commercial real estate portfolio has grown at an average compound annual growth rate of 9.7%.

**STRONG PROPERTY GROWTH WITH STEADY OCCUPANCY**

Crombie REIT's portfolio has experienced strong growth in GLA and steady occupancy rates during challenging economic times.



# ADVANCING OUR STRATEGY



During the past year, Crombie continued to advance a strategy that has transformed us into one of Canada's leading retail-focused REITs. Today, we derive 77 percent of our annual minimum rent from grocery and drug store anchored shopping centres and freestanding stores. More geographically diversified than ever, many of these assets reflect a growing presence in Canada's top 36 markets and hold significant development potential.



# FINANCIAL AND OPERATIONS

Financial Highlights for the years ended December 31, 2015 and 2014 are as follows:

At December 31	2015	2014	Variance
Number of properties	260	255	5
Gross leaseable area (square feet)	17,666,000	17,379,000	287,000
Debt to gross book value – fair value basis	52.5%	52.8%	0.3%

Year ended December 31 (In thousands of CAD dollars, except per unit amounts and as otherwise noted)			Variance
Property revenue	\$ 369,866	\$ 358,319	\$ 11,547
Property net operating income	\$ 256,605	\$ 248,699	\$ 7,906
Operating income attributable to Unitholders	\$ 65,729	\$ 71,389	\$ (5,660)
Operating income attributable to Unitholders per unit – basic	\$ 0.50	\$ 0.56	\$ (0.06)
Operating income attributable to Unitholders per unit – diluted	\$ 0.50	\$ 0.56	\$ (0.06)
FFO – basic	\$ 149,474	\$ 142,052	\$ 7,422
FFO – diluted	\$ 156,720	\$ 151,550	\$ 5,170
FFO per unit – basic	\$ 1.14	\$ 1.12	\$ 0.02
FFO per unit – diluted	\$ 1.13	\$ 1.10	\$ 0.03
FFO payout ratio (%)	78.0%	80.2%	2.2%
AFFO – basic	\$ 125,654	\$ 118,176	\$ 7,478
AFFO – diluted	\$ 129,900	\$ 124,674	\$ 5,226
AFFO per unit – basic	\$ 0.96	\$ 0.93	\$ 0.03
AFFO per unit – diluted	\$ 0.96	\$ 0.93	\$ 0.03
Distributions per unit	\$ 0.89	\$ 0.89	\$ –
AFFO payout ratio (%)	92.8%	96.4%	3.6%
Interest service coverage	2.72	2.58	0.14
Debt service coverage	1.81	1.72	0.09

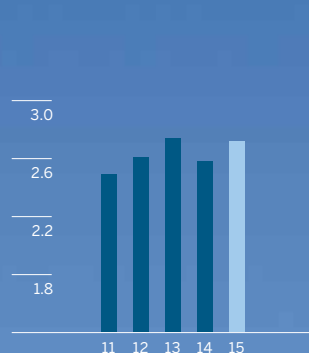
## 68%

As of December 31, 2015, 68% of Crombie REIT's annual minimum rent was derived from investment grade tenants, one of many reasons for the high quality of our cash flow.

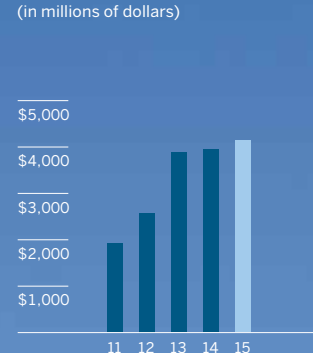
**REVENUE AND NOI**  
(in thousands of dollars)



**INTEREST SERVICE COVERAGE RATIO**



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



# MESSAGE FROM THE CEO

Crombie REIT's strong performance in the face of headwinds in the economy and retail industry was a testament to the soundness of our strategy, the quality of our portfolio and the strength of our focus on everyday retailing.



Dear fellow Unitholders,

Canada's modest economic recovery lost steam in 2015, growing at an annualized rate of about 1.0 percent amid the effects of plunging oil prices, high levels of household debt and slowing retail sales. Irrespective of this environment, Crombie REIT posted improved financial results, with funds from operations (FFO) increasing 5.2 percent to \$149.5 million or \$1.13 per unit fully diluted. Adjusted funds from operations (AFFO) increased 6.3 percent to \$125.7 million or \$0.96 per unit fully diluted. Growth in FFO and AFFO was driven by \$96.3 million in new acquisitions, solid same-asset net operating income growth, higher renewal rents, lower operating expenses and reduced financing costs. On a cash basis, same-asset net operating income grew by 1.8 percent in 2015, reflecting increased average rents from leasing activities, improved recovery rates and land-use intensification activities.

This steady performance in the midst of economic volatility reflects our continued progress in advancing Crombie's strategy, starting with the nature and quality of our assets. We continued to improve the size, geographic diversity, productivity and intensity of one of Canada's best real estate portfolios in 2015, maintaining our focus on high-quality grocery and drug store anchored properties primarily in Canada's top 36 markets. These properties meet the everyday needs of local communities that are growing faster than the Canadian average. They are also home to younger populations with higher levels of income growth and consumer spending. Sixty-nine percent of the annual minimum rent generated by our portfolio comes from properties in such communities, which makes Crombie a steady performer in turbulent times. This is true even in Alberta where, despite falling oil prices, our food and drug store anchored shopping centres remained productive and approximately 100 percent occupied during the year.

Understandably, the competition for such properties has intensified over the past few years, which has made it more challenging to find acquisitions that meet our investment criteria. Our strategic relationship with Sobeys and Empire Company Limited has given us a distinct competitive advantage in this regard and in 2015 allowed Crombie to purchase \$63.2 million in new retail assets from Sobeys.

**"March 2016 marked the 10th anniversary of Crombie's IPO. At inception, we were a small regional REIT with a \$790 million portfolio of 44 properties, primarily located in Atlantic Canada. Since then, we have grown into one of the country's leading retail-focused REITs, with 260 properties from coast to coast, \$4.2 billion in assets and \$1.7 billion in market capitalization as of December 31, 2015. Today, approximately 25% of our revenue is generated in Ontario and Quebec and approximately 29% is generated in Western Canada."**

Donald E. Clow, FCPA, FCA  
President and Chief Executive Officer

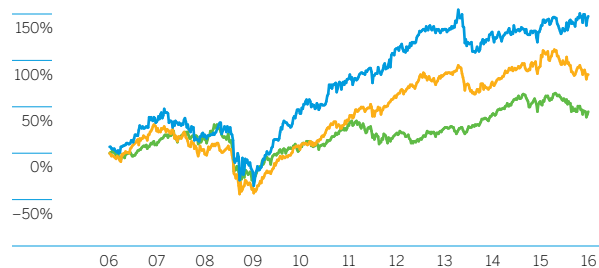
&gt;10%

Units in Crombie REIT have produced a compound average annual total return of more than 10% since IPO.

#### TOTAL UNITHOLDER RETURN (March 31, 2006 to December 31, 2015)

Crombie REIT has produced a total unitholder return of 148% since its IPO, compared to 85% total return for the S&P/TSX Capped REIT Index and a 45% total return for the S&P/TSX Composite Index.

■ Crombie REIT  
■ TSX Capped REIT  
■ TSX



At the same time, we are focused on developing the potential of our existing properties, most notably, 11 urban sites in the heart of Western Canada's three largest cities that came to us at the time of the Safeway purchase in November 2013. During the past year, we entered into a partnership with Westbank Corp. to embark on our first major project in the heart of downtown Vancouver. Currently awaiting regulatory approval, it proposes an investment of approximately \$150 million in new and expanded retail space and up to 320 residential units on the site of a current Safeway location. We also continue to assess major development opportunities in a number of other properties including two that are currently in the pre-planning stage. Over the next 10+ years, these sites hold the potential for \$1–\$2 billion in new property development investment.

A similar focus on organic growth opportunities extends throughout the balance of our portfolio. While Crombie's growth will continue to focus on the acquisition of new retail properties, today we also possess the expertise required to create value from the acquisition of assets adjacent to our existing retail properties. We continue to increase the value of our prime office properties in Halifax, Nova Scotia, home of the 1.6 million square foot Scotia Square complex. During the past year, we completed a \$3 million revitalization of the food court for this award-winning property, and a \$10 million project to modernize the entrance and add 25,000 square feet

of commercial space is well underway. Scotia Square has significant future mixed-use growth potential as well.

The second pillar of Crombie's growth strategy is our commitment to maintaining a strong financial position with reasonable debt levels, ample liquidity, and multiple sources of capital. We seek to optimize our capital structure so we can seamlessly run our business in any economic environment and access capital markets when it makes sense to do so. With the strength of our investment grade credit rating, we continued to improve our capital structure and de-risk our business, ending the year with \$170 million in available funds on our line of credit and \$812 million in unencumbered assets, up \$104 million from the previous year. We are also conservatively capitalized, with a debt to gross book value (fair value) of 52.5 percent that is well below the maximum specified in our declaration of trust and relatively modest given the preponderance of investment grade, everyday retailers in our properties and the long-term lease and debt maturities that characterize our portfolio.

The third pillar of our strategy is building a best-in-class real estate team and operating platform in all regions of the country. During 2015, Crombie was named one of Nova Scotia's and Atlantic Canada's Top Employers, recognized as one of Canada's Top Small and Medium Employers, and selected as a finalist by Atlantic Canada's Passion Capitalists. In August 2015, we were pleased to welcome industry veteran John Barnoski to the Senior Management Team as Vice President of Corporate Development.



**“The development potential within our commercial real estate portfolio represents for Crombie an unprecedented opportunity to generate growth from existing assets. Starting with the proposed development of our Davie Street Safeway property in Vancouver, we have more than a dozen candidates for major development in our portfolio, collectively representing \$1–\$2 billion in new property development over the next 10 plus years.”**

Donald E. Clow, FCPA, FCA  
President and Chief Executive Officer

John has an extensive background in retail real estate development, formerly serving as Vice President, Real Estate at Shoppers Drug Mart. He is playing a pivotal role in optimizing the value of our development properties and identifying numerous new business opportunities.

Throughout the organization, we continue to build our regional talent and bench strength, standardize and optimize Crombie's systems and processes and build upon a culture of continuous learning and improvement. This commitment has continued to pay dividends in the strong work of our leasing, property management, development and administrative teams during the year. Their efforts have helped to make Crombie a landlord of choice in a competitive marketplace as reflected by continued strength in our occupancy and lease renewal metrics.

Looking to the year ahead, most experts are predicting slow growth in the Canadian economy and continued uncertainty in financial markets. Over the past year, REITs have continued to trade at a significant discount to their net asset value. This is an historical anomaly partially related to the uncertainty of future interest rates, a reality that has made it harder for REITs to grow by accessing equity markets. At the same time, we expect there will continue to be a relative scarcity of potential acquisitions that meet our investment criteria. In times like these, the competitive advantage of our strategic relationship with Empire and Sobeys, which provides access to about \$100 million of new retail properties each year, is particularly important. What's more, the nature of this relationship has been enriched by the unprecedented development opportunities

before us. We are fortunate to have an invested retailing partner who shares our focus on long-term value creation.

In closing, I would like to extend my thanks and appreciation to my many talented colleagues at Crombie as well as our tenants and other business partners for their continued support. I look forward to reporting on our continuing progress in the year ahead.

Sincerely,



**Donald E. Clow, FCPA, FCA**  
President and Chief Executive Officer



**SENIOR  
MANAGEMENT  
TEAM**

(left to right)

**Jeff Downs**  
Vice President,  
Financial Analysis  
and Treasury

**Scott MacLean**  
Regional Vice President,  
Atlantic Canada

**Steve Cleroux**  
Vice President,  
Leasing and Development  
Atlantic Canada

**Ken Turple**  
Vice President,  
Accounting and  
Financial Reporting

**Trevor Lee**  
Regional Vice President,  
Western Canada

**Patrick Martin**  
Executive Vice President,  
Operations

**Terry Doran**  
Vice President,  
Office Properties

**John Barnoski**  
Vice President,  
Corporate Development

**Glenn Hynes**  
Executive Vice President,  
Chief Financial Officer  
and Secretary

**Cheryl Fraser**  
Chief Talent Officer

**Fred Santini**  
Regional Vice President,  
Central Canada

**Donald Clow**  
President and  
Chief Executive Officer



## A STRONG NATIONAL PLATFORM

During the past 10 years, Crombie has transformed a primarily Atlantic Canadian portfolio of commercial real estate assets into a geographically diversified, retail-focused REIT. Today, we are one of Canada's largest with \$4.2 billion in assets and 260 commercial properties from coast to coast.

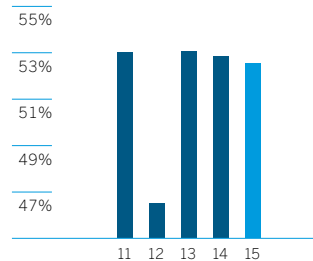


### \$96.3M

Crombie REIT continued to advance its growth strategy in 2015, acquiring \$96.3 million in grocery and drug store anchored plazas and freestanding stores, improving the productive capacity of our properties, and proceeding with plans for major development projects.

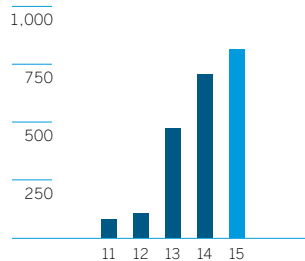
#### DEBT TO GBV (FV) (%)

Crombie's debt to gross book value declined to 52.5% in 2015, reflecting the growing strength of the REIT's balance sheet.



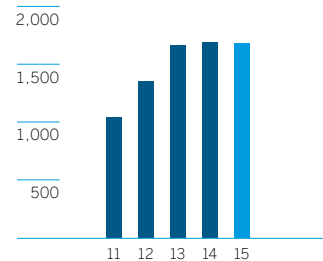
#### UNENCUMBERED ASSETS (in millions of dollars)

Unencumbered assets in our property portfolio reached a record \$812 million in 2015, reflecting unprecedented liquidity and financial flexibility.



#### MARKET CAPITALIZATION (in millions of dollars)

Crombie's market capitalization reached approximately \$1.7 billion, with a public float of approximately \$1 billion, at the end of 2015.

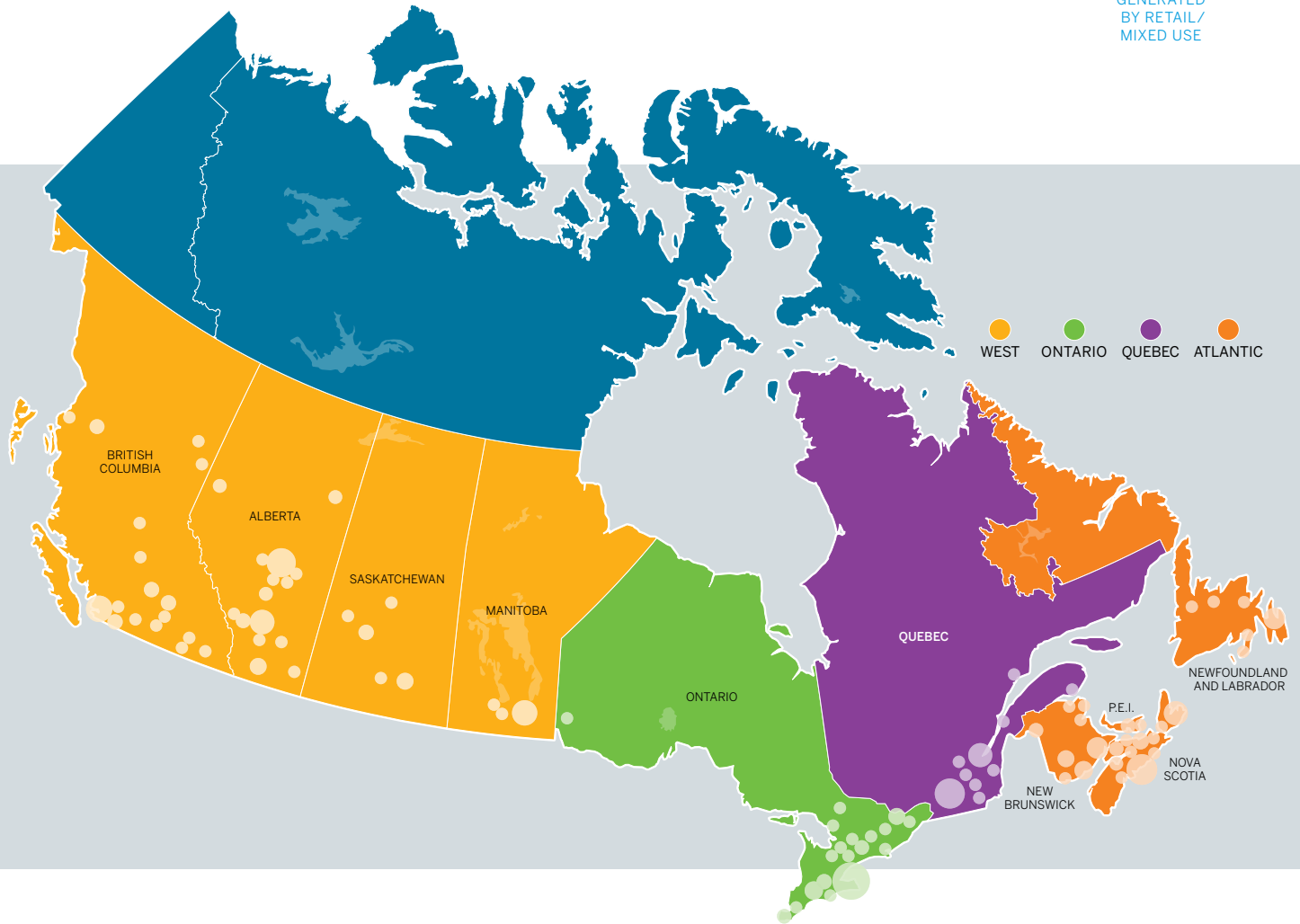




260  
COMMERCIAL  
PROPERTIES

17.7  
MILLION  
SQUARE FEET

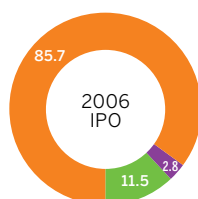
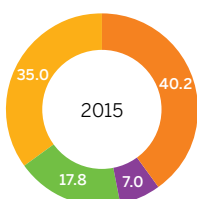
95.7%  
OF ANNUAL  
MINIMUM RENT  
GENERATED  
BY RETAIL/  
MIXED USE



**GEOGRAPHIC DIVERSIFICATION**  
(% of annual minimum rent)

At year-end 2015, 59.8% of the annual minimum rent generated by our portfolio was derived outside of Atlantic Canada compared to 14.3% at the time of our IPO in March 2006.

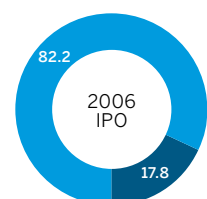
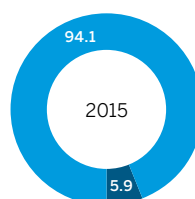
■ West ■ Ontario ■ Quebec ■ Atlantic



**REVENUE BY PROPERTY TYPE**  
(%)

At year-end 2015, 94.1% of the revenue from our portfolio was generated by retail assets compared to 82.2% at the time of our IPO.

■ Retail/Mixed Use ■ Office



## GREAT REAL ESTATE

Crombie's growth is focused on the acquisition and development of the steadiest performing asset class in commercial real estate – grocery and drug store anchored shopping centres and freestanding stores that serve the everyday needs of Canada's top 36 markets.



①

### CENTRES OF THE COMMUNITY

The retail properties that are the focus of Crombie's growth strategy are located in the heart of growing communities characterized by above average rates of population and income growth. Serving the everyday needs of their communities places them among the steadiest performing assets in commercial real estate.

①

#### Niagara Falls Plaza Niagara Falls, ON

Anchored by Sobeys  
Total GLA: 64,000 sq. ft.  
Property type: Retail plaza  
Opened: 1997  
No. of stores: 13

②

#### Scotia Square Halifax, NS

Total GLA: 266,000 sq. ft.  
Opened: 1969  
Expanded/renovated: 2015  
No. of stores: 48

③

#### Canmore Canadian Tire Canmore, AB

Total GLA: 50,000 sq. ft.  
Property type: Freestanding  
Opened: 2011



②



③

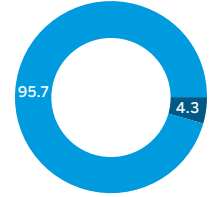
# 65%

65% of our Atlantic Canadian annual minimum rent comes from assets located in the region's five largest metropolitan areas.

## ASSET DIVERSIFICATION BY ANNUAL MINIMUM RENT (%)

At year-end 2015, 95.7% of the annual minimum rent generated by our portfolio was derived from retail assets.

- Retail/Mixed Use
- Office



At the end of 2015, 76.8 percent of the annual minimum rent generated by Crombie REIT's \$4.2 billion property portfolio was derived from grocery and drug store anchored shopping centres and freestanding stores compared to 47.6 percent at the time of our IPO in March 2006. These properties are also home to leading national and regional retailers whose products and services meet the everyday needs of Canadian consumers. This makes them less susceptible than fashion-related and other cyclical retail properties to fluctuations in discretionary income and largely immune to the impact of online shopping.

The largest of our tenants, representing 49.9 percent of annual minimum rent, is Canada's second largest food retailer. Sobeys' growing network of stores is a powerful draw for other leading merchants, which allows us to create a mix of tenants that enhances overall property performance and best meets the needs of local communities.

Over the past 10 years, our strategic relationship with Empire and Sobeys has allowed us to purchase more than \$2 billion of such assets and mirror Sobeys expansion across the country. These acquisitions also reflect Crombie's increasing presence in Canada's top 36 markets, which are home to faster growing and higher income populations. As such, they are well situated for long-term income growth and capital appreciation.

While Crombie's growth strategy will continue to focus on everyday retailing assets, we also continue to benefit from the steady performance of our properties in Atlantic Canada. Sixty-five percent of annual minimum rent generated in the region comes from properties in the five largest metropolitan areas, including Scotia Square's portfolio of prime office and mixed-use properties in Halifax, Nova Scotia and Avalon Mall in St. John's, Newfoundland and Labrador, one of the top 20 performing regional malls in Canada. All of these markets are characterized by high barriers to entry and limited construction of new space.

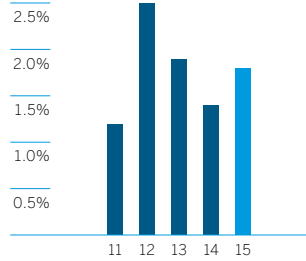


**\$230M**

Same-asset property cash net operating income, an important measure of performance in commercial real estate, reached \$230 million in 2015.

**SAME-ASSET PROPERTY CASH NET OPERATING INCOME VARIANCE (%)**

Same-asset property cash net operating income has grown at an average annual rate of 1.76% over the past five years.



With the Safeway acquisition in November 2013, Crombie acquired 70 properties that fit our focus on grocery and drug store anchored shopping centres, including 31 in the heart of Western Canada’s four largest cities. A number of these properties hold the potential to create significant value through redevelopment. Over the past year, we have been working closely with development partners and Sobeys to advance our planning on these future projects. At the time of this report, the design for our project on Davie Street in Vancouver had been submitted for approval to planning authorities. It calls for an approximately \$150 million development of expanded retail space and up to 320 residential units on the footprint of an existing Safeway location. In Western Canada, two similar opportunities are currently in the pre-planning stage with an additional eight locations in the development pipeline. In total, they represent approximately \$1–\$2 billion of potential development investment over the next 10+ years.

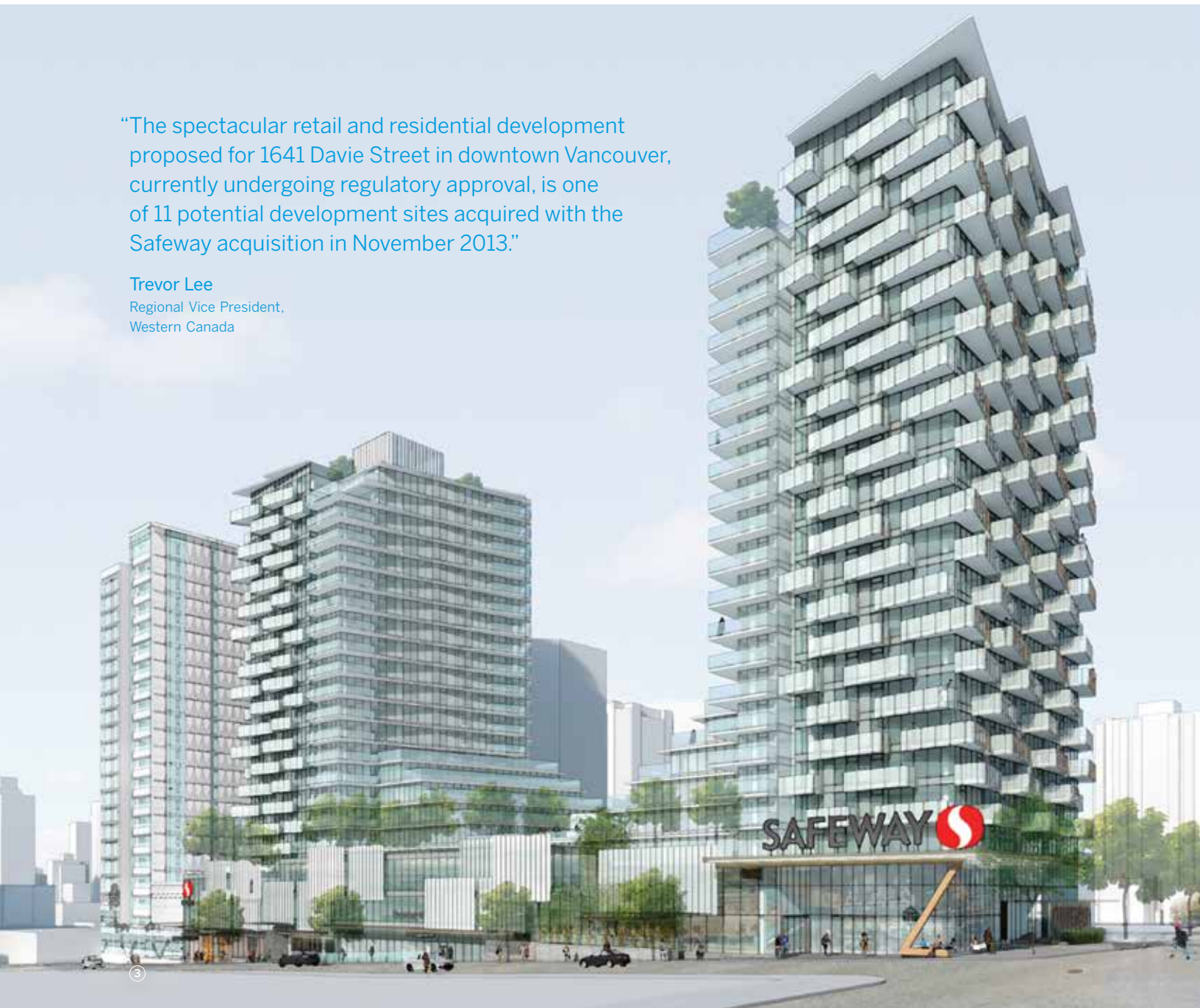
Organic growth has become a higher priority elsewhere in our portfolio, reflecting reduced availability of accretive acquisitions on the open market as well as Crombie’s growing development expertise. Increasingly, we are looking for new locations adjacent to our own where we can leverage our existing footprint to create value. We also continue to invest in Scotia Square’s unmatched portfolio of prime office and mixed-use space in the heart of Atlantic Canada’s economic, cultural and entertainment capital. In 2015, we completed a \$3 million modernization and expansion of the food court in the Scotia Square complex and began work on a 25,000 square foot expansion that will add a dramatic entrance to the building and new office and retail space. Continuous expansion and modernization of the Scotia Square portfolio has allowed us to consistently achieve above-market occupancy and rental rates and earn numerous national awards in the process.



