CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Financial Statements
December 31, 2012

Contents

	Page
Consolidated Balance Sheets	1
Consolidated Statements of Comprehensive Income (Loss)	2
Consolidated Statements of Changes in Net Assets Attributable to Unitholders	3-4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6-34

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

	Note	December 31, 2012	December 31, 2011	January 1, 2011
			(As restated)	(As restated)
Assets	3			
Non-current assets				
Investment properties	4	$ 1,999,225	$ 1,622,083	$ 1,487,992
Intangible assets	5	33,549	26,232	26,258
Other assets	6	73,313	56,436	49,170
Notes receivable	7	1,716	2,440	3,368
		2,107,803	1,707,191	1,566,788
Current assets				
Cash and cash equivalents		-	54	5,170
Other assets	6	26,988	20,610	16,303
Notes receivable	7	829	927	975
		27,817	21,591	22,448
Total Assets		**2,135,620**	**1,728,782**	**1,589,236**
Liabilities				
Non-current liabilities				
Investment property debt	8	997,953	847,201	698,539
Convertible debentures	9	120,529	124,351	148,433
Deferred taxes	10	82,500	82,400	82,700
Employee future benefits obligation	11	6,920	7,069	5,875
Trade and other payables	12	10,689	18,621	13,167
		1,218,591	1,079,642	948,714
Current liabilities				
Investment property debt	8	67,458	30,806	100,588
Employee future benefits obligation	11	225	214	212
Trade and other payables	12	67,345	49,262	44,915
		135,028	80,282	145,715
Total liabilities excluding net assets attributable to Unitholders		**1,353,619**	**1,159,924**	**1,094,429**
Net assets attributable to Unitholders		**$ 782,001**	**$ 568,858**	**$ 494,807**
Net assets attributable to Unitholders represented by				
Crombie REIT Unitholders		$ 470,747	$ 321,288	$ 264,680
Special Voting Units and Class B Limited Partnership Unitholders		311,254	247,570	230,127
		$ 782,001	**$ 568,858**	**$ 494,807**
Commitments and contingencies	22			
Subsequent events	23			

See accompanying notes to the consolidated financial statements.

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

	Note		Year Ended December 31, 2012		2011
	3				**(As restated)**
Property revenue	13	$	256,022	$	226,138
Property operating expenses			92,722		84,202
Net property income			**163,300**		**141,936**
Lease terminations			3,844		168
Depreciation of investment properties	4		(38,095)		(25,849)
Amortization of deferred leasing costs	4		(587)		(512)
Amortization of intangible assets	5		(5,888)		(5,026)
General and administrative expenses			(13,330)		(10,654)
Operating income before finance costs and taxes			**109,244**		**100,063**
Finance costs – operations	16		(69,409)		(62,148)
Operating income before taxes			**39,835**		**37,915**
Taxes – deferred	10		(100)		300
Operating income attributable to Unitholders			**39,735**		**38,215**
Finance costs – other					
Distributions to Unitholders			(75,079)		(61,283)
Change in fair value of financial instruments	3,12		(1,878)		(8,644)
			(76,957)		(69,927)
Decrease in net assets attributable to Unitholders			**(37,222)**		**(31,712)**
Other comprehensive income					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs – operations			4,808		4,327
Net change in derivatives designated as cash flow hedges			(43)		758
Change in employee future benefits obligation	11		397		(970)
Other comprehensive income			**5,162**		**4,115**
Comprehensive income (loss)		**$**	**(32,060)**	**$**	**(27,597)**

See accompanying notes to the consolidated financial statements.

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

	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 17)					
Balance, January 1, 2012		$ 731,916	$ (137,909)	$ (25,149)	$ 568,858	$ 321,288	$ 247,570
Units released under EUPP		29	(29)	-	-	-	-
Units issued under EUPP		409	-	-	409	409	-
Loans receivable under EUPP		(409)	-	-	(409)	(409)	-
EUPP compensation		-	36	-	36	36	-
Repayment of EUPP loans receivable		289	-	-	289	289	-
Conversion of debentures		60,078	-	-	60,078	60,078	-
Conversion feature of debentures	3	9,619	-	-	9,619	9,619	-
Statements of comprehensive income (loss)		-	(37,222)	5,162	(32,060)	(18,602)	(13,458)
Unit issue proceeds, net of costs of $ 4,952		175,181	-	-	175,181	98,039	77,142
Balance, December 31, 2012		**$ 977,112**	**$ (175,124)**	**$ (19,987)**	**$ 782,001**	**$ 470,747**	**$ 311,254**

See accompanying notes to the consolidated financial statements.

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

	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 17)					
				(As restated)			
Balance, January 1, 2011	3	$ 630,257	$ (106,186)	$ (29,264)	$ 494,807	$ 264,680	$ 230,127
Units released under EUPP		58	(58)	-	-	-	-
Units issued under EUPP		281	-	-	281	281	-
Loans receivable under EUPP		(281)	-	-	(281)	(281)	-
EUPP compensation		-	47	-	47	47	-
Repayment of EUPP loans receivable		231	-	-	231	231	-
Conversion of debentures		25,784	-	-	25,784	25,784	-
Conversion feature of debentures	3	3,009	-	-	3,009	3,009	-
Units acquired and cancelled under NCIB		(281)	-	-	(281)	(281)	-
Statements of comprehensive income (loss)		-	(31,712)	4,115	(27,597)	(15,217)	(12,380)
Unit issue proceeds, net of costs of $2,245		72,858	-	-	72,858	43,035	29,823
Balance, December 31, 2011		**$ 731,916**	**$ (137,909)**	**$ (25,149)**	**$ 568,858**	**$ 321,288**	**$ 247,570**

See accompanying notes to the consolidated financial statements.

