



# **HOMBURG INVEST INC.**

## **Annual Information Form**

**December 31, 2004**

**February 10, 2005**

### **FORWARD LOOKING STATEMENTS**

Certain statements contained in this Annual Information Form, and in certain documents incorporated by reference herein, constitute "forward-looking statements". When used herein and therein, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to HII or its management, are intended to identify forward-looking statements. Such statements reflect HII's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause HII's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including among others, those which are discussed under the heading "Risk Factors". Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. HII does not intend, and does not assume any obligation, to update these forward-looking statements.

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## **NAME AND INCORPORATION**

Pursuant to a Share Exchange Agreement dated September 19, 2000, Basic Realty Investment Corporation ("Basic"), operating under the Alberta Business Corporation Act, agreed to acquire 100% of the issued and outstanding shares of Uni-Invest Canada Ltd. (a private real estate investment company). The transaction closed on October 23, 2000; at which time Basic changed its name to Uni-Invest Ltd. On January 15, 2001, Uni-Invest Ltd. changed its name to Homburg Invest Inc. ("HII") and, at that time, the shares of HII were listed on the Toronto Stock Exchange, Symbol HII, and delisted from the Canadian Venture Exchange.

The head office of HII is located at Suite 600, 1741 Brunswick Street, Halifax, Nova Scotia, B3J 3X8.

## **SUBSIDIARIES**

HII owns a majority of its real estate assets indirectly through limited partnerships (the "Partnerships"). Each of the Partnerships were established to acquire a specific real estate asset or assets and are known as Homco Realty Fund (#) Limited Partnership. The General Partner for each is Homburg LP Management Incorporated - General Partner, Suite 200, 11 Akerley Boulevard, Halifax Regional Municipality, Nova Scotia, B3B 1V7. The Partnerships were formed under the laws of Nova Scotia.

HII also owns 100% of the issued and outstanding shares of Homburg (US) Limited (a Nova Scotia company) which owns through Homburg Holdings (US) Inc. (a US company) 100% of the issued and outstanding shares in six (6) US real estate investment companies, owning 14 properties and one limited partnership.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

The business of HII is the acquisition of real estate interests. HII's investment policies dictate a mixed portfolio including multi-unit residential and commercial office, retail and industrial properties with a wide geographic distribution. These policies are aimed at mitigating risk.

As indicated above, HII, in its present form, commenced operations as a public company on October 23, 2000. However, the genesis of HII is as a private real estate investment/management/consulting company formed by Richard Homburg, Chairman and CEO of HII, in the early 70's. Although its roots are in Nova Scotia, the private company grew to have real estate interests in Atlantic and Western Canada, The Netherlands, the United States and Australia. Real estate was held directly and through a series of limited partnerships. At the time of "going public" a substantial portion, but not all of the Canadian real estate assets, were rolled into HII in exchange for shares.

The property interests of HII in Canada are primarily held through a limited partnership structure. As at December 31, 2004, HII is the sole limited partner of 37 limited partnerships and has interests ranging from 5.0% to 55.55% in 7 limited partnerships which together hold the majority of HII's property interest. Of its total portfolio, only 2 Canadian properties are held directly by HII.

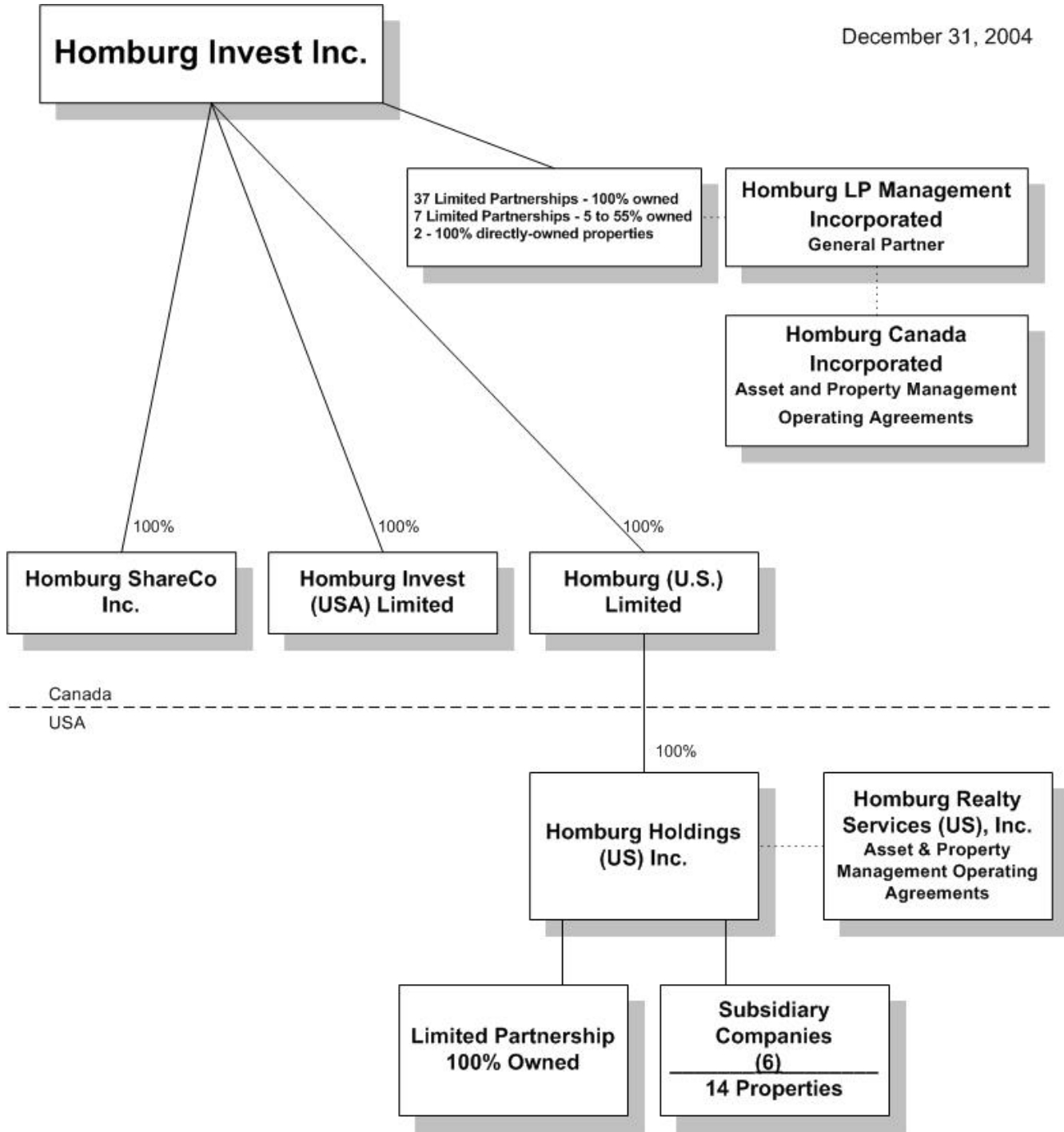
In addition to its real estate investment activities in Canada, HII owns, through a wholly owned US subsidiary, six (6) real estate investment companies and one limited partnership in the United States. These companies in total own 15 properties located in Colorado, Texas and Washington State. 14 of the US properties are owned directly by the US subsidiaries and one is in a 100% owned limited partnership.

Presently, the portfolio mix based on gross square footage is comprised of 10% residential; 40% retail, 33% office and 17% industrial. The geographical distribution is 55% Atlantic Canada; 4% Quebec; 7% Ontario; 18% Alberta; 6% British Columbia; 5% Colorado; 4% Texas; and 1% Washington State.

HII plans to continue to grow its mixed asset and geographically diverse portfolio in Canada and the United States.

