

CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
September 30, 2017

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

	Note	September 30, 2017	December 31, 2016	September 30, 2016
Assets				
Non-current assets				
Investment properties	3	\$ 3,838,106	\$ 3,716,720	\$ 3,712,090
Investment in joint ventures	4	5,213	815	—
Other assets	5	209,376	197,351	192,689
		4,052,695	3,914,886	3,904,779
Current assets				
Other assets	5	29,562	48,432	42,642
Total Assets		4,082,257	3,963,318	3,947,421
Liabilities				
Non-current liabilities				
Investment property debt	6	1,846,325	1,765,824	1,761,602
Senior unsecured notes	7	474,890	398,588	398,461
Convertible debentures	8	73,069	132,134	131,980
Deferred taxes	9	—	75,400	76,600
Employee future benefits obligation		8,310	8,110	8,349
Trade and other payables	10	8,815	8,493	7,993
		2,411,409	2,388,549	2,384,985
Current liabilities				
Investment property debt	6	118,896	99,653	97,620
Employee future benefits obligation		282	282	246
Trade and other payables	10	94,982	84,688	79,498
		214,160	184,623	177,364
Total liabilities excluding net assets attributable to Unitholders		2,625,569	2,573,172	2,562,349
Net assets attributable to Unitholders		\$ 1,456,688	\$ 1,390,146	\$ 1,385,072
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		\$ 873,232	\$ 834,203	\$ 831,290
Special Voting Units and Class B Limited Partnership Unitholders		583,456	555,943	553,782
		\$ 1,456,688	\$ 1,390,146	\$ 1,385,072
Commitments and contingencies	20			
Subsequent events	21			

See accompanying notes to the interim condensed consolidated financial statements.

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	2017	2016	2017	2016
Property revenue	11	\$ 102,424	\$ 98,757	\$ 306,146	\$ 294,732
Property operating expenses		28,259	27,732	89,447	85,911
Net property income		74,165	71,025	216,699	208,821
Gain on disposal of investment properties		—	1,225	—	27,729
Depreciation of investment properties	3	(20,217)	(17,712)	(56,171)	(49,069)
Amortization of intangible assets	3	(1,579)	(2,073)	(4,948)	(4,379)
Amortization of deferred leasing costs	3	(170)	(148)	(469)	(449)
General and administrative expenses	13	(4,675)	(3,546)	(14,831)	(12,075)
Finance costs - operations	14	(26,244)	(25,342)	(79,096)	(74,500)
Income from equity accounted investments	4	41	—	68	—
Operating income before taxes		21,321	23,429	61,252	96,078
Taxes - current	9	—	(3)	(4)	(26)
Taxes - deferred	9	—	(300)	75,400	(2,400)
Operating income attributable to Unitholders		21,321	23,126	136,648	93,652
Finance costs - other					
Distributions to Unitholders		(33,385)	(32,890)	(99,748)	(92,750)
Change in fair value of financial instruments	10	25	789	127	358
		(33,360)	(32,101)	(99,621)	(92,392)
Increase (decrease) in net assets attributable to Unitholders		(12,039)	(8,975)	37,027	1,260
Other comprehensive income					
Items that will be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		586	607	1,774	1,837
Net change in derivatives designated as cash flow hedges		2,291	—	2,872	—
Other comprehensive income		2,877	607	4,646	1,837
Comprehensive income (loss)		\$ (9,162)	\$ (8,368)	\$ 41,673	\$ 3,097

See accompanying notes to the interim condensed consolidated financial statements.

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

	REIT Units, Special Voting Units and Class B LP Units (Note 15)	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2017	\$ 1,714,724	\$ (316,003)	\$ (8,575)	\$ 1,390,146	\$ 834,203	\$ 555,943
Adjustments related to EUPP	59	25	—	84	84	—
Statements of comprehensive income (loss)	—	37,027	4,646	41,673	24,450	17,223
Units issued under Distribution Reinvestment Plan ("DRIP")	24,785	—	—	24,785	14,495	10,290
Balance, September 30, 2017	\$ 1,739,568	\$ (278,951)	\$ (3,929)	\$ 1,456,688	\$ 873,232	\$ 583,456

	REIT Units, Special Voting Units and Class B LP Units (Note 15)	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2016	\$ 1,473,885	\$ (315,750)	\$ (10,905)	\$ 1,147,230	\$ 694,484	\$ 452,746
Adjustments related to EUPP	50	32	—	82	82	—
Statements of comprehensive income (loss)	—	1,260	1,837	3,097	1,659	1,438
Units issued under DRIP	15,552	—	—	15,552	9,094	6,458
Unit issue proceeds, net of costs of \$5,889	219,111	—	—	219,111	125,971	93,140
Balance, September 30, 2016	\$ 1,708,598	\$ (314,458)	\$ (9,068)	\$ 1,385,072	\$ 831,290	\$ 553,782

