

**Homburg Invest Inc.**  
**Consolidated Financial Statements**  
**International Accounting Standards**  
December 31, 2000 and 1999

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## Auditors' Report

To the Shareholders of  
Homburg Invest Inc.

We have audited the consolidated balance sheets of Homburg Invest Inc. as at December 31, 2000 and 1999, and the consolidated statements of earnings, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999, and the results of its operations, changes in equity and cash flows for the years then ended in accordance with International generally accepted accounting principles.

We also reported separately on January 31, 2001 to the shareholders of the Company on our audit, conducted in accordance with Canadian generally accepted auditing standards, where we expressed an opinion without reservation on the December 31, 2000 and 1999, consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles.

Halifax, Canada  
January 31, 2001

Grant Thornton LLP  
(Signed)  
Chartered Accountants

# Homburg Invest Inc.

## Consolidated Balance Sheets

December 31 2000 1999

(All figures in Canadian Dollars)

### Assets

Cash and cash equivalents	\$ 1,945,222	\$ 2,831,817
Receivables, trade	1,047,967	1,147,800
Prepays	244,796	257,356
Deposits (Note 6 )	350,000	
Property (Note 3 and 5)	<u>97,349,827</u>	<u>91,287,000</u>
	<u>\$ 100,937,812</u>	<u>\$ 95,523,973</u>

### Liabilities

Accounts payable	\$ 1,170,802	\$ 1,908,752
Large corporation taxes payable	84,006	168,138
Security deposits and prepaid rents (Note 8) <span style="margin-left: 20px;">504,662</span>	533,066	
Payable to a shareholder company, non-interest bearing	383,754	1,105,478
Mortgages payable (Note 7)	<u>55,245,637</u>	<u>53,573,116</u>
	<u>57,388,861</u>	<u>57,288,550</u>
Future income taxes	<u>3,781,710</u>	<u>3,026,213</u>

### Shareholders' Equity

Capital stock (Note 9)	33,236,994	31,194,426
Retained earnings	6,530,247	220,061
Revaluation surplus	<u>                    </u>	<u>3,794,723</u>
	<u>39,767,241</u>	<u>35,209,210</u>
	<u>\$100,937,812</u>	<u>\$ 95,523,973</u>

Subsequent events (Notes 1, 2 and 9)

Commitments (Note 14)

Contingent liabilities (Note 15)

On behalf of the Board

"Richard Homburg"  
"Signed"  
Director

"Larry Freeman"  
"Signed"  
Director

See accompanying notes to these financial statements prepared under International Accounting Standards

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## Homburg Invest Inc. Consolidated Statements of Earnings

Year Ended December 31

2000

1999

(All figures in Canadian Dollars)

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Property revenue	\$ 14,378,479	\$ 7,092,553
Interest income	108,334	191,714
Realized gain on sale of portfolio investments	90,778	
Unrealized valuation changes	30,000	
	<u>14,607,591</u>	<u>7,284,267</u>
Property operating expenses	6,031,383	3,472,595
General and administrative	1,130,689	467,602
	<u>7,162,072</u>	<u>3,940,197</u>
Earnings before interest and income taxes	7,445,519	3,344,070
Other expenses		
Interest	3,878,800	2,723,406
Earnings before income taxes	3,566,719	620,664
Income taxes (Note 10)	1,051,256	505,330
Net earnings	\$ <u>2,515,463</u>	\$ <u>115,334</u>

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### Earnings per share (Note 13)

Basic	<u>\$0.08</u>	<u>\$0.01</u>
Fully diluted	<u>\$0.08</u>	<u>\$0.01</u>

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See accompanying notes to these financial statements prepared under International Accounting Standards

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## Homburg Invest Inc. Consolidated Statements of Changes in Equity

Years Ended December 31, 2000 and 1999

(All figures in Canadian Dollars)

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	<u>Share Capital</u>	<u>Revaluation Surplus</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 1998	\$ 2,200,100	\$	\$ 104,727	\$ 2,304,827
Surplus on revaluation of properties		3,794,723		3,794,723
Net profit for the period			115,334	115,334
Issue of share capital	<u>28,994,326</u>	_____	_____	<u>28,994,326</u>
Balance, December 31, 1999	31,194,426	3,794,723	220,061	35,209,210
Transfer of revaluation surplus		(3,794,723)	3,794,723	
Net profit for the period			2,515,463	2,515,463
Issue of share capital (Note 9)	<u>2,042,568</u>	_____	_____	<u>2,042,568</u>
Balance, December 21, 2000	<u>\$ 33,236,994</u>	<u>\$ NIL</u>	<u>\$ 6,530,247</u>	<u>\$ 39,767,241</u>