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

Cash flows provided by (used in)	Note	Year Ended December 31, 2012	2011
	3		(As restated)
Operating Activities			
Decrease in net assets attributable to Unitholders		$ (37,222)	$ (31,712)
Items not affecting operating cash	18	57,531	48,676
		20,309	16,964
Change in other non-cash operating items	18	9,960	3,058
Cash provided by (used in) operating activities		**30,269**	**20,022**
Financing Activities			
Issue of investment property debt		193,446	105,629
Increase in deferred financing charges		(2,717)	(2,304)
Repayment of investment property debt		(119,556)	(40,933)
Issue of convertible debentures		60,000	-
Issue costs of convertible debentures		(1,713)	-
Redemption of convertible debentures		(3,707)	-
REIT Units and Class B LP Units issued		180,133	75,103
REIT Units and Class B LP Units issue costs		(4,952)	(2,245)
REIT Units acquired and cancelled under NCIB		-	(281)
Settlement of effective interest rate swap agreement		-	(1,731)
Repayment of EUPP loans receivable		289	231
Decrease in liabilities related to derecognized property		(181)	(172)
Collection of notes receivable		822	976
Cash provided by (used in) financing activities		**301,864**	**134,273**
Investing Activities			
Acquisition of investment properties		(292,084)	(135,360)
Additions to investment properties		(25,289)	(21,863)
Proceeds on disposal of investment properties		-	7,000
Additions to tenant incentives		(14,113)	(8,771)
Additions to deferred leasing costs		(982)	(686)
Decrease in assets related to derecognized property		281	269
Cash provided by (used in) investing activities		**(332,187)**	**(159,411)**
Net change in cash and cash equivalents		**(54)**	**(5,116)**
Cash and cash equivalents, beginning of year		**54**	**5,170**
Cash and cash equivalents, end of year		**$ -**	**$ 54**

See accompanying notes to the consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is the acquisition of retail and office properties for purposes of leasing. Crombie is registered in Canada and the address of its registered office is 115 King Street, Stellarton, Nova Scotia, Canada, B0K 1S0. The consolidated financial statements for the years ended December 31, 2012 and December 31, 2011 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The consolidated financial statements were authorized for issue by the Board of Trustees on February 28, 2013.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of presentation

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

(c) Presentation of financial statements

In accordance with IAS 1, when Crombie: (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items on the balance sheet; it will present an additional balance sheet as at the beginning of the earliest comparative period.

(d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2012. Subsidiaries are all entities over which Crombie has the power to control the financial and operating policies so as to benefit from its activities. All subsidiaries have a reporting date of December 31, 2012.

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

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

(e) Investment properties

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

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

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

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

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

- Land - the amount allocated to land is based on an appraisal estimate of its fair value.
- Buildings - are recorded at the estimated fair value of the building and its components and significant parts.
- Intangible assets - are recorded for tenant relationships, based on estimated costs avoided should the respective tenants renew their leases at the end of the initial lease term, adjusted for the estimated probability of renewal.
- Fair value of debt - values ascribed are determined based on the differential between contractual and market interest rates on long-term liabilities assumed at acquisition.

Change in useful life of investment properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. During the year, management revised the useful life of two investment properties. Revisions to the estimated useful lives of investment properties constitutes a change in accounting estimate and is accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets. The impact of this change in accounting estimate resulted in an increase in depreciation expense of $4,648 to December 31, 2012.

(f) Intangible assets

Intangible assets include the value of tenant relationships.

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

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

(g) Cash and cash equivalents

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

(h) Assets held for sale and discontinued operations

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

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

(i) Convertible debentures

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

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

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

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

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

(j) Employee future benefits obligation

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

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

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

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

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

(l) Revenue recognition

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

(m) Leasing

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

Operating leases

i. Crombie as lessor

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

ii. Crombie as lessee

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

(n) Deferred financing charges

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

(o) Finance costs - operations

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

(p) Finance costs - distributions to Unitholders

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

(q) Income taxes

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

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

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

(r) Hedges

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

(s) Comprehensive income (loss)

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

(t) Provisions

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

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

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

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

(u) Financial instruments

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

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

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

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

Transaction costs, other than those related to financial instruments classified as fair value through operating income that are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. The holder conversion option and issuer redemption options in Crombie's convertible debentures are considered to be embedded derivatives.

The fair value of a financial instrument is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. To estimate the fair value of each type of financial instrument various market value data and other valuation techniques were used as appropriate. The fair value of any interest rate swap is estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturities.

(v) Net Assets Attributable to Unitholders

(i) Balance Sheet presentation

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

(ii) Balance Sheet measurement

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

(iii) Statement of Comprehensive Income (Loss) presentation

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

(iv) Presentation of per unit measures

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

(v) Allocation of Comprehensive income (loss)

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

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

(w) Use of estimates and judgments

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

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

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

Impairment of long-lived tangible and definite life intangible assets

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

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

Defined benefit liability

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

Investment property valuation

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

Deferred taxes

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

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

Purchase price allocation

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

Fair value of financial instruments

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

The fair value of other financial instruments is based on appropriate valuation models and 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.

(x) Future changes in accounting standards

(i) IFRS 9 - Financial instruments

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

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

This standard is effective for fiscal years beginning on or after January 1, 2015; however, earlier application is permitted. Crombie is currently evaluating the impact of this standard.

(ii) IFRS 10 - Consolidated Financial Statements

IFRS 10 was issued by the IASB on May 12, 2011 and will replace the current IAS 27 Consolidated and Separate Financial Statements. The new standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This new standard is effective for fiscal years beginning on or after January 1, 2013. The new standard is not expected to have an impact on Crombie.

(iii) IFRS 11 - Joint Arrangements

IFRS 11 was issued by the IASB on May 12, 2011 and will replace the current IAS 31 Interests in Joint Ventures. IFRS 11 classifies joint arrangements as either joint ventures or joint operations. Interests in joint ventures will be accounted for using equity accounting, eliminating the proportionate consolidation option currently available under IAS 31. This new standard is effective for fiscal years beginning on or after January 1, 2013. The new standard is not expected to have an impact on Crombie.

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

IFRS 12 was issued by the IASB on May 12, 2011 and establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off balance sheet vehicles. This new standard is effective for fiscal years beginning on or after January 1, 2013. The new standard is not expected to have an impact on Crombie.

(v) IFRS 13 - Fair Value Measurement

IFRS 13 was issued by the IASB on May 12, 2011 and is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value, and outlines requirements for disclosures of fair value measurements. The new standard is effective for fiscal years beginning on or after January 1, 2013. The new standard is not expected to have a material impact on Crombie.

3) RESTATEMENT OF FINANCIAL STATEMENTS

During 2012, Crombie determined that the conversion feature and redemption option attached to the convertible debentures represent compound embedded derivatives requiring fair value measurement each reporting period, with any adjustment to fair value being recognized through comprehensive income. The conversion feature allows the debenture holder to convert the debenture to REIT Units at their discretion at the pre-determined conversion price. Crombie's REIT Units are considered financial liabilities under IAS 32, and as such, the conversion feature is required to be separated from the host instrument (the convertible debenture) and accounted for separately. The fair values of the conversion feature and redemption option are inter-related, and as such, they have been recognized and measured together as a compound embedded derivative. When convertible debentures are converted to REIT Units, both the host convertible debenture and the related conversion feature value are reclassified to REIT Units within Net assets attributable to Unitholders.

