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, 2010, with a comparison to the financial condition and results of operations for the comparable period in 2009 and 2008. This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2010, December 31, 2009 and December 31, 2008 and related MD&A for those periods. Information about Crombie can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. 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. There can be no assurance that the expectations of management of Crombie will prove to be correct.

In particular, certain statements in this document discuss Crombie's anticipated outlook of future events. These statements include, but are not limited to:

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

(ii) the acquisition of accretive 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;

(iii) reinvesting to make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual redevelopment costs;

(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, which could be impacted by the level of acquisition activity Crombie is able to achieve and future financing opportunities;

(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 derivative financial liabilities;

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

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

(x) anticipated distributions and payout ratios, which could be impacted by seasonality of capital expenditures, 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) the effect the adoption of International Financial Reporting Standards ("IFRS") may have on Crombie's future financial statements which could impact reported earnings, financial liabilities, equity and/or debt covenants;

(xiii) the assumed estimated impact per unit upon future settlement of interest rate swap agreements which may be impacted by changes in Canadian bond yields and swap spreads, as well as the timing and type of financing available and the related amortization period thereon; and

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

Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

NON-GAAP FINANCIAL MEASURES

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

INTRODUCTION

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 24, 2011, except as otherwise noted.

Financial and Operational Summary

(in thousands of dollars, except per unit amounts and as otherwise noted)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009
Property revenue	**$ 216,996**	$ 207,254	**$ 57,546**	$ 52,378
Net income	**$ 14,663**	$ 10,748	**$ 4,228**	$ 3,523
Basic and diluted net income per unit	**$ 0.44**	$ 0.36	**$ 0.12**	$ 0.11
FFO	**$ 68,675**	$ 66,510	**$ 17,834**	$ 18,106
FFO per unit – basic	**$ 1.09**	$ 1.17	**$ 0.27**	$ 0.30
FFO per unit – diluted[(1)]	**$ 1.04**	$ 1.14	**$ 0.26**	$ 0.28
FFO payout ratio (%)	**81.7%**	76.8%	**82.4%**	74.9%
AFFO	**$ 53,175**	$ 18,260	**$ 15,198**	$ (7,511)
AFFO per unit – basic	**$ 0.85**	$ 0.32	**$ 0.23**	$ (0.12)
AFFO per unit – diluted[(1)]	**$ 0.83**	$ 0.32	**$ 0.22**	$ (0.12)
AFFO payout ratio (%)	**105.5%**	279.7%	**96.7%**	N/A%

(1) The diluted weighted average number of total Units and Special Voting Units includes the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. For the year ended December 31, 2010, the Series A Debentures and the Series C Debentures are anti-dilutive for AFFO per unit calculations. For the quarter ended December 31, 2010, the Series A Debentures are anti-dilutive for AFFO per unit calculations. For the year ended December 31, 2009, the Series A Debentures and the Series B Debentures are anti-dilutive for AFFO per unit calculations.

Overview of the Business and Recent Developments

Crombie is an unincorporated, open-ended real estate investment trust established pursuant to a 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 units of Crombie trade on the Toronto Stock Exchange ("TSX") under the symbol CRR.UN.

Crombie invests in income-producing retail, office and mixed-use properties in Canada, with a future growth strategy focused primarily on the acquisition of grocery-anchored retail properties. At December 31, 2010, Crombie owned a portfolio of 130 commercial properties in eight provinces, comprising approximately 12.0 million square feet of gross leasable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through its subsidiary ECLD, holds a 46.6% economic and voting interest in Crombie at December 31, 2010.

Significant developments during 2010 include:

- On February 1, 2010, Crombie completed the refinancing for the office and retail portfolio known as Halifax Developments. The principal amount of the maturing Halifax Developments mortgages was approximately $106,079 with a weighted average fixed interest rate of 5.43%. The new Halifax Developments mortgages are for a total of $141,000, with a ten year term, 25 year amortization and a weighted average fixed interest rate of 6.48%.
- On February 8, 2010, Crombie issued $45,000 of convertible unsecured subordinated debentures (the "Series C Debentures"). The Series C Debentures have an interest rate of 5.75%, a conversion price of $15.30 per unit and a maturity date of June 30, 2017.
- On February 22, 2010, Crombie completed the acquisition of five of the eight retail properties previously announced on November 5, 2009, from subsidiaries of Empire. The cost of the five properties was $31,530, excluding closing and transaction costs, and was partially financed by the assumption of $8,358 of mortgages with a weighted average term of 8.6 years, 25 year amortization and a weighted average interest rate of 6.26%. The balance was financed with Crombie's existing credit facility.
- On February 26, 2010, Crombie completed $33,850 of mortgage financing on five properties. The mortgages have an eight year term, a fixed interest rate of 5.70% and a weighted average amortization period of 21.6 years.

- On March 24, 2010, Crombie completed the acquisition of the remaining three properties of the eight retail properties previously announced on November 5, 2009 from subsidiaries of Empire. The purchase price of the three properties was $27,746 and was financed with Crombie's existing credit facility.
- On April 22, 2010, and May 20, 2010, Crombie completed three mortgage financings totalling $19,000 in principal; all with ten year terms; interest rates ranging from 5.75% to 6.80%; and amortization periods from 15 to 25 years.
- On August 4, 2010, Crombie completed a public offering of 2,670,000 Units, at a price of $11.05 per Unit for gross proceeds of $29,504. Concurrent with the public offering in satisfaction of its pre-emptive right, ECLD subscribed for 1,855,000 Class B LP Units and the attached Special Voting Units, on a private placement basis, at the same issue price of $11.05 per Class B LP Unit for gross proceeds of $20,498.
- On September 28, 2010, Crombie completed the acquisition of nine of the properties previously announced on July 14, 2010, from a subsidiary of Empire. The cost of the nine properties was $84,297, excluding closing and transaction costs, and was partially financed with mortgage financing on seven of the nine properties. The mortgages total $51,570 at the time of acquisition and an additional $8,200 subsequently with terms ranging from nine to 15 years, amortization periods between 15 and 25 years, and interest rates between 4.53% and 5.19%. The properties acquired total approximately 400,000 square feet of GLA and include six properties in Alberta, one in Saskatchewan, one in Ontario and one in Nova Scotia.
- On October 28, 2010, Crombie completed the acquisition of one retail property, and on November 22, 2010 the acquisition of two retail properties, all located in Quebec. The cost of the three properties was $28,250, excluding closing and transaction costs, and was partially financed with $19,600 of mortgage financings with the balance funded with proceeds from the August 2010 equity offering. The mortgages have terms from nine to 15 years, fixed interest rates of 4.71% and 4.76% and amortization periods of 25 years.

Significant developments during 2009 included:

- The closing of a public offering of 4,725,000 Units, including the underwriter's over-allotment option, at a price of $7.80 per Unit for gross proceeds of $36,855 on June 25, 2009; concurrent with the public offering, in satisfaction of its pre-emptive right, the purchase by ECLD of 3,846,154 of Class B LP Units and the attached Special Voting Units, on a private-placement basis, at the $7.80 offering price for gross proceeds of $30,000;
- The closing of an $85,000 unsecured convertible debenture offering (the "Series B Debentures") on September 30, 2009. The Series B Debentures have an interest rate of 6.25%, a conversion price of $11.00 per unit and a maturity date of June 30, 2015; and
- The entering of an agreement on November 5, 2009 to acquire eight retail properties representing approximately 333,000 square feet of GLA from subsidiaries of Empire for a purchase price of approximately $59,500, excluding closing and transaction costs and subject to normal closing adjustments.

Business Strategy 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 unit value through active 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 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, will 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 retail properties. Crombie pursues two primary sources of acquisitions which are third party acquisitions and the relationship with ECLD and Sobeys Developments Limited Partnership ("SDLP"). The relationship with ECLD and SDLP includes currently owned and future development properties, as well as opportunities through the rights of first refusal ("ROFR") that one of Empire's subsidiaries has negotiated in certain of their third party leases. Crombie will seek to identify future property acquisitions using investment criteria that focuses on the strength of anchor tenancies, market demographics, age of properties, terms of tenancies, proportion of revenue from national tenants, opportunities for expansion, security of cash flow, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including expansion and repositioning.

Crombie continues to work closely with ECLD and SDLP to identify development opportunities that further Crombie's external growth strategy. The relationship with ECLD is governed by a development agreement described in the Material Contracts section of Crombie's Annual Information Form, while the relationship with SDLP is governed by a similar development agreement. Through these relationships, Crombie expects to have the benefits associated

INTRODUCTION (cont.)

with 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 development agreements also enable Crombie to avoid the uncertainties associated with property development, such as paying the carrying costs of land, securing construction financing, obtaining development approvals, managing construction projects, marketing in advance of and during construction and earning no return during the construction period.

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

In the first quarter of 2010, Crombie acquired an eight property portfolio from subsidiaries of Empire. Five of these properties were new locations, while three of the acquisitions (Future Shop at Highland Square Mall in Nova Scotia, Mountain Equipment Co-op at Greenfield Park in Quebec and Société des Alcools du Québec and Dormez-Vous Centre du Sommeil in Saint Romuald Plaza in Quebec) were additions to existing properties.

In the third quarter of 2010, Crombie acquired nine properties from subsidiaries of Empire. Seven properties are located in Western Canada, including six in Edmonton and Calgary, Alberta and one located in Regina, Saskatchewan. One property is located in Halifax, Nova Scotia and one in Orleans, Ontario.

In the fourth quarter of 2010, Crombie acquired three Quebec properties, one from subsidiaries of Empire and two from a joint venture in which ECLD was a partner.

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

Property	Date Acquired	Property Type	GLA (sq. ft.)	Acquisition Cost[1]	Vendor
Brampton Plaza Brampton, Ontario	Oct. 2, 2006	Retail – Plaza	66,000	$ 13,160	Empire subsidiaries
Taunton & Wilson Plaza Oshawa, Ontario	Oct. 2, 2006	Retail – Plaza	83,000	$ 18,725	Empire subsidiaries
Burlington Plaza Burlington, Ontario	Dec. 20, 2006	Retail – Plaza	56,000	$ 14,200	3rd party
The Mews of Carleton Place Carleton Place, Ontario	Jan. 17, 2007	Retail – Plaza	80,000	$ 11,800	3rd party
Perth Mews Shopping Mall Perth, Ontario	Mar. 7, 2007	Retail – Plaza	103,000	$ 17,900	3rd party
International Gateway Centre Fort Erie, Ontario	Jul. 26, 2007	Retail – Plaza	93,000	$ 19,200	3rd party ROFR
Brossard-Longueuil Brossard, Quebec	Aug. 24, 2007	Retail – Freestanding	39,000	$ 7,300	3rd party ROFR
Town Centre LaSalle, Ontario	Oct. 15, 2007	Retail – Plaza	88,000	$ 12,700	3rd party
61 property portfolio (the "Portfolio Acquisition")	Apr. 22, 2008	Retail – Freestanding Retail – Plaza Retail – Enclosed	1,589,000 1,571,000 128,000	$ 428,500	Empire subsidiaries
River City Centre Saskatoon, Saskatchewan	Jun. 12, 2008	Retail – Plaza	160,000	$ 27,200	3rd party
5 property portfolio	Feb. 22, 2010	Retail – Plaza	186,000	$ 31,530	Empire subsidiaries
3 property portfolio	Mar. 24, 2010	Retail – Plaza Retail – Freestanding	101,000 46,000	$ 27,746	Empire subsidiaries
9 property portfolio	Sep. 28, 2010	Retail – Freestanding Retail – Plaza	359,000 41,000	$ 84,297	Empire subsidiaries
McMasterville, Quebec	Oct. 28, 2010	Retail – Plaza	47,000	$ 11,250	Empire Subsidiaries
St Augustin, Quebec	Nov. 22, 2010	Retail – Plaza	38,000	$ 7,368	Joint venture, in which ECLD was a partner
St Charles de Drummond, Quebec	Nov. 22, 2010	Retail – Plaza	48,000	$ 9,632	Joint venture, in which ECLD was a partner
Total			4,922,000	$ 742,508	

(1) Excluding closing and transaction costs.

There is approximately 1.9 million square feet in 22 development properties that can be offered to Crombie on a preferential right through the Empire/ECLD/SDLP relationships when the properties are sufficiently developed to meet Crombie's acquisition criteria. The properties are primarily retail plazas and approximately 72% of the GLA of the 22 properties is located outside of Atlantic Canada. These properties are anticipated to be made available to Crombie over the next four years.

Business Environment

During the latter half of 2009 and throughout 2010, the Canadian economy continued to display strengthening results in a number of key economic areas, which indicate that a modest recovery is taking place. However, concerns still exist as to the sustainability of the recovery as debt levels of both governments and consumers continue to rise and unemployment levels remain high. Also during this period, the credit and equity markets experienced a dramatic improvement in their liquidity, which occurred almost as quickly as the contraction did in late 2008. This liquidity expansion has helped reduce credit spreads to more historically normal levels and resulted in attractive overall financing costs, which many Canadian real estate investment trusts ("REITs") and real estate companies, including Crombie, have taken advantage of to strengthen their financial position and improve liquidity. In the second half of 2010, Crombie sourced nine and 15 year mortgage debt at rates between 4.53% and 5.19%.

In light of the improving economic conditions and improved access to capital, capitalization rates began to contract after their expansion during the recession. This capitalization rate contraction has resulted in a positive impact to the unit prices of many REITs and the recent improvement in both the credit and equity markets have improved Crombie's cost of capital to the level where accretive acquisitions could be considered. As a result, Crombie was able to complete acquisitions of eight retail properties from subsidiaries of Empire during the first quarter of 2010, an additional nine properties in the third quarter of 2010 and three properties in the fourth quarter of 2010. Crombie will only pursue acquisitions that are accretive and provide an acceptable return, including acquisitions that result from the relationship between Crombie and ECLD and Crombie and SDLP.

In terms of occupancy rates, both the retail and office markets in Atlantic Canada where Crombie has a prominent presence remain relatively stable. Historically, Atlantic Canada has been a "no boom, no bust" economy, resulting in stable operating performance over time. The overall business environment outlook is cautiously optimistic, influenced by the early recovery noted in the Canadian economy. However, there remains a lack of clarity as to the sustainability of the recovery. One offsetting factor is that many of Crombie's retail locations are anchored by food stores, which typically are less affected by swings in consumer spending.

