International
Financial
Reporting
Standards

Homburg Invest Inc.

HOMBURG

Management's Discussion and Analysis & Financial Statements

March 31, 2004

CONTENTS

Three Months Ended March 31, 2004

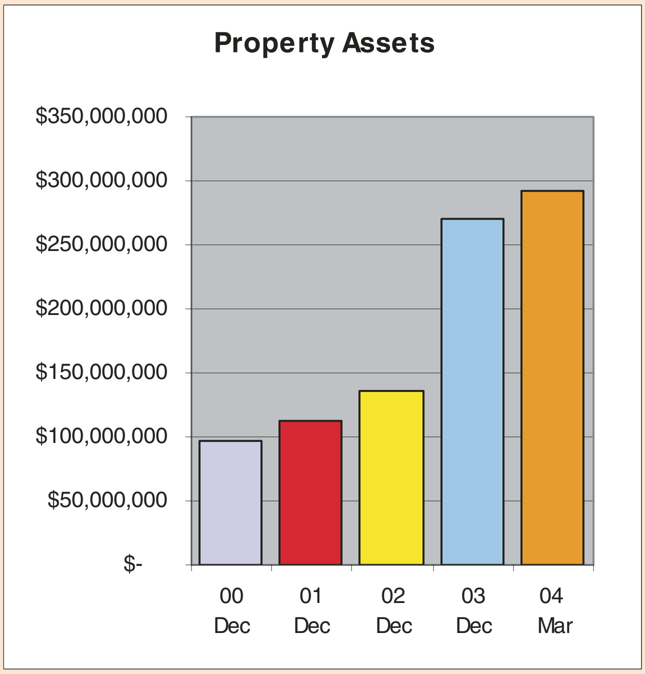
HOMBURG

April 29, 2004

Dear Shareholder:

Enclosed herewith you will find a copy of your Company's unaudited first quarter financial statements prepared in accordance with ***International Financial Reporting Standards*** and Management's Discussion and Analysis of Operations and Financial Condition for the three months ended March 31, 2004. These items will also be available and may be downloaded from our website at www.homburginvest.com.

The growth in the Company's property assets continues to move forward. During the first quarter of 2004, the Company was successful in completing the purchase of the Dartmouth Shopping Centre in Nova Scotia and ten Pizza Hut properties in Montreal, Quebec. In addition, construction continues on the Vintage II Tower in Calgary, Alberta. The result is an additional $22.1 million invested in property bringing our property portfolio to $292.6 million. Our growth since going public in 2000 is illustrated in the following bar chart which shows that our real estate assets have grown by 200%. It is our objective to grow the property assets by an additional $200 million in 2004. However, as previously stated, we will not complete transactions for the sake of growth alone. All acquisitions and development projects must be accretive over the long term to shareholder value.



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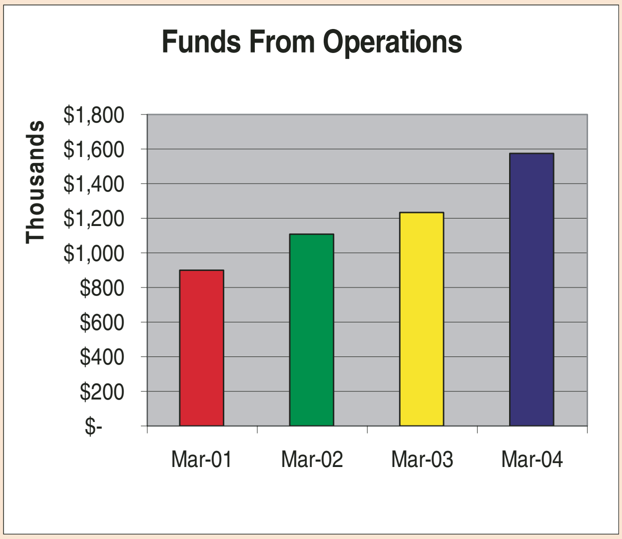

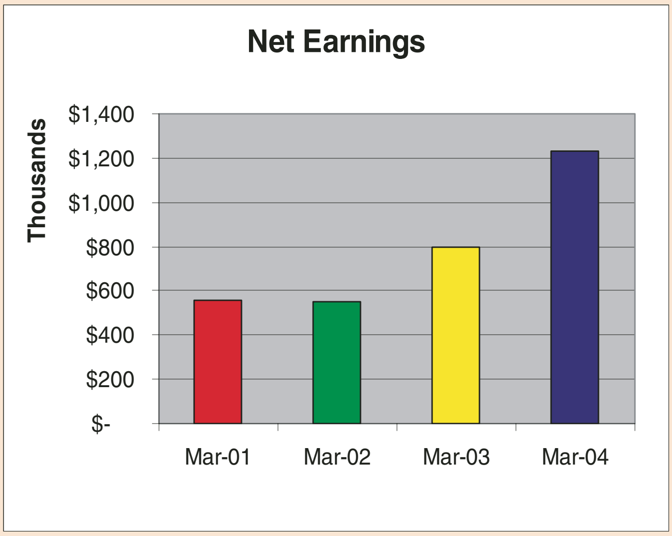

Just as our property assets have grown, the ability to manage the properties and maximize the return to shareholders is demonstrated in the following chart which spells out the funds generated from operations and our net earnings over the last four quarters ended March 31.

From a numerical prospective the funds from operations and net earnings generated by quarter has been:

	Funds from Operations	Net Earnings
March 2001	$901 thousand	$555 thousand
March 2002	$1112 thousand	$548 thousand
March 2003	$1236 thousand	$795 thousand
March 2004	$1573 thousand	$1229 thousand

The above-noted charts clearly demonstrate that from a cash flow prospective and a net earnings base after considering full income tax charges, that the Company continually on a quarter over quarter basis is improving its operating results.

Please review the attached management discussion and analysis for a further description of the operating results.

I trust you will find the enclosed information informative.

Yours very truly,

"Signed"
Richard Homburg, Phzn.
Chairman and CEO

The following should be read in conjunction with the consolidated financial statement prepared under **International Financial Reporting Standards** and the notes attached thereto.

Date of MD&A
April 29, 2004

Overall Performance and Selected Interim Information
Homburg Invest Inc. ("Homburg Invest" or the "Company") is a public real estate company owning 85 properties with a fair market value of $292.6 million and 3.58 million square feet of space as at March 31, 2004 in four main asset classes: office, retail, industrial, and multi-family residential and one property currently under construction.