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See accompanying notes to these financial statements prepared under International Accounting Standards

# Homburg Invest Inc.

## Consolidated Statements of Cash Flows

Year Ended December 31 2000 1999

(All figures in Canadian Dollars)

Increase (decrease) in cash and cash equivalents		
Net earnings	\$ 2,515,463	\$ 115,334
Add:		
Unrealized valuation changes	(30,000)	
Future income taxes	<u>774,492</u>	<u>278,306</u>
<b>Cash flow from operations</b>	<b>3,259,955</b>	<b>393,640</b>
Change in non-cash operating working capital		
Receivables	99,833	(1,109,161)
Prepays	12,560	(289,650)
Large corporation taxes payable	(84,132)	136,272
Receivable from related party		307,014
Accounts payable	(737,950)	1,838,922
Security deposits	(28,404)	520,416
Payable to shareholder company	<u>(721,724)</u>	<u>822,625</u>
Net cash from operating activities	<u>1,800,138</u>	<u>2,620,078</u>
<b>Investing</b>		
Investment in property and equipment	<u>(1,301,751)</u>	<u>(8,556,326)</u>
Net cash used in investing activities	<u>(1,301,751)</u>	<u>(8,556,326)</u>
<b>Financing</b>		
Increase in deposits	(350,000)	
Net decrease in mortgages payable	(1,034,982)	(816,353)
Decrease in loan payable		(5,400,000)
Issue of capital stock		14,452,492
Decrease in mortgage receivable	<u>                    </u>	<u>475,000</u>
Net cash from (used in) financing activities	<u>(1,384,982)</u>	<u>8,711,139</u>
(Decrease) increase in cash and cash equivalents	<b>(886,595)</b>	2,774,891
<b>Cash and cash equivalents, beginning of year</b>	<u>2,831,817</u>	<u>56,926</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,945,222</u>	<u>\$ 2,831,817</u>
<b>Cash flow per share (Note 13)</b>		
Basic	<u>\$0.10</u>	<u>\$0.06</u>
Fully diluted	<u>\$0.10</u>	<u>\$0.06</u>

Supplemental cash flow information ( Note 16)

See accompanying notes to these financial statements prepared under International Accounting Standards

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# Homburg Invest Inc.

## Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
(All figures in Canadian Dollars)

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### 1. Basis of financial statement presentation

These financial statements are presented under the name Homburg Invest Inc., which is the new name of the company effective January 12, 2001. The company was named Basic Realty Investment Corporation ("Basic") prior to October 23, 2000. At October 23, 2000, it changed its name to Uni-Invest Ltd.

On October 23, 2000, Basic Realty Investment Corporation acquired 100% of the outstanding common shares of Uni-Invest Canada Ltd in exchange for 32,584,051 common shares of Basic. Upon completion of the transaction, the former shareholders of Uni-Invest Canada Ltd. controlled approximately 94.58% of the outstanding common stock of Basic, resulting in a change of control of Basic. As a result, the transaction has been accounted for in accordance with the provisions applicable to a reverse takeover with Uni-Invest Canada Ltd. reported as the acquirer for accounting purposes.

These financial statements include the operations of Uni-Invest Canada Ltd., for the years ended December 31, 2000 and 1999, and the operations of Homburg Invest Inc., formerly Basic, for the period October 24, 2000 to December 31, 2000.

These financial statements have been prepared under International Accounting Standards ("International GAAP") as the company has major European shareholders who normally receive financial statements prepared under International GAAP. As the company 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 International GAAP and Canadian GAAP statements, are that while the International GAAP 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 International GAAP.

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### 2. Nature of operations

Uni-Invest Ltd. at December 31, 2000 was traded on the Canadian Venture exchange, under the symbol "UIL". Subsequent to year end, the company changed its name to Homburg Invest Inc., and was listed, effective January 15, 2001, on the Toronto Stock Exchange under the symbol "HII".