These financial statements have been restated to retrospectively account for the fair value of the embedded derivatives from the issue date of each series of convertible debentures. The fair value adjustment is being accounted for as Finance costs – change in fair value of financial instruments on the statements of comprehensive income. The impact on specific financial statement items can be summarized as follows:

The comparative Consolidated Balance Sheets have been restated as follows:

	December 31, 2011	January 1, 2011
Increase in Trade and other payables	$ 12,803	$ 7,168
Decrease in Net assets attributable to Unitholders	(12,803)	(7,168)
Decrease in Net assets attributable to Crombie REIT Unitholders	(5,199)	(3,521)
Decrease in Net assets attributable to Special Voting Units and Class B Limited Partnership Unitholders	(7,604)	(3,647)

The Consolidated Statement of Comprehensive Income (Loss) for the year ended December 31, 2011 has been restated as follows:

Increase in change in fair value of financial instruments	8,644
Decrease in Net assets attributable to Unitholders	(8,644)
Decrease in Comprehensive Income (loss)	(8,644)

There was no net impact on cash flows for the year ended December 31, 2011.

4) INVESTMENT PROPERTIES

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

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2011	$ 418,426	$ 1,161,508	$ 3,276	1,583,210
Acquisitions	39,141	113,367	-	152,508
Additions	8	21,134	629	21,771
Derecognition	(1,862)	(12,977)	-	(14,839)
Balance, December 31, 2011	455,713	1,283,032	3,905	1,742,650
Accumulated depreciation and amortization				
Opening balance, January 1, 2011	-	94,077	1,141	95,218
Depreciation and amortization	-	25,849	512	26,361
Derecognition	-	(1,012)	-	(1,012)
Balance, December 31, 2011	-	118,914	1,653	120,567
Net carrying value, December 31, 2011	$ 455,713	$ 1,164,118	$ 2,252	$ 1,622,083

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

	Fair Value	Carrying Value
December 31, 2012	$ 2,574,000	$ 2,107,280
December 31, 2011	$ 1,918,000	$ 1,703,995

Carrying value includes investment properties, intangible assets as well as accrued straight-line rent receivable and tenant incentives which are included in other assets. The fair values, based on the date of the valuation, represent an estimate of the price that would be agreed upon between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Investment properties have been fair valued using the following methods and key assumptions:

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

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

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

As at December 31, 2012, all properties have been subjected to external, independent appraisal since January 1, 2010.

The fair value included in this summary reflects the fair value of the properties as at December 31, 2012 and 2011, respectively.

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

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

	Weighted Average Capitalization Rate	Impact of a 0.25% change in Capitalization Rate	
		Increase in Rate	**Decrease in Rate**
December 31, 2012	6.60%	$ (96,000)	$ 101,000
December 31, 2011	7.37%	$ (64,000)	$ 68,000

Investment Property Acquisitions and Dispositions

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

2012

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Purchase (Disposition) Price	Assumed Mortgages	New Mortgages
March 9, 2012	1	40,000	$ 13,800	$ 7,604	$ 1,356
April 10, 2012	22	886,000	254,647	95,754	23,700
June 26, 2012	5	107,000	42,801	-	29,100
August 16, 2012	1	41,000	9,600	5,126	-
August 31, 2012	1	135,000	20,000	-	-
October 5, 2012	1	80,000	24,455	-	18,300
October 19, 2012	1	74,000	19,250	-	14,000
October 31, 2012	0 (1)	22,000	6,925	-	5,190
December 20, 2012	0 (1)	11,000	2,469	-	1,800
		1,396,000	**$ 393,947**	**$ 108,484**	**$ 93,446**

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

All of the properties acquired during the year, excluding the properties acquired in October and December 2012, were from third parties. The October and December acquisitions were acquired from subsidiaries of Empire Company Limited ("Empire"), a related party. The initial purchase prices stated above exclude closing and transaction costs. With the exception of the April 10, 2012, transactions, the balance of the acquisitions, after deducting assumed and new mortgage proceeds, were funded through Crombie's floating rate revolving credit facility. The April acquisitions, after deducting assumed and new mortgage proceeds, were funded with proceeds from the March 29, 2012, $120,000 REIT and Class B LP Units offering.

2011

Acquisition/Disposition Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Purchase (Disposition) Price	Assumed Mortgages	New Mortgages
May 2, 2011	1	74,000	$ 21,850	$ 10,708	$ 1,000
May 10, 2011	2	137,000	27,490	-	20,100
May 20, 2011	1	48,000	7,400	-	-
September 15, 2011	1	60,000	13,040	-	9,130
September 28, 2011	2	71,000	11,780	-	8,000
December 15, 2011	3	261,000	67,280	-	46,000
December 19, 2011	1	20,000	5,600	2,877	-
		671,000	**154,440**	**13,585**	**84,230**
May 20, 2011	(1)	(54,000)	(7,400)	-	-
October 31, 2011	(1)	(49,300)	(7,000)	-	-
		567,700	**$ 140,040**	**$ 13,585**	**$ 84,230**

All of the above properties, excluding the property acquired on May 2, 2011, were acquired or exchanged with subsidiaries of Empire, a related party. The initial purchase price for the acquired properties stated above exclude closing and transaction costs. The purchase price of the acquired property and the disposal price of the derecognized property on May 20, 2011, were based on the carrying value of the derecognized property, which approximated their respective fair values. No gain or loss on disposal was realized. The balance of the acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate revolving credit facility.

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

	Year Ended December 31,	
Investment property acquired, net:	**2012**	**2011**
Land	$ 89,573	$ 39,141
Buildings	302,597	113,367
Intangible assets	13,205	5,323
Fair value debt adjustment on assumed mortgages	(4,807)	(1,543)
Net purchase price	400,568	156,288
Assumed mortgages	(108,484)	(13,585)
	$ 292,084	$ 142,703
Consideration funded by:		
Revolving credit facility	$ 81,713	$ 58,473
Mortgage financing	93,446	84,230
Cash from REIT Unit offering	116,925	-
Total consideration paid	$ 292,084	$ 142,703

5) INTANGIBLE ASSETS

Tenant Relationships	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2012	$ 60,648	$ 34,416	$ 26,232
Acquisitions	13,205	-	13,205
Amortization	-	5,888	(5,888)
Balance, December 31, 2012	**$ 73,853**	**$ 40,304**	**$ 33,549**
Balance, January 1, 2011	$ 55,776	$ 29,518	$ 26,258
Acquisitions	5,323	-	5,323
Amortization	-	5,026	(5,026)
Derecognition	(451)	(128)	(323)
Balance, December 31, 2011	**$ 60,648**	**$ 34,416**	**$ 26,232**