“The spectacular retail and residential development proposed for 1641 Davie Street in downtown Vancouver, currently undergoing regulatory approval, is one of 11 potential development sites acquired with the Safeway acquisition in November 2013.”

**Trevor Lee**

Regional Vice President,  
Western Canada



### DEVELOPING OPPORTUNITIES

During the past year, Crombie REIT continued to advance plans for the potential development of 14 sites across our national property portfolio. Over the next 10+ years, these sites hold the potential for \$1 billion to \$2 billion in new property development.

**1**

**Scotia Square  
Halifax, NS**

Total GLA: 266,000 sq. ft.  
No. of stores: 48  
Enclosed retail and mixed use

**2**

**Stittsville Corners  
Stittsville, ON**

Total GLA: 80,000 sq. ft.  
No. of stores: 14  
Retail plaza

**3**

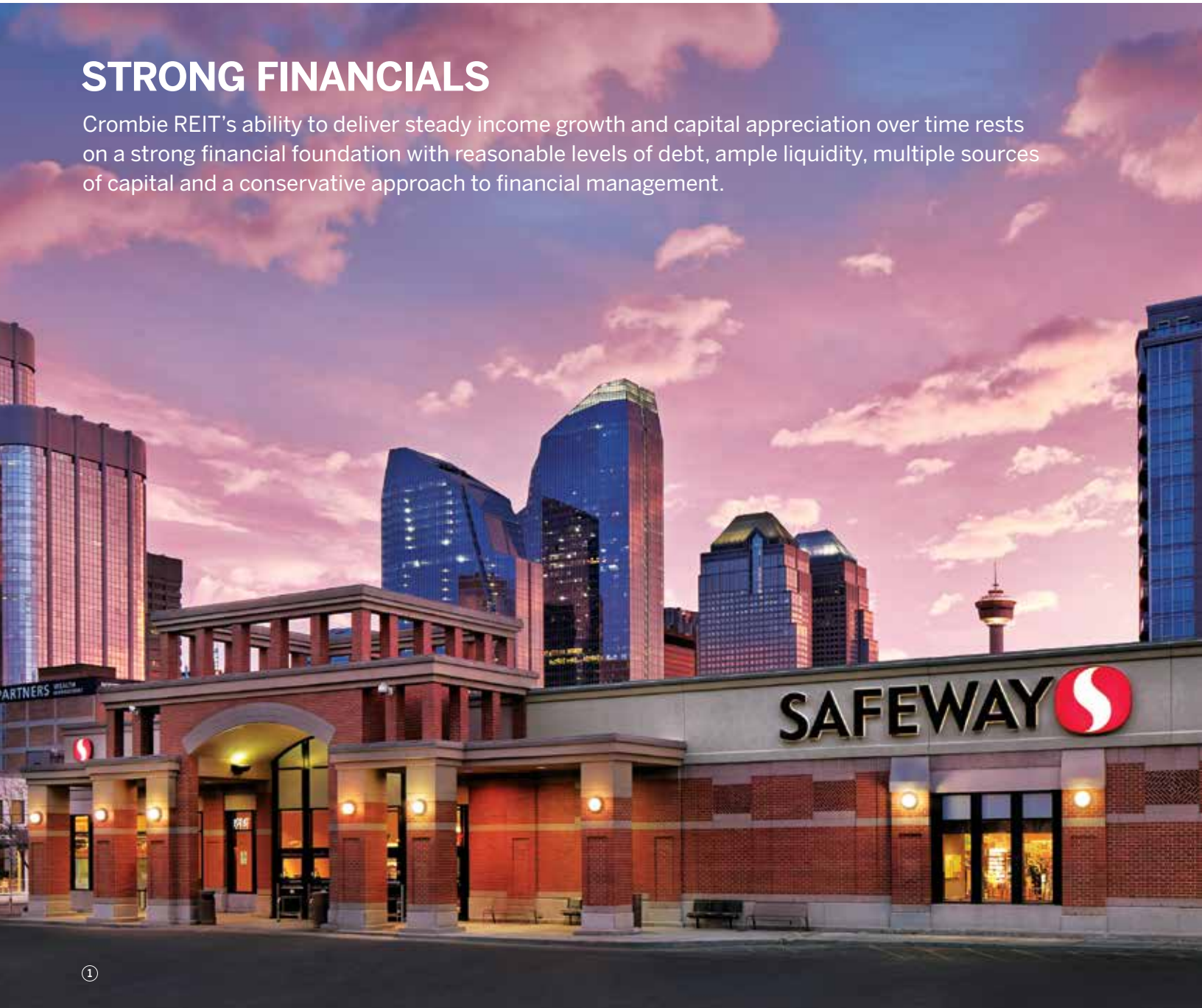
**1641 Davie Street  
Vancouver, BC**

Anchored by Safeway, with new retail space for complementary mix of tenants  
Development partners: Westbank Corp., Sobeys Inc.  
Residential units: 320  
Proposed construction: 2017



# STRONG FINANCIALS

Crombie REIT's ability to deliver steady income growth and capital appreciation over time rests on a strong financial foundation with reasonable levels of debt, ample liquidity, multiple sources of capital and a conservative approach to financial management.



①

## BUILT ON QUALITY

Crombie's steady performance is based on a strong capital structure in addition to the quality of our retail properties. Our portfolio is characterized by long-term leases and mortgage terms with no more than six percent of GLA renewing in a single year over the next five years.

①

### 11th Avenue SW Safeway Calgary, AB

Total GLA: 40,000 sq. ft.  
Acquired: 2013  
Freestanding Safeway store  
Mixed-use development  
potential: Pre-planning stage

②

### Avalon Mall St. John's, NL

Total GLA: 571,000 sq. ft.  
No. of stores: 138  
Opened: 1967  
One of the largest shopping  
centres in Atlantic Canada  
and one of top 20 performers  
in Canada

③

### Scotia Square Halifax, NS

Total GLA: 266,000 sq. ft.  
No. of stores: 48  
Enclosed retail and  
mixed use

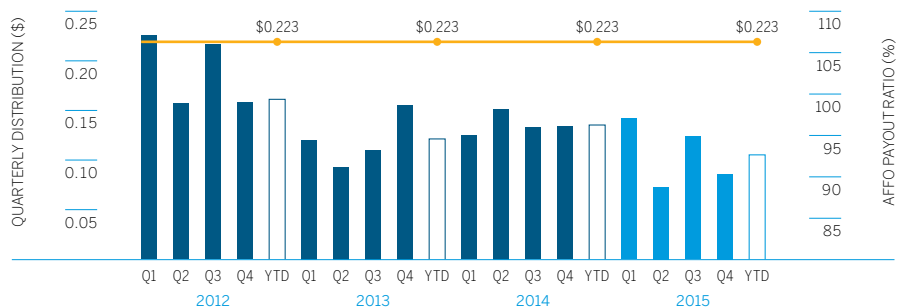




### QUARTERLY DISTRIBUTION AND AFFO PAYOUT RATIO

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

- Quarterly Distribution
- AFFO Payout Ratio



The strength of our financial foundation is reflected in the debt-to-gross book value (fair value basis) of our balance sheet, which at 52.5 percent on December 31, 2015 was well below the 60 to 65 percent maximum specified by our Declaration of Trust and relatively modest given the steady occupancy of our properties and the investment grade quality of our tenants. Related financial metrics are also strong, as evidenced by debt service and interest coverage ratios of 1.81 times and 2.72 times, respectively, for 2015.

With the benefit of our investment grade credit rating, we continued to de-risk our business, strengthen our capital structure and lower our cost of capital in 2015. This included the issuance of \$125 million of five-year 2.775 percent senior unsecured notes, the redemption of \$45 million of 5.75 percent convertible debentures, the repayment of \$50.6 million in maturing mortgages (\$121.4 million including repayment of principal) with an average interest rate of 4.99 percent and the issuance of \$119 million in new mortgage financing with a weighted average term

of 4.9 years and a weighted average interest rate of 2.85 percent. In total, same-asset finance costs decreased by \$3.8 million or 4.2 percent during 2015 compared to the previous year. Crombie possesses more liquidity and financial flexibility than at any other point in our history with \$170 million of available unused line of credit and \$812 million of unencumbered assets at the end of 2015.

In addition to Crombie's focus on steady, everyday retailing, our capital structure is also strengthened by the long lease and debt maturities in our portfolio. Over the next five years, no more than six percent of our gross leasable area will mature in a single year and the prevalence of grocery and drug retailers, banks and other investment grade tenants in our properties allows Crombie to have among the longest remaining average lease terms (11.2 years) and average mortgage terms (6.6 years) in the Canadian REIT industry.

## A WINNING TEAM

In 2015, Crombie continued to build a best-in-class national platform that is improving the efficiency of our operations, enhancing the size and capabilities of our team, and fostering a culture of continuous learning and leadership development.



Since Crombie's inception as a public company, the value of our portfolio has grown at a compound average rate of more than 16 percent. Over the same time period, we have rapidly evolved from a small, mostly Atlantic Canadian REIT to one of the country's leading national REITs. Today, our \$4.2 billion real estate portfolio is geographically balanced across Canada and holds significant development potential.

In keeping with Crombie's growing scale and complexity, we set out more than a year ago to create a best-in-class operating platform to standardize and optimize our operating approach and strengthen our foundation for future growth. This included

the creation of national shared service functions, strengthening our presence in local markets across the country, and a refined management structure that has enhanced and aligned the performance of our regional real estate teams.

At the same time we continue to augment our ability to take full advantage of the opportunities for value creation within the Safeway property portfolio. Among the year's important additions to the Crombie team in 2015 was John Barnoski, Vice President Corporate Development. John is a well-respected industry veteran and former Vice President of Real Estate at Shoppers Drug Mart.

The past year also marked the continued recognition of Crombie REIT's efforts to foster a culture of operational excellence, continuous learning and leadership development. Crombie REIT was once again recognized as an employer of choice through several national employer awards including Canada's Top Small & Medium Employers, and Atlantic Canada's and Nova Scotia's Top Employers. These awards are a reflection of Crombie's efforts to create a positive working environment for our employees, our tenants and the people who work and shop in our properties every day.

### Elyse Tomie

Leasing Manager,  
Western Canada

Elyse joined Crombie in 2014 in leasing operations for our fast-growing retail real estate portfolio in Western Canada. She is currently working towards the completion of a Diploma in Urban Land Economics through the UBC Sauder School of Business.

### Sandi Sheldon

Senior Director of Operations,  
Central Ontario

Sandi came to Crombie via Sobeys' purchase of The Oshawa Group in 1998. Today, she helps advance Crombie's strategies by working with other regional managers to ensure consistent, high-quality standards in our operating processes and procedures.

### Dan Bostan

Senior Property Manager,  
Quebec

Since 2009, Dan has worked with his colleagues and business partners to maximize the value and productive capacity of our properties through timely preventative maintenance and repair and prompt, friendly and efficient service for our valued tenants.

### Pat Poirier

Manager, Engineering and Sustainability,  
Scotia Square

Since joining the company as a stationary engineer in 1989, Pat went on to become Chief Engineer and now serves as Crombie's most senior sustainability expert, responsible for all mechanical and electrical systems and ongoing strategies to reduce energy consumption and minimize environmental impact.

### Elizabeth Engram

Marketing Manager,  
Scotia Square

Elizabeth joined Crombie in 2007 and is now responsible for managing promotional activities and client relationships with retail and office tenants at Scotia Square and Park Lane. She is currently working toward a master's degree in public relations at Mount Saint Vincent University.

### Brady Landry

Director, Acquisitions and Dispositions,  
New Glasgow, Nova Scotia

Brady joined Sobeys Inc. as a Consolidation Analyst in 2004 and has gone on to assume progressively senior management roles at Empire and Crombie. He plays a critical role in advancing Crombie's strategy through the analysis and execution of acquisitions, dispositions and non-traditional opportunities. He is a CFA charter holder.

### Aaron Bryant

Senior Director of Engineering and Construction,  
Atlantic Region

Joining Crombie as a Project Manager, Aaron has earned subsequent promotions to his current position. During this time he has directly managed a diverse range of more than 130 projects from site development, to mall redevelopment, to new retail and office buildings.

### Jamie Hynes

Manager, Information Technology,  
New Glasgow, Nova Scotia

Jamie came to Crombie in 2003 and since then has led the implementation of new technologies that have harmonized and standardized business processes, enabling the creation of a best-in-class operating platform, and optimizing the management of joint initiatives with our colleagues at Sobeys.

### Marcel Elliott

Regional Manager,  
St. John's, Newfoundland and Labrador

Marcel joined Crombie in 1995 as an Assistant Manager at Valley Mall in Corner Brook, NL and has held progressively senior management positions since then. Today, he is responsible for leasing and all provincial operations, including Avalon Mall, one of the largest shopping centres in Atlantic Canada.



①



②



③

## WORKING TOGETHER

Our success at advancing Crombie's key business strategies has been made possible by the efforts of a talented and engaged team of real estate professionals. Featured here are a few outstanding individuals who exemplify Crombie's growing capabilities as a leading national REIT.

①

Brady Landry, Pat Poirier, Elizabeth Engram, Jamie Hynes and Aaron Bryant

②

Crombie CEO Don Clow was named one of *Atlantic Business Magazine's* Top 50 CEOs, for the third consecutive year, in 2015. He is shown here receiving the award from Lydia Bugden, Managing Partner, Stewart McKelvey.

Photo: Mike Tompkins, *Atlantic Business Magazine*

③

Sandi Sheldon, Marcel Elliott, Elyse Tomie and Dan Bostan



## BUILDING BETTER COMMUNITIES

Crombie and its predecessor companies have a long history of appreciation and respect for the communities in which our commercial real estate properties are located. This tradition continued in 2015 as seen in numerous social and environmental initiatives.



### THE HEART OF OUR BUSINESS

① Crombie's real estate properties form an important part of the social fabric in many communities across Canada and we have always tried to give something back to the people who make our success possible. In 2015, these efforts found expression through many important social and environmental initiatives.

①

#### Catapult

We are proud of our ongoing support for Catapult, a non-profit leadership camp aimed at building the leadership, social, problem-solving, and decision-making skills of young Nova Scotians.

②

#### CIBC Building Halifax, NS

The CIBC Building was honoured with the Building Owner's and Managers Association's (BOMA) National Building of the Year award in 2015.

③

#### Barrington Place Halifax, NS

We continued to improve the efficiency and reduce the environmental impact of our prime office/retail portfolio in Halifax during the past year.



Each year, we are proud to support numerous charitable causes with direct financial support and through the generosity and volunteer efforts of our employees. These include YMCA Strong Kids, which allows more kids to participate in life-enhancing programs that build a healthy spirit, mind and body and Catapult, a non-profit leadership camp that provides a fun, high-energy learning experience focused on enhancing the leadership, social, problem-solving and decision-making skills of young Nova Scotians. Other important causes we supported in 2015 included: the Canadian Heart and Stroke Foundation, the Nova Scotia Cancer Society, Dreams Take Flight, Ronald McDonald House, the Special Olympics of Pictou County and regional health care and recreational facilities.

A similar sense of responsibility extends to the environment. All of the new-build designs in our retail properties match LEED equivalent standards and we continue to earn and upgrade BOMA BEST certification for our enclosed retail and office properties. During the year, all of our Scotia Square office properties achieved BOMA BEST Gold certification except for Park Lane, which holds a Silver certification. In addition, the CIBC Building was honoured with a national Building of the Year (TOBY) award in 2015 and will compete at the international level this year.



As always, the year marked a number of important initiatives aimed at reducing our energy consumption and environmental impact. These included:

- Numerous interior and exterior LED lighting upgrades in our office portfolio, including the conversion of all office tower stairwells to motion sensor lighting systems.
- Recommissioning of the HVAC system in the CIBC Building in conjunction with Energy Nova Scotia to improve efficiencies and achieve estimated savings of approximately \$17,000 a year in operating costs.
- The purchase of green electricity from Bullfrog Power for the Scotia Square parkade and the exploration of similar opportunities for the Scotia Square and Park Lane complexes.
- An ongoing conversion of all facility washrooms and domestic supply systems that has reduced annual water consumption by 23 million gallons since 2008.
- An ongoing recycling program that diverted 250,000 lbs. of cardboard and 315,000 lbs. of paper products in 2015.
- The trial of a heat pump domestic hot water system in Duke Tower that is expected to yield 50,000 kilowatts in energy savings per year.
- A major overhaul of our main plant that will include the installation of variable speed drive pumps and flow meters in our plants, with an estimated savings of approximately 1.3 million kWh per year.

In total, projects completed in 2015 bring the total energy saved since we began the process of greening our buildings in 2008 to more than 17,000,000 kilowatts per year.



## A MATTER OF TRUST

In a year of continued economic uncertainty in financial markets, Crombie's management achieved strong financial results, continued to advance their strategy for value creation and outperformed the Canadian REIT index and the S&P/TSX index.



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

2015 was a turbulent year for the Canadian economy, the financial markets and the retail industry. Crombie REIT was not unaffected by this environment as evidenced by the impact of Target Canada's withdrawal from three of our properties early in the year. The ability to keep growing amid headwinds speaks to the capability of the Crombie management team and the wisdom of a strategy that is focused on high-quality real estate, combined with a strong financial foundation and a best-in-class operating platform and real estate team.

The past year was also characterized by a scarcity of food and drug store anchored shopping centres or freestanding stores on the open market, the very properties that meet Crombie's investment criteria. The REIT's ability to close \$96.3 million in new acquisitions during 2015 was a testament to another of its key strengths – access to high-quality properties through the strategic partnership with Empire Company and Sobeys. Beyond the tangible benefits of the property pipeline, this vital relationship also brings the experience of patient and knowledgeable partners who have an ongoing interest in the long-term success of both their food retailing operations and related commercial real estate assets through a 40.2 (fully diluted) percent ownership interest in Crombie.

At the same time, the Board of Trustees is structured to fairly represent the interests of all Unitholders. While the Board consists of both appointed and elected Trustees, a majority are both elected by Unitholders and independent. The Chairs of all committees are similarly independent as is the Lead Independent Trustee. In addition, in-camera meetings of our Independent elected Trustees occur at

each meeting without management present. As we have noted each year, we continue with our practice of ensuring a high standard of governance with regard to the Sobeys development pipeline, in that Empire-appointed Trustees do not participate in decisions concerning related property acquisitions.

In addition to assessing the financial and operating performance of the management team, the Board of Trustees is also responsible for approving the REIT's strategic plans, including the financial, economic and risk assumptions upon which they are based. We also keep the future interests of Crombie in mind by ensuring there is a valid succession plan in place for senior management and the Board of Trustees. Although there are no expected departures from the Board this year, we will continue to keep best practice governance recommendations in mind, including calls for increased diversity, when considering new candidates for the Board.

On behalf of our fellow Trustees, we would like to thank our employees for their tremendous contribution during the past year. We also extend our thanks and appreciation to all of Crombie's other stakeholders, including our tenants, business partners, investors and the local communities across Canada that are home to our real estate properties.

Sincerely,

Frank C. Sobey  
Trustee and Chair

John Eby  
Lead Independent Trustee



# Board of Trustees



**Frank C. Sobey**  
Trustee since 2006 and Chair

Frank Sobey has been a director of Crombie and its predecessors since 1981 and Chair since 1998. He is a director of Empire Company Limited, was Chairman of the former Oversight Committee of Empire and served as a trustee of the Wajax Income Fund. Currently Chairman of the Dalhousie Medical Research Foundation, Mr. Sobey is a graduate of the Harvard Business School's Advanced Management Program and received the ICD.D designation in 2013.



**John Eby**  
Independent Trustee since 2008

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



**Donald E. Clow**  
Trustee since 2009, President and CEO

Donald Clow became President and CEO in 2009 after serving as President, ECL Developments Limited for two years and previously, as President of Southwest Properties. Mr. Clow earned his BBA from Acadia University, his CA designation with KPMG and Fellow Chartered Accountant designation in 2002. He is a graduate of the YPO President's Program at Harvard Business School and received his ICD.D designation in 2014.



**Brian A. Johnson**  
Independent Trustee since 2008

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



**J. Michael Knowlton**  
Independent Trustee since 2011

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



**E. John Latimer**  
Independent Trustee since 2006

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



**Barbara F. Palk**  
Independent Trustee since 2014

Barbara Palk is the former President of TD Asset Management Inc. She serves on the Boards of TD Asset Management USA Funds Inc., Ontario Teachers' Pension Plan, First National Financial Corporation and Queen's University (Chair). Ms. Palk has an Honours BA in Economics from Queen's University, has received the ICD.D and CFA designations and is a Fellow of the Canadian Securities Institute.



**Kent R. Sobey**  
Independent Trustee since 2008

Kent Sobey is founder and President of Farmhouse Productions Ltd. He is a corporate director of Blue Ant Media and Hollywood Suite and serves on the board of The North York Harvest Food Bank. Mr. Sobey received his BA from Dalhousie University, is a graduate of The Vancouver Film School and has completed executive development at Rotman School of Management and Queen's University.



**Paul D. Sobey**  
Trustee since 2006

Paul Sobey retired as President and Chief Executive Officer of Empire Company Limited in 2013. He sits on the boards of Empire Company Limited, Sobey's Inc., The Bank of Nova Scotia, and is Chancellor of Saint Mary's University. Mr. Sobey received his Bachelor of Commerce from Dalhousie University, attended Harvard University Business School, Advanced Management Program and is a Chartered Accountant. He became a Fellow Chartered Accountant of Nova Scotia in 2006.



**Elisabeth Stroback**  
Independent Trustee since 2006

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



**François Vimard**  
Trustee since 2014

François Vimard, CPA, CA is the Chief Financial and Administrative Officer of Empire Company Limited and its wholly owned subsidiary Sobey's Inc. He provides leadership for the Company's Finance, Information Technology, Distribution & Logistics, Corporate Strategy, Real Estate, and Legal functions. Mr. Vimard earned his BBA degree and Licence in Accounting Sciences from Université Laval. He is a member of the Québec Chartered Accountant Order.

For complete biographical information on Crombie REIT's Trustees and Executive Management, please visit us at [crombiereit.ca](http://crombiereit.ca)

# FINANCIAL REVIEW

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Scotia Square  
Halifax, NS  
Concept for enhancements  
(currently under construction)

# Management's Discussion and Analysis

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

## INTRODUCTION

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2015, with a comparison to the financial condition and results of operations for the comparable periods in 2014.

This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the year ended December 31, 2015 and December 31, 2014 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 24, 2016, except as otherwise noted.

### Forward-Looking Information

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

- (i) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;
- (ii) the cost and timing of new properties under development and right of first offer ("ROFO") agreements, which development activities are primarily undertaken by related parties and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;
- (iii) the disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions or other accretive uses for net proceeds and real estate market conditions;
- (iv) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;
- (v) the anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses;
- (vi) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities, future interest rates and market conditions;

- (vii) the estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, conversions of convertible debentures, interest rates on floating rate debt and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;
- (viii) asset growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual development costs;
- (ix) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;
- (x) anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions;
- (xi) the effect that any contingencies would have on Crombie's financial statements which could be impacted by their eventual outcome;
- (xii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and,
- (xiii) statements under the heading "Property Development" including the locations identified, timing, cost, development size and nature, impact on net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs and general economic conditions and factors described under the "Property Development" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with development partners and existing tenants.

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



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

#### Non-GAAP Financial Measures

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income ("NOI"), same-asset property cash NOI, operating income attributable to Unitholders, funds

from operations ("FFO"), adjusted funds from operations ("AFFO"), debt to gross book value, earnings before interest, taxes, depreciation and amortization ("EBITDA"), interest service coverage and debt service coverage. Management includes these measures as they represent key performance indicators to management and it believes certain investors use these measures as a means of assessing relative financial performance. These measures as computed by Crombie may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities.

#### Financial Highlights

Financial Highlights for the three months and year ended December 31, 2015 and 2014 are as follows:

	As at	
	December 31, 2015	December 31, 2014
Number of properties	260	255
Gross leaseable area (square feet)	17,666,000	17,379,000
Debt to gross book value – fair value basis	52.5%	52.8%

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Property revenue	\$ 92,847	\$ 90,602	\$ 369,866	\$ 358,319
Property net operating income	\$ 63,989	\$ 63,278	\$ 256,605	\$ 248,699
Operating income attributable to Unitholders	\$ 13,945	\$ 22,227	\$ 65,729	\$ 71,389
Operating income attributable to Unitholders per unit – basic	\$ 0.11	\$ 0.17	\$ 0.50	\$ 0.56
Operating income attributable to Unitholders per unit – diluted	\$ 0.11	\$ 0.17	\$ 0.50	\$ 0.56
FFO – basic	\$ 38,311	\$ 36,363	\$ 149,474	\$ 142,052
FFO – diluted	\$ 40,052	\$ 38,745	\$ 156,720	\$ 151,550
FFO per unit – basic	\$ 0.29	\$ 0.28	\$ 1.14	\$ 1.12
FFO per unit – diluted	\$ 0.29	\$ 0.28	\$ 1.13	\$ 1.10
FFO payout ratio (%)	76.3%	79.9%	78.0%	80.2%
AFFO – basic	\$ 32,310	\$ 30,211	\$ 125,654	\$ 118,176
AFFO – diluted	\$ 33,295	\$ 31,837	\$ 129,900	\$ 124,674
AFFO per unit – basic	\$ 0.25	\$ 0.23	\$ 0.96	\$ 0.93
AFFO per unit – diluted	\$ 0.25	\$ 0.23	\$ 0.96	\$ 0.93
Distributions per unit	\$ 0.22	\$ 0.22	\$ 0.89	\$ 0.89
AFFO payout ratio (%)	90.5%	96.2%	92.8%	96.4%
Interest service coverage			2.72	2.58
Debt service coverage			1.81	1.72

(1) AFFO payout ratio is calculated using a per square foot charge of \$0.87 for maintenance expenditures (see "AFFO" section).

