

CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
September 30, 2021

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

	Note	September 30, 2021	December 31, 2020
Assets			
Non-current assets			
Investment properties	3	\$ 3,579,092	\$ 3,583,939
Investment in joint ventures	4	54,013	51,043
Other assets	5	365,798	307,724
		3,998,903	3,942,706
Current assets			
Cash and cash equivalents	16	8,897	63,293
Other assets	5	73,344	69,540
Investment properties held for sale	6	29,319	29,899
		111,560	162,732
Total Assets		4,110,463	4,105,438
Liabilities			
Non-current liabilities			
Fixed rate mortgages	7	1,000,944	1,139,798
Credit facilities	7	23,410	27,256
Senior unsecured notes	8	1,121,122	971,398
Employee future benefits obligation		8,577	8,378
Trade and other payables	9	21,682	15,975
Lease liabilities	20	34,616	29,242
		2,210,351	2,192,047
Current liabilities			
Fixed rate mortgages	7	247,991	127,246
Credit facilities	7	—	35,000
Senior unsecured notes	8	—	150,000
Employee future benefits obligation		279	279
Trade and other payables	9	103,628	121,888
Lease liabilities	20	917	672
		352,815	435,085
Total liabilities excluding net assets attributable to Unitholders		2,563,166	2,627,132
Net assets attributable to Unitholders		\$ 1,547,297	\$ 1,478,306
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		\$ 920,680	\$ 881,511
Special Voting Units and Class B Limited Partnership Unitholders		626,617	596,795
		\$ 1,547,297	\$ 1,478,306
Commitments, contingencies and guarantees	21		
Subsequent events	22		

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Property revenue	10	\$ 101,517	\$ 92,920	\$ 305,060	\$ 291,673
Property operating expenses	11	30,216	27,503	93,431	100,627
Net property income		71,301	65,417	211,629	191,046
Gain (loss) on disposal of investment properties	3	2,619	—	13,763	(829)
Impairment of investment properties	3	(1,239)	—	(1,239)	(2,100)
Depreciation and amortization	3,5	(19,109)	(18,465)	(56,958)	(56,061)
General and administrative expenses	13	(5,728)	(5,069)	(18,119)	(15,048)
Finance costs - operations	14	(23,070)	(22,250)	(70,149)	(66,896)
Income (loss) from equity accounted investments	4	(923)	101	(2,256)	339
Operating income attributable to Unitholders		23,851	19,734	76,671	50,451
Finance costs - other					
Distributions to Unitholders		(36,578)	(35,202)	(107,922)	(105,091)
Change in fair value of financial instruments	13	291	(187)	(1,954)	1,530
		(36,287)	(35,389)	(109,876)	(103,561)
Decrease in net assets attributable to Unitholders		(12,436)	(15,655)	(33,205)	(53,110)
Other comprehensive income (loss)					
Items that will be subsequently reclassified to (decrease) increase in net assets attributable to Unitholders:					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		—	—	—	510
Net change in derivatives designated as cash flow hedges		476	220	3,005	(6,577)
Other comprehensive income (loss)		476	220	3,005	(6,067)
Comprehensive loss		\$ (11,960)	\$ (15,435)	\$ (30,200)	\$ (59,177)

See accompanying notes to the interim condensed consolidated financial statements.

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

	REIT Units, Special Voting Units and Class B LP Units (Note 15)	Net Liabilities Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2021	\$ 1,860,237	\$ (376,301)	\$ (5,630)	\$ 1,478,306	\$ 881,511	\$ 596,795
Adjustments related to Employee Unit Purchase Plan ("EUPP")	26	—	—	26	26	—
Comprehensive income (loss)	—	(33,205)	3,005	(30,200)	(17,852)	(12,348)
Units issued under Distribution Reinvestment Plan ("DRIP")	1,799	—	—	1,799	1,053	746
Units issued under Unit-based compensation plan	70	—	—	70	70	—
Unit issue proceeds, net of costs	97,296	—	—	97,296	55,872	41,424
Balance, September 30, 2021	\$ 1,959,428	\$ (409,506)	\$ (2,625)	\$ 1,547,297	\$ 920,680	\$ 626,617

	REIT Units, Special Voting Units and Class B LP Units (Note 15)	Net Liabilities Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2020	\$ 1,759,324	\$ (304,412)	\$ 131	\$ 1,455,043	\$ 870,792	\$ 584,251
Adjustments related to EUPP	30	—	—	30	30	—
Comprehensive loss	—	(53,110)	(6,067)	(59,177)	(36,663)	(22,514)
Units issued under DRIP	2,281	—	—	2,281	1,335	946
Units Issued under Unit-based compensation plan	745	—	—	745	745	—
Unit issue proceeds, net of costs	97,288	—	—	97,288	55,863	41,425
Balance, September 30, 2020	\$ 1,859,668	\$ (357,522)	\$ (5,936)	\$ 1,496,210	\$ 892,102	\$ 604,108