See accompanying notes to the interim condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,		
	Note	2017	2016	2017	2016
Cash flows provided by (used in)					
Operating Activities					
Increase (decrease) in net assets attributable to Unitholders	\$	(12,039)	\$ (8,975)	\$ 37,027	\$ 1,260
Items not affecting operating cash	16	31,239	25,035	14,893	47,308
Change in other non-cash operating items	16	19,143	22,366	17,876	2,113
Cash provided by (used in) operating activities		<u>38,343</u>	38,426	<u>69,796</u>	50,681
Financing Activities					
Issue of mortgages		—	30,000	192,783	69,670
Deferred financing charges - investment property debt		(1,216)	(600)	(3,346)	(1,868)
Repayment of mortgages		(24,975)	(20,798)	(90,281)	(86,511)
Advance (repayment) of floating rate credit facilities		158,433	(5,969)	(19,883)	211,371
Issue of senior unsecured notes		—	—	76,413	—
Deferred financing charges - senior unsecured notes		—	—	(347)	—
Redemption of convertible debentures		(60,000)	—	(60,000)	—
REIT Units and Class B LP Units issued		—	—	—	225,000
REIT Units and Class B LP Units issue costs		—	—	—	(5,889)
Repayment of EUPP loans receivable		15	16	59	50
Collection of (advances on) long-term receivables		24	(5,739)	(445)	(5,964)
Cash provided by (used in) financing activities		<u>72,281</u>	(3,090)	<u>94,953</u>	405,859
Investing Activities					
Acquisition of investment properties and intangible assets		(93,533)	(34,202)	(119,357)	(529,824)
Additions to investment properties		(13,921)	(7,880)	(29,913)	(19,107)
Proceeds on disposal of investment properties		—	11,291	—	161,180
Acquisition of interest in joint ventures		—	—	(1,701)	—
Additions to fixtures and computer equipment		(694)	—	(2,290)	—
Proceeds on disposal of marketable securities		—	—	1,220	—
Additions to tenant incentives		(2,190)	(4,293)	(11,801)	(69,178)
Additions to deferred leasing costs		(286)	(252)	(907)	(668)
Cash provided by (used in) investing activities		<u>(110,624)</u>	(35,336)	<u>(164,749)</u>	(457,597)
Net change in cash and cash equivalents		—	—	—	(1,057)
Cash and cash equivalents, beginning of period		—	—	—	1,057
Cash and cash equivalents, end of period		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Condensed Consolidated Financial Statements

(In thousands of CAD dollars)

September 30, 2017

(Unaudited)

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 investing in income-producing retail, office and mixed use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The interim condensed consolidated financial statements for the three and nine months ended September 30, 2017 and September 30, 2016 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 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on November 8, 2017.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not contain all of the information required by IAS 1, Presentation of Financial Statements. Therefore, they should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016.

(b) Basis of presentation

These interim condensed consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The interim condensed consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value with changes in fair value recognized in Increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or designated as available for sale ("AFS") that have been measured at fair value.

(c) Presentation of financial statements

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

(i) Subsidiaries

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at September 30, 2017. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of September 30, 2017.

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.

(ii) Joint arrangements

Joint arrangements are business arrangements whereby two or more parties have joint control. Joint control is based on the contractual sharing of control over the decisions related to the relevant activities. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual arrangements related to the rights and obligations of the parties to the arrangement.

Joint operations

A joint operation is an arrangement wherein the parties to the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. For joint operations, Crombie recognizes its proportionate share of the assets, liabilities, revenues and expenses of the joint operation in the relevant categories of Crombie's financial statements.

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Joint ventures

A joint venture is an entity over which Crombie shares joint control with other parties and where the joint venture parties have rights to the net assets of the joint venture. Joint control exists where there is a contractual agreement for shared control and wherein decisions about the significant relevant activities of the arrangement require unanimous consent of the parties sharing control.

Investment in joint ventures is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost with subsequent adjustments for Crombie's share of the results of operations and any change in net assets. Crombie's joint venture entities have the same reporting period as Crombie and adjustments, if any, are made to bring the accounting policies of joint venture entities in line with the policies of Crombie.

(e) Investment properties

(i) Income properties

Income properties are properties which are held to earn rental income. Income properties include land, buildings and intangible assets. Income properties are carried at cost less accumulated depreciation and amortization and are reviewed for impairment as described in the Company's audited consolidated financial statements for the year ended December 31, 2016.

(ii) Properties under development

Properties under development include properties that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties. The cost of a development property that is an asset acquisition comprises the amount of cash, or the fair value of other consideration, paid to acquire the property, including transaction costs. Subsequent to the acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, property taxes and borrowing costs on both specific and general debt. Direct and indirect borrowing costs, development costs and property taxes are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received, whether or not the space is leased. Capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest capitalized is calculated using Crombie's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowing is associated with specific developments, the amount capitalized is the gross interest incurred on such borrowing less any investment income arising on temporary investment of such borrowing.

(f) Significant accounting policies

The Company describes significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2016.

New standards adopted

Effective January 1, 2017, Crombie implemented the disclosure amendments to IAS 7 Statement of Cash Flows. The amendments provide disclosure of changes in liabilities arising from financing activities.

Future changes in accounting standards

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. To assess the impact of this new standard, Crombie is completing a review of all revenue streams and the impact of IFRS 15 on Crombie's Consolidated Financial Statements. Crombie has reviewed over 90% of its property revenue and, based on analysis completed to date, does not anticipate adoption of the new standard will have a material impact on reported financial results. Crombie intends to adopt the new standard on the effective date.

Refer to Crombie's annual consolidated financial statements for the year ended December 31, 2016, for discussion on additional future accounting pronouncement details.

CROMBIE REAL ESTATE INVESTMENT TRUST
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(Unaudited)

3) INVESTMENT PROPERTIES

	September 30, 2017	December 31, 2016	September 30, 2016
Income properties	\$ 3,768,476	\$ 3,683,278	\$ 3,679,071
Properties under development	69,630	33,442	33,019
	\$ 3,838,106	\$ 3,716,720	\$ 3,712,090

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2017	\$ 1,189,999	\$ 2,820,193	\$ 114,549	\$ 7,800	\$ 4,132,541
Acquisitions	20,981	93,298	6,832	—	121,111
Additions	166	25,163	—	823	26,152
Dispositions	(477)	—	—	—	(477)
Balance, September 30, 2017	1,210,669	2,938,654	121,381	8,623	4,279,327
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2017	2,357	385,731	57,098	4,077	449,263
Depreciation and amortization	—	56,171	4,948	469	61,588
Balance, September 30, 2017	2,357	441,902	62,046	4,546	510,851
Net carrying value, September 30, 2017	\$ 1,208,312	\$ 2,496,752	\$ 59,335	\$ 4,077	\$ 3,768,476