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

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Basic number of Units for all measures	131,182,278	130,383,466	130,787,712	127,257,062
Diluted for operating income attributable to Unitholders purposes	131,333,794	130,549,576	130,946,425	127,432,519
Diluted for FFO purposes	138,657,061	140,814,020	138,655,853	137,714,312
Diluted for AFFO purposes	135,671,986	137,828,945	135,670,778	134,729,238

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

### Highlights

- FFO for the year ended December 31, 2015 increased 5.2% to \$149,474; or \$1.13 per unit Diluted, an increase of \$0.03 per unit from the year ended December 31, 2014.
- FFO for the three months ended December 31, 2015 increased 5.4% to \$38,311; or \$0.29 per unit Diluted, an increase of \$0.01 per unit from the three months ended December 31, 2014.
- AFFO for the year ended December 31, 2015 increased 6.3% to \$125,654; or \$0.96 per unit Diluted, an increase of \$0.03 per unit from the year ended December 31, 2014.
- AFFO for the three months ended December 31, 2015 increased 6.9% to \$32,310; or \$0.25 per unit Diluted, an increase of \$0.02 per unit from the three months ended December 31, 2014.
- FFO payout ratio of 78.0% for the year ended December 31, 2015 compared to 80.2% for the year ended December 31, 2014. AFFO payout ratio of 92.8% for the year ended December 31, 2015 compared to 96.4% for the year ended December 31, 2014. FFO payout ratio of 76.3% for the three months ended December 31, 2015 compared to 79.9% for the same period in 2014. AFFO payout ratio of 90.5% for the three months ended December 31, 2015 compared to 96.2% for the same period in 2014.
- 3.2% growth of property revenue for the year ended December 31, 2015 (\$369,866 versus \$358,319 for the year ended December 31, 2014). Fourth quarter property revenue of \$92,847, increased \$2,245, or 2.5% over fourth quarter 2014.
- Same-asset property cash NOI for the year ended December 31, 2015 increased by 1.8% or \$3,970 (\$229,962 compared to \$225,992 for the year ended December 31, 2014). Increase in same-asset property cash NOI for the three months ended December 31, 2015 of 2.5% or \$1,422 (\$57,846 compared to \$56,424 for the three months ended December 31, 2014).
- Committed occupancy was 93.6% at December 31, 2015 compared with 93.2% at September 30, 2015 and 94.0% at December 31, 2014.
- Crombie's renewal activity during the year ended December 31, 2015 included:
  - Renewals on 246,000 square feet of 2015 expiring leases at an average rate of \$19.01 per square foot, an increase of 8.2% over the expiring lease rate; and
  - Renewals on 231,000 square feet of 2016 and later expiring leases at an average rate of \$16.32 per square foot, an increase of 7.7% over the expiring lease rate.
- New leasing activity affecting 2015 includes replacing 299,000 square feet of vacant or maturing space at an average rate of \$14.91 per square foot and 50,000 square feet of new square footage on existing properties at an average rate of \$16.90 per square foot.
- Debt to gross book value (fair value basis) was 52.5% at December 31, 2015, compared to 52.8% at December 31, 2014.

- Crombie's interest service coverage for the year ended December 31, 2015 was 2.72 times EBITDA and debt service coverage was 1.81 times EBITDA, compared to 2.58 times EBITDA and 1.72 times EBITDA, respectively, for the year ended December 31, 2014.
- Closed \$125,000 principal amount Series C Five Year Senior Unsecured Notes offering with an effective yield of 2.775% on February 10, 2015.
- Redeemed the \$45,000 5.75% Series C Convertible Debentures on February 18, 2015.
- Completed acquisition of five retail properties and four additions to existing retail properties totaling 333,800 square feet for a total purchase price of \$96,308 before closing and transaction costs.

### Business Overview

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

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a growth strategy focused primarily on the acquisition of grocery and drug store anchored retail properties in Canada's top 36 markets. At December 31, 2015, Crombie owned a portfolio of 260 investment properties in ten provinces, comprising approximately 17.7 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through a subsidiary, holds a 41.5% (fully diluted 40.2%) economic and voting interest in Crombie at December 31, 2015.

### Business Objectives and Outlook

The objectives of Crombie are threefold:

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

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

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

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

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

(In thousands of CAD dollars) Date acquired	Number of properties	GLA (sq. ft.)	Acquisition cost <sup>(1)</sup>	Vendor
2006–2013	166	8,263,000	1,840,234	Empire subsidiaries
2006–2013	47	2,310,000	654,858	Third parties
2014	9	477,700	115,159	Empire subsidiary
2014	3	99,000	38,954	Third parties
April 1, 2015 <sup>(2)</sup>	—	7,500	2,333	Empire subsidiaries
November 3, 2015 <sup>(2)</sup>	—	34,800	8,450	Empire subsidiaries
November 3, 2015	4	183,800	48,845	Empire subsidiaries
December 23, 2015 <sup>(2)</sup>	—	6,700	3,530	Empire subsidiaries
February 2, 2015 <sup>(2)</sup>	—	51,000	12,650	Third parties
August 18, 2015	1	50,000	20,500	Third parties

(1) Excluding closing and transaction costs

(2) Relates to the acquisition of adjacent property or additional development on a pre-existing retail property.

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

### Business Environment

In 2015, a sustained decrease in the price of oil has been a negative factor in terms of its significant impact on Canadian capital investment in the oil sector and the Canadian employment impacts arising from this reduced capital activity. On a positive note, lower oil and gas prices are expected to benefit consumers and increase disposable income. A material drop in 2015 in the value of the Canadian dollar has impacted provincial economies with some potential upside for those with greater export potential. The low dollar has been accompanied by reductions in Canadian interest rates which has potential benefits for both consumer and business borrowing costs.

Crombie continues to work closely with Sobeys to identify opportunities that further Crombie's growth strategy. Crombie has a ROFO agreement with Sobeys to acquire both existing income producing commercial properties from Sobeys as well as properties from their development pipeline, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with property development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions.

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

Concerns still exist for the Canadian economy as debt levels of both governments and consumers and unemployment levels remain high. Also, the credit and equity markets have continued to experience dramatic volatility albeit not as significant as the dramatic situation of late 2008 and 2009. Despite this volatility, the presence of historically low interest rates has enabled many Canadian REITs and real estate companies, including Crombie, to take advantage to strengthen their financial position, improve liquidity and lower their weighted average cost of capital.

Capitalization rates have also returned to very low rates, encouraged by low interest rates. While these low capitalization rates have shown no discernible change to date, there is a clear bifurcation where strong assets in strong urban markets enjoy very low cap rates, whereas lower quality assets and secondary markets are at risk of higher cap rates. REIT acquisition activity has abated somewhat as competition from pension funds and other investors with low cost of capital make accretive acquisitions difficult.



## OVERVIEW OF THE PROPERTY PORTFOLIO

### Property Portfolio

At December 31, 2015, Crombie's property portfolio consisted of 260 investment properties that contain approximately 17.7 million square feet of GLA in all ten provinces.

As at December 31, 2015, the portfolio distribution of the GLA by province was as follows:

Province	GLA (sq. ft.)			December 31, 2015	Number of Properties	% of GLA	% of Annual Minimum Rent
	January 1, 2015	Acquisitions (Dispositions)	Other				
AB	2,197,000	192,000	(3,000)	2,386,000	46	13.5%	18.9%
BC	1,373,000	43,000	—	1,416,000	33	8.0%	8.9%
MB	609,000	34,000	1,000	644,000	15	3.6%	4.6%
NB	1,650,000	—	(68,000)	1,582,000	21	9.0%	6.0%
NL	1,438,000	—	(24,000)	1,414,000	13	8.0%	10.6%
NS	5,348,000	8,000	18,000	5,374,000	45	30.4%	23.0%
ON	3,007,000	—	15,000	3,022,000	54	17.1%	17.8%
PE	78,000	50,000	—	128,000	3	0.7%	0.6%
QC	1,225,000	7,000	14,000	1,246,000	22	7.1%	7.0%
SK	454,000	—	—	454,000	8	2.6%	2.6%
Total	17,379,000	334,000	(47,000)	17,666,000	260	100.0%	100.0%

Since January 1, 2015, Crombie has a net increase of 334,000 square feet of GLA from acquisition activity consisting of:

- acquisition of three properties in Alberta, one property in British Columbia, and one property in Prince Edward Island with a total of 234,000;
- a 51,000 square foot addition to an existing property in Alberta and a 34,000 square foot addition to an existing property in Manitoba;
- acquisition of additional development of 8,000 square feet on an existing property in Nova Scotia and 7,000 square feet in Quebec.

Crombie continues to diversify its geographic concentration from its Atlantic Canadian roots through growth and divestiture opportunities. As at December 31, 2015, our allocation of Annual Minimum Rent consists of: Atlantic Canada 40.2%; Central Canada 24.8%; and Western Canada 35.0%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

### Portfolio Occupancy and Lease Activity

The portfolio occupancy and committed activity for the year ended December 31, 2015 were as follows:

Province	Occupied space (sq. ft.)					December 31, 2015	Committed Space (sq. ft.) <sup>(3)</sup>	Total Leased Space (sq. ft.)	Leased December 31, 2015
	January 1, 2015	Acquisitions (Dispositions)	New Leases <sup>(1)</sup>	Lease Expiries	Other Changes <sup>(2)</sup>				
AB	2,186,000	192,000	6,000	(3,000)	(5,000)	2,376,000	2,000	2,378,000	99.7%
BC	1,373,000	43,000	—	—	—	1,416,000	—	1,416,000	100.0%
MB	609,000	34,000	—	—	1,000	644,000	—	644,000	100.0%
NB	1,328,000	—	65,000	(1,000)	(170,000)	1,222,000	25,000	1,247,000	78.8%
NL	1,377,000	—	25,000	(28,000)	(3,000)	1,371,000	4,000	1,375,000	97.2%
NS	4,781,000	8,000	170,000	(24,000)	(119,000)	4,816,000	57,000	4,873,000	90.7%
ON	2,838,000	—	73,000	(7,000)	(122,000)	2,782,000	3,000	2,785,000	92.2%
PE	78,000	50,000	—	—	—	128,000	—	128,000	100.0%
QC	1,213,000	7,000	9,000	(2,000)	(1,000)	1,226,000	—	1,226,000	98.4%
SK	448,000	—	—	—	—	448,000	6,000	454,000	100.0%
Total	16,231,000	334,000	348,000	(65,000)	(419,000)	16,429,000	97,000	16,526,000	93.6%

(1) New leases include: new leases and expansions to existing properties.

(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.

(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space decreased to 97,000 square feet at December 31, 2015, from 99,000 square feet at year ended December 31, 2014.

Overall leased space (occupied plus committed) decreased from 94.0% at year ended December 31, 2014 to 93.6% at December 31, 2015. During 2015, Crombie had a net increase from acquisitions of 334,000 square feet of fully leased space; had new leases exceed expiries by 283,000 square feet; had increased vacancy from other changes primarily due to the disclaiming of three Target Canada leases representing approximately 329,000 square feet and, had committed space decreased by 2,000 square feet.

Target Canada disclaimed all three leases in our portfolio effective May 31, 2015, at Sydney Shopping Centre in Sydney, NS; Uptown Centre in Fredericton, NB; and, Algonquin Avenue Mall in North Bay, ON. The lease at North Bay, ON is guaranteed by Target Corporation and Crombie has commenced action to enforce the guarantee. Crombie has been actively pursuing the leasing of these spaces since Target entered CCAA in January 2015. These vacancies represent the vast majority of Other Changes to occupied space at December 31, 2015. These properties have been removed from same-asset results.

### Sector Information

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

As at December 31, 2015, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased <sup>(1)</sup>
Retail and Mixed Use	255	16,677,000	94.4%	95.7%	93.8%
Office	5	989,000	5.6%	4.3%	89.8%
Total	260	17,666,000	100.0%	100.0%	93.6%

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

As at December 31, 2014, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased <sup>(1)</sup>
Retail and Mixed Use	250	16,320,000	93.9%	95.5%	94.7%
Office	5	1,059,000	6.1%	4.5%	82.8%
Total	255	17,379,000	100.0%	100.0%	94.0%

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

Retail and mixed use properties represent 94.4% of Crombie's GLA and 95.7% of annual minimum rent at December 31, 2015 compared to 93.9% of GLA and 95.5% of annual minimum rent at December 31, 2014 reflecting Crombie's strategy to focus growth primarily on retail properties.

During the year ended December 31, 2015, Crombie renewed 246,000 square feet of 2015 maturities at an average rate of \$19.01 per square foot, an increase of 8.2% over the expiring lease rate. The renewal activity compares favourably with the average rent per square foot on full year 2015 lease maturities of \$16.61 per square foot. Crombie also renewed 231,000 square feet of 2016 and later expiring leases at an average rate of \$16.32 per square foot, an increase of 7.7% over the expiring lease rate.

New leasing activity affecting 2015 includes replacing 299,000 square feet of vacant or terminated space at an average rate of \$14.91 per square foot and 50,000 square feet of new square footage on existing properties at an average rate of \$16.90 per square foot. Current tenants have also expanded by 46,000 square feet in 2015 at an average rate of \$13.15 per square foot.

Documents have been executed for 2016 leasing on 136,000 square feet of new leases at an average rate of \$13.90 and expansions of current tenants of 4,000 square feet at an average rate of \$15.71.

Leased space in retail and mixed use properties of 93.8% at December 31, 2015, decreased from 94.7% at December 31, 2014 primarily due to the Target Canada vacancies referenced above. Leased space in office properties of 89.8% improved from 82.8% at December 31, 2014. This relates to the 2015 removal of a 67,000 square foot vacant office building in Moncton, NB from GLA as it is no longer being leased in the ordinary course and leasing progress at office buildings in Halifax and Moncton.

## Lease Maturities

The following table sets out as of December 31, 2015, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2016	227	1,068,000	6.0%	\$ 13.05
2017	183	884,000	5.0%	18.30
2018	168	673,000	3.8%	19.11
2019	168	819,000	4.7%	17.96
2020	159	796,000	4.5%	17.56
Thereafter	645	12,286,000	69.6%	18.24
Total	1,550	16,526,000	93.6%	\$ 17.90

## Property Development

Property development is a strategic priority for Crombie to improve net asset value, cash flow growth and unitholder value. With the acquisition of 70 Safeway properties from Sobeys in November 2013, Crombie added a sizeable number of locations in Canada's major cities. With urban intensification becoming an important reality across the country, Crombie management is focused on evaluating and undertaking Major Developments at certain properties, defined as properties where incurred costs are projected to be greater than \$50 million and where development may include a combination of commercial and/or residential uses ("Major Developments").

### Potential Major Developments

Crombie's current potential Major Developments have the potential to add up to 500,000 square feet of commercial GLA and up to 4,100,000 square feet (up to 4,700 units) of residential GLA (which may include either rental or condominium units). Included in Crombie's pipeline of 14 potential Major Developments are 11 properties in Western Canada, located primarily in Vancouver, British Columbia (7) and Calgary and Edmonton, Alberta (4) and three additional properties located in Central

Canada and Atlantic Canada. Based on Crombie's current estimates, total costs to develop these properties could reach \$1 to \$2 billion, of which Crombie may enter joint venture or other partnership arrangements to share cost, revenue, risks and development expertise depending upon the nature of each project. Each project remains subject to normal development approvals, achieving required economic hurdles and Board of Trustees approval.

Crombie has identified the following 14 existing locations as having potential to become Major Developments. Development of each property is subject to Management completing full due diligence on the opportunity, including commercial and residential components, as well as seeking all necessary Board, municipal/provincial and tenant approvals prior to proceeding. While the precise timing of each project is not determinable currently, Crombie expects that a number of these projects could be under construction over the next one to two years and/or complete over the next four to five years. The time horizon for certain of these projects could be longer and Crombie may choose to not proceed with development on some properties after further review and completion of financial accretion projections.

Existing Property	City, Province	Site Size	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Status
1. 1641 Davie Street	Vancouver, BC	1.09 acres	Safeway/Other tenants	Yes	Yes	Development Planning
2. 2733 West Broadway	Vancouver, BC	1.95 acres	Safeway	Yes	Yes	To be determined "TBD"
3. 3410 Kingsway	Vancouver, BC	3.74 acres	Safeway/Other tenants	Yes	Yes	TBD
4. 990 West 25 Avenue (King Edward)	Vancouver, BC	1.80 acres	Safeway	Yes	Yes	TBD
5. 1170 East 27 Street	North Vancouver, BC	2.82 acres	Safeway	Yes	Yes	TBD
6. 1780 East Broadway	Vancouver, BC	2.58 acres	Safeway	Yes	Yes	TBD
7. 813 11 Avenue SW	Calgary, AB	2.59 acres	Safeway	Yes	Yes	TBD
8. 524 Elbow Drive SW	Calgary, AB	1.60 acres	Safeway	Yes	Yes	Pre-planning
9. 410 10 Street NW	Calgary, AB	1.73 acres	Safeway	Yes	Yes	TBD
10. 10930 82 Avenue	Edmonton, AB	2.44 acres	Safeway/Other tenants	Yes	Yes	TBD
11. 1033 Austin Avenue	Coquitlam, BC	2.09 acres	Safeway	Yes	Yes	TBD
12. Brampton Mall	Brampton, ON	8.74 acres	Retail	Yes	Yes	TBD
13. Scotia Square	Halifax, NS	14.47 acres	Office/Retail	Yes	Yes	In Development
14. Avalon Mall	St. John's, NL	50.91 acres	Retail	Yes	No	Pre-planning



Projects described as having a "pre-planning" status include projects where Crombie has undertaken potential development planning, which could include seeking municipal approvals for zoning, developing image renderings, seeking potential commercial and/or residential development partners, evaluation of financing options and other activities required to determine viability of the opportunity.

Projects described as having a "development planning" status include projects where significant progress has been made in several areas of the pre-planning phase and Crombie is in the process of committing costs to undertake a Major Development.

Projects described as having an "in development" status include projects where internal approvals have been obtained and construction is imminent or underway.

The following section provides more detail for projects that have progressed beyond the pre-planning phase.

#### Properties in the Development Planning Phase

##### 1641 Davie Street, Vancouver, British Columbia

Davie Street is a single-storey retail plaza located in a high density residential area of downtown Vancouver, British Columbia. The site is currently anchored by a 32,000 square foot Safeway grocery store and a number of additional tenants. Crombie has entered into a partnership agreement with a Vancouver based development partner (Westbank) for the planned replacement of the existing retail asset with a new mixed use development. The proposed development currently envisions a new, larger grocery store with ancillary retail, and rental residential totaling up to 252,000 square feet (up to 320 rental units). Zoning is in place and a development permit application was submitted in December 2015. Under the current project, Crombie would ultimately retain 100% of the new commercial component and jointly own the rental residential component.

Province	Property	Current GLA
NS	Aberdeen Business Centre	390,000
ON	Algonquin Avenue Mall	211,000
NS	Amherst Centre	228,000
NS	Sydney Shopping Centre	214,000
NB	Uptown Centre	320,000

#### Properties in Development Phase

##### Scotia Square, Barrington St., Halifax, Nova Scotia

Scotia Square Complex is situated at the entrance to the downtown business district at the corner of Barrington and Duke St. The retail portion of the property is comprised of 290,000 square feet and is directly connected to two hotels and nearly 1,300,000 square feet of office space. Phase I of this major development involved a complete re-merchandising and renovation of the food court. This project was completed in early 2014 at a construction cost of approximately \$3 million. Phase II is a three level expansion on Barrington Street of approximately 25,000 square feet (gross building area) which includes a new and modern main entrance into the complex. The expansion is comprised of new third floor office space, second floor restaurant or retail, and new street level retail GLA. The new three storey glazed facade will improve the overall image of the facility. The construction cost for Phase II is expected to be approximately \$10 million. Crombie is also in the preplanning stage of a number of other office and/or residential development opportunities at this location for future development phases. The costs disclosed exclude direct tenant costs and include both productive capacity enhancement and recoverable amounts.

#### Property Redevelopment

On a regular basis, Crombie will complete redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Properties currently under redevelopment are excluded from same-asset results until the redevelopment is complete and the operating results from the property are available for the current and comparative reporting years.

As at December 31, 2015, Crombie properties currently under redevelopment include: Aberdeen Business Centre in New Glasgow, Nova Scotia, Algonquin Avenue Mall in North Bay, Ontario, Amherst Centre in Amherst, Nova Scotia, Sydney Shopping Centre in Sydney, Nova Scotia, Uptown Centre in Fredericton, New Brunswick, County Fair Mall in New Minas, Nova Scotia, Downsview Mall in Halifax, Nova Scotia, Kenmount Business Centre and Woodgate Plaza in St John's, Newfoundland and Labrador, Loch Lomond Place in Saint John, New Brunswick, and 1234 Main Street and 1222 Main Street in Moncton, New Brunswick.

The redevelopment of Aberdeen Business Centre, Algonquin Avenue Mall, Amherst Centre, Sydney Shopping Centre and Uptown Centre consists of redemising and developing vacant anchor space in readiness for leasing. Construction will be completed in phases in conjunction with leasing. Planning and design work is currently underway and is subject to management review and approval.

Province	Property	Current GLA	Development	Estimated Construction Cost <sup>(1)</sup>	Incurred To Date	Estimated Completion
NS	County Fair Mall–New Minas	268,000	To be determined	In planning	\$ —	To be determined
NS	Downsview Mall	69,000	Phased demolition and development	\$ 1,171	\$ 192	To be determined
NL	Kenmount Business Centre and Woodgate Plaza	98,000	Avalon Mall Master Plan	In planning	\$ —	To be determined
NB	Loch Lomond Place	192,000	To be determined	In planning	\$ —	To be determined
NB	1234 Main Street and 1222 Main Street	139,000	To be determined	In planning	\$ —	To be determined

(1) Excludes direct tenant costs

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

Downsview Mall – currently under redevelopment consisting of phased demolition and development. Site density planning is underway and is subject to management review and approval. GLA at this property has been reduced by 73,000 square feet for buildings currently being demolished.

Kenmount Business Centre and Woodgate Plaza – has been designated for redevelopment to facilitate planned major development at adjacent property Avalon Mall. As indicated in the previous section this major development is in the pre-planning stage.

Loch Lomond Place – has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval.

1234 Main Street and 1222 Main Street – Phase I redevelopment of 1234 Main Street has been completed. Initial planning of Phase II involving 1222 Main Street is underway. GLA at this property has been reduced by 67,000 square feet.

#### Productive Capacity Enhancement

In addition to major developments and work done on properties under redevelopment, Crombie also performs productive capacity enhancement on other properties which totals \$19,721 of investment for the year ended December 31, 2015. This spending is further discussed in the Maintenance Expenditures section.

### Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum rent as at December 31, 2015.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys <sup>(1)</sup>	49.9%	14.5 years
Shoppers Drug Mart	5.8%	11.6 years
Cineplex	1.5%	9.6 years
Province of Nova Scotia	1.3%	3.0 years
CIBC	1.2%	14.7 years
GoodLife Fitness	1.1%	11.3 years
Lawtons/Sobeys Pharmacy	1.1%	11.4 years
Dollarama	1.1%	6.5 years
Bank of Nova Scotia	1.0%	3.4 years
Best Buy Canada Ltd.	0.9%	5.6 years
<b>Total</b>	<b>64.9%</b>	

(1) Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 49.9% of annual minimum rent and Shoppers Drug Mart which accounts for 5.8% of annual minimum rent, no other tenant accounts for more than 1.5% of Crombie's annual minimum rent.

The weighted average remaining term of all Crombie leases is approximately 11.2 years. This lengthy remaining lease term is influenced by the average Sobeys and Shoppers Drug Mart remaining lease terms of 14.5 years and 11.6 years, respectively.

## FINANCIAL RESULTS

### Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At		
	December 31, 2015	December 31, 2014	December 31, 2013
Total assets	\$ 3,472,193	\$ 3,413,414	\$ 3,345,165
Total investment property debt and unsecured debt	\$ 2,170,801	\$ 2,073,354	\$ 2,043,066
Debt to gross book value – fair value basis <sup>(1)</sup>	52.5%	52.8%	53.0%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(In thousands of CAD dollars, except per unit amounts)

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Property revenue	\$ 92,847	\$ 90,602	\$ 2,245	\$ 369,866	\$ 358,319	\$ 11,547
Property operating expenses	28,858	27,324	(1,534)	113,261	109,620	(3,641)
Property NOI	63,989	63,278	711	256,605	248,699	7,906
NOI margin percentage	68.9%	69.8%	(0.9)%	69.4%	69.4%	—%
Other items:						
Gain (loss) on derecognition of investment properties	25	9,502	(9,477)	23	9,353	(9,330)
Impairment of investment properties	(7,300)	(7,500)	200	(12,575)	(10,750)	(1,825)
Depreciation and amortization	(16,789)	(16,024)	(765)	(66,576)	(64,124)	(2,452)
General and administrative expenses	(3,541)	(3,380)	(161)	(14,401)	(14,748)	347
Operating income before finance costs and taxes	36,384	45,876	(9,492)	163,076	168,430	(5,354)
Finance costs – operations	(24,600)	(24,449)	(151)	(98,611)	(99,466)	855
Operating income before taxes	11,784	21,427	(9,643)	64,465	68,964	(4,499)
Taxes – current	(39)	—	(39)	(2,936)	—	(2,936)
Taxes – deferred	2,200	800	1,400	4,200	2,425	1,775
Operating income attributable to Unitholders	13,945	22,227	(8,282)	65,729	71,389	(5,660)
Finance costs – distributions to Unitholders	(29,236)	(29,052)	(184)	(116,576)	(113,937)	(2,639)
Finance income (costs) – change in fair value of financial instruments	3,068	3,446	(378)	56	289	(233)
Decrease in net assets attributable to Unitholders	\$ (12,223)	\$ (3,379)	\$ (8,844)	\$ (50,791)	\$ (42,259)	\$ (8,532)
Operating income attributable to Unitholders per Unit, Basic	\$ 0.11	\$ 0.17		\$ 0.50	\$ 0.56	
Operating income attributable to Unitholders per Unit, Diluted	\$ 0.11	\$ 0.17		\$ 0.50	\$ 0.56	
Basic weighted average Units outstanding (in 000's)	131,182	130,383		130,788	127,257	
Diluted weighted average Units outstanding (in 000's)	131,334	130,550		130,946	127,433	
Distributions per Unit to Unitholders	\$ 0.22	\$ 0.22		\$ 0.89	\$ 0.89	

**Operating Results**

Operating income attributable to Unitholders for the three months ended December 31, 2015 of \$13,945 decreased by \$8,282 or 37.3% from \$22,227 for the three months ended December 31, 2014. The decrease was primarily due to:

- lower gain on derecognition of investment properties of \$9,477 related to the disposition of five retail properties in the fourth quarter of 2014; and,
- higher depreciation and amortization expense related to net property acquisitions.

