

Everyday Performance

2011

ANNUAL REPORT



Crombie
REIT

ABOUT CROMBIE

Crombie Real Estate Investment Trust owns, manages and operates a diverse portfolio of commercial real estate with a primary holding of retail properties. Its objectives are: to generate steady and maintainable cash distributions; to enhance asset value; to maximize long-term unit value through active management; to expand its asset base; and to increase cash available for distribution through accretive acquisitions. Crombie is characterized by: its primary focus on grocery-anchored retail properties; its conservative approach to operational management through the continued reinvestment in its portfolio; and the long-term growth opportunities provided through its relationship with Empire Company Limited and its subsidiaries.

10.3 years

The weighted average remaining lease term in Crombie’s property portfolio is 10.3 years, among the longest in the REIT industry.

78%

Seventy-eight percent of the properties in our portfolio is comprised of food- or grocery-anchored shopping centres or freestanding stores that serve the everyday needs of their communities.

\$100 million

Our relationship with Empire and Sobeys provides access to on average \$100 million in new, high-quality retail developments each year.

CONTENTS

02	Financial and Operating Highlights	16	Keeping Our Commitments
03	Message from the CEO	18	Property Portfolio
06	Everyday Strengths	21	Management’s Discussion and Analysis
	High-Quality Assets	69	Management’s Statement
	Dependable Performance		of Responsibility for Financial Reporting
	Solid Foundations	70	Independent Auditors’ Report
	A Smart Growth Strategy	71	Consolidated Financial Statements
14	Message from the Chair and	75	Notes to Consolidated Financial Statements
	Lead Independent Trustee	110	Corporate and Unitholder Information
15	People Who Make Crombie Work		

Everyday Performance

Crombie REIT's performance is as steady as the demand for the everyday products and services sold in our community shopping plazas. By managing such high-quality assets to build lasting value, we aim to deliver a superior combination of stability, income and growth, every day.



HEMLOCK SQUARE, BEDFORD, NOVA SCOTIA

FINANCIAL AND OPERATING HIGHLIGHTS

93.3%

Property occupancy was 93.3% at December 31, 2011.

\$15.71

Total average net rent for leasing activity increased 11.0% to \$15.71 from \$14.15 in 2010.

10

Crombie acquired 10 properties in 2011, mostly grocery-anchored shopping plazas or freestanding stores, at a cost of \$147.0 million.

8.0%

Property revenue increased \$16.7 million to \$226.1 million in 2011, an increase of 8.0%.

17.7%

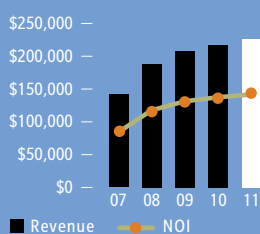
Total Unitholder return in 2011.

2.49

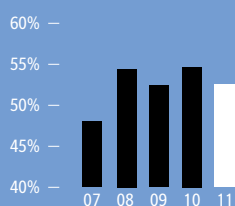
Interest service coverage for 2011 was 2.49 times EBITDA compared to 2.41 times EBITDA in 2010.

Revenue and NOI

(In thousands of dollars)

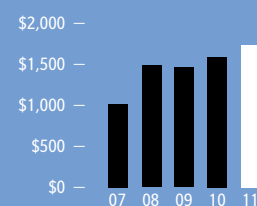


Leverage – Debt to GBV



Total Assets

(In millions of dollars)



Letter to Unitholders



2011 was another year of steady progress towards achieving Crombie REIT's strategic objective of building a high-quality real estate portfolio and business platform capable of delivering stable and growing cash flow and distributions.

During the year we acquired \$147 million of mostly new, high-quality retail properties and achieved a record performance for revenue, funds from operations (FFO), adjusted funds from operations (AFFO) and net operating income.

Our acquisition strategy continued to focus on new grocery-anchored retail plazas and freestanding stores in Canada's growing urban markets and stable and growing trade areas, primarily in central and western Canada. We believe these are the most attractive assets in commercial real estate because they are built where the population and economy are stable or growing and they serve the basic, everyday needs of Canadian consumers. This type of growth typically translates into strong and

predictable traffic, minimal leasing risk, low maintenance costs, steady income and cash flow growth and excellent prospects for capital appreciation. The 2011 acquisitions included 10 fully leased retail developments, adding 623,000 square feet of gross leasable area to our portfolio and increasing total property revenue by \$17 million or 8.0 percent. With these acquisitions, about 66 percent of Crombie REIT's annual minimum rents are derived from grocery- and drugstore-anchored plazas and freestanding stores.

All of these acquisitions were accretive to earnings. In fact, the average cap rate (net operating income as a percentage of the purchase price of the property) for 2011 acquisitions was 7.2 percent which compares favourably to the average interest rate on the respective long-term financing of 4.58 percent. The spread between these two rates of 262bps reflects strong achievement for the year.

In last year's report, we shared our enthusiasm for Sobeys' appointment of industry veteran Sylvie Lachance as Executive Vice President of Real Estate Development. Since then, Sobeys has sharpened its focus on major urban markets across the country and is carefully setting the stage for larger and more complex development opportunities. One new property that exemplifies this trend is our new 139,000 sq. ft. Hemlock Square shopping centre. Situated in the heart of Bedford, a rapidly growing high income suburb of Halifax, Nova Scotia, it is home to Sobeys, Lawtons Drugs, GoodLife Fitness, TD Canada Trust, RBC and other leading companies.

With preferred access to at least \$100 million of high-quality retail development growth each year, our relationship with Sobeys and Empire represents a unique and powerful competitive advantage in the Canadian real estate market that will endure for many years to come. At the same time, we are determined to generate an increasing proportion of our growth through third-party acquisitions. Over the past year, we have become much more active in deal flow through the open market and our efforts have begun to pay dividends. In May 2011, we completed the \$21.9 million purchase of Gaetz South Plaza in Red Deer, Alberta and in December 2011 we purchased a smaller \$5.6 million retail

ABOVE:

Donald E. Clow, FCA
President and Chief Executive Officer

“The economic impact of Irving Shipbuilding Inc.’s \$25 billion contract represents an unprecedented stimulus to regional employment and income that is very positive news for our landmark office towers in downtown Halifax and our extensive retail assets in the surrounding communities.”



DOWNTOWN AND ADJACENT SHIPYARDS, HALIFAX, NOVA SCOTIA

property in London, Ontario. Combined with the reliable supply of retail properties from the Sobeys development pipeline, we believe that Crombie is successfully building a broader platform for growth.

We are pleased with the performance of our foundational real estate assets in Atlantic Canada. Traditionally, this region has performed more steadily than the rest of Canada, with comparatively low volatility in income and employment through the economic cycle. Moreover, 60 percent of our Atlantic Canada assets are concentrated in the region’s five largest metropolitan markets where the prospects for economic growth are stronger than the Canadian average. Greater Halifax, which contains 26 percent of the GLA in our total portfolio, is expected to benefit significantly from Irving Shipbuilding Inc.’s \$25 billion contract to build new combat vessels for the Canadian Navy. The economic impact of this contract represents an

unprecedented stimulus to regional employment and income that is very positive news for our landmark office towers in downtown Halifax and our extensive retail assets in the surrounding communities. In fact, it has been described as the equivalent of hosting the Olympic Games in Halifax each year for the next 30 years. Another 11.8 percent of the rentable space in our total portfolio is located in Newfoundland and Labrador, the second-fastest growing provincial economy in Canada and home to our Avalon Mall, one of the top 20 best performing regional shopping centres in Canada.

With respect to our financial and operating performance, we recognize that 2011 could have been a stronger year if not for some specific tenant situations that dampened our results. These included the bankruptcy of Blockbuster Video and the departure of Nova Scotia Power from Barrington Tower

in Halifax to its own recently built premises. These events combined to interrupt steady improvement in our occupancy rate and negatively affect net operating income during 2011. As a result of the strong work of our redevelopment and leasing teams, however, we had already managed to fill five of the 10 Blockbuster locations and almost 90 percent of the former Nova Scotia Power space by the end of the year.

With Crombie REIT’s strong balance sheet and ample liquidity, we are well positioned to weather economic uncertainty or take advantage of opportunities during the year ahead. Crombie ended 2011 with \$80 million of unencumbered assets, \$98.5 million in available credit facilities and a debt to gross book value ratio of 52.5 percent, well below the 60 to 65 percent maximum set out in our Declaration of Trust. Our conservative approach to financial management can also be seen in the higher-than-average duration of the tenant leases and mortgage financing in our property portfolio. We could have generated higher FFO and AFFO during the past year by taking advantage of shorter-term mortgage rates. However, we believe that financing our 2011 acquisitions at an average mortgage term of approximately 15 years was the best way to ensure the stability and growth of Crombie REIT’s cash flows and accretion to unitholders over the long term.

Although Canada emerged from recession in mid-2009, household net worth and consumer spending were still below their corresponding levels from 2008 as the past year drew to a close. What’s more, it is possible that the growth of the Canadian economy could be modest for some time to come. The good news for Crombie investors is that our commercial real estate portfolio and our management team are built to achieve everyday performance despite continued uncertainty in the greater economy. This sentiment is borne



FROM LEFT:

Michael April
Vice President of Real Estate Services

Patrick Martin
Regional Vice President, Atlantic Canada

Glenn Hynes
Chief Financial Officer and Secretary

Gary Finkelstein
Regional Vice President,
Central and Western Canada

out by our steady financial performance over the past six years as well as the increasing value of Crombie REIT units, which delivered total unitholder returns of 26.7 percent in 2010 and 17.7 percent in 2011.

On a final note, I would like to thank the 350 dedicated professionals at Crombie REIT who continue to strengthen our performance and prospects every day, as well as our colleagues at Sobeys and Empire for their ongoing support. I also wish to express my appreciation to the Board of Trustees for their wise counsel and valuable guidance during the past year.

(signed)

Donald E. Clow, FCA
President & Chief Executive Officer

Our Strategic Priorities

All of Crombie's business activities are intended to advance progress against three strategic objectives.

GENERATE RELIABLE AND GROWING CASH DISTRIBUTIONS

- We focus on improving same-asset results while expanding the asset base through accretive acquisitions.
- Our primary focus is on grocery-anchored retail properties, a stable and defensive asset class that enhances the reliability of distributions.

ENHANCE VALUE OF CROMBIE'S ASSETS

- Crombie re-invests approximately 3 percent to 5 percent of property revenue each year to maintain the productive capacity and overall value of our properties.
- We try to generate greater rental income through judicious expansion and improvement of existing properties, strong leasing activities and good tenant relationships.

EXPAND ASSET BASE WITH ACCRETIVE ACQUISITIONS

- Our relationship with Empire and Sobeys gives Crombie preferred access to new development opportunities that advance Crombie's external growth strategy; we also pursue third-party acquisitions that meet our investment criteria.
- We look for strong anchor tenancies, positive demographics, the presence of national or regional tenants, favourable leasing covenants and opportunities for expansion.

High-Quality Assets

Crombie REIT is the largest owner and manager of commercial real estate in Atlantic Canada, with an expanding network of retail assets across the country. Today, our 12.6 million sq. ft. portfolio is comprised of 138 high-quality properties that generate \$142 million in net operating income.



BARRINGTON PLACE, HALIFAX, NOVA SCOTIA

More than 100 of these properties are grocery- or drugstore-anchored and serve everyday needs in the heart of their communities. Together, they represent 69.8 percent of the gross leasable area, and 65.9 percent of the annual minimum rent, in our portfolio. Fifty-five of these retail assets are located in central and western Canada, reflecting our ongoing strategy of geographic diversification.

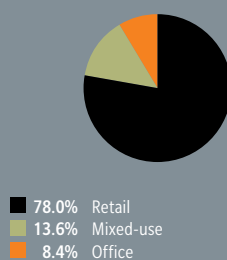
Grocery-anchored community plazas and freestanding stores are among the steadiest performing assets in commercial real estate for many good reasons. Strategically located at the corner of “Main and Main” in residential neighbourhoods, they are a powerful and conveniently located draw for consumers and leading retailers alike. These properties are characterized by high volume and frequency of traffic, high

occupancy, exceptionally long-term leases, high operating margins and low capital expenditure requirements.

Empire-owned Sobeys is the largest of our tenants, accounting for 37.0 percent of total net rent generated by our portfolio. They are Canada’s second-largest grocery retailer, with \$16 billion in annual revenue, strong same-store sales and an expanding retail network. Such strengths help to attract a complementary mix of other leading retailers, which optimizes overall property performance.

The high quality of Crombie REIT’s portfolio also extends to Atlantic Canada where our retail, office and mixed-use properties command strategic locations in a region characterized by limited contraction of new space. The region is remarkably steady with comparatively low volatility in employment and income levels throughout the economic cycle. At the same time, prospects for economic growth are increasingly robust. Irving Shipyard’s \$25 billion contract to build vessels for the Canadian Navy is expected to generate an average of \$447 million in extra personal income each year over the 30-year life of the project and more than 4,000 new jobs. That’s a welcome development for the 26.0 percent of our total property portfolio located in Greater Halifax. It includes 1.6 million square feet of office and retail space in the heart of the nearby Halifax business district. We also continue to benefit from the rising economic fortunes of Newfoundland and Labrador, which represents 11.8 percent of the gross leasable space in Crombie’s portfolio.

Asset Class Diversification
(By annual rent)



Crombie’s portfolio reflects a growing retail focus in support of Sobeys’ expansion in central and western Canada.

138

Our portfolio consists of 138 properties and 12.6 million square feet of rentable space diversified by asset class and region.



CANMORE, ALBERTA

Sixty-six percent of the annual minimum rent in Crombie's property portfolio is derived from high-quality, grocery- or drugstore-anchored community plazas or stand-alone stores that meet everyday needs in their communities.

Dependable Performance

Crombie REIT has steadily improved net operating income margins since going public in 2006. Conservative management and an increasing concentration on defensive retail assets in urban markets and growing and stable trade areas, have also generated steady improvement in cash flow and asset values.



MILL COVE PLAZA, BEDFORD, NOVA SCOTIA

DEPENDABLE CASH FLOW

Units in Crombie REIT have produced dependable cash flow generated by the quality of our tenant base and real estate assets.

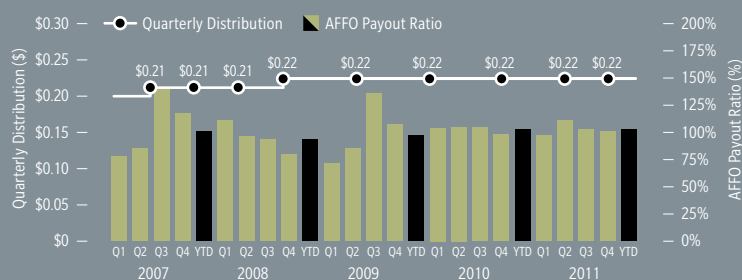
The stability of our cash flow begins with the desirable characteristics of the grocery-anchored properties that comprise more than 78 percent of the properties in our portfolio. They are located and designed to generate steady traffic and strong rental revenue, with powerful anchor tenants and a strategic mix of other successful retailers. More than half of our annual minimum rent is derived from investment-grade tenants and almost 90 percent from national and regional businesses. The quality of Crombie REIT's tenant base is reflected in the strong operating metrics of these properties, including high occupancy rates, low operating costs and minimal lease renewal risk.

We are also protected by the increasing geographic diversification of our commercial real estate assets. Today, more than 28.5 percent of the rental space in our portfolio is located outside Atlantic

Canada, compared to 14.2 percent five years ago. Most of this increase has occurred in connection with the growth of Sobeys, a thriving national grocer that provides 37.0 percent of the annual minimum rent in our portfolio. Sobeys commands a strong position in Canadian grocery retailing with a network of more than 1,300 hundred stores that serves the everyday needs of Canadian consumers. At the same time, our portfolio is well diversified, with no tenant other than Sobeys representing more than 2.2 percent of annual minimum rent.

The ongoing improvement in Crombie REIT's same-asset cash net operating income also depends on the active management and development of our properties. During 2011, we invested approximately \$17.5 million to improve the productive capacity of our existing assets through a combination of modernization and reconfiguration projects. The stability of Crombie REIT's performance also benefits from the knowledge and growing capabilities of our regional leasing teams. They successfully filled 71.1 percent of the rentable space that renewed during the year (with 103,000 square feet of the balance to be filled upon the arrival of the Nova Scotia Department of Health to Barrington Tower in September 2012), while managing to increase average net rents on leasing activity by 11.0 percent. Such efforts helped Crombie improve same-asset cash net operating income by more than \$1.3 million or 1.2 percent.

Quarterly Distribution and AFFO Payout Ratio



11.0%

Average net rents for leasing activity increased 11.0 percent from \$14.15 in 2010 to \$15.71 in 2011.



AVALON MALL, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR

Avalon Mall, one of the top 20 regional shopping centres in Canada, is located in St. John's, Newfoundland and Labrador, in the heart of the country's second-fastest growing provincial economy.

Solid Foundations

Crombie REIT is built and managed to deliver solid everyday performance for many years to come. Our enduring strengths include a conservative capital structure and nearly five decades of experience in the development, acquisition, ownership and management of commercial real estate properties.



BURLINGTON, ONTARIO

Our ability to generate significant income growth and capital appreciation throughout the economic cycle is based on an almost 50-year tradition of conservative management. It can be seen every day in the quality of our balance sheet. Crombie REIT's Debt to Gross Book Value of 52.5 percent is well below the 60 to 65 percent permitted by our Declaration of Trust. We also maintain a high degree of liquidity, with \$150 million in revolving credit and \$80 million of unencumbered assets at the end of 2011.

A STRONG BALANCE SHEET

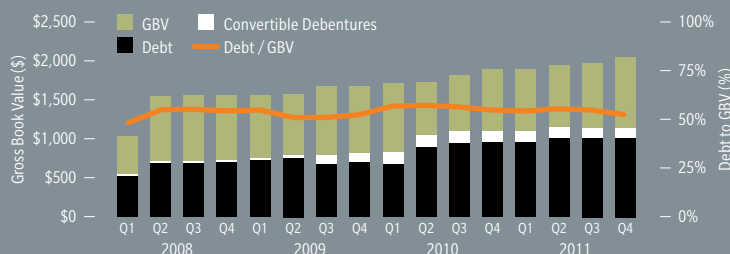
The ratio of Debt to Gross Book Value (including convertible debentures) measured 52.5 percent at the end of 2011 compared to 54.8 percent at the end of 2010 and well below the 65 percent maximum permitted by our Declaration of Trust.

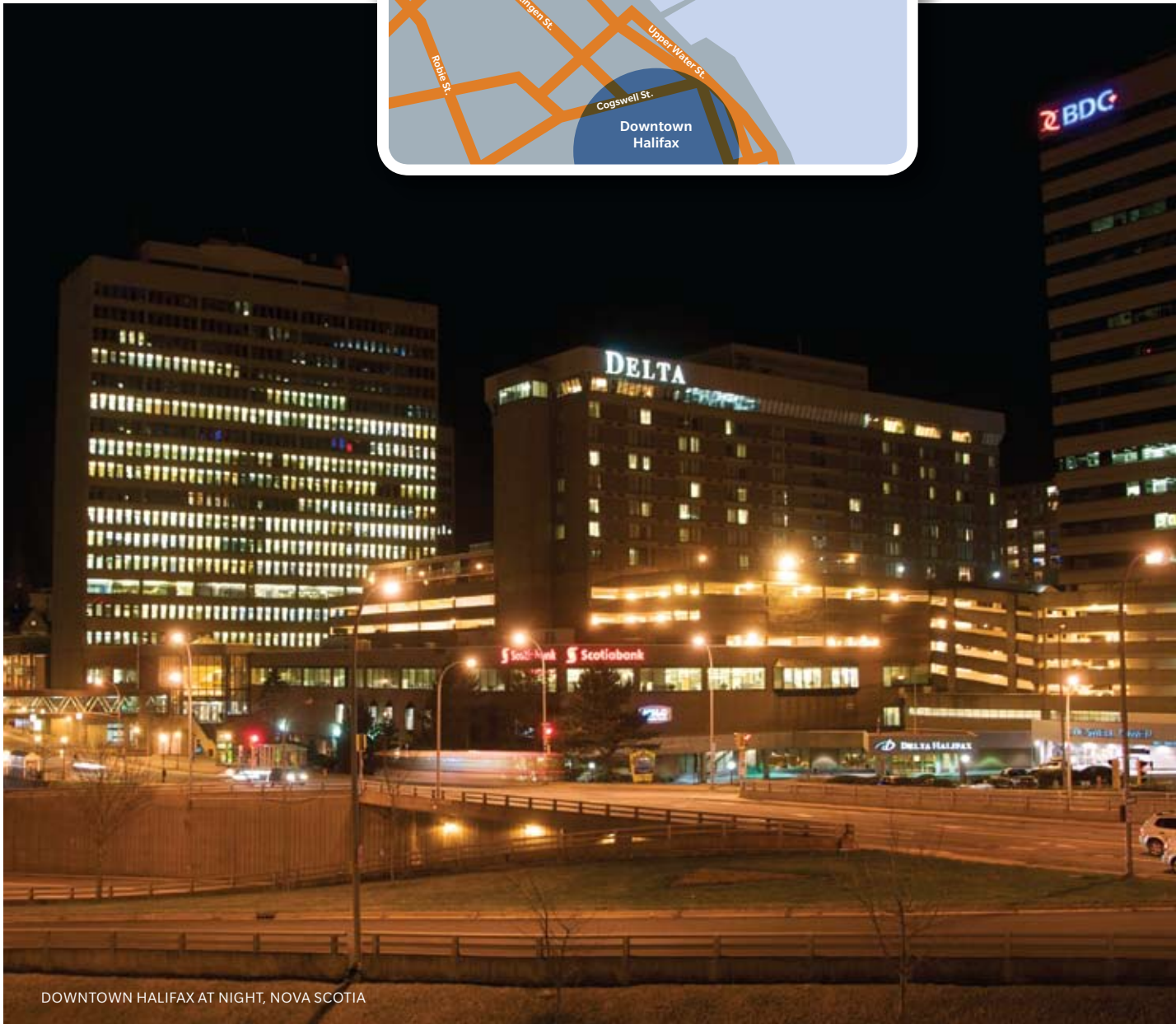
Our conservative financial approach is also reflected in the characteristics of our mortgage financing. At 7.9 years, the average term to maturity in our mortgage portfolio is among the longest in the REIT industry. Refinancing risk is also minimal, with no remaining mortgages maturing until 2013. At the same time, we are always vigilant for opportunities to lower our cost of capital. During 2011, we refinanced \$32 million in existing mortgages at a weighted average interest rate of 4.9 percent. At year-end, the weighted average interest rate on all mortgages held was 5.62 percent compared to 5.77 percent at the end of 2010. We are similarly prudent with respect to our investment criteria. New retail properties must command a dominant location in prosperous and growing communities and be highly occupied with strong anchor tenants and other businesses that meet their customers' everyday needs. Such

properties must also be immediately accretive to earnings, with strong prospects for income growth and capital appreciation over time. In 2011, Crombie REIT completed \$99 million in new mortgage financing at a weighted average interest rate of 4.58 percent to help fund the purchase of 10 mostly food-anchored plazas and freestanding stores.

Our access to capital markets is also strengthened by the presence of Empire Company Limited, an experienced commercial real estate investor with a 44.6 percent ownership interest in our success. In October, we raised gross proceeds of \$75.1 million in the equity market to help fuel Crombie's growth. This included the issuance of 3.51 million REIT Units at \$12.85 per unit for gross proceeds of \$45.1 million, and Crombie Limited Partnership's concurrent issuance of 2.33 million Class B LP Units to ECL Developments Limited, at the same unit price, for gross proceeds of \$30.0 million.

Gross Book Value ("GBV") and Debt
(In millions of dollars)





DOWNTOWN HALIFAX AT NIGHT, NOVA SCOTIA

Crombie REIT's 1.6 million square feet of prime office and retail space in the heart of downtown Halifax are ideally positioned to benefit from the \$25 billion Irving Shipyards contract.

A Smart Growth Strategy

Our unique relationship with Empire and Sobeys gives Crombie preferred access to at least \$100 million in new retail development growth each year. Combined with our increasing success in third-party acquisitions and ongoing redevelopment opportunities, our platform for growth is stronger than ever.



GAETZ SOUTH PLAZA, RED DEER, ALBERTA

FOCUS ON EVERYDAY RETAILING

Crombie acquired 10 properties which were primarily Sobeys developments, for \$147.0 million in 2011. Today, 65.9 percent of the minimum annual rent in our portfolio is derived from grocery- or drugstore-anchored community shopping plazas or freestanding stores.

Our growing partnership with Empire and Sobeys represents a sustainable competitive advantage in commercial real estate. Sobeys is Canada's second-largest grocery retailer with \$16 billion in annual revenue, strong same-store sales and an ambitious expansion plan that is aimed primarily at central and western Canada. It includes an estimated \$300 to \$500 million of developed and developing properties in their acquisition pipeline at year-end. In 2011, Crombie purchased eight new grocery-anchored plazas and freestanding stores from Empire and Sobeys for \$119.6 million. These are some of the best performing new assets in commercial real estate because they meet everyday needs in their communities and are relatively immune to economic volatility. Characterized by virtually full occupancy, long-term leases and low capital expenditures, they generate dependable income and solid prospects for capital appreciation.

We also enjoy the benefit of working closely with a patient and knowledgeable investor. Empire prefers to ensure that its properties are owned and managed by a like-minded partner with a strong interest in the success of its food retailing and commercial real estate interests.

At the same time, we have bolstered both our capabilities and profile in the broader real estate market to achieve more growth through third-party acquisitions. Our \$21.9 million purchase of Gaetz South Plaza in Red Deer, Alberta and the acquisition of a smaller retail plaza in London, Ontario, are results of these efforts.

Improving the performance of our existing properties is another important means of value creation. Each year, Crombie reinvests 3.0 to 5.0 percent of property revenue to maintain the productive capacity of our assets. In 2011, we spent approximately \$17.5 million to upgrade or expand our properties through nine development projects. The year's major projects focused mainly on land use intensification through the modernization, reconfiguration and expansion of our shopping centres. Our most ambitious undertaking is the continuing multi-phase expansion of Avalon Mall in St. John's, Newfoundland and Labrador, which will include 24,000 square feet of new retail space to be occupied in early 2012.

Annual Minimum Rent

(In millions of dollars)



5 years

The property pipeline available through Empire and Sobeys is sufficient to satisfy minimum annual acquisition growth targets over the next five years.



HEMLOCK SQUARE, BEDFORD, NOVA SCOTIA

Hemlock Square is a new 139,000 sq. ft. shopping centre in the heart of Bedford, a rapidly growing high-income suburb of Halifax, Nova Scotia. It features leading tenants such as Sobeys, Lawtons Drugs, GoodLife Fitness, TD Canada Trust and RBC.

Sustaining Trust

A strong focus on food-anchored plazas and freestanding stores that serve the everyday needs of their communities is at the heart of Crombie's growth strategy.



2011 was a good year for both Crombie and the Canadian REIT sector. The total return on Crombie's units was 17.7 percent, considerably stronger than the 8.6 percent negative total return posted by the S&P/TSX Composite Index.

Crombie continued to make solid progress in 2011 with the addition of \$147 million in new property acquisitions and record levels for rental revenue, funds from operations, net operating income and several other financial measures. Nevertheless, management fell short on what it considers to be the most fundamental measure of its success. Same-asset cash net operating income rose 1.2 percent, slightly less than planned.

Crombie's strategic competitive advantage is its relationship with Empire and related companies. The Sobeys development pipeline goes a long way to further Crombie's goal of baseline annual growth in rental revenue with \$100 million in targeted acquisitions each year. In addition, these high-quality retail properties, located mostly in central and western Canada, fit with Crombie's strategy of increasing the geographic diversification of its portfolio. For Empire, this relationship provides an opportunity to monetize assets in support of Sobeys' ambitious expansion plans, and to enjoy the benefits of real estate ownership, steady income growth and asset appreciation with a like-minded and trusted real estate partner.