2010 HIGHLIGHTS

- Crombie completed leasing activity on 743,000 square feet of GLA during the year ended December 31, 2010, which represents approximately 96.0% of its 2010 expiring leases.
- Average net rent per square foot from the leasing activity increased to $14.13 from the expiring rent per square foot of $13.44, an increase of 5.1%.
- Property occupancy was 95.8% at December 31, 2010 compared with 95.5% at September 30, 2010, and 94.7% at December 31, 2009.
- Property revenue for the year ended December 31, 2010 was $216,996, an increase of $9,742, or 4.7% over the $207,254 for the year ended December 31, 2009.
- Same-asset cash NOI for the year ended December 31, 2010 of $119,220, an increase of $2,477, or 2.1%, compared to $116,743 for the year ended December 31, 2009.
- The FFO payout ratio for the year ended December 31, 2010 was 81.7% compared to the payout ratio of 76.8% for the same period in 2009.
- The AFFO payout ratio for the year ended December 31, 2010 was 105.5%, which was unfavourable to the target annual AFFO payout ratio of 95%.
- Debt to gross book value was 54.6% at December 31, 2010 compared to 52.4% at December 31, 2009.
- Crombie's interest service coverage for the year ended December 31, 2010, was 2.38 times EBITDA and debt service coverage was 1.72 times EBITDA, compared to 2.80 times EBITDA and 1.94 times EBITDA, respectively, for the same period in 2009.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At December 31, 2010 the property portfolio consisted of 130 commercial properties that contain approximately 12.0 million square feet of GLA. The properties are located in eight provinces: (Nova Scotia, New Brunswick, Ontario, Newfoundland and Labrador, Quebec, Prince Edward Island, Alberta and Saskatchewan).

As at December 31, 2010, the portfolio distribution of the GLA by province was as follows:

Province	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Occupancy[1]
Nova Scotia	42	5,065,000	42.3%	37.4%	95.3%
New Brunswick	23	1,784,000	14.9%	12.6%	91.6%
Ontario	24	1,771,000	14.8%	16.7%	95.7%
Newfoundland and Labrador	13	1,480,000	12.3%	16.1%	98.2%
Quebec	17	1,042,000	8.7%	9.3%	98.5%
Prince Edward Island	3	369,000	3.1%	2.8%	98.4%
Alberta	6	274,000	2.3%	3.3%	100.0%
Saskatchewan	2	198,000	1.6%	1.8%	100.0%
Total	130	11,983,000	100.0%	100.0%	95.8%

(1) For purposes of calculating occupancy percentage, Crombie considers GLA covered by the head lease agreements in favour of ECLD as occupied as there is head lease revenue being earned on the GLA.

During the fourth quarter of 2010, there was an increase in GLA of 113,000 square feet due to the 134,000 square foot acquisition of three properties located in Quebec and the removal of 21,000 square feet of non-leasable space related to the redevelopment at Sydney Shopping Centre in Nova Scotia.

The percentage of Crombie's total GLA in Atlantic Canada has decreased from 76.5% at December 31, 2009 to 72.6% at December 31, 2010, which is consistent with Crombie's strategy to increase its presence outside its Atlantic Canada core.

Overall occupancy has increased to 95.8% at December 31, 2010 compared with 95.5% at September 30, 2010 due mainly to the acquisition of three properties totalling 134,000 square feet (1.1% growth to the portfolio) that are 100% leased; the removal of leased space for redevelopment and other lease movement.

Crombie looks to diversify its geographic composition through growth opportunities, as evidenced by six property acquisitions in Alberta, nine in Ontario, five in Quebec, two in Saskatchewan, three in New Brunswick, one in Nova Scotia and the Portfolio Acquisition since Crombie's 2006 IPO. As well, the properties are located in rural and urban locations, which Crombie believes adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

On a regular basis, Crombie will commence redevelopment work on a property to enhance the economic viability of a location when the environment in which it operates warrants. Crombie currently has one property under redevelopment: Sydney Shopping Centre in Sydney, Nova Scotia is being converted from a retail – enclosed property to a retail – plaza.

During the first quarter of 2010, Crombie completed the conversion of Fort Edward Mall in Windsor, Nova Scotia from a retail – enclosed property to retail – plaza. The property was reconfigured to replace the previous SAAN location and several small tenants with new Hart and Dollarama locations. In addition, Valley Mall in Corner Brook, Newfoundland and Labrador was reconfigured to replace an existing food court with a new Hart store. Finally, Charlotte Mall in St. Stephen, New Brunswick was converted from a retail – enclosed mall to a retail – plaza. During the second quarter of 2010, Crombie completed the redevelopment of Fairvale Plaza in Rothesay, New Brunswick to convert it to a retail – freestanding store with the demolition of existing commercial retail unit space, expanding the existing Sobeys store and adding additional parking. During the third quarter, redevelopment at Aberdeen Business Centre in New Glasgow, Nova Scotia was completed adding additional GLA. Costs for properties under redevelopment are classified as productive capacity enhancements to the extent that Crombie determines they increase a property's NOI, or expand the GLA of a property by a minimum threshold (see "Tenant Improvements and Capital Expenditures").

The following table outlines properties under redevelopment:

Province	Property	Current GLA	Redevelopment	Estimated Cost	Incurred To Date	Estimated Completion
Nova Scotia	Sydney Shopping Centre	173,000	Convert from retail – enclosed to retail – plaza	$12,400	$3,989	January 2012

During the second quarter of 2010, Crombie commenced redevelopment work on Sydney Shopping Centre. A portion of the GLA was vacated for the initial phases of the redevelopment, scheduled for completion in January 2012.

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

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at December 31, 2010.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys[1]	36.2%	15.6 years
Shoppers Drug Mart	2.0%	7.0 years
Empire Theatres Limited	1.9%	8.0 years
Zellers	1.9%	7.0 years
Nova Scotia Power Inc.	1.7%	0.3 years
CIBC	1.6%	19.3 years
Lawtons/Sobeys Pharmacy	1.3%	13.0 years
Province of Nova Scotia	1.3%	4.9 years
Bell (Aliant)	1.3%	7.9 years
Bank of Nova Scotia	1.2%	3.1 years
Total	50.4%	

(1) Excludes Lawtons and Fast Fuel locations.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys, which accounts for 36.2% of the annual minimum rent, no other tenant accounts for more than 2.0% of Crombie's minimum rent. Nova Scotia Power Inc. ("NSPI") leases approximately 185,000 square feet in Barrington Tower, Halifax, Nova Scotia, under a lease that expires March 31, 2011. NSPI has indicated that they will not be renewing their lease; however they are expected to continue occupying a yet to be determined portion of their space on a holdover basis beyond March 31, 2011. Of the approximately 185,000 square feet, 47,000 square feet has been leased as of April 1, 2011 with an additional 93,000 square feet under contract to commence mid 2012. Crombie continues to work on leasing the remainder of the space and is confident of replacing NSPI with new tenancies.

Lease Maturities

The following table sets out as of December 31, 2010 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 net rent per square foot at the time of expiry. The weighted average remaining term of all leases is approximately 10.2 years. This extended remaining lease term is reflective of the average Sobeys remaining lease term of 15.6 years.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Net Rent per Sq. Ft. at Expiry ($)
2011	273	1,092,000	9.1%	$ 14.17
2012	182	917,000	7.7%	$ 12.02
2013	182	928,000	7.8%	$ 12.13
2014	165	531,000	4.4%	$ 17.86
2015	132	625,000	5.2%	$ 14.66
Thereafter	409	7,382,000	61.6%	$ 13.26
Total	1,343	11,475,000	95.8%	$ 13.44

OVERVIEW OF THE PROPERTY PORTFOLIO (cont.)

2010 Portfolio Lease Expiries and Leasing Activity

The portfolio lease expiries and leasing activity for the year ending December 31, 2010 were as follows:

	Retail – Freestanding	Retail – Plazas	Retail – Enclosed	Office	Mixed – Use	Total
Expiries (sq. ft.)	–	295,000	196,000	89,000	194,000	774,000
Average net rent per sq. ft.	$ –	$ 13.73	$ 15.77	$ 12.18	$ 11.21	$ 13.44
Committed renewals (sq. ft.)	–	227,000	104,000	45,000	134,000	510,000
Average net rent per sq. ft.	$ –	$ 14.29	$ 18.48	$ 11.79	$ 11.17	$ 14.10
New leasing (sq. ft.)	–	81,000	77,000	16,000	59,000	233,000
Average net rent per sq. ft.	$ –	$ 13.86	$ 15.23	$ 10.33	$ 14.30	$ 14.19
Total renewals/new leasing (sq. ft.)	–	308,000	181,000	61,000	193,000	743,000
Total average net rent per sq. ft.	$ –	$ 14.17	$ 17.10	$ 11.41	$ 12.13	$ 14.13

Leasing activity during 2010 resulted in 510,000 square feet of renewals and 233,000 square feet from new leasing being completed. This 743,000 square feet of completed leasing activity represents 96.0% of 2010's 774,000 square feet of expiring leases. This contributes to the increase in 2010's overall occupancy rate.

Total committed renewals were completed at an average rate of $14.10 per square foot, an increase of 4.9% over the average expiry rate of $13.44. New leasing was completed at an average rate of $14.19 per square foot, an increase of 5.6% over the average expiry rate.

The committed renewal rate and new leasing rate within specific sectors of the portfolio is impacted by above average rates on kiosks, food courts and small locations as well as below average rates for anchor tenants.

Sector Information

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

In the first quarter of 2010, Crombie reclassified Saint Romuald in Quebec from retail – freestanding to retail – plaza due to additional tenant acquisition, in addition to reclassifying Fort Edward Mall in Nova Scotia and Charlotte Mall in New Brunswick from a retail – enclosed facility to a retail – plaza due to redevelopment. In the second quarter of 2010, Crombie reclassified Fairvale Plaza in New Brunswick from retail – plaza to retail – freestanding due to redevelopment.

As at December 31, 2010, 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	Occupancy[1]
Retail – Freestanding	51	2,095,000	17.5%	18.3%	100.0%
Retail – Plazas	54	4,683,000	39.1%	39.8%	96.7%
Retail – Enclosed	12	2,437,000	20.3%	21.7%	95.4%
Portfolio sub-totals for retail	117	9,215,000	76.9%	79.8%	97.1%
Office	5	1,049,000	8.8%	7.7%	84.8%
Mixed – Use	8	1,719,000	14.3%	12.5%	95.3%
Total	130	11,983,000	100.0%	100.0%	95.8%

(1) For purposes of calculating occupancy percentage, Crombie considers GLA covered by the head lease agreements in favour of ECLD as occupied.

As at December 31, 2009, the portfolio distribution of the GLA by asset type was as follows (restated for the 2010 reclassifications):

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Occupancy[1]
Retail – Freestanding	42	1,691,000	15.1%	15.3%	100.0%
Retail – Plazas	46	4,230,000	37.7%	38.5%	96.0%
Retail – Enclosed	12	2,529,000	22.6%	23.9%	92.0%
Portfolio sub-totals for retail	100	8,450,000	75.4%	77.7%	95.6%
Office	5	1,048,000	9.4%	9.0%	88.0%
Mixed – Use	8	1,707,000	15.2%	13.3%	94.1%
Total	113	11,205,000	100.0%	100.0%	94.7%

(1) For purposes of calculating occupancy percentage, Crombie considers GLA covered by the head lease agreements in favour of ECLD as occupied.

Retail properties represent 76.9% of Crombie's GLA and 79.8% of annual minimum rent at December 31, 2010 versus 75.4% and 77.7% respectively at December 31, 2009. This year-over-year increase is reflective of Crombie's growth strategy to focus primarily on retail properties as 100% of Crombie's 2010 acquisitions were retail properties.

Occupancy in retail properties increased to 97.1% at December 31, 2010, from 95.6% at December 31, 2009, while occupancy in office and mixed-use properties decreased to 91.3% from 91.8%.

The following table sets out as of December 31, 2010, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail – Freestanding		Retail – Plazas		Retail – Enclosed	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2011	4,000	0.2%	328,000	7.0%	174,000	7.2%
2012	5,000	0.2%	300,000	6.4%	148,000	6.1%
2013	–	–%	409,000	8.7%	204,000	8.4%
2014	–	–%	248,000	5.3%	161,000	6.6%
2015	5,000	0.2%	299,000	6.4%	74,000	3.0%
Thereafter	2,081,000	99.4%	2,943,000	62.9%	1,566,000	64.1%
Total	2,095,000	100.0%	4,527,000	96.7%	2,327,000	95.4%

Year	Office		Mixed – Use		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2011	334,000	31.9%	252,000	14.6%	1,092,000	9.1%
2012	127,000	12.1%	337,000	19.6%	917,000	7.7%
2013	114,000	10.9%	201,000	11.7%	928,000	7.8%
2014	89,000	8.5%	33,000	1.9%	531,000	4.4%
2015	31,000	2.9%	216,000	12.6%	625,000	5.2%
Thereafter	194,000	18.5%	598,000	34.9%	7,382,000	61.6%
Total	889,000	84.8%	1,637,000	95.3%	11,475,000	95.8%

Of the 8,949,000 square feet of retail properties under lease, 6,590,000 square feet, or 73.6% is scheduled for maturity after 2015. This long-term stability in lease maturities is driven by the extended term nature of the Sobeys leases.

In the office and mixed-use properties, lease maturities after 2015 represents 31.4% of the leased square footage.

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

Year	Retail – Freestanding	Retail – Plazas	Retail – Enclosed	Office	Mixed – Use
2011	$ 28.00	$ 14.60	$ 15.77	$ 14.31	$ 12.09
2012	$ 25.00	$ 13.26	$ 19.18	$ 9.94	$ 8.35
2013	$ –	$ 9.49	$ 15.82	$ 13.56	$ 12.95
2014	$ –	$ 14.69	$ 25.47	$ 12.62	$ 18.74
2015	$ 16.47	$ 15.13	$ 23.15	$ 11.93	$ 11.46
Thereafter	$ 13.92	$ 13.84	$ 11.69	$ 11.89	$ 12.66
December 2010 Total	$ 13.98	$ 13.60	$ 14.15	$ 12.81	$ 11.69
December 2009 Total	$ 13.25	$ 13.10	$ 13.84	$ 12.74	$ 11.24

FINANCIAL RESULTS YEAR-TO-DATE

Comparison to Previous Years

As at	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2008
Total assets	**$ 1,614,060**	$ 1,457,166	$ 1,483,219
Total commercial property debt and convertible debentures	**$ 947,560**	$ 817,227	$ 837,939
Debt to gross book value[(1)]	**54.6%**	52.4%	54.4%

(1) See "Debt to Gross Book Value" section for detailed calculation.