Properties Owned

	March 31, 2004				December 31, 2003			
Property Type	No. of Properties	Fair Market Value	No. of Units	Gross Square Footage	No. of Properties	Fair Market Value	No. of Units	Gross Square Footage
Office	33	$113,344,595		1,180,703	33	$110,688,239		1,180,703
Retail	34	114,731,911		1,451,713	23	97,842,079		1,325,079
Residential	11	18,409,811		367,023	11	18,390,080	352	367,023
Industrial	7	26,139,438		582,212	7	26,139,438		582,212
SUB-TOTAL	85	272,625,755		3,581,651	74	253,059,836	352	3,455,017
Property Under Development	1	20,018,085		*	1	17,509,661		*
TOTAL	86	$292,643,840		3,581,651	75	$270,569,497	352	3,455,017

** Construction has commenced on an eight-story, 124,000 square foot office building in Calgary, Alberta which is scheduled for completion in the spring of 2004.*

This is the first period in which the interim financial information is being provided under National Instrument 51-102 which came into effect on January 1, 2004. The quarterly information for the last eight quarters is being provided. Each quarter's results reflect the continued growth of the company's property portfolio. Property revenue from the Canadian and western US operations continue to grow smoothly with net earnings and funds from operations being generated as projected. The only reported revenue reduction occurred in the December 2003 quarter which reflects the disposition of the Company's 85% interest in three shopping centres located in the eastern United States which were sold to Cedar Shopping Centers, Inc. for proceeds of approximately $8 million plus the assumption of the appropriate debt. A loss on the disposition of those shopping centres of approximately $100 thousand was realized in the forth quarter of 2003 and is included as a reduction of other income in the December 2003 financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

		3 Months Ended March 31 2004	3 Months Ended December 31 2003	3 Months Ended September 30 2003	3 Months Ended June 30 2003
(Thousands, except for per share calculations)					
Property revenue		$9,418	$8,061	$9,494	$7,669
Unrealized valuation changes		-	$7,121	-	-
Other revenue		$61	$1,106	$560	$455
		$9,478	$16,288	$10,054	$8,124
Net property income		$6,059	$5,076	$5,983	$5,007
Net earnings		$1,229	$7,040	$833	$692
Earnings per share	- basic	$.03	$.15	$.02	$.02
	- fully diluted	$.03	$.15	$.02	$.02
Funds from operations		$1,573	$913	$1,446	$1,238
Funds from operations per share	- basic	$.03	$.02	$.04	$.03
	- fully diluted	$.03	$.02	$.04	$.03
Total assets		$298,321	$279,224	$306,368	$300,906
Total long term financial liabilities		$188,384	$179,087	$201,296	$189,708
Cash dividend declared per share		NIL	NIL	NIL	NIL

		3 Months Ended March 31 2003	3 Months Ended December 31 2002	3 Months Ended September 30 2002	3 Months Ended June 30 2002
(Thousands, except for per share calculations)					
Property revenue		$5,630	$4,766	$4,704	$4,424
Unrealized valuation changes		-	$2,030	-	-
Other revenue		$154	$3	$95	$1
		$5,784	$6,799	$4,799	$4,425
Net property revenue		$3,330	$2,619	$2,636	$2,562
Net earnings		$795	$2,140	$661	$544
Earnings per share	- basic	$.02	$.06	$.02	$.02
	- fully diluted	$.02	$.06	$.02	$.02
Funds from operations		$1,236	$695	$1,007	$781
Funds from operations per share	- basic	$.03	$.02	$.03	$.02
	- fully diluted	$.03	$.02	$.03	$.02
Total assets		$184,382	$164,405	$128,987	$125,113
Total long term financial liabilities		$104,808	$90,506	$66,718	$66,703
Cash dividend declared per share		NIL	NIL	NIL	NIL

Reconciliation of Canadian Generally Accepted Accounting Principles and International Financial Reporting Standards

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Material differences between Canadian Generally Accepted Accounting Principles ("GAAP") and IFRS are described below.

	March 31, 2004			December 31, 2003 (Audited)		
	Assets	**Shareholders Equity**	**Net Income (loss)**	Assets	Shareholders Equity	Net Income (loss)
Canadian GAAP	**$275,429,528**	**$53,821,475**	**$658,864**	$257,098,106	$53,577,911	$2,846,143
Property (1)	**23,820,119**	**17,894,922**	**916,371**	22,926,071	14,719,518	8,206,772
Deferred charges (2)	**(928,255)**	**(657,186)**	**(150,593)**	(799,984)	(799,984)	(640,803)
Future income tax (3)		**(195,206)**	**(195,206)**		2,552,424	(1,052,136)
IFRS	**$298,321,392**	**$70,864,005**	**$1,229,436**	$279,224,193	$70,049,869	$9,359,976

(1) Under International Accounting Standards Pronouncement IFRS-40, the real property assets of the Company may be valued at fair market value. Reflecting the real property assets at fair market value results in the assets being increased by $23,820,119 (December 31, 2003 - $22,926,071), shareholders equity being increased by $17,894,922 (December 31, 2003 - $14,719,518) before considering the future income tax impact of the revaluation surplus. Earnings before income taxes increased by $916,371 (December 31, 2003 - $8,206,772) through the elimination of the depreciation charges and the recognition of $ NIL (December 31, 2003 - $7,121,390) of documented revaluation surplus for the period ended. Revaluation surplus (loss) is only recognized at year end under IFRS rather than on a quarterly basis.
(2) Under International Accounting Standards Pronouncement IFRS-22, deferred charges relating to leasing fees and financing costs, except those related to new construction or acquisitions, are to be written off in the year incurred rather than being deferred and amortized over the period of the related lease or debt financing. In the March 31, 2004 consolidated financial statements prepared under IFRS, deferred charges have been written off resulting in assets being reduced by $928,255 (December 31, 2003 - $799,984) in the current period, shareholders equity being reduced by $657,186 (December 31, 2003 - $799,984) and earnings before income taxes being reduced by $150,593 (December 31, 2003 - $640,803).
(3) Under International Accounting Standards Pronouncement IFRS-12, future income tax provisions must be made to reflect the impact of the above noted adjustments on the income statement. On the March 31, 2004 consolidated financial statements equity has been reduced by $195,206 (December 31, 2003 increased by $2,552,424) and earnings have been decreased by $195,206 (December 31, 2003 - $1,052,136).

Results from Operations
Funds from operations for the first three months of 2004 was $1.6 million or $.03 per share compared to funds from operations of $1.2 million in 2003 or $0.03 per share; an increase of 28% over the corresponding period last year. This increase is due to the investment in 34 new properties since March 31, 2003 including 11 properties acquired since December 31, 2003. These buildings will continue to improve revenue growth over the next three quarters as the income comes into play on a fully annualized basis.

Net earnings for the first quarter in 2004 was $1.229 million or $.03 per share, up 55% when compared to a net income of $795 thousand, or $0.02 per share in the first quarter of 2003. The increase in net income results from inclusion of the operations of the new properties noted above, and the impact of a reduction in our cumulative future income taxes to reflect a lowering of our average tax rate from 38.12% to 37.5%.