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	\$ 973,378	\$ 2,500,700	\$ 98,136	\$ 6,780	\$ 3,578,994
Acquisitions	229,662	312,684	18,285	—	560,631
Additions	626	30,849	—	1,185	32,660
Dispositions	(13,503)	(23,572)	(1,846)	(165)	(39,086)
Transfer to investment properties held for sale	(164)	(468)	(26)	—	(658)
Balance, December 31, 2016	1,189,999	2,820,193	114,549	7,800	4,132,541
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	—	322,625	52,529	3,578	378,732
Depreciation and amortization	—	66,552	6,170	610	73,332
Dispositions	—	(7,020)	(1,591)	(111)	(8,722)
Impairment	2,357	3,643	—	—	6,000
Transfer to investment properties held for sale	—	(69)	(10)	—	(79)
Balance, December 31, 2016	2,357	385,731	57,098	4,077	449,263
Net carrying value, December 31, 2016	\$ 1,187,642	\$ 2,434,462	\$ 57,451	\$ 3,723	\$ 3,683,278

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited)

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	\$ 973,378	\$ 2,500,700	\$ 98,136	\$ 6,780	\$ 3,578,994
Acquisitions	219,912	286,240	17,430	—	523,582
Additions	421	18,146	—	1,014	19,581
Disposition	(8,652)	(4,955)	(129)	(18)	(13,754)
Transfer to investment properties held for sale	(164)	(468)	(26)	—	(658)
Balance, September 30, 2016	1,184,895	2,799,663	115,411	7,776	4,107,745

Accumulated depreciation and amortization and impairment

Opening balance, January 1, 2016	—	322,625	52,529	3,578	378,732
Depreciation and amortization	—	49,069	4,379	449	53,897
Disposition	—	(3,824)	(39)	(13)	(3,876)
Transfer to investment properties held for sale	—	(69)	(10)	—	(79)
Balance, September 30, 2016	—	367,801	56,859	4,014	428,674
Net carrying value, September 30, 2016	\$ 1,184,895	\$ 2,431,862	\$ 58,552	\$ 3,762	\$ 3,679,071

Properties under development

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2017	\$ 33,442	\$ —	\$ —	\$ 33,442
Acquisitions	31,252	—	—	31,252
Additions	3,195	1,669	72	4,936
Balance, September 30, 2017	\$ 67,889	\$ 1,669	\$ 72	\$ 69,630

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2016	\$ 2,624	\$ —	\$ —	\$ 2,624
Acquisitions	30,134	—	—	30,134
Additions	684	—	—	684
Balance, December 31, 2016	\$ 33,442	\$ —	\$ —	\$ 33,442

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2016	\$ 2,624	\$ —	\$ —	\$ 2,624
Acquisitions	30,051	—	—	30,051
Additions	344	—	—	344
Balance, September 30, 2016	\$ 33,019	\$ —	\$ —	\$ 33,019

On May 4, 2017 Crombie acquired a development property in Langford, British Columbia, from a subsidiary of Empire Company Limited ("Empire"), a related party.

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Condensed Consolidated Financial Statements
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Crombie's total fair value of investment properties exceeds carrying value by \$930,365 at September 30, 2017 (September 30, 2016 - \$833,348). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

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

	Fair Value	Carrying Value
September 30, 2017	\$ 4,969,000	\$ 4,038,635
December 31, 2016	4,752,000	3,907,967
September 30, 2016	4,732,000	3,898,652

Carrying value consists of the net carrying value of:

	Note	September 30, 2017	December 31, 2016	September 30, 2016
Income properties	3	\$ 3,768,476	\$ 3,683,278	\$ 3,679,071
Properties under development	3	69,630	33,442	33,019
Accrued straight-line rent receivable	5	69,487	59,225	56,051
Tenant incentives	5	131,042	132,022	130,511
Total carrying value		\$ 4,038,635	\$ 3,907,967	\$ 3,898,652

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

	Weighted Average Capitalization Rate	Impact of a 0.25% Change in Capitalization Rate	
		Increase in Rate	Decrease in Rate
September 30, 2017	5.77%	\$ (200,000)	\$ 219,000
December 31, 2016	5.88%	\$ (191,000)	\$ 208,000
September 30, 2016	5.92%	\$ (190,000)	\$ 207,000

Income Property Acquisitions and Dispositions

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

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2017

Transaction Date	Vendor/ Purchaser	Properties Acquired	Approximate Square Footage	Initial Acquisition Price	Assumed Mortgages
March 16, 2017	Empire	1	50,000	\$ 8,320	\$ —
July 5, 2017	Third party	1	64,000	14,100	—
July 6, 2017	Third party	1	61,000	42,000	—
August 14, 2017	Third party	1	52,000	13,207	8,741
August 25, 2017	Third party	1	44,000	14,950	9,656
September 5, 2017	Third party	2	79,000	16,000	—
September 29, 2017 ⁽¹⁾	Empire	—	31,000	7,671	—
			381,000	\$ 116,248	\$ 18,397

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

The acquisitions on March 16, 2017 and September 29, 2017 were transacted with Empire, a related party. The remaining acquisitions were transacted with third parties.