(In thousands of dollars, except per unit amounts and as otherwise noted)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Year Ended Dec. 31, 2008
Property revenue	**$ 216,996**	$ 207,254	$ 188,142
Property expenses	**79,300**	75,762	70,370
Property NOI	**137,696**	131,492	117,772
NOI margin percentage	**63.5%**	63.4%	62.6%
Expenses:			
General and administrative	**10,579**	9,274	8,636
Interest	**58,789**	46,319	39,232
Depreciation and amortization	**43,367**	46,031	43,786
	112,735	101,624	91,654
Income from continuing operations before other items, income taxes and non-controlling interest	**24,961**	29,868	26,118
Other income (expenses)	**347**	(9,389)	179
Income from continuing operations before income taxes and non-controlling interest	**25,308**	20,479	26,297
Income taxes expense (recovery) – Future	**(2,500)**	(100)	(1,490)
Income from continuing operations before non-controlling interest	**27,808**	20,579	27,787
Write down of assets held for sale	**–**	–	(408)
Income from discontinued operations	**–**	–	649
Income before non-controlling interest	**27,808**	20,579	28,028
Non-controlling interest	**13,145**	9,831	13,440
Net income	**$ 14,663**	$ 10,748	$ 14,588
Income from continuing operations per Unit, Basic and Diluted	**$ 0.44**	$ 0.36	$ 0.56
Net Income per Unit, Basic and Diluted	**$ 0.44**	$ 0.36	$ 0.57
Basic weighted average Units outstanding (in 000s)	**33,114**	29,612	25,478
Diluted weighted average Units outstanding (in 000s)	**33,280**	29,765	25,596
Distributions per Unit to unitholders	**$ 0.89**	$ 0.89	$ 0.87

Net income for the year ended December 31, 2010 of $14,663 increased by $3,915 from $10,748 for the year ended December 31, 2009. The increase was primarily due to:

- higher property NOI on improved occupancy rates, improved average rental rates, and the impact of property acquisitions;
- lower amortization of intangible assets associated with fully amortized intangibles;
- future income tax recovery associated with a substantively enacted tax rate reduction in New Brunswick; and
- 2009 settlement costs of an ineffective interest rate swap agreement and the write off of related deferred financing charges; offset in part by
- higher and more normalized interest expense in 2010 as a result of the replacement of short-term floating rate debt with long-term fixed rate debt.

Property Revenue and Property Expense

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

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Same-asset property revenue	$ 197,076	$ 194,631	$ 2,445
Acquisition and redevelopment property revenue	19,920	12,623	7,297
Property revenue	$ 216,996	$ 207,254	$ 9,742

Same-asset property revenue of $197,076 for the year ended December 31, 2010 was 1.3% higher than the year ended December 31, 2009 due to increased base rent and recoveries as a result of higher overall occupancy and higher recoverable property expenses partially offset by a $1,906 decrease in non-cash below-market lease amortization as lease terms expire.

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Same-asset property expenses	$ 72,188	$ 70,135	$ (2,053)
Acquisition and redevelopment property expenses	7,112	5,627	(1,485)
Property expenses	$ 79,300	$ 75,762	$ (3,538)

Same-asset property expenses of $72,188 for the year ended December 31, 2010 increased by $2,053 or 2.9% from the year ended December 31, 2009 due primarily to increased recoverable property taxes offset in part by reduced snow clearing costs and non-shareable costs.

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Same-asset property NOI	$ 124,888	$ 124,496	$ 392
Acquisition and redevelopment property NOI	12,808	6,996	5,812
Property NOI	$ 137,696	$ 131,492	$ 6,204

Property NOI is determined as property revenue less property expenses. Same-asset NOI for the year ended December 31, 2010 increased by $392 or 0.3% from the year ended December 31, 2009.

Property NOI on a cash basis is as follows:

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Property NOI	$ 137,696	$ 131,492	$ 6,204
Non-cash straight-line rent and above- and below-market lease amortization	(6,415)	(8,257)	1,842
Property Cash NOI	131,281	123,235	8,046
Acquisition and redevelopment property cash NOI	12,061	6,492	5,569
Same-Asset Property Cash NOI	$ 119,220	$ 116,743	$ 2,477

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of below-market and above-market lease amounts. The $2,477 or 2.1% increase in same-asset cash NOI for the year ended December 31, 2010 over December 31, 2009 is primarily the result of increased occupancy rates combined with the increased average net rent per square foot results from the 2010 leasing activity.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties year-over-year. This excludes the impact of fluctuations in non-cash items, straight-line rent and amortization of above-market and below-market leases, which are impacting the property NOI.

FINANCIAL RESULTS YEAR-TO-DATE (cont.)

Acquisition and redevelopment property cash NOI is as follows:

(In thousands of dollars)	**Year Ended Dec. 31, 21010**	Year Ended Dec. 31, 2009
Acquisition property cash NOI	**$ 5,265**	$ –
Redevelopment property cash NOI	**6,796**	6,492
	$ 12,061	$ 6,492

Cash NOI for redevelopment properties increased 4.7% for the year ended December 31, 2010 over the year ended December 31, 2009.

Change in cash NOI from redevelopment properties year over year is impacted by the timing of commencement and completion of each redevelopment project. The nature and extent of redevelopment projects results in operations being impacted minimally in some instances and a significant disruption in others, thus affecting the comparability of year over year redevelopment operating results.

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

Property NOI for the year ended December 31, 2010 by province was as follows:

				2010		2009
(In thousands of dollars)	**Property Revenue**	**Property Expenses**	**Property NOI**	**NOI % of Revenue**	NOI % of Revenue	Variance
Nova Scotia	**$ 95,561**	**$ 40,445**	**$ 55,116**	**57.7%**	58.7%	(1.0)%
New Brunswick	**27,035**	**10,687**	**16,348**	**60.5%**	57.8%	2.7%
Ontario	**33,473**	**11,409**	**22,064**	**65.9%**	67.7%	(1.8)%
Newfoundland and Labrador	**34,389**	**9,919**	**24,470**	**71.2%**	70.6%	0.6%
Quebec	**16,854**	**4,595**	**12,259**	**72.7%**	72.4%	0.3%
Prince Edward Island	**5,300**	**1,317**	**3,983**	**75.2%**	73.6%	1.6%
Saskatchewan	**3,134**	**875**	**2,259**	**72.1%**	72.1%	–%
Alberta	**1,250**	**53**	**1,197**	**95.8%**	–%	–%
Total	**$ 216,996**	**$ 79,300**	**$ 137,696**	**63.5%**	63.4%	0.1%

The increase in NOI as a percentage of revenue in New Brunswick and Prince Edward Island is primarily due to increased occupancy. The decrease in NOI as a percentage of revenue in Nova Scotia is attributable to increased non-shareable expense and a one-time straight-line rent adjustment in 2009. The decrease in NOI as a percentage of revenue in Ontario is due to reduction of shareable cost recovery estimates and a reduction in amortization of below-market leases.

General and Administrative Expenses

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

(In thousands of dollars)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Variance
Salaries and benefits	**$ 5,532**	$ 4,696	$ (836)
Professional fees	**1,764**	1,875	111
Public company costs	**1,291**	1,069	(222)
Rent and occupancy	**816**	747	(69)
Other	**1,176**	887	(289)
General and administrative expenses	**$ 10,579**	$ 9,274	$ (1,305)
As a percentage of property revenue	**4.9%**	4.5%	(0.4)%

General and administrative expenses, as a percentage of property revenue, increased by 0.4% for the year ended December 31, 2010 when compared to the same period in 2009. The increase was caused by:

- Salaries and benefits include increases in staffing levels and higher incentive payments in 2010 and the costs associated with the departure of Crombie's Chief Financial Officer in the second quarter of 2010. The costs associated with the retirement of Crombie's Chief Executive Officer are included in 2009 salaries and benefits.
- Public company costs increased partially due to increased trustee travel cost.
- Other general and administrative expenses increased due to higher travel costs in 2010 compared to the same period in 2009.

Interest Expense

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Same-asset interest expense	**$ 47,610**	$ 39,563	$ (8,047)
Acquisition and redevelopment interest expense	**4,593**	2,300	(2,293)
Amortization of effective swaps and deferred financing charges	**6,586**	4,456	(2,130)
Interest expense	**$ 58,789**	$ 46,319	$ (12,470)

Same-asset interest expense has increased by $8,047 or 20.3%. The increase reflects Crombie's planned replacement of short-term floating rate debt with long-term fixed rate mortgages and convertible debentures. The weighted average contractual interest rate on fixed rate mortgages increased to 5.77% at December 31, 2010 from 5.66% at December 31, 2009, primarily due to the refinancing on February 1, 2010 of the maturing Halifax Developments mortgages. The maturing Halifax Developments mortgages of $106,079 had a weighted average interest rate of 5.43% while the new $141,000 mortgages have a weighted average interest rate of 6.48%. Floating rate debt decreased from $106,160 at December 31, 2009 to $50,000 at December 31, 2010.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and management expects to realize a further $6,106 over that period. The amount of interest rate subsidy received during the year ended December 31, 2010 was $1,627 (year ended December 31, 2009 – $3,085). The reduced subsidy during 2010 relates to the maturity of the Halifax Developments mortgages. The interest rate subsidy is received by Crombie through monthly repayments by ECLD of amounts due under one of the demand notes issued by ECLD to Crombie Developments Limited ("CDL").

Growth in acquisition and redevelopment interest expense is consistent with Crombie's significant acquisition activity in 2010.

Amortization of effective swaps and deferred financing charges has been impacted by the increase in amortization of effective swap agreements from $1,641 in 2009 to $4,033 in 2010.

Depreciation and Amortization

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Same-asset depreciation and amortization	**$ 39,988**	$ 43,727	$ 3,739
Acquisition and redevelopment depreciation and amortization	**3,379**	2,304	(1,075)
Depreciation and amortization	**$ 43,367**	$ 46,031	$ 2,664

Same-asset depreciation and amortization of $39,988 for the year ended December 31, 2010 was $3,739 or 8.6% lower than the year ended December 31, 2009 due primarily to intangible assets related to origination costs and in-place leases associated with properties purchased at the date of IPO being fully amortized, offset in part by depreciation on fixed asset additions and amortization of tenant improvements and lease costs incurred since December 31, 2009. Depreciation and amortization consists of:

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Depreciation of commercial properties	**$ 20,094**	$ 18,765	$ (1,329)
Depreciation of recoverable capital expenditures	**1,264**	1,050	(214)
Amortization of tenant improvements/leasing costs	**5,070**	4,272	(798)
Amortization of intangible assets	**16,939**	21,944	5,005
Depreciation and amortization	**$ 43,367**	$ 46,031	$ 2,664

FINANCIAL RESULTS YEAR-TO-DATE (cont.)

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 or be subject to the restrictions on its growth that would otherwise apply to trusts classified as specified investment flow-through entities ("SIFTs").

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout the 2009 and 2010 fiscal years. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

The future income tax liability represents the future tax provision for CDL, the wholly-owned corporate subsidiary which is subject to income taxes. The future income tax recovery in 2010 is due primarily to the reduction in the enacted effective income tax rates in New Brunswick that will be applicable when the timing differences are expected to reverse.

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure. Sector information for the year ended December 31, 2009 has been restated for comparative purposes for property reclassifications.

Retail – Freestanding Properties

	Year Ended December 31, 2010			Year Ended December 31, 2009		
(In thousands of dollars, except as otherwise noted)	Same-Asset	Acquisitions & Redevelopments	Total	Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	$ 25,233	$ 2,849	$ 28,082	$ 26,508	$ 1,071	$ 27,579
Property expenses	4,534	187	4,721	5,243	238	5,481
Property NOI	$ 20,699	$ 2,662	$ 23,361	$ 21,265	$ 833	$ 22,098
NOI Margin %	82.0%	93.4%	83.2%	80.2%	77.8%	80.1%
Occupancy %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Same-asset retail freestanding property revenue and property expenses decreased due to a number of tenants now paying their own property taxes directly, thus reducing expenses and recoveries and improving the overall NOI Margin %. In 2009 there was an increase in property revenue due to a one-time straight-line rent adjustment.

Retail – Plaza Properties

	Year Ended December 31, 2010			Year Ended December 31, 2009		
(In thousands of dollars, except as otherwise noted)	Same-Asset	Acquisitions & Redevelopments	Total	Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	$ 72,216	$ 8,230	$ 80,446	$ 71,573	$ 2,532	$ 74,105
Property expenses	23,409	2,513	25,922	22,167	1,142	23,309
Property NOI	$ 48,807	$ 5,717	$ 54,524	$ 49,406	$ 1,390	$ 50,796
NOI Margin %	67.6%	69.5%	67.8%	69.0%	54.9%	68.5%
Occupancy %	96.3%	98.8%	96.7%	96.3%	91.1%	96.0%

Same-asset property revenue increased slightly compared with 2009 and was impacted by: higher recoverable expenses; reduced amortization of below-market leases; and a head lease adjustment in the second quarter of 2009. Same-asset property expenses increased primarily due to increases in property taxes in Nova Scotia.

Retail – Enclosed Properties

(In thousands of dollars, except as otherwise noted)	Year Ended December 31, 2010 Same-Asset	Acquisitions & Redevelopments	Total	Year Ended December 31, 2009 Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	$ 44,397	$ 4,809	$ 49,206	$ 42,244	$ 5,071	$ 47,315
Property expenses	15,266	2,619	17,885	14,313	2,548	16,861
Property NOI	$ 29,131	$ 2,190	$ 31,321	$ 27,931	$ 2,523	$ 30,454
NOI Margin %	65.6%	45.5%	63.7%	66.1%	49.8%	64.4%
Occupancy %	95.5%	95.1%	95.4%	92.9%	87.4%	92.0%

Same-asset property revenue increased $2,153 or 5.1%, due to improved occupancy, improved results in Avalon Mall in St. John's, Newfoundland and Labrador, increased property expenses and a head lease adjustment in the second quarter of 2009.

Office Properties

(In thousands of dollars, except as otherwise noted)	Year Ended December 31, 2010 Same-Asset	Acquisitions & Redevelopments	Total	Year Ended December 31, 2009 Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	$ 22,671	$ –	$ 22,671	$ 23,117	$ –	$ 23,117
Property expenses	12,561	–	12,561	12,580	–	12,580
Property NOI	$ 10,110	$ –	$ 10,110	$ 10,537	$ –	$ 10,537
NOI Margin %	44.6%	–%	44.6%	45.6%	–%	45.6%
Occupancy %	84.8%	–%	84.8%	88.0%	–%	88.0%

Property revenue and NOI have decreased compared with the results for the year ended December 31, 2009 as a result of lower occupancy rates and lower recoveries in Terminal Centres, Moncton, New Brunswick.

Mixed – Use Properties

(In thousands of dollars, except as otherwise noted)	Year Ended December 31, 2010 Same-Asset	Acquisitions & Redevelopments	Total	Year Ended December 31, 2009 Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	$ 32,559	$ 4,032	$ 36,591	$ 31,189	$ 3,949	$ 35,138
Property expenses	16,418	1,793	18,211	15,832	1,699	17,531
Property NOI	$ 16,141	$ 2,239	$ 18,380	$ 15,357	$ 2,250	$ 17,607
NOI Margin %	49.6%	55.5%	50.2%	49.2%	57.0%	50.1%
Occupancy %	95.0%	96.0%	95.3%	95.1%	90.7%	94.1%

Same-asset property revenue increased primarily due to improved rental revenue at Park Lane retail in Halifax, Nova Scotia and increases in recoveries. Same-asset property expenses increased due to property tax increases primarily at the Halifax Developments properties and increases in other recoverable expenses.