Office Portfolio
Homburg Invest's office portfolio consists of 33 small to medium sized office buildings in Atlantic Canada, Alberta, and British Columbia with a total gross area of 1.18 million square feet. The Company's 33 office buildings generated $4.2 million total revenue in the first quarter of 2004 and $2.5 million in net operating income. This compares to $2.6 million total revenue in 2003 and $1.5 million in net operating income, increases of 65% and 60% respectively. The revenue increase of $1.7 million reflects the operations of the

office building acquired from Co-op Atlantic in late January 2003, the 14 office buildings in the western United States acquired on May 30, 2003 and improved results over the entire office portfolio.

Overall occupancy in the office portfolio was 93.51% at March 31, 2004.

Retail Portfolio

Homburg Invest's retail portfolio consists of 34 retail operations including the Confederation Court Mall in Charlottetown, PEI and 7 big box Zellers stores across Canada. In the first quarter of 2004, the Company purchased the Dartmouth Shopping Centre and 10 Pizza Hut properties in greater Montreal. These additions added 127,000 square feet to our retail portfolio. Retail rental revenue increased to $3.9 million in the first quarter of 2004 from $1.9 million in 2003, an increase of 104%, while net operating income increased to $2.8 million in the first quarter of 2004 from $1.0 million in 2003, up 179%. Retail sales have remained stable and strong in the Company's retail portfolio with virtually all of the increase in revenue and net operating income coming from 19 new retail properties acquired subsequent to March 31, 2003.

Overall occupancy in the retail portfolio was 96.45% at March 31, 2004.

Residential Portfolio

Homburg Invest's residential portfolio is located in Nova Scotia, New Brunswick and Colorado and consists of 11 properties and 352 units as at March 31, 2004. Rental revenue from the residential portfolio increased to $606 thousand in the first quarter of 2004 from $601 thousand in 2003, an increase of 1%, and net operating income decreased to $328 thousand from $359 thousand, a decrease of 9%.

The residential portfolio maintained a high overall average occupancy rate during 2004 and at March 31, 2004 the occupancy rate was 95.45%.

Industrial Portfolio

Homburg Invest's industrial portfolio consists of seven industrial buildings located in Nova Scotia, New Brunswick, Newfoundland and British Columbia with a total area of 582 thousand square feet. The Company's industrial buildings generated $758 thousand total rental revenue in the first quarter of 2004 and $656 thousand in net operating income compared to $712 thousand total rental revenue in 2003 and $632 thousand in net operating income representing increases of 6% in revenue and 4% in net operating revenue. The improvement in 2004 is directly related to the acquisition of four new industrial properties, principally the three Co-op Atlantic warehouses acquired in late January 2003 and stabilizing the revenue stream in our industrial complex in Prince George, British Columbia.

Overall occupancy in the industrial portfolio was 96.28% at March 31, 2004

Other Income

During the first quarter of 2004, Homburg Invest generated $61 thousand in other income versus $153 thousand in 2003. The income generated in 2004 came from $38 thousand in foreign exchange gain and $23 thousand of interest income.

Interest Expense

Interest expense was $3.7 million in 2004, an increase of $1.9 million over 2003. This increase is directly attributable to first mortgage financing on property acquisitions and interest costs associated with the mortgage bonds issued in April, 2003. The Company's weighted average interest rate on real estate asset mortgage debt reduced to 6.94% from 6.96% at December 31, 2003. For the quarter ended March 31, 2004, Homburg Invest had total interest coverage of 1.48 to 1 and a debt to equity ratio of 2.65 to 1.

General and Administration

General and administration expenses totalled $656 thousand in the first quarter of 2004 compared to $376 thousand in 2003. The increase in general and administration expenses over 2003 is directly related to higher asset management fees paid under our agreements with Homburg Canada Inc. which reflect the increased property asset base of the company.

Financial Condition

Assets

Total assets grew from $279.2 million at December 31, 2003 to $298.3 million at March 31, 2004. The table below summarizes Homburg Invest's asset base.

	March 31 2004 (Millions)	December 31 2003 (Millions)
Property and equipment	$292.6	$270.5
Cash and cash equivalents	1.7	3.2
Investment, portfolio	1.1	1.1
Receivables trade	1.8	2.1
Currency guarantee receivable	0.5	1.8
Deferred rental income	0.1	-
Other assets	1.4	.5
	$298.3	$279.2

Investment, Portfolio

The investment is a portfolio investment in Cedar Shopping Centers, Inc., a New York Stock Exchange listed REIT, and represents .3% of the outstanding shares.

Receivables Trade

Receivables trade consists of amounts due from tenants which arise from the normal course of operations.

Currency Guarantee Receivable

Subsequent to the issuance of the Series 1 and 2 mortgage bonds, the Canadian dollar has weakened against the Euro to the extent of $500 thousand at March 31, 2004, down from $1.8 million at December 31, 2003. This decline has been offset by the currency guarantee receivable which has been recorded as a long term asset. The final settlement of the currency guarantee asset or obligation will take place at the earlier of the retirement of the bonds or their scheduled maturity. As a result of the guarantee, there is no earnings impact related to changes in currency value of the bonds.

Deferred Rental Income

Section 1506 of the CICA Handbook now requires that revenue on leased properties be recognized on the straight line basis over the term of the lease. This requires that all commercial leases with rental increases within the term of the lease must be adjusted to the straight line basis. The impact of this new policy which came into effect on January 1, 2004 results in an increase in rental income of $136 thousand for the first quarter. The amount of revenue in excess of rent paid is an asset called deferred rental income. This account will increase by $136 thousand per quarter over the next four years notwithstanding the impact of any new acquisitions. This change has been applied prospectively as permitted by the CICA and no changes are required to previous years.

Other Assets

Other assets are made up primarily of prepaid expenses for property taxes and deferred charges which relate to leasing fees and financing costs that are being amortized over the period of the appropriate lease or debt.

Capital Structure

The table below summarizes Homburg Invest's capital structure.

	March 31 2004 (Millions)		December 31 2003 (Millions)	
Mortgages and terms loans payable	$120.4	46.4%	$109.8	44.1%
Mortgage bonds payable	68.0	26.2%	69.3	27.8%
	188.4	72.6%	179.1	71.9%
Shareholders equity	70.9	27.4%	70.0	28.1%
	$259.3	100.0%	$249.1	100.0%

Debt on Real Estate Assets

Mortgages payable on revenue producing properties increased by $11.3 million in the first quarter of 2004 with the proceeds used for new acquisitions in the period. Also in the first quarter, $701 thousand was applied against mortgage debt as required under normal principal repayments.

At March 31, 2004, the Company had two acquisition loan facilities totaling $18.4 million, of which $8.8 million had been used to acquire capital assets. Interest is charged on all of the demand loans at market competitive rates.

Shareholders Equity

Homburg Invest's shareholders equity increased from $70.0 million at December 31, 2003 to $70.9 million at March 31, 2004. During 2004, net earnings for the period were $1.229 million. Under the Company's quarterly redemption program, 231,883 shares were redeemed at an intrinsic value of $1.51 for a net reduction in equity of $350 thousand.