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Cash flows provided by (used in)					
Operating Activities					
Decrease in net assets attributable to Unitholders		\$ (12,436)	\$ (15,655)	\$ (33,205)	\$ (53,110)
Additions to tenant incentives		(7,099)	(3,620)	(62,709)	(51,484)
Items not affecting operating cash	16	21,459	19,891	54,909	62,843
Change in other non-cash operating items	16	12,704	3,610	3,655	(19,451)
Finance costs - operations	14	23,070	22,250	70,149	66,896
Distributions to Unitholders		36,578	35,202	107,922	105,091
Cash provided by operating activities		<u>74,276</u>	<u>61,678</u>	<u>140,721</u>	<u>110,785</u>
Financing Activities					
Issue of mortgages	7	—	—	25,550	118,000
Financing - other		(857)	(400)	(2,480)	(1,333)
Repayment of mortgages - principal		(11,343)	(10,786)	(33,120)	(31,971)
Repayment of mortgages - maturity	7	—	(14,046)	(9,847)	(182,348)
Finance costs - operations	14	(23,070)	(22,250)	(70,149)	(66,896)
Advance (repayment) of floating rate credit facilities		(143,625)	60,192	(36,514)	147,588
Advance of joint operation credit facilities	7	96	144	264	430
Issue of senior unsecured notes	8	150,000	—	150,000	—
Redemption of senior unsecured notes	8	—	—	(150,000)	—
Distributions to Unitholders		(36,578)	(35,202)	(107,922)	(105,091)
Special cash distribution		—	—	—	(14,857)
REIT Units and Class B LP Units issued	15	—	—	100,015	100,012
REIT Units and Class B LP Units issue costs	15	(78)	(88)	(2,719)	(2,724)
Payments of lease liabilities		(220)	(177)	(608)	(541)
Items not affecting financing cash	16	1,340	1,318	4,124	4,452
Cash used in financing activities		<u>(64,335)</u>	<u>(21,295)</u>	<u>(133,406)</u>	<u>(35,279)</u>
Investing Activities					
Acquisition of investment properties and intangible assets		(4,838)	(5,093)	(64,304)	(10,055)
Additions to investment properties		(29,919)	(30,913)	(45,036)	(59,871)
Proceeds on disposal of investment properties	3	14,684	—	56,245	901
Contributions to joint ventures	4	(4,278)	(4,011)	(5,278)	(4,511)
Distributions from joint ventures	4	18	17	52	34
Additions to fixtures and computer equipment		(72)	(113)	(184)	(588)
Additions to deferred leasing costs		(184)	(62)	(747)	(771)
Advances on long-term receivables		(37)	(208)	(2,459)	(645)
Cash used in investing activities		<u>(24,626)</u>	<u>(40,383)</u>	<u>(61,711)</u>	<u>(75,506)</u>
Net change in cash and cash equivalents		(14,685)	—	(54,396)	—
Cash and cash equivalents, beginning of period		23,582	—	63,293	—
Cash and cash equivalents, end of period		\$ 8,897	\$ —	\$ 8,897	\$ —

⁽¹⁾ See Note 2(d) for changes in accounting policy.

See accompanying notes to the interim condensed consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is investing in income-producing retail, retail-related industrial, mixed-use, and office 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, 2021 and September 30, 2020 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 three and nine months ended September 30, 2021 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on November 9, 2021.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as otherwise indicated hereunder, these financial statements have been prepared using the same policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2020.

(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, 2020.

(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 either recognized as an increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or fair value through other comprehensive income ("FVOCI" classification).

(c) Critical accounting estimates and assumptions

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates and judgements disclosed in the annual financial statements also apply to these interim financial statements. As of September 30, 2021, there continues to be measurement uncertainty due to the outbreak of the novel strain of coronavirus ("COVID-19"). The estimates and assumptions that are critical to the determination of the amounts reported in the interim condensed consolidated financial statements relate to the following:

(i) Fair value measurement

A number of assets and liabilities included in Crombie's interim condensed consolidated financial statements require measurement at, and/or disclosure of, fair value. In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where market-observable data is not available, Crombie estimates the fair value based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

(ii) Investment properties

Investment properties are carried at cost less accumulated depreciation. Crombie estimates the residual value and useful lives of investment properties and the significant components thereof to calculate depreciation and amortization.

(iii) Investment property valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value substantially all of Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the measurement date, represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Internal quarterly valuations are performed using internally generated valuation models prepared by considering the aggregate trailing annual net property income recognized from leasing the property, that is stabilized for any major tenant movement. Biannual yields are obtained from an independent valuation company, which reflects the specific risks inherent in the net property income, to arrive at property valuations. As at September 30, 2021, management's determination of fair value was updated for current market assumptions, informed by property income, market capitalization rates, and recent appraisals provided by independent appraisal professionals.

(iv) Lease modifications

From time to time, Crombie may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, Crombie applies IFRS 9 in determining whether to partially or fully derecognize those receivables. Other changes to the terms and conditions of the lease are treated as lease modifications in accordance with IFRS 16, and the modified lease is accounted for as a new lease from the effective date of the modification, with any prepaid or accrued lease payments relating to the original lease included as part of the lease payments for the new lease.

(v) Risk management

Markets have been impacted by COVID-19, which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available income of retail customers, may adversely impact our operations and development activities including, among others, increasing the credit risk associated with our receivables, limiting our ability to quickly respond to changes in credit risk, extending the time to completion and occupancy of major developments, and limiting our ability to serve our tenants. This has resulted in moderate economic uncertainty, of which the potential impact on our future financial results is difficult to reliably measure.

(vi) Expected credit loss

Crombie assesses, on a tenant-by-tenant basis, losses expected with its rent receivables. In determining the provision for doubtful accounts, Crombie takes into account the payment history and future expectations of likely default events (tenants asking for rental concessions/abatements, applications for rental relief through government programs, or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or company voluntary arrangements and likely deferrals of payments due, and potential abatements to be granted by the landlord through tenant negotiations. Crombie's assessment is subjective due to the forward-looking nature of the situation. As a result, the provision for doubtful accounts is subject to a degree of uncertainty and is made based on assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

(d) Changes in accounting policies

Crombie has amended its accounting policy for the presentation of finance costs on debt and distributions to Unitholders in the consolidated statements of cash flows. Effective January 1, 2021, Crombie has elected to present these items as cash flows arising from financing activities, where they were previously included in cash flows from operating activities. Crombie has made this change in order to better reflect cash flows related to debt transactions. As a result of this change in presentation, cash flows provided by (used in) operating activities for the three and nine months ended September 30, 2021 have increased by \$58,308 and \$173,947 respectively (September 30, 2020 - \$56,127 and \$182,385) with a corresponding reduction to cash flows provided by (used in) financing activities.

