Crombie REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR AND QUARTER ENDED DECEMBER 31, 2015

Contents

INTRODUCTION

(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, 2015, with a comparison to the financial condition and results of operations for the comparable periods in 2014.

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

Date of MD&A

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

Forward-Looking Information

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

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

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

(iii) the disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions or other accretive uses for net proceeds and real estate market conditions;

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

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

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

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

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

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

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

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

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

(xiii) statements under the heading "Property Development" including the locations identified, timing, cost, development size and nature, impact on net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs and general economic conditions and factors described under the "Property Development" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with development partners and existing tenants.

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

performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements.

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

Non-GAAP Financial Measures

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income ("NOI"), same-asset property cash NOI, operating income attributable to Unitholders, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), debt to gross book value, earnings before interest, taxes, depreciation and amortization ("EBITDA"), interest service coverage and debt service coverage. Management includes these measures as they represent key performance indicators to management and it believes certain investors use these measures as a means of assessing relative financial performance. These measures as computed by Crombie may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities.

Financial Highlights

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

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

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

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

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

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

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

Highlights

- FFO for the year ended December 31, 2015 increased 5.2% to $149,474; or $1.13 per unit Diluted, an increase of $0.03 per unit from the year ended December 31, 2014.
- FFO for the three months ended December 31, 2015 increased 5.4% to $38,311; or $0.29 per unit Diluted, an increase of $0.01 per unit from the three months ended December 31, 2014.
- AFFO for the year ended December 31, 2015 increased 6.3% to $125,654; or $0.96 per unit Diluted, an increase of $0.03 per unit from the year ended December 31, 2014.
- AFFO for the three months ended December 31, 2015 increased 6.9% to $32,310; or $0.25 per unit Diluted, an increase of $0.02 per unit from the three months ended December 31, 2014.

- FFO payout ratio of 78.0% for the year ended December 31, 2015 compared to 80.2% for the year ended December 31, 2014. AFFO payout ratio of 92.8% for the year ended December 31, 2015 compared to 96.4% for the year ended December 31, 2014. FFO payout ratio of 76.3% for the three months ended December 31, 2015 compared to 79.9% for the same period in 2014. AFFO payout ratio of 90.5% for the three months ended December 31, 2015 compared to 96.2% for the same period in 2014.
- 3.2% growth of property revenue for the year ended December 31, 2015 ($369,866 versus $358,319 for the year ended December 31, 2014). Fourth quarter property revenue of $92,847, increased $2,245, or 2.5% over fourth quarter 2014.
- Same-asset property cash NOI for the year ended December 31, 2015 increased by 1.8% or $3,970 ($229,962 compared to $225,992 for the year ended December 31, 2014). Increase in same-asset property cash NOI for the three months ended December 31, 2015 of 2.5% or $1,422 ($57,846 compared to $56,424 for the three months ended December 31, 2014).
- Committed occupancy was 93.6% at December 31, 2015 compared with 93.2% at September 30, 2015 and 94.0% at December 31, 2014.
- Crombie's renewal activity during the year ended December 31, 2015 included;
    - Renewals on 246,000 square feet of 2015 expiring leases at an average rate of $19.01 per square foot, an increase of 8.2% over the expiring lease rate; and
    - Renewals on 231,000 square feet of 2016 and later expiring leases at an average rate of $16.32 per square foot, an increase of 7.7% over the expiring lease rate.
- New leasing activity affecting 2015 includes replacing 299,000 square feet of vacant or maturing space at an average rate of $14.91 per square foot and 50,000 square feet of new square footage on existing properties at an average rate of $16.90 per square foot.
- Debt to gross book value (fair value basis) was 52.5% at December 31, 2015, compared to 52.8% at December 31, 2014.
- Crombie's interest service coverage for the year ended December 31, 2015 was 2.72 times EBITDA and debt service coverage was 1.81 times EBITDA, compared to 2.58 times EBITDA and 1.72 times EBITDA, respectively, for the year ended December 31, 2014.
- Closed $125,000 principal amount Series C Five Year Senior Unsecured Notes offering with an effective yield of 2.775% on February 10, 2015.
- Redeemed the $45,000 5.75% Series C Convertible Debentures on February 18, 2015.
- Completed acquisition of five retail properties and four additions to existing retail properties totalling 333,800 square feet for a total purchase price of $96,308 before closing and transaction costs.