Liquidity, Capital Resources and Capital Commitments

In the normal course of its business, Homburg Invest has capital requirements for the principal component of mortgage payments, tenant improvements, and capital expenditures. Homburg Invest funds these requirements with funds from operations; although in some cases expenditures and leasing costs are funded by the underlying mortgage or separate term debt. Capital expenditures totalled $22.1 million in the first quarter of 2004. These acquisitions were financed with mortgage debt and acquisition lines of credit.

	Payments Due by Period (In thousands)				
Contractual Obligations	***Total***	***Less than 1 year***	***1 – 3 years***	***4 – 5 years***	***After 5 years***
Long term debt	$188,384	$7,670	$12,665	$24,363	$143,686
Capital lease obligations	NIL	NIL	NIL	NIL	NIL
Operating leases	$90	$118	$117	$100	$68
Purchase obligations	NIL	NIL	NIL	NIL	NIL
Other long term obligations	NIL	NIL	NIL	NIL	NIL
Total contractual obligations	$189,474	$7,788	$12,782	$24,463	$143,754

The Company intends to make all normal principal repayments over the term of each debt instrument and to renew the mortgages at maturity under terms similar to those currently in place.

For the quarter ended March 31, 2004 funds from operations were $1.6 million, up from $1.2 million in the quarter ended March 31, 2003. Homburg Invest believes that funds from operations and $9.5 million in credit lines available to it will be sufficient to fund near-term, nondiscretionary costs. Upon completion of the Vintage II office tower in Calgary, it is the Company's intention to place a new first mortgage on the property which will result in $10 million of new funding. These proceeds will be put into working capital and used to pay down short term debt. The Company continues to manage its capital resources to maximize its opportunities for growth.

At the present time there are no commitments for capital expenditures for property acquisitions.

Off-Balance Sheet Arrangements

The company has no off-balance sheet arrangements. Any related party transactions are separately disclosed in this MD&A.

Transactions with Related Parties

The Company is controlled by the Chairman and Chief Executive Officer through holding companies.

a) The Company has entered into agreements with companies commonly controlled by the Chairman and Chief Executive Officer to provide various services at market rates. A summary of the various revenues and expenses between related parties are as follows:

	March 31 2004	March 31 2003
Rental revenue earned	**$ 105,523**	$ 95,889
Asset management fees paid	**$ 505,034**	$ 282,161
Property management fees paid	**$ 410,528**	$ 456,996
Service fees paid	**$ 36,978**	$ 32,022
Property acquisition fees paid	**$ 396,250**	$ 710,625
Mortgage bond guarantee fees paid	**$ 138,000**	$ NIL
Demand loan interest and fees accrued	**$ 51,013**	$ 73,104

b) 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.

c) Professional services of approximately $75,000 (March 31, 2003 - $140,000) were purchased from a firm and a corporation of which two (March 31, 2003 - three) of the Companies directors are affiliated in 2004.

d) The Company has entered into a guarantee arrangement for the principal and interest amounts, of the Mortgage Bonds payable to 2009 and 2010, with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee fee per annum until maturity is 1.5% on the Series 1 Bonds and 2.0% on the Series 2 Bonds.

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

First Quarter 2004

The operating results for the March 2004 results of operations and cash flows and financial condition of the Company are as contained in the budget approved by the board of directors. On property revenue of $9.4 million, the earnings before interest is approximately $122 thousand above the original approved budget amount. When one considers the deferred revenue asset of $136 thousand, the earnings are as budgeted. The operating results reflect the stability of the revenue stream and funds from operations which the Company is able to achieve.

Critical Accounting Estimates

As a real estate company, Homburg Invest Inc. for the most part is able to match its costs and revenues on a cash basis with accruals being made at each quarter and year end to ensure that the costs recorded match the revenue streams of the properties. As most of the costs incurred on the commercial operations are cost recoveries from the tenants, the accounting systems of the company are set up to provide the appropriate matching. Accounting estimates are made in such areas as property tax accruals and insurance accruals which are readily determinable based on historical costs or current changes in the marketplace. There are no cost estimates which are not reasonably determinable and therefore the Company is able to realistically report its accounting estimates.

As at April 29, 2004, there are no proposed asset or business acquisitions or dispositions that are currently ready to go to the Company's board of directors. Management continues to investigate real estate transactions and these will be brought forth if and when it is determined that it is accretive to shareholder value to proceed with such acquisitions.

Changes in Accounting Policies Including Initial Adoption

On January 1, 2004, two significant changes in Generally Accepted Accounting Principles (GAAP) recommended by the Canadian Institute of Chartered Accountants (CICA) came into effect which will impact Homburg Invest Inc. now and in the future. These changes and the Company's adoption of these provisions are as follows:

a) Revenue recognition policy

Section 1506 of the CICA Handbook now requires that revenue on leased properties be recognized on the straight-line basis over the term of the lease. The result is that all commercial leases with rental increases within the term of the lease must be adjusted to the straight-line basis. Under the provisions of Section 1506, if there are no rental increases in the lease or the changes are not quantifiable such as based on the consumer price index, then no adjustment is required.

After a detailed analysis of the Company's leases, it was determined that in the first quarter there was an increase in rental income of $136 thousand. The amount of the revenue in excess of rent paid is an asset called deferred rent income. Over the next four years, this asset will increase by $136 thousand per quarter, notwithstanding the impact of any acquisitions. This change has been applied prospectively as permitted by the CICA and no changes are required to previous years. The net effect of this change in policy is to increase net income and retained earnings on a quarterly basis by approximately $84 thousand with future income taxes being increased by approximately $52 thousand per quarter.

b) Intangible lease asset liability policy

Section 1581 of the CICA Handbook (Business Combinations) and Section 3062 (Goodwill and Other Intangible Assets) govern business combinations and asset acquisitions in accounting for acquired intangibles. As part of the acquisition of real estate assets after January 1, 2004, the Company must determine whether an intangible asset or liability has been acquired. This determination is made by examining the leases acquired to determine if they are above or below current market value. If the assets are above market, the cost of the building is lowered by an intangible lease asset.

In the first quarter of 2004, the Company purchased the Dartmouth Shopping Centre and 10 Pizza Hut locations. In our assessment of market values, we relied upon an independent valuator to provide current information on market values in these markets. Based upon this review, it has been determined that the leases are currently at market value and that no adjustment to the buildings are required.

Financial Instruments and Other Instruments

Financial instruments

The Company does not acquire, hold or issue derivative financial instruments for trading purposes.
Mortgages and mortgage bonds payable are the only long term financial instruments the Company holds. The mortgages have a fair value of $126,506,422 (December 31, 2003 - $113,523,829). The principal amount of the mortgage bonds issued during 2002 and 2003 have been guaranteed against currency fluctuations until maturity of the bonds in 2009 and 2010. The fair market value of the mortgage bonds is $71,422,514 (December 31, 2003 - $69,492,409).