These factors were offset in part by:

- overall higher property revenue of \$2,245 and property NOI of \$711 for the three months ended December 31, 2015 compared to the same period in 2014 resulting from:

- acquisitions completed during the fourth quarter of 2014 and during 2015, including four retail properties and two additions to existing retail properties acquired in the fourth quarter of 2015;
- leasing activity resulting in increased average rental rates on lease renewals as well as new leases;
- decreased property revenue from the loss of Target Canada as a tenant at three properties;
- decreased property revenue as a result of the disposition of five retail properties in the fourth quarter of 2014; and,
- higher property operating expenses from the net acquisition activity as well as an increase in non-recoverable expenses.



The decrease in operating income attributable to Unitholders for the year ended December 31, 2015 of \$5,660 from the year ended December 31, 2014 was due to the factors noted above, and was partially offset by an increase in lease termination income in 2015 of \$3,925 primarily related to two retail locations in the second quarter of 2015.

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

(In thousands of CAD dollars)	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Operating income attributable to Unitholders	\$ 13,945	\$ 22,227	\$ 65,729	\$ 71,389
Finance costs – distributions to Unitholders	(29,236)	(29,052)	(116,576)	(113,937)
Finance income (costs) – change in fair value of financial instruments	3,068	3,446	56	289
Decrease in net assets attributable to Unitholders	\$ (12,223)	\$ (3,379)	\$ (50,791)	\$ (42,259)

#### Classification of Crombie REIT Units and Class B LP Units with attached Special Voting Units (collectively the “Units”)

On transition to IFRS, Crombie determined that in accordance with IAS 32 Financial Instruments: Presentation, Crombie’s Units are to be classified as financial liabilities on the Consolidated Balance Sheet. Each of the REIT Units and Class B LP Units are puttable by the respective holder and meet the definition of financial liabilities under IFRS. IAS 32 provides an exception test which, if met, would result in either, or both, of the Units being classified as equity instruments. Crombie has

determined that the exception test has not been met for either the REIT Units or Class B LP Units and as such, Crombie has no instrument meeting the definition of equity instruments within the IFRS standard. As a result, since the Units are classified as financial liabilities on the Consolidated Balance Sheet, distributions on the Units are recognized as a finance charge on the Consolidated Statements of Comprehensive Income (Loss). Had either, or both, of the Units been classified as equity instruments, the related distributions would be recognized as a reduction to equity rather than a charge against income.

#### Property NOI

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

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Property NOI	\$ 63,989	\$ 63,278	\$ 711	\$ 256,605	\$ 248,699	\$ 7,906
Non-cash straight-line rent	(2,801)	(3,023)	222	(11,142)	(11,440)	298
Non-cash tenant incentive amortization	2,512	914	1,598	9,712	7,567	2,145
Property cash NOI	63,700	61,169	2,531	255,175	244,826	10,349
Acquisitions, dispositions and development property cash NOI	5,854	4,745	1,109	25,213	18,834	6,379
Same-asset property cash NOI	\$ 57,846	\$ 56,424	\$ 1,422	\$ 229,962	\$ 225,992	\$ 3,970

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The \$1,422 or 2.5% increase in same-asset cash NOI for the three months ended December 31, 2015 over the same period in 2014 is primarily the result of: increased average rent per square foot from leasing activity; rental rate increases in existing leases; improved recovery rates; and, revenues from land use intensifications at several properties.

The \$3,970 or 1.8% increase in same-asset cash NOI for the year ended December 31, 2015 over the same period in 2014 was impacted by the same factors noted above as well as increased lease termination income.

Acquisitions, dispositions and development property cash NOI increased \$1,109 for the three months ended December 31, 2015 over the same period in 2014 primarily due to acquisitions in the fourth quarter of 2015, offset in part by the loss of Target Canada as a tenant at three properties.

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

Same-asset property cash NOI is as follows:

(In thousands of CAD dollars)	Three months ended December 31,				Year ended December 31,			
	2015	2014	Variance	Percent	2015	2014	Variance	Percent
Retail and Mixed Use	\$ 55,112	\$ 53,852	\$ 1,260	2.3%	\$ 219,224	\$ 215,252	\$ 3,972	1.8%
Office	2,734	2,572	162	6.3%	10,738	10,740	(2)	—%
Same-asset property cash NOI	\$ 57,846	\$ 56,424	\$ 1,422	2.5%	\$ 229,962	\$ 225,992	\$ 3,970	1.8%

Variances in same-asset property cash NOI for the three months ended December 31, 2015 compared to the same period in 2014 include:

- Retail and Mixed Use increased \$1,260 or 2.3% due to increased base rent and related recoveries driven by new and renewal lease activity as well as continued land use intensification.

- Office increased \$162 or 6.3% as a result of improved occupancy.

Retail and Mixed Use same-asset property cash NOI for the year ended December 31, 2015 compared to the same period in 2014 were impacted by these same factors.

Acquisitions, dispositions and development property cash NOI is as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Acquisitions and dispositions property cash NOI	\$ 3,461	\$ 1,593	\$ 1,868	\$ 11,401	\$ 5,657	\$ 5,744
Development property cash NOI	2,393	3,152	(759)	13,812	13,177	635
Total acquisitions, dispositions and development property cash NOI	\$ 5,854	\$ 4,745	\$ 1,109	\$ 25,213	\$ 18,834	\$ 6,379

Growth in acquisitions and dispositions property cash NOI reflects the property acquisition and disposition activity throughout 2015 and 2014 including the acquisition of five retail properties in 2015.

Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and

a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful. The negative three month impact arises from the lower NOI of the three properties where Target Canada recently vacated as a tenant.

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

Property NOI for the three months and year ended December 31, 2015 by province was as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
AB	\$ 13,244	\$ 11,862	\$ 1,382	\$ 51,005	\$ 46,259	\$ 4,746
BC	6,449	6,232	217	25,609	24,487	1,122
MB	3,310	2,576	734	12,988	9,760	3,228
NB	2,822	3,527	(705)	12,295	14,502	(2,207)
NL	7,070	6,845	225	27,933	27,185	748
NS	13,397	14,312	(915)	52,941	55,517	(2,576)
ON	11,154	11,202	(48)	47,589	44,052	3,537
PE	347	584	(237)	1,001	2,380	(1,379)
QC	4,370	4,341	29	17,946	17,440	506
SK	1,826	1,797	29	7,298	7,117	181
Total	\$ 63,989	\$ 63,278	\$ 711	\$ 256,605	\$ 248,699	\$ 7,906

The variances in property NOI for the three months and year ended December 31, 2015 compared to the same period in 2014 primarily relate to:

- Alberta – property acquisitions including three properties during 2015, two in the fourth quarter and one in the third quarter; three properties during the fourth quarter of 2014; acquisition of additional development on an existing property during 2015 and also in 2014;
- British Columbia – property acquisitions including one property during the fourth quarter of 2015, two properties during the fourth quarter of 2014;
- Manitoba – acquisition of additional development on an existing property during the fourth quarter of 2015 and acquisition of two properties in the fourth quarter of 2014;
- New Brunswick – disposition of one property in the fourth quarter of 2014;
- Newfoundland – increased base rent and related recoveries driven by new and renewal lease activity partially offset by a property disposition in the fourth quarter of 2014;
- Nova Scotia – disposition of two properties in the fourth quarter of 2014 and the partial disposition of an existing property in the third quarter of 2014, partially offset by the acquisition of additions of development on existing retail properties in the fourth quarter of 2015 and the first quarter of 2014;
- Ontario – increased lease termination income in the second quarter of 2015; and,
- Prince Edward Island – disposition of one property in the fourth quarter of 2014 partially offset by the acquisition of a retail property in the fourth quarter of 2015 and one property in the fourth quarter of 2014.

#### FFO and AFFO

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-GAAP financial measures should not be considered as an alternative to cash provided by operating activities or any other measure prescribed under IFRS. FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. AFFO is

presented in this MD&A because management believes this non-GAAP measure is relevant to the ability of Crombie to earn and distribute returns to Unitholders. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REITs and, accordingly, may not be comparable to other such issuers.

#### Funds from Operations (FFO)

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

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

REALpac provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. During the second quarter of 2015, Crombie recognized \$3,995 in lease termination income, of which \$2,961 is non-cash and non-recurring in nature. Although not consistent with REALpac recommendations, Crombie has excluded this \$2,961 of non-cash lease termination income from FFO as management believes this better reflects Crombie's operating performance. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the three months and year ended December 31, 2015 and 2014 is as follows:



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(In thousands of CAD dollars, except per unit amounts)

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Decrease in net assets attributable to Unitholders	\$ (12,223)	\$ (3,379)	\$ (8,844)	\$ (50,791)	\$ (42,259)	\$ (8,532)
Add (deduct):						
Amortization of tenant incentives	2,512	914	1,598	9,712	7,567	2,145
Lease termination income, non-cash	—	—	—	(2,961)	—	(2,961)
Loss (gain) on derecognition of investment properties	(25)	(9,502)	9,477	(23)	(9,353)	9,330
Impairment of investment properties	7,300	7,500	(200)	12,575	10,750	1,825
Depreciation of investment properties	15,456	14,634	822	60,498	57,983	2,515
Amortization of deferred leasing costs	153	129	24	598	535	63
Amortization of intangible assets	1,180	1,261	(81)	5,480	5,606	(126)
Taxes – current on disposition of investment properties	(10)	—	(10)	2,066	—	2,066
Taxes – deferred	(2,200)	(800)	(1,400)	(4,200)	(2,425)	(1,775)
Finance costs – distributions to Unitholders	29,236	29,052	184	116,576	113,937	2,639
Finance costs (income) – change in fair value of financial instruments	(3,068)	(3,446)	378	(56)	(289)	233
<b>FFO</b>	<b>\$ 38,311</b>	<b>\$ 36,363</b>	<b>\$ 1,948</b>	<b>\$ 149,474</b>	<b>\$ 142,052</b>	<b>\$ 7,422</b>

The \$1,948 or 5.4% increase in FFO for the three months ended December 31, 2015 compared to the same period in 2014 was primarily due to increased property cash NOI results, including the impact of property acquisitions completed during the fourth quarter of 2015.

The \$7,422 or 5.2% increase in FFO for the year ended December 31, 2015 was primarily due to increased property cash NOI results, including acquisition and development activity during 2015 and 2014; lower finance costs – operations from refinancings and lower interest rates offset in part by increased income tax expense. During the three months ended June 30, 2015, Crombie recognized \$2,961 of non-cash lease termination income. This amount is expected to be offset by future development activity on other Crombie properties; therefore, Crombie has excluded this non-cash amount from the calculation of FFO.

**Adjusted Funds from Operations (AFFO)**

Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating activities which will be used to support future distribution payments. AFFO reflects cash

available for distributions after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

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

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of \$0.87 per square foot as a charge against AFFO. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. The rate will be reviewed periodically and adjusted if required. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The calculation of AFFO for the three months and year ended December 31, 2015 and 2014 is as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
FFO	\$ 38,311	\$ 36,363	\$ 1,948	\$ 149,474	\$ 142,052	\$ 7,422
Add (deduct):						
Amortization of effective swap agreements	623	642	(19)	2,520	2,797	(277)
Straight-line rent adjustment	(2,801)	(3,023)	222	(11,142)	(11,440)	298
Maintenance expenditures on a square footage basis	(3,823)	(3,771)	(52)	(15,198)	(15,233)	35
<b>AFFO</b>	<b>\$ 32,310</b>	<b>\$ 30,211</b>	<b>\$ 2,099</b>	<b>\$ 125,654</b>	<b>\$ 118,176</b>	<b>\$ 7,478</b>

AFFO for the three months ended December 31, 2015 was \$32,310, an increase of \$2,099 or 6.9% over the same period in 2014 and \$125,654 for the year ended December 31, 2015, an increase of \$7,478 or 6.3% over the same period in 2014. The AFFO increases are consistent with the FFO increases as previously explained.

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

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Cash provided by (used in) operating activities	\$ 17,858	\$ 10,494	\$ 7,364	\$ 41,114	\$ 21,985	\$ 19,129
Add back (deduct):						
Finance costs – distributions to Unitholders	29,236	29,052	184	116,576	113,937	2,639
Change in other non-cash operating items	(5,125)	(4,398)	(727)	(1,481)	1,093	(2,574)
Change in income taxes receivable	45	–	45	655	–	655
Unit-based compensation expense	(14)	(11)	(3)	(51)	(42)	(9)
Amortization of deferred financing charges	(729)	(762)	33	(3,616)	(3,171)	(445)
Amortization of issue premium on senior unsecured notes	13	45	(32)	54	45	9
Non-cash distributions to Unitholders in the form of DRIP Units	(5,141)	(438)	(4,703)	(11,504)	(438)	(11,066)
Maintenance expenditures on a square footage basis	(3,823)	(3,771)	(52)	(15,198)	(15,233)	35
Income taxes – current on disposition of investment properties	(10)	–	(10)	2,066	–	2,066
Lease termination income, non-cash	–	–	–	(2,961)	–	(2,961)
<b>AFFO</b>	<b>\$ 32,310</b>	<b>\$ 30,211</b>	<b>\$ 2,099</b>	<b>\$ 125,654</b>	<b>\$ 118,176</b>	<b>\$ 7,478</b>

### Maintenance Expenditures

There are two types of TI and capital expenditures:

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

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

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

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

(In thousands of CAD dollars)	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Total additions to investment properties	\$ 9,144	\$ 9,869	\$ 25,684	\$ 32,584
Less: productive capacity enhancements and recoverable amounts	(5,031)	(10,521)	(17,064)	(26,579)
Maintenance capital expenditures	\$ 4,113	\$ (652)	\$ 8,620	\$ 6,005

(In thousands of CAD dollars)	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Total additions to TI and deferred leasing costs	\$ 5,197	\$ 5,181	\$ 13,464	\$ 19,616
Less: productive capacity enhancements	(594)	(2,575)	(2,657)	(12,488)
Maintenance TI and deferred leasing costs	\$ 4,603	\$ 2,606	\$ 10,807	\$ 7,128

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

Maintenance capital expenditures for the year ended December 31, 2015, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and are reflective of the leasing activity during 2014 and 2015.

Productive capacity enhancements during the year ended December 31, 2015 consisted primarily of development work and GLA expansions at: Brossard, QC; Elmsdale Plaza, Elmsdale, NS; Hamlyn Road Plaza, St. John's, NL; Highland Square Mall, New Glasgow, NS; Mill Cove Plaza, Halifax, NS; Parry Sound, ON; Russell Lake Plaza, Halifax, NS; Scotia Square Mall, Halifax, NS; and, Stoney Creek Plaza, Stoney Creek, ON.

## Depreciation, Amortization and Impairment

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Same-asset depreciation and amortization	\$ 14,688	\$ 14,756	\$ 68	\$ 57,981	\$ 58,957	\$ 976
Acquisitions, dispositions and development depreciation/amortization	2,101	1,268	(833)	8,595	5,167	(3,428)
Depreciation and amortization	\$ 16,789	\$ 16,024	\$ (765)	\$ 66,576	\$ 64,124	\$ (2,452)

Same-asset depreciation and amortization decreased by \$68 for the three months ended December 31, 2015 and decreased by \$976 for the year ended December 31, 2015 compared to the same periods in 2014. Same-asset depreciation and amortization decreases over time as lease related costs are amortized over the term of the appropriate lease. During the first quarter of 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and the property was reclassified to same-asset and held for use. As a result, depreciation and amortization totaling \$673 was recognized in the first quarter, representing the depreciation and amortization that was not recorded while the property was classified as held for sale.

Acquisition, disposition and development depreciation and amortization increased as a result of net acquisition activity during 2015 and 2014. During the second quarter of 2015, Crombie accelerated depreciation and amortization related to vacated space resulting in increased quarterly depreciation and amortization expense compared to 2014.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by \$708,949 at December 31, 2015 (December 31, 2014 – \$563,060). Crombie uses the cost method for accounting for investment properties, and any increase in fair value over carrying value is not recognized until realized through disposition or derecognition of properties, while impairment, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

During the year ended December 31, 2015, Crombie recorded an impairment of \$12,575 on three retail properties and an office property. The impairments were the result of the fair value impact of tenant departures during the year; lower occupancy rates; and slower than expected leasing activity. 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.

## General and Administrative Expenses

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

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Salaries and benefits	\$ 1,956	\$ 1,903	\$ (53)	\$ 8,202	\$ 8,878	\$ 676
Professional fees	329	368	39	1,386	1,560	174
Public company costs	353	454	101	1,695	1,772	77
Rent and occupancy	181	198	17	917	948	31
Other	722	457	(265)	2,201	1,590	(611)
General and administrative expenses	\$ 3,541	\$ 3,380	\$ (161)	\$ 14,401	\$ 14,748	\$ 347
As a percentage of property revenue	3.8%	3.7%	(0.1)%	3.9%	4.1%	0.2%

For the three months ended December 31, 2015 general and administrative expenses, as a percentage of property revenue, were 3.8%, an increase of 0.1% from the same period in 2014, with expenses increasing \$161 or 4.8% and property revenue increasing 2.5%. The increase is due to increased employee training and development costs. For the year ended December 31, 2015 general and administrative expenses, as a percentage of property revenue, decreased 0.2% compared to the year ended December 31, 2014 with expenses decreasing \$347 or 2.4% and property revenue increasing by 3.2%. The decreases are primarily due to lower salary and benefit expenses, professional fees and public company costs.

#### Unit based compensation plans

##### (i) Deferred Unit Plan ("DU Plan")

Crombie has a DU Plan available to eligible trustees, officers and employees (the "Participants"), which is designed to promote a greater alignment of interests between the Trustees, officers and employees of Crombie and its Unitholders. Participation in the DU Plan is voluntary unless Crombie's Board of Trustees (the "Board") or Human Resources Committee ("HRC") decides that special compensation is to be provided in the form of Deferred Units ("DUs"). DUs granted under the DU Plan are fully vested at the time they are allocated, with the value of the award recorded as a liability and expensed as general and administrative expenses. DUs are not Crombie REIT Units and do not entitle a Participant to any Unitholder rights, including voting rights, distribution entitlements (other than those noted below) or rights on liquidation. During the time that a Participant has outstanding DUs, whenever cash distributions are paid on REIT Units, additional DUs will be credited to the Participant's DU account, determined by multiplying the number of DUs in the Participant's DU account on the REIT distribution record date by the distribution paid per REIT Unit, and dividing the result by the market value of a Unit as determined in accordance with the DU Plan. Additional DUs issued as a result of distributions vest on the same basis as noted above. A Participant may redeem their DU Plan in

whole or in part by filing a written notice of redemption; redemption will also occur as the result of specific events such as the retirement of a Participant. Upon redemption, a Participant will receive the net value of the vested DUs determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive one Crombie REIT Unit for each DU redeemed.

##### (ii) Restricted Unit Plan ("RU Plan")

Crombie has a RU Plan available to eligible executives and employees (the "RU Participants"), which is designed to promote a greater alignment of interests between the specific employees of Crombie and its Unitholders; and assist Crombie in attracting, retaining and rewarding specific employees. RU Participants will receive all or a portion of their long-term incentive plan awards in Restricted Units ("RUs"). The RUs vest over a period of not more than three years, ending on the final day of the third quarter of the third calendar year of the RUs term. The RUs are subject to vesting conditions including continuing employment. The number of RUs which fully vest is determined by: (a) the dollar amount of the award divided by the market value of a REIT Unit on the award grant date, plus (b) deemed distributions on RUs during the vesting period at a rate equivalent to the number of REIT Units that would have been issued had the vested RUs been treated as a REIT Unit. The RUs are accounted for under IAS 19 Employee benefits and the liability and expense are recognized over the service period which ends on the vesting date. On the vesting date, each eligible employee shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the eligible employees multiplied by the market value on the vesting date, as determined by the market value of a REIT Unit. Alternatively, an RU Participant who is an eligible employee on the vesting date may elect to convert their vested RUs to DUs under Crombie's DU Plan. No REIT Units or other securities of Crombie will be issued from treasury.

#### Finance Costs – Operations

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Same-asset finance costs	\$ 21,284	\$ 22,310	\$ 1,026	\$ 86,192	\$ 89,944	\$ 3,752
Acquisitions, dispositions and development finance costs	1,964	706	(1,258)	6,283	3,554	(2,729)
Amortization of effective swaps and deferred financing charges	1,352	1,433	81	6,136	5,968	(168)
Finance costs – operations	\$ 24,600	\$ 24,449	\$ (151)	\$ 98,611	\$ 99,466	\$ 855



Same-asset finance costs for the three months and year ended December 31, 2015 decreased compared to the same periods in 2014 primarily due to lower interest rates on refinancing of higher rate maturing debt including the impact of early redemption of \$45,000 5.75% Series C Convertible Debentures and issuance of \$125,000 2.775% Series C Five Year Senior Unsecured Notes which occurred in the first quarter of 2015.

Acquisitions, dispositions and development finance costs for the three months and year ended December 31, 2015 increased by \$1,258 and \$2,729, respectively, compared to the same period in 2014 primarily due to acquisition activity.

Details of distributions to Unitholders are as follows:

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Distributions to Unitholders	\$ 17,308	\$ 17,199	\$ 69,016	\$ 67,427
Distributions to Special Voting Unitholders	11,928	11,853	47,560	46,510
Total distributions	\$ 29,236	\$ 29,052	\$ 116,576	\$ 113,937
FFO payout ratio	76.3%	79.9%	78.0%	80.2%
AFFO payout ratio (target ratio = 95%)	90.5%	96.2%	92.8%	96.4%

#### Distribution Reinvestment Plan ("DRIP")

During the fourth quarter of 2014, Crombie instituted a DRIP whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. Units issued under the DRIP will be issued directly from the treasury of Crombie REIT at a price equal to 97% of the volume-weighted average trading price of the REIT units on the TSX for the five trading days immediately preceding the relevant distribution payment date, which is typically on or about the 15th day of the month following the declaration. Crombie recognizes the net proceeds in Net assets attributable to Unitholders.

#### Income Taxes

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

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout 2015 and continues to do so. The relevant tests apply throughout the

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

Taxation Year	Return of Capital	Investment Income	Capital Gains
2014 per \$ of distribution	64.4%	18.1%	17.5%
2013 per \$ of distribution	90.2%	9.8%	0.0%
2012 per \$ of distribution	67.1%	32.9%	0.0%
2011 per \$ of distribution	62.5%	37.5%	0.0%
2010 per \$ of distribution	64.7%	35.3%	0.0%

#### Finance Costs – Distributions

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

taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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 concluded and did not result in a reassessment of the completed returns.

The deferred tax liability of \$74,200 represents the future tax provision relating to the difference in tax and book values offset by non-capital losses for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

#### Taxation of Distributions

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

## LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

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

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to fund future growth:

- (i) secured short-term financing through an authorized three year revolving credit facility, maturing June 30, 2018, of up to \$300,000, subject to available borrowing base, of which \$130,000 (\$131,425 including outstanding letters of credit) was drawn at December 31, 2015;

- (ii) secured mortgage and term debt on unencumbered assets;
- (iii) senior unsecured notes;
- (iv) unsecured convertible debentures; and,
- (v) the issuance of new units.

On May 13, 2014 Crombie filed a Short Form Shelf Prospectus allowing for the issuance, from time to time, of Units and debt securities, or any combination thereof, having an aggregate offering price of up to \$500,000. This document is valid for a 25 month period. On May 30, 2014 Crombie issued 4,530,000 Units at a price of \$13.25 per Unit under this Base Shelf Prospectus.

### Capital Structure

(In thousands of CAD dollars)	December 31, 2015		December 31, 2014		December 31, 2013	
Investment property debt	\$ 1,641,203	49.5%	\$ 1,624,547	49.9%	\$ 1,694,200	53.5%
Senior unsecured notes	398,080	12.0%	273,592	8.4%	173,937	5.5%
Convertible debentures	131,518	4.0%	175,215	5.4%	174,929	5.5%
Crombie REIT Unitholders	694,484	20.9%	716,025	22.0%	680,935	21.5%
Special Voting Units and Class B Limited Partnership Unitholders	452,746	13.6%	467,289	14.3%	443,363	14.0%
	\$ 3,318,031	100.0%	\$ 3,256,668	100.0%	\$ 3,167,364	100.0%

### Liquidity and Financing Sources

#### Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to \$300,000 (the "revolving credit facility"), of which \$130,000 (\$131,425 including outstanding letters of credit) was drawn as at December 31, 2015. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers' acceptance rates plus a spread or specified margin over prime rate. The spread or specified margin changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2015, Crombie had

sufficient Borrowing Base to permit \$300,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

#### Mortgage debt

As of December 31, 2015, Crombie had fixed rate mortgages outstanding of \$1,517,123 (\$1,521,079 after including the fair value debt adjustment of \$3,956), carrying a weighted average interest rate of 4.62% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 6.6 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). Crombie currently has no outstanding interest rate swap agreements.

Principal repayments of the debt are scheduled as follows:

12 Months Ending	Maturing Debt Balances				Payments of Principal	Total Required Payments	% of Total
	Fixed Rate	Floating Rate	Total	% of Total			
December 31, 2016	\$ 43,168	\$ —	\$ 43,168	3.4%	\$ 48,392	\$ 91,560	5.6%
December 31, 2017	44,833	—	44,833	3.5%	45,188	90,021	5.5%
December 31, 2018	61,203	130,000	191,203	14.9%	44,479	235,682	14.3%
December 31, 2019	122,100	—	122,100	9.4%	44,826	166,926	10.1%
December 31, 2020	166,924	—	166,924	13.0%	37,535	204,459	12.4%
Thereafter	717,557	—	717,557	55.8%	140,918	858,475	52.1%
Total <sup>(1)</sup>	\$ 1,155,785	\$ 130,000	\$ 1,285,785	100.0%	\$ 361,338	\$ 1,647,123	100.0%

(1) Excludes fair value debt adjustment of \$3,956 and deferred financing charges of \$9,876.

Of the maturing debt balances, only 12.9% of fixed rate debt, and 21.7% of total maturing debt balances mature over the next three years.