**ORGANIZATION CHART**

December 31, 2004



## **SIGNIFICANT EVENTS 2004**

- ? January 13, 2004 – HII announced the completion of the purchase of the Dartmouth Shopping Centre. Built in the early 1960's, the property has undergone significant upgrading and market repositioning. The site contains approximately 6.43 acres, provides 406 parking spaces and 87,030 s.f. leaseable building space.
- ? February 26, 2004 – HII announced the acquisition of 10 Pizza Hut locations in the Province of Quebec. The properties contain a total of approximately 41,700 s.f. and are under a long term lease to Prizm Brands Inc. – the largest quick service restaurant operator in Canada.
- ? March 31, 2004 – HII announced the completion of its quarterly redemption program for the quarter ended December 31, 2003. Finalized on March 22, 2004 it was oversubscribed with 610,398 shares being tendered. The maximum number of shares eligible for redemption was 231,883 resulting in shares being redeemed pro-rata with 38% of the shares tendered by each shareholder being redeemed.
- ? June 28, 2004 – HII announced the completion of its quarterly redemption program for the quarter ended March 31, 2004. Finalized on June 28, 2004 it was oversubscribed with 630,924 shares being tendered. The maximum number of shares eligible for redemption was 230,724 resulting in shares being redeemed pro-rata with 37% of the shares tendered by each shareholder being redeemed.
- ? July 29, 2004 – HII announced that the Board of Directors had approved the payment of the Corporation's first dividend. To be payable semi-annually, the first dividend was paid to shareholders of record September 15, 2004 on September 30, 2004 at \$0.06 per share.
- ? July 29, 2004 – HII announced that the Board of Directors had approved a stock Dividend Reinvestment Plan. The Plan provides shareholders with the option to enroll either 100% or 50% of eligible shares and provides that the Board of Directors may declare a discount of up to 3% of the Average Market Price for shares acquired under the Plan.
- ? August 30, 2004 – HII announced the issue of shares from treasury:
  - 163,400 shares at \$1.53 per share, as partial payment for the acquisition of a retail shopping plaza in Calgary, Alberta – total purchase price \$2,250,000.
  - 6,944,440 shares, at \$1.44 per share, to a company related to Mr. Richard Homburg, Chairman and CEO, the proceeds of which were used to retire \$5,000,000 in debt with the remaining \$5,000,000 being used for working capital.
  - 1,388,888 shares, at \$1.44 per share, to a company controlled by Mr. Rudolf Bakhuizen, a Director. The \$2,000,000 generated by this placement was used for working capital.
- ? October 29, 2004 – HII announced the acquisition of approximately 143 acres of land in Calgary. Acquired for development purpose, the site is expected to yield 3,700 single family and multiple residential units. The total projected value of "Homburg Springs" is estimated at \$750 million.
- ? December 16, 2004 – HII announced the completion of construction and signing of leases for the Vintage Towers II office building in Calgary. Vintage II is an eight storey 124,500 s.f. Class A building constructed adjacent to Vintage I, a Calgary landmark property. Primary tenants are PPI Financial Group, Newalta Corporation, Royal and SunAlliance Insurance and UBS Energy Canada. Tenant occupation of the premises will be completed by the end of second quarter 2005.
- ? December 20, 2004 – HII announced the completion of two mortgage bond issues to European investors. Homburg Mortgage Bond 4 consists of a series of bonds in denominations of Euro 15,000 totalling 20,010,000 Euros. Issued for a term of seven years, the bonds bear interest at 7.5%, payable semi-annually, and are redeemable in whole or in part by the Corporation in December 2009. Homburg Mortgage Bond 5 carries similar terms and conditions and are also issued in Euro 15,000 for a total of 20,010,000 Euros. The bonds have been insured against currency fluctuations at an annual cost of 1.6% of the face value of the bonds.

## **DESCRIPTION OF BUSINESS**

The business of HII is the acquisition of real estate interests. The real estate industry can generally be divided into two distinct segments, residential and commercial. To date, HII's acquisition activities have focused primarily on income producing, multi-tenant, commercial properties. However, the portfolio includes some multi-unit residential properties.

The real estate industry is highly competitive and is affected by numerous factors including fluctuations in interest and occupancy rates and changes in general and, especially, local economic conditions. As such, a thorough understanding of local markets and an awareness of indicators of economic shifts therein is essential to permit the realization of existing opportunities. To this end, the management of HII has extensive knowledge of, and experience in, the markets where it carries on acquisition activities. As part of its due diligence process, HII prepares extensive reports on each of the geographic areas in which it conducts business, utilizing statistics and other information prepared by independent third parties. The purpose of these reports is to identify the then prevailing real estate trends in each region and to determine whether and when acquisitions should be made in that region.

## **LIMITED PARTNERSHIP STRUCTURE**

Homburg LP Management Incorporated is the general partner in each of the limited partnerships in which HII owns limited partnership units. The general partner has full power and authority to transact the business of the partnership and to deal with the assets for the use and benefit of the partnership. For these purposes, the general partner has sole, complete and unfettered power and authority to manage and carry on the business of the limited partnership and to do all things required in connection with the limited partnership including, but not limited to, acquiring and disposing of real property, mortgaging and charging real property, contracting for service, banking, appointment of an auditor, capital distributions, sale and acquisition of limited partnership units. HII, as limited partner, cannot direct Homburg LP Management Incorporated as the general partner, and can only remove Homburg LP Management Incorporated as the general partner of a limited partnership upon bankruptcy of Homburg LP Management Incorporated or default under the applicable limited partnership agreement.

In each case, Homburg LP Management Incorporated as general partner has entered into agreements on behalf of each limited partnership with Homburg Canada Incorporated ("HCI") for the administrative, commercial and technical management of the properties. Richard Homburg indirectly controls Homburg LP Management Incorporated ("Homburg Management") and HCI through companies controlled by Mr. Homburg for the benefit of his family, which companies indirectly own 100% of the Common Shares of each of Homburg Management and HCI. Reference is also made to "management agreements".

HII receives 100% of the economic interest, or its pro-rata portion thereof, in the business carried on by each limited partnership, as all of the profits and losses in the limited partnership are allocated to the limited partnership units held by HII. The general partner determines when any capital contributions may be returned to HII.

The limited partnership structure is utilized for several reasons. Primarily, it permits HII to obtain financing without providing collateral security by way of hard assets or general corporate guarantees as each asset is treated as a stand-alone entity. In addition, the purchase or sale of limited partnership units does not attract deed transfer taxes; it provides a measure of financial reporting discipline as each limited partnership is accounted for as a stand-alone entity; and finally, the structure allows all of the entities to be consolidated for Canadian tax purposes.

## **PROPERTIES OF HII**

### ***Overview of Properties***

HII owns commercial real estate properties located in Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island, Quebec, Ontario, Alberta, British Columbia and Texas, Colorado and Washington State in the United States. The following table sets forth the portfolio of properties currently owned together with particulars of acquisitions finalized in 2004.

**Properties Owned as at December 31, 2003**

Limited Partnership, Property and Location	Commercial Square Footage Leased/Total Dec. 31, 2004	Residential Units Occupied/Total Dec. 31, 2004	Percentage Leased	Percentage Owned
<b>HOMCO REALTY FUND (1) LP</b> The Ambassador Apartments 356 Windmill Road Dartmouth, Nova Scotia, Canada		40/44	91%	100%
<b>HOMCO REALTY FUND (2) LP</b> Highfield Park Apartments 31 Highfield Drive Dartmouth, Nova Scotia, Canada		36/36	100%	100%
Highfield Park Apartments 35 Highfield Drive Dartmouth, Nova Scotia, Canada		37/37	100%	100%
Highfield Park Apartments 11 Joseph Young Drive Dartmouth, Nova Scotia, Canada		36/36	100%	100%
<b>HOMCO REALTY FUND (4) LP</b> 141 Albro Lake Road Dartmouth, Nova Scotia, Canada		12/12	100%	100%
295 George Street Sydney, Nova Scotia, Canada	14,205/16,010		89%	100%
<b>HOMCO REALTY FUND (6) LP</b> 6112 McCart Avenue Fort Worth, Texas, USA	16,927/16,927		100%	100%
<b>HOMCO REALTY FUND (7) LP</b> Homburg Renaissance South 1313 Barrington Street, 5157 Morris Street & 1310 Hollis Street Halifax, Nova Scotia, Canada	16,109/28,815	37/38	56% & 97%	100%
<b>HOMCO REALTY FUND (8) LP</b> Homburg Commercial Centre 2 Morris Drive 11 Akerley Blvd. Dartmouth, Nova Scotia, Canada	106,230/106,230 21,365/21,365		100% 100%	100% 100%
<b>HOMCO REALTY FUND (9) LP</b> 640-820 28 <sup>th</sup> Street N.E. Calgary, Alberta, Canada	143,051/175,863		81%	100%
136-17 <sup>th</sup> Avenue N.E.* Calgary, Alberta, Canada	Sold September 2004			
40 Elizabeth Street Okotoks, Alberta, Canada	13,404/18,260		73%	100%
<b>HOMCO REALTY FUND (11) LP</b> The Vintage 322-11 <sup>th</sup> Avenue S.W. Calgary, Alberta, Canada	78,742/101,168		79%	100%
<b>HOMCO REALTY FUND (12) LP</b> Confederation Court Complex Charlottetown, PEI, Canada	213,090/232,856		92%	100%
<b>HOMCO REALTY FUND (13) LP</b> Crowfoot Square 800-842 Crowfoot Crescent N.W. Calgary, Alberta, Canada	19,728/19,728		100%	100%
<b>HOMCO REALTY FUND (14) LP</b> 2067-50 <sup>th</sup> Avenue Red Deer, Alberta, Canada	6,878/13,751		50%	100%
<b>HOMCO REALTY FUND (15) LP</b> Centron Corners 221 – 62 <sup>nd</sup> Avenue SE 253 – 62 <sup>nd</sup> Avenue SE 6223 – 2 <sup>nd</sup> Street SE 6227 – 2 <sup>nd</sup> Street SE Calgary, Alberta, Canada	7,500/7,500 8,100/8,100 13,950/13,950 30,554/30,554		100% 100% 100% 100%	100% 100% 100% 100%
<b>HOMCO REALTY FUND (16) LP</b> 1199 St. George Boulevard Moncton, New Brunswick, Canada	60,000/60,000		100%	100%