6) OTHER ASSETS

	December 31, 2012	December 31, 2011
Trade receivables	$ 10,538	$ 7,767
Provision for doubtful accounts	(439)	(401)
Net trade receivables	10,099	7,366
Accrued straight-line rent receivable	22,594	17,785
Tenant incentives	51,912	37,895
Prepaid expenses and deposits	8,851	6,289
Restricted cash	725	1,310
Assets related to derecognized property	6,120	6,401
	$ 100,301	**$ 77,046**

During the fourth quarter of 2008, Crombie defeased the mortgage associated with a derecognized property. The transaction did not qualify for defeasance accounting, therefore the defeased loan and related asset have not been removed from the balance sheet. The defeased loan is payable in monthly payments of $42 and bears interest at 5.46%, was originally amortized over 25 years and is due April 1, 2014. Crombie purchased Government of Canada bonds and treasury bills and Canada mortgage bonds and pledged them as security to the mortgage company. The bonds have maturity dates to September 15, 2013, have a weighted average interest rate of 3.56% and have been placed in escrow. The assets and liabilities related to the derecognized property are measured at amortized cost using the effective interest method, until April 1, 2014 at which time they will be extinguished.

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2012	$ 56,413	$ 18,518	$ 37,895
Additions	20,349	-	20,349
Amortization	-	6,332	(6,332)
Balance, December 31, 2012	**$ 76,762**	**$ 24,850**	**$ 51,912**
Balance, January 1, 2011	$ 46,798	$ 13,350	$ 33,448
Additions	9,618	-	9,618
Amortization	-	5,169	(5,169)
Derecognition	(3)	(1)	(2)
Balance, December 31, 2011	**$ 56,413**	**$ 18,518**	**$ 37,895**

7) NOTES RECEIVABLE

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

The balance of each note is as follows:

	December 31, 2012	December 31, 2011
Capital expenditure program	$ 105	$ 105
Interest rate subsidy	2,440	3,262
	$ 2,545	**$ 3,367**

8) INVESTMENT PROPERTY DEBT

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

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2011
Fixed rate mortgages	4.06 - 7.30%	5.62%	7.9 years	$ 845,490
Floating rate revolving credit facility		3.20%	2.5 years	40,000
Deferred financing charges				(7,483)
				$ 878,007

As at December 31, 2012, debt retirements for the next 5 years are:

12 Months ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
December 31, 2013	$ 30,941	$ 34,154	$ -	$ 65,095
December 31, 2014	29,487	77,696	-	107,183
December 31, 2015	28,721	55,680	123,100	207,501
December 31, 2016	25,879	41,989	-	67,868
December 31, 2017	22,249	38,757	-	61,006
Thereafter	127,648	427,416	-	555,064
	$ 264,925	$ 675,692	$ 123,100	1,063,717
Deferred financing charges				(7,260)
Unamortized fair value debt adjustment				8,954
				$ 1,065,411

Specific investment properties with a carrying value of $2,001,074 as at December 31, 2012 (December 31, 2011 - $1,625,674) are currently pledged as security for mortgages or provided as security for the floating rate credit facilities. Carrying value includes investment properties, intangible assets, as well as accrued straight-line rent and tenant incentives which are included in other assets.

Mortgage activity during 2012

Date		Number of Mortgages	Rates	Terms in Years	Amortization Period in Years		Proceeds (Repayments)
January 20, 2012	New	1	3.33%	5	25	$	2,900
March 9, 2012	Assumed	1	4.06%	5	20		7,604
March 9, 2012	New	1	4.06%	5	20		1,356
April 10, 2012	New	1	4.50%	15	25		2,700
April 10, 2012	New	1	3.96%	10	25		21,000
April 10, 2012	Assumed (1)	18	3.86%	4	22		95,754
June 26, 2012	New	1	4.15%	15	25		6,150
June 26, 2012	New	1	4.15%	10	25		7,950
June 26, 2012	New	1	4.32%	17	25		3,860
June 26, 2012	New	2	4.33%	17	25		11,140
July 24, 2012	Repayment (2)	7	5.03%	5	24		(39,227)
July 24, 2012	New (2)	7	4.38%	10	25		43,736
July 24, 2012	New	1	3.46%	6	20		5,491
August 16, 2012	Assumed	1	5.17%	4	24		5,126
September 21, 2012	Refinanced (3)	4	5.91%	4	25		(92,397)
September 28, 2012	New	1	3.12%	4	25		7,800
November 1, 2012	New	1	4.32%	7	25		5,190
November 8, 2012	New	1	3.71%	10	25		14,000
December 5, 2012	New	1	4.10%	10	25		18,300
December 20, 2012	New	1	4.05%	9	25		1,800
						$	130,233

(1) The mortgages assumed on April 10, 2012, are at the weighted average interest rate. The terms and amortization periods are reflected at the weighted average remaining terms and amortization periods on assumption.
(2) The mortgages repaid and acquired on July 24, 2012, are at the weighted average interest rate. The terms and amortization periods are reflected at the weighted average remaining terms and amortization periods.
(3) The mortgages repaid on September 21, 2012, are at the weighted average interest rate. The terms and amortization periods are reflected at the weighted average remaining terms and amortization periods.

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $200,000 (December 31, 2011- $150,000) and matures June 30, 2015. It is used by Crombie for working capital purposes and to provide temporary financing for future acquisitions. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base. The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin increases as Crombie's overall debt leverage increases beyond specific thresholds.

On June 22, 2012, as part of the annual renewal, the revolving credit facility's accordion feature was exercised and approved by lenders which increased the maximum principal amount thereof from $150,000 to $200,000, subject to available borrowing base.

Floating Rate Term Credit Facility

On September 21, 2012, Crombie assigned a portfolio of mortgages on 23 properties to a new lender. The mortgages, with a weighted average interest rate of 5.91% and terms to maturity of between 2013 and 2017, totalled $92,397. Concurrent with the assignment of the mortgages to the new lender, Crombie renegotiated the terms of the debt and entered into a 30 month floating rate term credit facility for $92,697. The floating interest rate is based, at the option of Crombie, on Bankers' Acceptance rates or Prime Rates plus, in each case, a spread resulting in a current interest rate of 3.08%. The term facility is to be repaid from proceeds of new mortgages expected to be placed on some or all of the 23 investment properties presently pledged as security.

See Note 20(a) for fair value information.

9) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	December 31, 2012	December 31, 2011
7% (CRR.DB)	$ 13.00	March 20, 2013	7.00%	$ -	$ 29,985
Series B (CRR.DB.B)	$ 11.00	June 30, 2015	6.25%	18,679	52,479
Series C (CRR.DB.C)	$ 15.30	June 30, 2017	5.75%	45,000	45,000
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	60,000	-
Deferred financing charges				(3,150)	(3,113)
				$ 120,529	**$ 124,351**

		Year Ended December 31,	
Debenture Conversions	**Conversion Price**	**2012**	**2011**
7%	$ 13.00	$ 26,278	$ -
Series B	$ 11.00	33,800	25,784
		$ 60,078	**$ 25,784**
REIT Units Issued		5,094,081	2,343,981

As at December 31, 2012, debenture retirements for the next 5 years are:

12 Months Ending	Series B	Series C	Series D	Total
December 31, 2013	$ -	$ -	$ -	$ -
December 31, 2014	-	-	-	-
December 31, 2015	18,679	-	-	18,679
December 31, 2016	-	-	-	-
December 31, 2017	-	45,000	-	45,000
Thereafter	-	-	60,000	60,000
	$ 18,679	$ 45,000	$ 60,000	123,679
Deferred financing charges				(3,150)
				$ 120,529

On April 18, 2012, Crombie exercised its right to redeem the remaining outstanding principal amount of its 7.00% Extendible Convertible Unsecured Subordinated Debentures (the “7% Debentures”) maturing on March 20, 2013, in accordance with the terms of the Trust Indenture. Holders of 7% Debentures were entitled to convert their 7% Debentures to Units based on the conversion price of $13.00 per Unit until May 22, 2012. The redemption of the then outstanding 7% Debentures was completed on May 23, 2012 for a total payment of $3,707 on account of principal plus accrued interest.

On July 3, 2012, Crombie issued $60,000 of convertible unsecured subordinate debentures (the “Series D Debentures”). The Series D Debentures have an interest rate of 5.00% per annum and pay interest semi-annually in arrears on March 31 and September 30 each year commencing on September 30, 2012. Each one thousand dollars principal amount of Series D Debenture is convertible into approximately 49.7512 units of Crombie, at any time, at the option of the holder, representing a conversion price of $20.10 per unit. The Series D Debentures mature on September 30, 2019. Empire acquired $24,000 of these Series D Debentures on the same terms, in satisfaction of wholly-owned ECL Developments Limited’s pre-emptive right with respect to the Debenture offering.

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

The Series B, Series C, and Series D Convertible Debentures (collectively the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars principal amount of approximately: 90.9091 REIT Units for Series B Convertible Debentures, 65.3595 REIT Units for Series C Convertible Debentures; and, 49.7512 REIT Units for Series D Convertible Debentures. If all conversion rights attaching to the Series B Convertible Debentures, the Series C Convertible Debentures and the Series D Convertible Debentures were exercised, as at December 31, 2012, Crombie would be required to issue approximately 1,698,090 REIT Units, 2,941,176 REIT Units and 2,985,074 REIT Units, respectively, subject to anti-dilution adjustments.

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

Based on management's assessment, Crombie has determined to date that no amount should be attributed to the embedded derivatives (the holder conversion option and the issuer redemption option) at the date of issue of each series of convertible debenture. Transaction costs related to the Debentures have been deferred and are being amortized into finance costs over the term of the Debentures using the effective interest method.

See Note 20(a) for fair value information.

10) INCOME TAXES

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

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

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

	December 31, 2012		December 31, 2011	
Tax liabilities relating to difference in tax and book value	$	94,892	$	93,837
Tax asset relating to non-capital loss carry-forward		(12,392)		(11,437)
Deferred tax liability	**$**	**82,500**	**$**	**82,400**

The income tax recovery (expense) consists of the following:

	Year Ended December 31,			
		2012		2011
Provision for income taxes at the expected rate	$	(11,841)	$	(11,848)
Tax effect of income attribution to Crombie's Unitholders		11,741		12,948
Decreased income tax resulting from a change in the expected rate		-		(800)
Taxes – deferred	**$**	**(100)**	**$**	**300**

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

11) EMPLOYEE FUTURE BENEFITS

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

Defined contribution pension plans

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

Defined benefit pension plans

The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employee contributions, if required, pay for part of the cost of the benefit, and the employer contributions fund the balance. The employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation. Crombie's defined benefit plans are unfunded.

The total defined benefit cost related to pension plans and post-retirement benefit plans for the year ended December 31, 2012 was $473 (year ended December 31, 2011 – $438).

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

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

Defined benefit plans

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

	December 31, 2012		December 31, 2011	
	Senior Management Pension Plan	Post-Retirement Benefit Plans	Senior Management Pension Plan	Post-Retirement Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	$ 3,230	$ 4,053	$ 2,850	$ 3,237
Impact of assumption changes	-	-	-	-
Current service cost	114	55	82	42
Interest cost	130	174	142	172
Actuarial losses (gains)	165	(562)	356	614
Benefits paid	(200)	(14)	(200)	(12)
Balance, end of year	3,439	3,706	3,230	4,053
Plan Assets				
Fair value, beginning of the year	-	-	-	-
Employer contributions	200	14	200	12
Benefits paid	(200)	(14)	(200)	(12)
Fair value, end of year	-	-	-	-
Funded status – deficit	**3,439**	**3,706**	**3,230**	**4,053**
Current portion	200	25	200	14
Non-current portion	3,239	3,681	3,030	4,039
Accrued benefit obligation recorded as a liability	**$ 3,439**	**$ 3,706**	**$ 3,230**	**$ 4,053**
Net expense				
Current service cost	$ 114	$ 55	$ 82	$ 42
Interest cost	130	174	142	172
Net expense	$ 244	$ 229	$ 224	$ 214

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

	December 31, 2012		December 31, 2011	
	Senior Management Pension Plan	Post-Retirement Benefit Plans	Senior Management Pension Plan	Post-Retirement Benefit Plans
Discount rate - accrued benefit obligation	3.75%	4.00%	4.00%	4.25%
Discount rate - periodic cost	4.00%	4.25%	5.00%	5.25%
Rate of compensation increase	4.00%	N/A	4.00%	N/A

For measurement purposes, an 8.00% annual rate in the per capita cost of covered health care benefits was assumed. The cumulative rate expectation to 2018 is 5.0%.

The table below outlines the sensitivity of the fiscal 2012 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses.