OTHER 2010 PERFORMANCE MEASURES

FFO and AFFO are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. As such, these non-GAAP financial measures should not be considered as an alternative to net income, cash provided by operating activities or any other measure prescribed under GAAP. 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.

OTHER 2010 PERFORMANCE MEASURES (cont.)

Funds from Operations (FFO)

FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. Crombie has calculated FFO in accordance with the recommendations of the Real Property Association of Canada ("REALpac"), which defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable real estate and extraordinary items, plus depreciation and amortization expense, plus future income taxes, and after adjustments for equity-accounted entities and non-controlling interests. A calculation of FFO for the year ended December 31, 2010 and 2009 is as follows:

(In thousands of dollars)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Variance
Net income	**$ 14,663**	$ 10,748	$ 3,915
Add (deduct):			
Non-controlling interest	**13,145**	9,831	3,314
Depreciation of commercial properties	**20,094**	18,765	1,329
Depreciation of recoverable capital expenditures	**1,264**	1,050	214
Amortization of tenant improvements/leasing costs	**5,070**	4,272	798
Amortization of intangible assets	**16,939**	21,944	(5,005)
Future income taxes expense (recovery)	**(2,500)**	(100)	(2,400)
FFO	**$ 68,675**	$ 66,510	$ 2,165

The increase in FFO for the year ended December 31, 2010 was primarily due to: improvements in NOI; the December 31, 2009 net income being negatively impacted by costs of $9,999 related to settlement of an ineffective interest rate swap agreement; offset in part by increased interest expense of $12,470 primarily the result of planned refinancing short-term floating rate debt with long-term fixed rate mortgages and convertible debentures.

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a measure useful in evaluating the recurring economic performance of Crombie's operating activities, which will be used to support future distribution payments. AFFO reflects cash available for distribution after the provision for non-cash adjustments to revenue, maintenance capital expenditures, maintenance tenant improvements ("TI") and leasing costs and the settlement of effective interest rate swap agreements. The calculation of AFFO for the year ended December 31, 2010 and 2009 is as follows:

(In thousands of dollars)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Variance
FFO	**$ 68,675**	$ 66,510	$ 2,165
Add:			
Amortization of effective swap agreements	**4,033**	1,641	2,392
Above-market lease amortization	**3,089**	3,102	(13)
Deduct:			
Below-market lease amortization	**(6,158)**	(8,197)	2,039
Straight-line rent adjustment	**(3,346)**	(3,162)	(184)
Maintenance capital expenditures	**(6,286)**	(6,126)	(160)
Maintenance TI and leasing costs	**(6,832)**	(7,443)	611
Settlement of effective interest rate swap agreements	**–**	(28,065)	28,065
AFFO	**$ 53,175**	$ 18,260	$ 34,915

The AFFO for the year ended December 31, 2010 was $53,175, an increase of $34,915 or 191.2% over the same period in 2009, due primarily to the improved FFO results as previously discussed and the impact of the $28,065 in settlement costs on effective interest rate swap agreements incurred in 2009. Details of the maintenance capital and TI and leasing expenditures are outlined in the "Tenant Improvement and Capital Expenditures" section of the MD&A.

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 GAAP measure, which is interpreted to be the cash flow from operating activities rather than net income. The reconciliation is as follows:

(In thousands of dollars)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Variance
Cash provided by operating activities	**$ 66,219**	$ 53,988	$ 12,231
Add back (deduct):			
Recoverable/productive capacity enhancing TIs	**1,074**	190	884
Change in other non-cash operating items	**(5,202)**	11,134	(16,336)
Unit-based compensation expense	**(77)**	(47)	(30)
Amortization of deferred financing charges	**(2,553)**	(2,815)	262
Write down of deferred financing charges	**–**	(1,860)	1,860
Settlement of ineffective interest rate swap agreement	**–**	(8,139)	8,139
Settlement of effective interest rate swap agreements	**–**	(28,065)	28,065
Maintenance capital expenditures	**(6,286)**	(6,126)	(160)
AFFO	**$ 53,175**	$ 18,260	$ 34,915

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

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 TI costs and distributions. In addition, Crombie has the following sources of financing available to finance future growth: secured short-term financing through an authorized revolving credit facility of up to $150,000, of which $50,000 was drawn at December 31, 2010, and the issue of new equity, mortgage debt on unencumbered assets, and unsecured convertible debentures pursuant to the Declaration of Trust.

(In thousands of dollars)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Variance
Cash provided by (used in):			
Operating activities	**$ 66,219**	$ 53,988	$ 12,231
Financing activities	**$ 120,601**	$ (47,599)	$ 168,200
Investing activities	**$ (181,650)**	$ (10,417)	$ (171,233)

Operating Activities

(In thousands of dollars)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009	Variance
Cash provided by (used in):			
Net income and non-cash items	**$ 68,923**	$ 72,755	$ (3,832)
TI and leasing costs	**(7,906)**	(7,633)	(273)
Non-cash working capital	**5,202**	(11,134)	16,336
Cash provided by operating activities	**$ 66,219**	$ 53,988	$ 12,231

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital, which can be affected by the timing of receipts and payments. The details of the TI and leasing costs incurred during the year ended December 31, 2010 are outlined in the "Tenant Improvements and Capital Expenditures" section of the MD&A.

LIQUIDITY AND CAPITAL RESOURCES (cont.)

Financing Activities

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Cash provided by (used in):			
Net issue of convertible debentures	**$ 42,977**	$ 81,613	$ (38,636)
Net issue of units	**48,536**	64,801	(16,265)
Settlement of interest rate swap agreements	**–**	(36,204)	36,204
Net issue (repayment) of commercial property debt	**83,197**	(110,527)	193,724
Payment of distributions	**(55,709)**	(50,436)	(5,273)
Other items (net)	**1,600**	3,154	(1,554)
Cash provided by (used in) financing activities	**$ 120,601**	$ (47,599)	$ 168,200

Cash from financing activities in the year ended December 31, 2010 increased by $168,200 over the year ended December 31, 2009. During 2010, Crombie raised cash through the issuance of convertible debentures and units to finance the significant acquisitions of commercial properties during 2010, while cash raised from these sources in 2009 was primarily used to repay floating rate commercial property debt.

Investing Activities

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009	Variance
Cash provided by (used in):			
Acquisition of commercial properties	**$ (165,394)**	$ (36)	$ (165,358)
Additions to commercial properties	**(14,097)**	(9,967)	(4,130)
Other items (net)	**(2,159)**	(414)	(1,745)
Cash provided by (used in) investing activities	**$ (181,650)**	$ (10,417)	$ (171,233)

Cash used in investing activities for the year ended December 31, 2010 was $181,650. During 2010, Crombie acquired 20 retail properties with a total acquisition cost of $171,823, excluding closing and transaction costs on which mortgages for $8,358 were assumed.

Tenant Improvement and Capital Expenditures

There are two types of TI and capital expenditures:

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

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

Productive capacity enhancement expenditures are costs incurred that increase the property level 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 over their useful lives, but not deducted when calculating AFFO.

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

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009
Total additions to commercial properties	**$ 14,097**	$ 9,967
Less: amounts recoverable from ECLD	**–**	–
Net additions to commercial properties	**14,097**	9,967
Less: productive capacity enhancements	**(7,811)**	(3,841)
Maintenance capital expenditures	**$ 6,286**	$ 6,126

(In thousands of dollars)	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009
Total additions to TI and leasing costs	**$ 7,906**	$ 7,633
Less: amounts recoverable from ECLD	**(214)**	(159)
Net additions to TI and leasing costs	**7,692**	7,474
Less: productive capacity enhancements	**(860)**	(31)
Maintenance TI and leasing costs	**$ 6,832**	$ 7,443

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

Maintenance capital expenditures for the year ended December 31, 2010 are primarily payments for ongoing parking deck and structural repairs at the Scotia Square parkade in Halifax, Nova Scotia, storm water management at Aberdeen Business Centre in New Glasgow, Nova Scotia, site work costs at Fairvale in Rothesay, New Brunswick, cooling system and electrical upgrade at Terminal Centres in Moncton, New Brunswick, as well as roof replacements, parking lot repairs and replacements and mechanical system improvements.

Maintenance TI and leasing costs are the result of leasing activity from both lease renewals and new leases and is reflective of certain expiring tenancies remaining on holdover basis at December 31, 2010.

Productive capacity enhancements during the year ended December 31, 2010 consisted primarily of redevelopment work on Valley Mall in Corner Brook, Newfoundland and Labrador; redevelopment work on Sydney Shopping Centre in Sydney, Nova Scotia; redevelopment work at Charlotte Plaza in St. Stephen, New Brunswick; the addition of a Nova Scotia Liquor Commission outlet in Spryfield, Nova Scotia; expansion at Aberdeen Business Centre in New Glasgow, Nova Scotia; expansion underway at Taunton & Wilson Plaza in Oshawa, Ontario and costs related to conversion of storage space to commercial space at Loch Lomond Place in Saint John, New Brunswick.

Capital Structure

(In thousands of dollars)	**Dec. 31, 2010**	**Dec. 31, 2010**	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2008
Commercial property debt	**$ 799,127**	**55.0%**	$ 706,369	54.8%	$ 808,971	64.6%
Convertible debentures	**148,433**	**10.2%**	110,858	8.6%	28,968	2.3%
Non-controlling interest	**234,903**	**16.2%**	225,367	17.5%	199,163	15.9%
Unitholders' equity	**269,406**	**18.6%**	246,975	19.1%	215,558	17.2%
	$ 1,451,869	**100.0%**	$ 1,289,569	100.0%	$ 1,252,660	100.0%

Bank Credit Facilities and Commercial Property Debt

Crombie has in place an authorized floating rate revolving credit facility of up to $150,000 (the "Revolving Credit Facility"), $50,000 of which was drawn as at December 31, 2010. The Revolving Credit Facility is secured by a pool of first and second mortgages and negative pledges on certain properties. The floating interest rate is based on specified margins over prime rate or bankers acceptance rates. The specified margin increases as Crombie's overall debt leverage increases. Funds available for drawdowns 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, 2010, Crombie had sufficient Borrowing Base to permit $150,000 of funds to be drawn down pursuant to the Revolving Credit Facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

Mortgage Activity during 2010

Date		Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (repayments)
February 1, 2010	Refinancing	2	6.47 – 6.52%	10	25	$ 140,000
February 1, 2010	Refinancing					(106,079)
February 22, 2010	Assumed	2	5.68 – 6.68%	5 – 10	25	8,358
February 26, 2010	New	5	5.70%	8	20 – 25	33,850
April 22, 2010	New	1	5.75%	10	25	13,000
May 20, 2010	New	2	6.52 – 6.80%	10	15 – 25	6,000
September 28, 2010	New	7	4.80 – 5.00%	9 – 15	20 – 25	51,570
November 2, 2010	New	3	4.53 – 5.19%	9 – 15	15 – 25	15,900
November 25, 2010	New	2	4.76%	9	25	11,900
						$ 175,499

As of December 31, 2010, Crombie had fixed rate mortgages outstanding of $755,665 ($761,935 after including the fair value debt adjustment of $6,270), carrying a weighted average interest rate of 5.77% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 7.4 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").

LIQUIDITY AND CAPITAL RESOURCES (cont.)

Principal repayments of the debt are scheduled as follows:

	Maturing Debt Balances						
Year	Fixed Rate Debt	Floating Rate Debt	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
2011	$ 26,786	$ 50,000	$ 76,786	13.0%	$ 22,571	$ 99,357	12.4%
2012	–	–	–	–%	23,570	23,570	2.9%
2013	30,042	–	30,042	5.1%	24,836	54,878	6.9%
2014	69,797	–	69,797	11.8%	22,613	92,410	11.6%
2015	56,050	–	56,050	9.5%	21,898	77,948	9.8%
Thereafter	358,760	–	358,760	60.6%	92,472	451,232	56.4%
Total[1]	$ 541,435	$ 50,000	$ 591,435	100.0%	$ 207,960	$ 799,395	100.0%

(1) Excludes fair value debt adjustment of $6,270 and the deferred financing costs of $6,538.

Of the maturing debt balances, 22.2% matures through to the end of 2013, including the revolving credit facility. This prudent debt management, coupled with the long-term nature of our lease portfolio, provides stability to Crombie's cash flow and minimizes interest rate risk on maturing debt.

Convertible Debentures

	Series A	Series B	Series C
Issue value	$ 30,000	$ 85,000	$ 45,000
Outstanding amount as at December 31, 2010	$ 29,985	$ 78,263	$ 45,000
Annual interest rate (payable semi-annually)	7.00%	6.25%	5.75%
Conversion price per unit	$ 13.00	$ 11.00	$ 15.30
Issue date	March 20, 2008	September 30, 2009	February 8, 2010
Maturity date	March 20, 2013	June 30, 2015	June 30, 2017
Trading symbol	CRR.DB	CRR.DB.B	CRR.DB.C

On February 8, 2010, Crombie issued $45,000 in convertible unsecured subordinated debentures (the "Series C Debentures"). The proceeds were used to reduce the Revolving Credit Facility.

The Series A Debentures, the Series B Debentures and the Series C Debentures (collectively the "Debentures") pay interest semi-annually on June 30 and December 31 of each year and Crombie has the option to pay interest on any interest payment date by issuing units and applying the proceeds to satisfy its interest obligation.

The Debentures are convertible into 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 of approximately 76.9231 Units per one thousand dollars principal amount of Series A Debentures, 90.9091 Units per one thousand dollars principal amount of Series B Debentures, and 65.3595 Units per one thousand dollars principal amount of Series C Debentures. If all conversion rights attaching to the December 31, 2010 outstanding Series A Debentures, Series B Debentures and the Series C Debentures are exercised, Crombie would be required to issue approximately 2,306,538 Units, 7,114,818 Units and 2,941,176 Units respectively, subject to anti-dilution adjustments.

The following represents debentures converted from date of issue to January 31, 2011:

Conversion Date	Convertible Debenture Series	Debentures Face Value	Units Issued
April 2010	Series B	$ 1	90
May 2010	Series B	10	909
September 2010	Series B	1,520	138,181
October 2010	Series B	3,975	361,362
November 2010	Series A	15	1,153
November 2010	Series B	1,136	103,271
December 2010	Series B	95	8,635
Conversions to December 31, 2010		$ 6,752	613,601
January 2011	Series B	850	77,272
Conversions to January 31, 2011		$ 7,602	690,873

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

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

Unitholders' Equity

In March 2010 there were 17,157 Units awarded as part of the Employee Unit Purchase Plan and an additional 33,390 Units awarded in September 2010 (April 2009 – 43,408; September 2009 – 4,003). For the year ended December 31, 2010, a total of $6,737 of 6.25% Series B Convertible Unsecured Subordinated Debentures and $15 of 7.0% Series A Convertible Unsecured Subordinated Debentures were converted for a total of 613,601 units. In June 2010, 17,157 Units were repurchased and November 2010, 33,390 Units were repurchased from the market through a Normal Course Issuer Bid ("NCIB") as outlined below.