At the same time, Crombie's success also depends on its ability to earn the trust of, and maintain access to, Canada's capital markets. That's why, from the time of its

formation, Crombie's philosophy has been to conduct itself according to the highest standards of fairness, integrity and transparency. This commitment to strong corporate governance is demonstrated by the manner in which properties made available by Sobeys and Empire are valued, and in the make-up and activities of our independent elected Trustees.

Only independent elected Trustees are involved in the assessment and approval of properties acquired from an Empire-related company. Each prospective retail development is subjected to separate, independent appraisals on behalf of the buyer and seller and the acquisition price is based upon those valuations.

As we take stock of 2011 and look to the year ahead, we remain confident in Crombie's prospects for continued growth and success. The food-anchored plazas and freestanding stores that comprise a growing percentage of the Trust's assets can be depended upon to deliver steady income growth and asset appreciation throughout varying economic cycles. They are complemented by a mix of high-quality office and other retail assets in Atlantic Canada, particularly in Greater Halifax, which is poised to benefit from a substantial increase in economic activity.

In closing, and on behalf of the Board, we would like to extend our appreciation to the senior management team at Crombie. Having now worked together for several years, they have forged stronger relationships with their partners at Sobeys and Empire, deepened their bench in the larger commercial real estate market,

and fostered a culture of continuous improvement among Crombie's 350 dedicated employees. We are confident in their prospects for success.

Finally, we would also like to thank the Board of Trustees for their dedication, oversight, and capable guidance over the past year. This experienced and knowledgeable group was strengthened in 2011 with the welcome addition of Michael Knowlton, former President and Chief Operating Officer of Dundee Realty Management Corporation and a widely respected industry veteran.

We look forward to reporting on Crombie's progress in the years ahead.

Sincerely,

(signed)

Frank C. Sobey
Trustee and Chairman

(signed)

John Eby
Lead Independent Trustee

ABOVE (FROM LEFT):

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

Creating Value Everyday

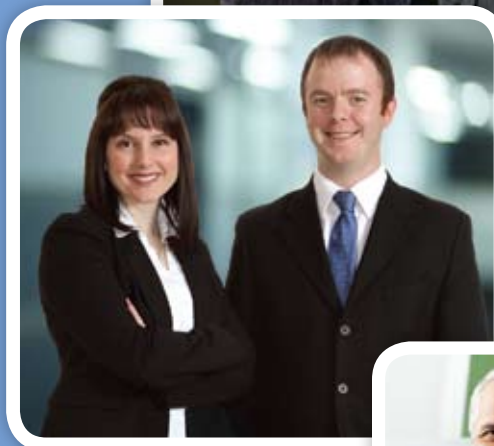
While buildings are a REIT's most visible assets, Crombie's success depends on the everyday contributions of a talented national team.

Crombie REIT is the largest owner and manager of commercial real estate in Atlantic Canada, with prime assets in the region's major urban centres and a reputation for strong and enduring relationships with our clients. Our success has been built on the experience of our management, development, leasing and finance teams and an unwavering commitment to continuous improvement in all that we do.

Over the past few years, we have been building upon a strong foundation in Atlantic Canada to develop a larger national platform in support of our geographic diversification strategy. As Sobeys continues to expand its national retail network with new grocery-anchored plazas and freestanding stores and we substantially expand our presence in the third-party acquisition market in central and western Canada, we have been developing strong regional teams

across the country to provide skilled management of these prized assets in our portfolio.

Today, our success depends on the contributions of more than 350 employees across the country, including those of us featured here, and the spirit of everyday performance that unites our team. By working together more closely than ever before, we are determined to make the most of Crombie's growing opportunities.



TOP:

Sandi Sheldon

Regional Manager, Ontario and Quebec

Josh Katz

Leasing Manager, Ontario

CENTRE:

Terri Lynn Driscoll

Controller

Chris Branton

Leasing Manager, Atlantic Canada

RIGHT:

Dan Bostan

Senior Property Manager, Quebec

LEFT:

Sue Freake

Regional Manager,
Newfoundland and Labrador

Our Responsibilities

For decades, Crombie and the companies that preceded us have been committed to the social and environmental quality of life in the Canadian communities that are home to our commercial real estate properties. In 2011, we continued to provide financial and volunteer support to many worthwhile causes.

Improving our communities

The success of our business depends on the vital support of the communities we serve every day. In turn, we believe our communities should be able to count on Crombie REIT as a committed and caring corporate citizen. We provide financial and volunteer support to a range of important charitable organizations including Nova Scotia Heart & Stroke Foundation, the Nova Scotia Cancer Society, the Special Olympics of Pictou County and Ronald McDonald House.



PICTOU COUNTY DRAGON BOAT FESTIVAL

Racing to raise

The Crombie Crushers led all participants for the third year in a row at the Pictou County Dragon Boat Festival, raising a record \$45,000 in support of the Women Alike Breast Cancer Survivor Society, Pictou County Prostate Support Association and Special Olympics Northern Regions.



Beary Christmas

Avalon Mall, the largest enclosed shopping centre in Atlantic Canada, lent publicity and financial support to the construction of a new Ronald McDonald House in St. John's, Newfoundland and Labrador with the sale of Gift Card Bears during the busy Christmas season.

Welcoming Canada's best

Crombie was a proud Sapphire Sponsor of the Canada Winter Games, which were held from February 11 to 27 in Halifax, Nova Scotia. Staff at Scotia Square played an important role in the success of this special event.



SCOTIA SQUARE, HALIFAX DEVELOPMENTS



Reducing our footprint

We continued to make significant progress in reducing our energy consumption and carbon footprint in 2011, implementing several new initiatives to continue moving Crombie's environmental strategy forward. Today, new build design specifications for our growing portfolio of outdoor shopping centres are designed to achieve LEED or BOMA BEST standards. At the same time, we have designed and implemented a new Tenant Design Criteria manual for all new developments to ensure a collaborative effort toward achieving our sustainability goals. We are also one of the first real estate owners to achieve BOMA BEST Level 2 certification for enclosed shopping centres, at Avalon Mall and Highland Square.

Halifax Developments Limited (HDL) continued to be recognized as a sustainability leader in 2011 with Cogswell Tower, Duke Tower, and the CIBC Building earning 2011 Awards of Excellence from The Building Owners and Managers Association of Nova Scotia (BOMA NS). These awards reflect various initiatives over the past few years in efforts to achieve

Level 3 BOMA BEST classification including a 4.7 million KWh reduction in annual energy consumption through:

- Lighting upgrades, the installation of SMARTD chillers that use the latest turbo-core compressor design and upgrading our domestic water pumping system to duplex variable speed pumping systems.
- A 65% reduction in heating costs through conversion from fuel oil to natural gas heating.
- The installation of RS 440 solar window films in Cogswell Tower and the CIBC Building to reduce cooling demand and create a more comfortable environment for our tenants.
- Scotia Square Parkade's introduction of a state-of-the-art Parking Guidance System that identifies the most convenient available parking spaces at each entrance and level, thereby reducing search time, fuel consumption, and emissions.

Plans for 2012 include the installation of high-efficiency HVAC units at our facilities, which will meet BOMA BEST standards, and conversion to LED lighting at the Scotia Square and Brunswick Place Parkades, with an expected 60 percent reduction in energy consumption. These programs are just a few of the ongoing improvements identified by our BOMA BEST Committee, and we will continue to find new ways to challenge and exceed our environmental standards while enhancing our clients' working environments.



BOMA BEST AWARD WINNERS

PROPERTY PORTFOLIO



Property	City	Description	GLA (approx. sq. ft.)	% Occu- pancy
NEWFOUNDLAND AND LABRADOR				
2A Commerce Street	Deer Lake	Retail – Freestanding	15,000	100.0
10 Elizabeth Avenue	St. John's	Retail – Freestanding	79,000	100.0
21 Cromer Avenue	Grand Falls	Retail – Freestanding	27,000	100.0
45 Ropewalk Lane	St. John's	Retail – Freestanding	50,000	100.0
69 Blockhouse Road	Placentia	Retail – Freestanding	20,000	100.0
71 Grand View Blvd.	Grand Bank	Retail – Freestanding	19,000	100.0
Avalon Mall	St. John's	Retail – Enclosed	572,000	99.8
Conception Bay Plaza	Conception Bay	Retail – Plaza	65,000	100.0
Hamlyn Road Plaza	St. John's	Retail – Plaza	43,000	73.6
Random Square	Clarenville	Retail – Enclosed	110,000	100.0
Topsail Road Plaza	St. John's	Retail – Plaza	158,000	96.5
Torbay Road Plaza	St. John's	Retail – Plaza	162,000	96.2
Valley Mall	Corner Brook	Retail – Enclosed	172,000	86.7
			1,492,000	96.8

PRINCE EDWARD ISLAND

531 North Main Street	Montague	Retail – Freestanding	25,000	100.0
County Fair Mall	Summerside	Retail – Enclosed	288,000	96.9
			313,000	97.1

NOVA SCOTIA

2 Forest Hills Parkway	Dartmouth	Retail – Freestanding	44,000	100.0
25 Brookside Street	Glace Bay	Retail – Freestanding	17,000	100.0
39 Pitt Street	Sydney Mines	Retail – Freestanding	18,000	100.0
75 Emerald Street	New Waterford	Retail – Freestanding	26,000	100.0
95 Keltic Drive	Sydney River	Retail – Freestanding	51,000	100.0
133 Church Street	Antigonish	Retail – Freestanding	51,000	100.0
279 Herring Cove Road	Spryfield	Retail – Freestanding	64,000	91.9
287 Lacewood Drive	Halifax	Retail – Freestanding	59,000	100.0
293 Foord Street	Stellarton	Retail – Freestanding	24,000	100.0
634 Reeves Street	Port Hawkesbury	Retail – Freestanding	34,000	100.0
2651 Windsor Street	Halifax	Retail – Freestanding	50,000	100.0
22579 Hwy #7	Sheet Harbour	Retail – Freestanding	9,000	100.0
268 Baker Drive	Dartmouth	Retail – Freestanding	47,000	100.0
Aberdeen Business Centre	New Glasgow	Mixed – Use	401,000	80.9
Amherst Centre	Amherst	Retail – Enclosed	228,000	90.9
Amherst Plaza	Amherst	Retail – Plaza	25,000	100.0
Blink Bonnie Plaza	Pictou	Retail – Plaza	45,000	95.4
County Fair Mall	New Minas	Retail – Enclosed	267,000	95.4
Downsview Mall	Lower Sackville	Retail – Plaza	142,000	84.3
Downsview Plaza	Lower Sackville	Retail – Plaza	257,000	97.3
Elmsdale Plaza	Hants County	Retail – Plaza	137,000	98.6
Evangeline Mall	Digby	Retail – Enclosed	61,000	40.2
Fall River Plaza	Fall River	Retail – Plaza	98,000	100.0
Fort Edward Plaza	Windsor	Retail – Plaza	147,000	98.0
Fundy Trail Centre	Truro	Retail – Enclosed	130,000	93.3
Hemlock Square	Bedford	Retail – Plaza	139,000	100.0
Highland Square Mall	New Glasgow	Retail – Enclosed	190,000	92.9

Property	City	Description	GLA (approx. sq. ft.)	% Occu- pancy
NOVA SCOTIA (cont.)				
Mill Cove Plaza	Bedford	Retail – Plaza	139,000	91.5
New Minas Plaza	New Minas	Retail – Plaza	52,000	95.3
North Shore Centre	Tatamagouche	Retail – Plaza	17,000	100.0
Panavista Drive	Dartmouth	Retail – Freestanding	48,000	100.0
Park Lane	Halifax	Mixed – Use	264,000	98.5
Penhorn Plaza	Dartmouth	Retail – Plaza	91,000	100.0
Prince Street Plaza	Sydney	Retail – Plaza	71,000	93.1
Queen Street Plaza	Halifax	Retail – Plaza	54,000	98.5
Sydney Shopping Centre	Sydney	Retail – Enclosed	196,000	90.3
Tantallon Plaza	Tantallon	Retail – Plaza	145,000	98.5
West Side Plaza	New Glasgow	Retail – Plaza	70,000	92.8

Halifax Developments Properties

Barrington Place	Halifax	Mixed – Use	186,000	90.6
Barrington Tower	Halifax	Office	187,000	32.0
Brunswick Place	Halifax	Mixed – Use	257,000	99.0
CIBC Building	Halifax	Office	207,000	85.7
Cogswell Tower	Halifax	Office	204,000	82.4
Duke Tower	Halifax	Office	251,000	96.6
Scotia Square Mall	Halifax	Mixed – Use	266,000	98.0
Scotia Square Parkade	Halifax	Other – Parkade	N/A	N/A
			5,466,000	91.0

NEW BRUNSWICK

26 Michaud Street	Edmundston	Retail – Freestanding	8,000	100.0
273 Pleasant Street	Newcastle	Retail – Freestanding	20,000	100.0
463 Brookside Dr.	Fredericton	Retail – Freestanding	43,000	100.0
477 Paul Street – Champlain Place	Dieppe	Retail – Freestanding	52,000	100.0
501 Regis Street	Dieppe	Retail – Freestanding	25,000	100.0
850 St. Peters Avenue	Bathurst	Retail – Freestanding	18,000	100.0
1380 Mountain Road	Moncton	Retail – Freestanding	52,000	100.0
Catherwood Street	Saint John	Retail – Freestanding	46,000	100.0
Fairvale	Rothsay	Retail – Freestanding	52,000	100.0
Bridgeview Plaza	Miramichi	Retail – Plaza	89,000	93.3
Carleton Mall	Woodstock	Retail – Enclosed	113,000	93.7
Charlotte Mall	St. Stephen	Retail – Plaza	119,000	93.7
Edmundston	Edmundston	Retail – Plaza	42,000	100.0
Elmwood Plaza	Moncton	Retail – Plaza	31,000	54.3
Loch Lomond Place	Saint John	Mixed – Use	192,000	84.8
Mountain Road Lawtons Plaza	Moncton	Retail – Plaza	17,000	100.0
Prospect Street Plaza	Fredericton	Retail – Plaza	21,000	100.0
Riverview Place	Riverview	Mixed – Use	150,000	85.3
Terminal Centres	Moncton	Office	202,000	60.3
Tracadie	Tracadie	Retail – Plaza	40,000	84.8
Uptown Centre	Fredericton	Retail – Plaza	320,000	100.0
Vaughn Harvey Plaza	Moncton	Retail – Plaza	85,000	100.0
			1,737,000	90.1



Property	City	Description	GLA (approx. sq. ft.)	% Occu- pancy
QUÉBEC				
88-90 Boul. D'Anjou	Chateauguay	Retail – Freestanding	59,000	100.0
254 Hôtel de Ville	Rivière du Loup	Retail – Freestanding	60,000	100.0
645 Thibeau Street	Cap-de-la-Madeleine	Retail – Freestanding	49,000	100.0
1500 Rue de Bretagne	Baie Comeau	Retail – Freestanding	50,000	100.0
3950 Rue King Ouest	Sherbrooke	Retail – Freestanding	53,000	100.0
5555 Boul. Des Gradients	Charlesbourg	Retail – Freestanding	59,000	100.0
8980 Boul. Lacroix	St. Georges de Beauce	Retail – Freestanding	44,000	100.0
3260 Blvd. Lapinière	Brossard-Longueuil	Retail – Freestanding	39,000	100.0
Beauport Plaza	Beauport	Retail – Plaza	61,000	96.3
Greenfield Park Centre	Longueuil	Retail – Plaza	183,000	91.6
Les Saules	Québec	Retail – Plaza	69,000	100.0
Marché St-Augustin	Mirabel	Retail – Plaza	38,000	92.9
Marché St Charles du Drummond	Drummondville	Retail – Plaza	48,000	100.0
McMasterville	McMasterville	Retail – Plaza	47,000	100.0
Paspebiac Plaza	Paspebiac	Retail – Plaza	64,000	92.3
Saint Apollinaire Plaza	Saint Apollinaire	Retail – Plaza	55,000	100.0
Saint Romuald Plaza	Levis	Retail – Plaza	70,000	100.0
Shawinigan	Shawinigan	Retail – Plaza	60,000	100.0
			1,108,000	98.0

ONTARIO

34 Livingstone Avenue	Grimsby	Retail – Freestanding	36,000	100.0
215 Park Avenue West	Chatham	Retail – Freestanding	48,000	100.0
318 Ontario Street	St. Catharines	Retail – Freestanding	47,000	100.0
409 Bayfield Street	Barrie	Retail – Freestanding	48,000	100.0
977 Golf Links Road	Ancaster	Retail – Freestanding	65,000	100.0
Bradford	Bradford	Retail – Freestanding	35,000	100.0
Brampton Plaza	Brampton	Retail – Plaza	77,000	100.0
Burlington Plaza	Burlington	Retail – Plaza	56,000	80.4
Carleton Place Mews	Carleton Place	Retail – Plaza	80,000	96.2
Innes Road	Ottawa	Retail – Plaza	41,000	100.0
International Gateway Centre	Fort Erie	Retail – Plaza	93,000	93.9
Mountain Locks Plaza	St. Catharines	Retail – Plaza	85,000	100.0
Niagara Plaza	Niagara Falls	Retail – Plaza	60,000	86.8
Parry Sound	Parry Sound	Retail – Freestanding	36,000	100.0
Perth Mews	Perth	Retail – Plaza	103,000	91.2
Port Colborne Mall	Port Colborne	Retail – Enclosed	129,000	96.9
Queensland Plaza	Stratford	Retail – Plaza	48,000	94.8
Riddell Road	Orangeville	Retail – Freestanding	46,000	100.0
Rose City Plaza	Welland	Retail – Plaza	126,000	76.8
Rymal Road Plaza	Hamilton	Retail – Plaza	65,000	95.3
South Pelham Market Plaza	Welland	Retail – Plaza	63,000	96.2
Southdale	London	Retail – Plaza	20,000	100.0
Taunton and Wilson Plaza	Oshawa	Retail – Plaza	91,000	100.0
Town Centre	LaSalle	Retail – Plaza	88,000	73.1
Upper James Square	Hamilton	Retail – Plaza	114,000	100.0

ONTARIO (cont.)				
Village Square Mall	Nepean	Retail – Plaza	92,000	95.7
Woodstock	Woodstock	Retail – Plaza	50,000	96.4
White Horse Plaza	Simcoe	Retail – Plaza	94,000	100.0
			1,936,000	94.5

SASKATCHEWAN

River City Centre	Saskatoon	Retail – Power Centre	160,000	100.0
University Park	Regina	Retail – Freestanding	38,000	100.0
			198,000	100.0

ALBERTA

555 Main Street	Canmore	Retail – Freestanding	53,000	100.0
5115 17 Avenue SE	Calgary	Retail – Freestanding	42,000	100.0
5221 23 Avenue	Edmonton	Retail – Freestanding	51,000	100.0
9611 167 Avenue NW	Edmonton	Retail – Freestanding	37,000	100.0
688 Wye Road	Sherwood Park	Retail – Freestanding	46,000	100.0
1109 James Mowatt Trail	Edmonton	Retail – Freestanding	45,000	100.0
Gaetz South Plaza	Red Deer	Retail – Plaza	74,000	100.0
			348,000	100.0

TOTAL

12,598,000 93.3

Financial Review

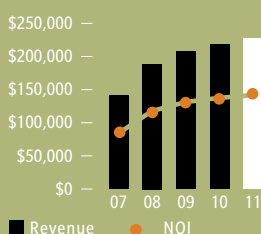
MANAGEMENT'S DISCUSSION AND ANALYSIS

21	Forward-looking Information
22	Non-IFRS Financial Measures
22	Introduction
26	2011 Highlights
27	Overview of the Property Portfolio
31	Financial Results Year to Date
37	Other 2011 Performance Measures
40	Liquidity and Capital Resources
48	Fourth Quarter Results
53	Other Fourth Quarter Performance Measures
56	Related Party Transactions
61	Commitments and Contingencies
61	Risk Management
66	Subsequent Events
66	Controls and Procedures
67	Quarterly Information

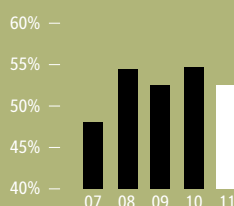
CONSOLIDATED FINANCIAL STATEMENTS

69	Management's Statement of Responsibility for Financial Reporting
70	Independent Auditor's Report
71	Consolidated Balance Sheets
72	Consolidated Statements of Comprehensive Income (Loss)
73	Consolidated Statements of Changes in Net Assets Attributable to Unitholders
74	Consolidated Statements of Cash Flows
75	Notes to Consolidated Financial Statements

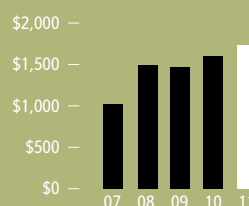
Revenue and NOI
(In thousands of dollars)



Leverage - Debt to GBV



Total Assets
(In millions of dollars)



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2011, with a comparison to the financial condition and results of operations for the comparable periods in 2010 and 2009. This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2011 and December 31, 2010, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as well as Crombie's audited consolidated financial statements and accompanying notes for the years ended December 31, 2010 and December 31, 2009 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Information about Crombie can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. A number of factors, including those discussed under "Risk Management" could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements. There can be no assurance that the expectations of management of Crombie will prove to be correct.

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

- (i) the development of new properties under development and right of first offer agreements, which development activities are undertaken by related parties and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;
- (ii) the acquisition of accretive properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;
- (iii) reinvesting to make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual redevelopment costs;
- (iv) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;
- (v) the anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses;
- (vi) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities and market conditions;
- (vii) the estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, conversions of convertible debentures, interest rates on floating rate debt and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;
- (viii) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;
- (ix) anticipated subsidy payments from ECL Developments Limited ("ECLD"), which are dependent on tenant leasing and construction activity;
- (x) anticipated distributions 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) the assumed estimated impact per unit upon future settlement of any interest rate swap agreements which may be impacted by changes in Canadian bond yields and swap spreads, as well as the timing and type of financing available and the related amortization period thereon;
- (xiii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and
- (xiv) the expected completion and method of financing for agreed additional acquisitions, which may be impacted by due diligence matters and debt market conditions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

FORWARD-LOOKING INFORMATION (cont.)

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

NON-IFRS FINANCIAL MEASURES

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

("AFFO"), debt to gross book value, funds from operations ("FFO"), and earnings before interest, taxes, depreciation and amortization ("EBITDA"). Management includes these measures because it believes certain investors use these measures as a means of assessing relative financial performance.

INTRODUCTION

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 22, 2012, except as otherwise noted.

Financial and Operational Summary

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Property revenue	\$ 58,682	\$ 55,693	\$ 226,138	\$ 209,437
Operating income attributable to Unitholders	\$ 10,673	\$ 9,233	\$ 38,215	\$ 32,066
Basic and diluted operating income attributable to Unitholders per unit	\$ 0.15	\$ 0.14	\$ 0.56	\$ 0.51
FFO	\$ 19,708	\$ 18,008	\$ 74,471	\$ 66,801
FFO per unit – basic	\$ 0.27	\$ 0.27	\$ 1.09	\$ 1.06
FFO per unit – diluted ⁽¹⁾	\$ 0.26	\$ 0.26	\$ 1.04	\$ 1.01
FFO payout ratio (%)	83.9%	81.6%	82.3%	84.0%
AFFO	\$ 16,486	\$ 15,059	\$ 60,051	\$ 54,783
AFFO per unit – basic ⁽³⁾	\$ 0.23	\$ 0.23	\$ 0.88	\$ 0.87
AFFO per unit – diluted ⁽¹⁾⁽³⁾	\$ 0.22	\$ 0.22	\$ 0.86	\$ 0.85
AFFO payout ratio (%) ⁽²⁾⁽³⁾	100.3%	97.6%	102.1%	102.4%

(1) The diluted weighted average number of total Units and Class B LP Units with attached Special Voting Units includes the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. For both the year ended December 31, 2011 and December 31, 2010, the Series A Debentures and Series C Debentures are anti-dilutive for AFFO per unit calculations. For both the quarter ended December 31, 2011 and December 31, 2010, the Series A Debentures are anti-dilutive for AFFO per unit calculations. For both December 31, 2011 and December 31, 2010, all series of convertible debentures are anti-dilutive for operating income attributable to Unitholders per unit calculations.

(2) AFFO payout ratio is calculated using a per square foot charge of \$1.10 for maintenance expenditures (see "AFFO" section).

(3) Excluding the impact of settling the forward rate swap agreement in the second quarter of 2011, AFFO for the year ended December 31, 2011, would have been \$0.91 Basic and \$0.88 Diluted and the AFFO payout ratio would have been 99.2%.

Adoption of IFRS

This MD&A reflects the adoption of IFRS effective from January 1, 2010, with information for 2010 being restated from that which was previously issued under Canadian GAAP. Periods prior to January 1, 2010 have not been restated.

Note 25 of Crombie's consolidated financial statements for the year ended December 31, 2011, provides a description of Crombie's transition to IFRS and the detailed impact on the previously reported Canadian GAAP financial information for 2010.

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 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. In addition, whereas the Units are classified as financial liabilities on the Balance Sheet, distributions on the Units are recognized as a finance charge on the Statements of Comprehensive Income (Loss). Prior to the transition to IFRS, distributions to holders of equity instruments were recognized as a reduction of Unitholders Equity and Non-controlling Interest, respectively.

Overview of the Business and Recent Developments

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

Crombie invests in income-producing retail, office and mixed-use properties in Canada, with a future growth strategy focused primarily on the acquisition of grocery-anchored retail properties. At December 31, 2011, Crombie owned a portfolio of 138 investment properties in eight provinces, comprising approximately 12.6 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through its subsidiary ECLD, holds a 44.6% economic and voting interest in Crombie at December 31, 2011.

Significant developments during 2011 include:

- On January 1, 2011, Crombie transitioned to IFRS from Canadian GAAP.
- On May 2, 2011, Crombie completed the acquisition of Gaetz South Plaza, Red Deer, Alberta from a third party. The purchase price of the property was \$21,850, excluding closing and transaction costs. Crombie assumed a mortgage of \$10,708 with the balance being financed with Crombie's existing credit facility.
- On May 10, 2011, Crombie completed the acquisition of 500 Riddell Road, Orangeville, Ontario and Penhorn Plaza, Dartmouth, Nova Scotia from subsidiaries of Empire. The purchase price of the properties was \$27,490, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of \$7,100 and \$13,000, with 20 year terms, 25 year amortization and fixed interest rates of 5.06% and 5.04% respectively. The balance was financed with Crombie's existing credit facility.
- On June 28, 2011, Crombie renewed its \$150,000 floating rate revolving credit facility, extending the term to June 30, 2014.
- On June 29, 2011, Crombie settled the last remaining forward rate interest rate swap agreement at a cost of \$1,731. This cost represents a charge of \$0.03 against AFFO in the year ended December 31, 2011.
- On September 15, 2011, Crombie completed the acquisition of a Sobeys grocery anchored plaza in Shawinigan, Quebec from subsidiaries of Empire. The purchase of the property was \$13,040, excluding closing and transaction costs. Crombie financed the acquisition with a \$9,130 mortgage, with a 10 year term, 25 year amortization and fixed interest rate of 4.23%. The balance was financed with Crombie's existing credit facility.
- On September 28, 2011, Crombie completed the acquisition of two freestanding Sobeys stores in Bradford and Parry Sound, Ontario from subsidiaries of Empire. The purchase price of the properties was \$11,780, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of \$4,200 and \$3,800, with 20 year terms, 25 year amortization

and fixed interest rates of 4.80%. The balance was financed with Crombie's existing credit facility.

- On October 20, 2011, Crombie completed a public offering of 3,510,000 REIT Units, at a price of \$12.85 per REIT Unit for gross proceeds of \$45,104. Concurrent with the public offering, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units, on a private placement basis, at the same issue price of \$12.85 per Class B LP Unit for gross proceeds of \$30,000.
- On December 15, 2011, Crombie completed the acquisition of two retail – plazas in Bedford and Fall River, Nova Scotia; and a freestanding addition to an existing property in Nepean, Ontario, from subsidiaries of Empire. The purchase price of the properties was \$67,278, excluding closing and transaction costs. Crombie financed the acquisitions with mortgages of \$5,000, \$16,000 and \$25,000, with terms between 10 to 20 years, 25 year amortization and fixed interest rates ranging from 4.06% to 4.606%. The balance was funded with proceeds from the October 2011 public offering.
- On December 19, 2011, Crombie completed the acquisition of a retail – plaza in London, Ontario from a third party. The purchase price of the property was \$5,600, with an assumed mortgage of \$2,877. The balance was funded with proceeds from the October 2011 public offering.