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.

c) Currency risk
Currency risk arises from debt or expenses denominated in US Dollars or Euros. The Company mitigates currency risk of debt denominated in Euros through a guarantee agreement. Currency risk for amounts denominated in US Dollars is mitigated by US Dollar revenue streams from property rentals.

Other Requirements
(a) Additional information relating to Homburg Invest Inc., including our Annual Information Form (AIF) is on our website at www.homburginvest.com and at SEDAR at www.sedar.com.

(b) National Instrument 51-102, Section 5.4 Disclosure of Outstanding Share Data. As at March 31, 2004, Homburg Invest Inc. was authorized to issue an unlimited number of common shares, an unlimited number of Class B voting shares and an unlimited number of Class A and B preferred shares, issuable in series, with rights and privileges to be determined upon issue. On that date, 46,144,800 common shares were issued for a recorded value of $48,366,554. To April 29, 2004 there have been no changes to the issued capital of the Company.

The Company continues to release its results under Canadian Generally Accepted Accounting Principles ("GAAP") as well as under International Financial Reporting Standards ("IFRS"). The GAAP statements are available to any reader of these financial statements.

Homburg Invest continues to look at a number of opportunities in the Canadian and US marketplace as our strong entrepreneurial management team demonstrates the willingness and abilities to adapt to changes in the real estate market environment.

"Signed"	"Signed"
R. Homburg, Phzn. Chairman and CEO	I.D. MacInnis, CA Vice President Finance and CFO

CONSOLIDATED INTERIM BALANCE SHEET

(Unaudited - Prepared by Management – All figures in Canadian Dollars)

	March 31 2004	December 31 2003 (Audited)
Assets		
Cash and cash equivalents (Note 6)	**$ 1,708,115**	$ 3,213,381
Receivables	**1,779,016**	2,071,624
Prepaids	**468,495**	482,107
Portfolio investments (Note 3)	**1,086,172**	1,086,172
Deferred rental income (Note 3)	**136,456**	
Investment property (Notes 3 and 5)	**292,643,840**	270,569,497
Currency guarantee receivable (Note 9)	**499,298**	1,801,412
	$ 298,321,392	$ 279,224,193
Liabilities		
Accounts payable	**$ 5,473,725**	$ 5,714,379
Security deposits and prepaid rents (Note 10)	**1,064,545**	1,096,937
Mortgage bonds payable (Note 9)	**67,989,299**	69,291,412
Demand loans payable (Note 11)	**15,254,999**	6,377,746
Mortgages payable (Note 8)	**120,394,851**	109,795,803
	210,177,419	192,276,277
Future income taxes (Note 13)	**17,279,968**	16,898,047
Shareholders' Equity		
Capital stock (Note 12)	**48,366,554**	48,547,423
Contributed surplus	**159,000**	159,000
Retained earnings	**23,764,943**	22,704,781
Cumulative foreign currency translation amount	**(1,426,492)**	(1,361,335)
	70,864,005	70,049,869
	$ 298,321,392	$ 279,224,193

Commitments (Note 17)
Contingent liability (Note 18)

Approved by the Board, April 29, 2004

"Signed	"Signed"
Richard Homburg, Phzn	Brian Flemming
Director	Director

See accompanying notes to these financial statements prepared under International Financial Reporting Standards. Financial statements prepared under Canadian GAAP are also provided quarterly.

CONSOLIDATED INTERIM STATEMENT OF EARNINGS

Three Months Ended March 31 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

	2004	2003
Property revenue	**$ 9,417,553**	$ 5,630,698
Realized gain on sale of assets		41,046
Foreign exchange gain	**37,910**	
Interest income	**23,436**	112,501
	9,478,899	5,784,245
Property operating expenses	**3,357,908**	2,300,302
General and administrative	**656,471**	375,665
	4,014,379	2,675,967
Earnings before other and income taxes	**5,464,520**	3,108,278
Other expenses		
Interest on notes payable	**24,933**	
Interest mortgage and mortgage bonds	**3,688,229**	1,785,868
Share in income of equity accounted investment	**-**	(34,951)
	3,713,162	1,750,917
Earnings before income taxes	**1,751,358**	1,357,361
Income taxes (Note 13)	**521,922**	562,630
Net earnings	**$ 1,229,436**	$ 794,731

	2004	2003
Earnings per share (Note 16)		
Basic	**$0.03**	$0.02
Diluted	**$0.03**	$0.02

See accompanying notes to these financial statements prepared under International Financial Reporting Standards. Financial statements prepared under Canadian GAAP are also provided quarterly.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Three Months Ended March 31 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

	Share Capital	Contributed Surplus	Cumulative Foreign Currency Translation Account	Retained Earnings	**Total**
Balance, December 31, 2002	$ 34,046,472	$ 159,000	$	$ 13,768,431	$ 47,973,903
Net earnings for the period				9,359,976	9,359,976
Premium on share redemption	(723,849)			(423,626)	(1,147,475)
Stock issued to purchase assets	13,224,800				13,224,800
Conversion of second mortgage	2,000,000				2,000,000
Current year foreign currency reserve for foreign self sustained operations			(1,361,335)		(1,361,335)
Balance, December 30, 2003	48,547,423	159,000	(1,361,335)	22,704,781	70,049,869
Net earnings for the period				1,229,436	1,229,436
Premium on share redemption	(180,869)			(169,274)	(350,143)
Current period foreign currency reserve for foreign self sustained operations			(65,157)		(65,157)
Balance, March 31, 2004	$ 48,366,554	$ 159,000	$ (1,426,492)	$ 23,764,943	$ 70,864,005

CONSOLIDATED INTERIM STATEMENT OF FUNDS FROM OPERATIONS

Three Months Ended March 31 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

	2004	2003
Net earnings	**$ 1,229,436**	$ 794,731
Adjustments for:		
Gain on sale of assets		(41,046)
Future income taxes	**381,922**	517,429
Foreign exchange loss	**(37,910)**	
Share in income of equity invested company		(34,951)
Funds from operations	**$ 1,573,448**	$ 1,236,163

See accompanying notes to these financial statements prepared under International Financial Reporting Standards. Financial statements prepared under Canadian GAAP are also provided quarterly.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Three Months Ended March 31 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