		Senior Management Pension Plan		Post-Retirement Benefit Plans	
		Benefit Obligations	Benefit Cost [(1)]	Benefit Obligations	Benefit Cost [(1)]
Discount Rate		3.75%	4.00%	4.00%	4.25%
Impact of:	1% increase	$ (366)	$ (12)	$ (608)	$ (9)
	1% decrease	$ 443	$ 15	$ 761	$ 9
Growth rate of health costs[(2)]				8.00%	8.00%
Impact of:	1% increase			$ 619	$ 47
	1% decrease			$ (503)	$ (37)

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

For the year ended December 31, 2012, the net defined contribution pension plans expense was $531 (year ended December 31, 2011 - $562).

12) TRADE AND OTHER PAYABLES

	December 31, 2012	December 31, 2011 (As restated)	January 1,2011 (As restated)
Tenant incentives and capital expenditures	$ 22,795	$ 19,084	$ 19,063
Property operating costs	27,908	17,231	12,967
Advance rents	3,083	3,631	1,862
Finance costs on investment property debt and debentures	6,518	3,624	3,460
Distributions payable	6,807	5,511	4,903
Fair value of interest rate swap agreements	43	-	2,488
Fair value of embedded derivatives in convertible debentures	5,062	12,803	7,168
Liabilities related to derecognized property (Note 6)	5,818	5,999	6,171
	$ 78,034	**$ 67,883**	**$ 58,082**

Fair value of embedded derivatives in convertible debentures:

Balance, beginning of year	$ 12,803	$ 7,168
Change in fair value of financial instruments	1,878	8,644
Impact of debentures converted	(9,619)	(3,009)
Balance, end of year	$ 5,062	$ 12,803

13) PROPERTY REVENUE

	Year Ended December 31, 2012	2011
Rental revenue contractually due from tenants	$ 255,505	$ 225,320
Contingent rental revenue	2,040	2,368
Straight-line rent recognition	4,809	3,619
Tenant incentive amortization	(6,332)	(5,169)
	$ 256,022	**$ 226,138**

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

	Year Ended December 31, 2012		2011	
	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	$ 79,846	31.2%	$ 71,770	31.7%

14) OPERATING LEASES

Crombie as a Lessor

Crombie’s operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at December 31, 2012, is as follows:

	Year Ending December 31, 2013	2014	2015	2016	2017	Thereafter	Total
Future minimum rental income	$ 172,234	$ 163,213	$ 154,060	$ 144,116	$ 132,110	$ 1,042,754	$ 1,808,487

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from 12 to 72 years including renewal options:

	Year Ending December 31, 2013	2014	2015	2016	2017	Thereafter	Total
Future minimum lease payments	$ 1,234	$ 1,235	$ 1,236	$ 1,238	$ 1,292	$ 46,179	$ 52,414

15) EMPLOYEE BENEFIT EXPENSE

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

	Year Ended December 31, 2012	2011
Wages and salaries	$ 18,169	$ 16,041
Post-employment benefits	531	562
	$ 18,700	**$ 16,603**

16) FINANCE COSTS – OPERATIONS

	Year Ended December 31,	
	2012	**2011**
Fixed rate mortgages	$ 58,791	$ 50,413
Floating rate term, revolving and demand facilities	3,543	3,038
Convertible debentures	7,075	8,697
Finance costs – operations	**69,409**	**62,148**
Amortization of fair value debt adjustment and accretion income	2,481	1,702
Change in accrued finance costs	(2,894)	(164)
Amortization of effective swap agreements	(4,808)	(4,327)
Amortization of deferred financing charges	(4,616)	(3,021)
Finance costs - operations, paid	**$ 59,572**	**$ 56,338**

During the year, Crombie expensed approximately $3,000 of costs associated with the refinancing of mortgages with a floating rate term credit facility as explained in Note 8. The expenses included repayment fees, term facility set up costs, legal fees and write-off of the unamortized portion of deferred financing charges and other costs relating to the mortgage financing.

17) UNITS OUTSTANDING

Transactions in Units included in Net assets attributable to Unitholders include:

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2012 (As restated)	41,181,881	$ 407,452	33,115,360	$ 324,464	74,297,241	$ 731,916
Units issued (proceeds are net of issue costs)	7,038,000	98,039	5,314,861	77,142	12,352,861	175,181
Units issued under EUPP	28,893	409	-	-	28,893	409
Units released under EUPP	-	29	-	-	-	29
Net change in EUPP loans receivable	-	(120)	-	-	-	(120)
Conversion of debentures	5,094,081	60,078	-	-	5,094,081	60,078
Conversion feature of debentures	-	9,619	-	-	-	9,619
Balance, December 31, 2012	**53,342,855**	**$ 575,506**	**38,430,221**	**$ 401,606**	**91,773,076**	**$ 977,112**

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
		(As restated)				(As restated)
Balance, January 1, 2011	35,327,900	$ 335,616	30,780,730	$ 294,641	66,108,630	$ 630,257
Units issued (proceeds are net of issue costs)	3,510,000	43,035	2,334,630	29,823	5,844,630	72,858
Units issued under EUPP	21,417	281	-	-	21,417	281
Units released under EUPP	-	58	-	-	-	58
Net change in EUPP loans receivable	-	(50)	-	-	-	(50)
Conversion of debentures	2,343,981	25,784	-	-	2,343,981	25,784
Conversion feature of debentures	-	3,009	-	-	-	3,009
Units acquired and cancelled under NCIB	(21,417)	(281)	-	-	(21,417)	(281)
Balance, December 31, 2011	**41,181,881**	**$ 407,452**	**33,115,360**	**$ 324,464**	**74,297,241**	**$ 731,916**

Crombie REIT Units

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

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

i. the total amount payable by Crombie in respect of such REIT Units and all other REIT Units tendered for redemption, in the same calendar month must not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees);

ii. at the time such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units;

iii. the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or if not listed on a stock exchange, in any market where the REIT Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

On December 14, 2012, Crombie closed a public offering, on a bought deal basis, of 2,408,000 Units, at a price of $14.75 per Unit for proceeds of $33,875 net of issue costs.

On March 29, 2012, Crombie closed a public offering, on a bought deal basis, of 4,630,000 Units, at a price of $14.50 per Unit for proceeds of $64,164 net of issue costs.

During the year ended December 31, 2012, $26,278 of 7% Debentures and $33,800 of Series B Convertible Debentures were converted to a total of 2,021,373 and 3,072,708 REIT Units respectively. This represents a conversion price of $13.00 per Unit for the 7% Debentures and $11.00 per Unit for the B Convertible Debentures.

On October 20, 2011, Crombie closed a public offering, on a bought deal basis, of 3,510,000 Units, at a price of $12.85 per Unit for proceeds of $43,035 net of issue costs.

During the year ended December 31, 2011, $25,784 in Series B Convertible Debentures was converted to a total of 2,343,981 REIT Units at the conversion price of $11.00 per Unit.