On August 4, 2010, Crombie closed a public offering, on a bought deal basis, of 2,670,000 Units at a price of $11.05 per Unit for gross proceeds of $29,504. Concurrently with the issue of the Units, in satisfaction of its pre-emptive right, ECLD subscribed for 1,855,000 Class B LP Units and the attached Special Voting Units at a price of $11.05 per Class B LP Unit for gross proceeds of $20,498, on a private placement basis.

Total units outstanding at January 31, 2011 were as follows:

Units	35,405,172
Special Voting Units[1]	30,780,730

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 30,780,730 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.

On March 23, 2010, Crombie announced an NCIB where Crombie may purchase for cancellation up to 100,000 of its units, which represented approximately 0.31% of the outstanding units at that time, during the period March 26, 2010 to March 25, 2011. The purchases will be made through the facilities of the TSX. The price that Crombie will pay for any such units will be the market price at the time of acquisition. Under the TSX policies, Crombie is entitled to purchase a maximum of 14,143 units per trading day. During 2010, Crombie acquired and cancelled 50,547 units under the NCIB for a net cost of $604. Unitholders may obtain a copy of the NCIB notice filed with the TSX, without charge, by contacting the secretary of Crombie at 115 King Street, Stellarton, Nova Scotia, B0K 1S0.

Taxation of Distributions

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

The following table summarizes the history of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Capital Gains
2006 per $ of distribution	40.0%	60.0%	–
2007 per $ of distribution	25.5%	74.4%	0.1%
2008 per $ of distribution	27.2%	72.7%	0.1%
2009 per $ of distribution	51.0%	49.0%	–

LIQUIDITY AND CAPITAL RESOURCES (cont.)

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 coverage ratios above prescribed levels:

- 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.

Should ECLD reduce its voting interest below 40%, Crombie will be required to renegotiate the Revolving Credit Facility or obtain alternative financing. Pursuant to an exchange agreement and while such voting interest threshold remains in place, ECLD will be required to give Crombie at least six months' prior written notice of its intention to reduce its voting interest below 40%. ECLD's voting interest is 46.6% (fully diluted 40.4%) as at December 31, 2010.

The Revolving Credit Facility also contains a covenant limiting the amount which may be utilized under the Revolving Credit Facility at any time. This covenant provides that the aggregate of amounts drawn under the Revolving Credit Facility plus any negative mark-to-market position on any interest rate swap agreements or other hedging instruments 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, 2010, the remaining amount available under the Revolving Credit Facility was $100,000 (prior to reduction for standby letters of credit outstanding and negative mark-to-market position on interest rate swap agreement) and was not limited by the Aggregate Coverage Amount.

At December 31, 2010, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as bank loans plus commercial property debt and convertible debentures. 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) less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of future income 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.

The debt to gross book value was 54.6% at December 31, 2010 compared to 52.4% at December 31, 2009. This leverage ratio is below the maximum 60%, or 65% including convertible debentures, as outlined 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 60% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

(In thousands of dollars, except as otherwise noted)	**As at Dec. 31, 2010**	As at Sep. 30, 2010	As at Jun. 30, 2010	As at Mar. 31, 2010	As at Dec. 31, 2009
Fixed rate mortgages	**$ 755,665**	$ 733,520	$ 684,752	$ 673,481	$ 604,992
Convertible debentures	**153,248**	158,469	159,989	160,000	115,000
Revolving credit facility payable	**50,000**	52,000	54,500	54,500	106,160
Total debt outstanding	**958,913**	943,989	899,241	887,981	826,152
Less: Applicable fair value debt adjustment	**(6,106)**	(6,472)	(6,845)	(7,225)	(7,733)
Debt	**$ 952,807**	$ 937,517	$ 892,396	$ 880,756	$ 818,419
Commercial properties, cost	**$ 1,548,918**	$ 1,528,265	$ 1,440,104	$ 1,437,428	$ 1,384,563
Intangible assets, cost	**192,981**	171,003	171,003	171,003	181,908
Notes receivable	**6,211**	6,577	6,994	7,661	8,169
Other assets	**25,355**	28,803	31,329	23,507	24,100
Cash and cash equivalents	**5,170**	18,539	1,372	2,861	–
Deferred financing charges	**11,353**	11,806	12,200	12,125	8,925
Interest rate subsidy	**(6,106)**	(6,472)	(6,845)	(7,225)	(7,733)
Fair value adjustment to future taxes	**(39,245)**	(39,245)	(39,245)	(39,245)	(39,245)
Gross book value	**$ 1,744,637**	$ 1,719,276	$ 1,616,912	$ 1,608,115	$ 1,560,687
Debt to gross book value	**54.6%**	54.5%	55.2%	54.8%	52.4%
Maximum borrowing capacity[(1)]	**65%**	65%	65%	65%	65%

(1) Maximum permitted by the Declaration of Trust.

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

Debt and Interest Service Coverage

Crombie's interest and debt service coverage for the year ended December 31, 2010 were 2.38 times EBITDA and 1.72 times EBITDA. This compares to 2.80 times EBITDA and 1.94 times EBITDA respectively for the year ended December 31, 2009. The difference relates to Crombie having significantly lower cost floating rate debt in 2009 as well as a higher ratio of debt requiring no principal payments. EBITDA should not be considered an alternative to net income, cash provided by operating activities or any other measure of operations as prescribed by GAAP. EBITDA is not a GAAP financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. EBITDA may not be calculated in a comparable measure reported by other entities.

(In thousands of dollars)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009
Property revenue	**$ 216,996**	$ 207,254
Amortization of above-market leases	**3,089**	3,102
Amortization of below-market leases	**(6,158)**	(8,197)
Adjusted property revenue	**213,927**	202,159
Property expenses	**(79,300)**	(75,762)
General and administrative expenses	**(10,579)**	(9,274)
EBITDA (1)	**$ 124,048**	$ 117,123
Interest expense	**$ 58,789**	$ 46,319
Amortization of deferred financing charges	**(2,553)**	(2,815)
Amortization of effective swap agreements	**(4,033)**	(1,641)
Adjusted interest expense (2)	**$ 52,203**	$ 41,863
Debt repayments	**$ 187,067**	$ 261,351
Amortization of fair value debt premium	**67**	(5)
Payments relating to interest rate subsidy	**(1,627)**	(3,085)
Payments relating to Term Facility	**–**	(178,824)
Payments relating to Revolving Credit Facility	**(56,160)**	(51,022)
Payments relating to demand credit facility	**–**	(10,000)
Balloon payments on mortgages	**(109,240)**	–
Adjusted debt repayments (3)	**$ 20,107**	$ 18,415
Interest service coverage ratio {(1)/(2)}	**2.38**	2.80
Debt service coverage ratio {(1)/((2)+(3))}	**1.72**	1.94

The reduction in interest service coverage is attributable to the increased interest expense as Crombie has replaced short-term floating rate debt with long-term fixed rate mortgages and convertible debentures.

The reduction in debt service coverage is impacted by the increased interest expense as well as the increased debt repayments on the long-term fixed rate amortizing mortgages.

Distributions and Distribution Payout Ratios

Distribution Policy

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

Details of distributions to Unitholders are as follows:

(Distribution amounts represented in thousands of dollars)	**Year Ended Dec. 31, 2010**	Year Ended Dec. 31, 2009
Distributions to Unitholders	**$ 29,657**	$ 26,756
Distributions to Special Voting Unitholders	**26,433**	24,319
Total distributions	**$ 56,090**	$ 51,075
FFO payout ratio	**81.7%**	76.8%
AFFO payout ratio (target ratio = 95%)	**105.5%**	279.7%

LIQUIDITY AND CAPITAL RESOURCES (cont.)

The AFFO payout ratio of 105.5% was unfavourable to the target ratio for the year ended December 31, 2010. Total distributions have increased due to the equity issuance completed in August of 2010 of 2,670,000 units and 1,855,000 Class B LP Units. AFFO has increased as previously discussed, impacted by a slight improvement in FFO and the 2009 results being affected by the settlement costs on effective interest rate swap agreements.

As discussed in Crombie's 2009 MD&A, during 2009 Crombie amended its calculation of AFFO to reflect the impact of the settlement of effective interest rate swap agreements. Excluding the impact of the settlement of effective interest rate swap agreements, the AFFO payout ratio for the year ended December 31, 2009 would have been 114.3%.

FOURTH QUARTER RESULTS

Comparison to Previous Year

(In thousands of dollars, except per unit amounts and as otherwise noted)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Property revenue	**$ 57,546**	$ 52,378	$ 5,168
Property expenses	**21,670**	19,948	(1,722)
Property NOI	**35,876**	32,430	3,446
NOI margin percentage	**62.3%**	61.9%	0.4%
Expenses:			
General and administrative	**2,426**	2,102	(324)
Interest	**15,616**	12,722	(2,894)
Depreciation and amortization	**10,687**	11,705	1,018
	28,729	26,529	(2,200)
Income before other items, income taxes and non-controlling interest	**7,147**	5,901	1,246
Other income (expenses)	**–**	500	(500)
Income before income taxes and non-controlling interest	**7,147**	6,401	746
Income taxes expense (recovery) – Future	**(800)**	(300)	(500)
Income before non-controlling interest	**7,947**	6,701	1,246
Non-controlling interest	**3,719**	3,178	(541)
Net income	**$ 4,228**	$ 3,523	$ 705
Net Income per Unit, Basic and Diluted	**$ 0.12**	$ 0.11	$ 0.01
Basic weighted average Units outstanding (in 000s)	**35,055**	31,879	
Diluted weighted average Units outstanding (in 000s)	**35,233**	32,044	
Distributions per unit to unitholders	**$ 0.22**	$ 0.22	

Net income for the quarter ended December 31, 2010 of $4,228 increased by $705 from $3,523 for the quarter ended December 31, 2009. The increase was primarily due to:

- increased revenue as a result of higher occupancy along with the property acquisitions; offset in part by
- higher interest expense in 2010 as a result of the planned replacement of short-term floating rate debt with long-term fixed rate debt.

Property Revenue and Property Expenses

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Same-asset property revenue	**$ 50,858**	$ 49,268	$ 1,590
Acquisition and redevelopment property revenue	**6,688**	3,110	3,578
Property revenue	**$ 57,546**	$ 52,378	$ 5,168

Same-asset property revenue of $50,858 for the quarter ended December 31, 2010 was 3.2% higher than the quarter ended December 31, 2009 due to increased base rent and recoveries as a result of higher overall occupancy and higher recoverable costs; offset in part by decreased non-cash amortization on below-market leases.

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Same-asset property expenses	**$ 19,663**	$ 18,502	$ (1,161)
Acquisition and redevelopment property expenses	**2,007**	1,446	(561)
Property expenses	**$ 21,670**	$ 19,948	$ (1,722)

Same-asset property expenses of $19,663 for the quarter ended December 31, 2010 were $1,161 or 6.3% higher than the quarter ended December 31, 2009 due primarily to increased recoverable expenses offset by a decrease in non-shareable expenses.

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Same-asset property NOI	**$ 31,195**	$ 30,766	$ 429
Acquisition and redevelopment property NOI	**4,681**	1,664	3,017
Property NOI	**$ 35,876**	$ 32,430	$ 3,446

Same-asset NOI for the quarter ended December 31, 2010 increased slightly by $429 or 1.4% from the quarter ended December 31, 2009.

Property NOI on a cash basis is as follows:

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Property NOI	**$ 35,876**	$ 32,430	$ 3,446
Non-cash straight-line rent and above- and below-market lease amortization	**(1,459)**	(1,364)	(95)
Property cash NOI	**34,417**	31,066	3,351
Acquisition and redevelopment property cash NOI	**4,557**	1,527	3,030
Same-asset property cash NOI	**$ 29,860**	$ 29,539	$ 321

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of below-market and above-market lease amounts. The $321 or 1.1% increase in same-asset cash NOI for the quarter ended December 31, 2010 over December 31, 2009 is primarily the result of increased occupancy rates combined with the increased average net rent per square foot results from the 2010 leasing activity.

Property NOI for the quarter ended December 31, 2010 by province was as follows:

				2010	2009	
(In thousands of dollars)	**Property Revenue**	**Property Expenses**	**Property NOI**	**NOI % of Revenue**	NOI % of Revenue	Variance
Nova Scotia	**$ 25,088**	**$ 11,383**	**$ 13,705**	**54.6%**	55.0%	(0.4)%
New Brunswick	**7,151**	**2,901**	**4,250**	**59.4%**	57.6%	1.8%
Ontario	**8,572**	**2,848**	**5,724**	**66.8%**	68.7%	(1.9)%
Newfoundland and Labrador	**8,645**	**2,586**	**6,059**	**70.1%**	70.9%	(0.8)%
Quebec	**4,557**	**1,279**	**3,278**	**71.9%**	71.0%	0.9%
Prince Edward Island	**1,366**	**361**	**1,005**	**73.6%**	76.7%	(3.1)%
Saskatchewan	**955**	**260**	**695**	**72.8%**	72.2%	0.6%
Alberta	**1,212**	**52**	**1,160**	**95.7%**	–%	–%
Total	**$ 57,546**	**$ 21,670**	**$ 35,876**	**62.3%**	61.9%	0.4%

The increase in NOI as a percentage of revenue in New Brunswick is due to increased occupancy. The decrease in Prince Edward Island is due to higher shareable costs not fully recoverable. The decrease in Ontario is due to higher shareable costs in properties with less than full recovery rates.

FOURTH QUARTER RESULTS (cont.)

General and Administrative Expenses

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

(In thousands of dollars)	Quarter Ended Dec. 31, 2010	Quarter Ended Dec. 31, 2009	Variance
Salaries and benefits	**$ 1,046**	$ 771	$ (275)
Professional fees	**465**	548	83
Public company costs	**341**	309	(32)
Rent and occupancy	**206**	174	(32)
Other	**368**	300	(68)
General and administrative expenses	**$ 2,426**	$ 2,102	$ (324)
As a percentage of property revenue	**4.2%**	4.0%	(0.2)%

Salaries and benefits primarily increased as a result of increases in staffing levels compared to the same quarter in 2009. Professional fees have decreased due to reduced external consultant costs associated with the transition to IFRS.