#### Senior unsecured notes

	Maturity Date	Effective Interest Rate	December 31, 2015	December 31, 2014
Series A senior unsecured notes	October 31, 2018	3.986%	\$ 175,000	\$ 175,000
Series B senior unsecured notes	June 1, 2021	3.900%	100,000	100,000
Series C senior unsecured notes	February 10, 2020	2.775%	125,000	—
Unamortized Series B issue premium			294	348
Deferred financing charges			(2,214)	(1,756)
			<b>\$ 398,080</b>	<b>\$ 273,592</b>

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%. 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.

There are no required periodic principal payments with the full face value of the Notes due on their respective maturity dates.

#### Convertible debentures

	Conversion Price	Maturity Date	Interest Rate	December 31, 2015	December 31, 2014
Series C (CRR.DB.C)	\$ 15.30	February 18, 2015	5.75%	\$ —	\$ 45,000
Series D (CRR.DB.D)	\$ 20.10	September 30, 2019	5.00%	60,000	60,000
Series E (CRR.DB.E)	\$ 17.15	March 31, 2021	5.25%	74,400	74,400
Deferred financing charges				(2,882)	(4,185)
				<b>\$ 131,518</b>	<b>\$ 175,215</b>

Maximum REIT Units issuable at December 31, 2015 was 2,985,074 for Series D Debentures and 4,338,192 for Series E Debentures.

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its 5.75% 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.

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

For the first three years from the date of issue, there is no ability to redeem the convertible debentures, after which, each series of convertible debentures has a period, lasting two years, during which the convertible debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading

price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and to the maturity date, the convertible debentures may be redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the convertible debentures at maturity or upon redemption, in whole or in part, by issuing the number of REIT Units equal to the principal amount of the convertible debentures then outstanding divided by 95% of the volume-weighted average trading price of the REIT Units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, convertible debenture holders have the right to put the convertible debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

#### REIT Units and Class B LP Units and the attached Special Voting Units

For the year ended December 31, 2015, Crombie issued 540,131 REIT Units and 383,036 Class B LP Units under the DRIP at a three percent (3%) discount to market prices as determined under the DRIP. In addition, 13,398 REIT Units were issued on conversion of \$205 Series C Debentures.

Total units outstanding at January 31, 2016, were as follows:

Units	77,939,635
Special Voting Units <sup>(1)</sup>	53,716,471

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 53,716,471 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

In addition to the total units outstanding at January 31, 2016, Crombie has convertible debentures which could result in a total of 7,323,266 REIT Units being issued should all outstanding debentures be converted.

### Sources and Uses of Funds

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Cash provided by (used in):						
Operating activities	\$ 17,858	\$ 10,494	\$ 7,364	\$ 41,114	\$ 21,985	\$ 19,129
Financing activities	\$ 59,051	\$ 89,057	\$ (30,006)	\$ 75,664	\$ 108,320	\$ (32,656)
Investing activities	\$ (75,852)	\$ (98,940)	\$ 23,088	\$ (116,332)	\$ (136,861)	\$ 20,529

### Operating Activities

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Cash provided by (used in):						
Net assets attributable to						
Unitholders and non-cash items	\$ 12,817	\$ 6,096	\$ 6,721	\$ 43,224	\$ 23,078	\$ 20,146
Non-cash operating items	5,125	4,398	727	1,481	(1,093)	2,574
Income taxes paid	(84)	—	(84)	(3,591)	—	(3,591)
Cash provided by (used in) operating activities	\$ 17,858	\$ 10,494	\$ 7,364	\$ 41,114	\$ 21,985	\$ 19,129

The increase in cash from operating activities is primarily related to the improvement in cash NOI results and is affected by the timing of receipts and payments.

### Financing Activities

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Cash provided by (used in):						
Net issue (repayment) of mortgage loans and borrowings	\$ 59,128	\$ 88,816	\$ (29,688)	\$ (3,326)	\$ (71,568)	\$ 68,242
Net issue of senior unsecured notes	—	(26)	26	124,012	99,350	24,662
Net issue of units	—	49	(49)	—	97,196	(97,196)
Net issue (redemption) of convertible debentures	—	—	—	(44,795)	—	(44,795)
Other items (net)	(77)	218	(295)	(227)	(16,658)	16,431
Cash provided by (used in) financing activities	\$ 59,051	\$ 89,057	\$ (30,006)	\$ 75,664	\$ 108,320	\$ (32,656)

Cash from financing activities decreased by \$30,006 for the three months ended December 31, 2015 and by \$32,656 for the year ended December 31, 2015 compared to the same periods in 2014. During the year ended December 31, 2015 Crombie raised funds through the issuance of 2.775% Series C Notes (senior unsecured). Funds raised from the issuance were used to repay maturing mortgages and the outstanding 5.75% Series C Convertible Unsecured Subordinated Debentures. During the year ended December 31, 2014, Crombie

raised funds through the issuance of REIT Units and Class B LP Units and 3.962% Series B Notes (senior unsecured). The funds raised were used to reduce the floating rate revolving credit facility. During the three months ended December 31, 2015, Crombie issued \$113,650 in new mortgages with a weighted average interest rate of 2.85% and weighted average term of 4.7 years, resulting in a cash inflow from mortgage loans and borrowings in the quarter.



## Investing Activities

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2015	2014	Variance	2015	2014	Variance
Cash provided by (used in):						
Acquisition of investment properties and intangible assets	\$ (61,511)	\$ (145,651)	\$ 84,140	\$ (79,954)	\$ (157,544)	\$ 77,590
Additions to investment properties	(9,144)	(9,869)	725	(25,684)	(32,584)	6,900
Proceeds on disposal of investment properties	—	61,761	(61,761)	2,770	67,053	(64,283)
Additions to tenant incentives	(5,063)	(4,957)	(106)	(12,638)	(18,683)	6,045
Additions to deferred leasing costs	(134)	(224)	90	(826)	(933)	107
Other items (net)	—	—	—	—	5,830	(5,830)
Cash provided by (used in) investing activities	\$ (75,852)	\$ (98,940)	\$ 23,088	\$ (116,332)	\$ (136,861)	\$ 20,529

Cash used in investing activities was \$75,852 and \$116,332 for the three months and year ended December 31, 2015. The \$23,088 and \$20,529 decreases in use of cash compared to the same periods in 2014 related to decreased property acquisitions, decreased additions to investment properties and lower proceeds for dispositions in 2015 compared to 2014.

### Borrowing Capacity and Debt Covenants

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

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

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any outstanding letters of credit, may not exceed the "Aggregate Coverage Amount", which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At December 31, 2015, the remaining amount available under the revolving credit facility was \$170,000 (prior to reduction for standby letters of credit outstanding of \$1,425) and was not limited by the Aggregate Coverage Amount.

At December 31, 2015, Crombie remained in compliance with all debt covenants.

### Debt to Gross Book Value – Fair Value Basis

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

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

The debt to gross book value on a fair value basis was 52.5% and 52.8% at December 31, 2015 and December 31, 2014, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value – fair value basis, depending upon Crombie's future acquisitions and financing opportunities.

(In thousands of CAD dollars, except as otherwise noted)	As at				
	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Fixed rate mortgages	\$ 1,521,079	\$ 1,427,408	\$ 1,445,772	\$ 1,471,482	\$ 1,490,187
Senior unsecured notes	400,000	400,000	400,000	400,000	275,000
Convertible debentures	134,400	134,400	134,400	134,400	179,400
Revolving credit facility payable	130,000	163,663	135,976	92,887	145,000
Total debt outstanding	2,185,479	2,125,471	2,116,148	2,098,769	2,089,587
Less: Applicable fair value debt adjustment	(1,721)	(1,820)	(1,934)	(2,061)	(2,203)
Debt	\$ 2,183,758	\$ 2,123,651	\$ 2,114,214	\$ 2,096,708	\$ 2,087,384
Investment properties, at fair value	\$ 4,143,000	\$ 4,042,000	\$ 4,019,000	\$ 4,002,000	\$ 3,939,000
Long term receivables	13,933	13,838	13,755	13,687	13,631
Other assets, cost <sup>(1)</sup>	23,152	29,869	43,352	24,234	23,232
Cash and cash equivalents	1,057	—	—	—	611
Deferred financing costs	14,972	14,822	15,511	16,188	16,581
Interest rate subsidy	(1,721)	(1,820)	(1,934)	(2,061)	(2,203)
FV adjustment to deferred taxes	(34,645)	(34,645)	(34,645)	(34,645)	(34,645)
Gross book value – fair value basis	\$ 4,159,748	\$ 4,064,064	\$ 4,055,039	\$ 4,019,403	\$ 3,956,207
Debt to gross book value – fair value basis	52.5%	52.3%	52.1%	52.2%	52.8%

(1) Other assets exclude Tenant incentives and Accrued straight-line rent receivable.

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

#### Interest and Debt Service Coverage Ratios

Crombie's interest and debt service coverage ratios for the year ended December 31, 2015 were 2.72 times EBITDA and 1.81 times EBITDA. This compares to 2.58 times EBITDA and 1.72 times EBITDA, respectively, for

the year ended December 31, 2014. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31,	
	2015	2014
Property revenue	\$ 369,866	\$ 358,319
Amortization of tenant incentives	9,712	7,567
Adjusted property revenue	379,578	365,886
Property operating expenses	(113,261)	(109,620)
General and administrative expenses	(14,401)	(14,748)
EBITDA (1)	\$ 251,916	\$ 241,518
Finance costs – operations	\$ 98,611	\$ 99,466
Amortization of deferred financing charges	(3,616)	(3,171)
Amortization of effective swap agreements	(2,520)	(2,797)
Adjusted interest expense (2)	\$ 92,475	\$ 93,498
Debt repayments	\$ 121,440	\$ 111,838
Amortization of fair value debt premium	(837)	(1,295)
Payments relating to interest rate subsidy	(482)	(700)
Payments relating to credit facilities	(15,000)	24,550
Lump sum payments on mortgages	(58,050)	(87,633)
Adjusted debt repayments (3)	\$ 47,071	\$ 46,760
Interest service coverage ratio {(1)/(2)}	2.72	2.58
Debt service coverage ratio {(1)/((2)+(3))}	1.81	1.72

## ACCOUNTING

### Related Party Transactions

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

As at December 31, 2015, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.2%) indirect interest in Crombie.

Crombie's transactions with related parties, including Empire and its subsidiaries, are as follows:

	Note	Three months ended December 31,		Year ended December 31,	
		2015	2014	2015	2014
Property revenue	(a)	\$ 38,048	\$ 36,240	\$ 160,470	\$ 152,855
Head lease income	(b)	\$ 170	\$ 258	\$ 736	\$ 947
Management support services provided	(c)	\$ 71	\$ 146	\$ 377	\$ 431
Property management services	(d)	\$ 231	\$ 107	\$ 869	\$ 500
Lease termination income		\$ —	\$ —	\$ 3,999	\$ —
Rental expense	(e)	\$ —	\$ 47	\$ 78	\$ 187
Property operating expenses		\$ 33	\$ 42	\$ 135	\$ 145
Interest rate subsidy	(b)	\$ 99	\$ 154	\$ 482	\$ 700
Interest income		\$ 179	\$ 180	\$ 711	\$ 544
Finance costs – operations	(f)	\$ 303	\$ 303	\$ 1,200	\$ 1,200
Finance costs – distributions to Unitholders		\$ 12,130	\$ 12,054	\$ 48,369	\$ 47,318

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

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

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

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

(e) Crombie previously leased its head office space from ECLD. The lease was terminated in May, 2015.

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

In addition to the above:

- During the fourth quarter of 2015, Crombie acquired four retail properties and additions to two existing retail properties from Empire for \$60,825 excluding closing and transaction costs. The properties, located in Alberta, British Columbia, Prince Edward Island, Manitoba and Quebec, contain approximately 225,300 square feet of fully occupied space.
- 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 is being received in non-cash considerations. 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 year ended December 31, 2015, Crombie issued 383,036 (December 31, 2014 – 15,153) Class B LP Units to ECLD under the DRIP.
- During the year ended December 31, 2015, Crombie and ECLD negotiated an extension of a rental income guarantee and put option on a property Crombie acquired from ECLD in 2006. The rental income guarantee and put option were originally scheduled to mature in March 2016 and have been extended for a period of five years with either party having the ability to terminate the agreements with written notice. The fixed price put option is in excess of the carrying value of the property.

- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeyes Developments Limited Partnership (“SDLP”). Crombie’s 50% portion of the acquisition cost was \$2,676, including closing and transaction costs.
- During the fourth quarter of 2014, Crombie acquired eight retail properties from Empire for \$100,985 excluding closing adjustments and transaction costs. The properties, containing approximately 424,000 square feet of GLA, included one in Prince Edward Island, Ontario and Manitoba, three in Alberta and two in British Columbia. Crombie also acquired additional development space from Empire on a pre-existing retail property for \$2,508 excluding 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 transaction costs. 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 December 31.		Year ended December 31.	
	2015	2014	2015	2014
Salary, bonus and other short-term employee benefits	\$ 835	\$ 1,066	\$ 2,860	\$ 4,158
Other long-term benefits	24	26	102	103
	<b>\$ 859</b>	<b>\$ 1,092</b>	<b>\$ 2,962</b>	<b>\$ 4,261</b>

During the year ended December 31, 2015, Crombie’s long-term incentive plan award for key management personnel is included in the RU Plan, which recognizes the expense and liability over the service period ending on the vesting date. As a result, salary and bonus expense has decreased compared to the same period in 2014.

### Use of Estimates and Judgments

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

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

### Critical Accounting Estimates and Assumptions

#### Investment property acquisitions

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination.

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

Crombie allocates the purchase price based on the following:

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

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

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

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



### Investment properties

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

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

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

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

### Change in useful life of investment properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and are accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

### Revenue recognition

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

### Critical Judgments

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

#### Impairment of long-lived tangible and definite life intangible assets

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

belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

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

### Defined benefit liability

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

### Investment property valuation

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

### Deferred taxes

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

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

#### Purchase price allocation

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

#### Fair value of financial instruments

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

The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value

estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

#### Financial Instruments

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2015:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Marketable securities	\$ —	\$ —	\$ 1,965	\$ 1,965
Total financial assets measured at fair value	\$ —	\$ —	\$ 1,965	\$ 1,965
<b>Financial liabilities</b>				
Unit based compensation plans	\$ 842	\$ —	\$ —	\$ 842
Total financial liabilities measured at fair value	\$ 842	\$ —	\$ —	\$ 842

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2015.

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 embedded derivatives).

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

	December 31, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets</b>				
Long-term receivables	\$ 13,968	\$ 13,933	\$ 13,663	\$ 13,631
Total other financial assets	\$ 13,968	\$ 13,933	\$ 13,663	\$ 13,631
<b>Financial liabilities</b>				
Investment property debt	\$ 1,782,776	\$ 1,651,079	\$ 1,757,910	\$ 1,635,187
Senior unsecured notes	405,348	400,000	284,778	275,000
Convertible debentures	138,360	134,400	183,698	179,400
Total other financial liabilities	\$ 2,326,484	\$ 2,185,479	\$ 2,226,386	\$ 2,089,587

### Commitments and Contingencies

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

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

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire.

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 December 31, 2015, Crombie has a total of \$1,425 in outstanding letters of credit related to:

	December 31,	
	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 9 to 74 years including renewal options. For the three months and year ended December 31, 2015, Crombie paid \$354 and \$1,418, respectively, in land lease

payments to third party landlords (three months and year ended December 31, 2014 – \$308 and \$1,225, respectively).

As at December 31, 2015, Crombie had signed construction contracts totaling \$16,736 of which \$11,516 has been paid.

## RISK MANAGEMENT

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

### Real Property Ownership and Tenant Risks

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

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

### Credit Risk

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

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2015:

- Excluding Sobeys (which accounts for 49.9% of Crombie's go forward minimum rent), no other tenant accounts for more than 5.8% of Crombie's minimum rent, and;
- Over the next five years, no more than 6.0% of the gross leasable area of Crombie will expire in any one year.

Crombie earned property revenue of \$160,470 for the year ended December 31, 2015 (year ended December 31, 2014 – \$152,855) from Sobeys Inc. and other subsidiaries of Empire.

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

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

	Year ended December 31, 2015	Year ended December 31, 2014
Provision for doubtful accounts, beginning of year	\$ 59	\$ 47
Additional provision	20	(43)
Recoveries	(38)	(33)
Write-offs	19	88
Provision for doubtful accounts, end of year	\$ 60	\$ 59

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

### Competition

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

### Risk Factors Related to the Business of Crombie

#### Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 51.0% of the annual minimum rent generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

#### Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition. Crombie's portfolio of properties was historically heavily concentrated in Atlantic Canada. Through property acquisitions and dispositions over the last three years, Crombie has reduced its geographic concentration in Atlantic Canada, and reduced the adverse impact an economic downturn concentrated in Atlantic Canada could have on Crombie's financial condition. The geographic breakdown of properties and

percentage of annual minimum rent of Crombie's properties as at December 31, 2015 is detailed under the Property Portfolio section.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 43.4% at December 31, 2013 to 40.2% at December 31, 2015.

### 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. Crombie does not enter into interest rate swaps on a speculative basis.

As at December 31, 2015:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 6.6 years;
- Crombie has a floating rate revolving credit facility available to a maximum of \$300,000, subject to available borrowing base, with a balance of \$130,000 at December 31, 2015; and,
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that \$2,440 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2016, based on all settled swap agreements as of December 31, 2015.

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	
	Decrease in rate	Increase in rate
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility		
<b>Three months ended December 31, 2015</b>	<b>\$ 172</b>	<b>\$ (172)</b>
Three months ended December 31, 2014	\$ 109	\$ (109)
<b>Year ended December 31, 2015</b>	<b>\$ 635</b>	<b>\$ (635)</b>
Year ended December 31, 2014	\$ 334	\$ (334)

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.

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

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

Access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

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

	Contractual Cash Flows <sup>(1)</sup>	Year ending December 31,					
		2016	2017	2018	2019	2020	Thereafter
Fixed rate mortgages <sup>(2)</sup>	\$ 1,908,629	\$ 158,514	\$ 152,448	\$ 163,332	\$ 221,009	\$ 245,318	\$ 968,008
Senior unsecured notes	455,486	14,407	14,407	188,244	7,431	129,346	101,651
Convertible debentures	166,157	6,906	6,906	6,906	66,156	3,906	75,377
	2,530,272	179,827	173,761	358,482	294,596	378,570	1,145,036
Floating rate revolving credit facility	138,060	3,224	3,224	131,612	—	—	—
<b>Total</b>	<b>\$ 2,668,332</b>	<b>\$ 183,051</b>	<b>\$ 176,985</b>	<b>\$ 490,094</b>	<b>\$ 294,596</b>	<b>\$ 378,570</b>	<b>\$ 1,145,036</b>

(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.

### Environmental Matters

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

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

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

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

### Potential Conflicts of Interest

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

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of ECL and/or its affiliates or will provide management or other services to ECL and its affiliates. ECL and its affiliates are engaged in a wide variety of real estate and other business activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and ECL have entered into a number of agreements to outline how potential conflicts of interest will be dealt with including a Non-Competition Agreement, Management Cost Sharing Agreement and Development Agreement. As well, the Declaration of Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of ECL appointees to the Board, "conflict of interest" guidelines, as well as outlining which matters require the approval of a majority of the independent elected trustees such as any property acquisitions or dispositions between Crombie and ECL or another related party.

### Reliance on Key Personnel

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

### Reliance on ECL, Sobeys and Other Empire Affiliates

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

### Prior Commercial Operations

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

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

### Risk Factors Related to the Units

#### Cash Distributions Are Not Guaranteed

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

#### Restrictions on Redemptions

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

#### Potential Volatility of Unit Prices

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

#### Tax-Related Risk Factors

Crombie intends to make distributions not less than the amount necessary to eliminate Crombie's liability for tax under Part I of the Income Tax Act (Canada). Where the amount of net income and net realized capital gains of Crombie in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

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

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

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

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

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

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2015 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

#### Indirect Ownership of Units by Empire

ECL holds a 41.5% (fully diluted 40.2%) economic interest in Crombie through the ownership of REIT and Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECL is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

#### Ownership of Debentures

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

#### Ownership of Senior Unsecured Notes ("Notes")

There is no market through which the Notes may be sold. Crombie does not intend to list the Notes on any securities exchange or include the Notes in any automated quotation system.

Therefore, an active market for the Notes may not develop or be maintained, which would adversely affect the market price and liquidity of the Notes. In such case, the holders of the Notes may not be able to sell their Notes at a particular time or at a favorable price. If a trading market were to develop, future trading prices of the Notes may be volatile and will depend on many factors, including:

- the number of holders of Notes;
- prevailing interest rates;
- Crombie's operating performance and financial condition;
- the interest of securities dealers in making a market for them; and,
- the market for similar securities.

Even if an active trading market for the Notes does develop, there is no guarantee that it will continue. The Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar Notes, Crombie's performance and other factors.

## SUBSEQUENT EVENTS

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- (a) On January 20, 2016 Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2016 to and including, January 31, 2016. The distributions were paid on February 15, 2016, to Unitholders of record as of January 29, 2016.
- (b) On February 17, 2016 Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2016 to and including, February 29, 2016. The distributions will be paid on March 14, 2016, to Unitholders of record as of February 29, 2016.
- (c) On January 29, 2016 Crombie and a third party waived conditions for the disposition of 11 properties totaling 857,000 square feet of gross leasable area, with an expected closing in the first quarter of 2016. Total proceeds, before closing adjustments and transaction costs, are approximately \$150,000 resulting in a pre-tax gain on disposal of approximately \$30,000.

## CONTROLS AND PROCEDURES

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Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President, Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2015. They have concluded that our current disclosure controls and procedures are effective.

In addition, our CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. The control framework management used to design and assess the effectiveness of ICFR is *Internal Control-Integrated Framework (2013)* issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR as at December 31, 2015, and have concluded that our current ICFR was effective based on that evaluation. There have been no material changes to Crombie's internal controls during the year.



## QUARTERLY INFORMATION

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

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended							
	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
Property revenue	\$ 92,847	\$ 89,611	\$ 94,907	\$ 92,501	\$ 90,602	\$ 87,796	\$ 89,008	\$ 90,913
Property operating expenses	28,858	26,892	27,328	30,183	27,324	25,333	27,409	29,554
Property net operating income	63,989	62,719	67,579	62,318	63,278	62,463	61,599	61,359
Gain (loss) on derecognition	25	—	—	(2)	9,502	11	(3)	(157)
Expenses:								
General and administrative	(3,541)	(3,923)	(3,463)	(3,474)	(3,380)	(3,529)	(4,083)	(3,756)
Finance costs – operations	(24,600)	(24,306)	(24,287)	(25,418)	(24,449)	(24,701)	(25,070)	(25,246)
Depreciation and amortization	(16,789)	(16,340)	(16,925)	(16,522)	(16,024)	(15,632)	(15,943)	(16,525)
Impairment	(7,300)	—	(5,275)	—	(7,500)	(3,250)	—	—
Operating income before taxes	11,784	18,150	17,629	16,902	21,427	15,362	16,500	15,675
Taxes – current	(39)	(621)	(2,276)	—	—	—	—	—
Taxes – deferred	2,200	400	1,800	(200)	800	900	500	225
Operating income	13,945	17,929	17,153	16,702	22,227	16,262	17,000	15,900
Finance costs – distributions to Unitholders	(29,236)	(29,153)	(29,111)	(29,076)	(29,052)	(29,050)	(28,480)	(27,355)
Finance income (costs) – change in fair value of financial instruments	3,068	(3,112)	368	(268)	3,446	(3,342)	130	55
Decrease in net assets attributable to Unitholders	\$ (12,223)	\$ (14,336)	\$ (11,590)	\$ (12,642)	\$ (3,379)	\$ (16,130)	\$ (11,350)	\$ (11,400)
Operating income per unit – Basic	\$ 0.11	\$ 0.14	\$ 0.13	\$ 0.13	\$ 0.17	\$ 0.12	\$ 0.14	\$ 0.13
Operating income per unit – Diluted	\$ 0.11	\$ 0.14	\$ 0.13	\$ 0.13	\$ 0.17	\$ 0.12	\$ 0.14	\$ 0.13

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended							
	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
AFFO	\$ 32,310	\$ 30,694	\$ 32,733	\$ 29,917	\$ 30,211	\$ 30,224	\$ 28,972	\$ 28,769
FFO	\$ 38,311	\$ 36,312	\$ 39,079	\$ 35,772	\$ 36,363	\$ 36,359	\$ 34,836	\$ 34,494
Distributions	\$ 29,236	\$ 29,153	\$ 29,111	\$ 29,076	\$ 29,052	\$ 29,050	\$ 28,480	\$ 27,355
AFFO per unit – basic	\$ 0.25	\$ 0.23	\$ 0.25	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23
AFFO per unit – diluted <sup>(1)</sup>	\$ 0.25	\$ 0.23	\$ 0.25	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23
FFO per unit – basic	\$ 0.29	\$ 0.28	\$ 0.30	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
FFO per unit – diluted <sup>(1)</sup>	\$ 0.29	\$ 0.28	\$ 0.30	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.27	\$ 0.28
Distributions per unit	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22

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

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

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
  - December 31, 2015 – acquisition of four retail properties and two additions to existing retail properties for a total purchase price of \$60,825;
  - September 30, 2015 – acquisition of one retail property for a total purchase price of \$20,500;
  - June 30, 2015 – acquisition of an addition to an existing retail property for a total purchase price of \$2,333;
  - March 31, 2015 – acquisition of an addition to an existing retail property for a total purchase price of \$12,650;
  - December 31, 2014 – acquisition of 11 retail properties and one development addition to an existing retail property for a total purchase price of \$142,447 and five retail property dispositions for proceeds of \$65,000; and,
  - June 30, 2014 – acquisition of one retail property for a total purchase price of \$10,176.
- Property revenue and property operating expenses – Crombie's business is subject to seasonal fluctuations. Property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.
- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs, of \$97,147 in the quarter ended June 30, 2014.

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

Dated: February 24, 2016  
New Glasgow, Nova Scotia, Canada

# Management's Statement of Responsibility for Financial Reporting

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

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

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



Donald E. Clow, FCPA, FCA  
President and  
Chief Executive Officer

February 24, 2016



Glenn R. Hynes, FCPA, FCA  
Executive Vice President,  
Chief Financial Officer and Secretary

February 24, 2016

# Independent Auditor's Report

## To the Unitholders of Crombie Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Crombie Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive income (loss), changes in net assets attributable to unitholders and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crombie Real Estate Investment Trust as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

The logo for Grant Thornton LLP is written in a black, cursive script font. The words "Grant Thornton" are connected together, and "LLP" is written separately to the right.