	2004	2003
Cash obtained from (used for)		
Funds from operations	**$ 1,573,448**	$ 1,236,163
Change in non-cash operating working capital		
Receivables	**292,608**	(67,578)
Prepaids	**13,612**	117,890
Accounts payable	**(267,901)**	967,051
Deferred charges		215,937
Security deposits and prepaid rents	**(32,392)**	45,101
Deferred rental income	**(136,456)**	(1,000,000)
Net cash from operating activities	**1,442,919**	1,514,564
Investing activities		
Investment in property and equipment	**(22,074,343)**	(28,256,840)
Proceeds on disposal of portfolio investments		200,694
Net cash used in investing activities	**(22,074,343)**	(28,056,146)
Financing activities		
Increase (decrease) in demand loans payable	**8,877,253**	2,567,513
Conversion of debt to common stock		2,000,00
Decrease in mortgages payable, net	**(700,952)**	(2,641,913)
Increase in mortgages payable from new debt	**11,300,000**	13,750,000
Proceeds from mortgage bonds payable		5,881,029
Redemption of common shares	**(180,869)**	(181,904)
Premium on redemption	**(169,274)**	(72,390)
Net cash from financing activities	**19,126,158**	21,302,335
Increase in cash and cash equivalents	**(1,505,266)**	(5,239,247)
Cash and cash equivalents, beginning of period	**3,213,381**	15,180,807
Cash and cash equivalents, end of period	**$ 1,708,115**	$ 9,941,560

Supplemental cash flow information (Note 19)

See accompanying notes to these financial statements prepared under International Financial Reporting Standards.
Financial statements prepared under Canadian GAAP are also provided quarterly.

NOTES TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

1. Basis of financial statement presentation

These financial statements have been prepared under International Financial Reporting Standards ("IFRS") as Homburg Invest Inc. (the "Company") has a significant number of European shareholders who normally receive financial statements prepared under IFRS. 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 IFRS and Canadian GAAP statements are that while the IFRS statements reflect the investment property at fair market value and are without depreciation charges, the Canadian GAAP financial statements record the investment property 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.

2. Nature of operations

Homburg Invest Inc., a corporation incorporated under the laws of Alberta, Canada, is listed on the Toronto Stock Exchange under the symbol "HII".

The principal place of business is 11 Akerley Boulevard, Suite 200, Halifax, Nova Scotia, Canada.

The Company and its subsidiaries hold commercial and residential real estate interests located in Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Quebec, Ontario, Alberta and British Columbia, Canada and Colorado, Texas and Washington State in the United States of America.

3. Summary of significant accounting policies

The Company's accounting and reporting policies conform to International Financial Reporting Standards.

These standards are summarized as follows:

Consolidation

These consolidated financial statements include the accounts of the Company's wholly owned subsidiaries Homburg ShareCo Inc., Homburg Invest (USA) Limited, and Homburg (US) Incorporated which are Canadian companies incorporated in the Province of Nova Scotia

In addition the Company's thirty-four wholly owned limited partnerships and six partially owned limitedpartnerships, which operate commercial and residential rental properties, are accounted for using proportionate consolidation.

Property

The Company has adopted application of IFRS-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 plus any capital additions since the date of the most recent appraisal. The effective date of the revaluation is December 31, 2003.

Capitalization of costs

i) The Company capitalizes property acquisition costs incurred at the time of purchase.

ii) The Company capitalizes certain costs as part of properties under construction. These include direct carrying costs such as realty taxes and direct expenses applicable to its properties under construction, financing costs and interest on debt specific to and secured by such properties.

Capitalization of costs to properties under construction ceases at the earlier of achieving a satisfactory occupancy level or the expiration of a predetermined time limit.

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.

3. Summary of significant accounting policies con't.

Stock options and contributed surplus

The Company has a stock-based compensation plan which is described in Note 12. The Company accounts for its grant under this plan in accordance with the fair value-based method of accounting for stock-based compensation. The compensation cost that has been charged against income for the first three months of 2004 was $Nil as no stock options were granted in the period (March 31, 2003 - $NIL).

Use of estimates

The preparation of financial statements in conformity with International Financial Reporting 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

Management has determined that all of the Company's leases with its various tenants are operating leases. Minimum rents are recognized on a straight-line basis over the terms of the related leases. The excess of rents recognized over amounts contractually due is included in deferred rental income on the Company's balance sheets. The leases also typically provide for tenant reimbursements of common area maintenance, real estate taxes and other operating expenses, which are recognized as income in the period earned.

Foreign currency

Operations outside of Canada are considered to be self-sustaining and use their primary currency for recording substantially all transactions. The accounts of self sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at period-end exchange rates while revenues and expenses are converted using average quarterly translation rates. Gains and losses relating to these subsidiaries are deferred and included in the cumulative foreign exchange currency translation account within shareholders' equity.

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 and includes funds held in trust for tenants. Bank borrowings are considered to be financing activities.

Intangible lease liability

On January 1, 2004, the Company adopted Section 3062 "Goodwill and Other Intangible Assets", respectively. These standards govern business combinations and asset acquisitions, and the accounting for acquired intangibles. As part of the acquisition of real estate assets, the Company determines whether an intangible asset or liability related to above or below market leases, was acquired as part of the acquisition of the real estate. For the three months ended March 31, 2004 any leases acquired were at current market values, and thus no adjustment is required for the period.

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4. Change in accounting policy

Revenue recognition policy

Effective January 1, 2004, the Company is applying Section 1506 of the CICA Handbook which required that revenue on leased property be recognized on a straight line basis over the term of the lease. The impact of this new policy is an increase in rental income of $136,456 for the first quarter. The amount of revenue recognized over the rent paid is an asset called deferred rental income. Over the next four years the asset will increase by approximately $136,000 per quarter.

The impact of these changes in the current period is that rental revenue is higher by $136,456, future income taxes is higher by $51,171 and retained earnings are higher by $85,285.

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

5. Investment property	**March 31 2004**	December 31 2003 (Audited)
Balance, beginning of period	**$ 270,569,497**	$ 135,427,888
Deductions:		
Disposals		(1,300,000)
Additions:		
Acquisition through purchases, plus capitalized costs on acquisition	**16,879,289**	115,698,150
Capitalized costs of properties	**5,195,054**	13,622,069
Gain on fair value adjustment		7,121,390
Balance, end of period	**$ 292,643,840**	$ 270,569,497

In the first three months of 2004 capital assets were acquired at an aggregate cost of $22,074,343. The acquisitions were financed by new debt totalling $11,300,000, cash of $10,774,343

In 2003 capital assets were acquired at an aggregate cost of $128,020,219. The acquisitions were financed by new debt of $15,101,000, the assumption of debt totalling $25,349,694, the issue of $13,224,800 in common stock, and cash of $74,344,725.

The Company is developing a 124,500 square foot building in Calgary, Alberta scheduled for completion and leasing May 2004. In the first three months of 2004 the Company expended $12,601,660 (December 31, 2003 - $12,601,660) on construction, of which $1,025,000 (December 31, 2003 - $1,025,000) was capitalized borrowing costs.

If the property had not been revalued, the carrying amount of property at depreciated historic cost would be $247,643,426 (December 31, 2003 - $247,643,426).