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
September 30, 2021

3) INVESTMENT PROPERTIES

	September 30, 2021		December 31, 2020
Income properties	\$ 3,498,590	\$	3,520,562
Properties under development	80,502		63,377
	\$ 3,579,092	\$	3,583,939

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2021	\$ 1,147,608	\$ 2,921,305	\$ 73,318	\$ 10,078	\$ 4,152,309
Acquisitions	12,364	30,831	2,621	—	45,816
Additions	833	25,108	—	754	26,695
Write-off of fully depreciated assets	—	(5,646)	(2,992)	(695)	(9,333)
Transfer to investment properties held for sale (Note 6)	(10,289)	(37,737)	(812)	(19)	(48,857)
Reclassification from properties under development	—	2,372	—	—	2,372
Balance, September 30, 2021	1,150,516	2,936,233	72,135	10,118	4,169,002
Accumulated depreciation, amortization, and impairment					
Opening balance, January 1, 2021	6,290	590,366	31,211	3,880	631,747
Depreciation and amortization	237	51,196	3,613	876	55,922
Impairment	299	940	—	—	1,239
Write-off of fully depreciated assets	—	(5,646)	(2,992)	(695)	(9,333)
Transfer to investment properties held for sale (Note 6)	(299)	(8,343)	(515)	(6)	(9,163)
Balance, September 30, 2021	6,527	628,513	31,317	4,055	670,412
Net carrying value, September 30, 2021	\$ 1,143,989	\$ 2,307,720	\$ 40,818	\$ 6,063	\$ 3,498,590

Included in land are right of use assets of \$15,851 net of accumulated depreciation of \$870 for land held under lease.

During the nine months ended September 30, 2021, Crombie recorded an impairment of \$1,239 on one property. The impairment was a result of an upcoming partial disposition, expected to close in December 2021. Impairment was determined as the amount by which the carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be the higher of the economic benefit of the continued use of the asset or the selling price less costs to sell. To calculate the benefit of the continued use of the asset, Crombie utilized the present value of the estimated future cash flows, discounted using a discount rate based on the risk associated with the property.

Properties under development

	Land		Buildings		Total
Opening balance, January 1, 2021	\$ 46,225	\$	17,152	\$	63,377
Acquisitions	18,622		—		18,622
Additions	1,576		10,680		12,256
Reclassification to income-producing properties ⁽¹⁾	—		(13,753)		(13,753)
Balance, September 30, 2021	\$ 66,423	\$	14,079	\$	80,502

⁽¹⁾ During the nine months ended September 30, 2021, \$11,381 was moved out of properties under development and into tenant incentives. Refer to Note 5 of the financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
September 30, 2021

Fair value

Crombie's total fair value of investment properties exceeds carrying value by \$1,156,002 at September 30, 2021 (December 31, 2020 - \$921,974). 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. As of September 30, 2021, there continues to be increased measurement uncertainty around valuation regarding COVID-19. Crombie has disclosed increased sensitivity around capitalization rates and continues to monitor the ongoing potential impacts on valuation.

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

		Fair Value	Carrying Value
September 30, 2021	\$	5,096,000	\$ 3,939,998
December 31, 2020	\$	4,815,000	\$ 3,893,026

Carrying value consists of the net carrying value of:

	Note	September 30, 2021	December 31, 2020
Income properties	3	\$ 3,498,590	\$ 3,520,562
Properties under development	3	80,502	63,377
Accrued straight-line rent receivable	5	95,061	88,299
Tenant incentives	5	236,526	190,889
Investment properties held for sale	6	29,319	29,899
Total carrying value		<u>\$ 3,939,998</u>	<u>\$ 3,893,026</u>

Crombie has utilized the following weighted average capitalization rate on its income properties. Related to the growth in properties under development, Crombie reports the weighted average capitalization rate excluding the value of properties under development with comparative rates adjusted to reflect this change.

	September 30, 2021	December 31, 2020
Weighted average capitalization rate	5.64 %	5.86 %

Crombie has determined that an increase (decrease) in this applied capitalization rate at September 30, 2021 would result in an increase (decrease) in the fair value of the investment properties as follows:

Capitalization Rate Sensitivity		Increase In Rate	Decrease in Rate
September 30, 2021			
	0.25 %	\$ (218,000)	\$ 235,000
	0.50 %	\$ (415,000)	\$ 498,000
	0.75 %	\$ (595,000)	\$ 791,000

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
September 30, 2021

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.

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price
January 29, 2021	Third Party	(2)	(30,000) \$	(17,570)
February 10, 2021	Related Party	1	26,000	3,242
February 26, 2021	Third Party	—	—	6,400
March 18, 2021	Related Party	2	57,000	14,100
March 25, 2021	Related Party	1	50,000	5,260
March 26, 2021	Related Party	1	55,000	15,600
March 29, 2021	Third Party	1	16,000	1,690
March 31, 2021	Third Party	(1)	(33,000)	(24,400)
June 10, 2021	Third Party	—	—	11,885
July 6, 2021	Related Party	1	24,000	4,710
July 9, 2021	Third Party	(1)	(28,000)	(15,000)

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

Investment property disposals	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Gross proceeds	\$ 15,000	\$ —	\$ 56,970	\$ 1,000
Selling costs	(316)	—	(725)	(99)
	14,684	—	56,245	901
Carrying values derecognized				
Land	(3,535)	—	(18,682)	(1,730)
Buildings	(7,968)	—	(22,507)	—
Intangibles	(148)	—	(361)	—
Accrued straight-line rent	(225)	—	(726)	—
Provisions	(189)	—	(206)	—
Gain (loss) on disposal	\$ 2,619	\$ —	\$ 13,763	\$ (829)

4) INVESTMENT IN JOINT VENTURES

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

	September 30, 2021	December 31, 2020
1600 Davie Limited Partnership	50.0 %	50.0 %
Bronte Village Limited Partnership	50.0 %	50.0 %
The Duke Limited Partnership	50.0 %	50.0 %
Penhorn Residential Holdings Limited Partnership	50.0 %	50.0 %
140 CPN Limited	50.0 %	50.0 %
1700 East Broadway Limited Partnership	50.0 %	—
King George Development (I) Limited Partnership	50.0 %	—