Chartered Accountants  
Halifax, Canada

February 24, 2016



# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEETS

(In thousands of CAD dollars)	Note	December 31, 2015	December 31, 2014
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	3	\$ 3,157,279	\$ 3,196,097
Intangible assets	4	45,607	48,106
Other assets	5	100,891	93,489
Long-term receivables	6	600	12,572
		<b>3,304,377</b>	<b>3,350,264</b>
<b>Current assets</b>			
Cash and cash equivalents		1,057	611
Other assets	5	33,978	27,902
Long-term receivables	6	13,333	1,059
Investment properties held for sale	7	119,448	33,578
		<b>167,816</b>	<b>63,150</b>
<b>Total Assets</b>		<b>3,472,193</b>	<b>3,413,414</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Investment property debt	8	1,548,648	1,496,925
Senior unsecured notes	9	398,080	273,592
Convertible debentures	10	131,518	175,215
Deferred taxes	11	74,200	78,400
Employee future benefits obligation	12	7,736	7,803
Trade and other payables	13	6,661	4,781
		<b>2,166,843</b>	<b>2,036,716</b>
<b>Current liabilities</b>			
Investment property debt	8	92,555	127,622
Employee future benefits obligation	12	246	239
Trade and other payables	13	65,319	65,523
		<b>158,120</b>	<b>193,384</b>
Total liabilities excluding net assets attributable to Unitholders		<b>2,324,963</b>	<b>2,230,100</b>
Net assets attributable to Unitholders		<b>\$ 1,147,230</b>	<b>\$ 1,183,314</b>
<b>Net assets attributable to Unitholders represented by:</b>			
Crombie REIT Unitholders		<b>\$ 694,484</b>	<b>\$ 716,025</b>
Special Voting Units and Class B Limited Partnership Unitholders		<b>452,746</b>	<b>467,289</b>
		<b>\$ 1,147,230</b>	<b>\$ 1,183,314</b>
Commitments and contingencies	23		
Subsequent events	24		

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of CAD dollars)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Property revenue	14	\$ 369,866	\$ 358,319
Property operating expenses		113,261	109,620
<b>Net property income</b>		<b>256,605</b>	<b>248,699</b>
Gain (loss) on derecognition of investment properties		23	9,353
Impairment of investment properties	3	(12,575)	(10,750)
Depreciation of investment properties	3	(60,498)	(57,983)
Amortization of deferred leasing costs	3	(598)	(535)
Amortization of intangible assets	4	(5,480)	(5,606)
General and administrative expenses		(14,401)	(14,748)
<b>Operating income before finance costs and taxes</b>		<b>163,076</b>	<b>168,430</b>
Finance costs – operations	17	(98,611)	(99,466)
<b>Operating income before taxes</b>		<b>64,465</b>	<b>68,964</b>
Taxes – current	11	(2,936)	–
Taxes – deferred	11	4,200	2,425
<b>Operating income attributable to Unitholders</b>		<b>65,729</b>	<b>71,389</b>
<b>Finance costs – other</b>			
Distributions to Unitholders		(116,576)	(113,937)
Change in fair value of financial instruments	13	56	289
		(116,520)	(113,648)
<b>Decrease in net assets attributable to Unitholders</b>		<b>(50,791)</b>	<b>(42,259)</b>
<b>Other comprehensive income</b>			
Items that will not be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Unamortized actuarial gains (losses) in employee future benefit obligation	12	352	(582)
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		2,520	2,797
Net change in derivatives designated as cash flow hedges		–	7
<b>Other comprehensive income</b>		<b>2,872</b>	<b>2,222</b>
<b>Comprehensive income (loss)</b>		<b>\$ (47,919)</b>	<b>\$ (40,037)</b>

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(In thousands of CAD dollars)	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 18)					
Balance, January 1, 2015	\$ 1,462,101	\$ (265,010)	\$ (13,777)	\$ 1,183,314	\$ 716,025	\$ 467,289
Adjustments related to EUPP	75	51	—	126	126	—
Conversion of debentures	205	—	—	205	205	—
Statements of comprehensive income (loss)	—	(50,791)	2,872	(47,919)	(28,595)	(19,324)
Units issued under DRIP	11,504	—	—	11,504	6,723	4,781
<b>Balance, December 31, 2015</b>	<b>\$ 1,473,885</b>	<b>\$ (315,750)</b>	<b>\$ (10,905)</b>	<b>\$ 1,147,230</b>	<b>\$ 694,484</b>	<b>\$ 452,746</b>

(In thousands of CAD dollars)	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
Balance, January 1, 2014	\$ 1,363,025	\$ (222,728)	\$ (15,999)	\$ 1,124,298	\$ 680,935	\$ 443,363
Adjustments related to EUPP	842	(23)	—	819	819	—
Conversion of debentures	600	—	—	600	600	—
Statements of comprehensive income (loss)	—	(42,259)	2,222	(40,037)	(23,951)	(16,086)
Units issued under DRIP	438	—	—	438	256	182
Unit issue proceeds, net of costs of \$2,827	97,196	—	—	97,196	57,366	39,830
<b>Balance, December 31, 2014</b>	<b>\$ 1,462,101</b>	<b>\$ (265,010)</b>	<b>\$ (13,777)</b>	<b>\$ 1,183,314</b>	<b>\$ 716,025</b>	<b>\$ 467,289</b>

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of CAD dollars)	Note	Year ended December 31, 2015	Year ended December 31, 2014
<b>Cash flows provided by (used in)</b>			
<b>Operating Activities</b>			
Decrease in net assets attributable to Unitholders		\$ (50,791)	\$ (42,259)
Items not affecting operating cash	19	94,015	65,337
Change in other non-cash operating items	19	1,481	(1,093)
Income taxes paid		(3,591)	—
Cash provided by (used in) operating activities		41,114	21,985
<b>Financing Activities</b>			
Issue of investment property debt		119,134	40,616
Deferred financing charges – investment property debt		(1,020)	(795)
Advance (repayment) of investment property debt		(121,440)	(111,389)
Issue of senior unsecured notes		125,000	100,393
Deferred financing charges – senior unsecured notes		(988)	(1,043)
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		—	(2,827)
Repayment of EUPP loans receivable		75	779
Decrease in liabilities related to derecognized property		—	(5,627)
Issue of long-term receivables		—	(11,856)
Collection of (increase in) long-term receivables		(302)	46
Cash provided by (used in) financing activities		75,664	108,320
<b>Investing Activities</b>			
Acquisition of investment properties and intangible assets		(79,954)	(157,544)
Additions to investment properties		(25,684)	(32,584)
Proceeds on derecognition of investment properties		2,770	67,053
Additions to tenant incentives		(12,638)	(18,683)
Additions to deferred leasing costs		(826)	(933)
Decrease in assets related to derecognized property		—	5,830
Cash provided by (used in) investing activities		(116,332)	(136,861)
Net change in cash and cash equivalents		446	(6,556)
Cash and cash equivalents, beginning of year		611	7,167
Cash and cash equivalents, end of year		\$ 1,057	\$ 611

See accompanying notes to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

(In thousands of CAD dollars) December 31, 2015

## 1 GENERAL INFORMATION AND NATURE OF OPERATIONS

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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 consolidated financial statements for the years ended December 31, 2015 and December 31, 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 consolidated financial statements were authorized for issue by the Board of Trustees on February 24, 2016.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### (a) Statement of compliance

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

### (b) Basis of presentation

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

### (c) Presentation of financial statements

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

### (d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2015. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 2015.

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

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

### (e) Investment properties

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

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

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

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

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

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

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

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

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

#### **Change in useful life of investment properties**

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and are accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

#### **(f) Intangible assets**

Intangible assets include the value of tenant relationships.

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

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

#### **(g) Cash and cash equivalents**

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

#### **(h) Assets held for sale and discontinued operations**

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a purchaser for the property at a sales price that is reasonable in relation to the current estimated fair value of the property, and the sale is expected to be completed within a one year period. Properties held for sale are carried at the lower of their carrying values and estimated fair value less costs to sell. In addition, assets held for sale are no longer depreciated and amortized. A property that is subsequently reclassified as held and in use is measured at the lower of its carrying value amount before it was classified as held for sale, adjusted for any depreciation and amortization expense that would have been recognized had it been continuously classified as held and in use, and its estimated fair value at the date of the subsequent decision not to sell.

Assets that are classified as held for sale and that constitute a component of Crombie are presented as discontinued operations and are presented separately in the Statement of Comprehensive Income (Loss). A component of Crombie includes a property type or geographic area of operations.

#### **(i) Convertible debentures**

Convertible debentures issued by Crombie are convertible into a fixed number of REIT Units (a liability) at the option of the holder and are redeemable by the issuer under certain conditions (Note 10).

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

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

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

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

#### **(j) Employee future benefits obligation**

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

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

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

#### (k) Unit based compensation plans

##### (i) Deferred Unit Plan ("DU Plan")

Crombie provides a voluntary DU Plan whereby eligible trustees, officers and employees (the "Participants") may elect to receive all or a portion of their eligible compensation in deferred units ("DUs"). Unless otherwise determined by the Board (or its designated Committee), DUs are fully vested at the time they are allocated, with the value of the award recorded as a liability and expensed as general and administrative expenses. A Participant may redeem their vested DUs in whole or in part by filing a written notice of redemption; redemption will also occur as the result of specific events such as the retirement of a Participant. Upon redemption, a Participant will receive the net value of the vested DUs being redeemed, with the net value determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive one Crombie REIT Units for redeemed DUs after deducting applicable withholding taxes. For fair value measurement purposes, each DU is measured based on the market value of a REIT Unit at the balance sheet date.

##### (ii) Restricted Unit Plan ("RU Plan")

Crombie has a RU Plan for certain eligible executives and employees ("RU Participants"), whereby the RU Participants may elect each year to participate in the RU Plan and receive all or a portion of their annual long-term incentive plan awards in restricted units ("RUs"). The RUs are accounted for under IAS 19 Employee benefits and the liability and expense are recognized over the service period which ends on the vesting date. On the vesting date, each eligible RU Participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the RU Participant multiplied by the market value on the vesting date, with the market value of each RU determined by the market value of a REIT Unit. Alternatively, a RU Participant may elect to convert their RUs to DUs under Crombie's DU Plan. No REIT Units or other securities of Crombie will be issued from treasury.

#### (l) Distribution reinvestment plan ("DRIP")

Crombie has a DRIP which is described in Note 18.

#### (m) Revenue recognition

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

#### (n) Leasing

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

##### Operating leases

###### (i) Crombie as lessor

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

###### (ii) Crombie as lessee

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

#### (o) Deferred financing charges

Deferred financing charges consist of costs directly attributable to the issuance of debt. These charges are amortized using the effective interest method, over the term of the related debt.

#### (p) Finance costs – operations

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

#### (q) Finance costs – distributions to Unitholders

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

#### (r) Income taxes

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

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

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

#### (s) Hedges

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

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

#### (t) Comprehensive income (loss)

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

#### (u) Provisions

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

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

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

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



#### (v) Financial instruments

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

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

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost
Marketable securities	FVTPL	Fair value
Derivative financial assets and liabilities	FVTPL	Fair value
Accounts payable and other liabilities (excluding convertible debentures embedded derivatives and interest rate swaps)	Other liabilities	Amortized cost
Deferred Unit compensation plan	FVTPL	Fair value
Investment property debt	Other liabilities	Amortized cost
Convertible debentures (excluding embedded derivatives)	Other liabilities	Amortized cost
Senior unsecured notes	Other liabilities	Amortized cost

Other balance sheet accounts, including, but not limited to, prepaid expenses, accrued straight-line rent receivable, tenant incentives, investment properties, intangible assets, deferred taxes and employee future benefits obligation are not financial instruments.

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

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

#### (w) Fair value measurement

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

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

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

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

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

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

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

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

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

#### (y) Net assets attributable to Unitholders

##### (i) Balance Sheet presentation

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

##### (ii) Balance Sheet measurement

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

##### (iii) Statement of Comprehensive Income (Loss) presentation

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

##### (iv) Presentation of per unit measures

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

##### (v) Allocation of Comprehensive income (loss)

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

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

#### (z) Critical judgments in applying accounting policies

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

**(i) Investment properties**

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

**(ii) Leases**

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

**(iii) Classifications of Units as liabilities**

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

**(iv) Income taxes**

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

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

**(aa) Critical accounting estimates and assumptions**

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

**(i) Fair value measurement**

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

In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions. The significant methods and assumptions used in estimating fair value are set out in Notes 3 and 21.

**(ii) Investment properties**

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

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

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

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

#### (iv) Investment property valuation

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

#### (v) Defined benefit liability

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

#### (vi) Purchase price allocation

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

#### (bb) Application of new and revised IFRSs

Crombie has applied the following new and revised IFRSs effective January 1, 2015:

##### Long-term employee benefits

Crombie initiated a RU Plan, which is being accounted for under IAS 19, Employee Benefits, see Note 13. The RU Plan entitles certain employees to receive RUs 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).

#### (cc) Future changes in accounting standards

The 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 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.

(iii) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, “Leases” and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. Management is currently assessing the impact of IFRS 16 on Crombie’s consolidated financial statements.

### 3 INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
<b>Cost</b>				
Opening balance, January 1, 2015	\$ 977,895	\$ 2,479,018	\$ 5,540	\$ 3,462,453
Acquisitions	20,503	74,229	—	94,732
Additions	3,537	23,155	1,118	27,810
Derecognition	(1,453)	(706)	—	(2,159)
Transfer to investment properties held for sale (Note 7)	(31,619)	(103,315)	(332)	(135,266)
Transfer from investment properties held for sale (Note 7)	7,139	28,319	454	35,912
<b>Balance, December 31, 2015</b>	<b>976,002</b>	<b>2,500,700</b>	<b>6,780</b>	<b>3,483,482</b>
<b>Accumulated depreciation and amortization and impairment</b>				
Opening balance, January 1, 2015	—	263,391	2,965	266,356
Depreciation and amortization	—	60,498	598	61,096
Derecognition	—	(23)	—	(23)
Impairment	—	12,575	—	12,575
Transfer to investment properties held for sale (Note 7)	—	(18,424)	(217)	(18,641)
Transfer from investment properties held for sale (Note 7)	—	4,608	232	4,840
<b>Balance, December 31, 2015</b>	<b>—</b>	<b>322,625</b>	<b>3,578</b>	<b>326,203</b>
<b>Net carrying value, December 31, 2015</b>	<b>\$ 976,002</b>	<b>\$ 2,178,075</b>	<b>\$ 3,202</b>	<b>\$ 3,157,279</b>

	Land	Buildings	Deferred Leasing Costs	Total
<b>Cost</b>				
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)
<b>Balance, December 31, 2014</b>	<b>977,895</b>	<b>2,479,018</b>	<b>5,540</b>	<b>3,462,453</b>
<b>Accumulated depreciation and amortization and impairment</b>				
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)
<b>Balance, December 31, 2014</b>	<b>—</b>	<b>263,391</b>	<b>2,965</b>	<b>266,356</b>
<b>Net carrying value, December 31, 2014</b>	<b>\$ 977,895</b>	<b>\$ 2,215,627</b>	<b>\$ 2,575</b>	<b>\$ 3,196,097</b>

Crombie’s total fair value of investment properties, including properties held for sale, exceeds carrying value by \$708,949 at December 31, 2015 (December 31, 2014 – \$563,060). 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 year ended December 31, 2015, Crombie recorded an impairment of \$12,575 on three retail properties and an office property. The impairments were the result of the fair value impact of tenant departures during the year; lower occupancy rates; and slower than expected leasing activity. 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
December 31, 2015	\$ 4,143,000	\$ 3,434,051
December 31, 2014	\$ 3,939,000	\$ 3,375,940

Carrying value consists of the net carrying value of:

	Note	December 31, 2015	December 31, 2014
Investment properties	3	\$ 3,157,279	\$ 3,196,097
Intangible assets	4	45,607	48,106
Accrued straight-line rent receivable	5	50,050	38,908
Tenant incentives	5	61,667	59,251
Investment properties held for sale	7	119,448	33,578
Total carrying value		\$ 3,434,051	\$ 3,375,940

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.

The fair value included in this summary reflects the fair value of the properties as at December 31, 2015 and 2014, respectively. Four of Crombie's investment properties have a fair value, that based on an assumption that highest and best use is as a redevelopment property, exceeds their current value in use as a revenue generating investment property. For all of Crombie's other investment properties, highest and best use is its current use.

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

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

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

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

As at December 31, 2015, all properties have been subjected to external, independent appraisal over the past four years.

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

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

	Impact of a 0.25% Change in Capitalization Rate		
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
December 31, 2015	6.15%	\$ (163,000)	\$ 177,000
December 31, 2014	6.22%	\$ (154,000)	\$ 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	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 2, 2015 <sup>(1)</sup>	Third party	—	51,000	\$ 12,650	\$ 5,479
April 1, 2015 <sup>(1)</sup>	Empire <sup>(2)</sup>	—	7,500	2,333	—
August 18, 2015	Third party	1	50,000	20,500	12,077
November 3, 2015 <sup>(1)</sup>	Empire <sup>(2)</sup>	—	34,800	8,450	—
November 3, 2015	Empire <sup>(2)</sup>	4	183,800	48,845	—
December 23, 2015 <sup>(1)</sup>	Empire <sup>(2)</sup>	—	6,700	3,530	—
			<b>333,800</b>	<b>\$ 96,308</b>	<b>\$ 17,556</b>

(1) Relates to an acquisition of an addition to a pre-existing retail property.

(2) Empire includes Empire Company Limited, a related party, and its subsidiaries.

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

#### 2014

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
January 31, 2014 <sup>(1)</sup>	Empire <sup>(4)</sup>	—	6,700	\$ 1,490	\$ —
March 31, 2014 <sup>(3)</sup>	Empire	1	53,000	12,127	—
May 1, 2014	Empire	1	39,400	10,176	—
November 17, 2014	Empire	6	292,500	63,850	—
November 21, 2014	Third party	1	36,000	9,140	—
November 24, 2014	Empire	1	53,500	8,385	—
December 3, 2014 <sup>(1)</sup>	Third party	—	24,300	11,000	—
December 12, 2014	Third party	1	39,100	18,814	—
December 12, 2014	Empire	1	78,100	28,750	—
December 19, 2014 <sup>(1)</sup>	Empire	—	7,700	2,508	—
			630,300	166,240	—
January 16, 2014 <sup>(2)</sup>	Third party	—	(25,000)	(1,200)	—
March 31, 2014 <sup>(3)</sup>	Empire	(1)	(53,000)	(12,127)	—
August 21, 2014 <sup>(2)</sup>	Third party	—	—	(1,900)	—
October 17, 2014	Third party	(4)	(374,500)	(35,000)	—
December 10, 2014	Third party	(1)	(233,400)	(30,000)	—
			<b>(55,600)</b>	<b>\$ 86,013</b>	<b>\$ —</b>

(1) Relates to an acquisition of adjacent property or 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.

(4) Empire includes Empire Company Limited, a related party, and its subsidiaries.

The initial acquisition 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.

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:

	Year ended December 31, 2015	Year ended December 31, 2014
Investment property acquired, net:		
Land	\$ 20,503	\$ 46,425
Buildings	74,229	118,271
Intangible assets	3,457	4,977
Fair value debt adjustment on assumed mortgages	(679)	—
Net purchase price	97,510	169,673
Assumed mortgages	(17,556)	—
	<b>\$ 79,954</b>	<b>\$ 169,673</b>

#### 4 INTANGIBLE ASSETS

Tenant Relationships	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2015	\$ 99,019	\$ 50,913	\$ 48,106
Acquisitions	3,457	—	3,457
Amortization	—	5,480	(5,480)
Transfer to investment properties held for sale (Note 7)	(4,432)	(3,956)	(476)
Transfer from investment properties held for sale (Note 7)	92	92	—
<b>Balance, December 31, 2015</b>	<b>\$ 98,136</b>	<b>\$ 52,529</b>	<b>\$ 45,607</b>
Balance, January 1, 2014	\$ 96,397	\$ 47,160	\$ 49,237
Acquisitions	4,977	—	4,977
Dispositions	(1,121)	(847)	(274)
Amortization	—	5,606	(5,606)
Transfer to investment properties held for sale (Note 7)	(1,234)	(1,006)	(228)
<b>Balance, December 31, 2014</b>	<b>\$ 99,019</b>	<b>\$ 50,913</b>	<b>\$ 48,106</b>

#### 5 OTHER ASSETS

	December 31, 2015	December 31, 2014
Trade receivables	\$ 10,624	\$ 7,415
Provision for doubtful accounts	(60)	(59)
Net trade receivables	10,564	7,356
Marketable securities	1,965	2,123
Prepaid expenses and deposits	10,548	10,144
Restricted cash	75	3,609
Accrued straight-line rent receivable	50,050	38,908
Tenant incentives	61,667	59,251
	<b>\$ 134,869</b>	<b>\$ 121,391</b>

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2015	\$ 94,825	\$ 35,574	\$ 59,251
Additions	12,509	—	12,509
Amortization	—	9,712	(9,712)
Derecognition	—	540	(540)
Transfer to investment properties held for sale (Note 7)	(4,625)	(2,278)	(2,347)
Transfer from investment properties held for sale (Note 7)	4,413	1,907	2,506
<b>Balance, December 31, 2015</b>	<b>\$ 107,122</b>	<b>\$ 45,455</b>	<b>\$ 61,667</b>
Balance, January 1, 2014	\$ 96,213	\$ 32,579	\$ 63,634
Additions	8,413	—	8,413
Amortization	—	7,567	(7,567)
Dispositions	(2,039)	(994)	(1,045)
Transfer to investment properties held for sale (Note 7)	(7,762)	(3,578)	(4,184)
<b>Balance, December 31, 2014</b>	<b>\$ 94,825</b>	<b>\$ 35,574</b>	<b>\$ 59,251</b>

Included in the current portion of other assets as at December 31, 2015, is \$2,874 of straight-line rent receivable related to the 11 assets reclassified to investment properties held for sale (Note 7).

See Note 21(a) for fair value information.

## 6 LONG-TERM RECEIVABLES

	December 31, 2015	December 31, 2014
Capital expenditure program	\$ 105	\$ 105
Interest rate subsidy	717	1,127
Amount receivable from related party	13,111	12,399
	<b>\$ 13,933</b>	<b>\$ 13,631</b>

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.

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

See Note 21(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 to held for sale	31,619	84,891	115	476	2,347	119,448
Assets transferred from held for sale	(7,139)	(23,711)	(222)	—	(2,506)	(33,578)
<b>Net carrying value, December 31, 2015</b>	<b>\$ 31,619</b>	<b>\$ 84,891</b>	<b>\$ 115</b>	<b>\$ 476</b>	<b>\$ 2,347</b>	<b>\$ 119,448</b>

	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

Crombie has determined that 11 retail properties met the criteria for classification as held for sale as at December 31, 2015. Prior to classification as held for sale, each property was assessed for impairment, which, at that time, is the amount by which the carrying amount exceeds its recoverable amount. Subsequent to year end, a third party purchaser waived conditions to acquire the 11 properties.

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 totaling \$673 was recognized in the first quarter of 2015, representing 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	December 31, 2015
Fixed rate mortgages	2.70 – 6.90%	4.62%	6.6 years	\$ 1,521,079
Floating rate revolving credit facility		2.48%	2.5 years	130,000
Deferred financing charges				(9,876)
				\$ 1,641,203

	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

As at December 31, 2015, debt retirements for the next five years are:

12 Months Ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
December 31, 2016	\$ 48,392	\$ 43,168	\$ —	\$ 91,560
December 31, 2017	45,188	44,833	—	90,021
December 31, 2018	44,479	61,203	130,000	235,682
December 31, 2019	44,826	122,100	—	166,926
December 31, 2020	37,535	166,924	—	204,459
Thereafter	140,918	717,557	—	858,475
	\$ 361,338	\$ 1,155,785	\$ 130,000	1,647,123
Deferred financing charges				(9,876)
Unamortized fair value debt adjustment				3,956
				\$ 1,641,203



Specific investment properties with a carrying value of \$2,686,589 as at December 31, 2015 (December 31, 2014 – \$2,675,267) 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 year ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
December 31, 2015	New	12	2.85%	4.9	24.8	\$ 119,134
	Assumed	2	4.88%	4.7	12.6	17,556
	Repayment	11	4.85%	—	—	(58,162)
						\$ 78,528

For the year ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
December 31, 2014	New	4	4.23%	8.8	25.0	\$ 40,616
	Renewal	1	3.97%	1.0	10.0	—
	Repayment	21	5.27%	—	—	(87,633)
						\$ (47,017)

#### Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of \$300,000 (December 31, 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 (December 31, 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 21(a) for fair value information.

## 9 SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	December 31, 2015	December 31, 2014
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	100,000
Series C senior unsecured notes	February 10, 2020	2.775%	125,000	—
Unamortized Series B issue premium			294	348
Deferred financing charges			(2,214)	(1,756)
			\$ 398,080	\$ 273,592

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.

On March 5, 2014 Crombie issued, on a private placement basis, \$100,000 Series B Notes (senior unsecured) with a seven year three month term and an annual interest rate of 3.962%. The Series B Notes were issued for \$100,393, resulting in an effective interest rate of 3.90%. There are no principal repayments until maturity and interest is payable in equal semi-annual installments in arrears on June 1 and December 1 commencing June 1, 2014. The Series A Notes pay interest in equal semi-annual installments in arrears on April 30 and October 31.

As at December 31, 2015, senior unsecured note retirements for the next five years are:

12 Months Ending	Series A	Series B	Series C	Total
December 31, 2016	\$ —	\$ —	\$ —	\$ —
December 31, 2017	—	—	—	—
December 31, 2018	175,000	—	—	175,000
December 31, 2019	—	—	—	—
December 31, 2020	—	—	125,000	125,000
Thereafter	—	100,000	—	100,000
	<u>\$ 175,000</u>	<u>\$ 100,000</u>	<u>\$ 125,000</u>	<u>400,000</u>
Unamortized Series B issue premium				294
Deferred financing charges				(2,214)
				<b>\$ 398,080</b>

See Note 21(a) for fair value information.

## 10 CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	December 31, 2015	December 31, 2014
Series C (CRR.DB.C)	\$ 15.30	February 18, 2015	5.75%	\$ —	\$ 45,000
Series D (CRR.DB.D)	\$ 20.10	September 30, 2019	5.00%	60,000	60,000
Series E (CRR.DB.E)	\$ 17.15	March 31, 2021	5.25%	74,400	74,400
Deferred financing charges				(2,882)	(4,185)
				<b>\$ 131,518</b>	<b>\$ 175,215</b>

Debt Conversion	Conversion Price	Year Ended December 31, 2015	Year Ended December 31, 2014
Series C	\$ 15.30	\$ 205	\$ —
Series E	\$ 17.15	—	600
		<b>\$ 205</b>	<b>\$ 600</b>
REIT Units Issued		<b>13,398</b>	34,984

As at December 31, 2015, debenture retirements for the next five years are:

12 Months Ending	Series D	Series E	Total
December 31, 2016	\$ —	\$ —	\$ —
December 31, 2017	—	—	—
December 31, 2018	—	—	—
December 31, 2019	60,000	—	60,000
December 31, 2020	—	—	—
Thereafter	—	74,400	74,400
	<u>\$ 60,000</u>	<u>\$ 74,400</u>	<u>134,400</u>
Deferred financing charges			(2,882)
			<b>\$ 131,518</b>

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.