6. Cash and cash equivalents	**March 31 2004**	December 31 2003 (Audited)
Cash	**$ 296,551**	$ 1,757,325
Restricted cash	**1,411,564**	1,456,056
	$ 1,708,115	$ 3,213,381

Restricted cash includes deposits on real estate properties, refundable commitment fees and security deposits.

7. Portfolio investments

The Company holds 50,000 (2003 - 50,000) Common Shares of Cedar Shopping Centres, Inc. (“Cedar”) a real estate investment trust listed on the New York Stock Exchange (NYSE: CDR) at a cost of $1,086,172. The market value of this portfolio investment at March 31, 2004 was $928,000 (December 31, 2003 - $804,000).

8. Mortgages payable	**March 31 2004**	December 31 2003 (Audited)
Fixed rate mortgages, various maturities from 2004 to 2013, weighted average interest rate of 6.96% as at March 31, 2004 (December 31, 2003 - 6.96%). As security for those mortgages, the Company has pledged specific property, and an assignment of specific rents receivable.	**$ 120,394,851**	$ 109,795,803

8. Mortgages Payable con't.

Principal installments are payable as follows:

2004	$ 7,670,138
2005	$ 6,760,653
2006	$ 5,904,332
2007	$ 14,489,418
2008	$ 9,873,712
Subsequent years	$ 75,696,598

Included in the principal installments for the period 2004 to 2008 are normal maturities of mortgages totalling $29,085,696, for which it is the Company's intention to seek renewals at market rates.

Included in mortgages payable at March 31, 2004 is USD $15,156,672 (CAD $19,826,442) of mortgage obligations (December 31, 2003 USD $15,273,565 (CAD $19,773,156)) secured by US property.

In 2003, $2,000,000 of second mortgage debt was converted to equity at the mortgage holder's option in return for the issuance of 2,089,095 common shares at $ .95735 per share.

9. Mortgage bonds payable	**March 31 2004**	December 31 2003 (Audited)
Series 1 Bonds	**$ 20,199,299**	$ 20,522,512
Series 2 Bonds	**47,790,000**	48,768,900
	$ 67,989,299	$ 69,291,412

Series 1 Bonds

The Series 1 Mortgage Bonds ("Bonds") were issued under an indenture dated December 15, 2002 in the amount of CDN $20,000,000. The Bonds consist of CDN $4,420,000 and EUR €9,905,398 bonds. The Bonds mature on December 15, 2009, and call for interest only payments until maturity.

The Bonds bear interest at a rate of 10% per annum in the case of the Canadian Bonds payable in Canadian Dollars and 8.5% per annum in the case of the Euro Bonds, payable in Euros, payable semi annually in arrears in equal installments on June 30 and December 31 in each year.

Series 2 Bonds

The Series 2 Mortgage Bonds ("Bonds") were issued under an indenture dated April 25, 2003 in the amount of EUR €30,000,000. The Bonds mature on April 25, 2010, and call for interest only payments until maturity.

The Bonds bear interest at a rate of 7.5% per annum, payable semi annually in arrears in equal installments on June 30 and December 31 in each year.

The Company has entered into guarantee arrangements on both series of bonds to April 25, 2010, with a company under the control of the Chairman and Chief Executive Officer (Note 15). Under the terms of the guarantee, the Company is protected from devaluation of the Canadian dollar against the Euro and has relinquished any appreciation rights which may arise on the future settlement of its Euro denominated Bonds. The Bonds which are recorded at the prevailing exchange rate at March 31, 2004 reflect an increase of $499,298 (December 31, 2003 $1,801,412) in principal amount representing the decline in the Canadian dollar versus the Euro since the Bonds were issued. This $499,298 (December 31, 2003 - $1,801,412) decline has been offset by the currency guarantee recoverable which has been recorded as a long term asset.

The final settlement of the currency guarantee asset or obligation will take place at the earlier of the retirement of the bonds or their scheduled maturity. As a result of the guarantee, there is no earnings impact related to changes in currency value of the Bonds.

The Company has the option to redeem the Series 1 Bonds and Series 2 Bonds at their face amount after December 16, 2007 and April 26, 2008 respectively.

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

10. Security deposits and prepaid rents

	March 31 2004	December 31 2003 (Audited)
Security deposits	**$ 78,663**	$ 84,242
Prepaid rents	**985,882**	1,012,695
	$ 1,064,545	$ 1,096,937

The security deposits are segregated in a trust account.

11. Demand loans payable

	March 31 2004	December 31 2003 (Audited)
Acquisition demand loan, secured by second charges on specific assets	**$ 3,393,447**	$ 2,391,421
Acquisition demand loan, from a corporation controlled by the Chairman and Chief Executive Officer secured by assignment of units in wholly owned limited partnerships (Note 15)	**5,451,807**	1,106,588
Acquisition demand loan, from a corporation controlled by the Chairman and Chief Executive Officer (Note 15)	**1,392,973**	32,727
Promissory note, unsecured, from a corporation controlled by the Chairman and Chief Executive Officer (Note 15)	**5,016,772**	2,847,010
	$ 15,254,999	$ 6,377,746

Under existing credit facilities, the Company has $9,500,000 of additional borrowing capacity available. Interest is charged at market competitive rates for demand loans.

12. Capital stock

Authorized

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

Issued

	Number of Common Shares	Amount
Balance at December 31, 2002	35,034,074	34,046,472
Conversion of second mortgages	2,089,095	2,000,000
Issued to effect purchase of land April 1, 2003	91,240	125,000
Issued to effect purchase of assets June 6, 2003	9,999,847	13,099,800
Redeemed in accordance with quarterly redemption of shares	(837,573)	(723,849)
Balance at December 31, 2003	46,376,683	48,547,423
Redeemed in accordance with quarterly redemption of shares	(231,883)	(180,869)
Balance at March 31, 2004	46,144,800	$ 48,366,554

On April 1, 2003, 91,240 common shares were issued at $1.37 per share to an arms length party as partial consideration for the purchase of land in Edmonton, Alberta. The shares issued represented fair market value of the assets acquired through the share consideration.

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

12. Capital Stock con't.

On June 6, 2003, 9,692,366 common shares issued at $1.31 per share to a company controlled by the Chairman and Chief Executive Officer as consideration for the purchase of 100% of Homburg (US) Incorporated, which owns residential, office, and industrial properties in the western United States.

Also on June 6, 2003, 307,481 common shares were issued at $1.31 per share to a company controlled by a director for the purchase of a 50% interest in a limited partnership which owns a commercial property in Fort Worth, Texas.

In 2002, the Company implemented a quarterly redemption program to redeem 2% of the common shares annually, or .5% quarterly based on the intrinsic value of the shares.