Limited Partnership, Property and Location	Commercial Square Footage Leased/Total Dec. 31, 2004	Residential Units Occupied/Total Dec. 31, 2004	Percentage Leased	Percentage Owned
140 Commerce Street Moncton, New Brunswick, Canada	65,600/65,600		100%	100%
150 Henri Dunant Street Moncton, New Brunswick, Canada	54,000/54,000		100%	100%
<b>HOMCO REALTY FUND (17) LP</b> Willowbend Court Executive Townhouses 211-221 Glenforest Drive Halifax, Nova Scotia, Canada		50/50	100%	100%
<b>HOMCO REALTY FUND (18) LP</b> The Vintage II 322-11 <sup>th</sup> Avenue S.W. Calgary, Alberta, Canada	At year end construction was complete and the building substantially leased. The revenue stream will be in place by the second quarter of 2005		N/A	100%
<b>HOMCO REALTY FUND (20) LP</b> 1741 Brunswick St. Halifax, Nova Scotia, Canada	97,185/104,500		93%	38%
<b>HOMCO REALTY FUND (21) LP</b> Vintage Park 807-42 <sup>nd</sup> Avenue SE Calgary, Alberta, Canada	77,749/77,747		100%	5.79%
<b>HOMCO REALTY FUND (22) LP</b> Bathurst Mall 1300 St. Peter Avenue Bathurst, New Brunswick, Canada	213,362/217,716		98%	5.28%
<b>HOMCO REALTY FUND (24) LP</b> 715 Laurier Street 735 Laurier Street 678 Evangeline Street Dieppe, New Brunswick, Canada		70/72	97%	100%
<b>HOMCO REALTY FUND (25) LP</b> Sunridge Retail Centre 3660 – 20 <sup>th</sup> Avenue NE Calgary, Alberta, Canada	23,154/23,154		100%	100%
<b>HOMCO REALTY FUND (26) LP</b> Fanny's Bow Trail 4033 Bow Trail SW Calgary, Alberta, Canada	9,200/9,200		100%	38.46%
<b>HOMCO REALTY FUND (28) LP</b> 158, 37400 Highway 2 Red Deer, Alberta, Canada	15,376/15,376		100%	53.33%
<b>HOMCO REALTY FUND (29) LP</b> Flamingo Block 229 – 11 <sup>th</sup> Avenue SE Calgary, Alberta, Canada	13,228/17,560		75%	55.55%
<b>HOMCO REALTY FUND (30) LP</b> Shippagan Mall 231 J.D. Gauthier Boulevard Shippagan, New Brunswick, Canada	66,364/70,064		95%	100%
<b>HOMCO REALTY FUND (31) LP</b> 123 Halifax Street Moncton, New Brunswick, Canada	80,693/80,693		100%	100%
114 Price Street Moncton, New Brunswick, Canada	182,582/182,582		100%	100%
33 Henri Dunant Street Moncton, New Brunswick, Canada	118,354/118,354		100%	100%
20 Record Street Moncton, New Brunswick, Canada	51,438/51,438		100%	100%
11 Wright Street Sackville, New Brunswick, Canada	19,300/19,300		100%	100%
22 Carr Crescent Gander, Newfoundland, Canada	60,410/60,410		100%	100%
1 McLean Court Port Hawkesbury, Nova Scotia, Canada	17,259/17,259		100%	100%

Limited Partnership, Property and Location	Commercial Square Footage Leased/Total Dec. 31, 2004	Residential Units Occupied/Total Dec. 31, 2004	Percentage Leased	Percentage Owned
<b>HOMCO REALTY FUND (33) LP</b> 4124-9 <sup>th</sup> Street SE Calgary, Alberta, Canada	46,976/46,976		100%	100%
<b>HOMCO REALTY FUND (34) LP</b> Manning Drive and 139 <sup>th</sup> Avenue Edmonton, Alberta, Canada	12,349/12,349		100%	100%
<b>HOMCO REALTY FUND (36) LP</b> Courtesy Chrysler 461 Windmill Road Dartmouth, Nova Scotia, Canada	22,375/22,375		100%	100%
<b>HOMCO REALTY FUND (37) LP</b> Hammond Centre 950 Bedford Highway Bedford, Nova Scotia, Canada	21,167/23,167		91%	100%
<b>HOMCO REALTY FUND (38) LP</b> Sackville Centre 619 Sackville Drive Sackville, Nova Scotia, Canada	9,970/9,970		100%	100%
<b>HOMCO REALTY FUND (39) LP</b> Sandpiper Centre 69-81 Cow Bay Road Cow Bay, Nova Scotia, Canada	14,665/14,665		100%	100%
<b>HOMCO REALTY FUND (40) LP</b> Zellers 24 Stavenger Drive St. John's, Newfoundland, Canada	110,650/110,650		100%	100%
<b>HOMCO REALTY FUND (41) LP</b> Zellers 215 Chainlake Drive Bayers Lake Business Park Halifax, Nova Scotia, Canada	110,000/110,000		100%	100%
<b>HOMCO REALTY FUND (42) LP</b> Zellers 100 Rue St. Jude Granby, Quebec, Canada	115,000/115,000		100%	100%
<b>HOMCO REALTY FUND (43) LP</b> Zellers Meadowlands Centre 60 Martindale Crescent Ancaster, Ontario, Canada	108,488/108,488		100%	100%
<b>HOMCO REALTY FUND (44) LP</b> Zellers 129 Queensway East Simcoe, Ontario, Canada	80,000/80,000		100%	100%
<b>HOMCO REALTY FUND (45) LP</b> Zellers Listowel Carriage Shopping Centre 600 Mitchell Road South Listowel, Ontario, Canada	80,318/80,318		100%	100%
<b>HOMCO REALTY FUND (46) LP</b> Zellers Westbank Shopping Centre Westbank, British Columbia, Canada	109,098/109,098		100%	100%
<b>HOMBURG HOLDINGS (US) INCORPORATED</b>				
555 East Pikes Peak Avenue Colorado Springs, Colorado, USA	37,251/37,251		100%	100%
557 East Pikes Peak Avenue Colorado Springs, Colorado, USA	27,000/27,000		100%	100%
559 East Pikes Peak Avenue Colorado Springs, Colorado, USA	29,534/30,137		98%	100%
815-817 Wooten Road Colorado Springs, Colorado, USA	8,265/37,567		22%	100%
4575 Hilton Parkway Colorado Springs, Colorado, USA	8,898/9,998		89%	100%

Limited Partnership, Property and Location	Commercial Square Footage Leased/Total Dec. 31, 2004	Residential Units Occupied/Total Dec. 31, 2004	Percentage Leased	Percentage Owned
3535 Van Teylingen Drive Colorado Springs, Colorado, USA	10,335/10,335		100%	100%
426 Valley Hi Circle Colorado Springs, Colorado, USA		23/27	85%	100%
16030 Bothell-Everett Highway Mill Creek (Seattle), Washington, USA	25,065/26,110		96%	100%
669 Airport Freeway Hurst, Texas, USA	46,340/53,265		87%	100%
15510 Lexington Boulevard Sugarland, Texas, USA	17,825/17,825		100%	100%
1005 West Park One Sugarland, Texas, USA	Sold September 2004			
3740 Colony Drive San Antonio, Texas, USA	17,232/23,606		73%	100%
8400 Blanco Road San Antonio, Texas, USA	12,139/14,986		81%	100%
10800 and 10829 Hillpoint Drive San Antonio, Texas, USA	21,327/22,216		96%	100%
4718 and 4738 Cotton Belt Drive San Antonio, Texas, USA	22,474/22,474		100%	100%

The following summarizes the properties owned directly by HLL:

Property and Location	Commercial Square Footage Leased/Total Dec. 31, 2004	Residential Units Occupied/Total Dec. 31, 2004	Percentage Leased	Percentage Owned
535 Yates Street Victoria, British Columbia, Canada	19,397/19,397		100%	100%
Cariboo Building 1801/1873 First Avenue Prince George, British Columbia, Canada	66,393/78,819		84%	100%