2016

Transaction Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 5, 2016	Third party	1	21,000	\$ 5,500	\$ —
March 10, 2016	Third party	(10)	(791,000)	(143,400)	—
April 8, 2016	Third party	1	58,000	15,700	—
April 15, 2016	Third party	(1)	(8,000)	(793)	—
April 28, 2016	Third party	(1)	(47,000)	(7,500)	—
May 3, 2016	Third party	2	117,000	46,200	8,041
May 16, 2016	Third party	9	94,000	32,272	—
June 1, 2016	Third party	1	37,000	7,000	3,751
June 9, 2016	Third party	1	84,000	29,000	12,017
June 29, 2016	Empire	22	2,090,000	348,386	—
July 15, 2016	Empire	(1)	(21,000)	(9,057)	—
July 29, 2016	Empire	1	62,000	26,400	—
August 15, 2016	Third party	(1)	(48,000)	(2,300)	—
			1,648,000	\$ 347,408	\$ 23,809

The disposition on July 15 and the acquisitions on June 29, 2016 and July 29, 2016 were transacted with Empire, a related party. The June 29, 2016 acquisition included 19 retail properties and a 50% interest in three distribution centres.

The initial acquisition (disposition) prices stated above exclude closing and transaction costs.

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

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31, 2016
	2017	2016	2017	2016	
Income property acquired, net:					
Land	\$ 20,981	\$ 12,609	\$ 20,981	\$ 219,912	\$ 229,662
Buildings	85,439	15,186	93,298	286,240	312,684
Intangibles	6,357	806	6,832	17,430	18,285
Fair value debt adjustment on assumed mortgages	(436)	—	(436)	(1,072)	(1,072)
Net purchase price	112,341	28,601	120,675	522,510	559,559
Assumed mortgages	(18,397)	—	(18,397)	(23,809)	(39,902)
	\$ 93,944	\$ 28,601	\$ 102,278	\$ 498,701	\$ 519,657

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(In thousands of CAD dollars)

September 30, 2017

(Unaudited)

4) INVESTMENT IN JOINT VENTURES

The following represents Crombie's interest in its equity accounted investments:

	September 30, 2017	December 31, 2016	September 30, 2016
1600 Davie Limited Partnership	50.0%	50.0%	50.0%
140 CPN Limited	50.0%	—	—

1600 Davie Limited Partnership was created on January 19, 2016 and is engaged in the development of a mixed use (retail and residential) property located at Davie Street, Vancouver, BC.

140 CPN Holdings Ltd. was incorporated March 3, 2017 and acquired a retail property in Hamilton, Ontario on April 7, 2017. Crombie's share of the operating results are reported as Income from equity accounted investments on the Statement of Comprehensive Income.

The following table represents 100% of the financial results of the equity accounted entities:

	September 30, 2017	December 31, 2016	September 30, 2016
Non-current assets	\$ 12,624	\$ 1,849	\$ —
Current assets	1,906	573	—
Non-current liabilities	3,820	—	—
Current liabilities	285	793	—
Net assets	\$ 10,425	\$ 1,629	\$ —
Crombie's investment in joint ventures	\$ 5,213	\$ 815	\$ —

	Nine months ended September 30, 2017	Year ended December 31, 2016	Nine months ended September 30, 2016
Revenue	\$ 256	\$ —	\$ —
Property operating expenses	(58)	—	—
General and administrative expenses	(12)	—	—
Finance costs - operations	(50)	—	—
Net income	\$ 136	\$ —	\$ —
Crombie's income from equity accounted investments	\$ 68	\$ —	\$ —

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5) OTHER ASSETS

	September 30, 2017			December 31, 2016			September 30, 2016		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	\$ 10,492	\$ —	\$ 10,492	\$ 11,625	\$ —	\$ 11,625	\$ 10,212	\$ —	\$ 10,212
Provision for doubtful accounts	(324)	—	(324)	(127)	—	(127)	(163)	—	(163)
Net trade receivables	10,168	—	10,168	11,498	—	11,498	10,049	—	10,049
Marketable securities	1,224	—	1,224	2,290	—	2,290	2,363	—	2,363
Prepaid expenses and deposits	15,128	—	15,128	12,104	—	12,104	16,385	—	16,385
Fixtures and computer equipment	—	2,290	2,290	—	—	—	—	—	—
Restricted cash	75	—	75	8,675	—	8,675	75	—	75
Accrued straight-line rent receivable	—	69,487	69,487	—	59,225	59,225	—	56,051	56,051
Tenant incentives	—	131,042	131,042	—	132,022	132,022	—	130,511	130,511
Capital expenditure program	—	105	105	—	105	105	—	105	105
Interest rate subsidy	95	321	416	103	392	495	127	415	542
Fair value of interest rate swap agreements	2,872	—	2,872	—	—	—	—	—	—
Amount receivable from related party	—	—	—	13,762	—	13,762	13,643	—	13,643
Amount receivable from third parties	—	6,131	6,131	—	5,607	5,607	—	5,607	5,607
	\$ 29,562	\$ 209,376	\$ 238,938	\$ 48,432	\$ 197,351	\$ 245,783	\$ 42,642	\$ 192,689	\$ 235,331

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2017	\$ 187,162	\$ 55,140	\$ 132,022
Additions	8,281	—	8,281
Amortization	—	9,261	(9,261)
Balance, September 30, 2017	\$ 195,443	\$ 64,401	\$ 131,042
Balance, January 1, 2016	\$ 107,122	\$ 45,455	\$ 61,667
Additions	77,173	—	77,173
Amortization	—	8,294	(8,294)
Disposition	(102)	(69)	(33)
Transfer to investment properties held for sale	(3)	(1)	(2)
Balance, September 30, 2016	\$ 184,190	\$ 53,679	\$ 130,511

See Note 18(a) for fair value information.