Business Overview

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

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

Business Objectives and Outlook

The objectives of Crombie are threefold:

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

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

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

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

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

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

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

(In thousands of CAD dollars)

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

[1] Excluding closing and transaction costs
[2] Relates to the acquisition of adjacent property or additional development on a pre-existing retail property.

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

Business Environment

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

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

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

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Portfolio

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

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

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

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

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

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

Portfolio Occupancy and Lease Activity

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

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

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space decreased to 97,000 square feet at December 31, 2015, from 99,000 square feet at year ended December 31, 2014.

Overall leased space (occupied plus committed) decreased from 94.0% at year ended December 31, 2014 to 93.6% at December 31, 2015. During 2015, Crombie had a net increase from acquisitions of 334,000 square feet of fully leased space; had new leases exceed expiries by 283,000 square feet; had

increased vacancy from other changes primarily due to the disclaiming of three Target Canada leases representing approximately 329,000 square feet and, had committed space decreased by 2,000 square feet.

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

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

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

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

Sector Information

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

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

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

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

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

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

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

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

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

Lease Maturities

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

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

Property Development

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

Potential Major Developments

Crombie's current potential Major Developments have the potential to add up to 500,000 square feet of commercial GLA and up to 4,100,000 square feet (up to 4,700 units) of residential GLA (which may include either rental or condominium units). Included in Crombie's pipeline of 14 potential Major Developments are 11 properties in Western Canada, located primarily in Vancouver, British Columbia (7) and Calgary and Edmonton, Alberta (4) and three additional properties located in Central Canada and Atlantic Canada. Based on Crombie's current estimates, total costs to develop these properties could reach $1 to $2 billion, of which Crombie may enter joint venture or other partnership arrangements to share cost, revenue, risks and development expertise depending upon the nature of each project. Each project remains subject to normal development approvals, achieving required economic hurdles and Board of Trustees approval.

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

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

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

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

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

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

Properties in the Development Planning Phase

1641 Davie Street, Vancouver, British Columbia

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

Properties in Development Phase

Scotia Square, Barrington St, Halifax, Nova Scotia

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

Property Redevelopment

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

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

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

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

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

[1] Excludes direct tenant costs

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

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

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

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

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

Productive Capacity Enhancement

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

Largest Tenants

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

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

[1] Excludes Lawtons/Sobeys Pharmacy.

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

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

FINANCIAL RESULTS

Comparison to Previous Year

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

[1] See "Debt to Gross Book Value – Fair Value Basis" for detailed calculation.

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

Operating Results

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

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

These factors were offset in part by:

- overall higher property revenue of $2,245 and property NOI of $711 for the three months ended December 31, 2015 compared to the same period in 2014 resulting from:
  - acquisitions completed during the fourth quarter of 2014 and during 2015, including four retail properties and two additions to existing retail properties acquired in the fourth quarter of 2015;
  - leasing activity resulting in increased average rental rates on lease renewals as well as new leases;
  - decreased property revenue from the loss of Target Canada as a tenant at three properties;

- decreased property revenue as a result of the disposition of five retail properties in the fourth quarter of 2014; and,
- higher property operating expenses from the net acquisition activity as well as an increase in non-recoverable expenses.

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

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

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

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

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

Property NOI

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

Property NOI on a cash basis is as follows:

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

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

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

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

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

Same-asset property cash NOI is as follows:

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

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

- Retail and Mixed Use increased $1,260 or 2.3% due to increased base rent and related recoveries driven by new and renewal lease activity as well as continued land use intensification.
- Office increased $162 or 6.3% as a result of improved occupancy.

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

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

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

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

Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful. The negative three month impact arises from the lower NOI of the three properties where Target Canada recently vacated as a tenant.