**Properties Purchased in 2004**

Limited Partnership, Property and Location	Commercial Square Footage Leased/Total Dec. 31, 2004	Residential Units Occupied/Total Dec. 31, 2004	% Leased	% Owned	Acquisition Date
<b>HOMCO REALTY FUND (32) LP</b> Dartmouth Shopping Centre 118 Wyse Road Halifax, Nova Scotia, Canada	78,927/87,030		91%	100%	Jan. 13, 2004
<b>HOMCO REALTY FUND (52) LP</b> NW Quarter of Section Eleven Township 26, Range 1 West of the Fifth Meridian Calgary, Alberta, Canada	143 acres of land		N/A	100%	Oct. 29, 2004
<b>HOMCO REALTY FUND (55) LP</b> 10 Locations Province of Quebec, Canada	41,700/41,700		100%	100%	Feb. 26, 2004
<b>HOMCO REALTY FUND (56) LP</b> Foothills Center 6222 – 36 <sup>th</sup> Street SE Calgary, Alberta, Canada	20,675/20,675		100%	100%	Aug. 30, 2004
<b>HOMCO REALTY FUND (57) LP</b> Shannon Plaza 451 Windmill Road Halifax, Nova Scotia, Canada	16,062/16,849		95%	100%	Oct. 1, 2004
<b>HOMCO REALTY FUND (77) LP</b> 846 Park Street Kentville, Nova Scotia, Canada	Under construction		N/A	100%	Oct. 1, 2004

Property management for all of HII's properties is provided by HCI, a private corporation controlled by Mr. Richard Homburg, Chairman and CEO of HII.

### ***Description of Properties***

#### ***Homco Realty Fund (1) LP, The Ambassador, 356 Windmill Road Dartmouth, NS***

The Ambassador was constructed in 1985 as a three-storey, 45-unit apartment hotel and converted to full-time apartment residences in the early 1990's. The ground cover of the building has been calculated at 9,331 S.F. and the gross area at 28,800 S.F. of finished area.

#### ***Homco Realty Fund (2) LP, Highfield Park Apartments, 31 Highfield Drive, Dartmouth, NS***

This property is located in the area of the City designated as Highfield Park. Constructed in 1988, the property is comprised of a 36-unit, three-storey apartment building containing 27,195 S.F.

#### ***Homco Realty Fund (2) LP, Highfield Park Apartments, 35 Highfield Drive, Dartmouth, NS***

This property is located in the area of the City designated as Highfield Park. Constructed in 1988, the property is comprised of a 36-unit apartment building containing 29,259 S.F.

#### ***Homco Realty Fund (2) LP, Highfield Park Apartments, 11 Joseph Young Drive, Dartmouth, NS***

This property is located in the area of the City designated as Highfield Park. Constructed in 1988, the property is comprised of a 37-unit apartment building containing 27,195 S.F.

#### ***Homco Realty Fund (4) LP, 141 Albro Lake Road, Dartmouth, NS***

Located in the North section of Dartmouth in a predominately residential area. The building contains 12 residential apartment units and is situated on an 18,000 S.F. lot with a ground cover of 3,348 S.F. and a gross area of 10,044 S.F.

#### ***Homco Realty Fund (4) LP, 295 George Street, Sydney, NS***

Located in Sydney's downtown business core, this three-storey office building contains 16,010 leaseable S.F. and sits on a 27,222 S.F. lot.

#### ***Homco Realty Fund (6) LP, 6112 McCart Avenue, Fort Worth, Texas, USA***

The subject site contains 1.04 acres and provides on-site parking for 55 automobiles. The building is a steel frame/brick veneer structure containing 16,927 S.F. serviced by one elevator. It was built circa 1980.

#### ***Homco Realty Fund (7) LP, Homburg Renaissance South, 1313 Barrington Street, 5157 Morris Street & 1310 Hollis Street, Halifax, NS***

The property contains a five-storey residential building plus two storeys of commercial space containing a gross rentable area of 28,815 S.F. and 75 underground parking spaces. The 38 residential units total 40,529 S.F.

#### ***Homco Realty Fund (8) LP, Homburg Commercial Centre, 2 Morris Drive/11 Akerley Blvd., Dartmouth, NS***

The building was erected in two distinct phases. The first section (2 Morris Drive) completed in 1973 contains 107,950 S.F. of office and warehouse. A 21,000 S.F. office retail addition was completed in 1987.

#### ***Homco Realty Fund (9) LP, 640-820 - 28<sup>th</sup> Street NE, Calgary, AB***

Constructed in 1979, the property is comprised of two buildings situated on three lots containing in total 9.45 acres (3.82 ha). One building, with a gross area of 158,100 S.F. is an office/warehouse/retail configuration. The other building is a two-storey office building with a gross area of 37,800 S.F.

#### ***Homco Realty Fund (9) LP, 40 Elizabeth Street, Okotoks, Alberta – **Sold September 2004*****

Constructed in 1982, the property is comprised of a two-storey, multi-tenant professional building containing 18,260 S.F. situated on a 23,000 S.F. site.

#### ***Homco Realty Fund (11) LP, The Vintage, 322 - 11<sup>th</sup> Avenue SW, Calgary, AB***

The property is situated on a well-located beltline corner on a commuter route and was originally constructed in the early 1900's as a four-storey retail/warehouse building. In 1998-99 the building was totally renovated and expanded to an eight-floor office tower containing a rentable area of 98,979 S.F.

#### ***Homco Realty Fund (12) LP, Confederation Court Complex, Charlottetown, PEI***

This development is the major retail/office complex in downtown Charlottetown, PEI. Constructed in two phases, 1980 and 1990, the first phase tied together 17 buildings comprising an entire city block and added a 3 level center court and a 120,000 S.F. office building. In 1990 an 85,000 S.F. office building was constructed across the street and connected via an over-street pedway.

Homco Realty Fund (13) LP, Crowfoot Square, 800-842 Crowfoot Crescent NW, Calgary, Alberta

The 1.86-acre site has been improved with the construction of two retail, strip-mall-type buildings. These buildings were completed in the fall of 1998. The larger building (196.8 ft. x 72.2 ft.) was designed and constructed to house up to seven tenants. The net rentable area has been calculated at 14,150 S.F. while the smaller building was designed as a bank facility with a net rentable area of 5,578 S.F.

Homco Realty Fund (14) LP, 2067-50<sup>th</sup> Avenue, Red Deer, Alberta

The property contains 43,998 S.F. and is improved with a single-storey retail strip mall constructed in 1998. It has a rental area of 13,570 S.F. which is currently occupied by two tenants, although originally designed to house three individual tenants.

Homco Realty Fund (15) LP, Centron Corners, 221-253 62<sup>nd</sup> Avenue SE & 6223-6227 2<sup>nd</sup> Street SE, Calgary, Alberta

The property contains four buildings situated at the corner of 62<sup>nd</sup> Avenue S.E. and 2<sup>nd</sup> Street S.E. The following is a brief description of each building:

*Building #1* is the original building on site and was constructed in the mid-1960's. Although the building consists of 15,000 S.F., it is on condominium title and only Unit 2 was purchased containing a rentable area of approximately 7,500 S.F. of office space.

*Building #2* was constructed in late 1997 for industrial use. The gross area of the building is 8,200 S.F. and the net rentable area of 8,100 S.F. is currently leased to two tenants.

*Building #3* was constructed in early 1997 for office/industrial use. This building has a gross area of approximately 14,200 S.F. with a net leaseable area of 13,950 S.F. currently divided among five tenants, the largest tenant occupying 4,000 S.F.

*Building #4* started under construction in August 1997 for office/industrial use. The 31,342 S.F. building has a leaseable area of 29,467 S.F.

Homco Realty Fund (16) LP, 1199 St. George Boulevard, Moncton, NB

Constructed in two phases, the original 30,000 S.F. component was completed in May 1995. A 30,000 S.F. mirror image was completed in October 1996. The 60,000 S.F. single-storey office building is located on a 6.1-acre park-like site near the center of the City.

Homco Realty Fund (16) LP, 140 Commerce Street, Moncton, NB

The original building containing 20,553 S.F. completed in 1996 has been expanded to a total area of 65,600 S.F. The building is located in the City's newest industrial park on a 3.67-acre site and will contain industrial tenants.

Homco Realty Fund (16) LP, 150 Henri Dunant Street, Moncton, NB

Constructed in 1973, the building received a retrofit in 1997. The 54,000 S.F. building is situated on a 1.9-acre site in the Moncton Industrial Park and contains an industrial tenant.

Homco Realty Fund (17) LP, Willowbend Court Executive Townhouses, 211-221 Glenforest Drive, Halifax, NS

Willowbend Court is a residential development situated in the Clayton Park area of the Halifax Regional Municipality. Willowbend is comprised of 50 attached townhouse units, grouped in five (5) buildings around a common court.