Significant developments during 2010 included:

- On February 1, 2010, Crombie completed the refinancing for the office and retail portfolio known as Halifax Developments. The principal amount of the maturing Halifax Developments mortgages was approximately \$106,079 with a weighted average fixed interest rate of 5.43%. The new Halifax Developments mortgages are for a total of \$141,000, with a 10 year term, 25 year amortization and a weighted average fixed interest rate of 6.48%.
- On February 8, 2010, Crombie issued \$45,000 of convertible unsecured subordinated debentures (the "Series C Debentures"). The Series C Debentures have an interest rate of 5.75%, a conversion price of \$15.30 per unit and a maturity date of June 30, 2017.
- On February 22, 2010, Crombie completed the acquisition of five retail properties from subsidiaries of Empire. The cost of the five properties was \$31,530, excluding closing and transaction costs, and was partially financed by the assumption of \$8,358 of mortgages with a weighted average term of 8.6 years, 25 year amortization and a weighted average interest rate of 6.26%. The balance was financed with Crombie's existing credit facility.
- On February 26, 2010, Crombie completed \$33,850 of mortgage financing on five properties. The mortgages have an eight year term, a fixed interest rate of 5.70% and a weighted average amortization period of 21.6 years.
- On March 24, 2010, Crombie completed the acquisition of three retail properties from subsidiaries of Empire. The purchase price of the three properties was \$27,746 and was financed with Crombie's existing credit facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

INTRODUCTION (cont.)

- On April 22, 2010, and May 20, 2010, Crombie completed three mortgage financings totalling \$19,000; all with 10 year terms; interest rates ranging from 5.75% to 6.80%; and amortization periods from 15 to 25 years.
- On August 4, 2010, Crombie completed a public offering of 2,670,000 REIT Units, at a price of \$11.05 per REIT Unit for gross proceeds of \$29,504. Concurrent with the public offering, in satisfaction of its pre-emptive right, ECLD purchased 1,855,000 Class B LP Units and the attached Special Voting Units, on a private placement basis, at the same issue price of \$11.05 per Class B LP Unit for gross proceeds of \$20,498.
- On September 28, 2010, Crombie completed the acquisition of nine properties from a subsidiary of Empire. The cost of the nine properties was \$84,297, excluding closing and transaction costs, and was partially financed with mortgage financing on seven of the nine properties. The mortgages total \$51,570 at the time of acquisition and an additional \$8,200 subsequently with terms ranging from nine to 15 years, amortization periods between 15 and 25 years, and interest rates between 4.53% and 5.19%. The properties acquired total approximately 400,000 square feet of GLA and include six properties in Alberta, one in Saskatchewan, one in Ontario and one in Nova Scotia.
- On October 28, 2010, Crombie completed the acquisition of one retail property, and on November 22, 2010 the acquisition of two retail properties, all located in Quebec. The cost of the three properties was \$28,250, excluding closing and transaction costs, and was partially financed with \$19,600 of mortgage financings with the balance funded with proceeds from the August 2010 equity offering. The mortgages have terms from nine to 15 years, fixed interest rates of 4.71% and 4.76% and amortization periods of 25 years.

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

Crombie continues to work closely with ECLD and SDLP to identify opportunities that further Crombie's external growth strategy. The relationship with ECLD is governed by an agreement described in the Material Contracts section of Crombie's Annual Information Form, and SDLP has confirmed that certain properties now held by SDLP that it acquired from ECLD continue to be governed by that agreement. In addition, Crombie has obtained a right of first offer from Sobeys in other Sobeys' income producing commercial properties, subject to certain exceptions. Through these relationships, Crombie expects to have many of the benefits associated with development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions. The agreements also enable Crombie to avoid the uncertainties associated with property development, such as paying the carrying costs of land, securing construction financing, obtaining development approvals, managing construction projects, marketing in advance of and during construction and earning no return during the construction period.

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

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

Property	Date Acquired	Property Type	GLA (sq. ft.)	Acquisition Cost ⁽¹⁾	Vendor
Brampton Plaza, Brampton, Ontario	Oct. 2, 2006	Retail – Plaza	66,000	\$ 13,160	Empire Subsidiaries
Taunton & Wilson Plaza, Oshawa, Ontario	Oct. 2, 2006	Retail – Plaza	83,000	\$ 18,725	Empire Subsidiaries
Burlington Plaza, Burlington, Ontario	Dec. 20, 2006	Retail – Plaza	56,000	\$ 14,200	3rd party
The Mews of Carleton Place, Carleton Place, Ontario	Jan. 17, 2007	Retail – Plaza	80,000	\$ 11,800	3rd party
Perth Mews Shopping Mall, Perth, Ontario	Mar. 7, 2007	Retail – Plaza	103,000	\$ 17,900	3rd party
International Gateway Centre, Fort Erie, Ontario	Jul. 26, 2007	Retail – Plaza	93,000	\$ 19,200	3rd party ROFR
Brossard-Longueuil, Brossard, Quebec	Aug. 24, 2007	Retail – Freestanding	39,000	\$ 7,300	3rd party ROFR
Town Centre, LaSalle, Ontario	Oct. 15, 2007	Retail – Plaza	88,000	\$ 12,700	3rd party
61 property portfolio (the “Portfolio Acquisition”)	Apr. 22, 2008	Retail – Freestanding Retail – Plaza Retail – Enclosed	1,589,000 1,571,000 128,000	\$ 428,500	Empire Subsidiaries
River City Centre, Saskatoon, Saskatchewan	Jun. 12, 2008	Retail – Plaza	160,000	\$ 27,200	3rd party
5 property portfolio	Feb. 22, 2010	Retail – Plaza	186,000	\$ 31,530	Empire Subsidiaries
3 property portfolio	Mar. 24, 2010	Retail – Plaza	101,000	\$ 27,746	Empire Subsidiaries
		Retail – Freestanding	46,000		
9 property portfolio	Sep. 28, 2010	Retail – Freestanding	359,000	\$ 84,297	Empire Subsidiaries
		Retail – Plaza	41,000		
McMasterville, Quebec	Oct. 28, 2010	Retail – Plaza	47,000	\$ 11,250	Empire Subsidiaries
St Augustin, Quebec	Nov. 22, 2010	Retail – Plaza	38,000	\$ 7,368	Joint venture, in which ECLD was a partner
St Charles de Drummond, Quebec	Nov. 22, 2010	Retail – Plaza	48,000	\$ 9,632	Joint venture, in which ECLD was a partner
Gaetz South Plaza, Red Deer, Alberta	May 2, 2011	Retail – Plaza	74,000	\$ 21,850	3rd party
500 Riddell Road, Orangeville, Ontario	May 10, 2011	Retail – Freestanding	46,000	\$ 10,040	Empire Subsidiaries
Penhorn Plaza, Dartmouth, Nova Scotia	May 10, 2011	Retail – Plaza	91,000	\$ 17,450	Empire Subsidiaries
Panavista Drive, Dartmouth, Nova Scotia	May 20, 2011	Retail – Freestanding	48,000	\$ 7,400	Empire Subsidiaries
West Royalty, Charlottetown, Prince Edward Island	May 20, 2011	Retail – Freestanding	(54,000)	\$ (7,400)	Empire Subsidiaries
1440 – 1510 Trudel Street, Shawinigan, Quebec	Sep. 15, 2011	Retail – Plaza	60,000	\$ 13,043	Empire Subsidiaries
40 Melbourne Drive, Bradford, Ontario	Sep. 28, 2011	Retail – Freestanding	35,000	\$ 6,235	Empire Subsidiaries
25 Pine Drive, Parry Sound, Ontario	Sep. 28, 2011	Retail – Freestanding	36,000	\$ 5,545	Empire Subsidiaries
Hemlock Square, Bedford, Nova Scotia	Dec. 15, 2011	Retail – Plaza	139,000	\$ 36,800	Empire Subsidiaries
Fall River Plaza, Fall River, Nova Scotia	Dec. 15, 2011	Retail – Plaza	98,000	\$ 22,952	Empire Subsidiaries
Village Square Annex, Nepean, Ontario	Dec. 15, 2011	Retail – Plaza	23,000	\$ 7,526	Empire Subsidiaries
771 Southdale Road East, London, Ontario	Dec. 19, 2011	Retail – Plaza	20,000	\$ 5,600	3rd party
Total			5,538,000	\$ 889,549	

(1) Excluding closing and transaction costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

INTRODUCTION (cont.)

Through its relationships with SDLP and ECLD, Crombie is provided a preferential right to acquire properties developed by these entities. There is currently approximately \$300-\$500 million of properties in various stages of development which is anticipated to be made available to Crombie over the next four years. The properties are primarily retail plazas with approximately 70% of the GLA expected to be located outside of Atlantic Canada.

Business Environment

During the latter half of 2009 and throughout 2010 and 2011, the Canadian economy continued to display strengthening results in a number of key economic areas, which indicate that a modest economic recovery has taken place. However, concerns still exist as to the sustainability of the recovery as debt levels of both governments and consumers continue to rise and unemployment levels remain high. Also, during this 2009–2011 period, the credit and equity markets experienced a dramatic improvement in their liquidity which occurred almost as quickly as the contraction did in late 2008. This liquidity expansion has helped reduce credit spreads to more historically normal levels and resulted in attractive overall financing costs which many Canadian real estate investment trusts ("REITs") and real estate companies, including

Crombie, have taken advantage of to strengthen their financial position, improve liquidity and lower their weighted average cost of capital. In the second half of 2010, Crombie sourced nine and 15 year mortgage debt at rates between 4.53% and 5.19%. During 2011, Crombie sourced 20 year mortgage debt as low as 4.61% and 10 year mortgage debt as low as 4.06%.

In light of the improving economic conditions and improved access to capital, capitalization rates began to decrease after their increases during the recession. This capitalization rate reduction has resulted in a positive impact to the unit prices of many REITs and the recent improvement in both the credit and equity markets have improved Crombie's cost of capital to the level where accretive acquisitions are available. As a result, Crombie was able to complete acquisitions of eight retail properties from subsidiaries of Empire during the first quarter of 2010, an additional nine properties in the third quarter of 2010 and three properties in the fourth quarter of 2010. During 2011, Crombie acquired three additional properties in the second quarter; three properties in the third quarter and three properties in the fourth quarter as well as an addition to an existing property. Crombie will only pursue acquisitions that are accretive and provide an acceptable return, including acquisitions from relationships between Crombie and ECLD and Crombie and SDLP.

2011 HIGHLIGHTS

- Crombie completed leasing activity on 776,000 square feet of GLA during the year ended December 31, 2011, which represents approximately 71.1% of the 2011 expiring lease square footage.
- Average rent per square foot from the leasing activity was \$15.71 compared to an expiring rent per square foot of \$14.15, an increase of 11.0%.
- Property occupied was 93.3% at December 31, 2011 compared with 94.7% at September 30, 2011, and 95.8% at December 31, 2010. Property leased (occupied plus committed) was 94.7% at December 31, 2011 compared with 95.4% at September 30, 2011.
- The estimated \$12,400 redevelopment of Sydney Shopping Centre, commenced in June 2010, was over 90% completed at December 31, 2011, and is on time and on budget for completion in January 2012.
- Property revenue for the year ended December 31, 2011 was \$226,138, an increase of \$16,701 or 8.0% over the \$209,437 for year ended December 31, 2010.
- Same-asset cash NOI for the year ended December 31, 2011 of \$118,003, an increase of \$1,359, or 1.2%, compared to \$116,644 for the year ended December 31, 2010.
- The FFO payout ratio for the year ended December 31, 2011 was 82.3% compared to the payout ratio of 84.0% for the same period in 2010.
- The AFFO payout ratio for the year ended December 31, 2011 was 102.1% compared to 102.4% for the same period in 2010.
- Debt to gross book value was 52.5% at December 31, 2011 compared with 54.8% at December 31, 2010.
- Crombie's interest service coverage for the year ended December 31, 2011 was 2.49 times EBITDA and debt service coverage was 1.79 times EBITDA, compared to 2.41 times EBITDA and 1.74 times EBITDA, respectively, for the same period in 2010.
- Crombie completed the renewal of its \$150,000 revolving credit facility for a three year period.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At December 31, 2011 the property portfolio consisted of 138 investment properties that contain approximately 12.6 million square feet of GLA in eight provinces.

As at December 31, 2011, the portfolio distribution of the GLA by province was as follows:

Province	GLA (sq. ft.)				Number of Properties	% of GLA	% of Annual Minimum Rent
	Jan. 1, 2011	Acquisitions (dispositions)	Other	Dec. 31, 2011			
Nova Scotia	5,065,000	376,000	25,000	5,466,000	46	43.4%	38.6%
Ontario	1,771,000	160,000	5,000	1,936,000	28	15.4%	17.1%
New Brunswick	1,784,000	(49,000)	2,000	1,737,000	22	13.8%	11.4%
Newfoundland and Labrador	1,480,000	–	12,000	1,492,000	13	11.8%	15.4%
Quebec	1,042,000	60,000	6,000	1,108,000	18	8.8%	9.4%
Alberta	274,000	74,000	–	348,000	7	2.7%	4.2%
Prince Edward Island	369,000	(54,000)	(2,000)	313,000	2	2.5%	2.2%
Saskatchewan	198,000	–	–	198,000	2	1.6%	1.7%
Total	11,983,000	567,000	48,000	12,598,000	138	100.0%	100.0%

During 2011, there was an increase in GLA of 615,000 square feet primarily due to the acquisition of 10 properties totalling 623,000 square feet: five in Ontario; three in Nova Scotia; one in Quebec; and one in Alberta. This was offset by the disposition of a property in New Brunswick.

Crombie looks to diversify its geographic composition through growth opportunities, as evidenced by seven property acquisitions in Alberta, 13 in Ontario, six in Quebec, two in Saskatchewan, three in New Brunswick, four in Nova Scotia and the Portfolio Acquisition

since Crombie's 2006 IPO. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

On a regular basis, Crombie will commence redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Crombie had two properties under redevelopment: Sydney Shopping Centre in Sydney, Nova Scotia is being converted from a retail – enclosed property to a retail – plaza and Barrington Tower in Halifax, Nova Scotia is being reconfigured to accommodate new tenancies.

The following table outlines properties under redevelopment:

Province	Property	Current GLA	Redevelopment	Estimated Cost	Incurred to Date	Estimated Completion
Nova Scotia	Sydney Shopping Centre	196,000	Convert from retail – enclosed to retail – plaza	\$12,400	\$11,400	Completed January 2012
Nova Scotia	Barrington Tower	187,000	Reconfigure spaces to accommodate future leasing	\$5,750	\$825	September 2012

During the second quarter of 2010, Crombie commenced redevelopment work on Sydney Shopping Centre. During the initial phases of redevelopment, portions of the GLA were vacated. The redevelopment work was completed in January 2012.

During the fourth quarter of 2011, Crombie commenced with the reconfiguration of Barrington Tower to accommodate the requirements of new tenants expected to take occupancy in September 2012.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

OVERVIEW OF THE PROPERTY PORTFOLIO (cont.)

Largest Tenants

The following table illustrates the 10 largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at December 31, 2011.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys ⁽¹⁾	37.0%	15.0 years
Shoppers Drug Mart	2.2%	8.7 years
Empire Theatres Limited	1.9%	7.5 years
GoodLife Fitness	1.7%	9.5 years
Lawtons/Sobeys Pharmacy	1.6%	13.4 years
CIBC	1.5%	18.7 years
Province of Nova Scotia	1.3%	4.4 years
Bell (Aliant)	1.2%	7.0 years
Bank of Nova Scotia	1.2%	2.2 years
Best Buy Canada Ltd.	1.1%	9.2 years
Total	50.7%	

(1) Excludes Lawtons and Fast Fuel locations.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 37.0% of the annual minimum rent, no other tenant accounts for more than 2.2% of Crombie's minimum rent.

Lease Maturities

The following table sets out as of December 31, 2011 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 (\$)
2012	239	1,023,000	8.1%	\$ 11.98
2013	190	921,000	7.3%	\$ 12.02
2014	178	591,000	4.7%	\$ 17.36
2015	141	672,000	5.3%	\$ 14.46
2016	143	706,000	5.6%	\$ 14.23
Thereafter	464	8,022,000	63.7%	\$ 13.92
Total	1,355	11,935,000	94.7%	\$ 13.82

The weighted average remaining term of all leases is approximately 10.3 years. This extended remaining lease term is reflective of the average Sobeys remaining lease term of 15.0 years.

During 2011, Crombie's lease renewals were completed at an average rate of \$16.38 per square foot; while new leases were completed at an average rate of \$14.43 per square foot. Both these rates compare favourably with the average rent per square foot for 2011 lease expiries of \$14.15 per square foot resulting in average rent per square foot improvements of 15.8% for renewals and 2.0% for new leases.

2011 Portfolio Occupancy and Committed Activity

The portfolio occupancy and committed activity for the year ending December 31, 2011 were as follows:

Province	Occupied space (sq. ft.)					Dec. 31, 2011	Committed space (sq. ft.)	Total leased space (sq. ft.)	Leased Dec. 31, 2011
	Jan. 1, 2011	Acquisitions (dispositions)	New leases	Lease expiries	Other changes				
Nova Scotia	4,829,000	376,000	69,000	(243,000)	(55,000)	4,976,000	157,000	5,133,000	94.0%
Ontario	1,696,000	160,000	15,000	(22,000)	(20,000)	1,829,000	14,000	1,843,000	95.2%
New Brunswick	1,634,000	(49,000)	15,000	(30,000)	(5,000)	1,565,000	4,000	1,569,000	90.3%
Newfoundland and Labrador	1,454,000	–	36,000	(32,000)	(13,000)	1,445,000	9,000	1,454,000	97.5%
Quebec	1,026,000	60,000	6,000	(3,000)	(4,000)	1,085,000	–	1,085,000	98.0%
Alberta	274,000	74,000	–	–	–	348,000	–	348,000	100.0%
PEI	363,000	(54,000)	–	(1,000)	(4,000)	304,000	1,000	305,000	97.4%
Saskatchewan	198,000	–	–	–	–	198,000	–	198,000	100.0%
Total	11,474,000	567,000	141,000	(331,000)	(101,000)	11,750,000	185,000	11,935,000	94.7%

Other changes include lease terminations and surrenders; bankruptcies; and space certifications.

Crombie has not previously reported committed space in its MD&A reporting. 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.

Overall leased space (occupied plus committed) decreased from 95.4% at September 30, 2011 to 94.7% at December 31, 2011. This 0.7% decrease was the result of tenant lease expiries totalling approximately 244,000 square feet of GLA; offset in part by new leases on 88,000 square feet of GLA during the fourth quarter of 2011 and increases in committed space.

The decrease in overall occupied space to 93.3% at December 31, 2011 compared with 94.7% at September 30, 2011 was due mainly to a number of tenant lease expirations or terminations totalling approximately 244,000 square feet of GLA, including Nova Scotia Power Inc. in Barrington Tower, Halifax, Nova Scotia. The decrease was partially offset by new tenancies occupying approximately 88,000 square feet of GLA during the fourth quarter of 2011. Crombie had 266,000 square feet of GLA in new leasing activity for 2011, however not all tenant leases commenced by December 31, 2011; therefore are excluded from the period end occupied rate.

Sector Information

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

As at December 31, 2011, 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 – Freestanding	53	2,176,000	17.3%	17.9%	99.9%
Retail – Plazas	60	5,196,000	41.2%	43.0%	95.8%
Retail – Enclosed	12	2,458,000	19.5%	20.8%	94.2%
Portfolio sub-totals for retail	125	9,830,000	78.0%	81.7%	96.3%
Office	5	1,051,000	8.4%	7.1%	86.3%
Mixed-Use	8	1,717,000	13.6%	11.2%	90.8%
Total	138	12,598,000	100.0%	100.0%	94.7%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

OVERVIEW OF THE PROPERTY PORTFOLIO (cont.)

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

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Occupancy ⁽¹⁾
Retail – Freestanding	51	2,095,000	17.5%	18.3%	100.0%
Retail – Plazas	54	4,683,000	39.1%	39.8%	96.7%
Retail – Enclosed	12	2,437,000	20.3%	21.7%	95.4%
Portfolio sub-totals for retail	117	9,215,000	76.9%	79.8%	97.1%
Office	5	1,049,000	8.8%	7.7%	84.8%
Mixed-Use	8	1,719,000	14.3%	12.5%	95.3%
Total	130	11,983,000	100.0%	100.0%	95.8%

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

Retail properties represent 78.0% of Crombie's GLA and 82.0% of annual minimum rent at December 31, 2011 reflecting of Crombie's growth strategy to focus primarily on retail properties.

Leased space in retail properties of 96.3% at December 31, 2011, has decreased from December 31, 2010, primarily due to an increase in tenant bankruptcies and non-renewed lease expiries during 2011. The most significant change in 2011 was in leased space in non-retail properties which decreased to 89.1% primarily as a result of the expiring of the NSPI lease in Barrington Tower and the resulting temporary vacancy of approximately 23,000 square feet in uncommitted space and the lease expiry of approximately 73,000 square feet in Aberdeen Business Centre in the fourth quarter of 2011.

The following table sets out as of December 31, 2011, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail – Freestanding		Retail – Plazas		Retail – Enclosed	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2012	–	–%	334,000	6.4%	239,000	9.7%
2013	–	–%	417,000	8.0%	116,000	4.7%
2014	–	–%	228,000	4.4%	178,000	7.2%
2015	9,000	0.4%	312,000	6.0%	80,000	3.3%
2016	6,000	0.3%	330,000	6.4%	176,000	7.2%
Thereafter	2,158,000	99.2%	3,357,000	64.6%	1,529,000	62.2%
Total	2,173,000	99.9%	4,978,000	95.8%	2,318,000	94.3%

Year	Office		Mixed – Use		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2012	142,000	13.4%	308,000	17.9%	1,023,000	8.1%
2013	119,000	11.3%	269,000	15.7%	921,000	7.3%
2014	96,000	9.1%	89,000	5.2%	591,000	4.7%
2015	57,000	5.4%	214,000	12.5%	672,000	5.3%
2016	75,000	7.2%	119,000	6.9%	706,000	5.6%
Thereafter	420,000	39.9%	558,000	32.6%	8,022,000	63.7%
Total	909,000	86.3%	1,557,000	90.8%	11,935,000	94.7%

Of the 9,469,000 square feet of retail properties under lease, 7,044,000 square feet, or 74.4% is scheduled for maturity after 2016. This long-term stability in lease maturities is primarily driven by the extended term nature of the Sobeys leases.

In the office and mixed-use properties, lease maturities after 2016 represents 39.7% of the leased square footage.

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

Year	Retail – Freestanding		Retail – Plazas		Retail – Enclosed		Office		Mixed – Use		Total
2012	\$	–	\$	11.93	\$	13.68	\$	12.02	\$	10.70	\$ 11.98
2013	\$	–	\$	9.69	\$	23.04	\$	13.74	\$	10.12	\$ 12.02
2014	\$	–	\$	15.13	\$	24.72	\$	12.56	\$	13.53	\$ 17.36
2015	\$	25.32	\$	15.12	\$	22.47	\$	11.64	\$	10.86	\$ 14.46
2016	\$	29.00	\$	14.20	\$	18.70	\$	13.00	\$	7.67	\$ 14.23
Thereafter	\$	13.85	\$	14.74	\$	12.29	\$	11.98	\$	14.51	\$ 13.92
Dec. 2011 Total	\$	14.03	\$	14.21	\$	14.64	\$	12.34	\$	11.92	\$ 13.82
Dec. 2010 Total	\$	13.98	\$	13.60	\$	14.15	\$	12.81	\$	11.69	\$ 13.44

FINANCIAL RESULTS YEAR TO DATE

Comparison to Previous Years

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)

	As at Dec. 31, 2011	As at Dec. 31, 2010	As at Dec. 31, 2009
Total assets	\$ 1,728,782	\$ 1,589,236	\$ 1,457,166
Total investment property debt and convertible debentures	\$ 1,002,358	\$ 947,560	\$ 817,227
Debt to gross book value ⁽¹⁾	52.5%	54.8%	52.4%

(1) See “Debt to Gross Book Value” for detailed calculation.

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Year Ended Dec. 31, 2009
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)			
Property revenue	\$ 226,138	\$ 209,437	\$ 207,254
Property operating expenses	84,202	79,300	75,762
Property NOI	141,936	130,137	131,492
NOI margin percentage	62.8%	62.1%	63.4%
Other items:			
Lease terminations	168	347	610
Depreciation and amortization	(31,387)	(31,246)	(46,031)
General and administrative expenses	(10,654)	(9,762)	(9,274)
Other expenses	–	–	(9,999)
Operating income before finance costs and income taxes	100,063	89,476	66,798
Finance costs – operations	(62,148)	(58,410)	(46,319)
Operating income before income taxes	37,915	31,066	20,479
Taxes – deferred	300	1,000	100
Operating income attributable to Unitholders	38,215	32,066	20,579
Finance costs – distributions to Unitholders	(61,283)	(56,090)	–
Decrease in net assets attributable to Unitholders (2009 – Income before non-controlling interest)	\$ (23,068)	\$ (24,024)	\$ 20,579
Operating income attributable to Unitholders per Unit, Basic and Diluted	\$ 0.56	\$ 0.51	
Basic weighted average Units outstanding (in 000’s)	68,251	62,802	
Diluted weighted average Units outstanding (in 000’s)	68,431	62,968	
Distributions per Unit to Unitholders	\$ 0.89	\$ 0.89	

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

FINANCIAL RESULTS YEAR TO DATE (cont.)

Operating income attributable to Unitholders for the year ended December 31, 2011 of \$38,215 increased by \$6,149 or 19.2% from \$32,066 for the year ended December 31, 2010. The increase was primarily due to:

- higher property NOI on increased average rental rates and the impact of property acquisitions during 2010 and 2011, offset in part by;
- higher finance costs in 2011 primarily related to property acquisitions.

Property Revenue and Property Operating Expenses

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

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset property revenue	\$ 188,633	\$ 185,194	\$ 3,439
Acquisition, disposition and redevelopment property revenue	37,505	24,243	13,262
Property revenue	\$ 226,138	\$ 209,437	\$ 16,701

Same-asset property revenue of \$188,633 for the year ended December 31, 2011 was 1.9% higher than the year ended December 31, 2010 due to increased base rent as a result of: lease renewal rates exceeding expiring lease rates; offset in part by lower occupancy rates; and higher recoverable property expenses. Acquisition, disposition and redevelopment property revenue growth of \$13,262 or 54.7% is due to higher acquisition activity in 2010 and 2011.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset property operating expenses	\$ 72,223	\$ 69,906	\$ (2,317)
Acquisition, disposition and redevelopment property operating expenses	11,979	9,394	(2,585)
Property operating expenses	\$ 84,202	\$ 79,300	\$ (4,902)

Same-asset property expenses of \$72,223 for the year ended December 31, 2011 increased by \$2,317 or 3.3% from the year ended December 31, 2010 due primarily to increased recoverable property taxes and snow clearing costs offset in part by reduced non-recoverable costs.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset property NOI	\$ 116,410	\$ 115,288	\$ 1,122
Acquisition, disposition and redevelopment property NOI	25,526	14,849	10,677
Property NOI	\$ 141,936	\$ 130,137	\$ 11,799

Property NOI is calculated as property revenue less property operating expenses. Property NOI for the year ended December 31, 2011 increased by \$11,799 or 9.1% from the year ended December 31, 2010. Same-asset property NOI for the year ended December 31, 2011 increased by \$1,122 or 1.0% from the year ended December 31, 2010. Crombie's acquisition activity accelerated in the second half of 2010 and in 2011 resulting in significant growth in property operating results in the year ended December 31, 2011 compared to the same period in 2010. Several redevelopment projects completed during 2010 also resulted in improved property NOI in the year ended December 31, 2011 compared to the same period in 2010.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Property NOI	\$ 141,936	\$ 130,137	\$ 11,799
Non-cash straight-line rent	(3,619)	(3,346)	(273)
Non-cash tenant incentive amortization	5,169	4,489	680
Property cash NOI	143,486	131,280	12,206
Acquisition, disposition and redevelopment property cash NOI	25,483	14,636	10,847
Same-asset property cash NOI	\$ 118,003	\$ 116,644	\$ 1,359

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentive amounts. The \$1,359 or 1.2% increase in same-asset cash NOI for the year ended December 31, 2011 over December 31, 2010 is primarily the result of increased average rent per square foot results from 2011 leasing activity, reduced in part by the lower occupancy rate in 2011.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period. This excludes non-cash items, straight-line rent and amortization of tenant incentives, which are impacting property NOI.