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6) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	September 30, 2017
Fixed rate mortgages	2.35 - 6.90%	4.33%	5.7 years	\$ 1,776,716
Floating rate revolving credit facility			3.8 years	100,491
Unsecured bilateral credit facility			1.6 years	100,000
Deferred financing charges				(11,986)
				<u>\$ 1,965,221</u>

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2016
Fixed rate mortgages	2.35 - 6.90%	4.46%	5.9 years	\$ 1,655,817
Floating rate revolving credit facility			2.5 years	120,374
Unsecured bilateral credit facility			1.4 years	100,000
Deferred financing charges				(10,714)
				<u>\$ 1,865,477</u>

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	September 30, 2016
Fixed rate mortgages	2.35 - 6.90%	4.54%	6.0 years	\$ 1,528,048
Floating rate revolving credit facility			2.8 years	241,371
Unsecured bilateral credit facility			1.6 years	100,000
Deferred financing charges				(10,197)
				<u>\$ 1,859,222</u>

As at September 30, 2017, debt retirements for the next five years are:

<u>12 Months Ending</u>	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
September 30, 2018	\$ 54,230	\$ 64,666	\$ —	\$ 118,896
September 30, 2019	54,567	15,711	100,000	170,278
September 30, 2020	49,638	282,818	—	332,456
September 30, 2021	46,875	63,173	100,491	210,539
September 30, 2022	41,825	253,167	—	294,992
Thereafter	116,408	730,568	—	846,976
	<u>\$ 363,543</u>	<u>\$ 1,410,103</u>	<u>\$ 200,491</u>	1,974,137
Deferred financing charges				(11,986)
Unamortized fair value debt adjustment				3,070
				<u>\$ 1,965,221</u>

Specific investment properties with a carrying value of \$3,136,247 as at September 30, 2017 (December 31, 2016 - \$2,974,237; September 30, 2016 - \$2,634,188) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

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Mortgage Activity

For the nine months ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
September 30, 2017	New	6	3.43%	8.1	25.0	\$ 192,783
	Assumed	3	3.81%	6.8	25.0	18,397
	Repaid	8	5.14%	—	—	(50,379)
						\$ 160,801

For the nine months ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
September 30, 2016	New	6	3.07%	4.6	24.8	\$ 69,670
	Assumed	3	4.86%	3.3	19.5	23,809
	Repaid	10	4.87%	—	—	(49,774)
						\$ 43,705

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of \$400,000 (December 31, 2016 - \$400,000; September 30, 2016 - \$400,000) and matures June 30, 2021. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (September 30, 2017 – borrowing base of \$396,700). Borrowings under the revolving credit facility can be by way of Bankers Acceptance or Prime Rate Advance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of \$100,000 and matures May 16, 2019. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Bankers Acceptance or Prime Rate Advance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS.

See Note 18(a) for fair value information.

7) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	September 30, 2017	December 31, 2016	September 30, 2016
Series A	October 31, 2018	3.986%	\$ 175,000	\$ 175,000	\$ 175,000
Series B	June 1, 2021	3.962%	175,000	100,000	100,000
Series C	February 10, 2020	2.775%	125,000	125,000	125,000
Unamortized Series B issue premium			1,421	240	253
Deferred financing charges			(1,530)	(1,652)	(1,792)
			\$ 474,890	\$ 398,588	\$ 398,461

On March 3, 2017, Crombie issued an additional \$75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) (the "Additional Notes") maturing June 1, 2021. The Additional Notes were priced with an effective yield to maturity of 3.48% and sold at a price of \$1,018.84 per \$1,000 principal amount plus accrued interest.

See Note 18(a) for fair value information.

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8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	September 30, 2017	December 31, 2016	September 30, 2016
Series D	\$ 20.10	July 4, 2017	5.00%	\$ —	\$ 60,000	\$ 60,000
Series E (CRR.DB.E)	\$ 17.15	March 31, 2021	5.25%	74,400	74,400	74,400
Deferred financing charges				(1,331)	(2,266)	(2,420)
				\$ 73,069	\$ 132,134	\$ 131,980

On July 4, 2017, Crombie redeemed the 5.00% Series D Convertible Unsecured Subordinated Debentures originally scheduled to mature on September 30, 2019 (the "Debentures") in accordance with the terms of the supplemental trust indenture. Upon redemption, Crombie paid the holders of Debentures \$1,013.01 per \$1,000 principal amount of Debentures, representing the principal amount plus accrued and unpaid interest.

See Note 18(a) for fair value information.

9) INCOME TAXES

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

	September 30, 2017	December 31, 2016	September 30, 2016
Tax liabilities relating to difference in tax and book value	\$ —	\$ 82,486	\$ 84,907
Tax asset relating to non-capital loss carry-forward	—	(7,086)	(8,307)
Deferred tax liability	\$ —	\$ 75,400	\$ 76,600

The tax recovery (expense) consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Taxes - current				
Taxes - operating income earned in corporate subsidiaries	\$ —	\$ (3)	\$ (4)	\$ (26)
Total current taxes	\$ —	\$ (3)	\$ (4)	\$ (26)
Taxes - deferred				
Provision for income taxes at the expected rate	\$ —	\$ (7,122)	\$ (6,067)	\$ (29,155)
Tax effect of income attribution to Crombie's Unitholders	—	6,822	5,067	26,755
Impact of tax reorganization	—	—	76,400	—
Total deferred taxes	\$ —	\$ (300)	\$ 75,400	\$ (2,400)

On June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary. The deferred tax liability of \$76,400 at the time of the tax reorganization has been reduced to \$NIL and the decrease has been recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the three months ended June 30, 2017. Professional fees of \$1,059 associated with the tax reorganization have been recorded as general and administrative expenses for the nine months ended September 30, 2017.

