FINANCIAL HIGHLIGHTS

Financial Highlights for the years ended December 31, 2013 and 2012 are as follows:

At December 31	2013	2012
Number of properties	249	170
Gross leaseable area (square feet)	17,558,000	14,053,000
Debt to gross book value – fair value basis	53.0%	46.5%
Debt to gross book value – cost basis	55.9%	50.0%
Diluted number of units for AFFO purposes	102,815,715	90,830,978

Year ended December 31 (In thousands of CAD dollars, except per unit amounts and as otherwise noted)		2013		2012
Property revenue	$	296,558	$	256,022
Property net operating income	$	189,885	$	161,500
FFO as adjusted	$	108,376	$	90,327
FFO as adjusted per unit – diluted	$	1.10	$	1.06
FFO as adjusted payout ratio (%)		79.9%		83.1%
AFFO as adjusted	$	91,525	$	75,478
AFFO as adjusted per unit – diluted	$	0.94	$	0.89
Distributions per unit	$	0.89	$	0.89
AFFO as adjusted payout ratio (%)[1]		94.7%		99.5%

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

2013 Highlights

- FFO as adjusted for the year ended December 31, 2013 increased 20.0% to $108,376 or $1.10 per unit Diluted, a 4.1% increase over the same period in 2012. FFO as adjusted for the three months ended December 31, 2013 increased 26.7% to $30,324 or $0.27 per unit Diluted, a 0.4% increase over the same period in 2012.
- AFFO as adjusted for the year ended December 31, 2013 increased 21.3% to $91,525 or $0.94 per unit Diluted, a 5.0% increase over the same period in 2012. AFFO as adjusted for the three months ended December 31, 2013 increased 27.4% to $25,493 or $0.23 per unit Diluted, a 1.1% increase over the same period in 2012.
- FFO payout ratio of 79.9% for the year ended December 31, 2013 improved from 83.1% for the same period in 2012. FFO payout ratio of 83.0% for the quarter ended December 31, 2013 increased slightly compared to 82.7% for the same period in 2012. AFFO payout ratio improved by 4.8% to 94.7% for the year ended December 31, 2013 from 99.5% for the year ended December 31, 2012. AFFO payout ratio of 98.8% for the quarter ended December 31, 2013 improved slightly from 99.1% for the same period in 2012.
- Continued high quality growth of Crombie's retail portfolio of $1.2 billion via the acquisition of 80 grocery or drug store anchored shopping centres, one retail freestanding property and one retail development on an existing property during the year ended December 31, 2013.
- 15.8% growth of property revenue for the year ended December 31, 2013 ($296,558 versus $256,022 for the year ended December 31, 2012). Property revenue for the three months ended December 31, 2013 grew by 22.6% over the three months ended December 31, 2012.
- Solid growth of same-asset cash NOI for the year ended December 31, 2013 of 1.9% ($139,777 compared to $137,153 for the year ended December 31, 2012). Same-asset cash NOI for the three months ended December 31, 2013 increased by $425 or 1.3% over the three months ended December 31, 2012.
- Committed occupancy was 93.2% at December 31, 2013 compared with 92.2% at September 30, 2013 and 93.2% at December 31, 2012.
- Crombie completed leasing activity on a total of 1,105,000 square feet during the year ended December 31, 2013, including:
  - Renewals on 486,000 square feet of 2013 expiring leases at an average rate of $12.99 per square foot, an increase of 7.2% over the expiring lease rate;
  - Renewals on 170,000 square feet of 2014 and later expiring leases at an average rate of $19.89 per square foot, an increase of 23.9% over the expiring lease rate; and
  - New leases on 449,000 square feet of space, at an average rate of $16.30 per square foot.
- Debt to gross book value (fair value basis) was 53.0% at December 31, 2013, compared with 46.5% at December 31, 2012. Debt to gross book value (cost basis) was 55.9% at December 31, 2013, compared with 50.0% at December 31, 2012.
- Crombie's interest service coverage for the year ended December 31, 2013 was 2.73 times EBITDA and debt service coverage was 1.79 times EBITDA, compared to 2.61 times EBITDA and 1.76 times EBITDA, respectively, for the same period in 2012.
- Crombie completed the acquisition of a portfolio of retail properties from a wholly-owned subsidiary of Sobeys Inc., a related party, for $991.3 million on November 3, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2013, with a comparison to the financial condition and results of operations for the comparable periods in 2012.

This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2013 and December 31, 2012, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

NON-IFRS FINANCIAL MEASURES

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

INTRODUCTION

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 26, 2014, except as otherwise noted.

Financial and Operational Summary

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Property revenue	$ 83,950	$ 68,470	$ 296,558	$ 256,022
Operating income attributable to Unitholders	$ (492)	$ 11,825	$ 36,552	$ 39,735
Basic operating income attributable to Unitholders per unit	$ —	$ 0.13	$ 0.38	$ 0.48
Diluted operating income attributable to Unitholders per unit	$ —	$ 0.13	$ 0.38	$ 0.48
The following FFO and AFFO information is based on the adjusted calculations as explained in the FFO and AFFO sections:				
FFO as adjusted	$ 30,324	$ 23,941	$ 108,376	$ 90,327
FFO as adjusted per unit – basic	$ 0.27	$ 0.27	$ 1.12	$ 1.09
FFO as adjusted per unit – diluted	$ 0.27	$ 0.27	$ 1.10	$ 1.06
FFO as adjusted payout ratio (%)	83.0%	82.7%	79.9%	83.1%
AFFO as adjusted	$ 25,493	$ 19,997	$ 91,525	$ 75,478
AFFO as adjusted per unit – basic	$ 0.23	$ 0.23	$ 0.95	$ 0.91
AFFO as adjusted per unit – diluted	$ 0.23	$ 0.22	$ 0.94	$ 0.89
Distributions per unit	$ 0.22	$ 0.22	$ 0.89	$ 0.89
AFFO as adjusted payout ratio (%)[1]	98.8%	99.1%	94.7%	99.5%

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

Overview of the Business and Recent Developments

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

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a future growth strategy focused primarily on the acquisition of grocery-anchored and drugstore-anchored retail properties in Canada's top 36 markets. At December 31, 2013, Crombie owned a portfolio of 249 investment properties in ten provinces, comprising approximately 17.6 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through a subsidiary, holds a 41.6% economic and voting interest in Crombie at December 31, 2013.

Significant Developments during 2013 include:

Acquisitions and related financings completed up to and including December 31, 2013 include:

(in thousands of CAD dollars, except as otherwise noted)

Date Acquired in 2013	Number of Properties	Province	GLA (sq. ft.)	Initial Purchase Price	Assumed and New Mortgages	Weighted Average Mortgage Rate	Term in Years	Amortization in Years
February 22	4	AB	311,000	$ 131,890	$ 85,025	4.16%	10.2	25.0
March 22	1	NB	66,000	14,650	10,750	3.90%	10.0	25.0
March 27	1	NS	45,000	15,450	9,500	4.37%	12.0	25.0
March 28	–	QC	9,000	2,455	9,675	3.90%	10.0	25.0
April 30	1	AB	59,000	20,875	14,000	4.35%	10.0	25.0
September 6	4	AB, MB, ON, QC	77,000	44,370	29,450	4.53%	10.0	25.0
November 3	70	MB, SK, AB, BC	3,105,000	991,300	402,084	4.37%	9.6	24.9
	81		3,672,000	$ 1,220,990	$ 560,484			

The initial purchase price excludes closing and transaction costs.

The February and September acquisitions were transacted with third parties while the remaining acquisitions were from subsidiaries of Empire.

Excluding the November 3, 2013 transaction, the balance of the 2013 acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate revolving credit facility. The November acquisition, after deducting new mortgage proceeds, was financed through proceeds from REIT Units, Series E Debentures, Series A Notes and Class B LP Units issued in conjunction with the acquisition.

In February 2013, Crombie completed the disposition of one non-core mixed use property for $1.7 million. In December 2013, Crombie completed the disposition of one non-core retail enclosed property for $13.4 million.

In February and March 2013, Crombie entered new mortgages totaling $135,350 with a weighted average interest rate of 4.22% and a weighted average term to maturity of 11.3 years. These mortgages replaced $92,397 of mortgages with a weighted average interest rate of 5.91% previously assigned to a portfolio of 23 properties that had been renegotiated in September 2012.

Business Objectives and Outlook

The objectives of Crombie are threefold:

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

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

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

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

Crombie continues to work closely with ECLD and SDLP to identify opportunities that further Crombie's growth strategy. The relationship with ECLD is governed by an agreement described in the Material Contracts section of Crombie's Annual Information Form, and SDLP has confirmed that certain properties now held by SDLP that it acquired from ECLD continue to be governed by that agreement. In addition, Crombie has a right of first offer agreement with Sobeys to acquire both existing income producing commercial properties from Sobeys as well

as properties from SDLP's development pipeline, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with property development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions.

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

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

(In thousand of CAD dollars) Date Acquired	Number of Properties	GLA (sq. ft.)	Acquisition Cost[1]	Vendor
2006–2011	91	4,825,000	751,799	Empire subsidiaries
2006–2011	9	713,000	137,750	3rd parties
2012	2	154,000	43,705	Empire subsidiary
2012	30	1,209,000	340,848	3rd parties
March 22, 2013	1	66,000	14,650	Empire subsidiaries
March 27, 2013	1	45,000	15,450	Empire subsidiaries
March 28, 2013[2]	–	9,000	2,455	Empire subsidiaries
April 30, 2013	1	59,000	20,875	Empire subsidiaries
November 3, 2013	70	3,105,000	991,300	Empire subsidiaries
February 22, 2013	4	311,000	131,890	3rd parties
September 6, 2013	4	77,000	44,370	3rd parties

(1) Excluding closing and transaction costs.
(2) Relates to the acquisition of additional development on a pre-existing retail property.

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

Business Environment

Since the latter part of 2009, the Canadian economy continues to display strengthening results in a number of key economic areas, which indicate that a modest economic recovery has taken place. However, concerns still exist as to the sustainability of the recovery as debt levels of both governments and consumers and unemployment levels remain high. Also, during this 2009 – 2013 period, the credit and equity markets experienced a dramatic improvement in their liquidity compared to the dramatic contraction of late 2008. This liquidity expansion has helped reduce credit spreads to more historically normal levels and resulted in attractive overall financing costs which many Canadian real estate investment trusts ("REITs") and real estate companies, including Crombie, have taken advantage of to strengthen their financial position, improve liquidity and lower their weighted average cost of capital.

In light of the improving economic conditions and improved access to capital since 2009, capitalization rates have returned to very low levels. This capitalization rate reduction resulted in a positive impact to the cost of capital and unit prices of many REITs since 2009. The prospects for higher interest rates commencing in 2013 as a result of stronger consumer demand and improving economic fundamentals has disaffected REIT Unit prices and cost of capital since mid-year as investment funds have migrated away from REITs to less interest sensitive investments. While capitalization rates have shown no discernible change to date, REIT acquisition activity has abated somewhat as REITs adjust to their higher cost of capital driven by softer unit price valuations.

FORWARD-LOOKING INFORMATION

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

Specifically, this document includes, but is not limited to, forward-looking statements regarding:

(i) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;

(ii) asset growth and reinvesting to redevelop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual redevelopment costs;

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

(iv) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;

(v) the anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses;

(vi) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities, future interest rates and market conditions;

(vii) the estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, conversions of convertible debentures, interest rates on floating rate debt and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;

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

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

(x) anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions;

(xi) the effect that any contingencies would have on Crombie's financial statements which could be impacted by their eventual outcome;

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

(xiii)availability and sources of financing for future growth, including the expected completion and method of financing for agreed additional acquisitions, which may be impacted by due diligence matters and debt and equity market conditions.

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

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

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At December 31, 2013, the property portfolio consisted of 249 investment properties that contain approximately 17.6 million square feet of GLA in all ten provinces.

As at December 31, 2013, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2013	Acquisitions (Dispositions)	Other	December 31, 2013	Number of Properties	% of GLA	% of Annual Minimum Rent
AB	409,000	1,602,000	4,000	2,015,000	40	11.5%	16.9%
BC	–	1,275,000	–	1,275,000	30	7.2%	8.7%
MB	39,000	453,000	–	492,000	13	2.8%	3.4%
NB	1,811,000	(78,000)	–	1,733,000	22	9.9%	7.2%
NL	1,652,000	–	5,000	1,657,000	14	9.4%	11.0%
NS	5,503,000	45,000	(5,000)	5,543,000	47	31.6%	24.1%
ON	2,883,000	16,000	15,000	2,914,000	51	16.6%	17.8%
PE	313,000	–	(52,000)	261,000	2	1.5%	1.1%
QC	1,174,000	21,000	19,000	1,214,000	22	6.9%	7.1%
SK	269,000	185,000	–	454,000	8	2.6%	2.7%
Total	14,053,000	3,519,000	(14,000)	17,558,000	249	100.0%	100.0%

Since January 1, 2013, the portfolio has increased by 3,663,000 square feet through the acquisition of 81 properties; 31 in Alberta, 30 in British Columbia, 12 in Manitoba, four in Saskatchewan, and one each in Ontario, Quebec, New Brunswick, and Nova Scotia. These acquisitions were offset by 144,000 square feet due to dispositions of two properties in New Brunswick.

Other increases in GLA are the result of the acquisition of additional development on an existing retail property in Quebec, land use intensification development in Alberta, Newfoundland and Labrador and Ontario, offset by space configuration from redevelopment activity in Nova Scotia and Prince Edward Island.