CROMBIE REAL ESTATE INVESTMENT TRUST
Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
September 30, 2021

The following tables represents 100% of the financial position and financial results of the equity accounted entities:

	September 30, 2021			December 31, 2020		
	Davie LP	Other	Total	Davie LP	Other	Total
Non-current assets	\$ 185,931	\$ 399,117	\$ 585,048	\$ 187,100	\$ 288,680	\$ 475,780
Current assets	9,757	5,103	14,860	7,187	800	7,987
Non-current liabilities	(155,309)	(20,107)	(175,416)	(141,362)	(3,479)	(144,841)
Current liabilities	(6,547)	(308,450)	(314,997)	(18,057)	(219,433)	(237,490)
Net Assets	\$ 33,832	\$ 75,663	\$ 109,495	\$ 34,868	\$ 66,568	\$ 101,436
Crombie's investment in joint ventures	\$ 9,475	\$ 44,538	\$ 54,013	\$ 9,993	\$ 41,050	\$ 51,043

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Davie LP	Other	Total	Davie LP	Other	Total
Revenue	\$ 2,308	\$ 848	\$ 3,156	\$ —	\$ 492	\$ 492
Property Operating expenses	(637)	(752)	(1,389)	—	(99)	(99)
General and administrative expenses	(90)	(4)	(94)	(50)	(1)	(51)
Depreciation and amortization	(704)	(753)	(1,457)	—	(43)	(43)
Finance costs - operations	(1,079)	(982)	(2,061)	(72)	(25)	(97)
Net (loss) income	\$ (202)	\$ (1,643)	\$ (1,845)	\$ (122)	\$ 324	\$ 202
Crombie's (loss) income from equity accounted investments	\$ (101)	\$ (822)	\$ (923)	\$ (61)	\$ 162	\$ 101

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Davie LP	Other	Total	Davie LP	Other	Total
Revenue	\$ 4,046	\$ 1,928	\$ 5,974	\$ —	\$ 1,335	\$ 1,335
Property Operating expenses	(1,344)	(1,415)	(2,759)	—	(324)	(324)
General and administrative expenses	(453)	(52)	(505)	(50)	(1)	(51)
Depreciation and amortization	(2,096)	(837)	(2,933)	—	(133)	(133)
Finance costs - operations	(3,189)	(1,099)	(4,288)	(72)	(77)	(149)
Net (loss) income	\$ (3,036)	\$ (1,475)	\$ (4,511)	\$ (122)	\$ 800	\$ 678
Crombie's (loss) income from equity accounted investments	\$ (1,518)	\$ (738)	\$ (2,256)	\$ (61)	\$ 400	\$ 339

The following table shows the changes in the total carrying value of Crombie's investment in joint ventures for the period ended:

	September 30, 2021		December 31, 2020	
	\$	51,043	\$	45,123
Opening balance				
Contributions		5,278		6,061
Distributions		(52)		(69)
Share of (loss) income		(2,256)		(72)
Closing balance	\$	54,013	\$	51,043

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Fair Value

The estimated fair value of the investment properties in Crombie's equity accounted joint ventures at 100% is as follows:

		Fair Value		Carrying Value
September 30, 2021	\$	751,000	\$	585,048
December 31, 2020	\$	475,780	\$	475,780

The fair value of joint venture properties is a Level 3 fair value measurement. The fair value represents the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value included in this summary reflects the fair value of the properties as at September 30, 2021 and December 31, 2020, respectively, based on each property's current use as a revenue generating property or property under development. The fair value of properties under development is assumed to equal cost until the property is substantially completed. As at September 30, 2021, 1600 Davie Limited Partnership, The Duke Limited Partnership, and 140 CPN Limited are substantially complete.

Crombie has utilized the following weighted average capitalization rates on its joint venture properties.

	September 30, 2021	December 31, 2020
Weighted average capitalization rate	3.31 %	— %

5) OTHER ASSETS

	September 30, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	\$ 34,033	\$ —	\$ 34,033	\$ 42,211	\$ —	\$ 42,211
Provision for doubtful accounts	(2,949)	—	(2,949)	(7,955)	—	(7,955)
Net trade receivables	31,084	—	31,084	34,256	—	34,256
Prepaid expenses and deposits	24,431	—	24,431	19,271	—	19,271
Other fixed assets ^{(1) (2)}	—	11,280	11,280	—	11,373	11,373
Finance lease receivable	557	12,693	13,250	391	7,734	8,125
Accrued straight-line rent receivable	—	95,061	95,061	—	88,299	88,299
Tenant incentives	—	236,526	236,526	—	190,889	190,889
Other	43	105	148	89	127	216
Amounts receivable from related parties	17,229	10,133	27,362	15,533	9,302	24,835
	\$ 73,344	\$ 365,798	\$ 439,142	\$ 69,540	\$ 307,724	\$ 377,264

⁽¹⁾ For the nine months ended September 30, 2021, depreciation of other fixed assets was \$1,036 (September 30, 2020 - \$928).

⁽²⁾ Other fixed assets include right of use assets of \$2,449 (December 31, 2020 - \$2,136) net of accumulated depreciation of \$978 (December 31, 2020 - \$818) relating to office and vehicle leases.