Interest Expense

(In thousands of dollars)	Quarter Ended Dec. 31, 2010	Quarter Ended Dec. 31, 2009	Variance
Same-asset interest expense	**$ 11,889**	$ 10,518	$ (1,371)
Acquisition and redevelopment interest expense	**1,859**	573	(1,286)
Amortization of effective swaps and deferred financing charges	**1,868**	1,631	(237)
Interest expense	**$ 15,616**	$ 12,722	$ (2,894)

Same-asset interest expense has increased by $1,371 or 13.0%. The increase reflects Crombie's planned replacement of short-term floating rate debt with long-term fixed rate mortgages and convertible debentures. The weighted average contractual interest rate on fixed rate mortgages increased to 5.77% at December 31, 2010 from 5.66% at December 31, 2009, primarily due to the refinancing on February 1, 2010 of the maturing Halifax Developments mortgages. Floating rate debt decreased from $106,160 at December 31, 2009 to $50,000 at December 31, 2010.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% on certain mortgages that were assumed at Crombie's IPO for their remaining term. The remaining mortgage terms mature through April 2022. The amount of the interest rate subsidy received during the quarter ended December 31, 2010 was $366 (quarter ended December 31, 2009 – $757). The interest rate subsidy is received by Crombie through monthly repayments by ECLD of amounts due under one of the demand notes issued by ECLD to CDL.

Growth in acquisition and redevelopment interest expense is consistent with Crombie's significant acquisition activity in 2010.

Amortization of effective swaps and deferred financing charges has been impacted by the increase in amortization of effective swap agreements from $529 in the fourth quarter of 2009 to $1,061 in the fourth quarter of 2010.

Depreciation and Amortization

(In thousands of dollars)	Quarter Ended Dec. 31, 2010	Quarter Ended Dec. 31, 2009	Variance
Same-asset depreciation and amortization	**$ 9,797**	$ 11,193	$ 1,396
Acquisition and redevelopment depreciation and amortization	**890**	512	(378)
Depreciation and amortization	**$ 10,687**	$ 11,705	$ 1,018

Same-asset depreciation and amortization of $9,797 for the quarter ended December 31, 2010 was $1,396 or 12.5% lower than the quarter ended December 31, 2009 due primarily to intangible assets related to origination costs and in-place leases associated with properties purchased at the date of IPO being fully amortized, offset in part by depreciation on fixed asset additions and amortization on tenant improvements and leasing costs incurred since December 31, 2009. Depreciation and amortization consists of:

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Depreciation of commercial properties	**$ 5,207**	$ 4,743	$ (464)
Depreciation of recoverable capital expenditures	**333**	256	(77)
Amortization of tenant improvements/leasing costs	**1,276**	1,088	(188)
Amortization of intangible assets	**3,871**	5,618	1,747
Depreciation and amortization	**$ 10,687**	$ 11,705	$ 1,018

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, Crombie provides the following sector information as supplemental disclosure. Sector information for the quarter ended December 31, 2009 has been restated for comparative purposes for property reclassifications.

Retail – Freestanding Properties

	Quarter Ended December 31, 2010			Quarter Ended December 31, 2009		
(In thousands of dollars, except as otherwise noted)	**Same-Asset**	**Acquisitions & Redevelopments**	**Total**	Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	**$ 6,278**	**$ 1,863**	**$ 8,141**	$ 6,476	$ 253	$ 6,729
Property expenses	**1,176**	**93**	**1,269**	1,275	56	1,331
Property NOI	**$ 5,102**	**$ 1,770**	**$ 6,872**	$ 5,201	$ 197	$ 5,398
NOI Margin %	**81.3%**	**95.0%**	**84.4%**	80.3%	77.9%	80.2%
Occupancy %	**100.0%**	**100.0%**	**100.0%**	100.0%	100.0%	100.0%

Same-asset retail freestanding property revenue decreased due to a number of tenants paying their tax bills directly, also reducing property expenses.

Retail – Plaza Properties

	Quarter Ended December 31, 2010			Quarter Ended December 31, 2009		
(In thousands of dollars, except as otherwise noted)	**Same-Asset**	**Acquisitions & Redevelopments**	**Total**	Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	**$ 18,970**	**$ 2,753**	**$ 21,723**	$ 18,160	$ 679	$ 18,839
Property expenses	**6,451**	**714**	**7,165**	6,053	295	6,348
Property NOI	**$ 12,519**	**$ 2,039**	**$ 14,558**	$ 12,107	$ 384	$ 12,491
NOI Margin %	**66.0%**	**74.1%**	**67.0%**	66.7%	56.6%	66.3%
Occupancy %	**96.3%**	**98.8%**	**96.7%**	96.3%	91.1%	96.0%

Same-asset property revenue increased due to increased recoveries as a result of an increase in shareable expenses.

FOURTH QUARTER RESULTS (cont.)

Retail – Enclosed Properties

(In thousands of dollars, except as otherwise noted)	Quarter Ended December 31, 2010			Quarter Ended December 31, 2009		
	Same-Asset	**Acquisitions & Redevelopments**	**Total**	Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	**$ 11,272**	**$ 1,126**	**$ 12,398**	$ 10,842	$ 1,139	$ 11,981
Property expenses	**3,966**	**707**	**4,673**	3,400	643	4,043
Property NOI	**$ 7,306**	**$ 419**	**$ 7,725**	$ 7,442	$ 496	$ 7,938
NOI Margin %	**64.8%**	**37.2%**	**62.3%**	68.6%	43.5%	66.3%
Occupancy %	**95.5%**	**95.1%**	**95.4%**	92.9%	87.4%	92.0%

Same-asset property revenue increased $430, or 4.0%, due to the improved occupancy rate, increased shareable expenses and increased results in Avalon Mall in St. John's, Newfoundland and Labrador. Same-asset property expenses increased due to increased shareable expenses particularly in specific properties with lower occupancy rates.

Office Properties

(In thousands of dollars, except as otherwise noted)	Quarter Ended December 31, 2010			Quarter Ended December 31, 2009		
	Same-Asset	**Acquisitions & Redevelopments**	**Total**	Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	**$ 5,986**	**$ –**	**$ 5,986**	$ 5,992	$ –	$ 5,992
Property expenses	**3,688**	**–**	**3,688**	3,485	–	3,485
Property NOI	**$ 2,298**	**$ –**	**$ 2,298**	$ 2,507	$ –	$ 2,507
NOI Margin %	**38.4%**	**–%**	**38.4%**	41.8%	–%	41.8%
Occupancy %	**84.8%**	**–%**	**84.8%**	88.0%	–%	88.0%

NOI and NOI margin % have decreased when compared with the results for the quarter ended December 31, 2009 as a result of property revenue remaining stable and higher property expenses due to increased property taxes in Nova Scotia, the recovery of which is impacted by the decrease in the occupancy rate.

Mixed – Use Properties

(In thousands of dollars, except as otherwise noted)	Quarter Ended December 31, 2010			Quarter Ended December 31, 2009		
	Same-Asset	**Acquisitions & Redevelopments**	**Total**	Same-Asset	Acquisitions & Redevelopments	Total
Property revenue	**$ 8,352**	**$ 946**	**$ 9,298**	$ 7,798	$ 1,039	$ 8,837
Property expenses	**4,382**	**493**	**4,875**	4,289	452	4,741
Property NOI	**$ 3,970**	**$ 453**	**$ 4,423**	$ 3,509	$ 587	$ 4,096
NOI Margin %	**47.5%**	**48.0%**	**47.6%**	45.0%	56.5%	46.4%
Occupancy %	**95.0%**	**96.0%**	**95.3%**	95.1%	90.7%	94.1%

Same-asset property revenue increased primarily due to improved occupancy and rental revenue at Park Lane retail in Halifax, Nova Scotia and increased recoveries due to increased recoverable expenses.

OTHER FOURTH QUARTER PERFORMANCE MEASURES

Funds from Operations (FFO)

FFO is as previously defined in this MD&A. A calculation of FFO for the quarter ended December 31, 2010 and 2009 is as follows:

(In thousands of dollars)	Quarter Ended Dec. 31, 2010	Quarter Ended Dec. 31, 2009	Variance
Net income	**$ 4,228**	$ 3,523	$ 705
Add (deduct):			
Non-controlling interest	**3,719**	3,178	541
Depreciation of commercial properties	**5,207**	4,743	464
Depreciation of recoverable capital expenditures	**333**	256	77
Amortization of tenant improvements/leasing costs	**1,276**	1,088	188
Amortization of intangible assets	**3,871**	5,618	(1,747)
Future income taxes expense (recovery)	**(800)**	(300)	(500)
FFO	**$ 17,834**	$ 18,106	$ (272)

The decrease in FFO for the quarter ended December 31, 2010 was primarily due to: increased interest expense as a result of refinancing short-term floating rate debt with long-term fixed rate mortgages and convertible debentures, and reduced other income, offset by improvements in property NOI.

Adjusted Funds from Operations (AFFO)

AFFO is as previously defined in this MD&A. The calculation of AFFO for the quarter ended December 31, 2010 and 2009 is as follows:

(In thousands of dollars)	Quarter Ended Dec. 31, 2010	Quarter Ended Dec. 31, 2009	Variance
FFO	**$ 17,834**	$ 18,106	$ (272)
Add:			
Amortization of effective swap agreements	**1,061**	529	532
Above-market lease amortization	**765**	786	(21)
Deduct:			
Below-market lease amortization	**(1,490)**	(1,762)	272
Straight-line rent adjustment	**(734)**	(388)	(346)
Maintenance capital expenditures	**(1,783)**	(3,053)	1,270
Maintenance TI and leasing costs	**(455)**	(1,006)	551
Settlement of effective interest rate swap agreements	**–**	(20,723)	20,723
AFFO	**$ 15,198**	$ (7,511)	$ 22,709

The AFFO for the quarter ended December 31, 2010 was $15,198, an increase of $22,709 over the same period in 2009 due to the 2009 settlement of an effective swap and timing of maintenance capital expenditures and maintenance TI and leasing costs. Details of the maintenance capital expenditures and maintenance TI and leasing costs are outlined in the “Tenant Improvement and Capital Expenditures” section of the MD&A.

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 GAAP measure, which is interpreted to be the cash flow from operating activities rather than net income. The reconciliation is as follows:

(In thousands of dollars)	Quarter Ended Dec. 31, 2010	Quarter Ended Dec. 31, 2009	Variance
Cash provided by operating activities	**$ 14,978**	$ 13,329	$ 1,649
Add back (deduct):			
Recoverable/productive capacity enhancing TIs	**844**	–	844
Change in other non-cash operating items	**1,981**	4,050	(2,069)
Unit-based compensation expense	**(15)**	(12)	(3)
Amortization of deferred financing charges	**(807)**	(1,102)	295
Settlement of effective interest rate swap agreements	**–**	(20,723)	20,723
Maintenance capital expenditures	**(1,783)**	(3,053)	1,270
AFFO	**$ 15,198**	$ (7,511)	$ 22,709

FOURTH QUARTER LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Cash provided by (used in):			
Operating activities	**$ 14,978**	$ 13,329	$ 1,649
Financing activities	**$ 5,264**	$ (10,351)	$ 15,615
Investing activities	**$ (33,611)**	$ (2,978)	$ (30,633)

Operating Activities

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Cash provided by (used in):			
Net income and non-cash items	**$ 18,258**	$ 18,385	$ (127)
TI and leasing costs	**(1,299)**	(1,006)	(293)
Non-cash working capital	**(1,981)**	(4,050)	2,069
Cash provided by operating activities	**$ 14,978**	$ 13,329	$ 1,649

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital, which can be affected by the timing of receipts and payments. The details of the TI and leasing costs during the quarter ended December 31, 2010 are outlined in the "Tenant Improvements and Capital Expenditures" section of the MD&A.

Financing Activities

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Cash provided by (used in):			
Net issue of commercial property debt	**$ 19,527**	$ 22,811	$ (3,284)
Payment of distributions	**(14,670)**	(13,567)	(1,103)
Settlement of interest rate swap agreements	**–**	(20,723)	20,723
Other items (net)	**407**	1,128	(721)
Cash provided by (used in) financing activities	**$ 5,264**	$ (10,351)	$ 15,615

Cash from financing activities in the quarter ended December 31, 2010 increased by $15,615 over the quarter ended December 31, 2009 primarily due to the settlement of interest rate swap agreements in 2009.

Investing Activities

(In thousands of dollars)	**Quarter Ended Dec. 31, 2010**	Quarter Ended Dec. 31, 2009	Variance
Cash provided by (used in):			
Acquisitions of commercial properties	**$ (29,051)**	$ –	$ (29,051)
Additions to commercial properties	**(4,432)**	(3,080)	(1,352)
Other items (net)	**(128)**	102	(230)
Cash provided by (used in) investing activities	**$ (33,611)**	$ (2,978)	$ (30,633)

Cash used in investing activities for the quarter ended December 31, 2010 was $33,611. In the fourth quarter of 2010, Crombie acquired three retail properties with a total acquisition cost of $28,250, excluding closing and transaction costs.

Tenant Improvement and Capital Expenditures

(In thousands of dollars)		Quarter Ended Dec. 31, 2010		Quarter Ended Dec. 31, 2009
Total additions to commercial properties	$	4,432	$	3,080
Less: amounts recoverable from ECLD		–		–
Net additions to commercial properties		4,432		3,080
Less: productive capacity enhancements		(2,649)		(27)
Maintenance capital expenditures	$	1,783	$	3,053

(In thousands of dollars)		Quarter Ended Dec. 31, 2010		Quarter Ended Dec. 31, 2009
Total additions to TI and leasing costs	$	1,299	$	1,006
Less: amounts recoverable from ECLD		(5)		–
Net additions to TI and leasing costs		1,294		1,006
Less: productive capacity enhancements		(839)		–
Maintenance TI and leasing costs	$	455	$	1,006

As maintenance capital expenditures and maintenance TI and leasing costs are not incurred evenly throughout the fiscal year, there can be volatility on a quarterly basis. The quarterly comparison is also impacted by the timing of the cost incurrence and related payments.

Productive capacity enhancements during the quarter ended December 31, 2010 consisted primarily of redevelopment work on Sydney Shopping Centre in Sydney, Nova Scotia; redevelopment work at Charlotte Plaza in St. Stephen, New Brunswick; expansion underway at Taunton & Wilson Plaza in Oshawa, Ontario and costs related to conversion of storage space to commercial space at Loch Lomond Place in Saint John, New Brunswick.

EFFECT OF NEW ACCOUNTING POLICIES NOT YET IMPLEMENTED

On February 13, 2008, the Accounting Standards Board of Canada announced that previous GAAP for publicly accountable enterprises will be replaced by IFRS. IFRS must be adopted for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, with retrospective adoption and restatement of the comparative fiscal year ended December 31, 2010. Accordingly, the conversion from GAAP to IFRS will be applicable to Crombie's reporting for the first quarter of fiscal 2011 for which the current and comparative information will be prepared under IFRS.

Crombie, with the assistance of its external advisors, launched an internal initiative to govern the conversion process and has been evaluating the impact of the conversion to IFRS on its financial statements. The transition to IFRS impacts accounting, financial reporting, internal control over financial reporting, information systems and business processes.