Crombie continues to diversify its geographic composition from its Atlantic Canadian roots through growth opportunities, as evidenced by 30 property acquisitions in British Columbia, 40 in Alberta, 36 in Ontario, 10 in Quebec, 13 in Manitoba and eight in Saskatchewan since Crombie's 2006 IPO. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

REDEVELOPMENT

On a regular basis, Crombie will complete redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. As at December 31, 2013, Crombie properties currently under redevelopment include: Downsview Plaza and Downsview Mall in Halifax, Nova Scotia, Aberdeen Business Centre in New Glasgow, Nova Scotia, Amherst Centre in Amherst, Nova Scotia and County Fair Mall in Summerside, Prince Edward Island are being reconfigured to accommodate new tenancies; 1234 Main Street (Terminal Centres) in Moncton, New Brunswick is being refurbished and upgraded, including GLA expansion; and County Fair Mall in New Minas, Nova Scotia has been designated for redevelopment which has not yet commenced.

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

The following table outlines properties designated for redevelopment:

Province	Property	Current GLA	Redevelopment	Estimated Cost	Incurred To Date	Estimated Completion
NB	Terminal Centres	202,000	Refurbish and upgrade, including GLA expansion to accommodate leasing future	$ 18,000	$ 13,104	First quarter 2014
NS	Aberdeen Business Centre	401,000	Reconfigure space to accommodate future leasing	In planning	$ –	To be determined
NS	Amherst Centre	228,000	Reconfigure space to accommodate future leasing	In planning	$ –	To be determined
NS	County Fair Mall – New Minas	268,000	To be determined	In planning	$ –	To be determined
NS	Downsview Plaza	239,000	Reconfigure space to accommodate future leasing	Phase II – $ 2,400	$ 1,260	First quarter 2014
NS	Downsview Mall	142,000	To be determined	In planning	$ –	To be determined
PE	County Fair Mall – Summerside	237,000	Reconfigure space to accommodate future leasing	$ 2,625	$ 2,920	First quarter 2014

During the third quarter of 2012, Crombie commenced the redevelopment of 1234 Main Street (Terminal Centres) to accommodate current and future leasing. Construction is nearing completion with the balance of costs expected to be incurred primarily related to specific tenant requirements.

Aberdeen Business Centre is undergoing redevelopment to accommodate new tenant leasing requirements and initial work for future tenants.

Amherst Centre has been designated for redevelopment. Planning and design work is currently underway and is subject to management review and approval. Work has commenced to reconfigure space to accommodate new tenants, however, the estimated cost is subject to specific tenant requirements.

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

Redevelopment work is currently underway on Phase II of Downsview Plaza to accommodate the requirements of new tenants and initial work for future tenants. Downsview Mall, an adjacent property, has also been designated for redevelopment, subject to management review and approval of planning and design work.

Redevelopment work on County Fair Mall – Summerside, to accommodate the requirements of new tenants and initial work for future tenants is nearing completion. New tenants are scheduled to open in Spring 2014. Total GLA for this property has decreased as a result of the redevelopment work.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at December 31, 2013.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys[1]	49.0%	15.9 years
Shoppers Drug Mart	6.0%	13.2 years
Cineplex	1.8%	11.5 years
Province of Nova Scotia	1.5%	4.5 years
CIBC	1.2%	16.3 years
Lawtons/Sobeys Pharmacy	1.1%	12.6 years
GoodLife Fitness	1.1%	12.7 years
Best Buy Canada Ltd.	1.0%	7.6 years
Bank of Nova Scotia	0.9%	3.6 years
Dollarama	0.8%	4.6 years
Total	64.4%	

(1) Excludes Lawtons.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 49.0% of annual minimum rent and Shoppers Drug Mart which accounts for 6.0% of annual minimum rent, no other tenant accounts for more than 1.8% of Crombie's annual minimum rent.

Lease Maturities

The following table sets out as of December 31, 2013, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2014	252	732,000	4.2%	$ 15.90
2015	183	804,000	4.6%	14.01
2016	180	848,000	4.8%	14.33
2017	178	862,000	4.9%	18.24
2018	161	668,000	3.8%	18.98
Thereafter	639	12,456,000	70.9%	17.44
Total	1,593	16,370,000	93.2%	$ 17.16

The weighted average remaining term of all leases is approximately 12.1 years. This lengthy remaining lease term is influenced by the average Sobeys and Shoppers Drug Mart remaining lease terms of 15.9 years and 13.2 years, respectively.

During the year ended December 31, 2013, Crombie's lease renewals for 2013 lease expiries were completed at an average rate of $12.99 per square foot; an increase of 7.2% over the expiring rate, while new leasing activity was completed at an average rate of $17.67 per square foot. Both of these rates compare favourably with the average rent per square foot on full year 2013 lease maturities of $10.95 per square foot.

2013 Portfolio Occupancy and Committed Activity

The portfolio occupancy and committed activity for the year ended December 31, 2013 were as follows:

	Occupied Space (sq. ft.)								
Province	January 1, 2013	Acquisitions (Dispositions)	New Leases[1]	Lease Expiries	Other Changes[2]	December 31, 2013	Committed Space (sq ft.)[3]	Total Leased Space (sq ft.)	Leased December 31, 2013
AB	409,000	1,590,000	6,000	–	–	2,005,000	3,000	2,008,000	99.7%
BC	–	1,275,000	–	–	–	1,275,000	–	1,275,000	100.0%
MB	39,000	453,000	–	–	–	492,000	–	492,000	100.0%
NB	1,547,000	(35,000)	23,000	(22,000)	(36,000)	1,477,000	5,000	1,482,000	85.6%
NF	1,594,000	–	78,000	(111,000)	(16,000)	1,545,000	–	1,545,000	93.2%
NS	5,025,000	45,000	162,000	(266,000)	(78,000)	4,888,000	43,000	4,931,000	89.0%
ON	2,672,000	16,000	66,000	(27,000)	(10,000)	2,717,000	33,000	2,750,000	94.4%
PE	299,000	–	–	(105,000)	–	194,000	36,000	230,000	88.0%
QC	1,162,000	21,000	30,000	(4,000)	(1,000)	1,208,000	1,000	1,209,000	99.6%
SK	269,000	185,000	1,000	(16,000)	–	439,000	9,000	448,000	98.6%
Total	13,016,000	3,550,000	366,000	(551,000)	(141,000)	16,240,000	130,000	16,370,000	93.2%

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space increased from 86,000 square feet at December 31, 2012 to 130,000 square feet at December 31, 2013.

Overall leased space (occupied plus committed) remained unchanged at 93.2% at December 31, 2013 when compared to December 31, 2012. This occupancy stability is primarily the result of the acquisition of 70 fully-occupied Safeway properties in the fourth quarter of 2013 offset by lease expiries in 2013 from the departure of Zellers as a tenant in three locations during the year.

SECTOR INFORMATION

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

As at December 31, 2013, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail Enclosed	10	2,127,000	12.1%	11.9%	82.1%
Retail Freestanding	119	4,584,000	26.1%	29.8%	100.0%
Retail Plazas	106	7,937,000	45.2%	46.6%	94.6%
Portfolio sub-totals for retail	235	14,648,000	83.4%	88.3%	94.5%
Mixed Use	9	1,857,000	10.6%	7.2%	88.7%
Office	5	1,053,000	6.0%	4.5%	84.3%
Total	249	17,558,000	100.0%	100.0%	93.2%

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

As at December 31, 2012, the portfolio distribution of GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail Enclosed	11	2,291,000	16.3%	17.5%	87.1%
Retail Freestanding	69	2,549,000	18.1%	19.9%	99.8%
Retail Plazas	76	6,307,000	44.9%	46.2%	94.3%
Portfolio sub-totals for retail	156	11,147,000	79.3%	83.6%	94.1%
Mixed Use	9	1,851,000	13.2%	10.4%	94.2%
Office	5	1,055,000	7.5%	6.0%	82.2%
Total	170	14,053,000	100.0%	100.0%	93.2%

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

Retail properties represent 83.4% of Crombie's GLA and 88.3% of annual minimum rent at December 31, 2013 compared to 79.3% of GLA and 83.6% of annual minimum rent at December 31, 2012 reflecting Crombie's strategy to focus primarily on retail properties as evidenced by its acquisition activity.

Leased space in retail properties of 94.5% at December 31, 2013, has increased from 94.1% at December 31, 2012, due to recent acquisitions of fully leased space and new leasing activity, offset in part by the 2013 departure of Zellers as a tenant in two retail locations. The change in leased space for mixed use properties reflects a Zellers departure in one property, while the improvement in leased occupancy of office properties reflects increases in Halifax office properties offset by one of the two Terminal Centres office buildings being vacated for redevelopment.

The following table sets out as of December 31, 2013, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail Enclosed		Retail Freestanding		Retail Plazas	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2014	177,000	8.3%	–	0.0%	265,000	3.3%
2015	111,000	5.2%	9,000	0.2%	310,000	3.9%
2016	182,000	8.6%	3,000	0.1%	410,000	5.2%
2017	276,000	13.0%	5,000	0.1%	282,000	3.6%
2018	140,000	6.6%	10,000	0.2%	428,000	5.4%
Thereafter	860,000	40.4%	4,557,000	99.4%	5,810,000	73.2%
Total	1,746,000	82.1%	4,584,000	100.0%	7,505,000	94.6%

Year	Mixed Use		Office		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2014	183,000	9.9%	107,000	10.1%	732,000	4.2%
2015	305,000	16.4%	69,000	6.5%	804,000	4.6%
2016	186,000	10.0%	67,000	6.4%	848,000	4.8%
2017	171,000	9.2%	128,000	12.2%	862,000	4.9%
2018	35,000	1.9%	55,000	5.2%	668,000	3.8%
Thereafter	767,000	41.3%	462,000	43.9%	12,456,000	70.9%
Total	1,647,000	88.7%	888,000	84.3%	16,370,000	93.2%

Of the 13,835,000 square feet of retail properties under lease, 11,228,000 square feet, or 81.2% is scheduled for maturity after 2018. This long-term stability in lease maturities is primarily driven by the longer term nature of the Sobeys and Shoppers Drug Mart leases.

In the office and mixed use properties, lease maturities after 2018 represents 48.5% of the leased square footage for these sectors.

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

Year	Retail Enclosed	Retail Freestanding	Retail Plazas	Mixed Use	Office	Total
2014	$ 21.59	$ –	$ 14.53	$ 13.32	$ 14.26	$ 15.90
2015	$ 25.90	$ 25.32	$ 15.06	$ 9.52	$ 12.07	$ 14.01
2016	$ 18.97	$ 29.00	$ 15.29	$ 7.79	$ 13.19	$ 14.33
2017	$ 19.06	$ 26.00	$ 20.08	$ 13.27	$ 18.77	$ 18.24
2018	$ 23.49	$ 15.45	$ 18.33	$ 18.96	$ 13.17	$ 18.98
Thereafter	$ 15.75	$ 19.29	$ 17.39	$ 12.36	$ 11.31	$ 17.44
Total as at December 31, 2013	$ 18.46	$ 19.31	$ 17.23	$ 11.66	$ 13.06	$ 17.16
Total as at December 31, 2012	$ 16.61	$ 15.55	$ 15.07	$ 11.48	$ 12.82	$ 14.77

FINANCIAL RESULTS YEAR TO DATE

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As at December 31, 2013	December 31, 2012	December 31, 2011
Total assets	$ 3,345,165	$ 2,135,620	$ 1,728,782
Total investment property debt and unsecured debt	$ 2,043,066	$ 1,185,940	$ 1,002,358
Debt to gross book value – fair value basis(1)	53.0%	46.5%	53.0%
Debt to gross book value – cost basis(2)	55.9%	50.0%	52.5%

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

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Year ended December 31, 2013	2012	2011
Property revenue	$ 296,558	$ 256,022	$ 226,138
Property operating expenses	106,673	94,522	84,202
Property NOI	189,885	161,500	141,936
NOI margin percentage	64.0%	63.1%	62.8%
Other items:			
Lease terminations	485	3,844	168
Gain on derecognition of investment properties	2,858	–	–
Impairment of investment property	(12,270)	–	–
Depreciation and amortization	(50,028)	(44,570)	(31,387)
General and administrative expenses	(13,666)	(11,530)	(10,654)
Operating income before finance costs and taxes	117,264	109,244	100,063
Finance costs – operations	(82,387)	(69,409)	(62,148)
Operating income before taxes	34,877	39,835	37,915
Taxes – deferred	1,675	(100)	300
Operating income attributable to Unitholders	36,552	39,735	38,215
Finance costs – distributions to Unitholders	(86,620)	(75,079)	(61,283)
Finance income (costs) – change in fair value of financial instruments	2,473	(1,878)	(8,644)
Decrease in net assets attributable to Unitholders	$ (47,595)	$ (37,222)	$ (31,712)
Operating income attributable to Unitholders per Unit, Basic and Diluted	$ 0.38	$ 0.48	$ 0.56
Basic weighted average Units outstanding (in 000's)	96,838	83,200	68,251
Diluted weighted average Units outstanding (in 000's)	97,026	83,385	68,431
Distributions per Unit to Unitholders	$ 0.89	$ 0.89	$ 0.89

Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's consolidated financial presentation.