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

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10) TRADE AND OTHER PAYABLES

	September 30, 2017			December 31, 2016			September 30, 2016		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	\$ 27,659	\$ —	\$ 27,659	\$ 28,894	\$ —	\$ 28,894	\$ 23,916	\$ —	\$ 23,916
Property operating costs	35,211	—	35,211	29,457	—	29,457	28,942	—	28,942
Prepaid rents	7,892	—	7,892	4,827	—	4,827	5,341	—	5,341
Finance costs on investment property debt, notes and debentures	11,634	—	11,634	10,385	—	10,385	10,176	—	10,176
Distributions payable	11,145	—	11,145	11,007	—	11,007	10,973	—	10,973
Unit based compensation plans	1,212	4,218	5,430	—	3,846	3,846	—	3,188	3,188
Fair value of embedded derivatives in convertible debentures	—	—	—	—	—	—	—	149	149
Deferred revenue	229	4,597	4,826	118	4,647	4,765	150	4,656	4,806
	\$ 94,982	\$ 8,815	\$ 103,797	\$ 84,688	\$ 8,493	\$ 93,181	\$ 79,498	\$ 7,993	\$ 87,491

Change in fair value of financial instruments:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Deferred Unit ("DU") Plan	\$ 36	\$ 83	\$ (11)	\$ (66)
Embedded derivatives in convertible debentures	—	433	—	(149)
Marketable securities	(11)	273	138	573
Total change in fair value of financial instruments	\$ 25	\$ 789	\$ 127	\$ 358

11) PROPERTY REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Rental revenue contractually due from tenants	\$ 100,613	\$ 98,194	\$ 302,934	\$ 282,141
Contingent rental revenue	431	305	1,302	1,406
Straight-line rent recognition	3,479	3,592	10,262	9,036
Tenant incentive amortization	(2,759)	(3,433)	(9,261)	(8,294)
Lease terminations	660	99	909	10,443
	\$ 102,424	\$ 98,757	\$ 306,146	\$ 294,732

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

	Three months ended September 30,				Nine months ended September 30,			
	2017		2016		2017		2016	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	\$ 49,532	48.4%	\$ 42,835	43.4%	\$ 153,478	50.1%	\$ 125,581	42.6%

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12) OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at September 30, 2017, is as follows:

	Remaining	Year Ending December 31,						Total
	2017	2018	2019	2020	2021	Thereafter		
Future minimum rental income	\$ 72,526	\$ 282,991	\$ 271,797	\$ 260,437	\$ 247,152	\$ 2,276,436	\$ 3,411,339	

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 eight to 72 years including renewal options:

	Remaining	Year Ending December 31,						Total
	2017	2018	2019	2020	2021	Thereafter		
Future minimum lease payments	\$ 480	\$ 1,932	\$ 1,946	\$ 2,008	\$ 2,027	\$ 143,147	\$ 151,540	

13) CORPORATE EXPENSES

(a) General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Salaries and benefits	\$ 3,022	\$ 2,140	\$ 8,599	\$ 7,644
Professional and public company costs	875	634	3,679	2,342
Occupancy and other	778	772	2,553	2,089
	\$ 4,675	\$ 3,546	\$ 14,831	\$ 12,075

(b) Employee benefit expense

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Wages and salaries	\$ 5,504	\$ 4,936	\$ 19,650	\$ 18,703
Post-employment benefits	215	202	606	584
	\$ 5,719	\$ 5,138	\$ 20,256	\$ 19,287

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14) FINANCE COSTS – OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Fixed rate mortgages	\$ 20,092	\$ 17,828	\$ 59,451	\$ 53,918
Floating rate term, revolving and demand facilities	586	1,866	1,496	3,151
Senior unsecured notes	4,458	3,762	12,768	11,190
Convertible debentures	1,108	1,886	5,381	5,628
Subscription receipts payment	—	—	—	613
Finance costs - operations	26,244	25,342	79,096	74,500
Amortization of fair value debt adjustment and accretion income	333	428	1,119	955
Change in accrued finance costs	(914)	(137)	(1,249)	(13)
Amortization of effective swap agreements	(586)	(607)	(1,774)	(1,837)
Capitalized interest ⁽¹⁾	796	245	1,563	245
Amortization of issue premium on senior unsecured notes	98	14	233	40
Amortization of deferred financing charges	(1,010)	(837)	(3,478)	(2,433)
Finance costs - operations, paid	\$ 24,961	\$ 24,448	\$ 75,510	\$ 71,457

⁽¹⁾ For the three months ended September 30, 2017, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.61% (September 30, 2016 - 3.03%).

15) 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, 2017	87,737,709	\$ 1,016,285	60,669,944	\$ 698,439	148,407,653	\$ 1,714,724
Net change in EUPP loans receivable	—	59	—	—	—	59
Units issued under DRIP	1,088,522	14,495	771,981	10,290	1,860,503	24,785
Balance, September 30, 2017	88,826,231	\$ 1,030,839	61,441,925	\$ 708,729	150,268,156	\$ 1,739,568

	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, 2016	77,857,608	\$ 877,581	53,658,302	\$ 596,304	131,515,910	\$ 1,473,885
Net change in EUPP loans receivable	—	50	—	—	—	50
Units issued under DRIP	657,573	9,094	466,326	6,458	1,123,899	15,552
Units issued (proceeds are net of issue costs)	8,952,400	125,971	6,353,741	93,140	15,306,141	219,111
Balance, September 30, 2016	87,467,581	\$ 1,012,696	60,478,369	\$ 695,902	147,945,950	\$ 1,708,598