Homco Realty Fund (18) LP, 322-11<sup>th</sup> Avenue SW, Calgary, AB

Located on the beltway, Vintage Towers II is under construction with occupancy in the spring of 2005 and will provide 124,500 s.f. of Class A office accommodation with 207 underground parking spaces.

Homco Realty Fund (20) LP, 1741 Brunswick St., Halifax, Nova Scotia

Constructed in 1987, a modern Class A office building located in the central business district of Halifax, Nova Scotia. The building contains 104,500 S.F. of leaseable area.

Homco Realty Fund (21) LP, Vintage Park, 807-42<sup>nd</sup> Avenue SE, Calgary, AB

Construction was completed in 2002. The property consists of three buildings containing a total of 77,747 S.F. Building A is a single-storey structure containing 10,346 S.F., while buildings B and C are both two storey and contain 33,916 S.F. and 33,485 S.F. respectively. Construction is of open web steel joists and steel columns, plus perimeter metal stud infill walls and demising walls with the exterior being a combination of insulated tinted glass and brick veneer. The site contains approximately 4.11 acres and provides 222 energized parking stalls.

Homco Realty Fund (22) LP, Bathurst Mall, 1300 St. Peter Avenue, Bathurst, NB

Originally constructed in 1968, the mall underwent major renovation in 1989 and in 1998 a small addition was constructed at the front of the mall. Total area of the mall is approximately 224,000 S.F. with a partial second floor of 14,700 S.F. and a partial basement of 10,000 S.F. The site contains approximately 19.5 acres and provides parking for 1,050 automobiles.

The anchor tenants are Sears, Zellers, Staples, Marks Work Warehouse and The Bank of Nova Scotia.

Homco Realty Fund (24) LP, 715 Laurier Street, 735 Laurier Street, & 678 Evangeline Street, Dieppe, NB

Constructed in 1997 the subject improvements consists of three three-story apartment buildings each containing 12 two-bedroom units and 12 one-bedroom units. Each building has a gross area of 22,770 S.F. for a total of 68,328 S.F. On-site parking is provided for each unit.

Homco Realty Fund (25) LP, Sunridge Retail Centre, 3660 – 20<sup>th</sup> Avenue NE, Calgary, AB

Sunridge Retail Shopping Centre is situated on approximately 2.06 acres of land, was built in 1993 and provides 23,154 S.F. of leaseable retail space. The surface parking accommodates 130 automobiles.

Homco Realty Fund (26) LP, Fanny's Bow Trail, 4033 Bow Trail SW, Calgary, Alberta, Canada

The property is a single-tenant retail building constructed in 1993 with a poured concrete slab, main floor of 7,200 S.F. plus mezzanine of 2,000 S.F. providing a total of 9,200 S.F. leaseable area. Construction is of concrete block with a flat roof. The site contains approximately .43 acres and provides for approximately 10,000 S.F. of paved parking.

Homco Realty Fund (28) LP, Fanny's Costco, 158, 37400 Highway 2, Red Deer, Alberta, Canada

Constructed in 1998 and totally remodelled in 2002, the building provides for 15,376 S.F. of leaseable area which includes a mezzanine of 720 S.F. The building is of frame construction with brick and stucco cladding and a flat roof. The site contains approximately 1.5 acres and provides parking for 89 vehicles.

Homco Realty Fund (29) LP, Flamingo Block, 229 – 11<sup>th</sup> Avenue SE, Calgary, Alberta, Canada

Built in 1952 and totally renovated in 2003 including all mechanical and electrical systems, the building provides for 17,560 S.F. of leaseable office space on three levels. The building is of frame construction with brick veneer and flat roof. The site contains 12,246 S.F. and provides paves surface parking for 18 vehicles.

Homco Realty Fund (30) LP, Shippagan Mall, 231 J.D. Gauthier Boulevard, Shippagan, New Brunswick, Canada

Situated on 3.94 acres of land, Le Carrefour Shippagan is the major shopping plaza in the community and provides for 70,064 S.F. leaseable and parking for 400 vehicles. The major tenants are a Save Easy grocery store, Shoppers Drug Mart, National Bank and a Sears' outlet.

Homco Realty Fund (31) LP, 123 Halifax Street, Moncton, New Brunswick, Canada

The asset is comprised of two separate parcels of land. One containing 47,524 S.F. is utilized for parking. The other containing 52,055 S.F. is improved with an office building containing gross area of 80,693 S.F. built in two stages – two storey wing in 1961 and six storey wing in 1977. Co-op Atlantic occupies all but 6,000 S.F. which is leased to Print Atlantic.

Homco Realty Fund (31) LP, 114 Price Street, Moncton, New Brunswick, Canada

The property consists of an 8.67 acre industrial site and is improved with a steel-framed warehouse with a gross floor area of 182,582 S.F. The original structure was built in 1968 with additions in 1972 and 1986. Co-op Atlantic occupies the entire building.

Homco Realty Fund (31) LP, 33 Henri Dunant Street, Moncton, New Brunswick, Canada

The property consists of a 5.11 acres industrial site and is improved with an 118,354 S.F. steel framed warehouse building constructed in 1969. Co-op Atlantic occupies the entire building.

Homco Realty Fund (31) LP, 20 Record Street, Moncton, New Brunswick, Canada

Built in 1962, but totally retrofitted in the late 1990's, the 51,438 S.F. building has housed Co-op Atlantic's Moncton dry goods store since it was built. The site contains 3.813 acres and provides ample parking for the stores requirements.

Homco Realty Fund (31) LP, 11 Wright Street, Sackville, New Brunswick, Canada

The property consists of 1.853 acre commercial site and is improved with a modern, 1998, purpose built Co-op Atlantic grocery store. In 2002, an addition was constructed to house a New Brunswick Liquor retail outlet. The building totals 19,300 S.F. and the site provides suitable parking and expansion possibilities.

Homco Realty Fund (31) LP, 22 Carr Crescent, Gander, Newfoundland, Canada

The property contains 3.9025 acres and is improved with a modern (1982 & 1989) warehouse structure containing 60,400 S.F. (including 7,584 S.F. mezzanine) with 27 feet clear height. The building is the area distribution center for Co-op Atlantic.

Homco Realty Fund (31) LP, 1 McLean Court, Port Hawkesbury, Nova Scotia, Canada

Built in 1989, the subject property consists of a single-storey grocery store building containing 17,259 S.F. on a three-acre site.

Homco Realty Fund (32) LP, Dartmouth Shopping Centre, 118 Wyse Road, Halifax, Nova Scotia, Canada

Situated on 6.43 acres of land, the improvements comprise a 87,030 s.f. strip shopping plaza. Anchor tenants are a 27,981

s.f. IGA food market and a 13,704 s.f. Shoppers Drug Mart store. Parking for 406 cars is provided.

Homco Realty Fund (33) LP, 4124-9<sup>th</sup> Street SE, Calgary, Alberta

Located in Foothills Industrial Park and only minute from downtown, this building contains 46,976 S.F. leaseable.

Homco Realty Fund (34) LP, Manning Drive & 139<sup>th</sup> Avenue, Edmonton, Alberta

Located in NE Edmonton, this 12,349 S.F. retail store is part of the Manning Crossing Retail Centre.

Homco Realty Fund (36) LP, Courtesy Chrysler, 461 Windmill Road, Halifax, Nova Scotia, Canada

A special-purpose design automotive dealership with a site area of 98,017 S.F. Built in 1995 to the specifications of Chrysler Canada, the structure has a gross building area of 22,375 S.F. Of the total square footage, 4,000 square feet is the showroom/office on the main floor with a further 1,680 S.F. of office located on the mezzanine. The balance of space consists of service and parts warehouse areas.

Homco Realty Fund (37) LP, Hammond Centre, 950 Bedford Highway, Bedford, Nova Scotia, Canada

Situated on 1.69 acres of land, the property improvements consist of a two-storey retail office facility providing 23,167 S.F. leaseable and paved parking for 90 cars. The structure was built in 1994 and the anchor tenant is Shoppers Drug Mart.

Homco Realty Fund (38) LP, Sackville Centre, 619 Sackville Drive, Sackville, Nova Scotia, Canada

Constructed in 1992, the building is a single-storey wood frame strip plaza containing 9,970 S.F. situated on 50,144 S.F. of land. The anchor tenant is Royal Bank of Canada which occupies 1,800 S.F.

Homco Realty Fund (39) LP, Sandpiper Centre, 69-81 Cow Bay Road, Cow Bay, Nova Scotia, Canada

The subject site comprises of three lots totalling 58,761 S.F. which are improved with three wood frame, single-storey buildings constructed in 1991. Anchor tenants are the Nova Scotia Liquor Commission at 4,000 S.F. and Credit Union Atlantic at 2,470 S.F. Total leaseable space is 14,665 S.F.