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2021	\$ 275,194	\$ 84,305	\$ 190,889
Additions	50,094	—	50,094
Amortization	—	14,562	(14,562)
Write-off fully depreciated assets	(10,178)	(10,178)	—
Transfer to investment properties held for sale	(2,293)	(1,017)	(1,276)
Transfer from properties under development	11,381	—	11,381
Balance, September 30, 2021	\$ 324,198	\$ 87,672	\$ 236,526

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6) INVESTMENT PROPERTIES HELD FOR SALE

	Land	Buildings	Intangibles	Deferred Leasing Costs	Tenant Incentives	Total
Balance, January 1, 2021	\$ 15,147	\$ 14,539	\$ 213	\$ —	\$ —	\$ 29,899
Assets transferred to held for sale	9,990	29,394	297	13	1,276	40,970
Derecognition through disposition	(18,682)	(22,507)	(361)	—	—	(41,550)
Net carrying value, September 30, 2021	\$ 6,455	\$ 21,426	\$ 149	\$ 13	\$ 1,276	\$ 29,319

	Land	Buildings	Intangibles	Deferred Leasing Costs	Tenant Incentives	Total
Assets transferred to held for sale	\$ 16,219	\$ 20,028	\$ 306	\$ —	\$ —	\$ 36,553
Derecognition through disposition	(1,072)	(5,489)	(93)	—	—	(6,654)
Net carrying value, December 31, 2020	\$ 15,147	\$ 14,539	\$ 213	\$ —	\$ —	\$ 29,899

Crombie has determined that two of its investment properties and a partial interest in one of its investment properties meet the criteria for classification as held for sale as at September 30, 2021 based on the status of the sale transactions.

Prior to the classification as held for sale, the properties were assessed for impairment, which, at that time, is the amount by which the carrying value exceeds its recoverable amount, if any. No depreciation or amortization will be recorded while the properties are classified as held for sale. Crombie expects to complete the sale of the properties during the next 12 months.

7) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	September 30, 2021	December 31, 2020
Fixed rate mortgages	2.70 - 6.44 %	3.96 %	5.2 years	\$ 1,255,903	\$ 1,274,304
Revolving credit facility			3.7 years	6,603	17,712
Joint operation credit facility I			2.6 years	7,167	7,188
Joint operation credit facility II			3.0 years	2,640	2,356
Unsecured bilateral credit facility			1.7 years	7,000	35,000
Deferred financing charges on fixed rate mortgages				(6,968)	(7,260)
				\$ 1,272,345	\$ 1,329,300
Mortgages					
Non-current				\$ 1,000,944	\$ 1,139,798
Current				247,991	127,246
Credit facilities					
Non-current				23,410	27,256
Current				—	35,000
				\$ 1,272,345	\$ 1,329,300

Specific investment properties with a carrying value of \$2,743,447 as at September 30, 2021 (December 31, 2020 - \$2,743,270) are currently pledged as security for mortgages or provided as security for the revolving credit facility. Carrying value includes investment properties, 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, 2021	Addition	—	2.87 %			\$ 25,000
	New	1	2.70 %	5.0	25.0	550
	Repaid	4	2.98 %			(10,612)
						<u>\$ 14,938</u>

Joint Operation Credit Facility I

In conjunction with the 89% sale of a portfolio of assets in 2019, Crombie and its co-owner entered into a credit agreement for a \$62,250 term loan facility and a \$5,800 revolving credit facility. The revolving credit facility was amended in the second quarter of 2021. The amendment reduced the maximum principal amount of \$5,800 to \$2,908 and maturity remains unchanged at April 25, 2024. Borrowings under the joint operation 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. Concurrent with entering into the facility, Crombie and its co-owner entered into a fixed for floating interest rate swap, effectively fixing the interest rate at 3.58%.

Revolving Credit Facility

The revolving credit facility agreement was extended in the second quarter of 2021. The revolving credit facility has a maximum principal amount of \$400,000 and matures June 30, 2025. 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 mortgages on certain properties and the maximum principal amount is subject to an available borrowing base (September 30, 2021- borrowing base of \$400,000). 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 Morningstar and whether the facility remains secured or migrates to an unsecured status.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility agreement was extended in the first quarter of 2021. The unsecured bilateral credit facility has a maximum principal amount of \$130,000 and matures June 30, 2023. 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 Morningstar.

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8) SENIOR UNSECURED NOTES

	Maturity Date ⁽¹⁾	Contractual Interest Rate	September 30, 2021	December 31, 2020
Series B	June 1, 2021	3.962 %	\$ —	\$ 150,000
Series D	November 21, 2022	4.066 %	150,000	150,000
Series E	January 31, 2025	4.800 %	175,000	175,000
Series F	August 26, 2026	3.677 %	200,000	200,000
Series G	June 21, 2027	3.917 %	150,000	150,000
Series H	March 31, 2028	2.686 %	150,000	150,000
Series I	October 9, 2030	3.211 %	150,000	150,000
Series J	August 12, 2031	3.133 %	150,000	—
Unamortized Series B issue premium			—	110
Deferred financing charges			(3,878)	(3,712)
			\$ 1,121,122	\$ 1,121,398

⁽¹⁾ For the nine months ended September 30, 2021, the weighted average term to maturity was 5.7 years.

Senior unsecured notes are presented in the consolidated balance sheet as follows:

	September 30, 2021	December 31, 2020
Non-current	\$ 1,121,122	\$ 971,398
Current	—	150,000
Total	\$ 1,121,122	\$ 1,121,398

On August 12, 2021, Crombie issued on a private placement basis, \$150,000 of Series J notes (senior unsecured) maturing August 12, 2031. The net proceeds of the offering were used to repay existing debt. The notes were priced with a contractual interest rate of 3.133% and sold at a price of \$1,000.00 per \$1,000.00 principal amount. Interest is payable in equal semi-annual installments on February 12 and August 12.

9) TRADE AND OTHER PAYABLES

	September 30, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	\$ 33,761	\$ —	\$ 33,761	\$ 51,960	\$ —	\$ 51,960
Property operating costs	23,694	—	23,694	19,548	—	19,548
Prepaid rents	15,005	—	15,005	15,938	—	15,938
Finance costs on investment property debt and notes	12,678	—	12,678	13,010	—	13,010
Amounts payable to related party	287	—	287	1,008	—	1,008
Fair value of interest rate swap agreements	2,258	—	2,258	5,263	—	5,263
Distributions payable	12,193	—	12,193	11,738	—	11,738
Unit-based compensation plans	3,446	17,435	20,881	3,165	11,575	14,740
Deferred revenue	306	4,247	4,553	258	4,400	4,658
	\$ 103,628	\$ 21,682	\$ 125,310	\$ 121,888	\$ 15,975	\$ 137,863

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10) PROPERTY REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating lease revenue				
Rental revenue contractually due from tenants ⁽¹⁾	\$ 91,907	\$ 83,845	\$ 268,815	\$ 257,636
Contingent rental revenue	265	229	1,352	666
Straight-line rent recognition	2,326	3,266	7,488	7,076
Tenant incentive amortization	(5,187)	(4,752)	(14,562)	(12,990)
Lease termination income	406	34	2,803	370
Revenue from contracts with customers				
Common area cost recoveries	11,054	9,812	37,293	36,661
Parking revenue	746	486	1,871	2,254
	\$ 101,517	\$ 92,920	\$ 305,060	\$ 291,673

⁽¹⁾ Includes reimbursement of Crombie's property tax expense.