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16) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Items not affecting operating cash:				
Straight-line rent recognition	\$ (3,479)	\$ (3,592)	\$ (10,262)	\$ (9,036)
Amortization of tenant incentives	2,759	3,433	9,261	8,294
Gain on disposal of investment properties	—	(1,225)	—	(27,729)
Depreciation of investment properties	20,217	17,712	56,171	49,069
Amortization of intangible assets	1,579	2,073	4,948	4,379
Amortization of deferred leasing costs	170	148	469	449
Unit based compensation	7	8	25	32
Amortization of effective swap agreements	586	607	1,774	1,837
Amortization of deferred financing charges	1,010	837	3,478	2,433
Amortization of issue premium on senior unsecured notes	(98)	(14)	(233)	(40)
Non-cash distributions to Unitholders in the form of DRIP Units	8,513	5,534	24,785	15,552
Taxes - deferred	—	300	(75,400)	2,400
Income tax expense	—	3	4	26
Change in fair value of financial instruments	(25)	(789)	(127)	(358)
	\$ 31,239	\$ 25,035	\$ 14,893	\$ 47,308

b) Change in other non-cash operating items

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Cash provided by (used in):				
Trade receivables	\$ 5,215	\$ 18,421	\$ 48	\$ 515
Prepaid expenses and deposits and other assets	12,668	6,146	5,683	(5,837)
Payables and other liabilities	1,260	(2,201)	12,145	7,435
	\$ 19,143	\$ 22,366	\$ 17,876	\$ 2,113

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c) Reconciliation between the opening and closing balances for liabilities from financing activities

	Mortgages		Floating rate credit facilities		Senior unsecured notes			Convertible debentures	
	Face value	Deferred financing costs	Face value	Deferred financing costs	Face value	Premium on debt issue	Deferred financing costs	Face value	Deferred financing costs
Balance, beginning of year	\$1,655,817	\$ 9,859	\$220,374	\$ 855	\$ 400,000	\$ 240	\$ 1,652	\$134,400	\$ 2,266
Issue of mortgages	192,783	—	—	—	—	—	—	—	—
Assumed mortgages	18,397	—	—	—	—	—	—	—	—
Repayment of mortgages	(90,281)	—	—	—	—	—	—	—	—
Repayment of floating credit facilities	—	—	(19,883)	—	—	—	—	—	—
Issue of senior unsecured notes	—	—	—	—	75,000	1,413	—	—	—
Redemption of convertible debentures	—	—	—	—	—	—	—	(60,000)	—
Additions to deferred financing costs	—	2,577	—	768	—	—	348	—	—
Total financing cash flow activities	1,776,716	12,436	200,491	1,623	475,000	1,653	2,000	74,400	2,266
Amortization of issue premium	—	—	—	—	—	(232)	—	—	—
Amortization of deferred financing charges	—	(1,672)	—	(401)	—	—	(470)	—	(935)
Total financing non-cash activities	—	(1,672)	—	(401)	—	(232)	(470)	—	(935)
Balance, end of period	\$1,776,716	\$ 10,764	\$200,491	\$ 1,222	\$ 475,000	\$ 1,421	\$ 1,530	\$ 74,400	\$ 1,331

17) RELATED PARTY TRANSACTIONS

As at September 30, 2017, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's revenue (expense) transactions with related parties are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Property revenue				
Property revenue	\$ 50,787	\$ 43,805	\$ 157,317	\$ 128,907
Head lease income	\$ 170	\$ 78	\$ 532	\$ 283
Lease termination income	\$ 61	\$ —	\$ 102	\$ —
Property operating expenses	\$ (16)	\$ (18)	\$ (29)	\$ (45)
General and administrative expenses				
Property management services recovered	\$ 165	\$ 174	\$ 484	\$ 744
Other general and administrative expenses	\$ (67)	\$ (102)	\$ (204)	\$ (202)
Finance costs - operations				
Interest on convertible debentures	\$ (13)	\$ (303)	\$ (608)	\$ (901)
Interest rate subsidy	\$ 79	\$ 59	\$ 258	\$ 212
Interest income	\$ —	\$ 178	\$ —	\$ 533
Finance costs - distributions to Unitholders	\$ (13,853)	\$ (13,647)	\$ (41,388)	\$ (38,484)

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Crombie provides property management, leasing services and environmental management to specific properties owned by certain subsidiaries of Empire on a fee for service basis pursuant to a Management Agreement. Revenue generated from the Management Agreement is being recognized in general and administrative expenses.

In addition to the above:

- On May 4, 2017, Crombie acquired a development property in British Columbia for \$31,136 before closing and transaction costs and settled the long-term receivable previously advanced to a subsidiary of Empire as part of the transaction.
- On March 16, 2017, Crombie acquired a retail property in Alberta and assumed the related land lease from Empire including approximately 50,000 square feet of gross leaseable area for \$8,320 before closing and transaction costs.
- On September 29, 2017, Crombie acquired approximately 31,000 square feet of additional gross leaseable area from a subsidiary of Empire for \$7,671 before closing and transaction costs.
- During the nine months ended September 30, 2017, Crombie issued 771,981 (September 30, 2016 - 466,326) Class B LP Units to ECLD under the DRIP (Note 15).

18) FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at September 30, 2017:

Financial assets	Level	September 30, 2017	December 31, 2016	September 30, 2016
Marketable securities	1	\$ 1,224	\$ —	—
Marketable securities	3	—	2,290	2,363
Total financial assets measured at fair value		\$ 1,224	\$ 2,290	2,363

During the first quarter of 2017, Crombie transferred marketable securities with a fair value of \$2,290 from Level 3 into Level 1. The transfer related to reduced price volatility and increased trading volume of the marketable securities held. There were no other transfers during the nine months ended September 30, 2017.