Crombie has been transitioning to IFRS under a formal project governance structure, and has been providing regular progress reports to senior management and the audit committee. Crombie has also completed a diagnostic impact assessment, which involved a review of the major differences between current GAAP and IFRS, as well as establishing an implementation guideline. In accordance with this guideline, Crombie established a staff training program and has completed an analysis of the key decision areas, including analyzing the appropriate accounting policy selections from available IFRS options, and making recommendations on same.

Crombie continues to assess the impact of the transition to IFRS and to review all of the proposed and ongoing projects of the International Accounting Standards Board ("IASB") to determine their impact on Crombie.

The key remaining areas of IFRS transition that Crombie has been working on since the last update provided in the September 30, 2010 MD&A and the status of those developments are:

- Crombie management has prepared an opening IFRS Balance Sheet and subject to clearing outstanding issues, as noted below, the transitional Balance Sheet and related note disclosure will be presented to the Board for approval during the first quarter of 2011. This opening IFRS Balance Sheet will be subject to subsequent amendment for any changes in IFRS that are implemented by Crombie prior to completion of the December 31, 2011 audited IFRS Financial Statements.

EFFECT OF NEW ACCOUNTING POLICIES NOT YET IMPLEMENTED (cont.)

- Crombie has selected the cost method for its investment properties. Detailed calculations of fair value for each investment property have been completed as of the transition date to IFRS. On selected properties, Crombie is using the transitional election to adjust the carrying value of specific components of these properties to fair value and using this fair value as the deemed cost on transition to IFRS. As at the transition date, the carrying value of investment properties, including all components and related intangibles was $1,397,358. On transition to IFRS, there will be financial statement presentation changes for specific items such as some intangible assets and liabilities; however, Crombie does not anticipate recognizing any net overall significant change in the total carrying value of investment properties.
- Crombie, with the assistance of external advisors, continues to work on the financial statement classification and presentation of its Unitholders' Equity and Non-controlling Interest on transition to IFRS. In accordance with IAS 32 Financial Instruments: Presentation, Crombie is assessing the proper classification of both instruments. The potential outcomes could be: both Unitholders' Equity and Non-controlling Interest remain as equity instruments; both Unitholders' Equity and Non-controlling Interest are classified as liabilities; or, one instrument would remain as an equity instrument and the other would be classified as a liability. The implications of the potential outcomes include the impact on debt covenants; the income statement presentation of distributions should either or both of the instruments be classified as liabilities; and the potential need to mark-to-market any instrument classified as a liability. Crombie has not reached a definitive conclusion on this issue, which impacts on the ability to complete the preparation of the opening IFRS Balance Sheet. Crombie will conclude on this matter prior to preparation of its IFRS compliant financial statements for the first quarter of 2011.
- Crombie management has completed work on the transition of future income taxes under Canadian GAAP to deferred income taxes under IFRS. The calculations and model have been prepared, pending finalization of the deemed cost of the investment properties, as part of the preparation of the opening IFRS Balance Sheet. Based on the work completed by Crombie management, there will be an increase in the deferred income tax liability with decreases in opening Unitholders' Equity and opening Non-controlling Interest. Crombie will finalize this calculation in the first quarter of 2011.
- Crombie will recognize a transitional adjustment related to Employee Future Benefits Obligation. The adjustment decreases the related liability by $266 and increases January 1, 2010 opening Unitholders' Equity by $140 and opening Non-controlling Interest by $126.
- Crombie will recognize a transitional adjustment related to its Note receivable for Interest rate subsidy to adjust the amount to its present value. The adjustment decreases the Note receivable by $2,247 and decreases January 1, 2010 opening Unitholders' Equity by $1,180 and opening Non-controlling Interest by $1,067.
- Financial statement note disclosure has been prepared in conjunction with the preparation of the opening IFRS Balance Sheet and will be completed with the finalization of the IFRS opening Balance Sheet, at which time it will be presented to the Board for approval.
- Dual record keeping for the 2010 comparative IFRS year has been ongoing and is near completion, subject to clearing the outstanding issues around transition as noted above.
- Crombie has continued to monitor any control issues, including assessment and design of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") related to the transition to IFRS. Regular reports to senior management and the Audit Committee, as well as testing have taken place during the transition period.
- Ongoing attendance at IFRS training sessions as well as updates from IFRS and industry sources continue to maintain up to date status of changes or pending changes to IFRS.

IMPACT OF TRANSITION TO IFRS

On conversion to IFRS, the financial statements are to be presented as if Crombie had always reported under IFRS; thus any comparative information must be restated. There are transitional provisions that assist with this first-time adoption, primarily to assist with the possible need to restate historical information by allowing for prospective, rather than retrospective, treatment as prescribed by IFRS 1, First-time Adoption of IFRS.

IFRS 1 First-time Adoption of IFRS

IFRS 1 applies to the conversion to IFRS when an entity first adopts IFRS. The general provisions of IFRS 1 require retrospective application of IFRS to the first reporting period. However, the standard provides certain mandatory exceptions and allows specific exemptions from this general retrospective application. The most significant available options to Crombie are as follows.

Fair Value as Deemed Cost

IFRS 1 permits an entity to measure a component of an investment property at fair value upon transition, and to adopt this fair value as deemed cost. Crombie's Board of Trustees has approved the adoption of the cost model for investment property, and to adjust selected property components using fair value as deemed cost. This may result in an adjustment to the carrying value of investment properties on transition from GAAP to IFRS. Such change, if any, would also impact the transitional amount of Unitholders' Equity and Non-controlling Interest as at January 1, 2010.

In addition, currently reported separated intangibles may be included in the reported value of investment properties.

Subsequent to the application of fair value as the deemed cost, Crombie does not intend to revalue its investment properties, unless impaired; but will disclose the fair value of its investment properties in the notes to the financial statements.

Crombie currently does not anticipate recognizing a material change in the carrying value of its assets in total.

Business Combinations

IFRS 1 permits the business accounting standard to be applied retrospectively (entirely or from a specific date) or prospectively. Retrospective application would require restatement of all previous acquisitions that meet the definition of a business under IFRS. Crombie intends to elect to apply this standard prospectively.

IFRS Accounting Standards

While IFRS is based on a similar conceptual framework to that of GAAP, there are significant differences in certain aspects of recognition, measurement and disclosure. The significant IFRS differences identified by Crombie to GAAP that may potentially have a material impact on Crombie's financial statements include the following:

Investment Property

All of Crombie's commercial properties qualify as investment property, which is defined as property held to earn rentals or for capital appreciation, or both. Investment property must be initially measured at cost; however, subsequent to initial recognition, IFRS allows an entity to choose either the cost or fair value model. If the fair value model is selected, income properties will be carried on the balance sheet at their current fair values, no depreciation or amortization is recorded on the investment properties and the changes in fair values each period would be recorded in the statement of income. If the historical cost model is selected then the asset values, subject to IFRS 1 revaluation, are left unchanged (except for impairment), depreciation and amortization continue to be recorded on the investment properties and the fair value of the investment properties must be disclosed in the notes to the financial statements.

As discussed above, Crombie's Board of Trustees has approved the adoption of the cost model for investment property, and to adjust selected property components using fair value as deemed cost under IFRS 1. This may result in a one-time adjustment to the opening balance sheet, including opening investment properties, Unitholders' Equity and Non-controlling Interest as at January 1, 2010. Based on the work completed to date, Crombie does not anticipate a material change in the carrying value of its investment property assets in total.

Impairment

Under GAAP, impairment is recognized for non-financial assets when the carrying value exceeds the undiscounted future cash flows from an asset and any subsequent recovery in value cannot be recorded. Under IFRS, impairment is recognized when the carrying value exceeds the discounted present value of future cash flows from an asset; however, IFRS requires the reversal of an impairment loss to be recorded (limited to the depreciated value had impairment not occurred). As noted above, specific components of investment properties are being adjusted to their fair value at the transition date. Crombie management does not anticipate any net overall significant change to the opening carrying value of investment properties as at January 1, 2010.

Leases

Under GAAP, tenant improvements and certain other leasing costs are capitalized and amortized through amortization expense. Under IFRS, a portion of such costs are likely to be considered to be leasing incentives and will need to be amortized as a reduction in property revenue. As a result of this reclassification of amortization expense on adoption of IFRS, management anticipates a reduction in reported property revenue; however, this does not impact overall reported operating results. The extent of the reclassification of amortization expense has not been determined at this time.

Classification of Unitholders' Equity and Non-controlling Interest

Crombie is assessing the impact of IAS 32 Financial Instruments – Presentation. This standard has language that differs from CICA Handbook section 3863 Financial Instruments – Presentation. The potential impact of application of these language differences could result in balance sheet classification changes for Unitholders' Equity and/or Non-controlling Interest and financial statement changes for the presentation of distributions paid on Unitholders' Equity and/or Non-controlling Interest, as well as measurement of these amounts in the financial statements. Management is in the process of finalizing the implication of the IFRS standard.

The above items reflect the current IFRS standards expected to be adopted by Crombie upon conversion. Changes to the IFRS standards, if any, may result in changes in the impacts to the financial statements upon adoption. In addition, the IASB is in the process of reviewing and possibly amending a number of the IFRS standards that may be applicable to Crombie.

RELATED PARTY TRANSACTIONS

As at December 31, 2010, Empire through its wholly-owned subsidiary ECLD, holds a 46.6% (fully diluted 40.4%) indirect interest in Crombie. Crombie uses the exchange amount as the measurement basis for related party transactions.

Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain real estate subsidiaries of Empire on a cost sharing basis, pursuant to an initial five year Management Cost Sharing Agreement dated March 23, 2006 between CDL, a subsidiary of Crombie, and ECLD, a subsidiary of Empire ("Management Cost Sharing Agreement"). The costs assumed by Empire pursuant to the agreement during the year ended December 31, 2010 were $904 (year ended December 31, 2009 – $1,055) and were netted against general and administrative expenses.

For an initial period of five years, commencing March 23, 2006, certain on-site maintenance and management employees of Crombie will provide property management services to certain real estate subsidiaries of Empire on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs assumed by Empire pursuant to the Management Cost Sharing Agreement during the year ended December 31, 2010 were $1,024 (year ended December 31, 2009 – $1,148) and were netted against property expenses. In addition, 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 CDL, Crombie Limited Partnership ("Crombie LP") and ECLD. The head lease subsidy during the year ended December 31, 2010 was $808 (year ended December 31, 2009 – $854) and the interest rate subsidy during the year ended December 31, 2010 was $1,627 (year ended December 31, 2009 – $3,085).

As of December 31, 2010, Crombie had $5,804 fixed rate second mortgage financings outstanding with Empire. The mortgages have a weighted average interest rate of 5.38% and a maturity date of March 2014. Interest paid during the year ended December 31, 2010 was $314 (year ended December 31, 2009 – $268).

Crombie also earned rental revenue of $66,022 for the year ended December 31, 2010 (year ended December 31, 2009 – $62,634) from Sobeys Inc. and Empire Theatres Limited, subsidiaries of Empire.

Properties acquired from subsidiaries of Empire during 2010:

Acquisition Date	Retail Properties Acquired	Approximate Square Footage	Gross Purchase Price
February 22, 2010	5	186,000	$ 31,530
March 24, 2010	3	147,000	27,746
September 28, 2010	9	400,000	84,297
October 28, 2010	1	47,000	11,250
		780,000	$ 154,823

In addition to the above acquisitions, on November 22, 2010, Crombie acquired two retail properties for a purchase price of $17,000 excluding closing and transaction costs. The properties, containing approximately 87,000 square feet, were acquired from a joint venture of which a subsidiary of Empire was a partner.

On February 22, 2010, in conjunction with the property acquisitions from subsidiaries of Empire, Crombie assumed two mortgages totalling $8,358 and repaid $3,471 to ECL General Partner Limited to retire a loan.

On August 4, 2010, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECLD purchased 1,855,000 Class B LP Units and the attached Special Voting Units at a price of $11.05 per Class B LP Unit for proceeds of $20,381 net of issue costs, on a private placement basis.

CRITICAL ACCOUNTING ESTIMATES

Property Acquisitions

Upon acquisition of commercial properties, Crombie performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities (including land, buildings, origination costs, in-place leases, above-and below-market leases, and any other assumed 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 fair value of the building on an "as-if-vacant" basis, which is based on the present value of the anticipated net cash flow of the building from vacant start up to full occupancy.

Origination costs for existing leases – Origination costs are determined based on estimates of the costs that would be incurred to put the existing leases in place under the same terms and conditions. These costs include leasing commissions as well as foregone rent and operating cost recoveries during an assumed lease-up period.

In-place leases – In-place lease values are determined based on estimated costs required for each lease that represents the net operating income lost during an estimated lease-up period that would be required to replace the existing leases at the time of purchase.

Tenant relationships – Tenant relationship values are determined based on costs avoided if the respective tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew.

Above- and below-market existing leases – Values ascribed to above- and below-market existing leases are determined based on the present value of the difference between the rents payable under the terms of the respective leases and estimated future market rents.

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

Commercial Properties

Commercial properties include land, buildings and tenant improvements. Commercial 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, its estimated useful life (not exceeding 40 years) and its residual value.

Amortization of tenant improvements is determined using the straight-line method over the terms of the tenant lease agreements and renewal periods where applicable.

Improvements that are not recoverable from tenants are either expensed as incurred or, in the case of a major item, capitalized to commercial properties and amortized on a straight-line basis over the expected useful life of the improvement.

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 these leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. The value of the differential between original and market rents for existing leases is amortized using the straight-line method over the terms of the tenant lease agreements. Realty tax and other operating cost recoveries, and other incidental income, are recognized on an accrual basis.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant areas of estimation and assumption include:

- Impairment of assets;
- Depreciation and amortization;
- Employee future benefits obligation;
- Future income taxes;
- Allocation of purchase price on property acquisitions; and
- Fair value of commercial property debt, convertible debentures and assets and liabilities related to discontinued operations.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable.

If it is determined that the net recoverable value of a long-lived asset is less than its carrying value, the long-lived asset is written down to its fair value. Net recoverable value represents the undiscounted estimated future cash flow expected to be received from the long-lived asset. Assets reviewed under this policy include commercial properties and intangible assets.

Financial Instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

CRITICAL ACCOUNTING ESTIMATES (cont.)

Crombie has classified its financial instruments in the following categories:

- Held for trading – restricted cash and cash and cash equivalents
- Held to maturity investments – assets related to discontinued operations
- Loans and receivables – notes receivable and accounts receivable
- Other financial liabilities – commercial property debt, liability related to discontinued operations, convertible debentures, tenant improvements and capital expenditures payable, property operating costs payable, interest payable and distributions payable

The book values of cash and cash equivalents, restricted cash, receivables, payables and accruals approximate fair values at the balance sheet date. The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

The following table summarizes the carrying value (excluding deferred financing charges) and fair value of those financial instruments which have a fair value different from their book value at the balance sheet date.