The Series D and Series E Debentures pay interest semi-annually on March 31 and September 30 each year. Crombie has the option to pay interest on any interest payment date by issuing REIT units and applying the proceeds to satisfy its interest obligation. The Series D and Series E Convertible Debentures (collectively the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars of principal amount of approximately: 49.7512 REIT Units for Series D Convertible Debentures and 58.3090 REIT Units for Series E Convertible Debentures. If all conversion rights attaching to the Series D Convertible Debentures and the Series E Convertible Debentures were exercised, as at December 31, 2015, Crombie would be required to issue approximately 2,985,074 REIT Units and 4,338,192 REIT Units, respectively, subject to anti-dilution adjustments.

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

See Note 21(a) for fair value information.

## 11 INCOME TAXES

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

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

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

	December 31, 2015	December 31, 2014
Tax liabilities relating to difference in tax and book value	\$ 85,815	\$ 87,853
Tax asset relating to non-capital loss carry-forward	(11,615)	(9,453)
Deferred tax liability	\$ 74,200	\$ 78,400

The tax recovery (expense) consists of the following:

	Year ended December 31, 2015	Year ended December 31, 2014
Taxes – current		
Taxes – gains on derecognition of investment properties	\$ (2,066)	\$ –
Taxes – operating income earned in corporate subsidiaries	(870)	–
Total current taxes	\$ (2,936)	\$ –
Taxes – deferred		
Provision for income taxes at the expected rate	\$ (19,362)	\$ (20,662)
Tax effect of income attribution to Crombie's Unitholders	21,496	23,087
	2,134	2,425
Taxes – gains on derecognition of investment properties	2,066	–
Total deferred taxes	\$ 4,200	\$ 2,425

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 concluded and did not result in a reassessment of the completed returns.

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

## 12 EMPLOYEE FUTURE BENEFITS

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

### Defined contribution pension plans

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

### Defined benefit pension plans

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

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

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

The total defined benefit cost related to pension plans and post-employment benefit plans for the year ended December 31, 2015 was \$531 (year ended December 31, 2014 – \$514).

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

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

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

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

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

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

	December 31, 2015		December 31, 2014	
	Senior Management Pension Plan	Post-Employment Benefit Plans	Senior Management Pension Plan	Post-Employment Benefit Plans
Discount rate – accrued benefit obligation	4.00%	4.00%	3.75%	4.00%
Rate of compensation increase	3.50%	N/A	3.50%	N/A

For measurement purposes, a 6.50% (2014 – 7.00%) annual rate increase in the per capita cost of covered health care benefits was assumed. The cumulative rate is expected to decrease 0.50% annually to 5.00% in 2018.

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

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

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

### Defined benefit plans

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

	December 31, 2015		December 31, 2014	
	Senior Management Pension Plan	Post-Employment Benefit Plans	Senior Management Pension Plan	Post-Employment Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	\$ 4,160	\$ 3,882	\$ 3,644	\$ 3,534
Current service cost	171	45	141	39
Interest cost	159	156	166	169
Actuarial losses (gains)	(32)	(320)	409	173
Benefits paid	(200)	(39)	(200)	(33)
Balance, end of year	4,258	3,724	4,160	3,882
Plan Assets				
Fair value, beginning of the year	—	—	—	—
Employer contributions	200	39	200	33
Benefits paid	(200)	(39)	(200)	(33)
Fair value, end of year	—	—	—	—
Funded status – deficit	4,258	3,724	4,160	3,882
Current portion	200	46	200	39
Non-current portion	4,058	3,678	3,960	3,843
Accrued benefit obligation recorded as a liability	\$ 4,258	\$ 3,724	\$ 4,160	\$ 3,882
Net expense				
Current service cost	\$ 171	\$ 45	\$ 141	\$ 38
Interest cost	159	156	166	169
Net expense	\$ 330	\$ 201	\$ 307	\$ 207

The table below outlines the sensitivity of the fiscal 2015 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses. There was no change to the method and assumptions used in preparing the sensitivity analysis from prior years.

		Senior Management Pension Plan		Post-Employment Benefit Plans	
		Benefit Obligations	Benefit Cost <sup>(1)</sup>	Benefit Obligations	Benefit Cost <sup>(1)</sup>
Discount Rate		4.00%	4.00%	4.00%	4.00%
Impact of:	1% increase	\$ (494)	\$ (14)	\$ (552)	\$ 2
	1% decrease	\$ 604	\$ 15	\$ 689	\$ (7)
Growth rate of health costs <sup>(2)</sup>				6.50%	6.50%
Impact of:	1% increase			\$ 608	\$ 29
	1% decrease			\$ (491)	\$ (23)

(1) Reflects the impact on the current service costs, the interest cost and the expected return on assets.

(2) Gradually decreasing to 5.0% in 2018 and remaining at that level thereafter.

For the year ended December 31, 2015, the net defined contribution pension plans expense was \$689 (year ended December 31, 2014 – \$687).



## 13 TRADE AND OTHER PAYABLES

	December 31, 2015	December 31, 2014
Tenant incentives and capital expenditures	\$ 16,648	\$ 15,999
Property operating costs	23,858	26,143
Prepaid rents	4,782	4,726
Finance costs on investment property debt, notes and debentures	10,163	8,891
Distributions payable	9,755	9,685
Unit based compensation plans	1,947	—
Fair value of embedded derivatives in convertible debentures	—	—
Deferred revenue	4,827	4,860
	<b>\$ 71,980</b>	<b>\$ 70,304</b>

### Unit based compensation plans

#### (i) Deferred Unit Plan

Crombie has a DU Plan available to eligible Participants, which is designed to promote a greater alignment of interests between the Trustees, officers and employees of Crombie and its Unitholders. Participation in the DU Plan is voluntary unless Crombie's Board of Trustees (the "Board") or Human Resources Committee ("HRC") decides that special compensation is to be provided in the form of DUs. Unless otherwise determined by the Board or HRC, DUs granted under the DU Plan are fully vested at the time they are awarded. DUs are not Crombie REIT Units and do not entitle a Participant to any Unitholder rights, including voting rights, distribution entitlements (other than those noted below) or rights on liquidation. During the time that a Participant has outstanding DUs, whenever cash distributions are paid on REIT Units, additional DUs will be credited to the Participant's DU account, determined by multiplying the number of DUs in the Participant's DU account on the REIT distribution record date by the distribution paid per REIT Unit, and dividing the result by the market value of a Unit as determined in accordance with the DU Plan. Additional DUs issued as a result of distributions vest on the same basis as noted above and the value of the additional DUs credited is expensed to general and administrative expenses on allocation. Upon redemption, a Participant will receive the net value of the vested DUs being redeemed, with the net value determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive one Crombie REIT Unit issued for each DU redeemed after deducting applicable withholding taxes. For fair value measurement purposes, each DU is measured based on the market value of a REIT Unit at the balance sheet date (Note 21).

#### (ii) Restricted Unit Plan

Crombie has a RU Plan available to eligible RU Participants, which is designed to promote a greater alignment of interests between the specific employees of Crombie and its Unitholders; and assist Crombie in attracting, retaining and rewarding specific employees. RU Participants will receive all or a portion of their long-term incentive plan awards in RUs. The RUs vest over a period of not more than three years, ending on the final day of the third quarter of the third calendar year of the RU's term. The RUs are subject to vesting conditions including continuing employment. The number of RUs which fully vest is determined by: (a) the dollar amount of the award divided by the market value of a REIT Unit on the award grant date, plus (b) deemed distributions on RUs during the vesting period at a rate equivalent to the number of REIT Units that would have been issued had the vested RUs been treated as a REIT Unit. The value of these additional RUs from deemed distributions is expensed to general and administrative expenses at the time of allocation. On the vesting date, each participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the RU Participant multiplied by the market value on the vesting date, as determined by the market value of a REIT Unit. Alternatively, a RU Participant who is an eligible employee on the vesting date may elect to convert their RUs to DUs under Crombie's DU Plan. No REIT Units or other securities of Crombie will be issued from treasury as settlement of any obligation under the RU Plan.

### Deferred Revenue

During 2014, Crombie completed a sale-leaseback of the land component of an investment property. The proceeds received in excess of fair value of the land have been deferred and will be recognized as a reduction in property operating expenses over the term of the land lease. In addition, Crombie received a prepayment, from a related party, of their future obligation under a land sub-lease. This prepayment has also been deferred and will be recognized as a reduction in property operating expenses over the term of the land lease.

Change in fair value of financial instruments:

	Year ended December 31, 2015	Year ended December 31, 2014
Change in fair value of DU Plan	\$ (18)	\$ —
Change in fair value of marketable securities	74	289
Change in fair value of financial instruments	\$ 56	\$ 289

## 14 PROPERTY REVENUE

	Year ended December 31, 2015	Year ended December 31, 2014
Rental revenue contractually due from tenants	\$ 362,699	\$ 352,182
Contingent rental revenue	1,562	2,014
Straight-line rent recognition	11,142	11,440
Tenant incentive amortization	(9,712)	(7,567)
Lease terminations	4,175	250
	\$ 369,866	\$ 358,319

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

	December 31, 2015		December 31, 2014	
	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	\$ 156,289	42.3%	\$ 148,213	41.4%

## 15 OPERATING LEASES

### Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at December 31, 2015, is as follows:

	Year Ending December 31.						Total
	2016	2017	2018	2019	2020	Thereafter	
Future minimum rental income	\$ 246,522	\$ 232,766	\$ 223,419	\$ 213,151	\$ 201,176	\$ 1,882,304	\$ 2,999,338

### 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 9 to 74 years including renewal options:

	Year Ending December 31.						Total
	2016	2017	2018	2019	2020	Thereafter	
Future minimum lease payments	\$ 1,469	\$ 1,523	\$ 1,550	\$ 1,551	\$ 1,552	\$ 64,175	\$ 71,820

## 16 EMPLOYEE BENEFIT EXPENSE

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

	Year ended December 31, 2015	Year ended December 31, 2014
Wages and salaries	\$ 22,906	\$ 23,389
Post-employment benefits	689	687
	<b>\$ 23,595</b>	<b>\$ 24,076</b>

## 17 FINANCE COSTS – OPERATIONS

	Year ended December 31, 2015	Year ended December 31, 2014
Fixed rate mortgages	\$ 71,871	\$ 77,452
Floating rate term, revolving and demand facilities	3,685	2,342
Senior unsecured notes	14,506	10,174
Convertible debentures	8,549	9,498
Finance costs – operations	98,611	99,466
Amortization of fair value debt adjustment and accretion income	1,391	2,107
Change in accrued finance costs	(1,272)	(232)
Amortization of effective swap agreements	(2,520)	(2,797)
Amortization of issue premium on senior unsecured notes	54	45
Amortization of deferred financing charges	(3,616)	(3,171)
Finance costs – operations, paid	<b>\$ 92,648</b>	<b>\$ 95,418</b>

## 18 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	—	75	—	—	—	75
Units issued under DRIP	540,131	6,723	383,036	4,781	923,167	11,504
Conversion of debentures	13,398	205	—	—	13,398	205
Balance, December 31, 2015	<b>77,857,608</b>	<b>\$ 877,581</b>	<b>53,658,302</b>	<b>\$ 596,304</b>	<b>131,515,910</b>	<b>\$ 1,473,885</b>

	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	57,366	3,018,868	39,830	7,548,868	97,196
Units issued under EUPP	55,467	738	—	—	55,467	738
Units released under EUPP	—	64	—	—	—	64
Net change in EUPP loans receivable	—	40	—	—	—	40
Units issued under DRIP	21,364	256	15,153	182	36,517	438
Conversion of debentures	34,984	600	—	—	34,984	600
Balance, December 31, 2014	<b>77,304,079</b>	<b>\$ 870,578</b>	<b>53,275,266</b>	<b>\$ 591,523</b>	<b>130,579,345</b>	<b>\$ 1,462,101</b>

### Crombie REIT Units

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

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

- (i) the total amount payable by Crombie in respect of such REIT Units and all other REIT Units tendered for redemption, in the same calendar month must not exceed \$50 (provided that such limitation may be waived at the discretion of the Trustees);
- (ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units; and
- (iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or if not listed on a stock exchange, in any market where the REIT Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

During the year ended December 31, 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.

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 \$57,366 net of issue costs.

During the year ended December 31, 2014, \$600 of Series E Convertible Debentures were converted for a total of 34,984 REIT Units at the conversion price of \$17.15.

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

The Declaration of Trust and the Exchange Agreement provide for the issuance of SVUs to the holders of Class B LP Units used solely for providing voting rights proportionate to the votes of Crombie's REIT Units. The SVUs are not transferable separately from the Class B LP Units to which they are attached and will be automatically transferred upon the transfer of such Class B LP Unit. If the Class B LP Units are exchanged in accordance with the Exchange Agreement, a like number of SVUs will be redeemed and cancelled for no consideration by Crombie.

The Class B LP Units issued by a subsidiary of Crombie to ECL Developments Limited are indirectly exchangeable on a one-for-one basis for Crombie's REIT Units at the option of the holder, under the terms of the Exchange Agreement.

Each Class B LP Unit entitles the holder to receive distributions from Crombie, pro rata with distributions made by Crombie on REIT Units.

On 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 \$39,830 net of issue costs, on a private placement basis.

### Employee Unit Purchase Plan

Crombie previously provided for REIT Unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP allowed executives to purchase REIT Units from treasury at the average daily high and low board lot trading prices per REIT Unit on the TSX for the five trading days preceding the issuance. Executives were provided interest-bearing, non-recourse loans by Crombie for the outstanding EUPP loan balances and the REIT Units purchased are held as collateral for the loan. The loans are being repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as well as the after-tax portion of any Long-Term Incentive Plan cash awards received, as payments on interest and principal. The loans are required to be repaid by December 31, 2023.

As at December 31, 2015, there are loans receivable from executives of \$1,856 under Crombie's EUPP, representing 151,516 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2015 was \$1,939.

The compensation expense related to the EUPP for the year ended December 31, 2015 was \$42 (year ended December 31, 2014 – \$42).

As at December 31, 2014, the EUPP was replaced with a RU Plan with a specific vesting period and no employee loans.

### Distribution Reinvestment Plan

During the fourth quarter of 2014, Crombie instituted a DRIP whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. Units issued under the DRIP will be issued directly from the treasury of Crombie REIT at a price equal to 97% of the volume-weighted average trading price of the REIT units on the TSX for the five trading days immediately preceding the relevant distribution payment date, which is typically on or about the 15th day of the month following the declaration. Crombie recognizes the net proceeds in Net assets attributable to Unitholders.

## 19 SUPPLEMENTARY CASH FLOW INFORMATION

### a) Items not affecting operating cash

	Year ended December 31, 2015	Year ended December 31, 2014
Items not affecting operating cash:		
Straight-line rent recognition	\$ (11,142)	\$ (11,440)
Amortization of tenant incentives	9,712	7,567
Loss (gain) on derecognition of investment properties	(23)	(9,353)
Impairment of investment properties	12,575	10,750
Depreciation of investment properties	60,498	57,983
Amortization of deferred leasing costs	598	535
Amortization of intangible assets	5,480	5,606
Unit based compensation	51	42
Amortization of effective swap agreements	2,520	2,797
Amortization of deferred financing charges	3,616	3,171
Amortization of issue premium on senior unsecured notes	(54)	(45)
Non-cash distributions to Unitholders in the form of DRIP Units	11,504	438
Taxes – deferred	(4,200)	(2,425)
Income tax expense	2,936	—
Change in fair value of financial instruments	(56)	(289)
	<b>\$ 94,015</b>	<b>\$ 65,337</b>

### b) Change in other non-cash operating items

	Year ended December 31, 2015	Year ended December 31, 2014
Cash provided by (used in):		
Trade receivables	\$ (1,989)	\$ (1,014)
Prepaid expenses and deposits and other assets	3,130	246
Payables and other liabilities	340	(325)
	<b>\$ 1,481</b>	<b>\$ (1,093)</b>

## 20 RELATED PARTY TRANSACTIONS

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

As at December 31, 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:

	Note	Year ended December 31, 2015	Year ended December 31, 2014
Property revenue	(a)	\$ 160,470	\$ 152,855
Head lease income	(b)	\$ 736	\$ 947
Management support services provided	(c)	\$ 377	\$ 431
Property management services	(d)	\$ 869	\$ 500
Lease termination income		\$ 3,999	\$ —
Rental expense	(e)	\$ 78	\$ 187
Property operating expenses		\$ 135	\$ 145
Interest rate subsidy	(b)	\$ 482	\$ 700
Interest income		\$ 711	\$ 544
Finance costs – operations	(f)	\$ 1,200	\$ 1,200
Finance costs – distributions to Unitholders		\$ 48,369	\$ 47,318

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

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

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

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

(e) Crombie previously leased its head office space from ECL Developments Limited. The lease was terminated in May, 2015.

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

In addition to the above:

- During the fourth quarter of 2015, Crombie acquired four retail properties and additions to two existing retail properties from Empire for \$60,825 excluding closing and transaction costs. The properties, located in Alberta, British Columbia, Prince Edward Island, Manitoba and Quebec, contain approximately 225,300 square feet of fully occupied space.
- 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 is being received in non-cash considerations. 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 year ended December 31, 2015, Crombie issued 383,036 (December 31, 2014 – 15,153) Class B LP Units to ECLD under the DRIP (Note 18).
- During the year ended December 31, 2015, Crombie and ECLD negotiated an extension of a rental income guarantee and put option on a property Crombie acquired from ECLD in 2006. The rental income guarantee and put option were originally scheduled to mature in March 2016 and have been extended for a period of five years with either party having the ability to terminate the agreements with written notice. The fixed price put option is in excess of the carrying value of the property.
- 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 fourth quarter of 2014, Crombie acquired eight retail properties from Empire for \$100,985 excluding closing adjustments and transaction costs. The properties, containing approximately 424,000 square feet of GLA, included one in Prince Edward Island, Ontario and Manitoba, three in Alberta and two in British Columbia. Crombie also acquired additional development space from Empire on a pre-existing retail property for \$2,508 excluding 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 transaction costs. 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:

	Year ended December 31, 2015	Year ended December 31, 2014
Salary, bonus and other short-term employee benefits	\$ 2,860	\$ 4,158
Other long-term benefits	102	103
	<b>\$ 2,962</b>	<b>\$ 4,261</b>

## 21 FINANCIAL INSTRUMENTS

### a) Fair value of financial instruments

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2015:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Marketable securities	\$ —	\$ —	\$ 1,965	\$ 1,965
Total financial assets measured at fair value	\$ —	\$ —	\$ 1,965	\$ 1,965
<b>Financial liabilities</b>				
Unit based compensation plans	\$ 842	\$ —	\$ —	\$ 842
Total financial liabilities measured at fair value	\$ 842	\$ —	\$ —	\$ 842

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

	December 31, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Financial assets</b>				
Long-term receivables	\$ 13,968	\$ 13,933	\$ 13,663	\$ 13,631
Total other financial assets	\$ 13,968	\$ 13,933	\$ 13,663	\$ 13,631
<b>Financial liabilities</b>				
Investment property debt	\$ 1,782,776	\$ 1,651,079	\$ 1,757,910	\$ 1,635,187
Senior unsecured notes	405,348	400,000	284,778	275,000
Convertible debentures	138,360	134,400	183,698	179,400
Total other financial liabilities	\$ 2,326,484	\$ 2,185,479	\$ 2,226,386	\$ 2,089,587

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 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. The more significant risks and the actions 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. As at December 31, 2015:

- Excluding Sobeys (which accounts for 49.9% of Crombie's go forward minimum rent), no other tenant accounts for more than 5.8% of Crombie's minimum rent, and;
- Over the next five years, no more than 6.0% of the gross leasable area of Crombie will expire in any one year.

As outlined in Note 20, Crombie earned property revenue of \$160,470 for the year ended December 31, 2015 (year ended December 31, 2014 – \$152,855) from Sobeys Inc. and other subsidiaries of Empire.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. None of the receivable balances are considered impaired. The provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

	Year ended December 31, 2015	Year ended December 31, 2014
Provision for doubtful accounts, beginning of year	\$ 59	\$ 47
Additional provision	20	(43)
Recoveries	(38)	(33)
Write-offs	19	88
Provision for doubtful accounts, end of year	\$ 60	\$ 59

There have been no significant changes to Crombie's credit risk.

### 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. Crombie does not enter into interest rate swaps on a speculative basis.

As at December 31, 2015:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 6.6 years;
- Crombie has a floating rate revolving credit facility available to a maximum of \$300,000, subject to available borrowing base, with a balance of \$130,000 at December 31, 2015; and
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that \$2,440 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2016, based on all settled swap agreements as of December 31, 2015.

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 on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Impact of a 0.5% interest rate change	
	Decrease in rate	Increase in rate
Year ended December 31, 2015	\$ 635	\$ (635)
Year ended December 31, 2014	\$ 334	\$ (334)

There have been no significant changes to Crombie's interest rate risk.

### Liquidity risk

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

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

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 22, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

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

	Year ending December 31,						
	Contractual Cash Flows <sup>(1)</sup>	2016	2017	2018	2019	2020	Thereafter
Fixed rate mortgages <sup>(2)</sup>	\$ 1,908,629	\$ 158,514	\$ 152,448	\$ 163,332	\$ 221,009	\$ 245,318	\$ 968,008
Senior unsecured notes	455,486	14,407	14,407	188,244	7,431	129,346	101,651
Convertible debentures	166,157	6,906	6,906	6,906	66,156	3,906	75,377
	2,530,272	179,827	173,761	358,482	294,596	378,570	1,145,036
Floating rate revolving credit facility	138,060	3,224	3,224	131,612	—	—	—
<b>Total</b>	<b>\$ 2,668,332</b>	<b>\$ 183,051</b>	<b>\$ 176,985</b>	<b>\$ 490,094</b>	<b>\$ 294,596</b>	<b>\$ 378,570</b>	<b>\$ 1,145,036</b>

(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.

## 22 CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	December 31, 2015	December 31, 2014
Investment property debt	\$ 1,641,203	\$ 1,624,547
Senior unsecured notes	398,080	273,592
Convertible debentures	131,518	175,215
Crombie REIT Unitholders	694,484	716,025
SVU and Class B LP Unitholders	452,746	467,289
	<b>\$ 3,318,031</b>	<b>\$ 3,256,668</b>

At a minimum, Crombie's capital structure is managed to ensure that it complies with the limitations pursuant to Crombie's Declaration of Trust, the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT and existing debt covenants. Some of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items:

- A restriction that Crombie shall not incur indebtedness (other than by the assumption of existing indebtedness) where the indebtedness would exceed 75% of the market value of an individual property; and
- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value (65% including any convertible debentures).

For debt to gross book value calculation, Crombie does not include in total debt the financial liabilities to REIT Unitholders and to holders of Class B LP Units, as shown on the balance sheet as Net assets attributable to Unitholders. Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

	December 31, 2015	December 31, 2014
Fixed rate mortgages	\$ 1,521,079	\$ 1,490,187
Senior unsecured notes	400,000	275,000
Convertible debentures	134,400	179,400
Revolving credit facility	130,000	145,000
Total debt outstanding	2,185,479	2,089,587
Less: Applicable fair value debt adjustment	(1,721)	(2,203)
Debt	<b>\$ 2,183,758</b>	<b>\$ 2,087,384</b>
Investment properties, cost	\$ 3,483,482	\$ 3,462,453
Below-market lease component, cost <sup>(1)</sup>	72,634	71,368
Intangible assets, cost	98,136	99,019
Long-term receivables	13,933	13,631
Other assets, cost (see below)	180,324	156,965
Cash and cash equivalents	1,057	611
Deferred financing charges	14,972	16,581
Investment properties held for sale, cost	144,323	40,417
Interest rate subsidy	(1,721)	(2,203)
Fair value adjustment to deferred taxes	(34,645)	(34,645)
Gross book value	<b>\$ 3,972,495</b>	<b>\$ 3,824,197</b>
Debt to gross book value	<b>55.0%</b>	<b>54.6%</b>

(1) Below market lease component is included in the carrying value of investment properties and assets held for sale.

Other assets are calculated as follows:

	December 31, 2015	December 31, 2014
Other assets per Note 5	\$ 134,869	\$ 121,391
Add back (deduct):		
Tenant incentive accumulated amortization	45,455	35,574
Other assets, cost	<b>\$ 180,324</b>	<b>\$ 156,965</b>

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;
- access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at December 31, 2015, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

## 23 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 December 31, 2015, Crombie has a total of \$1,425 in outstanding letters of credit related to:

	December 31,	
	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 9 to 74 years including renewal options. For the year ended December 31, 2015, Crombie paid \$1,418 in land lease payments to third party landlords (year ended December 31, 2014 – \$1,225). Crombie's commitments under the land leases are disclosed in Note 15.

As at December 31, 2015, Crombie had signed construction contracts totaling \$16,736 of which \$11,516 has been paid.

## 24 SUBSEQUENT EVENTS

(a) On January 20, 2016 Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2016 to and including, January 31, 2016. The distributions were paid on February 15, 2016, to Unitholders of record as of January 29, 2016.

(b) On February 17, 2016 Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2016 to and including, February 29, 2016. The distributions will be paid on March 14, 2016, to Unitholders of record as of February 29, 2016.

(c) On January 29, 2016, Crombie and a third party waived conditions for the disposition of 11 retail properties totaling 857,000 square feet of gross leasable area, with an expected closing in the first quarter of 2016. Total proceeds, before closing adjustments and transaction costs, are approximately \$150,000 resulting in a pre-tax gain on disposal of approximately \$30,000.