Homco Realty Fund (40) LP, Zellers, 24 Stavenger Drive, St. John's, Newfoundland, Canada

Situated on 10.13 acres of land, the subject building comprises 110,650 S.F. purpose built Zellers store constructed in 1994.

Homco Realty Fund (41) LP, Zellers, 194 Chainlake Drive, Bayers Lake Business Park, Halifax, Nova Scotia, Canada

Situated on 9.05 acres of land, the subject building comprises 110,000 S.F. purpose built Zellers store constructed in 1995.

Homco Realty Fund (42) LP, Zellers, 100 Rue St. Jude, Granby, Quebec, Canada

Situated on 11.48 acres of land, the subject building comprises 115,000 S.F. purpose built Zellers store constructed in 1998.

Homco Realty Fund (43) LP, Zellers, Meadowlands Centre, 60 Martindale Crescent, Ancaster, Ontario, Canada

Situated on 8.51 acres of land, the subject building comprises 108,488 S.F. purpose built Zellers store constructed in 1999.

Homco Realty Fund (44) LP, Zellers, 129 Queensway East, Simcoe, Ontario, Canada

Situated on 9.11 acres of land, the subject building comprises 80,000 S.F. purpose built Zellers store constructed in 1999.

Homco Realty Fund (45) LP, Zellers, Listowel Carriage Shopping Centre, 600 Mitchell Road South, Listowel, Ontario, Canada

Situated on 7.08 acres of land, the subject building comprises 80,318 S.F. purpose built Zellers store constructed in 1995.

Homco Realty Fund (46) LP, Zellers, Westbank Shopping Centre, Westbank, British Columbia, Canada

Situated on 7.45 acres of land, the subject building comprises 109,098 S.F. purpose built Zellers store constructed in 1995.

Homco Realty Fund (52) LP, NW Quarter of Section Eleven, Township 26, Range 1, West of the Fifth Meridian, Alberta, British Columbia, Canada

A residential development site containing approximately 143 acres of land. The site is expected to yield a total of 3,700 residential units.

Homco Realty Fund (55) LP

Ten Pizza Hut locations in the Province of Quebec totalling 41,700 s.f. of building area. The properties are under a long term lease (to 2016) with Prizm Brands Inc.

Homco Realty Fund (56) LP, Foothills Center, 6222 – 36<sup>th</sup> Street SE, Calgary, Alberta, Canada

A 20,675 s.f. shopping plaza situated on 1.86 acres of land. Parking for 126 cars is available and the anchor tenant is the Royal Bank of Canada which occupies approximately 20% of the total leaseable area.

Homco Realty Fund (57) LP, Shannon Plaza, 451 Windmill Road, Halifax, Canada

A 16,849 s.f. shopping plaza situated on 60,292 s.f. of land. The primary tenants are a 2,908 s.f. food store and 6,873 s.f.

restaurant.

Homco Realty Fund (77) LP, 846 Park Street, Kentville, Nova Scotia, Canada

A 14,700 s.f. automotive dealership under construction. Scheduled completion and occupancy spring 2005.

Homburg Holdings (US) Incorporated, 555 East Pikes Peak Avenue, Colorado Springs, Colorado, USA

Situated on 2.3 acres, the structure was built in 1917 by the Santa Fe R.R. Company. Converted in 1981 to general office use, it contains net leaseable area of 37,251 S.F.

Homburg Holdings (US) Incorporated, 557 East Pikes Peak Avenue, Colorado Springs, Colorado, USA

The site contains 1.31 acres and is improved with a single-storey frame/brick office building containing 27,000 S.F. The building was constructed in 1980.

Homburg Holdings (US) Incorporated, 559 East Pikes Peak Avenue, Colorado Springs, Colorado, USA

The site contains 1.64 acres and is improved with a three-storey medical/office building constructed in 1980. Construction is wood frame/brick veneer and the building has gross area of 31,515 S.F. Paved parking, in common with 555 & 557 (above), is provided for 525 cars.

Homburg Holdings (US) Incorporated, 815-817 Wooten Road, Colorado Springs, Colorado, USA

This property contains 1.58 acres and is improved with two buildings. The first building is a two-storey, general office/light industrial building of 14,400 S.F. built in 1980. Building two is also a two-storey office/light industrial building, but contains 27,468 S.F. and was constructed in 1982. Both exterior walls and roofs are pre-stressed concrete panels.

Homburg Holdings (US) Incorporated, 4575 Hilton Parkway, Colorado Springs, Colorado, USA

The property has a land area of 28,319 S.F. and is improved with a two-storey wood framed/cedar siding general office building. Constructed in 1979 the building contains 10,524 S.F. and on-site parking is provided.

Homburg Holdings (US) Incorporated, 3535 Van Teylingen Drive, Colorado Springs, Colorado, USA

The subject property consists of a two-storey office building containing 11,040 S.F. of gross area. Each suite is accessed from an exterior entrance (from a balcony on the second level). The site contains 10,335 S.F. and has 29 on-site parking spaces.

Homburg Holdings (US) Incorporated, 426 Valley Hi Circle, Colorado Springs, Colorado, USA

The subject property consists of a 27-unit, three-storey, apartment building containing gross area of 18,615 S.F. The apartment mix is 18 – one bedroom and 9 – two bedrooms. The site contains 25,496 S.F. and provides 43 parking spaces.

Homburg Holdings (US) Incorporated, 16030 Bothell-Everett Highway, Mill Creek (Seattle), Washington, USA

Situated on 1.44 acres, the subject building is a two-storey professional office building having gross building area of 26,574 S.F. The subject was built in 1983.

Homburg Holdings (US) Incorporated, 669 Airport Freeway, Hurst, Texas, USA

The subject site contains 3.328 acres and is improved with a four-storey 53,265 S.F. structure built in 1982. The building is of steel frame with stucco exterior. The interior is serviced by two elevators.

Homburg Holdings (US) Incorporated, 15510 Lexington Boulevard, Sugarland, Texas, USA

The subject property comprises 1.69 acres and is improved with a retail plaza totalling 17,825 S.F. Built in 1985, it is of masonry construction on a concrete slab and is currently subdivided for eleven tenants.

Homburg Holdings (US) Incorporated, 3740 Colony Drive, San Antonio, Texas, USA

The land comprises 1.3315 acres and is improved with a circa 1966 two-storey masonry/flat roofed office building of 23,606 S.F. leaseable.

Homburg Holdings (US) Incorporated, 8400 Blanco Road, San Antonio, Texas, USA

The subject site contains 1.2494 acres and is improved with three detached office buildings – two, one storey and one, one and a half storey providing a total of 14,986 S.F. Construction is concrete slab, stucco exterior walls and pitched metal roofs. All three were built in 1985.

Homburg Holdings (US) Incorporated, 10800 and 10829 Hillpoint Drive, San Antonio, Texas, USA

The subject consists of two non-contiguous parcels of land.

10800 Hillpoint contains 28,501 S.F. and is improved with a 12,166 S.F. one-storey office warehouse building.

10829 Hillpoint contains 38,215 S.F. and is also improved with a one-storey office warehouse building.

Both are slab on grade with tilt-up concrete and corrugated steel walls with flat built-up tar and gravel roofs. Construction was in 1982.

Homburg Holdings (US) Incorporated, 4718 and 4738 Cotton Belt Drive, San Antonio, Texas, USA

4718 Cotton Belt contains 20,586 S.F. and is improved with a one-storey office warehouse building containing 9,371 S.F.  
4738 Cotton Belt contains 37,788 S.F. and is also improved with a one-storey office warehouse.  
Both were constructed in 1983 and are slab-on-grade, concrete tilt-up walls with flat built-up roofing.

The following summarizes the properties owned directly by HII:

535 Yates Street, Victoria, BC

Located in "Old Town" Victoria in a mixed-use, office/retail district, this building contains 19,397 S.F. of leaseable area.

Cariboo Building, 1801-73 First Avenue, Prince George, BC

Located between the central business district and the rail yards/industrial sector, this property contains 5.51 acres and 78,819 S.F. leaseable in 6 buildings.

**SELECTED CONSOLIDATED FINANCIAL INFORMATION**  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**Basis of Financial Statement Presentation**

HII prepares its financial statements under International Financial Reporting Standards ("IFRS") as HII has major European shareholders who normally receive financial statements prepared under IFRS. As HII is a Canadian Resident Corporation it is also required to prepare a separate set of financial statements under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The most significant differences between the IFRS and Canadian GAAP statements, are that while the IFRS statements reflect the fixed assets at fair market value and are without depreciation charges, the Canadian GAAP financial statements record the fixed assets at historical cost less accumulated depreciation. In addition, deferred charges related to leasing fees and financing costs have been recorded as an asset in the Canadian GAAP financial statements and will be charged to expense over the period of the related lease or debt to maturity. These charges are written off in the year of incurrence under IFRS.