Operating income attributable to Unitholders for the year ended December 31, 2013 of $36,552 decreased by $3,183 or 8.0% from $39,735 for the year ended December 31, 2012. The decrease was primarily due to:

- Crombie recorded an impairment on an investment property of $12,270 (2012 – $ nil);
- higher finance costs – operations related to ongoing financing on property acquisitions and non-recurring costs of $6,033 related to arranging financing on the November 2013 property acquisition;
- lower lease termination income;
- higher depreciation and amortization expense related to property acquisitions;
- higher general and administrative expenses including costs associated with hiring of additional staff related to continued growth and higher incentive payments; and

Offset in part by:

- higher property NOI caused by the impact of property acquisitions during 2012 and 2013, increased average rental rates and improved expense recovery rates;
- during the year ended December 31, 2013 Crombie recorded a gain on derecognition of investment properties of $2,858 (2012 – $ nil); and
- deferred tax recovery in 2013 related to the investment property impairment.

Adjusted Net Assets Attributable to Unitholders

Crombie is presenting the following adjusted net assets attributable to Unitholders, a non-GAAP measure, to provide more meaningful period over period comparison of its closest measure to net income:

	Year ended December 31,	
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	2013	2012
Decrease in net assets attributable to Unitholders	$ (47,595)	$ (37,222)
Adjusted for the following:		
Impairment of investment property[1]	12,270	–
Deferred tax recovery[2]	(3,675)	–
Finance costs – operations[3]	6,033	–
Adjusted decrease in net assets attributable to Unitholders	$ (32,967)	$ (37,222)

(1) During 2013, Crombie recognized an impairment of $12,270 to one investment property. Crombie records its investment properties using the cost method, which is not comparable to its industry peers who recognize their investment properties on a fair value basis. Therefore, the impairment is being adjusted to allow Crombie and others to have a more meaningful comparison of operating results.

(2) As a result of the impairment, Crombie has recorded a deferred tax recovery of $3,675 which is being adjusted as it directly relates to the impairment.

(3) During 2013, Crombie incurred finance costs related to arranging financing for the 70 property acquisition in the fourth quarter. These costs included $3,437 for a Subscription Receipt Adjustment Payment and $2,596 related to an acquisition bridge facility in place as interim financing related to the acquisition.

Classification of Crombie REIT Units and Class B LP Units with Attached Special Voting Units (Collectively the "Units")

On transition to IFRS, Crombie determined that in accordance with IAS 32 Financial Instruments: Presentation, Crombie's Units are to be classified as financial liabilities on the Consolidated Balance Sheet. Each of the REIT Units and Class B LP Units are puttable by the respective holder and meet the definition of financial liabilities under IFRS. IAS 32 provides an exception test which, if met, would result in either, or both, of the Units being classified as equity instruments. Crombie has determined that the exception test has not been met for either the REIT Units or Class B LP Units and as such, Crombie has no instrument meeting the definition of equity instruments within the IFRS standard. As a result, since the Units are classified as financial liabilities on the Consolidated Balance Sheet, distributions on the Units are recognized as a finance charge on the Consolidated Statements of Comprehensive Income (Loss). Had either, or both, of the Units been classified as equity instruments, the related distributions would be recognized as a reduction to equity rather than a charge against income.

Property Revenue and Property Operating Expenses

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

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Same-asset property revenue	$ 218,351	$ 212,866	$ 5,485
Acquisition, disposition and redevelopment property revenue	78,207	43,156	35,051
Property revenue	$ 296,558	$ 256,022	$ 40,536

Same-asset property revenue of $218,351 for the year ended December 31, 2013 increased 2.6% from the year ended December 31, 2012 due to increased base rent driven by lease renewal activity, land use intensifications at several properties and increased recoveries as a result of higher recoverable property expenses. Acquisition, disposition and redevelopment property revenue growth of $35,051 is due to higher acquisition and redevelopment activity in 2012 and 2013.

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Same-asset property operating expenses	$ 82,115	$ 76,839	$ 5,276
Acquisition, disposition and redevelopment property operating expenses	24,558	17,683	6,875
Property operating expenses	$ 106,673	$ 94,522	$ 12,151

Same-asset property expenses of $82,115 for the year ended December 31, 2013 increased by $5,276 or 6.9% from the year ended December 31, 2012 due primarily to higher recoverable property expenses; primarily property taxes.

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Same-asset property NOI	$ 136,236	$ 136,027	$ 209
Acquisition, disposition and redevelopment property NOI	53,649	25,473	28,176
Property NOI	$ 189,885	$ 161,500	$ 28,385

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the year ended December 31, 2013 increased by $28,385 or 17.6% from the year ended December 31, 2012 due primarily to acquisitions and completed redevelopment activity during 2012 and 2013.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Property NOI	$ 189,885	$ 161,500	$ 28,385
Non-cash straight-line rent	(5,484)	(4,809)	(675)
Non-cash tenant incentive amortization	8,026	6,332	1,694
Property cash NOI	192,427	163,023	29,404
Acquisition, disposition and redevelopment property cash NOI	52,650	25,870	26,780
Same-asset property cash NOI	$ 139,777	$ 137,153	$ 2,624

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $2,624 or 1.9% increase in same-asset cash NOI for the year ended December 31, 2013 over the same period in 2012 is primarily the result of increased average rent per square foot from leasing activity, improved recovery rates and land use intensifications at several properties offset in part by the impact of lower occupancy.

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

Acquisition, disposition and redevelopment property cash NOI is as follows:

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Acquisition and disposition property cash NOI	$ 42,260	$ 15,181	$ 27,079
Redevelopment property cash NOI	10,390	10,689	(299)
Total acquisition, disposition and redevelopment property cash NOI	$ 52,650	$ 25,870	$ 26,780

The significant growth in acquisition and disposition property cash NOI reflects the strong level of property acquisitions throughout 2012 and 2013.

Cash NOI for redevelopment properties decreased $299 or 2.8% for the year ended December 31, 2013 over the year ended December 31, 2012 due to redevelopment work at Terminal Centres in Moncton, New Brunswick, Aberdeen Business Centre in New Glasgow, Nova Scotia, Amherst Centre in Amherst, Nova Scotia, County Fair Mall in New Minas, Nova Scotia, Downsview Plaza and Downsview Mall in Halifax, Nova Scotia and County Fair Mall in Summerside, Prince Edward Island. These properties have temporary vacancies as the redevelopment work proceeds. This was partially offset by the completion of redevelopment work at Barrington Tower in Halifax, Nova Scotia.

Change in cash NOI from redevelopment properties period-over-period is impacted by the timing of commencement and completion of each redevelopment project. The nature and extent of redevelopment projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period redevelopment operating results may not be meaningful.

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

Property NOI for the year ended December 31, 2013 by province was as follows:

	2013			2012	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	Property NOI	Variance
AB	$ 24,833	$ 4,886	$ 19,947	$ 7,464	$ 12,483
BC	3,895	–	3,895	–	3,895
MB	2,146	11	2,135	468	1,667
NB	27,607	11,857	15,750	14,642	1,108
NL	40,659	14,615	26,044	24,656	1,388
NS	101,361	45,392	55,969	55,540	429
ON	62,512	19,213	43,299	36,805	6,494
PE	3,754	1,391	2,363	2,907	(544)
QC	24,248	7,768	16,480	15,870	610
SK	5,543	1,540	4,003	3,148	855
Total	$ 296,558	$ 106,673	$ 189,885	$ 161,500	$ 28,385

The variances from 2012 primarily relate to:

- Property acquisitions during 2012 and 2013, in particular the acquisition of 70 properties in Western Canada during the fourth quarter of 2013;
- Completion of redevelopment properties;
- Land use intensification projects; and
- Increased base rent due to lease renewal activity.

In Alberta, Crombie acquired two retail properties during 2012 and an additional 30 retail properties in 2013.

In Ontario, Crombie acquired 23 retail properties during 2012 and an additional one retail property during 2013 as well as additional development on a preexisting retail property.

During 2013 Crombie acquired 30 retail properties in British Columbia, 12 retail properties in Manitoba and four retail properties in Saskatchewan.

In Prince Edward Island, Crombie commenced redevelopment of a property subsequent to the departure of Zellers.

Depreciation, Amortization and Impairment

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Same-asset depreciation and amortization	$ 30,039	$ 33,924	$ 3,885
Acquisition, disposition and redevelopment depreciation and amortization	19,989	10,646	(9,343)
Depreciation and amortization	$ 50,028	$ 44,570	$ (5,458)

Depreciation and amortization increased by $5,458 for the year ended December 31, 2013 compared to the same period in 2012. The increase is due to increased depreciation related to Crombie's increased acquisition and redevelopment activity, offset in part by accelerated depreciation in 2012 on two separate properties related to a change in their estimated useful life.

Depreciation and amortization consists of:

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Depreciation of investment properties	$ 42,101	$ 38,095	$ (4,006)
Amortization of intangible assets	7,383	5,888	(1,495)
Amortization of deferred leasing costs	544	587	43
Depreciation and amortization	$ 50,028	$ 44,570	$ (5,458)

Crombie's total fair value of investment properties exceeds carrying value by $570,710 at December 31, 2013 (2012 – $466,720). Crombie uses the cost method for accounting for investment properties, and such change in fair value over carrying value is not recognized until realized through disposition or derecognition of properties, while impairment is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

During the year ended December 31, 2013, Crombie recorded an impairment loss of $12,270 on a retail property. The impairment was the result of the departure of a major tenant during 2013 and Crombie has had no success in finding a replacement tenant. The recoverable amount was determined to be the property's fair value, based on a recent external appraisal report, less costs to sell.

No amounts for impairment were recorded in 2012 and prior years.

General and Administrative Expenses

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

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Salaries and benefits	$ 7,724	$ 6,465	$ (1,259)
Professional fees	1,590	1,186	(404)
Public company costs	1,610	1,444	(166)
Rent and occupancy	961	673	(288)
Other	1,781	1,762	(19)
General and administrative expenses	$ 13,666	$ 11,530	$ (2,136)
As a percentage of property revenue	4.6%	4.5%	(0.1)%

General and administrative expenses, as a percentage of property revenue, increased by 0.1% for the year ended December 31, 2013 compared to the same period in 2012. General and administrative expenses increased $2,136 or 18.5% over 2012, while property revenue increased by 15.8% over the same period, resulting in the slight increase in general and administrative expenses as a percentage of property revenue. Salaries and benefits increased due to the hiring of additional staff related to continued growth and higher incentive payments. Professional fees increased mainly due to consulting fees related to Crombie's growth and costs related to aborted acquisitions.

Finance Costs – Operations

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Same-asset finance costs	$ 47,933	$ 50,936	$ 3,003
Acquisition, disposition and redevelopment finance costs	25,277	9,049	(16,228)
Amortization of effective swaps and deferred financing charges	9,177	9,424	247
Finance costs – operations	$ 82,387	$ 69,409	$ (12,978)

Same-asset finance costs for the year ended December 31, 2013 decreased by $3,003 or 5.9% compared to the same period in 2012 primarily due to the interest savings realized from mortgage refinancings in September 2012 as well as refinancing of maturing mortgages at lower interest rates and conversions of convertible debentures.

Growth in acquisition, disposition and redevelopment finance costs is consistent with Crombie's acquisition activity in 2012 and 2013. During the fourth quarter of 2013, Crombie incurred finance costs totaling $6,033 related to arranging financing for the 70 property acquisition on November 3, 2013. The finance costs included $3,437 for a subscription receipt adjustment payment on their exchange to REIT Units and $2,596 in fees associated with a $600,000 bridge credit facility.

The decrease of $247 in amortization of effective swaps and deferred financing charges for the year ended December 31, 2013 compared to the same period in 2012 is primarily due to the conversion and redemption of Series B Debentures in 2013 offset in part by the refinancing of the mortgages in 2012, which resulted in a one-time write off of the remaining deferred finance charges on the refinanced mortgages; and, continuing reduction in amortization of effective swaps.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and management expects to realize a further $2,904 over that period. The amount of interest rate subsidy received during the year ended December 31, 2013 was $888 (year ended December 31, 2012 – $1,047).

Income Taxes

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

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout the 2012 and 2013 fiscal years. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

The deferred tax liability represents the future tax provision for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

SECTOR INFORMATION

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

Retail Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013			Year ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 37,904	$ 8,998	$ 46,902	$ 35,161	$ 10,920	$ 46,081
Property operating expenses	14,974	4,831	19,805	12,646	4,812	17,458
Property NOI	$ 22,930	$ 4,167	$ 27,097	$ 22,515	$ 6,108	$ 28,623
NOI Margin %	60.5%	46.3%	57.8%	64.0%	55.9%	62.1%
Actual occupancy %	91.5%	56.9%	79.8%	91.0%	80.5%	86.9%

Same-asset property revenue increased by $2,743 or 7.8% primarily due to rental rate increases, increases in revenue from percent rent and land use intensification development. Same-asset property operating expenses increased by $2,328 or 18.4% due to higher non-recoverable costs. Acquisition, dispositions and redevelopment property NOI and occupancy decreased during 2013 due to the departure of Zellers in two retail enclosed properties.

Retail Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013			Year ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 33,292	$ 17,707	$ 50,999	$ 32,309	$ 6,211	$ 38,520
Property operating expenses	6,946	1,455	8,401	6,111	669	6,780
Property NOI	$ 26,346	$ 16,252	$ 42,598	$ 26,198	$ 5,542	$ 31,740
NOI Margin %	79.1%	91.8%	83.5%	81.1%	89.2%	82.4%
Actual occupancy %	100.0%	100.0%	100.0%	99.9%	100.0%	99.9%

Same-asset property revenue increased $983 or 3.0% in 2013 while property operating expenses increased $835 or 13.7%. The net effect is an increase in property NOI of $148 or 0.6% with a decrease in the NOI margin % by 2.0%. Acquisitions, dispositions and redevelopment property NOI increased from 2012 primarily due to the acquisition of 15 freestanding properties during the second quarter of 2012 and an additional 54 freestanding properties in 2013.