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

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Acquisition and disposition property cash NOI	\$ 16,546	\$ 5,857	\$ 10,689
Redevelopment property cash NOI	8,937	8,779	158
Total acquisition, disposition and redevelopment property cash NOI	\$ 25,483	\$ 14,636	\$ 10,847

The significant growth in acquisition and disposition property NOI reflects the property acquisitions in 2010 and 2011.

Cash NOI for redevelopment properties increased \$158 or 1.8% for the year ended December 31, 2011 over December 31, 2010 as a result of completed redevelopment properties offset in part by redevelopment work at Sydney Shopping Centre in Sydney, Nova Scotia which included short-term displacement of GLA and tenants.

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

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

Property NOI for the year ended December 31, 2011 by province was as follows:

(In thousands of CAD dollars)	2011				2010	Variance
	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	
Nova Scotia	\$ 94,686	\$ 41,659	\$ 53,027	56.0%	55.6%	0.4%
Ontario	35,757	12,074	23,683	66.2%	65.3%	0.9%
Newfoundland and Labrador	33,212	10,074	23,138	69.7%	70.3%	(0.6)%
New Brunswick	27,157	11,353	15,804	58.2%	58.6%	(0.4)%
Quebec	20,622	6,006	14,616	70.9%	72.1%	(1.2)%
Alberta	6,505	734	5,771	88.7%	95.8%	(7.1)%
Prince Edward Island	4,583	1,315	3,268	71.3%	74.2%	(2.9)%
Saskatchewan	3,616	987	2,629	72.7%	71.8%	0.9%
Total	\$ 226,138	\$ 84,202	\$ 141,936	62.8%	62.1%	0.7%

The increase in NOI as a percentage of revenue in Saskatchewan is due to increased base rents as a result of renewals and acquisition of a freestanding property in the third quarter of 2010. The increase in NOI as a percentage of revenue in Ontario is primarily due to acquisitions in the third quarter of 2010 and 2011 of higher margin freestanding properties. The decrease in NOI as a percentage of revenue in Quebec is due to an increase in non-recovered expenses. The decrease in NOI as a percentage of revenue in Prince Edward Island is due to the exchange of one freestanding property for a freestanding property in Nova Scotia during the second quarter of 2011. The decrease in NOI as a percentage of revenue in Alberta is reflective of 2010 properties only including freestanding stores, while 2011 results include a retail plaza acquired in May 2011, with the NOI as a percentage of revenue on retail plazas being lower than on freestanding properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

FINANCIAL RESULTS YEAR TO DATE (cont.)

Depreciation and Amortization

(In thousands of CAD dollars)

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset depreciation and amortization	\$ 26,090	\$ 29,125	\$ 3,035
Acquisition, disposition and redevelopment depreciation and amortization	5,297	2,121	(3,176)
Depreciation and amortization	\$ 31,387	\$ 31,246	\$ (141)

Same-asset depreciation and amortization of \$26,090 for the year ended December 31, 2011 was \$3,035 or 10.4% lower than the year ended December 31, 2010 due primarily to intangible assets related to tenant relationships and components of the buildings associated with properties purchased at the date of IPO being fully amortized. Depreciation and amortization consists of:

(In thousands of CAD dollars)

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Depreciation of investment properties	\$ 25,849	\$ 24,463	\$ (1,386)
Amortization of intangible assets	5,026	6,330	1,304
Amortization of deferred leasing costs	512	453	(59)
Depreciation and amortization	\$ 31,387	\$ 31,246	\$ (141)

General and Administrative Expenses

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

(In thousands of CAD dollars)

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Salaries and benefits	\$ 5,775	\$ 4,710	\$ (1,065)
Professional fees	1,541	1,764	223
Public company costs	1,286	1,291	5
Rent and occupancy	787	813	26
Other	1,265	1,184	(81)
General and administrative expenses	\$ 10,654	\$ 9,762	\$ (892)
As a percentage of property revenue	4.7%	4.7%	–%

Salaries and benefits in the fourth quarter of 2010 were favourably impacted by the recognition of actuarial gains on Crombie's benefit plans.

Finance Costs – Operations

(In thousands of CAD dollars)

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Same-asset finance costs	\$ 45,083	\$ 46,518	\$ 1,435
Acquisition, disposition and redevelopment finance costs	9,717	5,306	(4,411)
Amortization of effective swaps and deferred financing charges	7,348	6,586	(762)
Finance costs – operations	\$ 62,148	\$ 58,410	\$ (3,738)

Same-asset finance costs for the year ended December 31, 2011 decreased by \$1,435 or 3.1% compared to the year ended December 31, 2010 primarily due to the conversions of Series B Convertible Debentures, one mortgage matured and was refinanced with the Revolving Credit Facility at a lower interest rate and one mortgage was refinanced at a lower interest rate.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% for the remaining term of certain mortgages that were assumed at Crombie's IPO. The remaining mortgage terms mature through April 2022, and

management expects to realize a further \$4,837 over that period. The amount of interest rate subsidy received during the year ended December 31, 2011 was \$1,268 (year ended December 31, 2010 – \$1,627).

Growth in acquisition, disposition and redevelopment finance costs is consistent with Crombie's significant acquisition activity in 2010 and 2011.

Amortization of effective swaps and deferred financing charges has been impacted by the increase in amortization of deferred financing charges from \$2,553 in 2010 to \$3,021 in 2011, partially the result of the conversion of Series B Convertible Debentures.

Income Taxes

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

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout the 2010 and 2011 fiscal years. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

Sector Information

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

Retail – Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 25,015	\$ 8,588	\$ 33,603	\$ 24,409	\$ 2,661	\$ 27,070
Property operating expenses	4,931	815	5,746	4,552	169	4,721
Property NOI	\$ 20,084	\$ 7,773	\$ 27,857	\$ 19,857	\$ 2,492	\$ 22,349
NOI Margin %	80.3%	90.5%	82.9%	81.4%	93.6%	82.6%
Actual occupancy %	99.7%	100%	99.8%	100%	100%	100%

Same-asset property revenue and property operating expenses increased due to an increase in the amount of property taxes being paid by Crombie and recovered from tenants.

Retail – Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 71,744	\$ 16,117	\$ 87,861	\$ 70,394	\$ 8,062	\$ 78,456
Property operating expenses	24,311	4,796	29,107	23,409	2,513	25,922
Property NOI	\$ 47,433	\$ 11,321	\$ 58,754	\$ 46,985	\$ 5,549	\$ 52,534
NOI Margin %	66.1%	70.2%	66.9%	66.7%	68.8%	67.0%
Actual occupancy %	94.2%	99.1%	95.3%	95.9%	98.3%	96.2%

Same-asset property revenue increased compared with 2010 as a result of higher recoverable expenses. Same-asset property operating expenses increased primarily due to increases in direct tenant costs and recoverable expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

FINANCIAL RESULTS YEAR TO DATE (cont.)

Retail – Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 42,961	\$ 4,165	\$ 47,126	\$ 41,933	\$ 4,749	\$ 46,682
Property operating expenses	15,733	2,211	17,944	15,265	2,619	17,884
Property NOI	\$ 27,228	\$ 1,954	\$ 29,182	\$ 26,668	\$ 2,130	\$ 28,798
NOI Margin %	63.4%	46.9%	61.9%	63.6%	44.9%	61.7%
Actual occupancy %	94.6%	88.6%	93.7%	94.9%	92.9%	94.6%

Same-asset property revenue increased due to increased base rent and higher recoverable expenditures.

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 17,767	\$ 4,767	\$ 22,534	\$ 16,447	\$ 4,969	\$ 21,416
Property operating expenses	10,812	2,237	13,049	10,261	2,300	12,561
Property NOI	\$ 6,955	\$ 2,530	\$ 9,485	\$ 6,186	\$ 2,669	\$ 8,855
NOI Margin %	39.1%	53.1%	42.1%	37.6%	53.7%	41.3%
Actual occupancy %	82.2%	32.0%	73.2%	83.9%	100%	86.7%

During the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed-use properties to office properties. The impact is an increase in office properties revenue and NOI margin percentage and a decrease in mixed-use properties revenue and NOI margin percentage. The reclassification reflects parking revenue generated by tenants of the office properties.

Mixed – Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Year Ended December 31, 2011			Year Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 31,146	\$ 3,868	\$ 35,014	\$ 32,011	\$ 3,802	\$ 35,813
Property operating expenses	16,436	1,920	18,356	16,419	1,793	18,212
Property NOI	\$ 14,710	\$ 1,948	\$ 16,658	\$ 15,592	\$ 2,009	\$ 17,601
NOI Margin %	47.2%	50.4%	47.6%	48.7%	52.8%	49.1%
Actual occupancy %	93.7%	80.9%	90.7%	94.5%	95.7%	94.8%

During the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed-use properties to office properties. The impact is an increase in office properties revenue and NOI margin percentage and a decrease in mixed-use properties revenue and NOI margin percentage. The reclassification reflects parking revenue generated by tenants of the office properties.

OTHER 2011 PERFORMANCE MEASURES

Per Unit Measures

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

(In thousands of CAD dollars, except as otherwise noted)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Operating income attributable to Unitholders	\$ 38,215	\$ 32,066
Operating income attributable to Unitholders per unit – Basic	\$ 0.56	\$ 0.51
Operating income attributable to Unitholders per unit – Diluted	\$ 0.56	\$ 0.51
FFO – Basic	\$ 74,471	\$ 66,801
FFO – Diluted	\$ 83,168	\$ 76,393
FFO per Unit – Basic	\$ 1.09	\$ 1.06
FFO per Unit – Diluted	\$ 1.04	\$ 1.01
AFFO – Basic	\$ 60,051	\$ 54,783
AFFO – Diluted	\$ 64,062	\$ 59,975
AFFO per Unit – Basic ⁽¹⁾	\$ 0.88	\$ 0.87
AFFO per Unit – Diluted ⁽¹⁾	\$ 0.86	\$ 0.85

(1) Excluding the impact of settling the forward rate swap agreement in the second quarter of 2011, AFFO per unit would have been \$0.91 Basic and \$0.88 Diluted for the year ended December 31, 2011.

Operating income attributable to Unitholders is determined before deducting financing costs – distributions to Unitholders and represents the most equivalent measure to net income available to all Unitholders, had the Units been classified as equity instruments.

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

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

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Basic number of Units for all measures	68,250,912	62,802,083
Diluted for operating income attributable to Unitholders purposes	68,431,285	62,968,162
Diluted for FFO purposes	79,644,833	75,501,805
Diluted for AFFO purposes	74,397,118	70,567,319

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.

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

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Operating income attributable to Unitholders	\$ 38,215	\$ 32,066	\$ 6,149
Finance costs – distributions to Unitholders	(61,283)	(56,090)	(5,193)
Decrease in net assets attributable to Unitholders	\$ (23,068)	\$ (24,024)	\$ 956

FFO and AFFO

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

OTHER 2011 PERFORMANCE MEASURES (cont.)

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 gains or losses from sales of investment properties, depreciation and amortization expense, deferred taxes, impairment losses (or reversals) on investment properties and transaction costs expensed on an investment property acquisition accounted for as a business combination. 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. A calculation of FFO for the year ended December 31, 2011 and December 31, 2010 is as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Decrease in net assets attributable to Unitholders	\$ (23,068)	\$ (24,024)	\$ 956
Add (deduct):			
Finance costs – distributions to Unitholders	61,283	56,090	5,193
Amortization of tenant incentives	5,169	4,489	680
Depreciation of investment properties	25,849	24,463	1,386
Amortization of intangible assets	5,026	6,330	(1,304)
Amortization of deferred leasing costs	512	453	59
Taxes – deferred	(300)	(1,000)	700
FFO	\$ 74,471	\$ 66,801	\$ 7,670

The increase in FFO for the year ended December 31, 2011 was primarily due to higher NOI from 2010 and 2011 acquisition properties and growth in same-asset cash NOI offset in part by higher finance costs related to those acquisitions.

Adjusted Funds from Operations (AFFO)

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

Maintenance Capital Expenditures, Maintenance Tenant Incentives and Leasing Costs

Crombie's policy had been to track actual expenditures on these three cost categories and assess whether there was productive capacity enhancement from the costs incurred. To the extent that the expenditures did not provide productive capacity enhancement, they were charged against AFFO. This had led to volatility in reported AFFO from quarter to quarter as costs are generally not incurred on a consistent basis during the year, or from year to year. In addition, the costs incurred in one reporting period do not necessarily reflect the period of benefit derived from that cost.

In order to better reflect the ongoing impact of maintenance costs on AFFO, Crombie charges AFFO with a normalized rate per square foot for all of these expenditures. Crombie uses an annual rate of \$1.10 per square foot to be charged against AFFO for 2011 and 2010. The rate will be reviewed periodically and adjusted if required. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures for comparative purposes.

The calculation of AFFO for the year ended December 31, 2011 and 2010 is as follows:

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
FFO	\$ 74,471	\$ 66,801	\$ 7,670
Add (deduct):			
Amortization of effective swap agreements	4,327	4,033	294
Straight-line rent adjustment	(3,619)	(3,346)	(273)
Settlement of effective swap agreement	(1,731)	–	(1,731)
Maintenance expenditures on a square footage basis	(13,397)	(12,705)	(692)
AFFO	\$ 60,051	\$ 54,783	\$ 5,268

The AFFO for the year ended December 31, 2011 was \$60,051, an increase of \$5,268 or 9.6% over the same period in 2010, due primarily to the improved FFO results as previously discussed, offset in part by the negative impact of settlement of the swap agreement. Excluding the impact of the swap settlement, AFFO for the year ended December 31, 2011 would have been \$61,782, an increase of \$6,999 or 12.8% over the same period in 2010.

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

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Cash provided by operating activities	\$ 20,022	\$ 18,795	\$ 1,227
Add back (deduct):			
Finance costs – distributions to Unitholders	61,283	56,090	5,193
Settlement of effective swap agreement	(1,731)	–	(1,731)
Change in other non-cash operating items	(3,058)	(4,767)	1,709
Unit-based compensation expense	(47)	(77)	30
Amortization of deferred financing charges	(3,021)	(2,553)	(468)
Maintenance expenditures on a square footage basis	(13,397)	(12,705)	(692)
AFFO	\$ 60,051	\$ 54,783	\$ 5,268

The following provides an analysis of the impact of the transition to IFRS on previously reported non-IFRS measures included in this MD&A.

(In thousands of CAD dollars)	Year Ended Dec. 31, 2010
FFO, as previously reported	\$ 68,675
Adjustments:	
Amortization of above-market leases	3,089
Amortization of below-market leases	(6,158)
Accretion of Notes receivable	380
Recognition of unamortized employee future benefits obligation	815
FFO, as currently reported	\$ 66,801
AFFO, as previously reported	\$ 53,175
Adjustments:	
Maintenance expenditures on a square footage basis	(12,705)
Maintenance capital expenditures, actual	6,286
Maintenance TI and leasing costs, actual	6,832
Accretion of Notes receivable	380
Recognition of unamortized employee future benefits obligation	815
AFFO, as currently reported	\$ 54,783

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

OTHER 2011 PERFORMANCE MEASURES (cont.)

Amortization of above-market and below-market leases was previously included in the determination of property revenue, and thus impacted the calculation of FFO. Under IFRS, these amounts are not recognized as separate intangible assets and liabilities and their amount, if any, is included in the determination of the total value of investment properties with their depreciation included in depreciation of investment properties. These amounts do not impact the calculation of AFFO.

On transition to IFRS, Crombie present valued the long-term note receivable. The note receivable is being accreted with the interest income being recognized as an offset to finance costs – operations. The accretion increases the previously reported FFO and AFFO.

As previously discussed, Crombie is now charging AFFO with a rate per square foot for maintenance expenditures. The impact of this change on previously reported AFFO for the year ended December 31, 2010 is as follows:

AFFO increase	\$	413
AFFO per unit, basic	\$	–
AFFO per unit, diluted	\$	0.01
AFFO payout ratio		0.8%

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

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

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to finance future growth: secured short-term financing through an authorized revolving credit facility of up to \$150,000, of which \$40,000 was drawn at December 31, 2011; the issue of new units; mortgage debt on unencumbered assets; and, unsecured convertible debentures pursuant to the Declaration of Trust.

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

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Operating activities	\$ 20,022	\$ 18,795	\$ 1,227
Financing activities	\$ 134,273	\$ 175,931	\$ (41,658)
Investing activities	\$ (159,411)	\$ (189,556)	\$ 30,145

Operating Activities

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	\$ 16,964	\$ 14,028	\$ 2,936
Non-cash operating items	3,058	4,767	(1,709)
Cash provided by operating activities	\$ 20,022	\$ 18,795	\$ 1,227

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Net issue of loans and borrowings	\$ 62,392	\$ 83,197	\$ (20,805)
Net issue of convertible debentures	–	42,977	(42,977)
Net issue of units	72,858	48,536	24,322
Settlement of interest rate swap agreement	(1,731)	–	(1,731)
Other items (net)	754	1,221	(467)
Cash provided by financing activities	\$ 134,273	\$ 175,931	\$ (41,658)

Cash from financing activities in the year ended December 31, 2011 decreased by \$41,658 over the year ended December 31, 2010. During the year ended December 31, 2010, Crombie raised cash through the issuance of convertible debentures, mortgage refinancing and the issuance of units to finance the acquisitions of investment properties. The primary source of cash from financing activities during the year ended December 31, 2011 was proceeds from mortgage financings and the issuance of units.

Investing Activities

(In thousands of CAD dollars)	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Acquisition of investment properties	\$ (135,360)	\$ (165,394)	\$ 30,034
Proceeds on disposal of investment properties	7,000	–	7,000
Additions to investment properties	(21,863)	(15,589)	(6,274)
Additions to tenant incentives	(8,771)	(8,204)	(567)
Additions to deferred leasing costs	(686)	(628)	(58)
Other items (net)	269	259	10
Cash used in investing activities	\$ (159,411)	\$ (189,556)	\$ 30,145

Cash used in investing activities for the year ended December 31, 2011 was \$159,411. The decrease of \$30,145 from the same period in 2010 is reflective of the reduced cash used in investment property acquisitions.

Tenant Improvement and Capital Expenditures

There are two types of TI and capital expenditures:

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

LIQUIDITY AND CAPITAL RESOURCES (cont.)

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

(In thousands of CAD dollars)	Year Ended Dec. 31 2011	Year Ended Dec. 31 2010
Total additions to investment properties	\$ 21,863	\$ 15,589
Less: amounts recoverable from ECLD	–	–
Net additions to investment properties	21,863	15,589
Less: productive capacity enhancements and recoverable amounts	(16,084)	(10,229)
Maintenance capital expenditures	\$ 5,779	\$ 5,360

(In thousands of CAD dollars)	Year Ended Dec. 31 2011	Year Ended Dec. 31 2010
Total additions to TI and deferred leasing costs	\$ 9,457	\$ 8,832
Less: amounts recoverable from ECLD	–	(214)
Net additions to TI and deferred leasing costs	9,457	8,618
Less: productive capacity enhancements	(1,399)	(860)
Maintenance TI and deferred leasing costs	\$ 8,058	\$ 7,758

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, 2011 are primarily payments for completion of parking deck and structural repairs at the Scotia Square parkade in Halifax, Nova Scotia, roof replacements, and building interior and exterior 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 2011.

Productive capacity enhancements during the year ended December 31, 2011 consisted primarily of redevelopment work on Sydney Shopping Centre in Sydney, Nova Scotia and GLA expansions underway at Taunton & Wilson Plaza in Oshawa, Ontario, Baie Comeau, Quebec, Avalon Mall in St. John's, Newfoundland and Labrador and Beauport Plaza in Beauport, Quebec.

Capital Structure

(In thousands of CAD dollars)	December 31, 2011		December 31, 2010		December 31, 2009 Prepared under Canadian GAAP	
Investment property debt	\$ 878,007	55.4%	\$ 799,127	55.1%	\$ 706,369	54.8%
Convertible debentures	124,351	7.9%	148,433	10.3%	110,858	8.6%
Special Voting Units and Class B Limited Partnership Unitholders	255,174	16.1%	233,774	16.1%	225,367	17.5%
Crombie REIT Unitholders	326,487	20.6%	268,201	18.5%	246,975	19.1%
	\$ 1,584,019	100.0%	\$ 1,449,535	100.0%	\$ 1,289,569	100.0%

Bank Credit Facilities and Investment Property Debt

Crombie has in place an authorized floating rate revolving credit facility of up to \$150,000 (the "Revolving Credit Facility"), of which \$40,000 was drawn as at December 31, 2011. 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 or specified margins over prime rate. The specified margin increases as Crombie's overall debt leverage

increases beyond specific thresholds. Funds available for drawdown pursuant to the Revolving Credit Facility, are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2011, Crombie had sufficient Borrowing Base to permit \$150,000 of funds to be drawn pursuant to the Revolving Credit Facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

As of December 31, 2011, Crombie had fixed rate mortgages outstanding of \$839,086 (\$845,490 after including the fair value debt adjustment of \$6,404), carrying a weighted average interest rate of 5.62% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 7.9 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 swap agreements.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)		Maturing Debt Balances					
Year	Fixed Rate Debt	Floating Rate Debt	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
2012	\$ 3,156	\$ –	\$ 3,156	0.5%	\$ 26,344	\$ 29,500	3.4%
2013	30,042	–	30,042	4.8%	27,865	57,907	6.6%
2014	65,595	40,000	105,595	16.7%	26,177	131,772	15.0%
2015	56,050	–	56,050	8.9%	25,707	81,757	9.3%
2016	50,221	–	50,221	7.9%	22,789	73,010	8.3%
Thereafter	387,044	–	387,044	61.2%	118,096	505,140	57.4%
Total ⁽¹⁾	\$ 592,108	\$ 40,000	\$ 632,108	100.0%	\$ 246,978	\$ 879,086	100.0%

(1) Excludes fair value debt adjustment of \$6,404 and deferred financing costs of \$7,483.

Of the maturing debt balances, 16.7% of fixed rate debt, and 22.0% of total maturing debt balances matures over the next three years. This prudent debt management, coupled with the long-term nature of our lease portfolio, provides stability to Crombie's cash flow and minimizes interest rate risk on maturing debt.

Convertible debentures

(In thousands of CAD dollars)	Series A	Series B	Series C
Issue value	\$ 30,000	\$ 85,000	\$ 45,000
Outstanding amount as at December 31, 2011	\$ 29,985	\$ 52,479	\$ 45,000
Annual interest rate (payable semi-annually)	7.00%	6.25%	5.75%
Conversion price per Unit	\$ 13.00	\$ 11.00	\$ 15.30
Issue date	March 20, 2008	September 30, 2009	February 8, 2010
Maturity date	March 20, 2013	June 30, 2015	June 30, 2017
Trading symbol	CRR.DB	CRR.DB.B	CRR.DB.C

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

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

The Debentures are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion

rate of approximately 76.9231 REIT Units per one thousand principal amount of Series A Debentures, 90.9091 REIT Units per one thousand principal amount of Series B Debentures, and 65.3595 REIT Units per one thousand principal amount of Series C Convertible Debentures. If all conversion rights attaching to the Series A Convertible Debentures, the Series B Convertible Debentures and the Series C Convertible Debentures were exercised, as at December 31, 2011, Crombie would be required to issue approximately 2,306,538 REIT Units, 4,770,818 REIT Units, and 2,941,176 REIT Units, respectively, subject to anti-dilution adjustments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

LIQUIDITY AND CAPITAL RESOURCES (cont.)

The following represents debentures converted from date of issue to January 31, 2012:

Conversion date	Convertible debenture series	Debentures face value (In thousands of CAD dollars)	Units issued
January through December 2010	Series A	\$ 15	1,153
January through December 2010	Series B	6,737	612,448
Conversions to December 31, 2010		6,752	613,601
January 2011 through March 2011	Series B	2,514	228,540
April 2011 through June 2011	Series B	7,645	694,993
July 2011 through September 2011	Series B	15,421	1,401,905
October 2011		—	—
November 2011	Series B	188	17,089
December 2011	Series B	16	1,454
Conversions to December 31, 2011		32,536	2,957,582
January 2012	Series A	29	2,230
January 2012	Series B	25	2,272
Conversions to January 31, 2012		\$ 32,590	2,962,084

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

Based on management's assessment, Crombie has determined to date that no amount should be attributed to the conversion feature. Transaction costs related to the Debentures have been deferred and are being amortized into interest over the term of the Debentures using the effective interest method.

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

On October 20, 2011, Crombie closed a public offering, on a bought deal basis, of 3,510,000 REIT Units at a price of \$12.85 per REIT Unit for gross proceeds of \$45,103. Concurrently with the issue of the REIT Units, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units at a price of \$12.85 per Class B LP Unit for gross proceeds of \$30,000, on a private placement basis.

In March 2011 there were 21,417 REIT Units awarded as part of the Employee Unit Purchase Plan (March 2010 – 17,157 REIT Units). For the year ended December 31, 2011, a total of \$25,784 of 6.25% Series B Convertible Unsecured Subordinated Debentures were converted for a total of 2,343,981 REIT Units.

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

Total units outstanding at January 31, 2012 were as follows:

Units	41,186,383
Special Voting Units ⁽¹⁾	33,115,360

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 33,115,360 Class B LP Units. These Class B LP units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

On March 31, 2011, Crombie announced a normal course issuer bid ("NCIB") where Crombie may purchase for cancellation up to 100,000 of its REIT Units, which represented approximately 0.28% of the outstanding REIT Units, during the period April 4, 2011 to April 3, 2012. The purchases have to be made through the facilities of the TSX. The price that Crombie will pay for any such REIT Units will be the market price at the time of acquisition. Under the TSX

policies, Crombie is entitled to purchase a maximum of 14,387 REIT Units per trading day. Crombie had a previous NCIB which expired March 25, 2011. Under that NCIB, Crombie acquired a total of 50,547 units. During the year ended December 31, 2011, Crombie acquired 21,417 REIT Units under the NCIB which expires April 3, 2012 for total consideration of \$281.

Taxation of Distributions

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

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

Taxation Year	Return of Capital	Investment Income	Capital Gains
2006 per \$ of distribution	40.0%	60.0%	–
2007 per \$ of distribution	25.5%	74.4%	0.1%
2008 per \$ of distribution	27.2%	72.7%	0.1%
2009 per \$ of distribution	51.0%	49.0%	–
2010 per \$ of distribution	64.7%	35.3%	–

Borrowing Capacity and Debt Covenants

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

- annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements; and
- distributions to Unitholders are limited to 100% of Distributable Income as defined in the Revolving Credit Facility.

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

At December 31, 2011, the remaining amount available under the Revolving Credit Facility was \$110,000 (prior to reduction for standby letters of credit outstanding (\$11,523) and negative mark-to-market position on any interest rate swap agreements (\$NIL)) and was not limited by the Aggregate Coverage Amount.

At December 31, 2011, Crombie remained in compliance with all debt covenants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

LIQUIDITY AND CAPITAL RESOURCES (cont.)

Debt to Gross Book Value

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as bank loans plus investment property debt and convertible debentures. Gross book value means, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties (and related intangible assets) 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.