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables ⁽¹⁾	\$ 6,698	\$ 6,652	\$ 19,999	\$ 19,969	\$ 19,930	\$ 19,897
Total other financial assets	\$ 6,698	\$ 6,652	\$ 19,999	\$ 19,969	\$ 19,930	\$ 19,897
Financial liabilities						
Investment property debt	\$ 2,012,445	\$ 1,977,207	\$ 1,959,091	\$ 1,876,191	\$ 1,997,962	\$ 1,869,419
Senior unsecured notes	474,668	475,000	402,361	400,000	407,335	400,000
Convertible debentures	76,632	74,400	139,147	134,400	141,488	134,400
Total other financial liabilities	\$ 2,563,745	\$ 2,526,607	\$ 2,500,599	\$ 2,410,591	\$ 2,546,785	\$ 2,403,819

⁽¹⁾ Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from third parties.

The fair value of convertible debentures is a Level 1 measurement and the long-term receivables, investment property debt and senior unsecured notes are Level 2.

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

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

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. There has been no significant change in Crombie's risk management during the nine months ended September 30, 2017. The more significant risks, and the actions 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. A provision for doubtful accounts is taken for all anticipated collectability 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.

In measuring tenant concentration, Crombie considers both the annual minimum rent and total property revenue of major tenants:

- Crombie's largest tenant, Sobeys, represents 52.6% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 5.1% of Crombie's minimum rent.
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. For the nine months ended September 30, 2017, Sobeys represents 50.1% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 4.8% of Crombie's total property revenue.
- Over the next five years, no more than 4.7% of the gross leaseable area of Crombie will expire in any one year.

There have been no significant changes to Crombie's credit risk since December 31, 2016.

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Interest rate risk

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

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on recent years' 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 and unsecured bilateral credit facility	Decrease in rate	Increase in rate
Three months ended September 30, 2017	\$ 216	\$ (216)
Three months ended September 30, 2016	\$ 437	\$ (437)
Nine months ended September 30, 2017	\$ 344	\$ (344)
Nine months ended September 30, 2016	\$ 757	\$ (757)

There have been no significant changes to Crombie's interest rate risk since December 31, 2016.

Liquidity risk

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

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

	Twelve months ending September 30,						
Contractual Cash Flows⁽¹⁾	2018	2019	2020	2021	2022	Thereafter	
Fixed rate mortgages ⁽²⁾	\$ 2,141,957	\$ 192,379	\$ 139,451	\$ 389,678	\$ 158,549	\$ 336,089	\$ 925,811
Senior unsecured notes	516,169	17,379	185,984	133,186	179,620	—	—
Convertible debentures	88,071	3,906	3,906	3,906	76,353	—	—
	2,746,197	213,664	329,341	526,770	414,522	336,089	925,811
Floating rate debt	216,331	5,928	104,800	2,921	102,682	—	—
Total	\$ 2,962,528	\$ 219,592	\$ 434,141	\$ 529,691	\$ 517,204	\$ 336,089	\$ 925,811

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

There have been no significant changes to Crombie's liquidity risk since December 31, 2016.

19) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, at reasonable levels, 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Investment property debt	\$ 1,965,221	\$ 1,865,477	\$ 1,859,222
Senior unsecured notes	474,890	398,588	398,461
Convertible debentures	73,069	132,134	131,980
Crombie REIT Unitholders	873,232	834,203	831,290
SVU and Class B LP Unitholders	583,456	555,943	553,782
	\$ 3,969,868	\$ 3,786,345	\$ 3,774,735

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

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
Fixed rate mortgages	\$ 1,776,716	\$ 1,655,817	\$ 1,528,048
Senior unsecured notes	475,000	400,000	400,000
Convertible debentures	74,400	134,400	134,400
Revolving credit facility	100,491	120,374	241,371
Bilateral credit facility	100,000	100,000	100,000
Total debt outstanding	2,526,607	2,410,591	2,403,819
Less: Applicable fair value debt adjustment	(1,194)	(1,452)	(1,509)
Debt	\$ 2,525,413	\$ 2,409,139	\$ 2,402,310
Income properties, cost	\$ 4,279,327	\$ 4,132,541	\$ 4,107,745
Properties under development, cost	69,630	33,442	33,019
Below-market lease component, cost ⁽¹⁾	87,243	85,946	88,106
Investment in joint ventures	5,213	815	—
Other assets, cost (see below)	303,339	300,923	289,010
Deferred financing charges	14,847	14,631	14,409
Interest rate subsidy	(1,194)	(1,452)	(1,509)
Fair value adjustment to deferred taxes	—	(34,120)	(34,299)
Gross book value	\$ 4,758,405	\$ 4,532,726	\$ 4,496,481
Debt to gross book value	53.1%	53.1%	53.4%

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

Other assets are calculated as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Other assets per Note 5	\$ 238,938	\$ 245,783	\$ 235,331
Add:			
Tenant incentive accumulated amortization	64,401	55,140	53,679
Other assets, cost	\$ 303,339	\$ 300,923	\$ 289,010

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;

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- access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at September 30, 2017, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

20) 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 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 obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at September 30, 2017, Crombie has a total of \$8,136 in outstanding letters of credit related to:

	September 30,	
	2017	2016
Construction work being performed on investment properties	\$ 3,296	\$ 2,027
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	4,840	—
Total outstanding letters of credit	\$ 8,136	\$ 2,027

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 eight to 72 years including renewal options. For the three and nine months ended September 30, 2017, Crombie paid \$463 and \$1,240 respectively in land lease payments to third party landlords (three and nine months ended September 30, 2016 - \$357 and \$1,067). Crombie's commitments under the land leases are disclosed in Note 12.

As at September 30, 2017, Crombie had signed construction contracts totalling \$71,496 of which \$35,165 has been paid.

21) SUBSEQUENT EVENTS

- (a) On October 19, 2017, Crombie declared distributions of 7.417 cents per Unit for the period from October 1, 2017 to and including, October 31, 2017. The distributions will be paid on November 15, 2017, to Unitholders of record as of October 31, 2017.

22) 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.