Retail Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013			Year ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 98,815	$ 40,733	$ 139,548	$ 96,922	$ 17,523	$ 114,445
Property operating expenses	34,264	11,200	45,464	32,583	5,749	38,332
Property NOI	$ 64,551	$ 29,533	$ 94,084	$ 64,339	$ 11,774	$ 76,113
NOI Margin %	65.3%	72.5%	67.4%	66.4%	67.2%	66.5%
Actual occupancy %	93.4%	94.5%	93.8%	94.8%	88.2%	93.4%

Same-asset property revenue increased $1,893 or 2.0% due to rental rate increases from leasing activity offset by higher non-recoverable costs related to the decrease in occupancy rates. Acquisitions, dispositions and redevelopment property NOI increased significantly over 2012 primarily due to the acquisition activity during 2012 and 2013, mainly in Central and Western Canada.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Year ended December 31, 2012 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 31,805	$ 5,664	$ 37,469	$ 32,123	$ 4,052	$ 36,175
Property operating expenses	17,194	2,981	20,175	17,006	2,074	19,080
Property NOI	$ 14,611	$ 2,683	$ 17,294	$ 15,117	$ 1,978	$ 17,095
NOI Margin %	45.9%	47.4%	46.2%	47.1%	48.8%	47.3%
Actual occupancy %	88.4%	88.0%	88.3%	92.3%	95.9%	93.4%

Same-asset property NOI decreased by $506 or 3.3% due to lower percent rent income and higher non-recoverable costs due to lower occupancy. Acquisition, dispositions and redevelopment property NOI increased by $705 compared to the same period in 2012 due to the acquisition of a property in Newfoundland and Labrador in the third quarter of 2012, offset in part by the departure of Zellers in one mixed use property.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013 Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Year ended December 31, 2012 Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 16,535	$ 5,105	$ 21,640	$ 16,351	$ 4,450	$ 20,801
Property operating expenses	8,737	4,091	12,828	8,493	4,379	12,872
Property NOI	$ 7,798	$ 1,014	$ 8,812	$ 7,858	$ 71	$ 7,929
NOI Margin %	47.2%	19.9%	40.7%	48.1%	1.6%	38.1%
Actual occupancy %	93.1%	68.3%	84.0%	92.9%	61.9%	81.5%

Same-asset property NOI decreased by $60 or 0.8% compared to 2012 due primarily to an increase in non-recoverable costs. Acquisition, dispositions and redevelopment property NOI increased $943 compared to the same period in 2012 primarily due to improved results at Barrington Tower in Halifax, Nova Scotia where redevelopment work was completed in the third quarter of 2012.

OTHER 2013 PERFORMANCE MEASURES

Per Unit Measures

In order to provide a comparative measure of operating results on a per unit basis, Crombie is providing the following non-IFRS measures:

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2013	2012
Operating income attributable to Unitholders	$ 36,552	$ 39,735
Operating income attributable to Unitholders per unit – Basic	$ 0.38	$ 0.48
Operating income attributable to Unitholders per unit – Diluted	$ 0.38	$ 0.48
The following FFO and AFFO information is based on the adjusted calculations as explained in the FFO and AFFO sections:		
FFO as adjusted – Basic	$ 108,376	$ 90,327
FFO as adjusted – Diluted	$ 116,216	$ 97,402
FFO as adjusted per Unit – Basic	$ 1.12	$ 1.09
FFO as adjusted per Unit – Diluted	$ 1.10	$ 1.06
AFFO as adjusted – Basic	$ 91,525	$ 75,478
AFFO as adjusted – Diluted	$ 96,365	$ 81,065
AFFO as adjusted per Unit – Basic	$ 0.95	$ 0.91
AFFO as adjusted per Unit – Diluted	$ 0.94	$ 0.89

Operating income attributable to Unitholders is determined before Finance costs – distributions to Unitholders and Finance costs – change in fair value of financial instruments.

The diluted FFO and AFFO are calculated by adding back the finance costs on any convertible debenture series that is dilutive for the reporting period for that specific calculation.

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

	Year ended December 31,	
	2013	2012
Basic number of Units for all measures	96,837,669	83,200,062
Diluted for operating income attributable to Unitholders purposes	97,026,365	83,384,642
Diluted for FFO purposes	105,800,789	92,315,359
Diluted for AFFO purposes	102,815,715	90,830,978

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation. For operating income attributable to Unitholders, all series of convertible debentures are anti-dilutive. For FFO purposes, all series of convertible debentures are dilutive. For AFFO purposes, all series of convertible debentures are dilutive except the Series D Debentures.

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

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
Operating income attributable to Unitholders	$ 36,552	$ 39,735
Finance costs – distributions to Unitholders	(86,620)	(75,079)
Finance costs – change in fair value of financial instruments	2,473	(1,878)
Decrease in net assets attributable to Unitholders	$ (47,595)	$ (37,222)

FFO AND AFFO

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-IFRS financial measures should not be considered as an alternative to cash provided by operating activities or any other measure prescribed under IFRS. FFO represents a supplemental non-IFRS industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-IFRS measure is relevant to the ability of Crombie to earn and distribute returns to Unitholders. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REITs and, accordingly, may not be comparable to other such issuers.

Funds from Operations (FFO)

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

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

REALpac provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the year ended December 31, 2013 and year ended December 31, 2012 is as follows:

	Year ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Decrease in net assets attributable to Unitholders	$ (47,595)	$ (37,222)	$ (10,373)
Add (deduct):			
Finance costs – distributions to Unitholders	86,620	75,079	11,541
Finance costs – change in fair value of financial instruments	(2,473)	1,878	(4,351)
Amortization of tenant incentives	8,026	6,332	1,694
Depreciation of investment properties	42,101	38,095	4,006
Amortization of intangible assets	7,383	5,888	1,495
Amortization of deferred leasing costs	544	587	(43)
Gain on derecognition of investment property	(2,858)	–	(2,858)
Impairment of investment properties	12,270	–	12,270
Taxes – deferred	(1,675)	100	(1,775)
FFO	$ 102,343	$ 90,737	$ 11,606

The $11,606 increase in FFO for the year ended December 31, 2013 was primarily due to the acquisition activity in 2012 and 2013 including an increase in NOI partially offset by an increase in finance costs – operations.

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
FFO as calculated above	$ 102,343	$ 90,737
Adjusted for the following:		
Finance costs – operations(1)	6,033	–
Lease termination income(2)	–	(3,410)
Refinanced mortgages(3)	–	3,000
FFO as adjusted	$ 108,376	$ 90,327

(1) Related to the financing of 70 retail properties acquired during the fourth quarter of 2013, Crombie incurred $3,437 as a Subscription Receipt Adjustment Payment in accordance with our prospectus dated August 8, 2013. In addition, Crombie incurred costs of $2,596 related to an acquisition bridge facility in place as interim financing related to the acquisition.
(2) As discussed in our December 31, 2012 MD&A, Crombie recognized lease termination income from a national retailer for early retirement of two leases.
(3) As discussed in our December 31, 2012 MD&A, Crombie refinanced a portfolio of mortgages resulting in finance costs associated with the refinancing.

FFO and AFFO per unit measures and payout ratios in this MD&A are being calculated based on the adjusted FFO and AFFO amounts as these are more reflective of Crombie's ongoing operating results as measured by management.

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a measure useful in evaluating the recurring economic performance of Crombie's operating activities which will be used to support future distribution payments. AFFO reflects cash available for distributions after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

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

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of $1.05 per square foot to be charged against AFFO. The rate will be reviewed periodically and adjusted if required. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The 70 property, $991,300 fourth quarter acquisition contains lease provisions whereby the tenant, not Crombie, is responsible for maintenance expenditures. As a result. the $1.05 per square foot charge against AFFO does not reflect any amount related to the November 3, 2013 acquisition and Crombie will reassess this $1.05 rate in 2014.

The calculation of AFFO for the year ended December 31, 2013 and 2012 is as follows:

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
FFO	$ 102,343	$ 90,737	$ 11,606
Add (deduct):			
Amortization of effective swap agreements	3,759	4,808	(1,049)
Straight-line rent adjustment	(5,458)	(4,809)	(649)
Maintenance expenditures on a square footage basis	(15,152)	(14,131)	(1,021)
AFFO	$ 85,492	$ 76,605	$ 8,887

AFFO for the year ended December 31, 2013 was $85,492, an increase of $8,887 or 11.6% over the same period in 2012, due primarily to the improved FFO results as previously discussed.

(In thousands of CAD dollars)	Year ended December 31, 2013	2012
AFFO as calculated above	$ 85,492	$ 76,605
Adjusted for the following:		
Finance costs – operations(1)	6,033	–
Lease termination income(2)	–	(3,410)
Refinanced mortgages(3)	–	2,283
AFFO as adjusted	$ 91,525	$ 75,478

(1), (2), (3) Refer to the explanation under FFO on page 39.

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

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in) operating activities	$ 27,310	$ 30,269	$ (2,959)
Add back (deduct):			
Finance costs – distributions to Unitholders	86,620	75,079	11,541
Change in other non-cash operating items	(8,085)	(9,960)	1,875
Unit-based compensation expense	(40)	(36)	(4)
Amortization of deferred financing charges	(5,161)	(4,616)	(545)
Maintenance expenditures on a square footage basis	(15,152)	(14,131)	(1,021)
AFFO	$ 85,492	$ 76,605	$ 8,887

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

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

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to finance future growth: (i) secured short-term financing through an authorized three year revolving credit facility of up to $285,000, subject to available borrowing base, of which $120,000 ($124,135 including outstanding letters of credit) was drawn at December 31, 2013; (ii) the issue of new units; (iii) mortgage and term debt on unencumbered assets; (iv) senior unsecured notes; and, (v) unsecured convertible debentures. During 2013, Crombie achieved an investment grade credit rating which may further expand available sources of financing.

Crombie's sources and uses of funds are summarized as follows:

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Operating activities	$ 27,310	$ 30,269	$ (2,959)
Financing activities	$ 1,224,514	$ 301,864	$ 922,650
Investing activities	$ (1,244,657)	$ (332,187)	$ (912,470)

Operating Activities

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$ 19,225	$ 20,309	$ (1,084)
Non-cash operating items	8,085	9,960	(1,875)
Cash provided by operating activities	$ 27,310	$ 30,269	$ (2,959)

Net assets attributable to unitholders and non-cash items decreased by $1,084 or 5.3% primarily due to finance costs associated with increased acquisition activity. The decrease in non-cash operating items was primarily influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Net issue of mortgage loans and borrowings	$ 613,503	$ 71,173	$ 542,330
Net issue of senior unsecured notes	173,906	–	173,906
Net issue of convertible debentures	70,516	54,580	15,936
Net issue of units	365,621	175,181	190,440
Other items (net)	968	930	38
Cash provided by financing activities	$ 1,224,514	$ 301,864	$ 922,650

Cash from financing activities in the year ended December 31, 2013 increased by $922,650 over 2012. During the year ended December 31, 2013, Crombie raised cash to finance the acquisitions of investment properties through: the issuance of REIT Units and Class B LP Units; Series E Convertible Debentures, Series A Senior Unsecured Notes; mortgage financing; and, use of Crombie's revolving credit facility.

Investing Activities

(In thousands of CAD dollars)	Year ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Acquisition of investment properties and intangible assets	$ (1,217,189)	$ (292,084)	$ (925,105)
Additions to investment properties	(23,395)	(25,289)	1,894
Proceeds on disposal of investment properties	14,250	–	14,250
Additions to tenant incentives	(17,980)	(14,113)	(3,867)
Additions to deferred leasing costs	(633)	(982)	349
Other items (net)	290	281	9
Cash used in investing activities	$ (1,244,657)	$ (332,187)	$ (912,470)

Cash used in investing activities for the year ended December 31, 2013 was $1,244,657. The increase of $912,470 primarily relates to the 70 properties acquired in November 2013, partially offset by an increase in proceeds on disposal of investment properties of $14,250.

Tenant Incentives ("TI") and Capital Expenditures

There are two types of TI and capital expenditures:

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

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

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

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

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
Total additions to investment properties	$ 23,395	$ 25,289
Less: productive capacity enhancements and recoverable amounts	(17,924)	(18,928)
Maintenance capital expenditures	$ 5,471	$ 6,361

	Year ended December 31,	
(In thousands of CAD dollars)	2013	2012
Total additions to TI and deferred leasing costs	$ 18,613	$ 15,095
Less: productive capacity enhancements	(12,526)	(1,719)
Maintenance TI and deferred leasing costs	$ 6,087	$ 13,376

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

Maintenance capital expenditures for the year ended December 31, 2013, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during 2013 with the more significant costs related to new tenants and lease renewals in the office properties.