The debt to gross book value was 52.5% at December 31, 2011 compared to 54.8% at December 31, 2010. This leverage ratio is below the maximum 60%, or 65% including convertible debentures, as outlined by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 60% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

(In thousands of CAD dollars, except as otherwise noted)	As at Dec. 31, 2011	As at Sep. 30, 2011	As at Jun. 30, 2011	As at Mar. 31, 2011	As at Dec. 31, 2010
Fixed rate mortgages	\$ 845,490	\$ 786,188	\$ 763,875	\$ 749,657	\$ 755,665
Convertible debentures	127,464	127,668	143,089	150,734	153,248
Revolving credit facility payable	40,000	99,716	100,159	50,000	50,000
Total debt outstanding	1,012,954	1,013,572	1,007,123	950,391	958,913
Less: Applicable fair value debt adjustment	(4,837)	(5,121)	(5,414)	(5,747)	(6,106)
Debt	\$ 1,008,117	\$ 1,008,451	\$ 1,001,709	\$ 944,644	\$ 952,807
Investment properties, cost	\$ 1,742,650	\$ 1,670,531	\$ 1,639,364	\$ 1,586,419	\$ 1,583,210
Below-market lease component, cost	58,064	56,606	55,885	52,148	52,148
Intangible assets, cost	60,648	58,438	57,291	55,776	55,776
Notes receivable	3,367	3,585	3,806	4,065	4,343
Other assets, cost	89,163	85,513	86,526	74,668	72,153
Cash and cash equivalents	54	—	—	1,480	5,170
Deferred financing charges	10,596	10,045	10,711	10,770	11,353
Interest rate subsidy	(4,837)	(5,121)	(5,414)	(5,747)	(6,106)
Fair value adjustment to deferred taxes	(39,245)	(39,245)	(39,245)	(39,245)	(39,245)
Gross book value	\$ 1,920,460	\$ 1,840,352	\$ 1,808,924	\$ 1,740,334	\$ 1,738,802
Debt to gross book value	52.5%	54.8%	55.4%	54.3%	54.8%
Maximum borrowing capacity ⁽¹⁾	65%	65%	65%	65%	65%

(1) Maximum permitted by the Declaration of Trust

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

Debt and Interest Service Coverage

Crombie's interest and debt service coverage ratios for the year ended December 31, 2011 were 2.49 times EBITDA and 1.79 times EBITDA. This compares to 2.41 times EBITDA and 1.74 times EBITDA respectively for the year ended December 31, 2010. 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. EBITDA may not be calculated in a comparable measure reported by other entities.

(In thousands of CAD dollars)	Year Ended Dec. 31 2011	Year Ended Dec. 31 2010
Property revenue	\$ 226,138	\$ 209,437
Amortization of tenant incentives	5,169	4,489
Adjusted property revenue	231,307	213,926
Property operating expenses	(84,202)	(79,300)
General and administrative expenses	(10,654)	(9,762)
EBITDA (1)	\$ 136,451	\$ 124,864
Finance costs – operations	\$ 62,148	\$ 58,410
Amortization of deferred financing charges	(3,021)	(2,553)
Amortization of effective swap agreements	(4,327)	(4,033)
Adjusted interest expense (2)	\$ 54,800	\$ 51,824
Debt repayments	\$ 40,933	\$ 187,067
Amortization of fair value debt premium	(141)	67
Payments relating to interest rate subsidy	(1,268)	(1,627)
Payments relating to Revolving Credit Facility	(10,000)	(56,160)
Lump sum payments on mortgages (net)	(8,071)	(109,240)
Adjusted debt repayments (3)	\$ 21,453	\$ 20,107
Interest service coverage ratio $\{(1)/(2)\}$	2.49	2.41
Debt service coverage ratio $\{(1)/((2)+(3))\}$	1.79	1.74

Distributions and Distribution Payout Ratios

Distribution Policy

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the trustees in their discretion. Crombie intends, subject to approval of the Board of Trustees, to make distributions to Unitholders 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:

(In thousands of CAD dollars, except as otherwise noted)	Year Ended Dec. 31 2011	Year Ended Dec. 31 2010
Distributions to Unitholders	\$ 33,368	\$ 29,657
Distributions to Special Voting Unitholders	27,915	26,433
Total distributions	\$ 61,283	\$ 56,090
FFO payout ratio	82.3%	84.0%
AFFO payout ratio (target ratio = 95%)	102.1%	102.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

FOURTH QUARTER RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Property revenue	\$ 58,682	\$ 55,693	\$ 2,989
Property operating expenses	22,528	21,670	(858)
Property NOI	36,154	34,023	2,131
NOI margin percentage	61.6%	61.1%	0.5%
Other items:			
Lease terminations	5	–	5
Depreciation and amortization	(8,302)	(7,949)	(353)
General and administrative expenses	(2,806)	(1,609)	(1,197)
Operating income before finance costs and income taxes	25,051	24,465	586
Finance costs – operations	(14,978)	(15,532)	554
Operating income before income taxes	10,073	8,933	1,140
Taxes – deferred	600	300	300
Operating income attributable to Unitholders	10,673	9,233	1,440
Finance costs – distributions to Unitholders	(16,530)	(14,702)	(1,828)
Decrease in net assets attributable to Unitholders	\$ (5,857)	\$ (5,469)	\$ (388)
Operating income attributable to Unitholders per Unit, Basic and Diluted	\$ 0.15	\$ 0.14	\$ 0.01
Basic weighted average Units outstanding (in 000's)	72,897	65,835	
Diluted weighted average Units outstanding (in 000's)	73,078	66,014	
Distributions per Unit to Unitholders	\$ 0.22	\$ 0.22	

Operating income attributable to Unitholders for the quarter ended December 31, 2011 of \$10,673 increased by \$1,440 from \$9,233 for the quarter ended December 31, 2010. The increase was primarily due to increased property revenue and property NOI as a result of 2011 and 2010 property acquisitions.

Property Revenue and Property Expenses

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Same-asset property revenue	\$ 48,339	\$ 47,681	\$ 658
Acquisition, disposition and redevelopment property revenue	10,343	8,012	2,331
Property revenue	\$ 58,682	\$ 55,693	\$ 2,989

Same-asset property revenue for the quarter ended December 31, 2011 increased by 1.3% compared to the same quarter in 2010. The property revenue variance was impacted by increases in rental rates offset by lower occupancy rates.

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Same-asset property operating expenses	\$ 19,278	\$ 19,003	\$ (275)
Acquisition, disposition and redevelopment property operating expenses	3,250	2,667	(583)
Property operating expenses	\$ 22,528	\$ 21,670	\$ (858)

Same-asset property operating expenses of \$19,278 for the quarter ended December 31, 2011 were marginally higher than the quarter ended December 31, 2010 due primarily to increased recoverable property taxes.

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Same-asset property NOI	\$ 29,061	\$ 28,678	\$ 383
Acquisition, disposition and redevelopment property NOI	7,093	5,345	1,748
Property NOI	\$ 36,154	\$ 34,023	\$ 2,131

Same-asset NOI for the quarter ended December 31, 2011 increased by \$383 or 1.4% from the quarter ended December 31, 2010, primarily due to increases in rental rates offset in part by lower occupancy rates.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Property NOI	\$ 36,154	\$ 34,023	\$ 2,131
Non-cash straight-line rent	(1,004)	(734)	(270)
Non-cash tenant incentive amortization	1,333	1,126	207
Property cash NOI	36,483	34,415	2,068
Acquisition, disposition and redevelopment property cash NOI	9,285	7,651	1,634
Same-asset property cash NOI	\$ 27,198	\$ 26,764	\$ 434

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentives. The \$434 or 1.6% increase in same-asset cash NOI for the quarter ended December 31, 2011 over December 31, 2010 is primarily due to increases in rental rates offset in part by lower occupancy rates.

Property NOI for the quarter ended December 31, 2011 by province was as follows:

(In thousands of CAD dollars, except as otherwise noted)	2011				2010	
	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	Variance
Nova Scotia	\$ 24,565	\$ 11,236	\$ 13,329	54.3%	52.3%	2.0%
Ontario	9,233	3,193	6,040	65.4%	66.3%	(0.9)%
Newfoundland and Labrador	8,535	2,673	5,862	68.7%	69.7%	(1.0)%
New Brunswick	6,903	2,884	4,019	58.2%	57.9%	0.3%
Quebec	5,543	1,613	3,930	70.9%	71.3%	(0.4)%
Alberta	1,892	293	1,599	84.5%	95.7%	(11.2)%
Prince Edward Island	1,062	348	714	67.2%	72.6%	(5.4)%
Saskatchewan	949	288	661	69.7%	73.3%	(3.6)%
Total	\$ 58,682	\$ 22,528	\$ 36,154	61.6%	61.1%	0.5%

The increase in NOI as a percentage of revenue in Nova Scotia is primarily due to acquisitions. The decrease in NOI as a percentage of revenue in Prince Edward Island is due to the exchange of one freestanding property for a freestanding property in Nova Scotia during the second quarter of 2011. The decrease in NOI as a percentage of revenue in Alberta is reflective of 2010 properties only including freestanding stores, while 2011 results include a retail plaza acquired in May 2011, with the NOI as a percentage of revenue on retail plazas being lower than on freestanding properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

FOURTH QUARTER RESULTS (cont.)

Depreciation and Amortization

(In thousands of CAD dollars)

	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Same-asset depreciation and amortization	\$ 6,721	\$ 7,026	\$ 305
Acquisition, disposition and redevelopment depreciation and amortization	1,581	923	(658)
Depreciation and amortization	\$ 8,302	\$ 7,949	\$ (353)

Same-asset depreciation and amortization of \$6,721 for the quarter ended December 31, 2011 was \$305 or 4.3% lower than the quarter ended December 31, 2010 due primarily to intangible assets related to tenant relationships and certain components of buildings being fully amortized. Depreciation and amortization consists of:

(In thousands of CAD dollars)

	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Depreciation of investment properties	\$ 6,809	\$ 6,383	\$ (426)
Amortization of intangible assets	1,351	1,399	48
Amortization of deferred leasing costs	142	167	25
Depreciation and amortization	\$ 8,302	\$ 7,949	\$ (353)

General and Administrative Expenses

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

	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Salaries and benefits	\$ 1,644	\$ 224	\$ (1,420)
Professional fees	308	465	157
Public company costs	320	341	21
Rent and occupancy	84	203	119
Other	450	376	(74)
General and administrative expenses	\$ 2,806	\$ 1,609	\$ (1,197)
As a percentage of property revenue	4.8%	2.9%	(1.9)%

Salaries and benefits in the fourth quarter of 2010 were favourably impacted by the recognition of actuarial gains on Crombie's benefit plans.

Finance Costs – Operations

(In thousands of CAD dollars)

	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Same-asset finance costs	\$ 10,673	\$ 11,610	\$ 937
Acquisition, disposition and redevelopment finance costs	2,573	2,054	(519)
Amortization of effective swaps and deferred financing charges	1,732	1,868	136
Finance costs – operations	\$ 14,978	\$ 15,532	\$ 554

Same-asset finance costs have decreased by \$937 or 8.1% due to: the conversion of Series B Convertible Debentures; lower interest rates on fixed rate and floating rate debt; and one mortgage maturity that was temporarily refinanced using the Revolving Credit Facility at a lower interest rate.

The weighted average contractual interest rate on fixed rate mortgages decreased to 5.62% at December 31, 2011 from 5.77% at December 31, 2010, as a result of refinancings and acquisitions since December 31, 2010.

Floating rate debt decreased from \$50,000 at December 31, 2010 to \$40,000 at December 31, 2011.

There is an agreement between ECLD and Crombie whereby ECLD provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% on certain mortgages that were assumed at Crombie's IPO for their remaining term. The remaining mortgage terms mature through April 2022. The amount of the interest rate subsidy received during the quarter ended

December 31, 2011 was \$284 (quarter ended December 31, 2010 – \$366). The interest rate subsidy is received by Crombie through monthly repayments by ECLD of amounts due under one of the demand notes issued by ECLD to CDL.

Growth in acquisition, disposition and redevelopment interest expense is consistent with Crombie's significant acquisition activity in 2011 and 2010.

Amortization of effective swaps and deferred financing charges has been impacted by the decrease in amortization of deferred financing charges from \$807 in 2010 to \$541 in 2011, partially the result of conversions of Series B Convertible Debentures in the fourth quarter of 2010 resulting in a higher write-off of deferred financing charges.

Sector Information

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

Retail – Freestanding Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011			Quarter Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 6,419	\$ 2,427	\$ 8,846	\$ 6,037	\$ 1,848	\$ 7,885
Property operating expenses	1,310	242	1,552	1,179	90	1,269
Property NOI	\$ 5,109	\$ 2,185	\$ 7,294	\$ 4,858	\$ 1,758	\$ 6,616
NOI Margin %	79.6%	90.0%	82.5%	80.5%	95.1%	83.9%
Actual occupancy %	99.7%	100%	99.8%	100%	100%	100%

Same-asset property revenue and property operating expenses increased in 2011 compared to 2010 due to an increase in the amount of property taxes being paid by Crombie and recovered from tenants.

Retail – Plaza Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011			Quarter Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 18,064	\$ 4,833	\$ 22,897	\$ 18,546	\$ 2,705	\$ 21,251
Property operating expenses	6,553	1,438	7,991	6,447	715	7,162
Property NOI	\$ 11,511	\$ 3,395	\$ 14,906	\$ 12,099	\$ 1,990	\$ 14,089
NOI Margin %	63.7%	70.2%	65.1%	65.2%	73.6%	66.3%
Actual occupancy %	94.2%	99.1%	95.3%	95.9%	98.3%	96.2%

Same-asset property revenue has decreased 2.6% due to lower recoverable expenditures and lower occupancy rates.

Retail – Enclosed Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011			Quarter Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 11,456	\$ 1,065	\$ 12,521	\$ 10,670	\$ 1,239	\$ 11,909
Property operating expenses	4,277	443	4,720	3,990	706	4,696
Property NOI	\$ 7,179	\$ 622	\$ 7,801	\$ 6,680	\$ 533	\$ 7,213
NOI Margin %	62.7%	58.4%	62.3%	62.6%	43.0%	60.6%
Actual occupancy %	94.6%	88.6%	93.7%	94.9%	92.9%	94.6%

Same-asset retail enclosed property revenue increased by 7.4% due to higher recoverable expenditures and a higher recovery rate. Same-asset enclosed property operating expenses increased by 8.3% compared to 2010 due to higher recoverable expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

FOURTH QUARTER RESULTS (cont.)

Office Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011			Quarter Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 5,193	\$ 1,209	\$ 6,402	\$ 4,168	\$ 1,359	\$ 5,527
Property operating expenses	2,955	569	3,524	3,024	664	3,688
Property NOI	\$ 2,238	\$ 640	\$ 2,878	\$ 1,144	\$ 695	\$ 1,839
NOI Margin %	43.1%	52.9%	45.0%	27.4%	51.1%	33.3%
Actual occupancy %	82.2%	32.0%	73.2%	83.9%	100%	86.7%

During the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed-use properties to office properties. The impact is an increase in office properties revenue and NOI margin percentage and a decrease in mixed-use properties revenue and NOI margin percentage. The reclassification reflects parking revenue generated by tenants of the office properties.

Mixed – Use Properties

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended December 31, 2011			Quarter Ended December 31, 2010		
	Same-asset	Acquisitions, Dispositions & Redevelopments	Total	Same-asset	Acquisitions, Dispositions & Redevelopments	Total
Property revenue	\$ 7,207	\$ 809	\$ 8,016	\$ 8,260	\$ 861	\$ 9,121
Property operating expenses	4,183	558	4,741	4,363	492	4,855
Property NOI	\$ 3,024	\$ 251	\$ 3,275	\$ 3,897	\$ 369	\$ 4,266
NOI Margin %	42.0%	31.0%	40.9%	47.2%	42.9%	46.8%
Actual occupancy %	93.7%	80.9%	90.7%	94.5%	95.7%	94.8%

During the fourth quarter of 2011, Crombie reclassified much of the monthly parking revenue for the year ended December 31, 2011 at Scotia Square Parkade in Halifax, Nova Scotia from mixed-use properties to office properties. The impact is an increase in office properties revenue and NOI margin percentage and a decrease in mixed-use properties revenue and NOI margin percentage. The reclassification reflects parking revenue generated by tenants of the office properties.

OTHER FOURTH QUARTER PERFORMANCE MEASURES

Per Unit Measures

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

(In thousands of CAD dollars, except as otherwise noted)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010
Operating income attributable to Unitholders	\$ 10,673	\$ 9,233
Operating income attributable to Unitholders per unit – Basic	\$ 0.15	\$ 0.14
Operating income attributable to Unitholders per unit – Diluted	\$ 0.15	\$ 0.14
FFO – Basic	\$ 19,708	\$ 18,008
FFO – Diluted	\$ 21,609	\$ 20,409
FFO per Unit – Basic	\$ 0.27	\$ 0.27
FFO per Unit – Diluted	\$ 0.26	\$ 0.26
AFFO – Basic	\$ 16,486	\$ 15,059
AFFO – Diluted	\$ 17,867	\$ 16,936
AFFO per Unit – Basic	\$ 0.23	\$ 0.23
AFFO per Unit – Diluted	\$ 0.22	\$ 0.22

Operating income attributable to Unitholders is determined before deducting financing costs – distributions to Unitholders and represents the most equivalent measure to net income available to all Unitholders, had the Units been classified as equity instruments.

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

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

	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010
Basic number of Units for all measures	72,896,960	65,835,302
Diluted for operating income attributable to Unitholders purposes	73,078,100	66,013,715
Diluted for FFO purposes	83,108,733	78,351,588
Diluted for AFFO purposes	80,802,194	76,044,371

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.

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

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010
Operating income attributable to Unitholders	\$ 10,673	\$ 9,233
Finance costs – distributions to Unitholders	(16,530)	(14,702)
Decrease in net assets attributable to Unitholders	\$ (5,857)	\$ (5,469)

Funds from Operations (FFO)

FFO is as previously defined in this MD&A. The calculation of FFO for the quarter ended December 31, 2011 and 2010 is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Decrease in net assets attributable to Unitholders	\$ (5,857)	\$ (5,469)	\$ (388)
Add (deduct):			
Finance costs – distributions to Unitholders	16,530	14,702	1,828
Amortization of tenant incentives	1,333	1,126	207
Depreciation of investment properties	6,809	6,383	426
Amortization of intangible assets	1,351	1,399	(48)
Amortization of deferred leasing costs	142	167	(25)
Taxes – deferred	(600)	(300)	(300)
FFO	\$ 19,708	\$ 18,008	\$ 1,700

The increase in FFO for the quarter ended December 31, 2011 was primarily due to growth in acquisition property NOI, net of finance cost increases related to the acquisitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

OTHER FOURTH QUARTER PERFORMANCE MEASURES (cont.)

Adjusted Funds from Operations (AFFO)

AFFO is as previously defined in this MD&A. The calculation of AFFO for the quarter ended December 31, 2011 and 2010 is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
FFO	\$ 19,708	\$ 18,008	\$ 1,700
Add (deduct):			
Amortization of effective swap agreements	1,191	1,061	130
Straight-line rent adjustment	(1,004)	(734)	(270)
Maintenance expenditures on a square footage basis	(3,409)	(3,276)	(133)
AFFO	\$ 16,486	\$ 15,059	\$ 1,427

The AFFO for the quarter ended December 31, 2011 was \$16,486, an increase of \$1,427 or 9.5% over the same period in 2010 due primarily to the improved FFO results as previously discussed.

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 provided by (used in) operating activities from the Consolidated Statements of Cash Flows. The reconciliation is as follows:

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in) operating activities	\$ 6,518	\$ 1,332	\$ 5,186
Add (deduct):			
Finance costs – distributions to Unitholders	16,530	14,702	1,828
Change in other non-cash operating items	(2,604)	3,123	(5,727)
Unit-based compensation expense	(8)	(15)	7
Amortization of deferred financing charges	(541)	(807)	266
Maintenance expenditures on a square footage basis	(3,409)	(3,276)	(133)
AFFO	\$ 16,486	\$ 15,059	\$ 1,427

The following provides an analysis of the impact of the transition to IFRS on previously reported non-IFRS measures included in this MD&A.

	Quarter Ended Dec 31, 2010
FFO, as previously reported	\$ 17,834
Adjustments:	
Amortization of above-market leases	765
Amortization of below-market leases	(1,490)
Accretion of Notes receivable	84
Recognition of unamortized employee future benefits obligation	815
FFO, as currently reported	\$ 18,008
AFFO, as previously reported	\$ 15,198
Maintenance expenditures on a square footage basis	(3,276)
Maintenance capital expenditures, actual	1,783
Maintenance TI and leasing costs, actual	455
Accretion of Notes receivable	84
Recognition of unamortized employee future benefits obligation	815
AFFO, as currently reported	\$ 15,059

Amortization of above-market and below-market leases was previously included in the determination of property revenue, and thus impacted the calculation of FFO. Under IFRS, these amounts are not recognized as separate intangible assets and liabilities and their amount, if any, is included in the determination of the total value of investment properties with their depreciation included in depreciation of investment properties. These amounts do not impact the calculation of AFFO.

On transition to IFRS, Crombie present valued the long-term note receivable. The note receivable is being accreted with the interest income being recognized as an offset to finance costs – operations. The accretion increases the previously reported FFO and AFFO.

As previously discussed, Crombie is now charging AFFO using a rate per square foot for maintenance expenditures. The impact of this change on previously reported AFFO for the quarter ended December 31, 2010 is as follows:

AFFO increase (decrease)	\$ (1,038)
AFFO per unit, basic	\$ (0.01)
AFFO per unit, diluted	\$ (0.02)
AFFO payout ratio	(6.3)%

Sources and Uses of Funds

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

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Operating activities	\$ 6,518	\$ 1,332	\$ 5,186
Financing activities	\$ 68,585	\$ 19,849	\$ 48,736
Investing activities	\$ (75,049)	\$ (34,550)	\$ (40,499)

Operating Activities

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	\$ 3,914	\$ 4,455	\$ (541)
Non-cash operating items	2,604	(3,123)	5,727
Cash provided by operating activities	\$ 6,518	\$ 1,332	\$ 5,186

Fluctuations in cash used in operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Net issue of loans and borrowings	\$ (4,461)	\$ 19,527	\$ (23,988)
Net issue of convertible debentures	–	264	(264)
Net issue of Units	72,858	214	72,644
Other items (net)	188	(156)	344
Cash provided by financing activities	\$ 68,585	\$ 19,849	\$ 48,736

Cash from financing activities in the quarter ended December 31, 2011 increased by \$48,736 over the quarter ended December 31, 2010 primarily due to the issuance of new units.

Investing Activities

(In thousands of CAD dollars)	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010	Variance
Cash provided by (used in):			
Acquisition of investment properties	\$ (70,790)	\$ (28,693)	\$ (42,097)
Additions to investment properties	(9,597)	(3,746)	(5,851)
Proceeds on disposal of investment properties	7,000	–	7,000
Additions to TI	(1,686)	(2,021)	335
Additions to deferred leasing costs	(90)	(204)	114
Other items (net)	114	114	–
Cash used in investing activities	\$ (75,049)	\$ (34,550)	\$ (40,499)

In the fourth quarter of 2011, Crombie acquired retail properties with a net cash outlay of \$70,003 excluding closing and transaction costs. In the fourth quarter of 2010, Crombie acquired retail properties with a net cash outlay of \$28,250 excluding closing and transaction costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

OTHER FOURTH QUARTER PERFORMANCE MEASURES (cont.)

Tenant Improvement (TI) and Capital Expenditures

(In thousands of CAD dollars)

	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010
Total additions to investment properties	\$ 9,597	\$ 3,746
Less: amounts recoverable from ECLD	–	–
Net additions to investment properties	9,597	3,746
Less: productive capacity enhancements and recoverable amounts	(7,027)	(3,113)
Maintenance capital expenditures	\$ 2,570	\$ 633

(In thousands of CAD dollars)

	Quarter Ended Dec. 31, 2011	Quarter Ended Dec. 31, 2010
Total additions to TI and deferred leasing costs	\$ 1,776	\$ 2,225
Less: amounts recoverable from ECLD	–	(5)
Net additions to TI and deferred leasing costs	1,776	2,220
Less: productive capacity enhancements	(322)	(839)
Maintenance TI and deferred leasing costs	\$ 1,454	\$ 1,381

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

Productive capacity enhancements during the quarter ended December 31, 2011 consisted primarily of redevelopment work on Sydney Shopping Centre in Sydney, Nova Scotia and GLA expansions underway at Taunton & Wilson Plaza in Oshawa, Ontario, Avalon Mall in St. John's, Newfoundland and Labrador and Beauport Plaza in Beauport, Quebec.

RELATED PARTY TRANSACTIONS

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

As at December 31, 2011, Empire through its wholly-owned subsidiary ECLD, holds a 44.6% (fully diluted 40.4%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Note	Three Months Ended Dec. 31, 2011	Three Months Ended Dec. 31, 2010	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Property revenue	(a)	\$ 19,708	\$ 15,280	\$ 79,424	\$ 66,022
Head lease income	(b)	\$ 395	\$ 346	\$ 841	\$ 808
Management support services provided	(c)	\$ 130	\$ 210	\$ 820	\$ 904
Property management services	(d)	\$ 133	\$ 260	\$ 830	\$ 1,024
Rental expense	(e)	\$ 46	\$ 47	\$ 187	\$ 187
Interest rate subsidy	(b)	\$ 284	\$ 366	\$ 1,268	\$ 1,627
Finance costs – operations	(f)	\$ 206	\$ 233	\$ 877	\$ 939
Finance costs – distributions to Unitholders		\$ 7,368	\$ 6,849	\$ 27,915	\$ 26,433

- (a) Crombie earned property revenue from Sobeys Inc., Empire Theatres and other subsidiaries of Empire Company Limited.
- (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 CDL, Crombie Limited Partnership ("CLP") 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 real estate subsidiaries of Empire on a cost sharing basis pursuant to a Management Cost Sharing Agreement, dated March 23, 2006, between CDL, a subsidiary of Crombie and ECLD, a subsidiary of Empire Company Limited.
- (d) Certain on-site maintenance and management employees of Crombie will provide property management services to certain real estate subsidiaries of Empire on a cost sharing basis pursuant to the Management Cost Sharing Agreement. The costs assumed by Empire pursuant to the Agreement were netted against property expenses.
- (e) Crombie leases its head office space from ECLD. The lease expires December 2027.
- (f) \$10,000 of Series B Convertible Debentures with an annual interest rate of 6.25% is held by Empire.

In addition to the above:

- On October 20, 2011, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECLD purchased 2,334,630 Class B LP Units and the attached Special Voting Units at a price of \$12.85 per Class B LP Unit for gross proceeds of \$30,000, on a private placement basis.
- On October 31, 2011, Crombie repaid \$5,622 in second mortgage financings with a weighted average interest rate of 5.38% held by Empire Company Limited.
- During the fourth quarter of 2011, Crombie acquired three retail properties from subsidiaries of Empire. The properties contain approximately 261,000 square feet and two are located in Nova Scotia and one in Ontario. The total price of

the three acquisitions was approximately \$67,280, excluding closing and transaction costs. In addition, Crombie completed the disposition of a 49,300 square foot freestanding retail property in Riverview, New Brunswick to a subsidiary of Empire Company Limited. The disposition price was \$7,000, which approximated the carrying value of the property. Crombie paid out the mortgage on the property of \$2,449.

- During the third quarter of 2011, Crombie acquired three retail properties for a purchase price of \$24,820, excluding closing and transaction costs. The properties, containing approximately 131,000 square feet, were acquired from subsidiaries of Empire.
- During the second quarter of 2011, Crombie acquired two retail properties for a purchase price of \$27,490, excluding closing and transaction costs. The properties, contain approximately 137,000 square feet, were acquired from subsidiaries of Empire. In addition, Crombie exchanged a property with a subsidiary of Empire. The purchase price of the acquired property and the disposal price of the derecognized property were based on the carrying value of the derecognized property, which approximated their respective fair values.
- During fiscal 2010, Crombie acquired 18 retail properties for a purchase price of \$154,823, excluding closing and transaction costs. The properties, contain approximately 780,000 square feet, were acquired from subsidiaries of Empire. In addition to the above acquisitions, on November 22, 2010, Crombie acquired two retail properties for a purchase price of \$17,000, excluding closing and transaction costs. The properties, containing approximately 87,000 square feet, were acquired from a joint venture of which a subsidiary of Empire was a 50% partner.
- On February 22, 2010 Crombie repaid \$3,471 to ECL General Partner Limited to retire a loan as required under the terms of the agreement.
- On August 4, 2010, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECLD purchased 1,855,000 Class B LP Units and the attached Special Voting Units at a price of \$11.05 per Class B LP Unit for proceeds of \$20,381 net of issue costs, on a private placement basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

RELATED PARTY TRANSACTIONS (cont.)