**International Financial Reporting Standards**

	Year Ended December 31 2004	Year Ended December 31 2003	Year Ended December 31 2002	Year Ended December 31 2001	Year Ended December 31 2000
Revenue	\$37,639,034	\$33,129,498	\$18,315,344	\$15,974,629	\$14,577,591
Unrealized Valuation Changes	\$22,950,531	\$7,121,390	\$2,030,554	\$1,647,236	\$30,000
Total Revenue	\$60,589,565	\$40,250,888	\$20,345,898	\$17,621,865	\$14,607,591
Net earnings	\$22,961,727	\$9,359,976	\$3,833,996	\$3,517,134	\$2,515,463
Funds from operations	\$4,763,229	4,833,864	\$3,684,831	\$3,249,623	\$3,259,955
Earnings per share basic & diluted	\$0.46	\$0.22	\$0.11	\$0.10	\$0.08
Funds from operations per share basic & diluted	\$0.10	\$0.11	\$0.10	\$0.09	\$0.10
Total assets	\$387,659,900	\$279,224,193	\$164,405,003	\$117,060,088	\$100,937,812
Total liabilities	\$284,176,780	\$209,174,324	\$116,431,100	\$72,746,894	\$61,170,571
Long-term debt	\$253,741,831	\$179,087,215	\$90,505,728	\$61,551,143	\$55,245,637
Demand loans payable	Nil	\$6,377,746	\$15,367,030	\$4,399,358	Nil
Future income taxes	\$23,173,000	\$16,898,047	\$7,039,838	\$5,211,680	\$3,781,710
Other liabilities	\$7,261,949	\$6,811,316	\$3,518,504	\$1,584,713	\$2,143,224
Shareholders' Equity	\$103,483,120	\$70,049,869	\$47,973,903	\$44,313,194	\$39,767,241

**Quarterly Comparative**

**International Financial Reporting Standards**

	December 31 2004	September 30 2004	June 30 2004	March 31 2004
Revenue	\$9,370,968	\$9,487,320	\$9,339,757	\$9,440,989
Unrealized Valuation Changes	\$3,046,531	\$19,904,000	Nil	Nil
Total Revenue	\$12,417,499	\$29,391,320	9,339,757	\$9,440,989
Net earnings	\$3,639,074	\$17,310,192	\$783,025	\$1,229,436
Funds from operations	\$210,611	\$1,985,323	\$1,130,303	\$1,436,992
Net earnings per share basic & diluted	\$0.07	\$0.35	\$0.02	\$0.02
Funds from operations per share basic & diluted	\$0.00	\$0.04	\$0.02	\$0.03

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Refer to "Management's Discussion and Analysis" prepared under both Canadian Generally Accepted Accounting Principles and International Accounting Standards which form part of the Annual Report of HII. The MD&As are hereby incorporated into this AIF.

### MANAGEMENT OF HII

The name, municipality of residence, position held with HII and principal occupation of each of the officers and directors are set forth below. The directors and senior officers of HII as a group beneficially own, directly or indirectly, or exercise control or direction over 46,267,035 Common Shares representing 81.2% of the outstanding Common Shares.

<b>Name and Municipality</b>	<b>Current Position with Corporation Date Elected</b>	<b>Present Occupations &amp; Position held during last 5 years</b>	<b>Holdings of Common Shares</b>
Richard Homburg <sup>(1)</sup> Amsterdam, The Netherlands	Chairman and CEO October 23, 2000	Chairman of the Board of Directors of Homburg Uni-Corp Incorporated a private holding company.	39,417,823
Michael H. Arnold, CA <sup>(2)</sup> Charlottetown, PEI	Director April 26, 2002	President of Dyne Holdings Limited a real estate management company.	64,000
Rudolf D. Bakhuizen <sup>(3)</sup> Soest, The Netherlands	Director October 23, 2000	Chief Executive Officer, Huis en Haard Beheer B.V. (private holding company, Amsterdam)	6,262,612
Dr. Trevor A. Carmichael <sup>(4)</sup> Bridgetown, Barbados	Director June 18, 2004	Principal, Chancery Chambers, Barristers & Solicitors, Barbados	NIL
Walter R. Fitzgerald <sup>(5)</sup> Halifax, NS	Director June 18, 2004	Retired Mayor , City of Halifax 1994 -1996 Previously MLA and Cabinet Minister, Province of Nova Scotia	NIL
Edward P. Ovsenny <sup>(6)</sup> Toronto, ON	Director April 26, 2002	Principal, Ovsenny Advisors International real estate consultants; and prior thereto, Vice President, Mortgage Investment of Canada Life Assurance Company	50,000
James F. Miles, CA Halifax, NS	President & COO January 22, 2004	Vice President Finance and Administration, Homburg Canada Incorporated; and Assistant Secretary, Homburg LP Management Incorporated	78,534
Ira D. MacInnis, CA Halifax, NS	Vice President Finance and Chief Financial Officer October 23, 2000	Executive Vice President and CFO, Homburg Uni-Corp Incorporated; Vice President Finance and CFO, Homburg LP Management Incorporated; Director and Executive Vice President and CFO, Homburg Canada Incorporated; and prior thereto, Senior Partner, Grant Thornton	381,814
J. Jeffery Coates Bedford, NS	Secretary January 22, 2004	Vice President, Homburg Canada Incorporated	12,252

Notes:

<sup>(1)</sup> Mr. Homburg serves as Chairman of the Executive Committee.

<sup>(2)</sup> Mr. Arnold serves on the Audit Committee.

<sup>(3)</sup> Mr. Bakhuizen serves on the Executive Committee.

<sup>(4)</sup> Mr. Carmichael serves on the Executive Committee.

<sup>(5)</sup> Mr. Fitzgerald, serves on the Audit Committee.

<sup>(6)</sup> Mr. Ovsenny serves as Chairman of the Audit Committee.

### **Committees of the Board of Directors**

#### *Executive Committee:*

Mr. Richard Homburg, Chairman  
Mr. Rudolf D. Bakhuizen  
Dr. Trevor A. Carmichael

*Audit Committee:*

Mr. Edward P. Ovsenny, Chairman  
 Mr. Michael H. Arnold  
 Mr. Walter R. Fitzgerald

**AUDIT COMMITTEE**

**Audit Committee Charter**

<p><b>The Canadian Securities Administrators' (CSA) Multilateral Instrument 52-110 has defined specific requirements for Audit Committees to meet. One of these requirements is that the Company's Audit Committee will have a written charter that sets out its mandate and responsibilities. It also requires the text of the charter to be included in the annual information form along with other specified information on the Audit Committee members.</b></p>	
	<p><b>Purpose:</b></p>
<p>52-110, 2.1  58-201</p>	<p>The Homburg Invest Inc. (the "Company") Audit Committee (the "Committee") is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. The Committee will also be responsible for identifying principal risks of the business and ensuring appropriate risk management techniques are in place.</p> <p>The Committee charges management with developing and implementing procedures to:</p> <ul style="list-style-type: none"> <li>? ensure internal controls are appropriately designed, implemented and monitored.</li> <li>? ensure reporting and disclosure of required information is complete, accurate, and timely.</li> </ul> <p>The Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the Committee's responsibilities as described in the mandate.</p>
	<p><b>Composition of Committee:</b></p>
<p>52-110, 3.1 (1, 2, 3) 52-110, 1.4  52-110, 3.1 (4) 52-110, 1.5 52-110, 3.8  52-110, 1.4 52-110, 3.6 (d)</p>	<p>The Committee will be composed of 3 independent Directors, any 2 of whom comprise a quorum, from the Company's Board of Directors. Independence of the Board members will be as defined by applicable legislation and as a minimum each Committee member will have no direct or indirect relationship with the Company which, in the view of the Board of Directors, could reasonably interfere with the exercise of a member's independent judgment.</p> <p>All members of the Committee will be financially literate as defined by applicable legislation. If, upon appointment, a member to the Committee is not financially literate as required, the person will be provided a three month period in which to achieve the desired level of literacy.</p> <p>If any member loses their independent status, they will be required to resign from the Committee within three months of becoming non-independent. The Nominating Committee of the Board will be required to replace the member within that three month time frame. If it is the Chair of the Committee that loses independent status, that person shall cease to be chair immediately and be replaced as chair by an existing member of the Committee with the Nominating Committee being asked to replace this member within the three month time frame.</p>