## 25 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.

## 26 INDEMNITIES

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

# Property Portfolio

Property	City	Description	GLA (approx. sq. ft.)	% Occu- pancy
<b>Newfoundland &amp; Labrador</b>				
2A Commerce St.	Deer Lake	Retail – Plazas	18,000	100.0
10 Elizabeth Ave	St John's	Retail – Freestanding	80,000	100.0
21 Cromer Ave	Grand Falls	Retail – Freestanding	27,000	100.0
45 Ropewalk Lane	St John's	Retail – Freestanding	50,000	100.0
69 Blockhouse Rd	Placentia	Retail – Freestanding	20,000	100.0
71 Grand View Blvd	Grand Bank	Retail – Freestanding	19,000	100.0
Avalon Mall	St John's	Retail – Enclosed	571,000	99.3
Conception Bay Plaza	Conception Bay	Retail – Plazas	65,000	100.0
Hamlyn Road Plaza	St John's	Retail – Plazas	36,000	77.6
Kenmount Woodgate	St John's	Mixed Use	98,000	99.3
Random Square	Clareville	Retail – Enclosed	110,000	97.6
Topsail Rd Plaza	St John's	Retail – Plazas	158,000	100.0
Torbay Rd Plaza	St John's	Retail – Plazas	162,000	85.3
			<b>1,414,000</b>	<b>97.2</b>

## Prince Edward Island

531 North Main	Montague	Retail – Freestanding	25,000	100.0
Kinlock Plaza	Stratford	Retail – Plaza	53,000	100.0
University Avenue	Charlottetown	Retail – Freestanding	50,000	100.0
			<b>128,000</b>	<b>100.0</b>

## Nova Scotia

2 Forest Hills Parkway	Dartmouth	Retail – Freestanding	44,000	100.0
25 Acadia Avenue	Stellarton	Retail – Freestanding	24,000	100.0
25 Brookside St.	Glace Bay	Retail – Freestanding	17,000	100.0
39 Pitt St.	Sydney Mines	Retail – Freestanding	18,000	100.0
75 Emerald St	New Waterford	Retail – Freestanding	26,000	100.0
99 Keltic Dr.	Sydney River	Retail – Freestanding	51,000	100.0
133 Church St.	Antigonish	Retail – Freestanding	51,000	100.0
268 Baker Drive				
Russell Lake Sobeys	Dartmouth	Retail – Plazas	62,000	96.5
279 Herring Cove Road	Spryfield	Retail – Freestanding	73,000	100.0
634 Reeves Street	Port Hawkesbury	Retail – Freestanding	34,000	100.0
22579 Hwy #7	Sheet Harbour	Retail – Freestanding	9,000	100.0
Aberdeen Business Centre	New Glasgow	Mixed Use	388,000	92.1
Amherst Centre	Amherst	Retail – Enclosed	228,000	53.7
Amherst Plaza	Amherst	Retail – Plazas	25,000	100.0
Blink Bonnie Plaza	Pictou	Retail – Plazas	45,000	93.7
County Fair Mall	New Minas	Retail – Enclosed	268,000	63.8
Dartmouth Crossing – Cineplex	Dartmouth	Retail – Freestanding	45,000	100.0
Downsview Mall	Lower Sackville	Retail – Plazas	69,000	100.0
Downsview Plaza	Lower Sackville	Retail – Plazas	226,000	96.3
Elmsdale Plaza	Hants County	Retail – Plazas	147,000	97.8
Fall River Plaza	Fall River	Retail – Plazas	98,000	98.6
Fort Edward Plaza	Windsor	Retail – Plazas	122,000	100.0
Fundy Trail Centre	Truro	Retail – Enclosed	129,000	94.5
Hemlock Square	Bedford	Retail – Plazas	159,000	100.0
Highland Square	New Glasgow	Retail – Enclosed	201,000	93.1
Lacewood & Dunbrack	Halifax	Retail – Freestanding	59,000	100.0
Mill Cove Plaza	Bedford	Retail – Plazas	144,000	95.2
North & Windsor Streets	Halifax	Retail – Freestanding	50,000	100.0
North Shore Ctr	Tatamagouche	Retail – Plazas	17,000	100.0
Panavista Dr	Dartmouth	Retail – Freestanding	48,000	100.0
Park Lane	Halifax	Mixed Use	269,000	89.1
Penhorn Plaza	Dartmouth	Retail – Plazas	104,000	100.0
Prince Street Plaza	Sydney	Retail – Plazas	71,000	98.7
Queen St Plaza	Halifax	Retail – Plazas	54,000	93.1
Sydney Shopping Centre	Sydney	Retail – Plazas	214,000	49.0
Tantallon Plaza	Tantallon	Retail – Plazas	150,000	100.0
West Side Plaza	New Glasgow	Retail – Plazas	71,000	96.1
<b>Scotia Square Properties</b>				
Barrington Place	Halifax	Mixed Use	191,000	100.0
Barrington Tower	Halifax	Office	186,000	99.4
Brunswick Place	Halifax	Mixed Use	257,000	99.0
CIBC Building	Halifax	Office	208,000	86.0
Cogswell Tower	Halifax	Office	204,000	96.0
Duke Tower	Halifax	Office	252,000	94.4
Scotia Square Mall	Halifax	Mixed Use	266,000	91.9
Scotia Square Parkade	Halifax	Mixed Use		
			<b>5,374,000</b>	<b>90.7</b>

Property	City	Description	GLA (approx. sq. ft.)	% Occu- pancy
<b>New Brunswick</b>				
26 Michaud St.	Edmundston	Retail – Freestanding	8,000	100.0
273 Pleasant St	Newcastle	Retail – Freestanding	20,000	100.0
501 Regis St.	Dieppe	Retail – Freestanding	25,000	100.0
850 St. Peters Avenue	Bathurst	Retail – Freestanding	18,000	100.0
1234 Main Street	Moncton	Office	139,000	65.5
Brookside Mall	Fredericton	Retail – Freestanding	43,000	100.0
Catherwood St	Saint John	Retail – Freestanding	46,000	100.0
Champlain Place Sobeys	Dieppe	Retail – Freestanding	52,000	100.0
Charlotte Mall	St Stephen	Retail – Plazas	119,000	95.0
Edmundston	Edmundston	Retail – Plazas	42,000	83.2
Elmwood Drive	Moncton	Retail – Plazas	74,000	100.0
Fairvale Plaza	Rothesay	Retail – Freestanding	52,000	100.0
Loch Lomond Place	Saint John	Mixed Use	192,000	53.1
Mountain Road	Moncton	Retail – Plazas	17,000	100.0
Northwest Centre, Mountain Rd	Moncton	Retail – Freestanding	52,000	100.0
Prospect St Plaza	Fredericton	Retail – Plazas	22,000	100.0
Riverview – Findlay Blvd	Riverview	Retail – Plazas	66,000	100.0
Riverview Place	Riverview	Mixed Use	150,000	56.0
Tracadie	Tracadie	Retail – Plazas	40,000	83.8
Uptown Centre	Fredericton	Retail – Plazas	320,000	65.3
Vaughan Harvey Plaza	Moncton	Retail – Plazas	85,000	100.0
			<b>1,582,000</b>	<b>78.8</b>

## Québec

88-90 Bould. D'Anjou	Chateauguay	Retail – Freestanding	58,000	100.0
254 Hotel de Ville	Riviere du Loup	Retail – Plazas	72,000	100.0
645 Thibeau Street	Cap de la Madeleine	Retail – Freestanding	49,000	100.0
1500 Rue Bretagne	Baie Comeau	Retail – Freestanding	50,000	100.0
3260 Blvd. Lapiniere	Brossard,			
	Longueuil	Retail – Freestanding	47,000	81.5
3950 Rue King Ouest	Sherbrooke	Retail – Freestanding	52,000	100.0
8980 Boul Lacroix	St Georges de Beauce	Retail – Freestanding	44,000	100.0
Beauport Plaza	Beauport	Retail – Plazas	68,000	96.5
Greenfield Park Centre	Longueuil	Retail – Plazas	184,000	98.6
Ile Perrot	Ile Perrot	Retail – Freestanding	24,000	100.0
Lebourgneuf	Charlesbourg	Retail – Freestanding	59,000	100.0
Les Saules, DeLormiere	Quebec	Retail – Plazas	69,000	100.0
McMasterville, Laurier Blvd	McMasterville	Retail – Plazas	55,000	98.7
Paspebiac Plaza	Paspebiac	Retail – Plazas	73,000	93.7
Saint Apollinaire Plaza	Saint Apollinaire	Retail – Plazas	62,000	100.0
Shawinigan	Shawinigan	Retail – Plazas	67,000	100.0
Marche St-Augustin	Mirabel	Retail – Plazas	38,000	100.0
Marche St-Charles-de-				
Drummond	Drummondville	Retail – Plazas	48,000	100.0
St Lambert	St Lambert	Retail – Freestanding	19,000	100.0
St Romuald Plaza	St Romuald	Retail – Plazas	70,000	100.0
Vanier	Vanier	Retail – Freestanding	17,000	100.0
1 Westminster Ave N	Montreal	Retail – Freestanding	21,000	100.0
			<b>1,246,000</b>	<b>98.4</b>

## Ontario

44 Livingstone Ave	Grimbsy	Retail – Freestanding	36,000	100.0
215 Park Ave W.	Chatham	Retail – Freestanding	48,000	100.0
318 Ontario Street	St Catharines	Retail – Freestanding	47,000	100.0
385 Springbank	Woodstock	Retail – Plazas	55,000	96.7
400 First Ave South	Kenora	Retail – Freestanding	36,000	100.0
409 Bayfield Street	Barrie	Retail – Freestanding	48,000	100.0
977 Golf Links Road	Ancaster	Retail – Freestanding	65,000	100.0
5931 Kalar Rd	Niagara Falls	Retail – Freestanding	36,000	100.0
Algonquin Avenue Mall	North Bay	Retail – Plazas	211,000	44.8
Bradford	Bradford	Retail – Freestanding	35,000	100.0
Brampton Mall	Brampton	Retail – Plazas	103,000	92.3
Brampton Plaza	Brampton	Retail – Plazas	76,000	98.1
Burlington Plaza	Burlington	Retail – Plazas	56,000	100.0
Carleton Place Mews	Carleton Place	Retail – Plazas	80,000	85.9
Dorchester Road Centre	Dorchester	Retail – Freestanding	18,000	100.0
Dorchester Road Plaza	Dorchester	Retail – Plazas	32,000	100.0
Eglinton Centre	Toronto	Retail – Freestanding	17,000	100.0
Glendale Ave Mountain				
Locks Plaza	St Catharines	Retail – Plazas	85,000	100.0
Grimbsy Centre	Grimbsy	Retail – Freestanding	29,000	100.0
Grimbsy Mews	Grimbsy	Retail – Plaza	34,000	100.0
Havelock Centre	Havelock	Retail – Freestanding	15,000	100.0
Huron Street Plaza	Stratford	Retail – Freestanding	27,000	100.0
International Gateway Centre	Fort Erie	Retail – Plazas	92,000	94.2



Property	City	Description	GLA (approx. sq. ft.)	% Occu- pancy
Lansdowne Centre Rockhaven	Peterborough	Retail – Plazas	24,000	100.0
Lansdowne Plaza	Peterborough	Retail – Plazas	67,000	100.0
Lindsay Street Centre	Fenelon Falls	Retail – Freestanding	35,000	100.0
London Pine Valley	London	Retail – Plazas	39,000	100.0
Markham Plaza	Toronto	Retail – Plazas	39,000	82.4
Milltowne Plaza	Burlington	Retail – Plazas	11,000	100.0
Milligan Corners	Napanee	Retail – Plazas	25,000	100.0
Niagara Falls Centre	Niagara Falls	Retail – Freestanding	17,000	100.0
Niagara Falls Plaza	Niagara Falls	Retail – Plazas	64,000	100.0
Notre Dame Street Centre	Stratford	Retail – Freestanding	17,000	100.0
Orleans – 5150 Innes Rd	Ottawa	Retail – Plazas	63,000	100.0
Parry Sound	Parry Sound	Retail – Plazas	46,000	100.0
Perth Mews	Perth	Retail – Plazas	103,000	100.0
Port Colborne Mall	Port Colborne	Retail – Enclosed	130,000	74.4
Queensland Plaza	Toronto	Retail – Plazas	48,000	94.8
Queensway Plaza	Toronto	Retail – Plazas	67,000	100.0
Riddell Rd	Orangeville	Retail – Freestanding	46,000	100.0
Rose City Plaza	Welland	Retail – Plazas	96,000	74.0
Rymal Road Plaza	Hamilton	Retail – Plazas	65,000	100.0
Sinclair Place	Georgetown	Retail – Plazas	28,000	100.0
South Pelham Market Plaza	Welland	Retail – Plazas	63,000	96.2
Southdale	London	Retail – Plazas	20,000	100.0
Stittsville Corner 1122 Carp Road	Stittsville	Retail – Plazas	80,000	95.9
Stoney Creek Plaza	Stoney Creek	Retail – Plazas	9,000	100.0
Taunton & Wilson Plaza	Oshawa	Retail – Plazas	107,000	100.0
Town Centre	LaSalle	Retail – Plazas	88,000	94.0
Upper James Square	Hamilton	Retail – Plazas	114,000	99.0
Village Square Mall	Nepean	Retail – Plazas	92,000	99.1
Weston Rd Shoppers	Toronto	Retail – Freestanding	16,000	100.0
White Horse Plaza	Simcoe	Retail – Plazas	93,000	86.7
Windsor Huron Church Rd	Windsor	Retail – Freestanding	29,000	100.0
			<b>3,022,000</b>	<b>92.2</b>

### Manitoba

498 Mountain Avenue Safeway	Neepawa	Retail – Freestanding	18,000	100.0
594 Mountain Avenue Safeway	Winnipeg	Retail – Freestanding	18,000	100.0
1305-1321 Pembina Highway Safeway	Winnipeg	Retail – Plazas	39,000	100.0
2155 Pembina Hwy.	Winnipeg	Retail – Freestanding	46,000	100.0
Bird's Hill Road Plaza	Birds Hill	Retail – Freestanding	39,000	100.0
Jefferson Avenue	Winnipeg	Retail – Freestanding	55,000	100.0
Kildare Avenue East	Winnipeg	Retail – Freestanding	43,000	100.0
Kildonan Green	Winnipeg	Retail – Plaza	74,000	100.0
Marion Street	Winnipeg	Retail – Freestanding	38,000	100.0
Manitoba Avenue	Selkirk	Retail – Freestanding	42,000	100.0
Osborne Street Safeway	Winnipeg	Retail – Freestanding	20,000	100.0
Portage La Prairie Shoppers	Portage la Prairie	Retail – Freestanding	20,000	100.0
Portage Avenue Safeway	Winnipeg	Retail – Freestanding	55,000	100.0
River Avenue Safeway	Winnipeg	Retail – Plazas	59,000	100.0
River East Plaza	Winnipeg	Retail – Plaza	78,000	100.0
			<b>644,000</b>	<b>100.0</b>

### Saskatchewan

1 Avenue NW Safeway	Moose Jaw	Retail – Freestanding	39,000	100.0
2 Avenue West Safeway	Prince Albert	Retail – Freestanding	56,000	100.0
13th Avenue	Regina	Retail – Plazas	41,000	100.0
McOrmond Drive Safeway	Saskatoon	Retail – Freestanding	50,000	100.0
Albert Street South	Regina	Retail – Plazas	41,000	100.0
River City Centre	Saskatoon	Retail – Plazas	160,000	100.0
Territorial Drive Plaza	North Battleford	Retail – Plazas	30,000	100.0
University Park	Regina	Retail – Freestanding	37,000	100.0
			<b>454,000</b>	<b>100.0</b>

### Alberta

4th Street NW Safeway	Calgary	Retail – Plazas	48,000	100.0
10 Street NW Safeway	Calgary	Retail – Freestanding	38,000	100.0
11th Avenue SW Safeway	Calgary	Retail – Freestanding	40,000	100.0
16th Avenue NW Safeway	Calgary	Retail – Freestanding	42,000	100.0
23rd Street North Safeway	Lethbridge	Retail – Freestanding	45,000	100.0
32nd Avenue NE Safeway	Calgary	Retail – Freestanding	69,000	100.0
34th Avenue SW Safeway	Calgary	Retail – Plazas	48,000	100.0
100 Street Safeway	Grande Prairie	Retail – Plazas	66,000	100.0
2304 109 Street NW Safeway	Edmonton	Retail – Freestanding	48,000	100.0
8204 109 Street NW Safeway	Edmonton	Retail – Plazas	34,000	100.0
114th Avenue Safeway	Grand Prairie	Retail – Plazas	62,000	100.0
130th Avenue SE Safeway	Calgary	Retail – Plazas	79,000	100.0
137th Avenue NW Safeway	Edmonton	Retail – Freestanding	55,000	100.0

Property	City	Description	GLA (approx. sq. ft.)	% Occu- pancy
94 MacLeod Ave	Spruce Grove	Retail – Freestanding	51,000	100.0
395 St. Albert St.	St. Albert	Retail – Freestanding	52,000	100.0
615 Division Ave	Medicine Hat	Retail – Freestanding	43,000	100.0
688 Wye Road, Nottingham	Sherwood Park	Retail – Freestanding	46,000	100.0
1109 James Mowatt Trail Southbrook Sobeyes	Edmonton	Retail – Freestanding	45,000	100.0
1200 Railway Ave	Canmore	Retail – Freestanding	53,000	100.0
6112 50th Street	Leduc	Retail – Plazas	100,000	99.0
Beaumont Plaza	Beaumont	Retail – Plazas	59,000	100.0
Big Rock Lane Safeway	Okotoks	Retail – Freestanding	42,000	100.0
Calgary McKenzie Town Drive	Calgary	Retail – Freestanding	19,000	100.0
Cassils Road West Safeway	Brooks	Retail – Plazas	54,000	100.0
Castleridge Boulevard NE Safeway	Calgary	Retail – Freestanding	56,000	100.0
Chestermere Station Way Safeway	Chestermere	Retail – Freestanding	43,000	100.0
Clearwater Landing	Fort McMurray	Retail – Plazas	143,000	100.0
Crowfoot Crescent NW Safeway	Calgary	Retail – Plazas	75,000	100.0
Elbow Drive Safeway	Calgary	Retail – Freestanding	25,000	100.0
Fairway Plaza Road South Safeway	Lethbridge	Retail – Plazas	64,000	100.0
Forest Lawn Sobeyes	Calgary	Retail – Freestanding	42,000	100.0
Franklin Avenue & JW Mann Drive Safeway	Fort McMurray	Retail – Freestanding	40,000	100.0
Gaetz South Plaza	Red Deer	Retail – Plazas	74,000	100.0
Gateway Ave	Canmore	Retail – Freestanding	50,000	100.0
Guardian Road NW Safeway	Edmonton	Retail – Freestanding	49,000	100.0
Marten Street Safeway	Banff	Retail – Freestanding	19,000	100.0
Manning Crossing	Edmonton	Retail – Freestanding	49,000	100.0
Millwood Commons	Edmonton	Retail – Plazas	58,000	100.0
Namao Centre	Edmonton	Retail – Freestanding	37,000	100.0
Namao Centre 167 Ave/95 St	Edmonton	Retail – Plazas	34,000	94.5
Saddletowne Circle NE	Calgary	Retail – Freestanding	51,000	100.0
South Park Drive Safeway	Stony Plain	Retail – Freestanding	44,000	100.0
Red Deer Cineplex Hwy II	Red Deer	Retail – Freestanding	40,000	100.0
West Highlands	Lethbridge	Retail – Plazas	29,000	100.0
West Lethbridge	Lethbridge	Retail – Plazas	105,000	94.7
Whyte Avenue Shoppers	Edmonton	Retail – Freestanding	21,000	100.0
			<b>2,386,000</b>	<b>99.7</b>

### British Columbia

2nd Avenue West Safeway	Prince Rupert	Retail – Plazas	52,000	100.0
8th Street Safeway	Dawson Creek	Retail – Freestanding	43,000	100.0
27th Street East Safeway	North Vancouver	Retail – Freestanding	37,000	100.0
30th Avenue Safeway	Vernon	Retail – Freestanding	29,000	100.0
32nd Street Safeway	Vernon	Retail – Freestanding	56,000	100.0
100 Street Safeway	Fort St. John	Retail – Freestanding	55,000	100.0
120 Street Safeway	Surrey	Retail – Plazas	53,000	100.0
152nd Street Safeway	Surrey	Retail – Freestanding	56,000	100.0
4655 Lakelse Avenue	Terrace	Retail – Freestanding	43,000	100.0
20871 Fraser Highway Safeway	Langley	Retail – Freestanding	48,000	100.0
27566 Fraser Highway Safeway	Langley	Retail – Freestanding	45,000	100.0
Alder Avenue	100 Mile House	Retail – Plazas	28,000	100.0
Austin Road Safeway	Coquitlam	Retail – Freestanding	21,000	100.0
Baker Street Safeway	Cranbrook	Retail – Freestanding	48,000	100.0
Bernard Avenue Safeway	Kelowna	Retail – Freestanding	30,000	100.0
Blundell Road	Richmond	Retail – Freestanding	28,000	100.0
Columbia Avenue Safeway	Castlegar	Retail – Freestanding	27,000	100.0
Columbia Street West Safeway	Kamloops	Retail – Freestanding	50,000	100.0
Davie Street Safeway	Vancouver	Retail – Plazas	37,000	100.0
East Broadway Safeway	Vancouver	Retail – Freestanding	42,000	100.0
King Edward Avenue	Vancouver	Retail – Freestanding	28,000	100.0
Fortune Drive Safeway	Kamloops	Retail – Freestanding	56,000	100.0
Kingsway Safeway	Vancouver	Retail – Plazas	51,000	100.0
Lougheed Highway Safeway	Mission	Retail – Plazas	55,000	100.0
McBride Boulevard Safeway	New Westminster	Retail – Freestanding	43,000	100.0
Mt. Seymour Rd Safeway	North Vancouver	Retail – Freestanding	36,000	100.0
Main Street Safeway	Penticton	Retail – Plazas	59,000	100.0
Reid Street Safeway	Quesnel	Retail – Freestanding	30,000	100.0
Second Avenue Safeway	Trail	Retail – Plazas	32,000	100.0
Shaughnessy Street Safeway	Port Coquitlam	Retail – Freestanding	49,000	100.0
West Broadway Safeway	Vancouver	Retail – Plazas	55,000	100.0
Yale Road Safeway	Chilliwack	Retail – Freestanding	52,000	100.0
Yellowhead Highway Safeway	Smithers	Retail – Freestanding	42,000	100.0
			<b>1,416,000</b>	<b>100.0</b>

**TOTAL** 17,666,000 93.6

# Unitholder Information

## Board of Trustees

**Donald E. Clow**  
Trustee, President and Chief Executive Officer

**John Eby**  
Independent Trustee and Lead Trustee

**Brian A. Johnson**  
Independent Trustee

**J. Michael Knowlton**  
Independent Trustee

**E. John Latimer**  
Independent Trustee

**Barbara Palk**  
Independent Trustee

**Frank C. Sobey**  
Trustee and Chairman

**Kent R. Sobey**  
Independent Trustee

**Paul D. Sobey**  
Trustee

**Elisabeth Strobach**  
Independent Trustee

**François Vimard**  
Trustee

## Officers

**Frank C. Sobey**  
Chairman

**Donald E. Clow**  
President and Chief Executive Officer

**Glenn R. Hynes**  
Executive Vice President,  
Chief Financial Officer and Secretary

**Patrick G. Martin**  
Executive Vice President, Operations

**Trevor Lee**  
Regional Vice President, Western Canada

**Fred Santini**  
Regional Vice President, Central Canada

**Scott R. MacLean**  
Regional Vice President, Atlantic Canada

**John Barnoski**  
Vice President, Corporate Development

**Cheryl Fraser**  
Chief Talent Officer

## Crombie REIT

Head Office:  
610 East River Road, Suite 200  
New Glasgow, Nova Scotia, B2H 3S2  
Telephone: (902) 755-8100  
Fax: (902) 755-6477  
Internet: [www.crombiereit.com](http://www.crombiereit.com)

## Unit Symbol

REIT Trust Units – CRR.UN

## Stock Exchange Listing

Toronto Stock Exchange

## Investor Relations and Inquiries

Unitholders, analysts, and investors should direct their financial inquiries or request to:

Glenn R. Hynes, FCPA, FCA  
Executive Vice President,  
Chief Financial Officer and Secretary  
Email: [investing@crombie.ca](mailto:investing@crombie.ca)

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, CST Trust Company.

## Distribution Record and Payment Dates for Fiscal 2015

Record Date	Payment Date
January 31, 2015	February 13, 2015
February 28, 2015	March 13, 2015
March 31, 2015	April 15, 2015
April 30, 2015	May 15, 2015
May 31, 2015	June 15, 2015
June 30, 2015	July 15, 2015
July 31, 2015	August 14, 2015
August 31, 2015	September 15, 2015
September 30, 2015	October 15, 2015
October 31, 2015	November 13, 2015
November 30, 2015	December 15, 2015
December 31, 2015	January 15, 2016

## Transfer Agent

CST Trust Company  
Investor Correspondence  
P.O. Box 700  
Montreal, Quebec, H3B 3K3  
Telephone: (800) 387-0825  
Email: [inquiries@canstockta.com](mailto:inquiries@canstockta.com)  
Website: [www.canstockta.com](http://www.canstockta.com)

## Counsel

Stewart McKelvey  
Halifax, Nova Scotia

## Auditors for Fiscal 2015

Grant Thornton, LLP  
Halifax, Nova Scotia

## Multiple Mailings

If you have more than one account, you may receive a separate mailing for each.

If this occurs, please contact CST Trust Company at (800) 387-0825 or (416) 682-3860 to eliminate multiple mailings.

# TOP 20 TENANTS

Crombie's portfolio is home to a wide diversity of regional and national tenants, most of whom serve the everyday needs of Canadian consumers. Also characterized by long average lease terms, such properties are among the steadiest performing assets in commercial real estate.



Tenant (As at December 31, 2015)	% of Annual Minimum Rent	Average Remaining Lease Term	Tenant (As at December 31, 2015)	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys <sup>(1)</sup>	49.9%	14.5 years	Canadian Tire	0.8%	10.2 years
Shoppers Drug Mart	5.8%	11.6 years	Bell (Aliant)	0.8%	6.1 years
Cineplex	1.5%	9.6 years	Marks Work Wearhouse	0.8%	3.2 years
Province of Nova Scotia	1.3%	3.0 years	Public Works Canada	0.6%	2.0 years
CIBC	1.2%	14.7 years	Sears Canada	0.6%	9.9 years
GoodLife Fitness	1.1%	11.3 years	Winners	0.5%	4.1 years
Lawtons/Sobeys Pharmacy	1.1%	11.4 years	Reitmans (Canada)	0.5%	3.1 years
Dollarama	1.1%	6.5 years	Brick Warehouse	0.5%	9.8 years
Bank of Nova Scotia	1.0%	3.4 years	Staples	0.5%	5.0 years
Best Buy Canada	0.9%	5.6 years	Liquor Control Board of Ontario	0.5%	9.3 years

(1) Excludes Lawtons/Sobeys Pharmacy



## WHY CROMBIE?

An investment in Crombie REIT provides the opportunity to achieve steady income growth and capital appreciation in one of the most reliable and defensive segments in commercial real estate.

- Diversified, low-risk and defensive portfolio
- Attractive yield
- High-quality cash flow
- Proven growth record and significant development potential
- Strong capital structure, moderate leverage and ample liquidity