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,			
	2021		2020		2021		2020	
Sobeys Inc. (including all subsidiaries of Empire)	\$ 61,371	60.5 %	\$ 52,648	56.7%	\$ 168,517	55.2 %	\$ 152,891	52.4 %

11) PROPERTY OPERATING EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Recoverable property taxes	\$ 18,271	\$ 15,373	\$ 51,174	\$ 49,313
Recoverable operating expenses	10,988	10,101	38,332	37,869
Other operating costs	957	2,029	3,925	13,445
	\$ 30,216	\$ 27,503	\$ 93,431	\$ 100,627

Bad debt (recovery) expense recognized in property operating expenses for the three and nine months ended September 30, 2021 was (\$221) and \$757 respectively (September 30, 2020 - bad debt expense of \$1,018 and \$10,827 respectively).

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, 2021, is as follows:

	Remaining		Year ending December 31,					Total
	2021	2022	2023	2024	2025	Thereafter		
Future minimum rental income	\$ 70,999	\$ 277,655	\$ 264,276	\$ 253,113	\$ 236,958	\$ 1,902,949	\$ 3,005,950	

Crombie manages its residual risk in its investment properties through an active capital expenditure program and actively leasing any vacant spaces. The residual risk throughout Crombie's portfolio is not considered significant.

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13) GENERAL AND ADMINISTRATION EXPENSES AND CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Salaries and benefits	\$ 4,501	\$ 3,601	\$ 13,212	\$ 10,482
Professional and public company costs	700	912	2,896	2,613
Occupancy and other	527	556	2,011	1,953
	<u>\$ 5,728</u>	<u>\$ 5,069</u>	<u>\$ 18,119</u>	<u>\$ 15,048</u>

(b) Decrease (increase) in fair value of financial instruments

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Deferred Unit ("DU") Plan	\$ 291	\$ (187)	\$ (1,954)	\$ 1,530

14) FINANCE COSTS - OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Fixed rate mortgages	\$ 12,747	\$ 12,800	\$ 38,726	\$ 38,143
Floating rate term, revolving, and demand facilities	737	908	1,848	3,208
Capitalized interest	(879)	(1,458)	(2,556)	(4,044)
Senior unsecured notes	10,087	9,637	31,002	28,498
Interest income on finance lease receivable	(145)	(97)	(404)	(292)
Interest on lease liability	523	460	1,533	1,383
Finance costs - operations, expense	23,070	22,250	70,149	66,896
Amortization of fair value debt adjustment and accretion income	72	81	224	233
Change in accrued finance costs	26	(1,626)	332	(1,016)
Amortization of effective swap agreements	—	—	—	(510)
Capitalized interest ⁽¹⁾	879	1,458	2,556	4,044
Amortization of issue premium on senior unsecured notes	—	112	110	332
Amortization of deferred financing charges	(759)	(737)	(2,325)	(2,171)
Finance costs - operations, paid	\$ 23,288	\$ 21,538	\$ 71,046	\$ 67,808

⁽¹⁾ For the three months ended September 30, 2021, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.26% (September 30, 2020 - 3.61%)

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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, 2021	93,533,246	\$ 1,100,999	64,724,915	\$ 759,238	158,258,161	\$ 1,860,237
Net change in EUPP loans receivable	—	26	—	—	—	26
Units issued under DRIP	64,101	1,053	45,417	746	109,518	1,799
Units issued under Unit-based compensation plan	4,817	70	—	—	4,817	70
Units issued (proceeds are net of issue costs)	3,525,000	55,872	2,500,000	41,424	6,025,000	97,296
Balance, September 30, 2021	97,127,164	\$ 1,158,020	67,270,332	\$ 801,408	164,397,496	\$ 1,959,428

Crombie REIT Units

On May 19, 2021, Crombie closed a public offering, on a bought deal basis, of 3,525,000 Units, at a price of \$16.60 per Unit for proceeds of \$55,872 net of issue costs.

Crombie REIT Special Voting Units ("SVU") and Class B LP Units

On May 19, 2021, concurrent with the issue of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments purchased 2,500,000 Class B LP Units and the attached SVUs at a price of \$16.60 per Class B LP Unit for proceeds of \$41,424 net of issue costs, on a private placement basis.

	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, 2020	89,697,623	\$ 1,042,696	62,045,732	\$ 716,628	151,743,355	\$ 1,759,324
Net change in EUPP loans receivable	—	30	—	—	—	30
Units issued under DRIP	96,568	1,335	68,453	946	165,021	2,281
Units issued under Unit-based compensation plan	58,090	745	—	—	58,090	745
Units issued (proceeds are net of issue costs)	3,657,000	55,863	2,593,750	41,425	6,250,750	97,288
Balance, September 30, 2020	93,509,281	\$ 1,100,669	64,707,935	\$ 758,999	158,217,216	\$ 1,859,668