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

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

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

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

- Alberta - property acquisitions including three properties during 2015, two in the fourth quarter and one in the third quarter; three properties during the fourth quarter of 2014; acquisition of additional development on an existing property during 2015 and also in 2014;

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

FFO AND AFFO

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

Funds from Operations (FFO)

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

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

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

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

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

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

Adjusted Funds from Operations (AFFO)

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

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

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

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

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

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

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

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

Maintenance Expenditures

There are two types of TI and capital expenditures:

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

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

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

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

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

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

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

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

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

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

Depreciation, Amortization and Impairment

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

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

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

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

During the year ended December 31, 2015, Crombie recorded an impairment of $12,575 on three retail properties and an office property. The impairments were the result of the fair value impact of tenant departures during the year; lower occupancy rates; and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

General and Administrative Expenses

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

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

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

Unit based compensation plans

(i) Deferred Unit Plan (“DU Plan”)

Crombie has a DU Plan available to eligible trustees, officers and employees (the “Participants”), which is designed to promote a greater alignment of interests between the Trustees, officers and employees of Crombie and its Unitholders. Participation in the DU Plan is voluntary unless Crombie’s Board of Trustees (the “Board”) or Human Resources Committee ("HRC") decides that special compensation is to be provided in the form of Deferred Units (“DUs”). DUs granted under the DU Plan are fully vested at the time they are allocated, with the value of the award recorded as a liability and expensed as general and administrative expenses. DUs are not Crombie REIT Units and do not entitle a Participant to any Unitholder rights, including voting rights, distribution entitlements (other than those noted below) or rights on liquidation. During the time that a Participant has outstanding DUs, whenever cash distributions are paid on REIT Units, additional DUs will be credited to the Participant's DU account, determined by multiplying the number of DUs in the Participant's DU account on the REIT distribution record date by the distribution paid per REIT Unit, and dividing the result by the market value of a Unit as determined in accordance with the DU Plan. Additional DUs issued as a result of distributions vest on the same basis as noted above. A Participant may redeem their DU Plan in whole or in part by filing a written notice of redemption; redemption will also occur as the result of specific events such as the retirement of a Participant. Upon redemption, a Participant will receive the net value of the vested DUs determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive one Crombie REIT Unit for each DU redeemed.

(ii) Restricted Unit Plan (“RU Plan”)

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

Finance Costs - Operations

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

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

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

Finance Costs - Distributions

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

Details of distributions to Unitholders are as follows:

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

Distribution Reinvestment Plan ("DRIP")

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

Income Taxes

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

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout 2015 and continues to do so. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

In the ordinary course of business, Crombie is subject to audits by tax authorities. One of Crombie's non-taxable subsidiaries was subject to audit by Canada Revenue Agency ("CRA") for fiscal years 2010 and 2011. The CRA audit has concluded and did not result in a reassessment of the completed returns.

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

Taxation of Distributions

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

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

Crombie expects to refinance debt obligations as they mature.

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

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

(ii) secured mortgage and term debt on unencumbered assets;

(iii) senior unsecured notes;

(iv) unsecured convertible debentures; and,

(v) the issuance of new units.

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

Capital Structure

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

Liquidity and Financing Sources

Revolving credit facility

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

Mortgage debt

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

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

Principal repayments of the debt are scheduled as follows:

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

[1] Excludes fair value debt adjustment of $3,956 and deferred financing charges of $9,876.

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

Senior unsecured notes

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

On February 10, 2015 Crombie issued, on a private placement basis, $125,000 Series C Notes (senior unsecured) with a five year term and an annual interest rate of 2.775%. Interest is payable in equal semi-annual installments in arrears on February 10 and August 10. The first semi-annual interest payment date was August 10, 2015.

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

Convertible debentures

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

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

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its 5.75% Series C Unsecured Subordinated Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the terms of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015, for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

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

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

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

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

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

Units	77,939,635
Special Voting Units [1]	53,716,471

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

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

Sources and Uses of Funds

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

Operating Activities

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

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

Financing Activities

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

Cash from financing activities decreased by $30,006 for the three months ended December 31, 2015 and by $32,656 for the year ended December 31, 2015 compared to the same periods in 2014. During the year ended December 31, 2015 Crombie raised funds through the issuance of 2.775% Series C Notes (senior unsecured). Funds raised from the issuance were used to repay maturing mortgages and the outstanding 5.75% Series C Convertible Unsecured Subordinated Debentures. During the year ended December 31, 2014, Crombie raised funds through the issuance of REIT Units and Class B LP Units and 3.962% Series B Notes (senior unsecured). The funds raised were used to reduce the floating rate revolving credit facility. During the three months ended December 31, 2015, Crombie issued $113,650 in new mortgages with a weighted average interest rate of 2.85% and weighted average term of 4.7 years, resulting in a cash inflow from mortgage loans and borrowings in the quarter.