The company and its subsidiary holds commercial and residential real estate interests, located in Nova Scotia, New Brunswick, Prince Edward Island, Alberta and British Columbia, Canada.

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### 3. Summary of significant accounting policies

The Company's accounting and reporting policies conform to International Accounting Standards. These standards are summarized as follows:

#### Property

As encouraged by the International Accounting Standards Committee, the company has adopted early application of IAS-40-Investment Property, and has chosen the Fair Value Model method of presenting its investment properties in the financial statements.

The fair value of property is based on valuations by independent appraisers.

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## Homburg Invest Inc.

### Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999

(All figures in Canadian Dollars)

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#### 3. Summary of significant accounting policies (con't)

##### Capitalization of costs

The company capitalizes property acquisition costs incurred at the time of purchase.

##### Cash flow from operations

Cash flow from operations is a measurement defined as net income before certain items including non-cash tax charges. This calculation has been included as a separate statement on Page 6 of these financial statements.

##### Income taxes

The company follows the tax liability method for determining income taxes. Under this method, future tax assets and liabilities are determined according to differences between their respective carrying amounts and tax basis. Future tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in earnings as they occur.

##### Stock options

The company has a stock option plan which is described in Note 9. No compensation expense is recognized when options are granted. The consideration paid on exercise of options will be credited to capital stock.

##### Consolidation

These consolidated financial statements include the accounts of the company's wholly owned subsidiary Uni-Invest Canada Ltd. Uni-Invest Canada Ltd., is a Canadian company, incorporated in the Province of Nova Scotia.

##### Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Revenue recognition

The company has retained substantially all of the risks and benefits of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases. Revenue is recognized when services are provided under the terms of the various leases and ultimate collection is reasonably assured. Property revenue includes recoveries of operating expenses.

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

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## Homburg Invest Inc.

### Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
(All figures in Canadian Dollars)

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#### 4. Reverse takeover

The reverse takeover transaction entered into on October 23, 2000 between Uni-Invest Canada Ltd. and Basic, as described in Note 1, has been recorded using the purchase method with Uni-Invest Canada Ltd. as the acquirer. Details of the assets acquired and liabilities assumed on the transaction are as follows:

Assets acquired	
Property and equipment	\$ 4,632,398
Cash	28,517
Other assets	<u>242,919</u>
	<u>4,903,834</u>
Liabilities acquired	
Long term debt	2,707,504
Other liabilities	<u>143,000</u>
	<u>2,850,504</u>
Net assets acquired at fair market value	<u>\$ 2,053,330</u>

The net assets acquired of \$2,053,330, pertain to the increased value of the property and equipment over the net book value at the time of the acquisition.

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#### 5. Property

	<u>2000</u>	<u>1999</u>
Balance, beginning of year	\$ 91,287,000	\$ 18,007,117
Additions:		
Acquisition through reverse takeover (Note 4) plus capitalized costs on acquisition	4,731,076	
Capitalized costs of properties	1,301,751	66,859,491
Gain on fair value adjustment	<u>30,000</u>	<u>6,420,392</u>
Balance, end of year	<u>\$ 97,349,827</u>	<u>\$ 91,287,000</u>

In 2000 capital assets were acquired at an aggregate cost of \$6,032,827. The acquisitions were financed by new debt totalling \$400,000, the assumption of debt totalling \$2,707,504, the issue of common shares totalling \$2,042,568 and cash of \$882,755.

In 1999 capital assets were acquired at an aggregate cost of \$66,859,491. The \$66,859,491 in transactions were financed by the assumption of mortgages totalling \$43,761,331, the issue of capital stock of \$14,541,834 and cash of \$8,556,326.

In 1998, capital assets were acquired at an aggregate cost of \$18,007,117. The transactions was financed by assuming mortgages of \$7,996,346 and cash of \$10,010,771.

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# Homburg Invest Inc.

## Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
(All figures in Canadian Dollars)

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### 6. Deposits

Deposits consist of security deposits made on agreements to purchase new properties. As at December 31, 2000 there is no commitment to purchase these properties and a final decision regarding the potential purchases is subject to completion of due diligence, and financing arrangements.