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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,	
	2021	2020	2021	2020
Items not affecting operating cash:				
Straight-line rent recognition	\$ (2,326)	\$ (3,266)	\$ (7,488)	\$ (7,076)
Amortization of tenant incentives	5,187	4,752	14,562	12,990
Loss (gain) on disposal of investment properties	(2,619)	—	(13,763)	829
Impairment of investment properties	1,239	—	1,239	2,100
Depreciation and amortization	19,109	18,465	56,958	56,061
Amortization of effective swap agreements and issue premium	—	(112)	(110)	178
Loss (income) from equity accounted investments	923	(101)	2,256	(339)
Non-cash lease termination income	237	(34)	(699)	(370)
Change in fair value of financial instruments	(291)	187	1,954	(1,530)
	\$ 21,459	\$ 19,891	\$ 54,909	\$ 62,843

b) Change in other non-cash operating items

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash provided by (used in):				
Trade receivables	\$ (4,479)	\$ (449)	\$ 3,172	\$ (7,562)
Prepaid expenses and deposits and other assets	11,151	473	(5,126)	(5,223)
Payables and other liabilities	6,032	3,586	5,609	(6,666)
	\$ 12,704	\$ 3,610	\$ 3,655	\$ (19,451)

c) Items not affecting financing cash

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Amortization of financing charges	\$ 759	\$ 737	\$ 2,325	\$ 2,171
Non-cash distributions to Unitholders in the form of DRIP Units	581	581	1,799	2,281
	\$ 1,340	\$ 1,318	\$ 4,124	\$ 4,452

d) Cash and cash equivalents

	September 30, 2021	December 31, 2020
Restricted cash ⁽¹⁾	\$ 8,897	\$ 63,293

⁽¹⁾ Crombie recently closed on a construction mortgage in which the proceeds were placed in escrow and will be fully drawn down once certain conditions are satisfied.

17) RELATED PARTY TRANSACTIONS

As at September 30, 2021, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party

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transactions also include transactions with joint venture entities in which Crombie has a 50% interest, as well as transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the amount of consideration established and agreed 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,	
	2021	2020	2021	2020
Property revenue				
Property revenue	\$ 61,371	\$ 52,648	\$ 168,517	\$ 152,891
Head lease income	\$ 227	\$ 223	\$ 795	\$ 706
Lease termination income	\$ 34	\$ 34	\$ 102	\$ 102
Property operating expenses	\$ (33)	\$ (16)	\$ (62)	\$ (40)
General and administrative expenses				
Property management services recovered	\$ 112	\$ 147	\$ 290	\$ 351
Other general and administrative expenses	\$ (71)	\$ (65)	\$ (200)	\$ (194)
Finance costs - operations				
Interest rate subsidy	\$ 56	\$ 63	\$ 175	\$ 194
Finance costs - distributions to Unitholders	\$ (15,170)	\$ (14,599)	\$ (44,758)	\$ (43,591)

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 as a reduction of general and administrative expenses.

During the nine months ended September 30, 2021, Crombie issued 45,417 (September 30, 2020 - 68,453) Class B LP Units to ECLD under the DRIP (Note 15).

During the nine months ended September 30, 2021, Crombie purchased six properties from a subsidiary of Empire for a total purchase price of \$42,912 before transaction costs.

During the nine months ended September 30, 2021, Crombie invested \$24,102 in properties anchored by subsidiaries of Empire, which resulted in amended lease terms. These amounts have been included in tenant incentive additions or income property additions depending on the nature of the work completed. The costs are being amortized over the amended lease terms or the useful life of the projects, as applicable.

Amounts due from related parties include \$15,533 (December 31, 2020 - \$15,533) in 6% subordinated notes receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

Crombie has a mortgage payable due to 1600 Davie Limited Partnership of \$25,526 (December 31, 2020 - \$25,526). This mortgage relates to the commercial component of the Davie Street development, 100% of which is included in Crombie's financial statements.

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.

There were no transfers between levels of the fair value hierarchy during the period ended September 30, 2021.

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, 2021		December 31, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Accounts receivable ⁽¹⁾	\$ 27,496	\$ 27,510	\$ 25,042	\$ 25,051
Financial liabilities				
Investment property debt	\$ 1,361,326	\$ 1,279,313	\$ 1,427,367	\$ 1,336,560
Senior unsecured notes	1,174,521	1,125,000	1,206,285	1,125,000
Total other financial liabilities	\$ 2,535,847	\$ 2,404,313	\$ 2,633,652	\$ 2,461,560

⁽¹⁾ Accounts receivable include amounts in other assets for the capital expenditure program, interest rate subsidy, and receivable from related parties.

The fair value of 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
- Trade and other payables (excluding any 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. More information on the significant risks, and the actions taken to manage them, are discussed in our annual report.

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 and other NOI adjustments are taken for all anticipated collectability risks.

Crombie mitigates credit risk by geographical diversification, diversifying both its tenant mix and asset mix, and conducting credit assessments for new and renewing tenants.

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Receivables are substantially comprised of current balances due from tenants and past due receivables. The balance of accounts receivable past due is usually not significant; however, historically low receivable balances have increased significantly over the past year as a result of the impacts of the COVID-19 pandemic. 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. The total provision for doubtful accounts is reviewed at each balance sheet date and current and long-term accounts receivable are reviewed on a regular basis.

Crombie assesses, on a forward-looking basis, the expected credit losses associated with its rent receivables. In determining the expected credit losses, Crombie takes into account, on a tenant-by-tenant basis, the payment history, future expectations, and knowledge gathered through discussions for rental concessions, applications for rental relief through government programs, and ongoing discussions with tenants.

Due to the impacts of COVID-19, Crombie's assessment of expected credit losses and an increased level of uncertainty. During the nine months ended September 30, 2021, Crombie has recorded a bad debt expense of \$757.