Investing Activities

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

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

Borrowing Capacity and Debt Covenants

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

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

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

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

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

Debt to Gross Book Value - Fair Value Basis

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

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

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

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

[1] Other assets exclude Tenant incentives and Accrued straight-line rent receivable.

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

Interest and Debt Service Coverage Ratios

Crombie's interest and debt service coverage ratios for the year ended December 31, 2015 were 2.72 times EBITDA and 1.81 times EBITDA. This compares to 2.58 times EBITDA and 1.72 times EBITDA respectively for the year ended December 31, 2014. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

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

ACCOUNTING

Related Party Transactions

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

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

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

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

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

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

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

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

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

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

In addition to the above:

- During the fourth quarter of 2015, Crombie acquired four retail properties and additions to two existing retail properties from Empire for $60,825 excluding closing and transaction costs. The properties, located in Alberta, British Columbia, Prince Edward Island, Manitoba and Quebec, contain approximately 225,300 square feet of fully occupied space.
- On April 1, 2015, Crombie acquired additional development space from Empire on a pre-existing retail property for $2,333 excluding closing and transaction costs. The property, located in Nova Scotia, contains approximately 7,500 square feet of fully occupied space.
- During the second quarter of 2015, Sobeys closed two retail stores on Crombie properties for which Crombie recognized lease termination income in the amount of $3,849; a portion of which is being received in non-cash considerations. In relation to one of the store closures, Sobeys has assigned to Crombie future development activity rights in their leases on specific other Crombie properties in exchange for a fee on future developments which will reduce the actual cash Crombie will receive from the lease termination income.
- During the year ended December 31, 2015, Crombie issued 383,036 (December 31, 2014, 15,153) Class B LP Units to ECLD under the DRIP.

- During the year ended December 31, 2015, Crombie and ECLD negotiated an extension of a rental income guarantee and put option on a property Crombie acquired from ECLD in 2006. The rental income guarantee and put option were originally scheduled to mature in March 2016 and have been extended for a period of five years with either party having the ability to terminate the agreements with written notice. The fixed price put option is in excess of the carrying value of the property.

- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeys Developments Limited Partnership ("SDLP"). Crombie's 50% portion of the acquisition cost was $2,676, including closing and transaction costs.

- During the fourth quarter of 2014, Crombie acquired eight retail properties from Empire for $100,985 excluding closing adjustments and transaction costs. The properties, containing approximately 424,000 square feet of GLA, included one in Prince Edward Island, Ontario and Manitoba, three in Alberta and two in British Columbia. Crombie also acquired additional development space from Empire on a pre-existing retail property for $2,508 excluding closing and transaction costs.

- During the third quarter of 2014 Crombie received $2,650 from a subsidiary of Empire related to a prepayment of their future obligation under a land sub-lease. The amount has been deferred and will be recognized as a reduction in property operating expenses over the remaining term of the land lease.

- On May 30, 2014, ECLD purchased 3,018,868 Class B LP Units and the attached SVUs at a price of $13.25 per Class B LP Unit for proceeds of $39,830, net of issue costs, on a private placement basis.

- During the second quarter of 2014 Crombie acquired a retail property from SDLP for $10,176 excluding closing adjustments and transactions cost. The property, located in Ontario, contains approximately 39,000 square feet of fully occupied space.

- During the first quarter of 2014 Crombie exchanged properties with a subsidiary of Empire by acquiring 1200 Railway Avenue in Canmore, Alberta in exchange for disposing of 555 Main Street in Canmore, Alberta. Crombie also acquired additional development space from Empire on a pre-existing retail property for $1,490 excluding closing and transaction costs.

- During the first quarter of 2014, Crombie entered into a loan agreement with SDLP to partially finance SDLP's acquisition of development lands in British Columbia. The $11,856 loan bears interest at a rate of 6% per annum and has no principal repayments until maturity on October 1, 2016.