Productive capacity enhancements during the year ended December 31, 2013, consisted primarily of GLA expansions at Niagara Plaza, Niagara Falls, Ontario, Rockhaven, Peterborough, Ontario, Lindsay Street Centre, Fenelon Falls, Ontario, Millwoods Common, Edmonton, Alberta and Willowcreek Plaza, Peterborough, Ontario; and redevelopment work at Downsview Plaza, Halifax, Nova Scotia, Aberdeen Shopping Centre, New Glasgow, Nova Scotia, Barrington Place, Halifax, Nova Scotia, Evangeline Mall, Digby, Nova Scotia, County Fair Mall, Summerside, Prince Edward Island, Park Lane, Halifax, Nova Scotia, Tantallon Plaza, Tantallon, Nova Scotia, Terminal Centres, Moncton, New Brunswick and Rymal Road Plaza, Hamilton, Ontario.

Capital Structure

(In thousands of CAD dollars)	December 31, 2013		December 31, 2012		December 31, 2011	
Investment property debt	$ 1,694,200	53.3%	$ 1,065,411	54.2%	$ 878,007	55.9%
Senior unsecured notes	173,937	5.5%	–	0.0%	–	0.0%
Convertible debentures	174,929	5.5%	120,529	6.1%	124,351	7.9%
Crombie REIT Unitholders	680,935	21.6%	470,747	23.9%	247,570	15.8%
Special Voting Units and Class B Limited Partnership Unitholders	443,363	14.1%	311,254	15.8%	321,288	20.4%
	$ 3,167,364	100.0%	$ 1,967,941	100.0%	$ 1,571,216	100.0%

Bank Credit Facilities and Investment Property Debt

Crombie has in place an authorized floating rate revolving credit facility of up to $285,000 (the "revolving credit facility"), of which $120,000 ($124,135 including outstanding letters of credit) was drawn as at December 31, 2013. On February 22, 2013, the borrowing base and available limit on Crombie's revolving credit facility was increased to $285,000 to provide financing for the first quarter's acquisitions. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers' acceptance rates plus a spread or specified margins over prime rate. The spread or specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2013, Crombie had sufficient Borrowing Base to permit $270,812 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

As of December 31, 2013, Crombie had fixed rate mortgages outstanding of $1,585,960 ($1,592,552 after including the fair value debt adjustment of $6,592), carrying a weighted average interest rate of 4.82% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 8.0 years.

During the year ended December 31, 2013, Crombie repaid and canceled a floating rate term credit facility of $92,697 using proceeds of new mortgages.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). As part of the 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
Year	Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
2014	$ 93,435	$ –	$ 93,435	7.3%	$ 45,473	$ 138,908	8.2%
2015	57,596	–	57,596	4.6%	45,632	103,228	6.1%
2016	36,322	120,000	156,322	12.3%	43,721	200,043	11.8%
2017	38,757	–	38,757	3.0%	40,921	79,678	4.7%
2018	61,176	–	61,176	4.8%	40,145	101,321	6.0%
Thereafter	866,208	–	866,208	68.0%	209,982	1,076,190	63.2%
Total[(1)]	$ 1,153,494	$ 120,000	$ 1,273,494	100.0%	$ 425,874	$ 1,699,368	100.0%

(1) Excludes fair value debt adjustment of $6,592 and deferred financing charges of $11,760.

Of the maturing debt balances, only 16.2% of fixed rate debt, and 24.2% of total maturing debt balances matures over the next three years.

Convertible Debentures

(In thousands of CAD dollars, except per unit amounts)	Series C	Series D	Series E
Issue value	$ 45,000	$ 60,000	$ 75,000
Outstanding amount as at December 31, 2013	$ 45,000	$ 60,000	$ 75,000
Annual interest rate (payable semi-annually)	5.75%	5.00%	5.25%
Conversion price per Unit	$ 15.30	$ 20.10	$ 17.15
Issue date	February 8, 2010	July 3, 2012	August 14, 2013
Maturity date	June 30, 2017	September 30, 2019	March 31, 2021
Trading symbol	CRR.DB.C	CRR.DB.D	CRR.DB.E

On September 6, 2013 Crombie exercised its right to redeem the remaining outstanding principal amounts of its Series B Unsecured Debentures ("Series B Debentures") maturing June 30, 2015, in accordance with the term of the Trust Indenture. Holders of the Series B Debentures were entitled to convert their Series B Debentures to Units based on the conversion price of $11.00 per Unit until October 10, 2013. The redemption of the then outstanding Series B Debentures were completed on October 11, 2013 for a principal payment of $1,564 plus interest.

On August 14, 2013, Crombie issued $75,000 of convertible unsecured subordinated debentures (the "Series E Debentures"). The Series E Debentures have an interest rate of 5.25% per annum and pay interest semi-annually on March 31 and September 30, commencing on September 30, 2013. 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. Each one thousand dollars principal amount of Series E Debenture is convertible into approximately 58.3090 units of Crombie, at any time, at the option of the holder, representing a conversion price of $17.15 per unit. If all conversion rights attaching to the Series E Debentures were exercised, as at December 31, 2013, Crombie would be required to issue approximately 4,373,177 REIT Units, subject to anti-dilution adjustments.

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

The Series C Debentures, the Series D Debentures, and the Series E 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: 65.3595 REIT Units for Series C Convertible Debentures, 49.7512 REIT Units for Series D Convertible Debentures; and 58.3090 REIT Units for Series E Convertible Debentures. If all conversion rights attaching to the Series C Convertible Debentures, the Series D Convertible Debentures, and the Series E Debentures were exercised, as at December 31, 2013, Crombie would be required to issue approximately 2,941,176 REIT Units, 2,985,074 REIT Units, and 4,373,177 REIT Units respectively, subject to anti-dilution adjustments.

The following represents debentures converted and redeemed from date of issue to January 31, 2014:

Conversion (Redemption) Date	Convertible Debenture Series	Debentures Face Value (In thousands of CAD dollars)	Units Issued
January 2010 through December 2012	7%	$ 30,000	2,022,526
January 2010 through December 2012	Series B	66,321	6,029,137
Conversions and redemptions to December 31, 2012		96,321	8,051,663
January through March 2013	Series B	1,317	119,723
April through June 2013	Series B	1,446	131,450
July through September 2013	Series B	7,353	668,444
October 2013	Series B	6,999	636,270
October 2013 (redemption)	Series B	1,564	–
November 3013	N/A	–	–
December 2013	N/A	–	–
Conversions and redemptions to December 31, 2013		$ 115,000	9,607,550
January 2014	N/A	–	–
Conversions and redemptions to January 31, 2014		$ 115,000	9,607,550

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 (Series E Debentures – two years), during which the Debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the four year (Series E Debentures – five year) period from the date of issue, and to the maturity date, the Debentures may be redeemed, in whole or in part, at anytime at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the Debentures at maturity or upon redemption, in whole or in part, by issuing the number of 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.

On September 6, 2013, Crombie exercised its right to redeem all of the remaining outstanding principal amount of its Series B Debentures maturing on June 30, 2015, in accordance with the terms of the Trust Indenture. Holders of the Series B Debentures were entitled to convert

their Series B Debentures to Units based on the conversion price of $11.00 per Unit until October 10, 2013. The redemption of the then outstanding Series B Debentures was completed on October 11, 2013 for a principal payment of $1,564 plus interest.

Senior Unsecured Notes

On October 31, 2013, Crombie issued, on a private placement basis, $175,000 Series A Notes (senior unsecured) with a five year term and an annual interest rate of 3.986%. There are no required fixed payments and the full $175,000 is due at maturity on October 31, 2018. Interest is payable in equal semi-annual installments in arrears on April 30 and October 31. The first interest payment date will be April 30, 2014.

Under the terms governing the senior unsecured notes, Crombie must maintain certain covenants:

- maintain consolidated EBITDA to consolidated interest expense of not less than 1.65 to 1;
- maintain at all times an Adjusted Net Assets Attributable to Unitholders of at least $300,000;
- consolidated indebtedness (excluding any convertible indebtedness) must not exceed 60% of Aggregate Adjusted Assets (including any cash or cash equivalents on hand of a Joint Venture Arrangement, but excluding all other cash or cash equivalents on hand) calculated on a pro forma basis, and consolidated indebtedness (including any convertible indebtedness) must not exceed 65% of Aggregate Adjusted Assets (including any cash or cash equivalents on hand of a Joint Venture Arrangement, but excluding all other cash or cash equivalents on hand) calculated on a pro forma basis; and
- maintain at least one rating on the senior unsecured notes from any of the Specified Rating Agencies, provided that such rating is available on commercially reasonable terms.

REIT Units and Class B LP Units and the Attached Special Voting Units

In March 2013, there were 43,522 REIT Units awarded as part of the Employee Unit Purchase Plan (March 2012 – 28,893 REIT Units).

For the year ended December 31, 2013, a total of $17,115 of 6.25% Series B Debentures was converted for a total of 1,555,887 REIT Units. For the year ended December 31, 2012, a total of $26,278 of 7% and $33,800 of 6.25% Series B Debentures were converted for a total of 5,094,081 REIT Units.

Total units outstanding at January 31, 2014 were as follows:

Units	72,662,264
Special Voting Units[(1)]	50,241,245

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 50,241,245 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

Taxation of Distributions

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

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

Taxation Year	Return of Capital	Investment Income	Capital Gains
2012 per $ of distribution	67.1%	32.9%	0.0%
2011 per $ of distribution	62.5%	37.5%	0.0%
2010 per $ of distribution	64.7%	35.3%	0.0%
2009 per $ of distribution	51.0%	49.0%	0.0%
2008 per $ of distribution	27.2%	72.7%	0.1%

Borrowing Capacity and Debt Covenants

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

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

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any negative mark-to-market position on any interest rate swap agreements or other hedging instruments plus any outstanding letters of credit, may not exceed the "Aggregate Coverage Amount", which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At December 31, 2013, the remaining amount available under the revolving credit facility was $150,812 (prior to reduction for standby letters of credit outstanding of $4,135) and was not limited by the Aggregate Coverage Amount.

At December 31, 2013, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value – Fair Value Basis

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

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

The debt to gross book value on a cost basis was 55.9% at December 31, 2013 compared to 50.0% at December 31, 2012 while debt to gross book value on a fair value basis was 53.0% and 46.5% at December 31, 2013 and December 31, 2012, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

	As at				
(In thousands of CAD dollars, except as otherwise noted)	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Fixed rate mortgages	$ 1,585,960	$ 1,170,801	$ 1,163,195	$ 1,098,165	$ 949,571
Senior unsecured notes	175,000	–	–	–	–
Convertible debentures	180,000	188,563	120,916	122,362	123,679
Revolving credit facility payable	120,000	81,134	115,146	145,000	30,405
Floating rate term credit facility	–	–	–	–	92,695
Total debt outstanding	2,060,960	1,440,498	1,399,257	1,365,527	1,196,350
Less: Applicable fair value debt adjustment	(2,903)	(3,109)	(3,326)	(3,553)	(3,791)
Debt	$ 2,058,057	$ 1,437,389	$ 1,395,931	$ 1,361,974	$ 1,192,559
Investment properties, at fair value	$ 3,877,000	$ 2,884,000	$ 2,814,000	$ 2,828,000	$ 2,574,000
Notes receivable	1,821	1,991	2,169	2,354	2,545
Other assets, cost(1)	21,327	25,783	29,088	21,110	19,675
Cash and cash equivalents	7,167	–	–	386	–
Deferred financing costs	17,894	14,811	11,930	11,197	10,410
Interest rate subsidy	(2,903)	(3,109)	(3,326)	(3,553)	(3,791)
FV adjustment to deferred taxes	(38,585)	(39,045)	(39,045)	(39,045)	(39,245)
Gross book value – fair value basis	$ 3,883,721	$ 2,884,431	$ 2,814,816	$ 2,820,449	$ 2,563,594
Debt to gross book value – fair value basis	53.0%	49.8%	49.6%	48.3%	46.5%
Debt to Gross Book Value – Cost Basis					
Debt – as calculated above	$ 2,058,057	$ 1,437,389	$ 1,395,931	$ 1,361,974	$ 1,192,559
Investment properties, cost	$ 3,380,073	$ 2,398,244	$ 2,346,757	$ 2,319,190	$ 2,158,474
Below-market lease component, cost(2)	71,173	70,916	70,916	70,877	62,753
Intangible assets, cost	96,397	79,649	79,022	78,553	73,853
Notes receivable	1,821	1,991	2,169	2,354	2,545
Other assets, cost(3)	145,592	144,490	143,826	127,650	119,031
Cash and cash equivalents	7,167	–	–	386	–
Deferred financing charges	17,894	14,811	11,930	11,197	10,410
Interest rate subsidy	(2,903)	(3,109)	(3,326)	(3,553)	(3,791)
Fair value adjustment to deferred taxes	(38,585)	(39,045)	(39,045)	(39,045)	(39,245)
Gross book value – cost basis	$ 3,678,629	$ 2,667,947	$ 2,612,249	$ 2,567,609	$ 2,384,030
Debt to gross book value – cost basis	55.9%	53.9%	53.4%	53.0%	50.0%
Maximum borrowing capacity(4)	65.0%	65.0%	65.0%	65.0%	65.0%

(1) Other assets exclude Tenant Incentives, Accrued straight-line rent receivable, and Assets related to derecognized property.
(2) Below-market lease component is included in the carrying value of investment properties.
(3) Other assets as per financial statements adjusted for Accumulated amortization of tenant incentives, and Assets related to derecognized property.
(4) Maximum permitted by the Declaration of Trust.