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 Dec. 31, 2011	Three Months Ended Dec. 31, 2010	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Salary, bonus and other short-term employee benefits	\$ 566	\$ 306	\$ 2,103	\$ 1,889
Other long-term benefits	21	3	147	77
	\$ 587	\$ 309	\$ 2,250	\$ 1,966

Critical Accounting Estimates

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 time, adjusted for the estimated probability of renewal.

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

Investment Properties

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

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

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

Revenue Recognition

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

Use of Estimates and Judgements

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

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

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

Impairment of Long-Lived Tangible and Definite Life Intangible Assets

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

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

Defined Benefit Liability

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

Investment Property Valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, value Crombie's

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

Deferred Taxes

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

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

Purchase Price Allocation

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

Fair Value of Financial Instruments

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

RELATED PARTY TRANSACTIONS (cont.)

Financial Instruments

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

Crombie has classified its financial instruments in the following categories:

- Held to maturity investments – assets related to derecognized property
- Loans and receivables – restricted cash, cash and cash equivalents, notes receivable and trade receivables
- Other financial liabilities – investment property debt, liability related to derecognized property, convertible debentures, tenant improvements and capital expenditures payable, property operating costs payable, interest payable and distributions payable
- Available for sale – derivative instruments

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

	Dec. 31, 2011 Carrying Value	Dec. 31, 2011 Fair Value	Dec. 31, 2010 Carrying Value	Dec. 31, 2010 Fair Value
Assets related to derecognized property	\$ 6,401	\$ 6,547	\$ 6,670	\$ 6,815
Investment property debt	\$ 885,490	\$ 985,627	\$ 805,665	\$ 845,052
Convertible debentures	\$ 127,464	\$ 145,911	\$ 153,248	\$ 166,553
Liabilities related to derecognized property	\$ 5,999	\$ 6,350	\$ 6,171	\$ 6,437

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

Level 1 – quoted prices in active markets

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

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

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

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair values at the balance sheet date.

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

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

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

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

COMMITMENTS AND CONTINGENCIES

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

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

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its Investment properties, defeasing Investment property debt and satisfying mortgage financing requirements. Crombie has \$408 in standby letters

of credit for construction work that is being performed on its investment properties. In connection with the defeasance of the derecognized property investment property debt, Crombie has issued a standby letter of credit in the amount of \$1,715 in favour of the mortgage lender. In addition, to satisfy the requirements of mortgage financings, Crombie has issued standby letters of credit in the amount of \$9,400 in favour of mortgage lenders. 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 13 to 73 years including renewal options. For the year ended December 31, 2011, Crombie paid \$1,175 in land lease payments to third party landlords (year ended December 31, 2010 – \$1,010).

As at December 31, 2011, Crombie has signed construction contracts totalling \$9,697 of which \$6,861 has been paid.

RISK MANAGEMENT

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

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Tenant Risks

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

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Crombie than those of an existing lease. The ability to rent unleased space in the properties in which Crombie has an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors. Management utilizes staggered lease

maturities so that Crombie is not required to lease unusually large amounts of space in any given year. In addition, the diversification of our property portfolio by geographic location, tenant mix and asset type also help to mitigate this risk.

Credit Risk

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

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2011:

- Excluding Sobeys (which accounts for 37.0% of Crombie's minimum rent), no other tenant accounts for more than 2.2% of Crombie's minimum rent; and
- Over the next five years, leases on no more than 8.1% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue of \$79,424 for the year ended December 31, 2011 (year ended December 31, 2010 – \$66,022) from subsidiaries of Empire.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivables 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

RISK MANAGEMENT (cont.)

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

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

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Provision for doubtful accounts, beginning of period	\$ 699	\$ 326
Additional provision	301	624
Recoveries	(143)	(86)
Write-offs	(456)	(165)
Provision for doubtful accounts, end of period	\$ 401	\$ 699

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, 37.0% 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 is also heavily concentrated in Atlantic Canada. An economic downturn concentrated in the Atlantic Canada region could also adversely

impact Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2011 are as follows:

- 46 properties in Nova Scotia comprising 38.6%;
- 28 properties in Ontario comprising 17.1%;
- 22 properties in New Brunswick comprising 11.4%;
- 18 properties in Quebec comprising 9.4%;
- 13 properties in Newfoundland and Labrador comprising 15.4%;
- seven properties in Alberta comprising 4.2%;
- two properties in Prince Edward Island comprising 2.2%; and
- two properties in Saskatchewan comprising 1.7%.

Crombie's growth strategy of expansion outside of Atlantic Canada is predicated on reducing the geographic concentration risk. The percentage of annual minimum rent earned in Atlantic Canada has decreased from 68.9% at December 31, 2010 to 67.6% at December 31, 2011.

Interest Rate Risk

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

As at December 31, 2011:

- Crombie's weighted average term to maturity of the fixed rate mortgages was 7.9 years; and
- Crombie has a floating rate revolving credit facility available to a maximum of \$150,000, with a balance of \$40,000 at December 31, 2011. Crombie's exposure to floating rate debt was reduced by a \$50,000 fixed interest rate swap agreement discussed below. Crombie did not renew or replace the fixed interest rate agreements which expired July 4, 2011.

Crombie had entered into an interest rate swap agreement to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount. The unfavourable mark-to-market exposure was included in payables and the change in the mark-to-market adjustment has been recognized in other comprehensive income (loss). The mark-to-market amount of the fixed interest rate swap reduced to \$Nil upon maturity of the swap on July 4, 2011.

Crombie estimates that \$4,145 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2012, based on all settled swap agreements as of December 31, 2011.

A fluctuation in interest rates would have had an impact on Crombie's operating income. 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
Year ended December 31, 2011	\$ 517	\$ (517)
Year ended December 31, 2010	\$ 526	\$ (526)

Impact on other comprehensive income due to changes in fair value of derivatives designated as a cash flow hedge	Decrease in rate	Increase in rate
December 31, 2011	\$ NIL	\$ (NIL)
December 31, 2010	\$ (478)	\$ (460)

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

Although Crombie did not renew or replace its fixed interest rate swap agreement, there has been no significant change to Crombie's interest rate risk.

Liquidity Risk

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

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest into the portfolio through capital expenditures, as well as fund tenant improvement costs and make distributions to Unitholders. Debt repayment requirements are primarily funded

from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

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

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

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

	Contractual Cash Flows ⁽¹⁾	2012	2013	2014	2015	2016	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,141,590	\$ 75,175	\$ 101,904	\$ 130,491	\$ 116,640	\$ 103,616	\$ 613,764
Convertible debentures	155,737	7,967	36,313	5,868	56,707	2,588	46,294
	1,297,327	83,142	138,217	136,359	173,347	106,204	660,058
Floating rate revolving credit	43,200	1,280	1,280	40,640	–	–	–
Total	\$ 1,340,527	\$ 84,422	\$ 139,497	\$ 176,999	\$ 173,347	\$ 106,204	\$ 660,058

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

(2) Reduced by the interest rate subsidy payments to be received from ECLD.

Environmental Matters

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

Such laws provide that Crombie could become liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may

be present at or under its properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect Crombie's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against Crombie by public or private parties by way of civil action.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

RISK MANAGEMENT (cont.)

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

Potential Conflicts of Interest

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

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

Reliance on Key Personnel

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

Reliance on ECL and Other Empire Affiliates

ECL has agreed to support Crombie under an omnibus subsidy agreement and to pay ongoing rent pursuant to a head lease and a ground lease. In addition, a significant portion of Crombie's rental income will be received from tenants that are affiliates of Empire. Finally, ECL has obligations to indemnify Crombie in respect to the cost of environmental remediation of certain properties acquired by Crombie from ECL to a maximum permitted amount. There is no certainty that ECL will be able to perform its obligations to Crombie in connection with these agreements.

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

Prior Commercial Operations

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

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

Risk Factors Related to the Units

Cash Distributions Are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by Crombie's properties. The ability of Crombie to make cash distributions and the actual amount distributed are entirely dependent on the operations and assets of Crombie and its subsidiaries, and are subject to various factors including financial performance, obligations under applicable credit facilities, the sustainability of income derived from anchor tenants and capital expenditure requirements. Cash available to Crombie to fund distributions may be limited from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures and redemptions of Units,

if any. Crombie may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The market value of the Units will deteriorate if Crombie is unable to maintain its distribution in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Restrictions on Redemptions

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

Potential Volatility of Unit Prices

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

Tax-Related Risk Factors

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

Income fund or REIT structures in which there is a significant corporate subsidiary such as CDL generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. Management believes that the interest expense inherent in the structure of Crombie is supportable and reasonable in the circumstances; however, there can be no assurance that taxation

authorities will not seek to challenge the amount of interest expense deducted on the debt owing by CDL to Crombie LP. If such a challenge were to succeed, it could adversely affect the amount of cash available for distribution.

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

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

On June 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the "Act") was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or 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, 2009, 2010 and 2011 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

RISK MANAGEMENT (cont.)

Indirect Ownership of Units by Empire

ECLD holds a 44.6% (fully diluted 40.4%) economic interest in Crombie through the ownership of Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, ECL is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units

in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Debentures

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

SUBSEQUENT EVENTS

On January 19, 2012, Crombie declared distributions of 7.417 cents per unit for the period from January 1, 2012 to, and including, January 31, 2012. The distributions of \$5,511 were paid on February 15, 2012 to Unitholders of record as January 31, 2012.

On February 17, 2012, Crombie declared distributions of 7.417 cents per unit for the period from February 1, 2012 to, and including, February 29, 2012. The distributions will be paid on March 15, 2012 to Unitholders of record as at February 29, 2012.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. Our Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2011. They have concluded that our current disclosure controls and procedures are designed to provide, and do operate to provide, reasonable assurance that (i) information required to be disclosed by Crombie in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding Crombie is accumulated and communicated to Crombie's management, including its Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

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

QUARTERLY INFORMATION

The following table shows information for revenues, 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)	Quarter Ended				Quarter Ended			
	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sep. 30, 2010	Jun. 30, 2010	Mar. 31, 2010
Property revenue	\$ 58,682	\$ 54,781	\$ 56,357	\$ 56,318	\$ 55,693	\$ 51,450	\$ 50,936	\$ 51,358
Property operating expenses	22,528	19,611	20,639	21,424	21,670	18,936	18,686	20,008
Property net operating income	36,154	35,170	35,718	34,894	34,023	32,514	32,250	31,350
Expenses:								
General and administrative	(2,806)	(2,487)	(2,861)	(2,500)	(1,609)	(2,627)	(3,003)	(2,523)
Finance costs – operations	(14,978)	(16,075)	(15,684)	(15,411)	(15,532)	(14,706)	(14,642)	(13,530)
Depreciation and amortization	(8,302)	(7,718)	(7,610)	(7,757)	(7,949)	(7,536)	(7,639)	(8,122)
Operating income before other items and income taxes	10,068	8,890	9,563	9,226	8,933	7,645	6,966	7,175
Other items	5	–	163	–	–	162	185	–
Operating income before income taxes	10,073	8,890	9,726	9,226	8,933	7,807	7,151	7,175
Taxes – deferred	600	200	(600)	100	300	300	400	–
Operating income	10,673	9,090	9,126	9,326	9,233	8,107	7,551	7,175
Finance costs – distributions to Unitholders	(16,530)	(15,132)	(14,870)	(14,751)	(14,702)	(14,251)	(13,569)	(13,568)
Increase (decrease) in net assets attributable to Unitholders	\$ (5,857)	\$ (6,042)	\$ (5,744)	\$ (5,425)	\$ (5,469)	\$ (6,144)	\$ (6,018)	\$ (6,393)
Basic and diluted operating income per unit	\$ 0.15	\$ 0.13	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.13	\$ 0.12	\$ 0.12
AFFO	\$ 16,486	\$ 14,851	\$ 13,456	\$ 15,259	\$ 15,062	\$ 13,668	\$ 12,969	\$ 13,087
FFO	\$ 19,708	\$ 17,977	\$ 18,457	\$ 18,329	\$ 18,008	\$ 16,584	\$ 15,886	\$ 16,323
Distributions	\$ 16,530	\$ 15,132	\$ 14,870	\$ 14,751	\$ 14,702	\$ 14,251	\$ 13,569	\$ 13,568
AFFO per unit – basic	\$ 0.23	\$ 0.22	\$ 0.20	\$ 0.23	\$ 0.23	\$ 0.21	\$ 0.21	\$ 0.22
AFFO per unit – diluted ⁽¹⁾	\$ 0.22	\$ 0.22	\$ 0.20	\$ 0.22	\$ 0.22	\$ 0.21	\$ 0.21	\$ 0.21
FFO per unit – basic	\$ 0.27	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.27	\$ 0.26	\$ 0.26	\$ 0.27
FFO per unit – diluted ⁽¹⁾	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.25	\$ 0.25	\$ 0.26
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 includes the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

QUARTERLY INFORMATION (cont.)

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

- Property acquisitions – during the fourth quarter of 2011, Crombie acquired three retail plazas and a freestanding addition to an existing property for a total purchase price of the \$72,878; during the third quarter of 2011, Crombie acquired three retail properties for a purchase price of \$24,820; during the quarter ended June 30, 2011, acquired three retail properties for a total purchase price of \$49,340; during the quarter ended December 31, 2010, acquired three retail properties for \$28,250; during the quarter ended September 30, 2010, acquired nine retail properties for \$84,297; and during the quarter ended March 31, 2010, Crombie acquired eight retail properties for a total purchase price of \$59,276. The purchase prices exclude closing and transaction costs.
- Property revenue and property operating expenses – Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include such expenses as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include such expenses as paving and roof repairs.
- General and administrative expenses – for the quarter ended June 30, 2010, general and administrative expenses increased due to costs associated with the departure of Crombie's Chief Financial Officer.

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 \$72,858 in the quarter ended December 31, 2011 and \$48,536 in the quarter ended September 30, 2010.

Variations in Quarterly Results Influenced by the Change in Accounting Standards

Effective from January 1, 2010, Crombie's results are reported using IFRS, while reported results prior to that date are prepared using Canadian GAAP. The quarterly information for 2010 has been restated from Canadian GAAP to IFRS and the most significant impacts of the change in accounting standards on the previously reported 2010 quarterly information are:

- Finance costs – distributions to Unitholders – On transition to IFRS, Crombie's REIT Units and Class B LP Units are classified as financial liabilities, whereas under Canadian GAAP the REIT Units were classified as equity and the Class B LP Units were classified as Non-controlling interest within the equity section. The impact of this change in classification is that distributions paid to Unitholders are considered a finance cost on the financial liabilities.

- Depreciation and amortization – Crombie has chosen the cost method under IFRS for valuation of its investment properties. Crombie elected to adjust certain properties and components of properties to fair value as deemed cost on transition to IFRS. As a result of the election, depreciation and amortization for the quarters reported under IFRS is less than that for the quarters reported under Canadian GAAP. The impact of the change on total depreciation and amortization for the year ended December 31, 2010 was a decrease of \$4,563 from the amount previously reported under Canadian GAAP. This decrease is primarily the result of increased land values on transition offset by decreased values for depreciable components of investment properties.
- In addition, the presentation of amortization has changed under IFRS. Previously, amortization of above-market and below-market lease intangibles was included in Property revenue, while Amortization of tenant incentives was included in depreciation expenses. Under IFRS, the amounts previously considered above-market and below-market lease intangibles are now included in the cost of the building component of Investment properties and a separate Intangible asset is recognized for Tenant relationships. The building is depreciated through Depreciation of investment properties and the Amortization of tenant incentives is included in Property revenue versus previously being included in Depreciation and Amortization expense.
- Property revenue – As a result of the change in the presentation of amortization of above-market and below-market lease intangibles and the Amortization of tenant incentives, Property revenue decreased from the amounts previously reported as follows:

Three months ended:

March 31, 2010	\$	1,863
June 30, 2010	\$	1,876
September 30, 2010	\$	1,968
December 31, 2010	\$	1,852

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

Dated: February 22, 2012
Stellarton, Nova Scotia, Canada

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

(signed)

Donald E. Clow, FCA
President and
Chief Executive Officer

February 22, 2012

(signed)

Glenn R. Hynes, FCA
Chief Financial Officer
and Secretary

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Crombie Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Crombie Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010, and January 1, 2010 and the consolidated statements of comprehensive income (loss), changes in net assets attributable to unitholders and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crombie Real Estate Investment Trust as at December 31, 2011, December 31, 2010 and, January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

(signed "Grant Thornton LLP")

Chartered Accountants
New Glasgow, Canada

February 22, 2012

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(In thousands of CAD dollars)	Note	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010 (Note 25)
Assets				
Non-current assets				
Investment properties	3	\$ 1,622,083	\$ 1,487,992	\$ 1,329,196
Intangible assets	4	26,232	26,258	27,167
Other assets	5	56,436	49,170	43,433
Notes receivable	6	2,440	3,368	4,673
		1,707,191	1,566,788	1,404,469
Current assets				
Cash and cash equivalents		54	5,170	–
Other assets	5	20,610	16,303	17,641
Notes receivable	6	927	975	1,248
		21,591	22,448	18,889
Total Assets		1,728,782	1,589,236	1,423,358
Liabilities				
Non-current liabilities				
Investment property debt	7	847,201	698,539	581,989
Convertible debentures	8	124,351	148,433	110,858
Deferred taxes	9	82,400	82,700	83,700
Employee future benefits obligation	10	7,069	5,875	5,782
Trade and other payables	11	5,818	5,999	6,171
		1,066,839	941,546	788,500
Current liabilities				
Investment property debt	7	30,806	100,588	124,380
Employee future benefits obligation	10	214	212	212
Trade and other payables	11	49,262	44,915	43,908
		80,282	145,715	168,500
Total liabilities excluding net assets attributable to Unitholders		1,147,121	1,087,261	957,000
Net assets attributable to Unitholders		\$ 581,661	\$ 501,975	\$ 466,358
Net assets attributable to Unitholders represented by				
Crombie REIT Unitholders		\$ 326,487	\$ 268,201	\$ 243,846
Special Voting Units and Class B Limited Partnership Unitholders		255,174	233,774	222,512
		\$ 581,661	\$ 501,975	\$ 466,358
Commitments and contingencies	21			
Subsequent events	22			

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Trustees

(signed)

John Eby
Trustee

(signed)

Frank Sobey
Trustee

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of CAD dollars)	Note	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
			(Note 25)
Property revenue	12	\$ 226,138	\$ 209,437
Property operating expenses		84,202	79,300
Net property income		141,936	130,137
Lease terminations		168	347
Depreciation of investment properties		(25,849)	(24,463)
Amortization of intangible assets		(5,026)	(6,330)
Amortization of deferred leasing costs		(512)	(453)
General and administrative expenses		(10,654)	(9,762)
Operating income before finance costs and income taxes		100,063	89,476
Finance costs – operations	15	(62,148)	(58,410)
Operating income before income taxes		37,915	31,066
Taxes – deferred	9	300	1,000
Operating income attributable to Unitholders		38,215	32,066
Finance costs – distributions to Unitholders		(61,283)	(56,090)
Decrease in net assets attributable to Unitholders		(23,068)	(24,024)
Other comprehensive income			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs – operations		4,327	4,033
Net change in derivatives designated as cash flow hedges		758	1,046
Change in employee future benefits obligation	10	(970)	(608)
Other comprehensive income		4,115	4,471
Comprehensive income (loss)		\$ (18,953)	\$ (19,553)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(In thousands of CAD dollars)	REIT Units, Special Voting Units and Class B LP Units	Operating Income	Finance Costs – Distributions	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Attributable To		
						Total	REIT Units	Class B LP Units
	(Note 17)							
Balance, January 1, 2011	\$ 629,709	\$ 113,389	\$ (212,001)	\$ (29,264)	\$ 142	\$ 501,975	\$ 268,201	\$ 233,774
Units released under EUPP	58	–	–	–	(58)	–	–	–
Units issued under EUPP	281	–	–	–	–	281	281	–
Loans receivable under EUPP	(281)	–	–	–	–	(281)	(281)	–
EUPP compensation	–	–	–	–	47	47	47	–
Repayment of EUPP loans receivable	231	–	–	–	–	231	231	–
Conversion of debentures	25,784	–	–	–	–	25,784	25,784	–
Units acquired and cancelled under NCIB	(281)	–	–	–	–	(281)	(281)	–
Statements of comprehensive income (loss)	–	38,215	(61,283)	4,115	–	(18,953)	(10,530)	(8,423)
Unit issue proceeds, net of costs of \$2,245	72,858	–	–	–	–	72,858	43,035	29,823
Balance, December 31, 2011	\$ 728,359	\$ 151,604	\$ (273,284)	\$ (25,149)	\$ 131	\$ 581,661	\$ 326,487	\$ 255,174

(In thousands of CAD dollars)	REIT Units, Special Voting Units and Class B LP Units	Operating Income	Finance Costs – Distributions	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Attributable To		
						Total	REIT Units	Class B LP Units
	(Note 17)							
Balance, January 1, 2010	\$ 574,608	\$ 81,323	\$ (155,911)	\$ (33,735)	\$ 73	\$ 466,358	\$ 243,846	\$ 222,512
Units released under EUPP	8	–	–	–	(8)	–	–	–
Units issued under EUPP	565	–	–	–	–	565	565	–
Loans receivable under EUPP	(565)	–	–	–	–	(565)	(565)	–
EUPP compensation	–	–	–	–	77	77	77	–
Repayment of EUPP loans receivable	409	–	–	–	–	409	409	–
Conversion of debentures	6,752	–	–	–	–	6,752	6,752	–
Units acquired and cancelled under NCIB	(604)	–	–	–	–	(604)	(604)	–
Statements of comprehensive income (loss)	–	32,066	(56,090)	4,471	–	(19,553)	(10,434)	(9,119)
Unit issue proceeds, net of costs of \$1,466	48,536	–	–	–	–	48,536	28,155	20,381
Balance, December 31, 2010	\$ 629,709	\$ 113,389	\$ (212,001)	\$ (29,264)	\$ 142	\$ 501,975	\$ 268,201	\$ 233,774

See accompanying notes to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of CAD dollars)	Note	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Cash flows provided by (used in)			
Operating Activities			
Decrease in net assets attributable to Unitholders		\$ (23,068)	\$ (24,024)
Items not affecting operating cash	17	40,032	38,052
		16,964	14,028
Change in other non-cash operating items	17	3,058	4,767
Cash provided by (used in) operating activities		20,022	18,795
Financing Activities			
Issue of investment property debt		105,629	273,222
Increase in deferred financing charges		(2,304)	(2,958)
Repayment of investment property debt		(40,933)	(187,067)
Issue of convertible debentures		–	45,000
Issue costs of convertible debentures		–	(2,023)
Units and Class B LP Units issued		75,103	50,002
Units and Class B LP Units issue costs		(2,245)	(1,466)
Units acquired and cancelled under NCIB		(281)	(604)
Repayment of EUPP loans receivable		231	409
Settlement of effective interest rate swap agreement		(1,731)	–
Decrease in liabilities related to derecognized property		(172)	(163)
Collection of notes receivable		976	1,579
Cash provided by financing activities		134,273	175,931
Investing Activities			
Acquisition of investment properties		(135,360)	(165,394)
Additions to investment properties		(21,863)	(15,589)
Proceeds on disposal of investment properties		7,000	–
Additions to tenant incentives		(8,771)	(8,204)
Additions to deferred leasing costs		(686)	(628)
Decrease in assets related to derecognized properties		269	259
Cash used in investing activities		(159,411)	(189,556)
Net change in cash and cash equivalents		(5,116)	5,170
Cash and cash equivalents, beginning of year		5,170	–
Cash and cash equivalents, end of year		\$ 54	\$ 5,170

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is the acquisition of retail and office space for purposes of leasing. Crombie is registered in Canada and the address of its registered office is 115 King Street, Stellarton, Nova Scotia, Canada, B0K 1S0. The consolidated financial statements for the years ended December 31, 2011 and December 31, 2010 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The consolidated financial statements were authorized for issue by the Board of Trustees on February 22, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements reflect Crombie's first IFRS financial statements for the year ended December 31, 2011 and are covered by IFRS 1, First-time Adoption of IFRS.

An explanation of how the transition to IFRS has affected the previously reported balance sheet, statement of unitholders' equity, total comprehensive income and cash flows of Crombie is provided in Note 25.

(b) Basis of presentation

The consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value through operating income ("FVTPL") or designated as available for sale, ("AFS") that have been measured at fair value. On transition from Canadian generally accepted accounting principles ("GAAP") to IFRS, effective January 1, 2010, certain investment properties, or components thereof, were re-measured to their fair value, and this fair value was used as the deemed cost of the property on that date.

(c) Presentation of financial statements

In accordance with IFRS 1, Crombie presents an opening balance sheet in its first IFRS financial statements as at the date of transition to IFRS (January 1, 2010). In subsequent periods, when Crombie: (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items on the balance sheet; it will present an additional balance sheet as at the beginning of the earliest comparative period.

(d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2011. Subsidiaries are all entities over which Crombie has the power to control the financial and operating policies so as to benefit from its activities. All subsidiaries have a reporting date of December 31, 2011.

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

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

(e) Investment properties

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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

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

Buildings – 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 time, 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.

(f) Intangible assets

Intangible assets include the value of tenant relationships.

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

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

(g) Cash and cash equivalents

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

(h) Assets held for sale and discontinued operations

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

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

(i) Convertible debentures

Debentures with conversion features are assessed at inception as to the value of both the conversion feature and the debt component. Crombie applies the residual method in determining the values of the conversion feature and the debt component. Interest payments to debenture holders are presented as finance costs – operations. Issue costs on convertible debentures are netted against the convertible debentures and amortized over the original life of the convertible debentures using the effective interest method.

(j) Employee future benefits obligation

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

benefit obligation is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the obligation. The defined benefit plan and post-retirement benefit plan are unfunded.

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

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

(k) Employee unit purchase plan (“EUPP”)

Crombie has a unit purchase plan for certain employees, which is described in Note 16. Loans granted to employees to purchase units under the plan are accounted for as a reduction to net assets attributable to Unitholders.

(l) Revenue recognition

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

(m) Leasing

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

Operating leases

(i) Crombie as lessor

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

(ii) Crombie as lessee

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

(n) Deferred financing charges

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

(o) Finance costs – operations

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

(p) Finance costs – distributions to Unitholders

The determination to declare and make payable distributions from Crombie is at the discretion of the Board of Trustees and, until declared payable by the Board of Trustees, Crombie has no contractual obligation to pay cash distributions to Unitholders. During the year ended December 31, 2011, \$61,283 (year ended December 31, 2010 – \$56,090) in cash distributions were declared payable by the Board of Trustees to Crombie Unitholders and Crombie Limited Partnership Unitholders (the “Class B LP Units”).

(q) Income taxes

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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

(r) Hedges

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

Crombie had a fixed interest rate swap agreement, which expired during the current year, designated as a cash flow hedge. Crombie had identified the hedge against increases in benchmark interest rates and had formally documented all relationships between the derivative financial instrument and hedged items, as well as the risk management strategy and objectives.

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

Crombie currently has no cash flow or fair value hedges outstanding.

(s) Comprehensive income (loss)

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

(t) Provisions

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

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

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

Employee future benefits obligation is Crombie's only material provision and is separately disclosed on the balance sheet. All other provisions are immaterial and are included in trade and other payables.

(u) Financial instruments

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

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

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

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

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

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. Crombie does not currently have any embedded derivatives in its contracts that require separate accounting treatment.

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

(v) Net Assets Attributable to Unitholders

(i) Balance Sheet presentation

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

(ii) Balance Sheet measurement

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(iii) Statement of Comprehensive Income (Loss) presentation

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

(iv) Presentation of Per Unit Measures

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

(v) Allocation of Comprehensive Income (Loss)

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

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

(w) Use of estimates and judgements

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

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

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

Impairment of long-lived tangible and definite life intangible assets

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

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

Defined benefit liability

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

Investment property valuation

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

Deferred taxes

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

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

Purchase price allocation

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

Fair value of financial instruments

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

The fair value of other financial instruments is based 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.