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### 7. Mortgages payable

	<u>2000</u>	<u>1999</u>
Fixed rate mortgages, various maturities from 2001 to 2013, weighted average interest rate of 7.46% as at December 31, 2000 (1999 - 7.29%). As security for those mortgages, the Company has pledged all of its property, and an assignment of rents receivable.	<u>\$ 55,245,637</u>	<u>\$ 53,573,116</u>

Principal installments are payable as follows:

2001	\$ 4,048,791
2002	\$ 5,045,508
2003	\$ 3,831,116
2004	\$ 4,820,185
2005	\$ 5,342,732
Subsequent years	\$ 32,157,305

Included in the principal installments for the period 2001 to 2005 are normal maturities of mortgages totalling \$16,923,845, for which it is the company's intention to renew at market rates.

\$2,000,000 of second mortgages have a conversion right to acquire 2,089,095 shares of the Company at \$.95735 per share at the option of the mortgage holder. At the date of issuance of these second mortgages, it was determined that the rate of interest applicable to the mortgages (average of 9%) was a rate applicable to a debt only instrument of comparable terms and risk. Therefore no portion of the debt has been assigned to equity.

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### 8. Security deposits and prepaid rents

	<u>2000</u>	<u>1999</u>
Security deposits	\$ 71,490	\$ 68,907
Prepaid rents	<u>433,172</u>	<u>464,159</u>
	<u>\$ 504,662</u>	<u>\$ 533,066</u>

The security deposits are segregated in a trust account.

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## Homburg Invest Inc.

### Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
(All figures in Canadian Dollars)

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#### 9. Capital stock

##### Authorized

Unlimited number of common shares.  
Unlimited number of Class B voting shares  
Unlimited number of Class A, B and C preferred shares,  
issuable in series, with rights and privileges to be determined upon issue.

Issued	Number of Shares		Amount
	Common	Class B Voting	
Balance at October 31, 1999 (Basic's previous fiscal year end)	1,866,664		\$ 746
Issued to effect reverse takeover on October 23, 2000 net, of costs of \$84,177	<u>7,847,579</u>	<u>24,736,472</u>	<u>33,236,248</u>
Balance December 31, 2000	<u>9,714,243</u>	<u>24,736,472</u>	\$ <u>33,236,994</u>

At October 31, 1999 Basic had 3,333,320 common shares, and 6,000,001 Class C preferred shares issued and outstanding. Prior to the reverse takeover, the 6,000,001 Class C preferred shares were converted to common shares on a share for share basis.

On October 23, 2000 the 9,333,321 common shares were consolidated five for one to yield 1,866,664 common shares to which a net value of \$2,042,568 was attributed to these common shares as a result of the reverse takeover.

At December 31, 1999 Uni-Invest Canada Ltd.'s issued share capital comprised 31,194,426 common shares (\$31,194,426).

Subsequent to year end, and after the migration of the company to the Toronto Stock Exchange, the 24,736,472 Class B voting shares were converted to 24,736,472 common shares, for a total of 34,450,715 common shares outstanding.

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## Homburg Invest Inc.

### Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
 (All figures in Canadian Dollars)

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#### 9. Capital stock (con't)

##### Stock options

There are outstanding options to purchase 627,811 common shares which have been issued to Directors of the company. Set forth below is a summary of the outstanding options to purchase common shares as at December 31, 2000.

	2000		1999	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	40,000	\$ 1.50		
Granted	587,811	\$ 1.10	40,000	\$ 1.50
Exercised	NIL		NIL	
Forfeited	NIL		NIL	
Outstanding at end of year	<u>627,811</u>	\$ 1.13	<u>40,000</u>	\$ 1.50
Options exercisable at year end	<u>603,811</u>		<u>4,000</u>	

Number of Shares Under Option	Date of Grant	Expiration Date	Exercise Price
40,000	October 21, 1999	Earlier of October 20, 2004 or 90 days following such person ceasing to be a director of the Company	\$ 1.50
487,811	October 23, 2000	October 22, 2005	\$ 1.10
100,000	October 23, 2000	December 31, 2001	\$ 1.10

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## Homburg Invest Inc.

### Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
 (All figures in Canadian Dollars)

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#### 10. Income taxes

Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to earnings before income taxes. These differences result from the following items:

	<u>2000</u>	<u>1999</u>
Earnings before income taxes	\$ <u>3,566,719</u>	\$ <u>620,664</u>
Combined Canadian basic federal and provincial income tax rate	45.12 %	44.84 %
Less: reduction in rates based on enacted or substantively enacted tax laws at December 31, 2000	<u>7.28 %</u>	<u>          </u>
	<u>37.84 %</u>	<u>44.84 %</u>
Income taxes based on combined Canadian basic federal and provincial income tax rate	\$ 1,349,646	\$ 278,306
Increase (decrease) in income taxes resulting from:		
Large corporation tax	276,764	227,024
Adjustment to reflect reduction in revaluation surplus future income tax rates based on enacted or substantively enacted tax laws at December 31, 2000.	<u>(575,154)</u>	<u>          </u>
	<u>\$ 1,051,256</u>	<u>\$ 505,330</u>
Income taxes:		
Large corporation taxes	\$ 276,764	\$ 227,024
Future income taxes	<u>774,492</u>	<u>278,306</u>
	<u>\$ 1,051,256</u>	<u>\$ 505,330</u>

Future income taxes represent temporary timing differences resulting from claiming income tax depreciation on the company's fixed assets. The accumulated future income tax liability at December 31, 2000 was \$3,781,710 (1999-\$3,026,213).

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# Homburg Invest Inc.

## Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
(All figures in Canadian Dollars)

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### 11. Financial instruments and risk management

#### Financial instruments

The company does not acquire, hold or issue derivative financial instruments for trading purposes.

Mortgages payable are the only long term financial instrument the company holds, and they have a fair value of \$54,414,152. (1999 - \$52,171,959).

The fair values of long term financial instruments are based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the company might pay or receive in actual market transactions. Potential taxes and other transaction costs have also not been considered in estimating fair value.

The company's short-term financial instruments, comprising amounts receivable, cash and accounts payable and accrued liabilities, are carried at cost which, due to their short-term nature, approximates their fair value.

#### Risk management

In the normal course of its business, the company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to minimize them are discussed below.

##### a) Interest rate risk

The assets and liabilities of the company have fixed and floating interest rate components resulting in an exposure to interest rate movements. The company has minimized its interest rate risk through a liability management policy. The company allocates the maturity of its debt over a period of approximately 15 years.

##### b) Credit risk

The company's principal assets are commercial and residential buildings. Credit risk arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by attracting tenants of sound financial standing and ensuring that its tenant mix is diversified.

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### 12. Related party transactions

a) In 2000, the company earned interest income of \$NIL (1999 - \$167,273) from a shareholder corporation.

b) In 2000, the company accrued interest in the amount of \$NIL (1999- \$991,524) to a shareholder corporation.

c) The company has entered into agreements with a company commonly controlled by the Chairman and Chief Executive Officer to provide management services at market rates. These agreements are based upon asset management, property management and financial services. In 2000 the amount paid under these agreements was \$1,115,211 (1999 - \$942,717).

d) During 2000, the company earned rental revenue in the amount of \$260,311 (1999 - \$203,275) from a company commonly controlled by the Chairman and Chief Executive Officer.

e) In 2000, the company purchased property totalling \$NIL (1999 - \$14,870,314) from a company commonly controlled by the Chairman and Chief Executive Officer. (See Note 5)

f) The company has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the company.

g) The company capitalizes property acquisition costs incurred at the time of purchase. In 2000, the total amount of these costs, paid to a company commonly controlled by the Chairman and Chief Executive Officer, amounted to \$125,000 (1999 - \$1,378,552)

The above transactions were recorded at the exchange amount which is equivalent to fair market value.

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## Homburg Invest Inc.

### Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
(All figures in Canadian Dollars)

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#### 13. Earnings per share and cash flow per share

Per share amounts are based on a weighted average number of common shares issued and outstanding during the year. The weighted average number of common shares outstanding for the years ended December 31, 2000 and 1999 were 32,936,927 and 9,681,843 respectively. On a fully diluted basis, the weighted average number of common shares outstanding was 35,145,141 for 2000 and 9,853,549 for 1999.

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#### 14. Commitments

a) The following is a schedule of the future minimum lease payments on several leases of a subsidiary company. The leases expire beginning May 2002.