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

Debt and Interest Service Coverage

Crombie's interest and debt service coverage ratios for the year ended December 31, 2013 were 2.73 times EBITDA and 1.79 times EBITDA. This compares to 2.61 times EBITDA and 1.76 times EBITDA respectively for the year ended December 31, 2012. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

	Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	2013	2012
Property revenue	$ 296,558	$ 256,022
Amortization of tenant incentives	8,026	6,332
Adjusted property revenue	304,584	262,354
Property operating expenses	(106,673)	(94,522)
General and administrative expenses	(13,666)	(11,530)
EBITDA (1)	$ 184,245	$ 156,302
Finance costs – operations	$ 82,387	$ 69,409
Amortization of deferred financing charges	(5,161)	(4,616)
Amortization of effective swap agreements	(3,759)	(4,808)
Finance costs associated with arranging financing for the 70 property acquisition:		
Subscription receipts adjustments payment	(3,437)	–
Bridge credit facility costs	(2,596)	–
Adjusted interest expense (2)	$ 67,434	$ 59,985
Debt repayments	$ 213,586	$ 119,556
Amortization of fair value debt premium	(1,887)	(1,210)
Payments relating to interest rate subsidy	(888)	(1,047)
Payments relating to credit facilities	(156,561)	(88,595)
Lump sum payments on mortgages	(18,608)	–
Adjusted debt repayments (3)	$ 35,642	$ 28,704
Interest service coverage ratio {(1)/(2)}	2.73	2.61
Debt service coverage ratio {(1)/((2)+(3))}	1.79	1.76

Distributions and Distribution Payout Ratios

Distribution Policy

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

Details of distributions to Unitholders are as follows:

	Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	2013	2012
Distributions to Unitholders	$ 50,664	$ 42,771
Distributions to Special Voting Unitholders	35,956	32,308
Total distributions	$ 86,620	$ 75,079
FFO as adjusted payout ratio	79.9%	83.1%
AFFO as adjusted payout ratio (target ratio = 95%)	94.7%	99.5%

FINANCIAL RESULTS FOURTH QUARTER

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2013	2012	Variance
Property revenue	$ 83,950	$ 68,470	$ 15,480
Property operating expenses	28,563	25,804	2,759
Property NOI	55,387	42,666	12,721
NOI margin percentage	66.0%	62.3%	3.7%
Other items:			
Lease terminations	80	3,458	(3,378)
Gain on derecognition of investment properties	2,422	–	2,422
Impairment of investment property	(12,270)	–	(12,270)
Depreciation and amortization	(15,045)	(12,493)	(2,552)
General and administrative expenses	(4,243)	(3,667)	(576)
Operating income before finance costs and taxes	26,331	29,964	(3,633)
Finance costs – operations	(29,098)	(16,639)	(12,459)
Operating income before taxes	(2,767)	13,325	(16,092)
Taxes – deferred	2,275	(1,500)	3,775
Operating income attributable to Unitholders	(492)	11,825	(12,317)
Finance costs – distributions to Unitholders	(25,157)	(19,809)	(5,348)
Finance costs – change in fair value of financial instruments	422	3,984	(3,562)
Decrease in net assets attributable to Unitholders	$ (25,227)	$ (4,000)	$ (21,227)
Operating income attributable to Unitholders per Unit, Basic	$ 0.00	$ 0.13	
Operating income attributable to Unitholders per Unit, Diluted	$ 0.00	$ 0.13	
Basic weighted average Units outstanding (in 000's)	111,749	88,252	
Diluted weighted average Units outstanding (in 000's)	111,939	88,438	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22	

Operating income attributable to Unitholders for the three months ended December 31, 2013 decreased by $12,317 from $11,825 for the three months ended December 31, 2012. The decrease was primarily due to:

- Crombie recorded an impairment on an investment property of $12,270 (2012 – $ nil);
- higher finance costs – operations related to ongoing financing on property acquisitions and non-recurring costs of $6,033 related to arranging financing on the November 2013 property acquisition;
- lower lease termination income;
- higher depreciation and amortization expense related to property acquisitions; and
- higher general and administration expenses including costs associated with hiring of additional staff related to continued growth and higher incentive payments.

Offset in part by:

- higher property NOI resulting from increased average rental rates, improved expense recovery rates and the impact of property acquisitions during 2013; and
- deferred tax recovery in 2013 related to the investment property impairment.

Adjusted Net Assets Attributable to Unitholders

Crombie is presenting the following adjusted net assets attributable to Unitholders, a non-GAAP measure, to provide more meaningful period over period comparison of its closest measure to net income:

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31, 2013	2012
Decrease in net assets attributable to Unitholders	$ (25,227)	$ (4,000)
Adjusted for the following:		
Impairment of investment property[1]	12,270	–
Deferred tax recovery[2]	(3,675)	–
Finance costs – operations[3]	6,033	–
Adjusted increase (decrease) in net assets attributable to Unitholders	$ (10,599)	$ (4,000)

(1) During 2013, Crombie recognized an impairment of $12,270 to one investment property. Crombie records its investment properties using the cost method, which is not comparable to its industry peers who recognize their investment properties on a fair value basis. Therefore, the impairment is being adjusted to allow Crombie and others to have a more meaningful comparison of operating results.
(2) As a result of the impairment, Crombie has recorded a deferred tax recovery of $3,675 which is being adjusted as it directly relates to the impairment.
(3) During 2013, Crombie incurred finance costs related to arranging financing for the 70 property acquisition in the fourth quarter. These costs included $3,437 for a Subscription Receipt Adjustment Payment and $2,596 related to an acquisition bridge facility in place as interim financing related to the acquisition.

Property Revenue and Property Operating Expenses

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

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Same-asset property revenue	$ 55,112	$ 54,614	$ 498
Acquisition, disposition and redevelopment property revenue	28,838	13,856	14,982
Property revenue	$ 83,950	$ 68,470	$ 15,480

Same-asset property revenue of $55,112 for the three months ended December 31, 2013 was 0.9% higher than the three months ended December 31, 2012 due to increased base rent driven by lease renewal activity and land use intensifications at several properties. Acquisition, disposition and redevelopment property revenue growth of $14,982 is due to higher acquisition and redevelopment activity in 2012 and 2013.

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Same-asset property operating expenses	$ 21,573	$ 20,735	$ (838)
Acquisition, disposition and redevelopment property operating expenses	6,990	5,069	(1,921)
Property operating expenses	$ 28,563	$ 25,804	$ (2,759)

Same-asset property operating expenses of $21,573 for the three months ended December 31, 2013 increased by $838 or 4.0% from the three months ended December 31, 2012 due to higher non-recoverable costs.

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Same-asset property NOI	$ 33,539	$ 33,879	$ (340)
Acquisition, disposition and redevelopment property NOI	21,848	8,787	13,061
Property NOI	$ 55,387	$ 42,666	$ 12,721

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the three months ended December 31, 2013 increased by $12,721 or 29.8% from the three months ended December 31, 2012 due primarily to acquisitions and completed redevelopment activity during 2012 and 2013. The increase of $13,061 in acquisition, disposition and redevelopment property NOI for the three months ended December 31, 2013 compared to the same period in 2012 was primarily due to the acquisition of 70 retail properties in the fourth quarter of 2013.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Property NOI	$ 55,387	$ 42,666	$ 12,721
Non-cash straight-line rent	(1,934)	(1,245)	(689)
Non-cash tenant incentive amortization	2,165	1,533	632
Property cash NOI	55,618	42,954	12,664
Acquisition, disposition and redevelopment property cash NOI	21,602	9,363	12,239
Same-asset property cash NOI	$ 34,016	$ 33,591	$ 425

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The increase of $425 or 1.3% in same-asset cash NOI for the three months ended December 31, 2013 over the three months ended December 31, 2012 is primarily the result of increased average rent per square foot from leasing activity and land use intensification at several properties.

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

Acquisition, disposition and redevelopment property cash NOI is as follows:

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Acquisition and disposition property cash NOI	$ 18,932	$ 6,695	$ 12,237
Redevelopment property cash NOI	2,670	2,668	2
Total acquisition, disposition and redevelopment property cash NOI	$ 21,602	$ 9,363	$ 12,239

The significant growth in acquisition and disposition property cash NOI is primarily due to the acquisition of 70 retail properties in the fourth quarter of 2013.

Change in cash NOI from redevelopment properties period-over-period is impacted by the timing of commencement and completion of each redevelopment project. The nature and extent of redevelopment projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period redevelopment operating results may not be meaningful.

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

Property NOI for the three months ended December 31, 2013 by province was as follows:

	2013			2012	
(In thousands of CAD dollars)	Property Revenue	Property Expenses	Property NOI	Property NOI	Variance
AB	$ 10,415	$ 1,492	$ 8,923	$ 1,944	$ 6,979
BC	3,895	–	3,895	–	3,895
MB	1,632	2	1,630	162	1,468
NB	6,946	3,038	3,908	3,656	252
NL	10,220	3,647	6,573	6,437	136
NS	25,430	12,009	13,421	13,928	(507)
ON	16,265	5,491	10,774	10,749	25
PE	892	383	509	687	(178)
QC	6,385	2,037	4,348	4,237	111
SK	1,870	464	1,406	866	540
Total	$ 83,950	$ 28,563	$ 55,387	$ 42,666	$ 12,721

The variances from 2012 primarily relate to:

- Property acquisitions during 2012 and 2013, in particular the acquisition of 70 properties in Western Canada during the fourth quarter of 2013;
- Completion of redevelopment properties; and
- Land use intensification projects.

In the fourth quarter of 2013, Crombie acquired 30 retail properties in British Columbia, 25 in Alberta, 11 in Manitoba and four in Saskatchewan contributing to the property NOI growth in those provinces.

Offset in part by:

- Redevelopment in Nova Scotia and Prince Edward Island and the related interruption in property revenue; and
- Higher non-recoverable operating expenses.

Depreciation, Amortization and Impairment

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Same-asset depreciation and amortization	$ 7,490	$ 8,764	$ 1,274
Acquisition, disposition and redevelopment depreciation and amortization	7,555	3,729	(3,826)
Depreciation and amortization	$ 15,045	$ 12,493	$ (2,552)

Depreciation and amortization increased by $2,552 for the three months ended December 31, 2013 compared to the same period in 2012. The increase is due to increased depreciation related to Crombie's increased acquisition and redevelopment activity, offset in part by accelerated depreciation in 2012 on two separate properties related to a change in their estimated useful life.

Depreciation and amortization consists of:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Depreciation of investment properties	$ 12,967	$ 10,666	$ (2,301)
Amortization of intangible assets	1,947	1,678	(269)
Amortization of deferred leasing costs	131	149	18
Depreciation and amortization	$ 15,045	$ 12,493	$ (2,552)

Crombie recorded impairment of $12,270 during the three months ended December 31, 2013 as described in the financial results year to date.

General and Administrative Expenses

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

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Salaries and benefits	$ 2,725	$ 2,580	$ (145)
Professional fees	311	135	(176)
Public company costs	400	322	(78)
Rent and occupancy	245	36	(209)
Other	562	594	32
General and administrative expenses	$ 4,243	$ 3,667	$ (576)
As a percentage of property revenue	5.1%	5.4%	0.3%

General and administrative expenses, as a percentage of property revenue, decreased by 0.3% for the three months ended December 31, 2013 compared to the same period in 2012 with expenses increasing $576 or 15.7% and property revenue increasing 22.6% in 2013. Salaries and benefits increased due to the hiring of additional staff related to continued growth.

Finance Costs – Operations

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Same-asset finance costs	$ 11,854	$ 11,774	$ (80)
Acquisition, disposition and redevelopment finance costs	12,988	3,340	(9,648)
Amortization of effective swaps and deferred financing charges	4,256	1,525	(2,731)
Finance costs – operations	$ 29,098	$ 16,639	$ (12,459)

Finance costs – operations increased $12,459 or 74.9% primarily due to higher acquisition, disposition and redevelopment finance costs related to the acquisition of 70 retail properties in the fourth quarter of 2013.

During the fourth quarter of 2013, Crombie incurred finance costs totaling $6,033 related to arranging financing for the 70 property acquisition on November 3, 2013. The finance costs included $3,437 for a subscription receipt adjustment payment on their conversion to REIT Units and $2,596 in fees associated with a $600,000 bridge credit facility.

Amortization of effective swaps and deferred financing charges for the three months ended December 31, 2013 increased by $2,731 or 163.3% compared to the same period in 2012. This increase is primarily due to increased amortization of deferred financing charges related to financing obtained for the acquisition of 70 retail properties which was repaid during the period.

SECTOR INFORMATION

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

Retail Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013			Three months ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 9,462	$ 2,060	$ 11,522	$ 9,139	$ 2,700	$ 11,839
Property operating expenses	3,649	1,255	4,904	3,522	1,296	4,818
Property NOI	$ 5,813	$ 805	$ 6,618	$ 5,617	$ 1,404	$ 7,021
NOI Margin %	61.4%	39.1%	57.4%	61.5%	52.0%	59.3%
Actual occupancy %	91.5%	56.9%	79.8%	91.0%	80.5%	86.9%

Same-asset property revenue increased by $323 or 3.5% primarily due to rental rate increases and land use intensification development. Same-asset property operating expenses increased by $127 or 3.6% due to higher non-recoverable costs. Property NOI and occupancy for acquisition, disposition and redevelopment properties decreased primarily due to the early termination of Zellers leases in two properties.

Retail Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013			Three months ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 8,475	$ 9,893	$ 18,368	$ 8,226	$ 2,282	$ 10,508
Property operating expenses	1,850	395	2,245	1,706	236	1,942
Property NOI	$ 6,625	$ 9,498	$ 16,123	$ 6,520	$ 2,046	$ 8,566
NOI Margin %	78.2%	96.0%	87.8%	79.3%	89.7%	81.5%
Actual occupancy %	100.0%	100.0%	100.0%	99.9%	100.0%	99.9%

Same-asset NOI increased by $105 or 1.6% due to rental rate increases. Acquisitions, dispositions and redevelopment property NOI increased significantly from 2012 primarily due to the acquisition of 49 freestanding properties during the fourth quarter of 2013.