	<b>Authority:</b>
52-110, 4.1 (a, b)  52-110, 4 (c) 52-110, 2.2	The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the Committee will set the compensation for such advisors.  The Committee has the authority to communicate directly with and to meet with the external auditors without management involvement. This extends to requiring the external auditor to report directly to the Committee.
	<b>Responsibilities:</b>
52-110, 2.3 (2) (a)  (2) (b)  52-110, 2.3 (3)    52-110, 2.3 (4) 52-110, 2.5	<ol style="list-style-type: none"> <li>1. The Committee will recommend to the Board of Directors; <ol style="list-style-type: none"> <li>a. the external auditor to be nominated for purposes of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company; and</li> <li>b. the compensation of the external auditor.</li> </ol> </li> <li>2. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Committee will also ensure that the external auditor is in good standing with the Canadian Public Accountability Board and will enquire if there are any sanctions imposed by the CPAB on the external auditor. The Committee will also ensure that the external auditor meets the rotation requirements for partners and staff on the Company's audit.</li> <li>3. The Committee must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor. The Committee has delegated to the Chair of the Committee the authority to pre-approve non-audit services up to an amount of \$5,000.00 with such pre-approved services presented to the Committee at the next scheduled Committee meeting following such pre-approval.</li> </ol>

#### **Reliance on Certain Exemptions from the Instrument**

No reliance has been made on exemptions from the Instrument.

#### **Audit Committee Oversight**

In 2004 the Board of Directors authorized the engagement of Grant Thornton LLP, Chartered Accountants to conduct reviews of HII's quarterly financial statements prepared in accordance with Canadian Generally Accepted Accounting Principals in addition to the annual audits.

#### **Pre-Approval Policies and Procedures**

The Audit Committee pre-approves, annually, the estimated audit, audit related and tax fees of the corporation's auditors. Other non-budgeted consulting/professional fees are approved in advance of such expenditures.

#### **EXTERNAL AUDITOR SERVICE FEES**

<b>Year</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>Other Fees</b>
2002	\$43,450	\$23,200	\$ 2,000	Nil
2003	\$60,200	\$26,485	\$12,265	Nil
2004	\$93,428	\$46,805	\$ 3,800	Nil

#### **CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES**

To the knowledge of HII, no director, officer or shareholder holding a sufficient number of securities of HII to affect materially its control, is, or has, within the 10 years before the date hereof, been a director or officer of any other issuer that, while that person was acting in that capacity,

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### **PENALTIES OR SANCTIONS**

To the knowledge of HII, no director, officer or shareholder holding a sufficient number of securities of HII to affect materially its control, has

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### **PERSONAL BANKRUPTCIES**

To the knowledge of HII, no director, officer or shareholder holding a sufficient number of securities of HII to affect materially its control, or a personal holding company of any such person has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of that person.

#### **CONFLICTS OF INTEREST**

The directors and officers of HII may serve as directors, officers or consultants of other real estate companies or may have significant shareholdings in other public or private companies. Situations may arise in connection with potential acquisitions of properties or other investments where the other interests of directors or officers may conflict with the interests of HII.

HII does not directly employ its officers or others providing management services to HII. The officers of HII hold officer and management positions with HCI and other companies related to HCI as set forth under "Management of HII" herein. The operations of HII are managed in all respects by HCI and Homburg LP Management Incorporated, both of which are controlled by Richard Homburg (see "Limited Partnership Structure" herein).

#### **DIVIDENDS**

##### **Dividend Policy**

On June 18, 2004, at a regularly constituted meeting, the Board of Directors unanimously approved a policy whereby it would, subject to the performance of the Corporation consider, and if deemed appropriate, declare a dividend to be paid to shareholders on or about March 30 and September 30 of each year, further, at the meeting the Board of Directors approved an optional Dividend Reinvestment Plan.

##### **Dividends Paid**

During 2004 the Corporation declared its first semi-annual dividend of \$0.06 per share payable September 30, 2004 to shareholders of record on September 15, 2004. There are no known or anticipated restrictions that would prevent the Corporation from paying out dividends in accordance with its current policy to pay a semi-annual dividend.

#### **CAPITAL STRUCTURE**

The Corporation had authorized an unlimited number of:

- common shares
- Class B voting shares
- Class A and B preferred shares

Issuable in series, with rights and privileges to be determined upon issue. No Class A voting shares or Class A or B preferred shares are outstanding.

At December 31, 2004, 56,453,554 common shares were issued.

## **RISK FACTORS**

There are certain risks inherent in the activities of HII, which investors should carefully consider before investing, including the following:

### **Real Property Ownership**

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, such as availability of long-term mortgage funds, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants.

### **Tenant Termination Rights and Financial Stability**

HII's income would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in HII's properties were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to HII than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as a lessor may be experienced and substantial costs in protecting HII's investment may be incurred. Furthermore, at any time, a tenant of any of HII's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to HII. The ability to rent unleased space in the properties in which HII has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on HII's financial condition.

### **Fixed Costs**

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made by HII throughout the period of its ownership of its properties regardless of whether the property is producing any income. If HII is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

### **Liquidity**

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit HII's ability to vary its portfolio promptly in response to changing economic or investment conditions. If HII were to be required to liquidate its real property investments, the proceeds to HII might be significantly less than the aggregate carrying value of its properties.

### **Financing Risks**

HII will be subject to the risks associated with debt financing, including the risk that existing mortgages will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

### **Jointly Owned Property**

HII jointly owns certain properties. In making such joint ownership investments, there is a risk that HII may incur a loss if a co-owner is unable to fulfil its obligations to HII.

### **Competition**

HII competes for real property acquisitions with individuals, corporations, institutions (Canadian and foreign) which are seeking or may seek real property investments similar to those desired by HII. An increase in the availability of investment funds and an increase in interest in immovable property investments may tend to increase competition for immovable property investments, thereby increasing purchase prices and reducing the yield on them.

Numerous other developers, managers and owners of properties compete with HII in seeking tenants. Some of the properties of HII's competitors are better located or less leveraged than HII's properties. Some of HII's competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for HII's tenants could have an adverse effect on HII's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect HII's revenues and its ability to meet its debt obligations.

However, HII believes that its portfolio of well located and well managed real estate puts HII in a good position vis a vis its competitors for tenants.

### **General Uninsured Losses**

HII carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. HII has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, HII could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but HII would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

### **Interest Rate Fluctuations**

HII's financing may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in HII's cost of borrowing.

### **Access to Capital**

The real estate industry is highly capital intensive. HII will require access to capital to maintain its properties and to fund its growth strategy. There is no assurance that capital will be available when needed or on favourable terms.

### **Environmental Matters**

As an owner of real property, HII will be subject to various federal, provincial, municipal and state laws relating to environmental matters. Such laws provide that HII could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect HII's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against HII. HII is not aware of any material non-compliance with environmental laws at any of its properties. HII is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatened claims relating to environmental conditions at its properties. HII has adopted an environmental management program, including policies and procedures to review and monitor environmental matters associated with its properties. HII's environmental policy includes a requirement to obtain a Phase I environmental assessment and, if appropriate, a Phase II assessment conducted by an independent and experienced environmental consultant before acquiring a property.

HII will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, HII does not believe that costs relating to environmental matters will have a material adverse effect on HII's business, financial condition or results of operation. However, environmental laws and regulations may change and HII may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on HII's business, financial condition or results of operation.

## **MARKET FOR SECURITIES**

The Common Shares of HII are listed for trading on the Toronto Stock Exchange under the trading symbol "HII".

### **Trading Price and Volume 2004**

<b>Month</b>	<b>Hi-Lo</b>	<b>Vol</b>	<b>Month</b>	<b>Hi-Lo</b>	<b>Vol</b>
Jan	1.30 – 1.16	51,164	July	1.44 – 1.01	63,289
Feb	1.40 – 1.17	32,611	Aug.	1.56 – 1.35	3,487,466
Mar	1.55 – 1.32	45,561	Sept.	1.55 – 1.42	69,525
April	1.35 – 1.17	80,176	Oct.	1.85 – 1.44	117,032
May	1.20 – 1.16	37,327	Nov.	2.20 – 1.95	71,132
June	1.48 – 1.18	52,032	Dec.	2.15 – 1.88	57,049

### **Transfer Agent and Registrar**

The Corporation's Transfer Agent and Registrar is CIBC Mellon Trust Company Toronto, Calgary and Halifax.

### **ADDITIONAL INFORMATION**

Additional information including director and officer remuneration and indebtedness, principal holders of Homburg Invest Inc. securities, options to purchase securities, material contracts and management agreements and interests of informed persons in material transactions where applicable is contained in the Homburg Invest Inc. Information Circular dated February 10, 2005. Such information is hereby incorporated into this Annual Information Form and is available on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).



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