2001	\$	167,293
2002	\$	150,493
2003	\$	117,513
2004	\$	75,822
2005	\$	74,702

b) One of the wholly owned limited partnerships has entered an agreement with the previous owners of the real estate to provide management services, annually for \$100,000. The agreement expires in 2009.

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#### 15. Contingent liabilities

A subsidiary corporation has been named as a co-defendant in a claim made by a third party. Management believes that the liability, if any, is undeterminable at this time, and no provision as been made in the accounts for future possible losses. The previous owner has indemnified the subsidiary for any amounts that may be awarded in this claim.

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#### 16. Supplemental cash flow information

Cash and cash equivalents consists of balances in accounts maintained with chartered banks.

	<u>2000</u>	<u>1999</u>
Interest paid	\$ <u>4,683,490</u>	\$ <u>1,895,869</u>
Capital taxes paid	\$ <u>360,894</u>	\$ <u>62,478</u>
Interest received	\$ <u>108,334</u>	\$ <u>191,714</u>

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## Homburg Invest Inc.

### Notes to International GAAP Consolidated Financial Statements

December 31, 2000 and 1999  
 (All figures in Canadian Dollars)

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#### 17. Segmented Information

The company owns a diverse portfolio of residential and mid-sized commercial income-producing properties located in Nova Scotia, New Brunswick, Prince Edward Island, Alberta, and British Columbia. The following provides a summary of key information of the company's residential and commercial operating segments:

	<u>2000</u>	<u>1999</u>
<b>Property revenue</b>		
Commercial	\$ 12,675,247	\$ 6,916,903
Residential	<u>1,733,232</u>	<u>175,650</u>
	<u>14,408,479</u>	<u>7,092,553</u>
 <b>Property operating expenses</b>		
Commercial	5,254,310	3,373,384
Residential	<u>777,073</u>	<u>99,211</u>
	<u>6,031,383</u>	<u>3,472,595</u>
 <b>Income from rental operations net of property costs</b>		
Commercial	7,420,937	3,543,519
Residential	<u>956,159</u>	<u>76,439</u>
	<u>8,377,096</u>	<u>3,619,958</u>
 Other expenses net of other income - unallocated	<u>931,577</u>	<u>275,888</u>
 <b>Earnings before interest and income taxes</b>	<u>7,445,519</u>	<u>3,344,070</u>
 <b>Interest expense</b>		
Commercial	3,453,122	2,679,659
Residential	<u>425,678</u>	<u>43,747</u>
	<u>3,878,800</u>	<u>2,723,406</u>
 <b>Earnings before income taxes</b>	3,566,719	620,664
 <b>Income taxes</b>	<u>1,051,256</u>	<u>505,330</u>
 <b>Net earnings</b>	<u>\$ 2,515,463</u>	<u>\$ 115,334</u>
 <b>Carrying amount of property</b>		
Commercial	\$ 87,005,330	\$ 81,023,500
Residential	<u>10,344,497</u>	<u>10,263,500</u>
	<u>\$ 97,349,827</u>	<u>\$ 91,287,000</u>
 <b>Mortgages payable</b>		
Commercial	\$ 49,868,642	\$ 48,092,249
Residential	<u>5,376,995</u>	<u>5,480,867</u>
	<u>\$ 55,245,637</u>	<u>\$ 53,573,116</u>

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**Homburg Invest Inc.**  
**Notes to International GAAP Consolidated Financial Statements**

December 31, 2000 and 1999  
(All figures in Canadian Dollars)

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**18. Staff Costs**

The company has no employees.

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**19. Change in accounting policy**

As described in Note 3 to the financial statements the company has adopted the fair value model for recording its property as provided for in IAS-40. In accordance with the provisions of this standard, the policy has been adopted prospectively with no restatement of prior period information. As a result of this change, the excess of fair market value over book value of property, which had previously been reported as revaluation surplus, has been transferred to retained earnings. Additionally, increases or decreases in the book value versus carrying value of assets, are reported as unrealized valuation changes in the statements of earnings under IAS-40. Change in property values in prior periods were reported as increases or decreases in the revaluation surplus account, independent of the statement of earnings. As a result of adoption of IAS-40 in the current year, earnings have increased by \$30,000, future income taxes have increased by \$7,500 and retained earnings have increased by \$22,500 relative to unrealized valuation increases.

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