Retail Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013			Three months ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 25,420	$ 14,088	$ 39,508	$ 25,090	$ 6,446	$ 31,536
Property operating expenses	9,269	3,582	12,851	8,877	1,952	10,829
Property NOI	$ 16,151	$ 10,506	$ 26,657	$ 16,213	$ 4,494	$ 20,707
NOI Margin %	63.5%	74.6%	67.5%	64.6%	69.7%	65.7%
Actual occupancy %	93.4%	94.5%	93.8%	94.8%	88.2%	93.4%

Same-asset property revenue increased $330 or 1.3%, while same-asset property operating expenses increased $392 or 4.4%, resulting in a decrease of $62 in same-asset property NOI. The changes relate to rental rate increases and higher non-recoverable costs. Acquisitions, dispositions and redevelopment property NOI increased from the same period in 2012 primarily due to acquisition activity during 2012 and 2013, mainly in Central and Western Canada.

Mixed Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013			Three months ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 7,736	$ 1,460	$ 9,196	$ 7,974	$ 1,405	$ 9,379
Property operating expenses	4,606	763	5,369	4,484	657	5,141
Property NOI	$ 3,130	$ 697	$ 3,827	$ 3,490	$ 748	$ 4,238
NOI Margin %	40.5%	47.7%	41.6%	43.8%	53.2%	45.2%
Actual occupancy %	88.4%	88.0%	88.3%	92.3%	95.9%	93.4%

Same-asset property revenue decreased $238 or 3.0% due to lower revenue from lower occupancy; and same-asset property operating expenses increased $122 or 2.7% due to higher non-recoverable costs. Acquisitions, disposition and redevelopment property NOI decrease of $51 or 6.8% is attributed to higher non-recoverable repair work.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31, 2013			Three months ended December 31, 2012		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	$ 4,019	$ 1,337	$ 5,356	$ 4,185	$ 1,023	$ 5,208
Property operating expenses	2,199	995	3,194	2,146	928	3,074
Property NOI	$ 1,820	$ 342	$ 2,162	$ 2,039	$ 95	$ 2,134
NOI Margin %	45.3%	25.6%	40.4%	48.7%	9.3%	41.0%
Actual occupancy %	93.1%	68.3%	84.0%	92.9%	61.9%	81.5%

Same-asset property NOI decreased by $219 or 10.7% compared to the same period in 2012 due primarily to an increase in non-recoverable costs and decrease in recovery of property operating costs. Acquisition, dispositions and redevelopment property NOI increased $247 compared to the same period in 2012 primarily due to improved results at Barrington Tower in Halifax, Nova Scotia where redevelopment work was completed in the third quarter of 2012.

OTHER FOURTH QUARTER PERFORMANCE MEASURES

Per Unit Measures

In order to provide a comparative measure of operating results on a per unit basis, Crombie is providing the following non-IFRS measures:

	Three months ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	2013	2012
Operating income attributable to Unitholders	$ (492)	$ 11,825
Operating income attributable to Unitholders per unit – Basic	$ –	$ 0.13
Operating income attributable to Unitholders per unit – Diluted	$ –	$ 0.13
The following FFO and AFFO information is based on the adjusted calculations as explained in the FFO and AFFO sections:		
FFO as adjusted – Basic	$ 30,324	$ 23,941
FFO as adjusted – Diluted	$ 32,717	$ 25,634
FFO as adjusted per Unit – Basic	$ 0.27	$ 0.27
FFO as adjusted per Unit – Diluted	$ 0.27	$ 0.27
AFFO as adjusted – Basic	$ 25,493	$ 19,997
AFFO as adjusted – Diluted	$ 27,130	$ 20,934
AFFO as adjusted per Unit – Basic	$ 0.23	$ 0.23
AFFO as adjusted per Unit – Diluted	$ 0.23	$ 0.22

Operating income attributable to Unitholders is determined before Finance costs – distributions to Unitholders and Finance costs – change in fair value of financial instruments.

The diluted FFO and AFFO are calculated by adding back the finance costs on any convertible debenture series that is dilutive for the reporting period for that specific calculation.

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

	Three months ended December 31,	
	2013	2012
Basic number of Units for all measures	111,749,228	88,252,304
Diluted for operating income attributable to Unitholders purposes	111,938,795	88,438,130
Diluted for FFO purposes	122,255,223	96,125,609
Diluted for AFFO purposes	119,270,148	93,140,534

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation. For operating income attributable to Unitholders, all series of convertible debentures are anti-dilutive. For FFO purposes, all series of convertible debentures are dilutive. For AFFO purposes for the three months ended December 31, 2013, all series of convertible debentures except Series D are dilutive.

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

	Three months ended December 31,	
(In thousands of CAD dollars)	2013	2012
Operating income attributable to Unitholders	$ (492)	$ 11,825
Finance costs – distributions to Unitholders	(25,157)	(19,809)
Finance costs – change in fair value of financial instruments	422	3,984
Decrease in net assets attributable to Unitholders	$ (25,227)	$ (4,000)

Funds from Operations (FFO)

FFO is as previously defined in the MD&A. The calculation of FFO for the three months ended December 31, 2013 and three months ended December 31, 2012 is as follows:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Decrease in net assets attributable to Unitholders	$ (25,227)	$ (4,000)	$ (21,227)
Add (deduct):			
Finance costs – distributions to Unitholders	25,157	19,809	5,348
Gain on derecognition of investment properties	(2,422)	–	(2,422)
Impairment of investment property	12,270	–	12,270
Finance costs – change in fair value of financial instruments	(422)	(3,984)	3,562
Amortization of tenant incentives	2,165	1,533	632
Depreciation of investment properties	12,967	10,666	2,301
Amortization of intangible assets	1,947	1,678	269
Amortization of deferred leasing costs	131	149	(18)
Taxes – deferred	(2,275)	1,500	(3,775)
FFO	$ 24,291	$ 27,351	$ (3,060)

The $3,060 decrease in FFO for the three months ended December 31, 2013 is primarily due to:

- increased finance costs – operations related to the acquisition of 70 retail properties in the fourth quarter of 2013, including $6,033 in costs related to arranging financing as noted below; and
- high lease termination income in the fourth quarter of 2012.

Offset in part by:

- increased property NOI related to the acquisition of 70 retail properties in the fourth quarter of 2013.

	Three months ended December 31,	
(In thousands of CAD dollars)	2013	2012
FFO as calculated above	$ 24,291	$ 27,351
Adjusted for the following:		
Finance costs – operations(1)	6,033	–
Lease termination income(2)	–	(3,410)
FFO as adjusted	$ 30,324	$ 23,941

(1) Related to the financing of 70 retail properties acquired during the fourth quarter of 2013, Crombie incurred $3,437 as a Subscription Receipt Adjustment Payment in accordance with our prospectus dated August 8, 2013. In addition, Crombie incurred costs of $2,596 related to a bridge facility in place as interim financing related to the acquisition.

(2) As discussed in our December 31, 2012 MD&A, Crombie recognized lease termination income from a national retailer for early retirement of two leases.

Adjusted Funds from Operations (AFFO)

AFFO is as previously defined in the MD&A. The calculation of AFFO for the three months ended December 31, 2013 and 2012 is as follows:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
FFO	$ 24,291	$ 27,351	$ (3,060)
Add (deduct):			
Amortization of effective swap agreements	889	973	(84)
Straight-line rent adjustment	(1,908)	(1,245)	(663)
Maintenance expenditures on a square footage basis	(3,812)	(3,672)	(140)
AFFO	$ 19,460	$ 23,407	$ (3,947)

The AFFO for the quarter ended December 31, 2013 was $19,460, a decrease of $3,947 or 17.0% over the same period in 2012, due primarily to the decrease in FFO results as previously discussed.

	Three months ended December 31,	
(In thousands of CAD dollars)	2013	2012
AFFO as calculated above	$ 19,460	$ 23,407
Adjusted for the following:		
Finance costs – operations[1]	6,033	–
Lease termination income[2]	–	(3,410)
AFFO as adjusted	$ 25,493	$ 19,997

(1), (2) refer to the explanation under FFO on page 55.

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

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Cash provided by (used in) operating activities	$ 13,339	$ 10,130	$ 3,209
Add back (deduct):			
Finance costs – distributions to Unitholders	25,157	19,809	5,348
Change in other non-cash operating items	(12,104)	(2,262)	(9,842)
Unit-based compensation expense	(10)	(10)	–
Amortization of deferred financing charges	(3,110)	(588)	(2,522)
Maintenance expenditures on a square footage basis	(3,812)	(3,672)	(140)
AFFO	$ 19,460	$ 23,407	$ (3,947)

Sources and Uses of Funds

Crombie's sources and uses of funds are summarized as follows:

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Cash provided by (used in):			
Operating activities	$ 13,339	$ 10,130	$ 3,209
Financing activities	$ 988,826	$ 56,964	$ 931,862
Investing activities	$ (994,998)	$ (67,094)	$ (927,904)

Operating Activities

	Three months ended December 31,		
(In thousands of CAD dollars)	2013	2012	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$ 1,235	$ 7,868	$ (6,633)
Non-cash operating items	12,104	2,262	9,842
Cash provided by (used in) operating activities	$ 13,339	$ 10,130	$ 3,209

Net assets attributable to Unitholders decreased by $6,633 due to increased depreciation and amortization expense driven by acquisition and development activity and an increase in distributions to Unitholders due to REIT and Class B LP Units issued to partially finance increased acquisition and development activity. The increase in non-cash operating items was primarily influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Net issue (repayment) of loans and borrowings	$ 448,433	$ (1,562)	$ 449,995
Net issue of senior unsecured notes	173,906	–	173,906
Net issue (redemption) of convertible debentures	(1,071)	102	(1,173)
Net issue of units	367,421	58,256	309,165
Other items (net)	137	168	(31)
Cash provided by (used in) financing activities	$ 988,826	$ 56,964	$ 931,862

Cash provided by financing activities in the three months ended December 31, 2013 increased by $931,862 over the same period in 2012. During the three months ended December 31, 2013, Crombie raised cash through mortgage financing and the issuance of REIT Units, Series A Notes and Class B LP Units to finance the acquisition of investment properties.

Investing Activities

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012	Variance
Cash provided by (used in):			
Acquisition of investment properties and intangible assets	$ (996,702)	$ (54,178)	$ (942,524)
Additions to investment properties	(8,009)	(10,119)	2,110
Proceeds on derecognition of investment properties	12,550	–	12,550
Additions to tenant incentives	(2,772)	(2,749)	(23)
Additions to deferred leasing costs	(186)	(167)	(19)
Other items (net)	121	119	2
Cash used in investing activities	$ (994,998)	$ (67,094)	$ (927,904)

Cash used in investing activities for the three months ended December 31, 2013 was $994,998. The increase is reflective of the increase in property acquisitions in the three months ended December 31, 2013, as compared to the same period in 2012.

Tenant Incentives and Capital Expenditures

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012
Total additions to investment properties	$ 8,009	$ 10,119
Less: productive capacity enhancements and recoverable amounts	(5,662)	(7,805)
Maintenance capital expenditures	$ 2,347	$ 2,314

(In thousands of CAD dollars)	Three months ended December 31, 2013	2012
Total additions to TI and deferred leasing costs	$ 2,958	$ 2,916
Less: productive capacity enhancements	(1,504)	(296)
Maintenance TI and deferred leasing costs	$ 1,454	$ 2,620

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

Maintenance capital expenditures for the three months ended December 31, 2013, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during 2013 with the more significant costs related to new tenants and lease renewals in the office properties.

Productive capacity enhancements during the three months ended December 31, 2013, consisted primarily of redevelopment work and GLA expansion at Lindsay Street Centre, Fenelon Falls, Ontario, Downsview Plaza, Halifax, Nova Scotia, Barrington Place, Halifax, Nova Scotia, Evangeline Mall, Digby, Nova Scotia, County Fair Mall, Summerside, Prince Edward Island, Park Lane, Halifax, Nova Scotia, Tantallon Plaza, Tantallon, Nova Scotia, Terminal Centres, Moncton, New Brunswick and Rymal Road Plaza, Hamilton, Ontario.

Related Party Transactions

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

As at December 31, 2013, Empire, through its wholly-owned subsidiary ECLD, holds a 41.6% (fully diluted 39.3%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

		Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	Note	2013	2012	2013	2012
Property revenue	(a)	$ 32,629	$ 22,374	$ 106,926	$ 88,158
Head lease income	(b)	$ 177	$ 205	$ 712	$ 1,002
Management support services provided	(c)	$ 58	$ 134	$ 344	$ 616
Property management services	(d)	$ 68	$ 134	$ 224	$ 619
Rental expense	(e)	$ 46	$ 46	$ 187	$ 187
Interest rate subsidy	(b)	$ 206	$ 248	$ 888	$ 1,047
Finance costs – operations	(f)	$ 302	$ 303	$ 1,200	$ 1,040
Finance costs – distributions to Unitholders		$ 10,506	$ 8,508	$ 36,766	$ 32,578

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

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

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain 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 under a lease that expires December 2027.