Key management personnel compensation

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

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

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Salary, bonus and other short-term employee benefits	$ 835	$ 1,066	$ 2,860	$ 4,158
Other long-term benefits	24	26	102	103
	$ 859	$ 1,092	$ 2,962	$ 4,261

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

Use of estimates and judgments

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

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

Critical Accounting Estimates and Assumptions

Investment property acquisitions

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

Crombie allocates the purchase price based on the following:

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

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

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

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

Investment properties

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

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

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

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

Change in useful life of investment properties

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

Revenue recognition

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

Critical Judgments

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

Impairment of long-lived tangible and definite life intangible assets

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

does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

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

Defined benefit liability

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

Investment property valuation

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

Deferred taxes

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

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

Purchase price allocation

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

Fair value of financial instruments

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

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

Financial Instruments

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

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

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

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

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

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding embedded derivatives).

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

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

Commitments and Contingencies

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

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

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at December 31, 2015, Crombie has a total of $1,425 in outstanding letters of credit related to:

	December 31,	
	2015	2014
Construction work being performed on investment properties	$ 1,425	$ 979
Total outstanding letters of credit	$ 1,425	$ 979

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

Land leases have varying terms ranging from 9 to 74 years including renewal options. For the three months and year ended December 31, 2015, Crombie paid $354 and $1,418 respectively in land lease payments to third party landlords (three months and year ended December 31, 2014 - $308 and $1,225 respectively).

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

RISK MANAGEMENT

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

Real Property Ownership and Tenant Risks

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

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

Credit risk

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

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

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

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

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

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

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

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

Competition

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

Risk Factors Related to the Business of Crombie

Significant Relationship

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

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition. Crombie's portfolio of properties was historically heavily concentrated in Atlantic Canada. Through property acquisitions and dispositions over the last three years, Crombie has reduced its geographic concentration in Atlantic Canada, and reduced the adverse impact an economic downturn concentrated in Atlantic Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2015 is detailed under the Property Portfolio section.

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

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt and, on occasion, utilizing interest rate swap agreements. Crombie does not enter into interest rate swaps on a speculative basis.

As at December 31, 2015:

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

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

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Decrease in rate	Increase in rate
Three months ended December 31, 2015	$ 172	$ (172)
Three months ended December 31, 2014	$ 109	$ (109)
Year ended December 31, 2015	$ 635	$ (635)
Year ended December 31, 2014	$ 334	$ (334)

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

Liquidity risk

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

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

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

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

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

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

[1] Contractual cash flows include principal and interest and ignore extension options.
[2] Reduced by the interest rate subsidy payments to be received from ECL Developments Limited.

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

Environmental Matters

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

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

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

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

Potential Conflicts of Interest

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

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

Reliance on Key Personnel

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

Reliance on ECL, Sobeys and Other Empire Affiliates

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

Prior Commercial Operations

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

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

Risk Factors Related to the Units

Cash Distributions Are Not Guaranteed

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

Restrictions on Redemptions

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

Potential Volatility of Unit Prices

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

Tax-Related Risk Factors

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

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

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

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

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

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

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

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

Indirect Ownership of Units by Empire

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

Ownership of Debentures

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

Ownership of Senior Unsecured Notes ("Notes")

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

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

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

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

SUBSEQUENT EVENTS

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

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

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

CONTROLS AND PROCEDURES

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

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

QUARTERLY INFORMATION

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

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

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

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

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

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
  - December 31, 2015 - acquisition of four retail properties and two additions to existing retail properties for a total purchase price of $60,825;
  - September 30, 2015 - acquisition of one retail property for a total purchase price of $20,500;
  - June 30, 2015 - acquisition of an addition to an existing retail property for a total purchase price of $2,333;
  - March 31, 2015 - acquisition of an addition to an existing retail property for a total purchase price of $12,650;
  - December 31, 2014 - acquisition of 11 retail properties and one development addition to an existing retail property for a total purchase price of $142,447 and five retail property dispositions for proceeds of $65,000; and,
  - June 30, 2014 - acquisition of one retail property for a total purchase price of $10,176.

- Property revenue and property operating expenses - Crombie's business is subject to seasonal fluctuations. Property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.

- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs, of $97,147 in the quarter ended June 30, 2014.

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

Dated: February 24, 2016

New Glasgow, Nova Scotia, Canada