During the year ended December 31, 2011, Crombie acquired $21,417 REIT Units under a Normal Course Issuer Bid which expired April 3, 2012.

Crombie REIT SVU and Class B LP Units

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

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

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

On December 14, 2012, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 1,659,661 Class B LP Units and the attached SVUs at a price of $14.75 per Class B LP Unit for proceeds of $24,332 net of issue costs, on a private placement basis.

On March 29, 2012, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 3,655,200 Class B LP Units and the attached SVUs at a price of $14.50 per Class B LP Unit for proceeds of $52,810 net of issue costs, on a private placement basis.

On October 20, 2011, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 2,334,630 Class B LP Units and the attached SVUs at a price of $12.85 per Class B LP Unit for proceeds of $29,823 net of issue costs, on a private placement basis.

Employee Unit Purchase Plan

Crombie provides for REIT Unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP will allow executives to purchase REIT Units from treasury at the average daily high and low board lot trading prices per REIT Unit on the TSX for the five trading days preceding the issuance. Executives are provided non-recourse loans at 3% annual interest by Crombie for the purpose of acquiring REIT Units from treasury and the REIT Units purchased are held as collateral for the loan. The loan is repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as well as the after-tax portion of any Long-Term Incentive Plan cash awards received, as payments on interest and principal. As at December 31, 2012, there are loans receivable from executives of $1,771 under Crombie's EUPP, representing 185,826 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2012 was $2,743.

The compensation expense related to the EUPP for the year ended December 31, 2012 was $36 (year ended December 31, 2011 - $47).

18) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year Ended December 31,	
	2012	**2011 (As restated)**
Items not affecting operating cash:		
Accrued straight-line rent	$ (4,809)	$ (3,619)
Amortization of tenant incentives	6,332	5,169
Depreciation of investment properties	38,095	25,849
Amortization of deferred leasing costs	587	512
Amortization of intangible assets	5,888	5,026
Unit based compensation	36	47
Amortization of effective swap agreements	4,808	4,327
Amortization of deferred financing charges	4,616	3,021
Taxes – deferred	100	(300)
Change in fair value of financial instruments	1,878	8,644
	$ 57,531	**$ 48,676**

b) Change in other non-cash operating items

	Year Ended December 31,	
	2012	**2011**
Cash provided by (used in):		
Trade receivables	$ (2,733)	$ (2,100)
Prepaid expenses and deposits and other assets	(1,977)	(1,873)
Payables and other liabilities	14,670	7,031
	$ 9,960	**$ 3,058**

19) RELATED PARTY TRANSACTIONS

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

As at December 31, 2012, Empire, through its wholly-owned subsidiary ECL Developments Limited, holds a 42.9% (fully diluted 40.8%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

		Year Ended December 31,	
		2012	**2011**
Property revenue	(a)	$ 88,158	$ 79,424
Head lease income	(b)	$ 1,002	$ 841
Management support services provided	(c)	$ 616	$ 820
Property management services	(d)	$ 619	$ 830
Rental expense	(e)	$ 187	$ 187
Interest rate subsidy	(b)	$ 1,047	$ 1,268
Finance costs – operations	(f)	$ 1,040	$ 877
Finance costs - distributions to Unitholders		$ 32,578	$ 27,915

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

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

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

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

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

(f) $10,000 of Series B Convertible Debentures with an annual interest rate of 6.25% was held by Empire until September 17, 2012. Empire holds $24,000 of Series D Debentures with an annual interest rate of 5.00%.

In addition to the above:

- During the fourth quarter of 2012, Crombie acquired two properties and acquired development additions to two existing properties from subsidiaries of Empire for a total purchase price of $53,099 excluding closing and transaction costs.
- On December 14, 2012, concurrently with a public offering of units, ECL Developments Limited purchased 1,659,661 Class B LP Units and the attached SVUs at a price of $14.75 per Class B LP Unit for proceeds of $24,332 net of issue costs, on a private placement basis.
- On September 17, 2012, Empire exercised its right to convert its $10,000 Series B Convertible Debentures with an annual interest rate of 6.25%, into 909,090 Units.
- On July 3, 2012, Empire acquired $24,000 Series D Debentures with an annual interest rate of 5.00% in satisfaction of wholly-owned ECL Developments Limited's pre-emptive right with respect to the Debenture offering.
- On March 29, 2012, concurrently with a public offering of units, ECL Developments Limited purchased 3,655,200 Class B LP Units and the attached SVUs at a price of $14.50 per Class B LP Unit for proceeds of $52,810 net of issue costs, on a private placement basis.
- During the year ended December 31, 2011, the following transactions occurred with subsidiaries of Empire: Crombie acquired eight retail properties for a total purchase price of $119,590, excluding closing and transaction costs; exchanged a property; and disposed of a freestanding retail property for $7,000.

- On October 20, 2011, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 2,334,630 Class B LP Units and the attached SVUs at a price of $12.85 per Class B LP Unit for proceeds of $29,823 net of issue costs, on a private placement basis.
- On October 31, 2011, Crombie repaid $5,622 in second mortgage financings with a weighted average interest rate of 5.38% held by Empire.

Key management personnel compensation

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

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

	Year Ended December 31,			
		2012		**2011**
Salary, bonus and other short-term employee benefits	$	2,576	$	2,103
Other long-term benefits		94		147
	$	2,670	$	2,250

20) FINANCIAL INSTRUMENTS

a) Fair value of 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.

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade receivables and trade and other payables (excluding interest rate swaps and embedded derivatives, which are carried at fair value) 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 carrying value at the balance sheet date.

	December 31, 2012				December 31, 2011			
	Carrying Value		Fair Value		Carrying Value		Fair Value	
Assets related to derecognized property	$	6,120	$	6,116	$	6,401	$	6,547
Investment property debt	$	1,072,671	$	1,150,888	$	885,490	$	985,627
Convertible debentures	$	123,679	$	134,276	$	127,464	$	145,911
Liabilities related to derecognized property	$	5,818	$	5,997	$	5,999	$	6,350

Crombie uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

Level 1 - quoted prices in active markets

Level 2 - inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly

Level 3 - inputs are not based on observable market data (unobservable inputs)

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

Level 1:

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

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

Level 3:

Investment property debt and liabilities related to derecognized property: The fair value 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.

Financial instruments recorded at fair value:

Level 1:

Interest rate swaps: The fair value is based on market inputs at the reporting date.

Level 2:

Fair value of embedded derivatives in convertible debentures: The fair value is based on a valuation model which includes market trading prices and market yield curves.

b) Risk Management

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

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. A provision for doubtful accounts is taken for all anticipated collectability risks (Note 6).