(x) Future changes in accounting standards

(i) IFRS 9 – Financial Instruments

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

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

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

(ii) IAS 12 – Deferred Tax: Recovery of Underlying Assets

The International Accounting Standards Board ("IASB") has published some limited scope amendments to IAS 12 Income Taxes, which are relevant only when an entity elects to use the fair value model for measurement in IAS 40 Investment Property. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. To provide a practical approach in such cases, the amendment introduces a presumption that an investment property is recovered entirely through sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment. This guidance has been incorporated into IAS 12 as part of the amendments.

This standard is effective for fiscal years beginning on or after January 1, 2012; however, earlier application is permitted. Crombie does not currently use the fair value model for measurement in IAS 40; therefore there is no anticipated impact from this standard.

(iii) IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was issued by the IASB on October 7, 2010 and contains amendments to the existing IFRS 7. The amendments to IFRS 7 enhance disclosure requirements with respect to transfers of financial assets. The amendments of IFRS 7 are effective for fiscal years beginning on or after July 1, 2011. Crombie is currently evaluating the impact of this standard.

(iv) IFRS 10 – Consolidated Financial Statements

IFRS 10 was issued by the IASB on May 12, 2011 and will replace the current IAS 27 Consolidated and Separate Financial Statements. The new standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This new standard is effective for fiscal years beginning on or after January 1, 2013. Crombie is currently evaluating the impact of this standard.

(v) IFRS 11 – Joint Arrangements

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

(vi) IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 was issued by the IASB on May 12, 2011 and establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off-balance sheet vehicles. This new standard is effective for fiscal years beginning on or after January 1, 2013. Crombie is currently evaluating the impact of this standard.

(vii) IFRS 13 – Fair Value Measurement

IFRS 13 was issued by the IASB on May 12, 2011 and is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value, and outlines requirements for disclosures of fair value measurements. The new standard is effective for fiscal years beginning on or after January 1, 2013. Crombie is currently evaluating the impact of this standard.

3. INVESTMENT PROPERTIES

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

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2010	\$ 368,037	\$ 1,028,934	\$ 2,781	\$ 1,399,752
Acquisitions	50,319	118,012	–	168,331
Additions	70	14,562	644	15,276
Derecognition	–	–	(149)	(149)
Balance, December 31, 2010	418,426	1,161,508	3,276	1,583,210
Accumulated depreciation and amortization				
Opening balance, January 1, 2010	–	69,719	837	70,556
Depreciation and amortization	–	24,463	453	24,916
Derecognition	–	(105)	(149)	(254)
Balance, December 31, 2010	–	94,077	1,141	95,218
Net carrying value, December 31, 2010	\$ 418,426	\$ 1,067,431	\$ 2,135	\$ 1,487,992
Net carrying value, January 1, 2010	\$ 368,037	\$ 959,215	\$ 1,944	\$ 1,329,196

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

	Fair Value	Carrying Value
December 31, 2011	\$ 1,918,000	\$ 1,703,995
December 31, 2010	\$ 1,739,000	\$ 1,561,992
January 1, 2010	\$ 1,457,000	\$ 1,397,356

Carrying value includes investment properties, intangible assets, and accrued straight-line rent receivable and tenant incentives which are included in other assets. Fair value represents the amount at which the properties could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's length transaction at the date of valuation.

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

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

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

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

As at December 31, 2011, all properties have been subjected to external, independent appraisal over the last two years.

The fair value included in this summary reflects the fair value of the property as at December 31, 2011 and 2010, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

3. INVESTMENT PROPERTIES (cont.)

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

	Weighted Average Rate	Impact of a 0.25% change in Capitalization Rate	
		Increase in rate	Decrease in rate
December 31, 2011	7.37%	\$ (64,000)	\$ 68,000
December 31, 2010	7.70%	\$ (55,000)	\$ 59,000
January 1, 2010	8.24%	\$ (42,000)	\$ 45,000

Investment Property Acquisitions

The operating results of acquired properties are included from the respective date of acquisition.

2011

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

All of the above properties, excluding the properties acquired on May 2, 2011 and December 19, 2011, were acquired from, exchanged with or sold to subsidiaries of Empire Company Limited, a related party. The initial purchase price for the acquired properties stated above excludes closing and transaction costs. The purchase price of the acquired property and the disposal price of the derecognized property on May 20, 2011, were based on the carrying value of the derecognized property, which approximated their respective fair values.

No gain or loss on disposal was realized. The disposition on October 31, 2011, also approximated the carrying value of the property and no gain or loss on disposal was recognized. The balance of the acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate Revolving Credit Facility and with proceeds from the October 20, 2011 \$75,103 REIT and Class B LP units offering.

2010

Acquisition Date	Properties Acquired	Approximate Square Footage	Initial Purchase Price	Assumed Mortgages	New Mortgages
February 22, 2010	5	186,000	\$ 31,530	\$ 8,358	\$ –
March 24, 2010	3	147,000	27,746	–	19,000
September 28, 2010	9	400,000	84,297	–	59,770
October 28, 2010	1	47,000	11,250	–	7,700
November 22, 2010	2	87,000	17,000	–	11,900
		867,000	\$ 171,823	\$ 8,358	\$ 98,370

All of the above properties, excluding the properties acquired on November 22, 2010, were acquired from subsidiaries of Empire Company Limited, a related party. The two retail properties acquired on November 22, 2010 were acquired from a joint venture of which a subsidiary of Empire Company Limited was a partner. The initial purchase price stated above excludes closing and transaction costs. The balance of the February and March 2010 acquisitions, after deducting assumed and new mortgage proceeds, was funded through Crombie's floating rate Revolving Credit Facility. The September 28, 2010 acquisition was financed with new mortgage proceeds and the balance was funded with proceeds from the August 4, 2010 \$50,000 REIT and Class B LP units offering. The balance of the October and November 2010 acquisitions, after deducting new mortgage proceeds, was funded with proceeds from the August 4, 2010 \$50,000 REIT and Class B LP units offering.

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

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Investment property acquired, net:		
Land	\$ 39,141	\$ 50,319
Buildings	113,367	118,012
Intangible assets	5,323	5,421
Fair value debt adjustment on assumed mortgages	(1,543)	–
Net purchase price	156,288	173,752
Assumed mortgages	(13,585)	(8,358)
	\$ 142,703	\$ 165,394
Consideration funded by:		
Revolving Credit Facility	\$ 33,684	\$ 51,610
Mortgage financing	84,230	71,170
Cash from REIT unit offering	24,789	42,614
Total consideration paid	\$ 142,703	\$ 165,394

4. INTANGIBLE ASSETS

Tenant Relationships	Cost	Accumulated amortization	Net carrying value
Balance, January 1, 2011	\$ 55,776	\$ 29,518	\$ 26,258
Acquisitions	5,323	–	5,323
Amortization	–	5,026	(5,026)
Derecognition	(451)	(128)	(323)
Balance, December 31, 2011	\$ 60,648	\$ 34,416	\$ 26,232
Balance, January 1, 2010	\$ 50,355	\$ 23,188	\$ 27,167
Acquisitions	5,421	–	5,421
Amortization	–	6,330	(6,330)
Balance, December 31, 2010	\$ 55,776	\$ 29,518	\$ 26,258

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

5. OTHER ASSETS

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Trade receivables	\$ 7,767	\$ 5,965	\$ 7,732
Provision for doubtful accounts	(401)	(699)	(326)
Net trade receivables	7,366	5,266	7,406
Accrued straight-line rent receivable	17,785	14,294	10,948
Tenant incentives	37,895	33,448	30,045
Prepaid expenses	6,289	5,568	5,531
Restricted cash	1,310	227	215
Assets related to derecognized property	6,401	6,670	6,929
	\$ 77,046	\$ 65,473	\$ 61,074

During the fourth quarter of 2008, Crombie defeased the mortgage associated with a derecognized property. The transaction did not qualify for defeasance accounting, therefore the defeased loan and related asset have not been removed from the balance sheet. The defeased loan is payable in monthly payments of \$42 and bears interest at 5.46%, was originally amortized over 25 years and is due April 1, 2014. Crombie purchased Government of Canada bonds and treasury bills and Canada mortgage bonds and pledged them as security to the mortgage company. The bonds have maturity dates to September 15, 2013, have a weighted average interest rate of 3.61% and have been placed in escrow. The assets and liabilities related to the derecognized property are measured at amortized cost using the effective interest method, until April 1, 2014 at which time they will be extinguished.

Tenant incentives	Cost	Accumulated amortization	Net carrying value
Balance, January 1, 2011	\$ 46,798	\$ 13,350	\$ 33,448
Additions	9,618	–	9,618
Amortization	–	5,169	(5,169)
Derecognition	(3)	(1)	(2)
Balance, December 31, 2011	\$ 56,413	\$ 18,518	\$ 37,895
Balance, January 1, 2010	\$ 40,006	\$ 9,961	\$ 30,045
Additions	8,189	–	8,189
Amortization	–	4,489	(4,489)
Derecognition	(1,397)	(1,100)	(297)
Balance, December 31, 2010	\$ 46,798	\$ 13,350	\$ 33,448

6. NOTES RECEIVABLE

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

The balance of each note is as follows:

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Capital expenditure program	\$ 105	\$ 105	\$ 436
Interest rate subsidy	3,262	4,238	5,485
	\$ 3,367	\$ 4,343	\$ 5,921

7. INVESTMENT PROPERTY DEBT

	Range	Weighted average interest rate	Weighted average term to maturity	Dec. 31, 2011
Fixed rate mortgages	4.06–7.30%	5.62%	7.9 years	\$ 845,490
Floating rate Revolving Credit Facility		3.20%	2.5 years	40,000
Deferred financing charges				(7,483)
				\$ 878,007

	Range	Weighted average interest rate	Weighted average term to maturity	Dec. 31, 2010
Fixed rate mortgages	4.53–7.30%	5.77%	7.4 years	\$ 755,665
Floating rate Revolving Credit Facility		2.32%	0.5 years	50,000
Deferred financing charges				(6,538)
				\$ 799,127

	Range	Weighted average interest rate	Weighted average term to maturity	Jan. 1, 2010
Fixed rate mortgages	4.82–8.00%	5.66%	5.8 years	\$ 604,992
Floating rate Revolving Credit Facility		1.53%	1.5 years	106,160
Deferred financing charges				(4,783)
				\$ 706,369

As at December 31, 2011, debt retirements for the next 5 years are:

12 Months ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
December 31, 2012	\$ 26,344	\$ 3,156	\$ –	\$ 29,500
December 31, 2013	27,865	30,042	–	57,907
December 31, 2014	26,177	65,595	40,000	131,772
December 31, 2015	25,707	56,050	–	81,757
December 31, 2016	22,789	50,221	–	73,010
Thereafter	118,096	387,044	–	505,140
	\$ 246,978	\$ 592,108	\$ 40,000	879,086
Deferred financing charges				(7,483)
Unamortized fair value debt adjustment				6,404
				\$ 878,007

Specific investment properties with a carrying value of \$1,625,674 as at December 31, 2011 (December 31, 2010 – \$1,463,705) are currently pledged as security for mortgages or provided as security for the floating rate Revolving Credit Facility. Carrying value includes investment properties, intangible assets, and accrued straight-line rent and tenant incentives which are included in other assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

7. INVESTMENT PROPERTY DEBT (cont.)

Mortgage activity during 2011

Date		Number of mortgages	Rates	Terms in years	Amortization periods in years	Proceeds (repayments)
May 2, 2011	Assumed	1	6.66%	8	25	\$ 10,708
May 2, 2011	New	1	5.78%	8	25	1,000
May 10, 2011	Refinancing	1	5.36%	15	20	15,283
May 10, 2011	Refinancing	(1)	5.35%	3	23	(15,283)
June 29, 2011	New	1	5.06%	20	25	7,100
July 4, 2011	Matured	(1)	7.85%	–	–	(8,204)
July 29, 2011	New	1	5.04%	20	25	13,000
August 24, 2011	New	1	5.18%	20	25	7,600
September 15, 2011	New	1	4.23%	10	25	9,130
September 29, 2011	New	1	4.46%	15	20	7,000
October 31, 2011	Repayment	(8)	5.38%	–	–	(5,622)
October 31, 2011	Repayment	(1)	4.82%	–	–	(2,449)
November 3, 2011	New	2	4.80%	20	25	8,000
December 15, 2011	New	1	4.61%	20	25	16,000
December 15, 2011	New	1	4.50%	10	25	5,000
December 15, 2011	New	1	4.06%	10	25	25,000
December 16, 2011	New	1	4.50%	10	25	16,800
December 19, 2011	Assumed	1	5.87%	3	25	2,877
						\$ 112,940

The floating rate Revolving Credit Facility has a maximum principal amount of \$150,000 and is used by Crombie for working capital purposes and to provide financing for future acquisitions. It is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers' acceptance rates or specific margins over prime rate. The specified margin increases as Crombie's overall debt leverage increases beyond specific thresholds. During the second quarter of 2011, the floating rate Revolving Credit Facility was extended and matures June 30, 2014.

See Note 19(a) for fair value information.

8. CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Series A (CRR.DB)	\$ 13.00	Mar. 20, 2013	7.00%	\$ 29,985	\$ 29,985	\$ 30,000
Series B (CRR.DB.B)	\$ 11.00	Jun. 30, 2015	6.25%	52,479	78,263	85,000
Series C (CRR.DB.C)	\$ 15.30	Jun. 30, 2017	5.75%	45,000	45,000	–
Deferred financing charges				(3,113)	(4,815)	(4,142)
				\$ 124,351	\$ 148,433	\$ 110,858

	Conversion Price	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	To Jan. 1, 2010
Debt Conversion				
Series A	\$ 13.00	\$ –	\$ 15	\$ –
Series B	\$ 11.00	25,784	6,737	–
		\$ 25,784	\$ 6,752	\$ –
REIT Units Issued		2,343,981	613,601	–

As at December 31, 2011, debenture retirements for the next 5 years are:

12 Months ending	Series A	Series B	Series C	Total
December 31, 2012	\$ –	\$ –	\$ –	\$ –
December 31, 2013	29,985	–	–	29,985
December 31, 2014	–	–	–	–
December 31, 2015	–	52,479	–	52,479
December 31, 2016	–	–	–	–
Thereafter	–	–	45,000	45,000
	\$ 29,985	\$ 52,479	\$ 45,000	127,464
Deferred financing charges				(3,113)
				\$ 124,351

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

The Debentures are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate of approximately 76.9231 REIT Units per one thousand principal amount of Series A Convertible Debentures, 90.9091 REIT Units per one thousand principal amount of Series B Convertible Debentures and 65.3595 REIT Units per one thousand principal amount of Series C Convertible Debentures. If all conversion rights attaching to the Series A Convertible Debentures, the Series B Convertible Debentures and the Series C Convertible Debentures were exercised, as at December 31, 2011, Crombie would be required to issue approximately 2,306,538 REIT Units, 4,770,818 REIT Units, and 2,941,176 REIT Units, respectively, subject to anti-dilution adjustments.

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

Based on management’s assessment, Crombie has determined to date that no amount should be attributed to the conversion feature. Transaction costs related to the Debentures have been deferred and are being amortized into finance costs over the term of the Debentures using the effective interest method.

See Note 19(a) for fair value information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

9. INCOME TAXES

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

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

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

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Tax liabilities relating to difference in tax and book value	\$ 93,837	\$ 92,592	\$ 91,389
Tax asset relating to non-capital loss carry-forward	(11,437)	(9,892)	(7,689)
Deferred tax liability	\$ 82,400	\$ 82,700	\$ 83,700

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

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Provision for income taxes at the expected rate	\$ (11,848)	\$ (10,216)
Tax effect of income attribution to Crombie's Unitholders	12,948	9,516
Decreased (increased) income tax resulting from a change in the expected rate	(800)	1,700
Taxes – deferred	\$ 300	\$ 1,000

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

10. EMPLOYEE FUTURE BENEFITS

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

Defined contribution pension plans

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

Defined benefit pension plans

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

The total defined benefit cost related to pension plans and post-retirement benefit plans for the year ended December 31, 2011 was \$438 (year ended December 31, 2010 – \$(303)).

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

	Most recent valuation date	Next required valuation date
Senior Management Pension Plan	December 31, 2011	December 31, 2014
Post-Retirement Benefit Plans	May 1, 2010	May 1, 2013

Defined benefit plans

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

	Dec. 31, 2011		Dec. 31, 2010	
	Senior Management Pension Plan	Post-Retirement Benefit Plans	Senior Management Pension Plan	Post-Retirement Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	\$ 2,850	\$ 3,237	\$ 2,693	\$ 3,301
Impact of assumption changes	–	–	–	–
Current service cost	82	42	59	129
Interest cost	142	172	146	208
Actuarial losses	356	614	152	456
Benefits paid	(200)	(12)	(200)	(12)
Plan amendments	–	–	–	(845)
Termination benefits	–	–	–	–
Balance, end of year	3,230	4,053	2,850	3,237
Plan Assets				
Fair value, beginning of the year	–	–	–	–
Employer contributions	200	12	200	12
Benefits paid	(200)	(12)	(200)	(12)
Fair value, end of year	–	–	–	–
Funded status – deficit	3,230	4,053	2,850	3,237
Current portion	200	14	200	12
Non-current portion	3,030	4,039	2,650	3,225
Accrued benefit obligation recorded as a liability	\$ 3,230	\$ 4,053	\$ 2,850	\$ 3,237
Net expense				
Current service cost	\$ 82	\$ 42	\$ 59	\$ 129
Interest cost	142	172	146	208
Plan amendments	–	–	–	(845)
Termination benefits	–	–	–	–
Net expense	\$ 224	\$ 214	\$ 205	\$ (508)

Amendments to Crombie's post-retirement benefit plans were announced in November 2010 as a result of modifications made for certain employees who will retire after May 1, 2011. The financial impact of these post-retirement benefit changes has been taken into account when the amendments were communicated to employees and the one-time impact of these changes has been treated as a past service event followed by a curtailment.

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

	Dec. 31, 2011		Dec. 31, 2010	
	Senior Management Pension Plan	Post-Retirement Benefit Plans	Senior Management Pension Plan	Post-Retirement Benefit Plans
Discount rate – accrued benefit obligation	4.00%	4.25%	5.00%	5.25%
Discount rate – periodic cost	5.00%	5.25%	5.50%	6.25-5.25%
Rate of compensation increase	4.00%	N/A	4.00%	N/A

For measurement purposes, an 8.50% annual rate in the per capita cost of covered health care benefits was assumed. The cumulative rate expectation to 2018 is 5.0%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

10. EMPLOYEE FUTURE BENEFITS (cont.)

The table below outlines the sensitivity of the fiscal 2011 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses.

	Senior Management Pension Plan		Post-Retirement Benefit Plans	
	Benefit Obligations	Benefit Cost ⁽¹⁾	Benefit Obligations	Benefit Cost ⁽¹⁾
Discount Rate	4.00%	5.00%	4.25%	5.25%
Impact of: 1% increase	\$ (330)	\$ (8)	\$ (672)	\$ (8)
1% decrease	\$ 397	\$ 11	\$ 561	\$ 8
Growth rate of health costs ⁽²⁾			8.50%	8.50%
Impact of: 1% increase			\$ 755	\$ 44
1% decrease			\$ (608)	\$ (35)

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

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

For the year ended December 31, 2011, the net defined contribution pension plans expense was \$562 (year ended December 31, 2010 – \$366).

11. TRADE AND OTHER PAYABLES

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Tenant incentives and capital expenditures	\$ 19,084	\$ 19,063	\$ 20,209
Property operating costs	17,231	12,967	10,575
Advance rents	3,631	1,862	2,069
Finance costs on investment property debt and debentures	3,624	3,460	2,836
Distributions payable	5,511	4,903	4,522
Fair value of interest rate swap agreements	–	2,488	3,534
Liabilities related to derecognized property (Note 5)	5,999	6,171	6,334
	\$ 55,080	\$ 50,914	\$ 50,079

12. PROPERTY REVENUE

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Rental revenue contractually due from tenants	\$ 225,320	\$ 207,987
Contingent rental revenue	2,368	2,593
Straight-line rent recognition	3,619	3,346
Tenant incentive amortization	(5,169)	(4,489)
	\$ 226,138	\$ 209,437

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

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	\$ 71,770	31.7%	\$ 60,923	29.1%

13. OPERATING LEASES

Crombie as a Lessor

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

Year Ended Dec. 31,	2012	2013	2014	2015	2016	Thereafter	Total
Future minimum rental income	\$ 145,764	\$ 137,913	\$ 128,312	\$ 119,400	\$ 110,681	\$ 908,193	\$ 1,550,263

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from 13 to 73 years including renewal options:

Year Ended Dec. 31,	2012	2013	2014	2015	2016	Thereafter	Total
Future minimum rental income	\$ 1,210	\$ 1,227	\$ 1,228	\$ 1,229	\$ 1,231	\$ 47,225	\$ 53,350

14. EMPLOYEE BENEFIT EXPENSE

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

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Wages and salaries	\$ 16,041	\$ 15,329
Post-employment benefits	562	366
	\$ 16,603	\$ 15,695

15. FINANCE COSTS – OPERATIONS

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Fixed rate mortgages	\$ 50,413	\$ 45,818
Floating rate term, revolving and demand facilities	3,038	3,000
Convertible debentures	8,697	9,592
Finance costs – operations	62,148	58,410
Amortization of fair value debt adjustment and accretion income	1,702	1,940
Change in accrued finance costs	(164)	(624)
Amortization of effective swap agreements	(4,327)	(4,033)
Amortization of deferred financing charges	(3,021)	(2,553)
Finance costs – operations, paid	\$ 56,338	\$ 53,140

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

16. UNITS OUTSTANDING

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2011	35,327,900	\$ 335,068	30,780,730	\$ 294,641	66,108,630	\$ 629,709
Units issued (proceeds are net of issue costs)	3,510,000	43,035	2,334,630	29,823	5,844,630	72,858
Units issued under EUPP	21,417	281	–	–	21,417	281
Units released under EUPP	–	58	–	–	–	58
Net change in						
EUPP loans receivable	–	(50)	–	–	–	(50)
Conversion of debentures	2,343,981	25,784	–	–	2,343,981	25,784
Units acquired and cancelled under NCIB	(21,417)	(281)	–	–	(21,417)	(281)
Balance, December 31, 2011	41,181,881	\$ 403,895	33,115,360	\$ 324,464	74,297,241	\$ 728,359

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2010	32,044,299	\$ 300,348	28,925,730	\$ 274,260	60,970,029	\$ 574,608
Units issued (proceeds are net of issue costs)	2,670,000	28,155	1,855,000	20,381	4,525,000	48,536
Units issued under EUPP	50,547	565	–	–	50,547	565
Units released under EUPP	–	8	–	–	–	8
Net change in						
EUPP loans receivable	–	(156)	–	–	–	(156)
Conversion of debentures	613,601	6,752	–	–	613,601	6,752
Units acquired and cancelled under NCIB	(50,547)	(604)	–	–	(50,547)	(604)
Balance, December 31, 2010	35,327,900	\$ 335,068	30,780,730	\$ 294,641	66,108,630	\$ 629,709

Crombie REIT Units

Crombie is authorized to issue an unlimited number of REIT Units and an unlimited number of SVU and Class B LP Units. Issued and outstanding REIT Units may be subdivided or consolidated from time to time by the Trustees without the approval of the Unitholders. REIT Units are redeemable at any time on demand by the holders at a price per REIT Unit equal to the lesser of: (i) 90% of the weighted average price per Crombie REIT Unit during the period of the last 10 days during which Crombie's REIT Units traded; and (ii) an amount equal to the price of Crombie's REIT Units on the date of redemption, as defined in the Declaration of Trust.

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

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

On March 31, 2011, Crombie announced a normal course issuer bid ("NCIB") where Crombie may purchase for cancellation up to 100,000 of its REIT Units, which represented approximately 0.28% of the outstanding REIT Units, during the period April 4, 2011 to April 3, 2012. The purchases have to be made through the facilities of the TSX. The price that Crombie will pay for any such REIT Unit will be the market price at the time of acquisition. Under the TSX policies, Crombie is entitled to purchase a maximum of 14,387 REIT Units per trading day. Crombie had a previous NCIB which expired March 25, 2011. Under that NCIB, Crombie acquired a total of 50,547 REIT Units. During the year ended December 31, 2011, Crombie acquired 21,417 REIT Units under the NCIB which expires April 3, 2012.

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

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

On August 4, 2010, Crombie closed a public offering, on a bought deal basis, of 2,670,000 Units at a price of \$11.05 per Unit for proceeds of \$28,155 net of issue costs.

Crombie REIT SVU and Class B LP Units

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

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

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

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

On August 4, 2010, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 1,855,000 Class B LP Units and the attached SVUs at a price of \$11.05 per Class B LP Unit for proceeds of \$20,381 net of issue costs, on a private placement basis.

Employee Unit Purchase Plan

Crombie provides for REIT Unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP will allow executives to purchase REIT Units from treasury at the average daily high and low board lot trading prices per REIT Unit on the TSX for the five trading days preceding the issuance. Executives are provided non-recourse loans at 3% annual interest by Crombie for the purpose of acquiring REIT Units from treasury and the REIT Units purchased are held as collateral for the loan. The loan is repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as well as the after-tax portion of any Long-Term Incentive Plan cash awards received, as payments on interest and principal. As at December 31, 2011, there are loans receivable from executives of \$1,651 under Crombie's EUPP, representing 181,140 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2011 was \$2,540.

The compensation expense related to the EUPP for the year ended December 31, 2011 was \$47 (year ended December 31, 2010 – \$77).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

17. SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Items not affecting operating cash:		
Accrued straight-line rent	\$ (3,619)	\$ (3,346)
Amortization of tenant incentives	5,169	4,489
Depreciation of investment properties	25,849	24,463
Amortization of intangible assets	5,026	6,330
Amortization of deferred leasing costs	512	453
Unit based compensation	47	77
Amortization of effective swap agreements	4,327	4,033
Amortization of deferred financing charges	3,021	2,553
Taxes – deferred	(300)	(1,000)
	\$ 40,032	\$ 38,052

b) Change in other non-cash operating items

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Cash provided by (used in):		
Trade receivables	\$ (2,100)	\$ 2,140
Prepaid expenses and other assets	(1,873)	(49)
Payables and other liabilities	7,031	2,676
	\$ 3,058	\$ 4,767

18. RELATED PARTY TRANSACTIONS

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

As at December 31, 2011, Empire Company Limited, through its wholly-owned subsidiary ECL Developments Limited, holds a 44.6% (fully diluted 40.4%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Note	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Property revenue	(a)	\$ 79,424	\$ 66,022
Head lease income	(b)	\$ 841	\$ 808
Management support services provided	(c)	\$ 820	\$ 904
Property management services	(d)	\$ 830	\$ 1,024
Rental expense	(e)	\$ 187	\$ 187
Interest rate subsidy	(b)	\$ 1,268	\$ 1,627
Finance costs – operations	(f)	\$ 877	\$ 939
Finance costs – distributions to Unitholders		\$ 27,915	\$ 26,433

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

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

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

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

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

(f) \$10,000 of Series B Convertible Debentures with an annual interest rate of 6.25% is held by Empire Company Limited.