	December 31, 2010		December 31, 2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Assets related to discontinued operations	**$ 6,670**	**$ 6,815**	$ 6,929	$ 7,066
Commercial property debt	**$ 805,665**	**$ 845,052**	$ 711,152	$ 708,401
Convertible debentures	**$ 153,248**	**$ 166,553**	$ 115,000	$ 120,200
Liabilities related to discontinued operations	**$ 6,171**	**$ 6,437**	$ 6,334	$ 6,270

The following summarizes the significant methods and assumptions used in estimating the fair values of the financial instruments reflected in the above table:

Assets related to discontinued operations: The fair value of the bonds and treasury bills are based on market trading prices at the reporting date.

Commercial property debt and liabilities related to discontinued operations: The fair value of Crombie's commercial property debt and liabilities related to discontinued operations is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying debt, plus an estimated credit spread at the reporting date.

Convertible debentures: The fair value of the convertible debentures is estimated based on the market trading prices, at the reporting date, of the convertible debentures.

COMMITMENTS AND CONTINGENCIES

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

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

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

Crombie has land leases on certain properties. These leases have payments of $1,178 per year over the next five years. The land leases have terms of between 14.3 and 74.1 years remaining, including renewal options.

Crombie obtains letters of credit to support its obligations with respect to construction work on its commercial properties, defeasing commercial property debt and satisfying mortgage financing requirements. Crombie has $223 in standby letters of credit for construction work that is being performed on its commercial properties. In connection with the defeasance of the discontinued operations commercial property debt, Crombie has issued a standby letter of credit in the amount of $1,715 in favour of the mortgage lender. In addition, to satisfy the requirements of mortgage financings, Crombie has issued standby letters of credit in the amount of $11,200 in favour of the mortgage lender. Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

RISK MANAGEMENT

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

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Tenant Risks

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

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

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. An allowance for doubtful accounts is taken for all anticipated collectibility 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, 2010:

- Excluding Sobeys (which accounts for 36.2% of Crombie's minimum rent), no other tenant accounts for more than 2.0% of Crombie's minimum rent, and
- Over the next five years, leases on no more than 9.1% of the GLA area of Crombie will expire in any one year.

Crombie earned rental revenue of $66,022 for the year ended December 31, 2010 (year ended December 31, 2009 – $62,634) from subsidiaries of Empire.

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, 36.2% 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 is also heavily concentrated in Atlantic Canada. An economic downturn concentrated in the Atlantic Canada region could also adversely impact Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2010 are as follows:

- 42 properties in Nova Scotia comprising 37.4%;
- 24 properties in Ontario comprising 16.7%;
- 23 properties in New Brunswick comprising 12.6%;
- 17 properties in Quebec comprising 9.3%;
- 13 properties in Newfoundland and Labrador comprising 16.1%;
- six properties in Alberta comprising 3.3%;
- three properties in Prince Edward Island comprising 2.8%; and
- two properties in Saskatchewan comprising 1.8%.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent earned in Atlantic Canada has decreased from 73.9% at December 31, 2009 to 68.9% at December 31, 2010.

RISK MANAGEMENT (cont.)

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities, limiting the use of permanent floating rate debt and utilizing interest rate swap agreements. As at December 31, 2010:

- Crombie's weighted average term to maturity of the fixed rate mortgages was 7.4 years; and
- Crombie's has a floating rate revolving credit facility available to a maximum of $150,000, with a balance of $50,000 at December 31, 2010. Crombie's exposure to floating rate debt is reduced by a fixed interest rate swap agreement discussed below.

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. The breakdown of the swaps in place at December 31, 2010 as part of the interest rate management program, and their associated mark-to-market amounts are as follows:

- Crombie has entered into a fixed interest rate swap to fix the amount of interest being paid on $50,000 of the revolving credit facility. The fair value of the fixed interest rate swap at December 31, 2010, had an unfavourable mark-to-market exposure of $1,153 (December 31, 2009 – unfavourable $2,896) compared to its face value. The change in this amount has been recognized in other comprehensive income. The mark-to-market amount of fixed interest rate swap reduces to $Nil upon maturity of the swap in 2011.
- Crombie has entered into a delayed interest rate swap agreement of a notional amount of $8,204 with a settlement date of July 2, 2011 and maturing July 2, 2021 to mitigate exposure to interest rate increases for a mortgage maturing in 2011. The fair value of this delayed interest rate swap agreement at December 31, 2010 had an unfavourable mark-to-market exposure of $1,335 (December 31, 2009 – unfavourable $638) compared to the face value. The change in this amount has been recognized in other comprehensive income.

Accumulated other comprehensive income (loss) in the amount of approximately $4,165 will be reclassified to interest expense during the year ending December 31, 2011, based on interest rate swap agreements settled to December 31, 2010.

A fluctuation in interest rates would have had an impact on Crombie's income before non-controlling interest. 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:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	0.5% increase	**0.5% decrease**	0.5% increase	0.5% decrease
Impact on income before non-controlling interest of interest rate changes on the floating rate revolving credit facility	**$ (526)**	**$ 526**	$ (794)	$ 794

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	0.5% increase	**0.5% decrease**	0.5% increase	0.5% decrease
Impact on other comprehensive income and non-controlling interest items due to changes in fair value of derivatives designated as a cash flow hedge	**$ 460**	**$ (478)**	$ 687	$ (710)

Crombie does not enter into these interest rate swap transactions on a speculative basis. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

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 the growth program and/or refinance the debt obligations as they mature.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest into the portfolio through capital expenditures, as well as fund tenant improvement 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 debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering the debt maturity dates. There is also a risk that the equity capital markets may not be receptive to an equity issue from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

The estimated payments on non-derivative financial liabilities to maturity date are as follows:

	Contractual Cash Flows(1)	2011	2012	2013	2014	2015	Thereafter
Fixed rate mortgages(2)	$ 1,019,068	$ 90,582	$ 62,853	$ 92,604	$ 124,719	$ 109,237	$ 539,073
Convertible debentures	196,802	9,578	9,578	37,989	7,479	83,297	48,881
	1,215,870	100,160	72,431	130,593	132,198	192,534	587,954
Floating rate revolving credit	50,580	50,580	–	–	–	–	–
Total	$ 1,266,450	$ 150,740	$ 72,431	$ 130,593	$ 132,198	$ 192,534	$ 587,954

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

The estimated payments on derivative financial liabilities to maturity dates are as follows:

	Total	2011	2012	2013	2014	2015	Thereafter
Swap agreements	$ 2,488	$ 2,488	$ –	$ –	$ –	$ –	$ –

Access to the Revolving Credit Facility is also limited to the amount utilized under the facility, plus any negative mark-to-market position on the interest rate swap agreements not exceeding the Aggregate Coverage Amount. At December 31, 2010, the remaining amount available under the Revolving Credit Facility was $100,000 and was not limited by the Aggregate Coverage Amount.

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 trustees such as any property acquisitions or dispositions between Crombie and ECL or another related party.

RISK MANAGEMENT (cont.)

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 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. 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 has not provided any security to guarantee these obligations. If ECL, Empire or such affiliates are unable or otherwise fail to fulfill their obligations to Crombie, such failure could adversely impact Crombie's financial condition.

Prior Commercial Operations

Crombie LP acquired from ECL all of the outstanding shares of CDL. CDL is the company resulting from the amalgamation of predecessor companies which began their operations in 1964 and have since been involved in various commercial activities in the real estate sector. In addition, the share capital of CDL and its predecessors has been subject to various transfers, redemptions and other modifications. Pursuant to the Business 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 Business 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 as discussed in "Overview of the Business and Recent Developments". 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 SIFTs, to corporate tax rates, beginning in 2011, subject to an exemption for 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, 2009 and 2010 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

Indirect Ownership of Units by Empire

ECLD holds a 46.6% (fully diluted 40.4%) economic interest in Crombie through the ownership of Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECLD is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Debentures

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

SUBSEQUENT EVENTS

On January 20, 2011, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2011 to and including, January 31, 2011. The distribution will be payable on February 15, 2011 to Unitholders of record as at January 31, 2011.

On February 16, 2011, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2011 to and including, February 28, 2011. The distribution will be payable on March 15, 2011 to Unitholders of record as at February 28, 2011.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. Our Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2010. They have concluded that our current disclosure controls and procedures are designed to provide, and do operate to provide, reasonable assurance that (i) information required to be disclosed by Crombie in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding Crombie is accumulated and communicated to Crombie's management, including its Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

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

QUARTERLY INFORMATION

The following table shows information for revenues, net income (loss), AFFO, FFO, distributions and per unit amounts for the eight most recently completed quarters.

(In thousands of dollars, except per unit amounts)	Quarter Ended				Quarter Ended (as restated)			
	Dec. 31, 2010	**Sep. 30, 2010**	**Jun. 30, 2010**	**Mar. 31, 2010**	Dec. 31, 2009	Sep. 30, 2009	Jun. 30, 2009	Mar. 31, 2009
Property revenue	**$ 57,546**	**$ 53,418**	**$ 52,811**	**$ 53,221**	$ 52,378	$ 50,991	$ 50,893	$ 52,992
Property expenses	**21,670**	**18,936**	**18,686**	**20,008**	19,948	18,585	17,258	19,971
Property net operating income	**35,876**	**34,482**	**34,125**	**33,213**	32,430	32,406	33,635	33,021
Expenses:								
General and administrative	**2,426**	**2,627**	**3,003**	**2,523**	2,102	1,882	3,646	1,644
Interest	**15,616**	**14,801**	**14,738**	**13,634**	12,722	11,595	11,272	10,730
Depreciation and amortization	**10,687**	**10,563**	**10,838**	**11,279**	11,705	11,032	10,803	12,491
	28,729	**27,991**	**28,579**	**27,436**	26,529	24,509	25,721	24,865
Income before other items, income taxes and non-controlling interest	**7,147**	**6,491**	**5,546**	**5,777**	5,901	7,897	7,914	8,156
Other income (expense) items	**–**	**162**	**185**	**–**	500	(9,981)	–	92
Income (loss) before income taxes and non-controlling interest	**7,147**	**6,653**	**5,731**	**5,777**	6,401	(2,084)	7,914	8,248
Income tax expense (recovery) – Future	**(800)**	**(200)**	**(400)**	**(1,100)**	(300)	–	–	200
Income (loss) before non-controlling interest	**7,947**	**6,853**	**6,131**	**6,877**	6,701	(2,084)	7,914	8,048
Non-controlling interest	**3,719**	**3,238**	**2,926**	**3,262**	3,178	(989)	3,786	3,856
Net income (loss)	**$ 4,228**	**$ 3,615**	**$ 3,205**	**$ 3,615**	$ 3,523	$ (1,095)	$ 4,128	$ 4,192
Basic and diluted net income (loss) per unit	**$ 0.12**	**$ 0.11**	**$ 0.10**	**$ 0.11**	$ 0.11	$ (0.03)	$ 0.15	$ 0.15

(In thousands of dollars, except per unit amounts)	Quarter Ended				Quarter Ended (as restated)			
	Dec. 31, 2010	**Sep. 30, 2010**	**Jun. 30, 2010**	**Mar. 31, 2010**	Dec. 31, 2009	Sep. 30, 2009	Jun. 30, 2009	Mar. 31, 2009
AFFO	**$ 15,198**	**$ 12,123**	**$ 13,110**	**$ 12,744**	$ (7,511)	$ (451)	$ 14,524	$ 11,698
FFO	**$ 17,834**	**$ 17,216**	**$ 16,569**	**$ 17,056**	$ 18,106	$ 8,948	$ 18,717	$ 20,739
Distributions	**$ 14,702**	**$ 14,251**	**$ 13,569**	**$ 13,568**	$ 13,567	$ 13,566	$ 12,294	$ 11,649
AFFO per unit – basic	**$ 0.23**	**$ 0.19**	**$ 0.22**	**$ 0.21**	$ (0.12)	$ (0.01)	$ 0.27	$ 0.22
AFFO per unit – diluted[(1)]	**$ 0.22**	**$ 0.19**	**$ 0.21**	**$ 0.20**	$ (0.12)	$ (0.01)	$ 0.27	$ 0.22
FFO per unit – basic	**$ 0.27**	**$ 0.27**	**$ 0.27**	**$ 0.28**	$ 0.30	$ 0.15	$ 0.35	$ 0.40
FFO per unit – diluted[(1)]	**$ 0.26**	**$ 0.26**	**$ 0.26**	**$ 0.27**	$ 0.28	$ 0.15	$ 0.35	$ 0.39
Distributions per unit	**$ 0.22**	**$ 0.22**	**$ 0.22**	**$ 0.22**	$ 0.22	$ 0.22	$ 0.23	$ 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 includes the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

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

Property acquisitions – during the quarter ended March 31, 2010, Crombie acquired eight retail properties for a total purchase price of $59,276; during the quarter ended September 30, 2010, acquired nine retail properties for $84,297; and during the quarter ended December 31, 2010, acquired three retail properties for $28,250. The purchase prices exclude closing and transaction costs.

Property revenue and property expenses – Crombie's business is not subject to significant seasonal fluctuations. Property expenses during winter months include such expenses as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property expenses during the summer and fall periods include such expenses as paving and roof repairs.

General and administrative expenses – for the quarter ended June 30, 2009, general and administrative expenses increased due to onetime costs associated with the retirement of Crombie's Chief Executive Officer. For the quarter ended June 30, 2010, general and administrative expenses increased due to costs associated with the departure of Crombie's Chief Financial Officer.

Interest expense – interest expense has increased quarter over quarter since March 31, 2009, with pronounced changes in quarters commencing December 31, 2009. In April 2008, Crombie acquired a portfolio of properties for $428,500, increasing lower cost floating rate debt by $343,437 from March 31, 2008 to June 30, 2008. Since that time, Crombie has been replacing the floating rate debt with higher rate fixed rate debt in the form of mortgages and convertible debentures. New mortgage financing and refinancing, as well as the issuance of Series B and Series C Convertible Debentures have brought stability and certainty to Crombie's interest rates and minimized exposure to floating rate debt over the long term. Crombie's floating rate debt as at December 31, 2010 is $50,000 compared with $106,160 as at December 31, 2009.

Other income (expense) items – in December 2009, Crombie issued $85,000 in Series B Convertible Debentures and used the proceeds to pay down the floating rate term facility. At the time, there was an interest rate swap hedge in place on the floating rate term facility. Due to the conversion option on the Series B Convertible Debentures, the interest rate swap agreement was no longer deemed to be an effective hedge. As a result, Crombie settled an interest rate swap agreement of a notional amount of $84,000 for a settlement amount of $8,139 and recognized this settlement amount as an expense in the quarter ended December 31, 2009. In addition, Crombie wrote off $1,860 of deferred financing charges related to the repaid component of the floating rate term facility.

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 Special Voting Units. Crombie had issuances, net of issue costs, of $64,801 in the quarter ended June 30, 2009 and $48,536 in the quarter ended September 30, 2010.

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

Dated: February 24, 2011
Stellarton, Nova Scotia, Canada