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, 2012:

- Excluding Sobeys (which accounts for 34.4% of Crombie's minimum rent), no other tenant accounts for more than 6.7% of Crombie's minimum rent, and;
- Over the next five years, no more than 8.4% of the gross leasable area of Crombie will expire in any one year.

As outlined in Note 19, Crombie earned property revenue of $88,158 for the year ended December 31, 2012 (year ended December 31, 2011 - $79,424) from Sobeys Inc., Empire Theatres Limited and other subsidiaries of Empire.

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

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

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

	Year Ended December 31,	
	2012	**2011**
Provision for doubtful accounts, beginning of period	$ 401	$ 699
Additional provision	1,082	301
Recoveries	(824)	(143)
Write-offs	(220)	(456)
Provision for doubtful accounts, end of period	**$ 439**	**$ 401**

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, 2012:

- Crombie's weighted average term to maturity of the fixed rate mortgages was 7.4 years;
- Crombie has a floating rate revolving credit facility available to a maximum of $200,000, subject to available borrowing base, with a balance of $30,405 at December 31, 2012;
- Crombie has a floating rate term credit facility with a balance of $92,695 at December 31, 2012; and
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that $3,759 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2013, based on all settled swap agreements as of December 31, 2012.

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate credit facilities	**Decrease in rate**	**Increase in rate**
Year Ended December 31, 2012	$ 472	$ (472)
Year Ended December 31, 2011	$ 517	$ (517)

Crombie does not enter into interest rate swap transactions on a speculative basis. As part of the April 10, 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014.

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

Liquidity risk

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

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

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 21, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

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

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

		Year Ending December 31,					
	Contractual Cash Flows[1]	**2013**	**2014**	**2015**	**2016**	**2017**	**Thereafter**
Fixed rate mortgages[2]	$ 1,237,304	$ 112,563	$ 149,496	$ 122,158	$ 101,580	$ 91,269	$ 660,238
Convertible debentures	158,493	6,755	6,755	24,851	5,588	49,294	65,250
	1,395,797	119,318	156,251	147,009	107,168	140,563	725,488
Floating rate revolving credit facility	32,745	936	936	30,873	-	-	-
Floating rate term credit facility	99,031	2,855	2,855	93,321	-	-	-
Total	$ 1,527,573	$ 123,109	$ 160,042	$ 271,203	$ 107,168	$ 140,563	$ 725,488

(1) Contractual cash flows include principal and interest and ignore extension options.

(2) Reduced by the interest rate subsidy payments to be received from ECL Developments Limited.

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

21) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 60% of gross book value, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	December 31, 2012	**December 31, 2011**	**January 1, 2011**
		(As restated)	(As restated)
Investment property debt	$ 1,065,411	$ 878,007	$ 799,127
Convertible debentures	120,529	124,351	148,433
Crombie REIT Unitholders	470,747	321,288	264,680
SVU and Class B LP Unitholders	311,254	247,570	230,127
	$ 1,967,941	$ 1,571,216	$ 1,442,367

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

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

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

	December 31, 2012	December 31, 2011
Fixed rate mortgages	$ 949,571	$ 845,490
Convertible debentures	123,679	127,464
Revolving credit facility	30,405	40,000
Floating rate term credit facility	92,695	-
Total debt outstanding	1,196,350	1,012,954
Less: Applicable fair value debt adjustment	(3,791)	(4,837)
Debt	$ 1,192,559	$ 1,008,117
Investment properties, cost	$ 2,158,474	$ 1,742,650
Below-market lease component, cost [1]	62,753	58,064
Intangible assets, cost	73,853	60,648
Notes receivable	2,545	3,367
Other assets, cost (see below)	119,031	89,163
Cash and cash equivalents	-	54
Deferred financing charges	10,410	10,596
Interest rate subsidy	(3,791)	(4,837)
Fair value adjustment to deferred taxes	(39,245)	(39,245)
	$ 2,384,030	$ 1,920,460
Debt to gross book value	50.0%	52.5%

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

Other assets are calculated as follows:

	December 31, 2012	December 31, 2011
Other assets per Note 6	$ 100,301	$ 77,046
Add back (deduct):		
Tenant incentive accumulated amortization	24,850	18,518
Assets related to derecognized property	(6,120)	(6,401)
Other assets, cost	$ 119,031	$ 89,163

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

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

As at December 31, 2012, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

22) COMMITMENTS AND CONTINGENCIES

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

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire. Details of this agreement are disclosed in "Related Party Transactions" (Note 19).

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at December 31, 2012, Crombie has a total of $11,329 in outstanding letters of credit related to:

- $714 for construction work that is being performed on investment properties;
- $1,715 in favour of the mortgage lender in connection with the defeasance of derecognized property (Note 6);
- $8,900 in favour of mortgage lenders primarily to satisfy mortgage financings on redevelopment properties.

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

Land leases have varying terms ranging from 12 to 72 years including renewal options. For the year ended December 31, 2012, Crombie paid $1,206 in land lease payments to third party landlords (year ended December 31, 2011 - $1,175). Crombie's commitments under the land leases are disclosed in Note 14.

As at December 31, 2012, Crombie had signed construction contracts totaling $11,178 of which $10,352 has been paid.

23) SUBSEQUENT EVENTS

(a) On January 21, 2013, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2013, to and including, January 31, 2013. The distributions were paid February 15, 2013, to Unitholders of record as of January 31, 2013.

(b) On February 19, 2013, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2013, to and including, February 28, 2013. The distributions will be payable on March 15, 2013, to Unitholders of record as of February 28, 2013.

(c) On February 4, 2013, Crombie completed the disposition of retail property in Moncton, New Brunswick for $1,700. The disposal price less closing costs approximated the carrying value of the property.

(d) On February 22, 2013, Crombie acquired four retail properties from a third party vendor. The properties contain approximately 306,000 square feet of retail property and all are located in Alberta. The total purchase price of the four properties is approximately $132,000 excluding closing adjustments and transaction costs. The purchase price was funded through the assumption of approximately $10,800 in existing mortgages; by applying net proceeds from the December 14, 2012 $60,000 public offering of REIT Units and Class B LP Units; and the balance from Crombie's revolving credit facility.

(e) On February 22, 2013, Crombie temporarily increased the maximum principal amount of its revolving credit facility from $200,000 to $285,000 in conjunction with the February 22, 2013 acquisitions.

24) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail and office real estate assets located in Canada. Management, in measuring Crombie's performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Crombie has a single reportable segment for disclosure purposes.

25) INDEMNITIES

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