In the addition to the above:

- On October 20, 2011, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 2,334,630 Class B LP Units and the attached SVUs at a price of \$12.85 per Class B LP Unit for proceeds of \$29,823 net of issue costs, on a private placement basis.
- On October 31, 2011, Crombie repaid \$5,622 in second mortgage financings with a weighted average interest rate of 5.38% held by Empire Company Limited.
- During the fourth quarter of 2011, Crombie acquired three retail properties from subsidiaries of Empire Company Limited. The properties contain approximately 261,000 square feet and two are located in Nova Scotia and one in Ontario. The total price of the three acquisitions was approximately \$67,280, excluding closing and transaction costs. In addition, Crombie completed the disposition of a 49,300 square foot freestanding retail property in Riverview, New Brunswick to a subsidiary of Empire Company Limited. The disposition price was \$7,000, which approximated the carrying value of the property. Crombie paid out the mortgage on the property of \$2,449.
- During the third quarter of 2011, Crombie acquired three retail properties for a purchase price of \$24,820, excluding closing and transaction costs. The properties, containing approximately 131,000 square feet, were acquired from subsidiaries of Empire Company Limited.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

18. RELATED PARTY TRANSACTIONS (cont.)

- During the second quarter of 2011, Crombie acquired two retail properties for a purchase price of \$27,490, excluding closing and transaction costs. The properties, containing approximately 137,000 square feet, were acquired from subsidiaries of Empire Company Limited. In addition, Crombie exchanged a property with a subsidiary of Empire Company Limited. The purchase price of the acquired property and the disposal price of the derecognized property were based on the carrying value of the derecognized property, which approximated their respective fair values.
- During fiscal 2010, Crombie acquired 18 retail properties for a purchase price of \$154,823, excluding closing and transaction costs. The properties, containing approximately 780,000 square feet, were acquired from subsidiaries of Empire Company Limited. In addition to the above acquisitions, on November 22, 2010, Crombie acquired two retail properties for a purchase price of \$17,000, excluding closing and transaction costs. The properties, containing approximately 87,000 square feet, were acquired from a joint venture of which a subsidiary of Empire Company Limited was a 50% partner.
- On February 22, 2010 Crombie repaid \$3,471 to ECL General Partner Limited to retire a loan as required under the terms of the agreement.
- On August 4, 2010, concurrently with a public offering of units, in satisfaction of its pre-emptive right, ECL Developments Limited purchased 1,855,000 Class B LP Units and the attached SVUs at a price of \$11.05 per Class B LP Unit for proceeds of \$20,381 net of issue costs, on a private placement basis.

Key management personnel compensation

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

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

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
Salary, bonus and other short-term employee benefits	\$ 2,103	\$ 1,889
Other long-term benefits	147	77
	\$ 2,250	\$ 1,966

19. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

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

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair values at the balance sheet date.

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

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

	December 31, 2011		December 31, 2010		January 1, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets related to derecognized property	\$ 6,401	\$ 6,547	\$ 6,670	\$ 6,815	\$ 6,929	\$ 7,066
Investment property debt	\$ 885,490	\$ 985,627	\$ 805,665	\$ 845,052	\$ 711,152	\$ 708,401
Convertible debentures	\$ 127,464	\$ 145,911	\$ 153,248	\$ 166,553	\$ 115,000	\$ 120,200
Liabilities related to derecognized property	\$ 5,999	\$ 6,350	\$ 6,171	\$ 6,437	\$ 6,334	\$ 6,270

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

Level 1 – quoted prices in active markets

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

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

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

Level 1:

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

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

Level 3:

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

b) Risk management

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

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. A provision for doubtful accounts is taken for all anticipated collectibility risks (Note 5).

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at December 31, 2011:

- Excluding Sobeys (which accounts for 37.0% of Crombie's minimum rent), no other tenant accounts for more than 2.2% of Crombie's minimum rent, and;
- Over the next five years, no more than 8.1% of the gross leasable area of Crombie will expire in any one year.

As outlined in Note 18, Crombie earned property revenue of \$79,424 for the year ended December 31, 2011 (year ended December 31, 2010 – \$66,022) from Sobeys Inc., Empire Theatres and other subsidiaries of Empire Company Limited.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

19. FINANCIAL INSTRUMENTS (cont.)

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

	For the Year Ended Dec. 31, 2011	For the Year Ended Dec. 31, 2010
Provision for doubtful accounts, beginning of period	\$ 699	\$ 326
Additional provision	301	624
Recoveries	(143)	(86)
Write-offs	(456)	(165)
Provision for doubtful accounts, end of period	\$ 401	\$ 699

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities, limiting the use of permanent floating rate debt and utilizing interest rate swap agreements. As at December 31, 2011:

Crombie's weighted average term to maturity of the fixed rate mortgages was 7.9 years, and

Crombie has a floating rate Revolving Credit Facility available to a maximum of \$150,000, with a balance of \$40,000 at December 31, 2011. Crombie's exposure to floating rate debt was reduced by a \$50,000 fixed interest rate swap agreement discussed below. Crombie did not renew or replace the fixed interest rate swap agreement which expired July 4, 2011.

Crombie had entered into an interest rate swap agreement to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount. The unfavourable mark-to-market exposure was included in trade and other payables and the change in the mark-to-market adjustment has been recognized in other comprehensive income (loss). The mark-to-market amount of the fixed interest rate swap reduced to \$Nil upon maturity of the swap on July 4, 2011.

Crombie estimates that \$4,145 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2012, based on all settled swap agreements as of December 31, 2011.

A fluctuation in interest rates would have had an impact on Crombie's operating income. 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
Year Ended December 31, 2011	\$ 517	\$ (517)
Year Ended December 31, 2010	\$ 526	\$ (526)
	Impact of a 0.5% interest rate change	
Impact on other comprehensive income due to changes in fair value of derivatives designated as a cash flow hedge	Decrease in rate	Increase in rate
December 31, 2011	\$ –	\$ –
December 31, 2010	\$ (478)	\$ 460

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

Although Crombie did not renew or replace its fixed interest rate swap agreement, there has been no significant change to Crombie's interest rate risk.

Liquidity risk

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

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the finance costs on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund 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 debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 20, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

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

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

		Year Ended December 31,					
	Contractual Cash Flows ⁽¹⁾	2012	2013	2014	2015	2016	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,141,590	\$ 75,175	\$ 101,904	\$ 130,491	\$ 116,640	\$ 103,616	\$ 613,764
Convertible debentures	155,737	7,967	36,313	5,868	56,707	2,588	46,294
	1,297,327	83,142	138,217	136,359	173,347	106,204	660,058
Floating rate							
Revolving Credit Facility	43,200	1,280	1,280	40,640	–	–	–
Total	\$1,340,527	\$ 84,422	\$ 139,497	\$ 176,999	\$ 173,347	\$ 106,204	\$ 660,058

(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.

20. CAPITAL MANAGEMENT

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

Crombie's capital structure consists of the following:

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Investment property debt	\$ 878,007	\$ 799,127	\$ 706,369
Convertible debentures	124,351	148,433	110,858
Crombie REIT Unitholders	326,487	268,201	243,846
SVU and Class B LP Unitholders	255,174	233,774	222,512
	\$ 1,584,019	\$ 1,449,535	\$ 1,283,585

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

20. CAPITAL MANAGEMENT (cont.)

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

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Fixed rate mortgages	\$ 845,490	\$ 755,665	\$ 604,992
Convertible debentures	127,464	153,248	115,000
Revolving Credit Facility	40,000	50,000	106,160
Total debt outstanding	1,012,954	958,913	826,152
Less: Applicable fair value debt adjustment	(4,837)	(6,106)	(7,733)
Debt	\$ 1,008,117	\$ 952,807	\$ 818,419
Investment properties, cost	\$ 1,742,650	\$ 1,583,210	\$ 1,399,752
Below-market lease component, cost ⁽¹⁾	58,064	52,148	50,047
Intangible assets, cost	60,648	55,776	50,355
Notes receivable	3,367	4,343	5,921
Other assets, cost (see below)	89,163	72,153	64,106
Cash and cash equivalents	54	5,170	–
Deferred financing charges	10,596	11,353	8,925
Interest rate subsidy	(4,837)	(6,106)	(7,733)
Fair value adjustment to deferred taxes	(39,245)	(39,245)	(39,245)
	\$ 1,920,460	\$ 1,738,802	\$ 1,532,128
Debt to gross book value	52.5%	54.8%	53.4%

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

Other assets are calculated as follows:

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Other assets per Note 5	\$ 77,046	\$ 65,473	\$ 61,074
Add back (deduct):			
Tenant incentive accumulated amortization	18,518	13,350	9,961
Assets related to derecognized property	(6,401)	(6,670)	(6,929)
Other assets, cost	\$ 89,163	\$ 72,153	\$ 64,106

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

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

As at December 31, 2011, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

21. COMMITMENTS AND CONTINGENCIES

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

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire Company Limited. Details of this agreement are disclosed in "Related Party Transactions" (Note 18).

Crombie obtains letters of credit to support its obligations with respect to construction work on its Investment properties, defeasing Investment property debt and satisfying mortgage financing requirements. Crombie has \$408 in standby letters of credit for construction work that is being performed on its investment properties. In connection with the defeasance of the derecognized property investment property debt, Crombie has issued a standby letter of credit in the amount of \$1,715 in favour of the mortgage lender. In addition, to satisfy the requirements of mortgage financings, Crombie has issued standby letters of credit in the amount of \$9,400 in favour of mortgage lenders. 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 13 to 73 years including renewal options. For the year ended December 31, 2011, Crombie paid \$1,175 in land lease payments to third party landlords (year ended December 31, 2010 – \$1,010). Crombie's commitments under the land leases are disclosed in Note 13.

As at December 31, 2011, Crombie had signed construction contracts totalling \$9,697 of which \$6,861 has been paid.

22. SUBSEQUENT EVENTS

(a) On January 19, 2012, Crombie declared distributions of 7.417 cents per unit, for the period from January 1, 2012 to, and including, January 31, 2012. The distributions of \$5,511 were paid on February 15, 2012 to Unitholders of record as at January 31, 2012.

(b) On February 17, 2012, Crombie declared distributions of 7.417 cents per unit, for the period from February 1, 2012 to, and including, February 29, 2012. The distributions will be paid on March 15, 2012 to Unitholders of record as at February 29, 2012.

23. SEGMENT DISCLOSURE

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

24. INDEMNITIES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

25. EXPLANATION OF TRANSITION TO IFRS

The 2011 fiscal year represents the first year that Crombie is issuing its financial statements under IFRS. These financial statements have been presented as if Crombie had always reported under IFRS. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2011; the comparative information presented in these financial statements for the year ended December 31, 2010; the opening IFRS Balance Sheet as at January 1, 2010 (Crombie's date of transition to IFRS), and the comparative balance sheets as at December 31, 2010. An explanation of how the transition from Canadian GAAP to IFRS has affected Crombie's balance sheet as at December 31, 2010, financial performance, statement of unitholders' equity and cash flows for the year ended December 31, 2010 is set out in the following tables and the accompanying notes.

IFRS 1 First-time Adoption of IFRS

IFRS 1 applies when an entity first adopts IFRS. The general provisions in IFRS 1 require retrospective application of IFRS to the first reporting period. However, the standard provides certain mandatory exceptions and allows specific exemptions from this general retrospective application.

The significant options selected by Crombie are as follows:

1. Investment properties – Crombie has chosen to apply the fair value as deemed cost exemption as at the transition date and the cost model for subsequent accounting for its investment properties. Crombie has determined the fair value of its investment properties, on a property-by-property basis, as at the transition date, and has elected to adjust the carrying value of certain specific properties, or components thereof, to this fair value as the deemed cost at transition. Any adjustment to the carrying value at the transition date is reflected as an increase or decrease in investment properties, and an offsetting increase or decrease in net assets attributable to Unitholders at that date. The impact of this election was to increase the carrying value of certain specific properties by approximately \$87,500, and to decrease the carrying value of other specific properties by approximately \$87,500, for a net overall impact on net assets attributable to Unitholders of \$NIL.
2. Business combinations – Crombie has elected to apply the business combination accounting standard prospectively to all subsequent business acquisitions.
3. Leases – Crombie has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease.
4. Employee benefits – Crombie has elected to recognize all cumulative actuarial gains and losses for its defined benefit plans at the date of transition. Crombie has elected to use the exemption not to disclose defined benefit plan surplus/deficit and experience adjustments before the date of transition.
5. Borrowing costs – Crombie has elected to apply the revisions in 2007 for IAS 23 Borrowing Costs prospectively to borrowing costs that occurred before the date of transition.
6. Estimates – Crombie has used estimates under IFRS that are consistent with those applied under Canadian GAAP, with adjustment for accounting policy differences.

(a) Reconciliation of Consolidated Balance Sheet at January 1, 2010

	Note	Canadian GAAP	Effect of changes to opening Balance Sheet	IFRS
Investment properties	(i)	\$ 1,314,611	\$ 14,585	\$ 1,329,196
Intangible assets	(i)	103,357	(76,190)	27,167
Other assets	(i)	24,100	36,974	61,074
Notes receivable	(ii)	8,169	(2,248)	5,921
Assets related to discontinued operations		6,929	(6,929)	–
Total assets		1,457,166	(33,808)	1,423,358
Investment property debt		706,369	–	706,369
Convertible debentures		110,858	–	110,858
Deferred taxes	(iii)	79,700	4,000	83,700
Trade and other payables	(iv)	39,223	10,856	50,079
Intangible liabilities	(i)	31,558	(31,558)	–
Employee future benefits obligation	(v)	6,260	(266)	5,994
Liabilities related to discontinued operations		6,334	(6,334)	–
Distributions payable	(iv)	4,522	(4,522)	–
Total liabilities excluding net assets attributable to Unitholders		984,824	(27,824)	957,000
Non-controlling interest		246,975	(246,975)	–
Unitholders' equity		225,367	(225,367)	–
		\$ 472,342	\$ (472,342)	\$ –
Total liabilities, non-controlling interest and Unitholders' equity		\$ 1,457,166		
Net assets attributable to Unitholders	(vi)		\$ (5,984)	\$ 466,358
Net assets attributable to Unitholders represented by				
Crombie REIT Unitholders	(vi)		\$ (3,129)	\$ 243,846
SVUs and Class B LP Unitholders	(vi)		(2,855)	222,512
			\$ (5,984)	\$ 466,358

- (i) Investment properties, Intangible assets, Other assets and Intangible liabilities – As explained in Crombie's IFRS 1 election and detailed in the table below, Crombie has adjusted the transition date carrying value of components of Investment properties, as well, specific Intangible assets and Intangible liabilities previously recognized separately under Canadian GAAP have been reclassified to Investment properties. Crombie recognizes Tenant relationships as an Intangible asset under IFRS. Crombie recognizes Tenant incentives and Assets related to discontinued operations as separate receivable assets within Other assets.

	Canadian GAAP	Effect of transition to IFRS	Reclassification	IFRS balance
Investment properties				
Land	\$ 286,491	\$ 81,546	\$ –	\$ 368,037
Buildings	992,071	(71,354)	38,498	959,215
Recoverable capital expenditures	3,847	–	(3,847)	–
Tenant incentives and deferred leasing costs	32,202	(213)	(30,045)	1,944
Total Investment properties	\$ 1,314,611	\$ 9,979	\$ 4,606	\$ 1,329,196
Intangible assets				
Origination costs for existing leases	\$ 35,638	\$ (3,242)	\$ (32,396)	\$ –
In-place leases	29,977	(2,240)	(27,737)	–
Tenant relationships	32,836	(5,669)	–	27,167
Above-market existing leases	4,906	(1,156)	(3,750)	–
Total Intangible assets	\$ 103,357	\$ (12,307)	\$ (63,883)	\$ 27,167
Intangible liabilities	\$ 31,558	\$ (2,327)	\$ (29,231)	\$ –

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

25. EXPLANATION OF TRANSITION TO IFRS (cont.)

- (ii) Notes receivable – Long-term notes receivable were adjusted to present value on transition to IFRS.
- (iii) Deferred taxes – As a result of the change in the carrying value of specific Investment properties and components of specific properties, some of which are held within a subsidiary which is a corporate taxable entity, deferred tax liability has been increased on transition.
- (iv) Trade and other payables and Distributions payable – With the reclassification of Crombie's Units to financial liabilities under IFRS, distributions on those units are considered a finance cost. As such, the previous distributions payable have been reclassified and included in Trade and other payables.
- (v) Employee future benefits obligation – On transition to IFRS, Crombie recognized the accumulated unamortized actuarial gains and losses.
- (vi) Net assets attributable to Unitholders – Under Canadian GAAP, Crombie's REIT Units were recognized as equity and its Class B LP Units were recognized as Non-controlling interest. Under IFRS, both the REIT Units and the Class B LP Units are classified as financial liabilities.

(b) Reconciliation of Consolidated Balance Sheet at December 31, 2010

	Note	Canadian GAAP	Effect of changes to opening Balance Sheet	Impact of transition to IFRS	IFRS
Investment properties	(i)	\$ 1,453,996	\$ 14,585	\$ 19,411	\$ 1,487,992
Intangible assets	(i)	116,658	(76,190)	(14,210)	26,258
Other assets	(i)	25,355	36,715	3,403	65,473
Notes receivable	(ii)	6,211	(2,248)	380	4,343
Assets related to discontinued operations	(i)	6,670	(6,670)	–	–
Cash and cash equivalents		5,170	–	–	5,170
Total assets		1,614,060	(33,808)	8,984	1,589,236
Investment property debt		799,127	–	–	799,127
Convertible debentures		148,433	–	–	148,433
Deferred taxes	(iii)	77,200	4,000	1,500	82,700
Trade and other payables		39,840	10,693	381	50,914
Intangible liabilities	(i)	27,515	(31,558)	4,043	–
Employee future benefits obligation		6,562	(266)	(209)	6,087
Liabilities related to discontinued operations		6,171	(6,171)	–	–
Distributions payable		4,903	(4,522)	(381)	–
Total liabilities excluding net assets attributable to Unitholders		1,109,751	(27,824)	5,334	1,087,261
Non-controlling interest	(iv)	234,903	(236,639)	1,726	–
Unitholders' equity	(iv)	269,406	(271,330)	1,924	–
		504,309	(507,959)	3,650	–
Total liabilities, non-controlling interest and Unitholders' equity		\$ 1,614,060			
Net assets attributable to Unitholders	(iv)		\$ 501,975	\$ –	\$ 501,975
Net assets attributable to Unitholders represented by					
Crombie REIT Unitholders	(iv)		\$ 266,277	\$ 1,924	\$ 268,201
SVUs and Class B LP Unitholders	(iv)		232,048	1,726	233,774
			\$ 498,325	\$ 3,650	\$ 501,975

- (i) Investment properties, Intangible assets, Other assets and Intangible liabilities – The impact of transition to IFRS on Investment properties as at December 31, 2010 has been the change in depreciation expense recognized resulting from the changed cost base and the reclassification of additions during the year ended 2010 which were included in Intangible assets and Intangible liabilities under Canadian GAAP. The impact on both Intangible assets and Intangible liabilities as at December 31, 2010 has been the reclassification of additions during the year ended 2010 to Investment properties. Other assets have been impacted by the reclassification of tenant incentives to a receivable asset and by the inclusion in Other Assets of assets related to derecognized property for presentation purposes.
- (ii) Notes receivable – Long-term Notes receivable, which were present valued on transition to IFRS, are being accreted.
- (iii) Deferred taxes – The determination of the liability is impacted by the changes made to the carrying value of specific Investment properties and components of those properties on transition to IFRS.
- (iv) Non-controlling interest and Unitholders' equity – Crombie's SVUs and Class B LP Units, accounted for as Non-controlling interest and Unitholders' equity respectively under Canadian GAAP, are accounted for as financial liabilities under IFRS. These financial liabilities are presented as net assets attributable to Unitholders.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars) December 31, 2011

25. EXPLANATION OF TRANSITION TO IFRS (cont.)

(c) Reconciliation of Consolidated Statement of Comprehensive Income (Loss) for the year ended December 31, 2010

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Property revenue	(i)	\$ 216,996	\$ (7,559)	\$ 209,437
Property operating expenses		79,300	–	79,300
Net property income		137,696	(7,559)	130,137
Lease terminations		347	–	347
Depreciation of investment properties	(ii)	(20,094)	(4,369)	(24,463)
Amortization of intangible assets	(ii)	(16,939)	10,609	(6,330)
Amortization of deferred leasing costs	(iii)	(5,070)	4,617	(453)
Depreciation of recoverable capital expenditures	(ii)	(1,264)	1,264	–
General and administrative expenses		(10,579)	817	(9,762)
Operating income before finance costs and income taxes		84,097	5,379	89,476
Finance costs – operations		(58,789)	379	(58,410)
Operating income before income taxes		25,308	5,758	31,066
Taxes – deferred		2,500	(1,500)	1,000
Operating income attributable to Unitholders		27,808	4,258	32,066
Finance costs – distributions to Unitholders	(iv)	–	(56,090)	(56,090)
Increase (decrease) in net assets attributable to Unitholders (Canadian GAAP – Income before non-controlling interest)	(v)	27,808	(51,832)	(24,024)
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs-operations		4,033	–	4,033
Net change in derivatives designated as cash flow hedges		1,046	–	1,046
Change in employee future benefits obligation		–	(608)	(608)
Other comprehensive income (loss)	(vi)	5,079	(608)	4,471
Comprehensive income (loss)		\$ 32,887	\$ (52,440)	\$ (19,553)

(i) Property revenue – Property revenue is impacted by the removal of amortization of above-market and below-market leases as well as the reclassification of amortization of tenant incentives to Property revenue.

(ii) Depreciation and amortization – As previously discussed, on transition to IFRS, various properties and components of properties were reclassified and adjusted to fair value as deemed cost, impacting the previously reported amounts of depreciation and amortization.

(iii) Amortization of deferred leasing costs – This expense included amortization of tenant incentives, which is now included as an offset to Property revenue.

(iv) Finance costs – distributions to Unitholders – With the reclassification of Crombie's REIT Units and Class B LP Units to financial liabilities, the distributions payable on those units is treated as a finance cost under IFRS.

(v) Increase (decrease) in net assets attributable to Unitholders

Effect of transition to IFRS per above \$ (52,440)

Finance Costs – distribution to Unitholders per above 56,090

Impact of transition to IFRS on December 31, 2010 Consolidated Balance Sheet \$ 3,650

The reclassification of distributions to Unitholders as a finance cost under IFRS does not impact the Consolidated Balance Sheet on transition to IFRS as these distributions directly impacted non-controlling interest and Unitholder's equity under Canadian GAAP.

(vi) Other comprehensive income – The amounts shown above under Canadian GAAP have been adjusted to include the amounts previously shown as part of Non-controlling interest.

(d) Impact on Statements of Cash Flows

As a result of the transition to IFRS, certain items on the statements of cash flows have been impacted as follows:

- Distributions to Unitholders previously recognized in financing activities are now recognized as finance costs on the statements of comprehensive income (loss) and flow through operating activities.
- Additions to tenant incentives and deferred leasing costs previously recognized in operating activities are now recognized in investing activities.

Notes to the reconciliations:

a) Investment properties

Assets previously disclosed as commercial properties under Canadian GAAP have been disclosed as investment properties under IFRS. All of Crombie's properties qualify as investment properties. Crombie has adopted the cost model for investment properties, meaning that the properties are carried at cost and are subject to depreciation and amortization charges over their estimated useful lives less any residual values. IFRS 1 allows for properties and components of properties to be re-measured to fair value at the transition date, with this re-measured value to represent the deemed cost of the property at the date of transition. Crombie has applied this election on a property-by-property basis as at January 1, 2010. As a result, some of the carrying values of specific properties have adjusted upward and/or downward; as have specific components of individual properties. There were also changes in the carrying value of intangible assets and intangible liabilities, and classification of amounts from intangible assets and intangible liabilities to investment properties. There was no overall net change in the total carrying value on the transition date.

b) Intangible assets and intangible liabilities

Under IFRS, the only separately recognized intangible for Crombie is for tenant relationships. Other previously recognized intangibles may be included as a component of investment properties and depreciated as part of depreciation of investment properties.

c) Deferred tax assets and liabilities

Under Canadian GAAP, all future tax assets (liabilities) were classified based on the asset (liability) to which it is related to. Under IAS 12, Income Taxes, these are referred to as deferred tax assets (liabilities) and are always classified as non-current.

d) Depreciation and amortization expenses

(i) As a result of the reclassification of above-market and below-market leases to components of Investment properties, these amounts are no longer amortized into property revenue but are depreciated, and the depreciation is included in Depreciation of investment properties.

(ii) Amortization of tenant incentives, previously reported as a separate expense on the statements of income under Canadian GAAP, is now included in the calculation of property revenue under IFRS.

(iii) Recoverable capital expenditures were previously recognized as a separate item of commercial properties under Canadian GAAP. These amounts are now included as part of the buildings component of investment properties under IFRS. As a result, the related depreciation is included in depreciation of investment properties.

e) Employer future benefits obligation

Under Canadian GAAP, actuarial gains and losses were amortized on a straight-line basis over the expected average remaining service lifetime of the active members. Upon adoption of IFRS, Crombie has elected to record the unamortized actuarial gains and losses in accumulated other comprehensive income (loss) upon transition to IFRS.

Unitholders' Information

Board of Trustees

Donald E. Clow
Trustee,
President and Chief Executive Officer

Frank C. Sobey
Trustee and Chairman

Paul D. Sobey
Trustee

David G. Graham
Independent Trustee

J. Michael Knowlton
Independent Trustee

E. John Latimer
Independent Trustee

John C. Eby
Independent Trustee and Lead Trustee

Elisabeth Strobäck
Independent Trustee

David A. Leslie
Independent Trustee

Paul V. Beesley
Trustee

Kent R. Sobey
Independent Trustee

Brian A. Johnson
Independent Trustee

Officers

Frank C. Sobey
Chairman

Donald E. Clow
President and Chief Executive Officer

Glenn R. Hynes
Chief Financial Officer and Secretary

Patrick G. Martin
Regional Vice President
Atlantic

Gary S. Finkelstein
Regional Vice President
Central & Western Canada

Scott R. MacLean
Senior Vice President Operations
Atlantic

Crombie Reit

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Unit Symbol

REIT Trust Units – CRR.UN

Stock Exchange Listing

Toronto Stock Exchange

Investor Relations and Inquiries

Unitholders, analysts and investors should direct their financial inquiries or requests to:

Glenn R. Hynes, F.C.A.
Chief Financial Officer and Secretary
Email: investing@crombie.ca

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, Canadian Stock Transfer Company.

Distribution Record and Payment Dates for Fiscal 2011

Record Date	Payment Date
January 31, 2011	February 15, 2011
February 28, 2011	March 15, 2011
March 31, 2011	April 15, 2011
April 30, 2011	May 16, 2011
May 31, 2011	June 15, 2011
June 30, 2011	July 15, 2011
July 31, 2011	August 15, 2011
August 31, 2011	September 15, 2011
September 30, 2011	October 17, 2011
October 31, 2011	November 15, 2011
November 30, 2011	December 15, 2011
December 31, 2011	January 16, 2012

Transfer Agent

Canadian Stock Transfer Company⁽¹⁾
1660 Hollis Street
Centennial Building, 4th Floor
Halifax, Nova Scotia, B3J 1V7
Telephone: (800) 387-0825
Email: inquiries@canstockta.com
Website: www.canstockta.com

⁽¹⁾ Canadian Stock Transfer Company is operating the transfer agency business in the name of CIBC Mellon Trust Company for a transition period.

Counsel

Stewart McKelvey
Halifax, Nova Scotia

Auditors

Grant Thornton, LLP
New Glasgow, Nova Scotia

Multiple Mailings

If you have more than one account, you may receive a separate mailing for each.

If this occurs, please contact Canadian Stock Transfer Company at (800) 387-0825 or (416) 682-3860 to eliminate multiple mailings.



Top 20 Tenants

Crombie's portfolio is leased to a wide diversity of regional and national tenants. Other than Sobeys, which accounts for 37.0 percent of annual minimum rent, no other tenant represents more than 2.2 percent of minimum annual rent.

Tenant (As at December 31, 2011)	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys ⁽¹⁾	37.0%	15.0 years
Shoppers Drug Mart	2.2%	8.7 years
Empire Theatres	1.9%	7.5 years
GoodLife Fitness	1.7%	9.5 years
Lawtons/Sobeys Pharmacy	1.6%	13.4 years
CIBC	1.5%	18.7 years
Province of Nova Scotia	1.3%	4.4 years
Bell (Aliant)	1.2%	7.0 years
Bank of Nova Scotia	1.2%	2.2 years
Best Buy	1.1%	9.2 years
Sears Canada	1.0%	13.9 years
Dollarama	1.0%	6.0 years
Target Canada	1.0%	9.5 years
Reitmans	0.9%	3.7 years
Marks Work Wearhouse	0.9%	5.3 years
Public Works Canada	0.9%	5.0 years
Winners	0.9%	4.6 years
Zellers	0.9%	5.8 years
Staples	0.8%	4.1 years
Convergys CMG Canada	0.7%	1.5 years
Total	59.7%	

(1) Excludes Lawtons and Fast Fuel locations.