Liquidity Risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance debt obligations as they mature, or meet its ongoing obligations as they arise. Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets and recycling capital from property dispositions.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT Unit offering issuance from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management (see Note 19). Access to the \$400,000 revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

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

	Twelve months ending September 30,						
	Contractual Cash Flows⁽¹⁾	2022	2023	2024	2025	2026	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,460,590	\$ 292,090	\$ 255,924	\$ 282,525	\$ 118,620	\$ 62,718	\$ 448,713
Senior unsecured notes	1,345,676	41,275	186,025	35,176	204,576	226,059	652,565
Trade and other payables	113,067	91,385	3,746	2,499	1,487	1,487	12,463
Lease liabilities	154,934	2,994	2,957	2,830	2,761	2,661	140,731
	<u>3,074,267</u>	<u>427,744</u>	<u>448,652</u>	<u>323,030</u>	<u>327,444</u>	<u>292,925</u>	<u>1,254,472</u>
Credit facilities	25,054	616	7,579	7,521	9,338	—	—
Total	<u>\$ 3,099,321</u>	<u>\$ 428,360</u>	<u>\$ 456,231</u>	<u>\$ 330,551</u>	<u>\$ 336,782</u>	<u>\$ 292,925</u>	<u>\$ 1,254,472</u>

⁽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.

19) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, at reasonable levels, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

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Crombie's capital structure consists of the following:

	September 30, 2021		December 31, 2020
Fixed rate mortgages	\$ 1,248,935	\$	1,267,044
Credit facilities	23,410		62,256
Senior unsecured notes	1,121,122		1,121,398
Crombie REIT Unitholders	920,680		881,511
SVU and Class B LP Unitholders ⁽¹⁾	626,617		596,795
Lease liabilities	35,533		29,914
	\$ 3,976,297	\$	3,958,918

⁽¹⁾ Crombie REIT Special Voting Units ("SVU") and Class B LP Units

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. One of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items, a restriction that Crombie shall not incur total indebtedness of more than 60% of gross book value.

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, 2021		December 31, 2020
Fixed rate mortgages	\$ 1,255,903	\$	1,274,304
Senior unsecured notes	1,125,000		1,125,000
Revolving credit facility	6,603		17,712
Joint operation credit facilities	9,807		9,544
Bilateral credit facility	7,000		35,000
Lease liabilities	35,533		29,914
Total debt outstanding	2,439,846		2,491,474
Less: Applicable fair value debt adjustment	(108)		(283)
Debt	\$ 2,439,738	\$	2,491,191
Income properties, cost ⁽¹⁾	\$ 4,163,046	\$	4,146,652
Properties under development, cost	80,502		63,377
Below-market lease component, cost ⁽²⁾	63,960		64,873
Investment in joint ventures	54,013		51,043
Other assets, cost ⁽³⁾	529,694		463,699
Cash and cash equivalents	8,897		63,293
Deferred financing charges	10,846		10,972
Investment properties held for sale, cost	36,988		33,263
Interest rate subsidy	(108)		(283)
Gross book value	\$ 4,947,838	\$	4,896,889
Debt to gross book value - cost basis	49.3 %		50.9 %

⁽¹⁾ Includes impairments on land of \$5,956.

⁽²⁾ Below-market lease component is included in the carrying value of investment properties.

⁽³⁾ Excludes accumulated amortization of tenant incentives and other fixed assets.

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

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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 and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and
- annual cash distributions to Unitholders are limited to 100% of funds from operations.

For the period ending September 30, 2021, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

20) LEASE LIABILITIES

Crombie's future minimum lease payments as a lessee are as follows:

	Twelve months ending September 30,						
	Total	2022	2023	2024	2025	2026	Thereafter
Future minimum lease payments	\$ 154,934	\$ 2,994	\$ 2,957	\$ 2,830	\$ 2,761	\$ 2,661	\$ 140,731
Finance charges	(119,401)	(2,077)	(2,052)	(2,030)	(2,013)	(1,995)	(109,234)
Present value of lease payments	<u>\$ 35,533</u>	<u>\$ 917</u>	<u>\$ 905</u>	<u>\$ 800</u>	<u>\$ 748</u>	<u>\$ 666</u>	<u>\$ 31,497</u>

Lease liabilities are presented in the interim condensed consolidated balance sheet as follows:

	September 30, 2021	December 31, 2020
Non-current	<u>\$ 34,616</u>	\$ 29,242
Current	<u>917</u>	672
Total	<u>\$ 35,533</u>	<u>\$ 29,914</u>

Some of Crombie's lease agreements contain contingent rent clauses. Contingent rental payments are recognized in the interim condensed consolidated statements of comprehensive income as required when contingent criteria are met. The lease agreements contain renewal options and purchase options. For the nine months ended September 30, 2021, minimum lease payments of \$2,142 were paid by Crombie.

21) COMMITMENTS, CONTINGENCIES, AND GUARANTEES

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

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, 2021, Crombie has a total of \$4,229 in outstanding letters of credit related to:

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	September 30, 2021	December 31, 2020
Construction work being performed on investment properties	\$ 4,229	\$ 3,740
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	—	1,840
Total outstanding letters of credit	\$ 4,229	\$ 5,580

As at September 30, 2021, Crombie had signed construction contracts totalling \$342,053 of which \$274,230 has been paid. This includes contracts signed within joint ventures at Crombie's ownership percentage.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at September 30, 2021, Crombie has provided guarantees of approximately \$126,550 (December 31, 2020 - \$140,577) on mortgages in excess of their ownership interest in the properties. Responsibility for ongoing payments of principal and interest on these mortgages remains with the joint owners of the properties. The mortgages have a weighted average term to maturity of 3.2 years.

Under the terms of head leases with certain of Crombie's joint operation partners, Crombie guarantees its joint operation partners their portion of any uncollected rent receivable from the sub-tenant.

As at September 30, 2021, Crombie has committed to contributing \$2,120 to 1700 East Broadway Limited Partnership as part of the ongoing predevelopment work in the joint venture.

22) SUBSEQUENT EVENTS

- (a) On October 15, 2021, Crombie disposed of a 100% interest in a retail property totalling 29,000 square feet for \$16,910, excluding closing and transaction costs.
- (b) On October 15, 2021, Crombie declared distributions of 7.417 cents per Unit for the period from October 1, 2021 to and including October 31, 2021. The distributions will be paid on November 15, 2021, to Unitholders of record as of October 31, 2021.

23) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail, retail-related industrial, office, and mixed-use 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.