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

In addition to the above:

- During the fourth quarter of 2013, Crombie acquired 70 properties (the "Acquisition Properties") from a wholly-owned subsidiary of Sobeys Inc. ("Sobeys") for an aggregate purchase price of $991,300, excluding closing and transition costs (the "Acquisition"). As part of the closing of the Acquisition, Sobeys and Sobeys West Inc. ("Sobeys West") entered into an omnibus environmental indemnity agreement with Crombie LP, Snowcat Properties Holdings Limited and Crombie providing for an unlimited indemnity by Sobeys and Sobeys West for any issues related to the presence of hazardous materials on the applicable Acquisition Properties identified in the course of Crombie's environmental due diligence and for which any additional work as required or recommended by an independent professional consulting engineering firm retained by Crombie for matters identified up to 90 days after the closing of the acquisition of the Acquisition Properties (the "Omnibus Environmental Indemnity").
- On November 4, 2013, contemporaneously with the closing of the acquisition of 70 properties, ECL Developments Limited purchased 11,811,024 Class B LP Units and the attached SVUs at a price of $12.70 per Class B LP Unit for proceeds of $149,905, net of issue costs, on a private placement basis.
- During the second quarter of 2013, Crombie acquired one property from a subsidiary of Empire for a total purchase price of $20,875 excluding closing and transaction costs.

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

Key Management Personnel Compensation

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

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

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	2013	2012	2013	2012
Salary, bonus and other short-term employee benefits	$ 809	$ 652	$ 3,251	$ 2,576
Other long-term benefits	22	24	94	94
	$ 831	$ 676	$ 3,345	$ 2,670

Critical Accounting Estimates

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

Crombie allocates the purchase price based on the following:

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

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

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

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

Investment Properties

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

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

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

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.

Change in Useful Life of Investment Properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties 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.

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.

Use of Estimates and Judgments

The preparation of consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgement, 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.

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

Impairment of Long-lived Tangible and Definite Life Intangible Assets

Long-lived tangible and definite life intangible assets are reviewed for impairment 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 judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax balances in the period when such determination is made.

Purchase Price Allocation

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

Fair Value of Financial Instruments

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

The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

Financial Instruments

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ –	$ –	$ 986	$ 986
Total financial assets	$ –	$ –	$ 986	$ 986
Financial liabilities				
Interest rate swaps	$ –	$ 21	$ –	$ 21
Embedded derivatives in convertible debentures	–	–	–	–
Total financial liabilities	$ –	$ 21	$ –	$ 21

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2013.

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

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding interest rate swaps, embedded derivatives and liabilities related to derecognized property)

	December 31, 2013		December 31, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Assets related to derecognized property	$ 5,733	$ 5,830	$ 6,116	$ 6,120
Notes receivable	1,901	1,821	2,781	2,545
Total financial assets	$ 7,634	$ 7,651	$ 8,897	$ 8,665
Financial liabilities				
Investment property debt	$ 1,725,981	$ 1,705,960	$ 1,150,888	$ 1,072,671
Senior unsecured notes	175,035	175,000	–	–
Convertible debentures	183,863	180,000	134,276	123,679
Liabilities related to derecognized property	5,676	5,627	5,997	5,818
Total financial liabilities	$ 2,090,555	$ 2,066,587	$ 1,291,161	$ 1,202,168

Commitments and Contingencies

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

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

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

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, 2013, Crombie has a total of $4,135 in outstanding letters of credit related to:

- $720 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;
- $1,700 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 11 to 76 years including renewal options. For the year ended December 31, 2013, Crombie paid $1,240 in land lease payments to third party landlords (year ended December 31, 2012 – $1,206).

As at December 31, 2013, Crombie had signed construction contracts totaling $23,678 of which $20,826 has been paid.

RISK MANAGEMENT

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

Real Property Ownership and Tenant Risks

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

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

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. 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.

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, 2013:

- Excluding Sobeys and Shoppers Drug Mart (which account for 49.0% and 6.0%, respectively, of Crombie's minimum rent), no other tenant accounts for more than 2.0% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 4.9% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue for the year ended December 31, 2013 of $106,926 (year ended December 31, 2012 – $88,158) from 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 since December 31, 2012.

(In thousands of CAD dollars)	Year ended December 31, 2013	2012
Provision for doubtful accounts, beginning of period	$ 439	$ 401
Additional provision	279	1,082
Recoveries	(222)	(824)
Write-offs	(449)	(220)
Provision for doubtful accounts, end of period	$ 47	$ 439

Competition

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

Risk Factors Related to the Business of Crombie

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 50.1% of the annual minimum rent generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition. Crombie's portfolio of properties has been heavily concentrated in Atlantic Canada. In the fourth quarter of 2013, Crombie acquired 70 retail properties in Western Canada, reducing Crombie's geographic concentration in Atlantic Canada, and reducing the adverse impact an economic downturn concentrated in Atlantic Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2013 is detailed under the Property Portfolio section.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 60.0% at December 31, 2012 to 43.4% at December 31, 2013.

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 and limiting the use of permanent floating rate debt. As at December 31, 2013:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 8.0 years;
- Crombie had a floating rate revolving credit facility available to a maximum of $285,000, subject to available borrowing base of $270,812, with a balance of $120,000.

Crombie estimates that $2.767 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2014, based on all settled swap agreements to December 31, 2013.

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:

(In thousands of CAD dollars)	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
Three months ended December 31, 2013	$ 191	$ (191)
Three months ended December 31, 2012	$ 217	$ (217)
Year ended December 31, 2013	$ 648	$ (648)
Year ended December 31, 2012	$ 472	$ (472)

Crombie does not enter into interest rate swap transactions on a speculative basis. As part of 2012 property acquisitions, Crombie assumed a mortgage of approximately $4,000 containing an interest rate swap. The mortgage matures on April 7, 2014. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

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

Liquidity Risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance the 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 into the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

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

Access to the revolving credit facility is limited to the amount utilized under the facility, the amount of any outstanding letters of credit, plus any unfavorable 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 in the revolving credit facility.

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

	Contractual	Year ending December 31,					
(In thousands of CAD dollars)	Cash Flows[1]	2014	2015	2016	2017	2018	Thereafter
Fixed rate mortgages[2]	$ 2,077,293	$ 213,627	$ 165,404	$ 141,330	$ 136,872	$ 153,895	$ 1,266,165
Senior unsecured notes	208,714	6,976	6,976	6,976	6,976	180,810	–
Convertible debentures	235,625	9,526	9,526	9,526	53,232	6,938	146,877
	2,521,632	230,129	181,906	157,832	197,080	341,643	1,413,042
Floating rate revolving credit facility	128,910	3,564	3,564	121,782	–	–	–
Total	$ 2,650,542	$ 233,693	$ 185,470	$ 279,614	$ 197,080	$ 341,643	$ 1,413,042

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

Environmental Matters

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

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

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

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

Potential Conflicts of Interest

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

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of ECL and/or its affiliates or will provide management or other services to ECL and its affiliates. ECL and its affiliates are engaged in a wide variety of real estate and other business activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and ECL have entered into a number of agreements to outline how potential conflicts of interest will be dealt with including a Non-Competition Agreement, Management Cost Sharing Agreement and Development Agreement. As well, the Declaration of

Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of ECL appointees to the Board, "conflict of interest" guidelines, as well as outlining which matters require the approval of a majority of the independent elected trustees such as any property acquisitions or dispositions between Crombie and ECL or another related party.

Reliance on Key Personnel

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

Reliance on ECL, Sobeys and Other Empire Affiliates

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

Prior Commercial Operations

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

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

Risk Factors Related to the Units

Cash Distributions Are Not Guaranteed

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

Restrictions on Redemptions

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

Potential Volatility of Unit Prices

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

Tax-Related Risk Factors

Crombie intends to make distributions not less than the amount necessary to eliminate Crombie's liability for tax under Part I of the Income Tax Act (Canada). Where the amount of net income and net realized capital gains of Crombie in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will

generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

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

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

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

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

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

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2013 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

Indirect Ownership of Units by Empire

ECLD holds a 41.6% (fully diluted 39.3%) economic interest in Crombie through the ownership of Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECL is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Debentures

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

SUBSEQUENT EVENTS

(a) On January 21, 2014, Crombie declared distributions of 7.417 cents per unit for the period January 1, 2014 to and including, January 31, 2014. The distributions were paid February 17, 2014, to Unitholders of record as of January 31, 2014.

(b) On February 18, 2014, Crombie declared distributions of 7.417 cents per unit for the period February 1, 2014 to and including, February 28, 2014. The distributions will be paid March 17, 2014, to Unitholders of record as of February 28, 2014.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to Crombie's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to

allow timely decisions regarding disclosure. Our Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2013. They have concluded that our current disclosure controls and procedures are effective.

In addition, our Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. Further, our Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the financial quarter end and have concluded that our current ICFR was effective at the financial quarter end based on that evaluation. There have been no material changes to Crombie's internal controls during the year.

QUARTERLY INFORMATION

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

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012 (As Restated)	Jun. 30, 2012 (As Restated)	Mar. 31, 2012 (As Restated)
Property revenue	$ 83,950	$ 70,850	$ 71,182	$ 70,576	$ 68,470	$ 64,459	$ 63,646	$ 59,447
Property operating expenses	28,563	25,596	25,696	26,818	25,804	22,181	23,035	23,502
Property net operating income	55,387	45,254	45,486	43,758	42,666	42,278	40,611	35,945
Lease terminations	80	311	88	6	3,458	273	–	113
Gain on derecognition	2,422	–	6	430	–	–	–	–
Expenses:								
General and administrative	(4,243)	(2,851)	(3,366)	(3,206)	(3,667)	(2,655)	(2,688)	(2,520)
Finance costs – operations	(29,098)	(18,834)	(17,648)	(16,807)	(16,639)	(20,285)	(16,735)	(15,750)
Depreciation and amortization	(15,045)	(11,876)	(11,985)	(11,122)	(12,493)	(12,200)	(11,352)	(8,525)
Impairment	(12,270)	–	–	–	–	–	–	–
Operating income before taxes	(2,767)	12,004	12,581	13,059	13,325	7,411	9,836	9,263
Taxes – deferred	2,275	(500)	–	(100)	(1,500)	500	600	300
Operating income	(492)	11,504	12,581	12,959	11,825	7,911	10,436	9,563
Finance costs – distributions to Unitholders	(25,157)	(20,545)	(20,480)	(20,438)	(19,809)	(19,343)	(18,760)	(17,167)
Finance costs – change in fair value of financial instruments	422	(151)	1,585	617	3,984	(4,047)	(3,675)	1,860
Increase (decrease) in net assets attributable to Unitholders	$ (25,227)	$ (9,192)	$ (6,314)	$ (6,862)	$ (4,000)	$ (15,479)	$ (11,999)	$ (5,744)
Operating income per unit – Basic	$ –	$ 0.13	$ 0.14	$ 0.14	$ 0.13	$ 0.09	$ 0.12	$ 0.13
Operating income per unit – Diluted	$ –	$ 0.12	$ 0.14	$ 0.14	$ 0.13	$ 0.09	$ 0.12	$ 0.13

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended Dec. 31, 2013 (as adjusted)	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012
AFFO	$ 25,493	$ 21,993	$ 22,433	$ 21,606	$ 23,407	$ 18,237	$ 18,954	$ 16,007
FFO	$ 30,324	$ 25,841	$ 26,490	$ 25,721	$ 27,351	$ 21,338	$ 22,747	$ 19,301
Distributions	$ 25,157	$ 20,545	$ 20,480	$ 20,438	$ 19,809	$ 19,343	$ 18,760	$ 17,167
AFFO per unit – basic	$ 0.23	$ 0.24	$ 0.24	$ 0.24	$ 0.27	$ 0.21	$ 0.23	$ 0.22
AFFO per unit – diluted[1]	$ 0.23	$ 0.24	$ 0.24	$ 0.23	$ 0.26	$ 0.21	$ 0.22	$ 0.21
FFO per unit – basic	$ 0.27	$ 0.28	$ 0.28	$ 0.28	$ 0.31	$ 0.25	$ 0.27	$ 0.26
FFO per unit – diluted[1]	$ 0.27	$ 0.28	$ 0.28	$ 0.28	$ 0.30	$ 0.24	$ 0.26	$ 0.25
Distributions per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22

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

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

- Property acquisitions – During the three months ended December 31, 2013, Crombie acquired 70 retail properties for a total purchase price of $996,702; during the three months ended September 30, 2013, Crombie acquired four retail properties for a total purchase price of $44,985; during the three months ended June 30, 2013, Crombie acquired one retail property for a total purchase price of $20,875; during the three months ended March 31, 2013, Crombie acquired six retail properties and one development addition to an existing retail property for a total purchase price of $164,445; during the three months ended December 31, 2012, Crombie acquired two retail plazas for a total purchase price of $43,475; during the three months ended December 31, 2012, Crombie acquired a retail plaza for a total purchase price of $9,600 and a mixed use property for a total purchase price of $20,000; during the three months ended June 30, 2012, Crombie acquired 15 freestanding properties and 12 retail plazas for a total purchase price of $297,448; and during the first quarter of 2012, Crombie acquired a freestanding property for a purchase price of $13,800.
- Property revenue and property operating expenses – Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include such expenses as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include such expenses as paving and roof repairs.

Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs of $365,621 in the quarter ended December 31, 2013; of $58,256 in the quarter ended December 31, 2012; and of $116,925 in the quarter ended March 31, 2012.

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

Dated: February 26, 2014
Stellarton, Nova Scotia, Canada