	2004		2003 (Audited)	
	Shares Redeemed	Redemption Price	Shares Redeemed	Redemption Price
March	231,883	$ 1.51	185,616	$ 1.37
June			184,688	$ 1.37
September			234,220	$ 1.37
December			233,049	$ 1.37
	231,883		837,573	

Stock options

Under the Company's Stock Option Plan, the Company may grant options to its directors and officers of the Company and employees of the management company up to 3,528,600 shares of common stock. Under the plan, the exercise price of each option equals the greater of the market price of the Company's stock or the Company's intrinsic value on the date of grant and an option's maximum term is 5 years. Options are granted at the discretion of the Board of Directors and vest immediately.

In 2002 the Company adopted the provisions of section 3870 of the CICA Handbook concerning Stock Based Compensation and Other Payments wherein fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for the grant in 2002: Dividend yield of Nil; expected volatility of 10%, risk-free interest rate of 4.2% and expected life of 5 years.

A summary of the status of the Company's Stock Option Plan as at March 31, 2004 and December 31, 2003 and changes during the period ending on those dates is presented below.

	March 31 2004		December 31 2003 (Audited)	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	**2,755,500**	**$ 1.14**	2,755,500	$ 1.14
Granted	**NIL**		NIL	
Exercised	**NIL**		NIL	
Expired	**NIL**		NIL	
Outstanding at end of period	**2,755,500**	**$ 1.14**	2,755,500	$ 1.14

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

Number of Shares Under Option	Date of Grant	Expiration Date	Exercise Price
8,000	October 21, 1999	October 20, 2004	$ 1.50
487,811	October 23, 2000	October 22, 2005	$ 1.10
575,000	June 13, 2001	June 12, 2006	$ 0.90
150,000	October 16, 2001	October 15, 2006	$ 0.95
1,534,689	February 8, 2002	February 7, 2007	$ 1.26
2,755,500			

13. 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:

	March 31 2004	December 31 2003 (Audited)
Earnings before income taxes	**$ 1,751,358**	$ 1,357,361
Combined Canadian basic federal and provincial income tax rate	**37.50%**	41.12%
Less: reduction in rates based on enacted or substantively enacted tax laws at year end date		3.00%
	37.50%	38.12%
Income taxes based on combined Canadian basic federal and provincial income tax rate	**$ 656,759**	$ 517,429
Increase (decrease) in income taxes resulting from:		
Large corporation tax	**140,000**	45,201
Other - adjustment of cumulative future income tax rate from 38.12% to 37.50%	**(274,837)**	
	$ 521,922	$ 562,630
Income taxes:		
Large corporation taxes	**$ 140,000**	$ 45,201
Future income taxes	**381,922**	517,429
	$ 521,922	$ 562,630

Future income taxes represent temporary timing differences resulting from claiming income tax depreciation on the Company's fixed assets and the income tax impact of fair value changes under International Financial Reporting Standards. The accumulated future income tax liability at March 31, 2004 was $17,279,969 (December 31, 2003 - $16,898,047).

14. Financial instruments and risk management

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

Mortgages and mortgage bonds payable are the only long term financial instruments the Company holds. The mortgages have a fair value of $126,506,422 (December 31, 2003 - $113,523,829). The principal amount of the mortgage bonds issued during the year have been guaranteed against currency fluctuations until maturity of the bonds in 2009 and 2010. The fair market value of the mortgage bonds is $71,422,514 (December 31, 2003 - $69,492,409).

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.

c) Currency risk

Currency risk arises from debt or expenses denominated in US Dollars or Euros. The Company mitigates currency risk of debt denominated in Euros through a guarantee agreement (See note 10). Currency risk for amounts denominated in US Dollars is mitigated by US Dollar revenue streams from property rentals.

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15. Related party transactions

The Company is controlled by the Chairman and Chief Executive Officer through holding companies.

a) The Company has entered into agreements with companies commonly controlled by the Chairman, and Chief Executive Officer to provide various services at market rates. A summary of the various revenues and expenses between related parties are as follows:

	March 31 2004	March 31 2003
Rental revenue earned	**$ 105,523**	$ 95,889
Asset management fees paid	**$ 505,034**	$ 282,161
Property management fees paid	**$ 410,525**	$ 456,996
Service fees paid	**$ 36,978**	$ 32,022
Property acquisition fees paid	**$ 396,250**	$ 710,625
Mortgage bond guarantee fees paid	**$ 138,000**	$ NIL
Demand loan interest and fees accrued	**$ 51,013**	$ 73,104

b) 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.

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

15 Related party transactions con't.

c) Professional services of approximately $75,000 (March 31, 2003 - $140,000) were purchased from a firm and a corporation of which two (March 31, 2003 - three) of the Companies directors are affiliated in 2004.

d) The Company has entered into a guarantee arrangement for the principal and interest amounts, of the Mortgage Bonds payable to 2009 and 2010, with a company under the control of the Chairman and Chief Executive Officer, wherein it is protected against fluctuations in the Canadian dollar and the Euro. The cost of this guarantee fee per annum until maturity is 1.5% on the Series 1 Bonds and 2.0% on the Series 2 Bonds.

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

16. Earnings 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 periods ended March 31, 2004 and 2003 were 46,348,404 and 36,572,720 respectively. On a diluted basis, the weighted average number of common shares outstanding was 46,687,900 for 2004 and 37,178,674 for 2003.

The dilution of 339,496 (March 31, 2003 - 605,954) pertains to convertible second mortgages exchangeable for $NIL (March 31, 2003 528,012) shares, and the exercise options and the share buy back under the Treasury Method for 339,496 (March 31, 2003 - 77,942) shares.

The dilutive effect of outstanding stock options on earnings per share is based on the application of treasury stock method. Under treasury stock method, the proceeds from the exercise of such securities are assumed to be used to purchase common shares.

17. Commitments

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

2004	$	89,923
2005	$	118,175
2006	$	117,331
2007	$	100,730
2008	$	67,961

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

c) The Company and its subsidiaries have entered into various property management agreements at market rates, expiring between 2010 and 2012. (See Note 15a)

d) The Company has signed contracts totaling $15,213,275 related to property under construction.

18. Guarantees and 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.

19. Supplemental cash flow information

	March 31 2004	March 31 2003
Interest paid	**$ 2,239,707**	$ 1,545,466
Capital taxes paid	**$ 355,000**	$ 120,000
Interest received	**$ 23,436**	$ 10,402

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

20. Segmented Information

The Company owns a diverse portfolio of residential and mid-sized commercial income-producing properties located in 8 Canadian Provinces and 3 U.S. States. The accounting policies used in the preparation of the segmented information are the same as those described for the Company in Note 3 - Accounting Policies. The Company primarily evaluates operating performance based on net operating income. As such, interest, depreciation and amortization, and general and administrative expenses have not been allocated to the segments. All key decisions pertaining to these items are managed centrally. The following provides a summary of key information of the Company's residential and commercial operating segments:

Three Months Ended March 31, 2004	**Retail**	**Industrial**	**Office**	**Residential**	**Total**
Property revenue	**$ 3,879,012**	**$ 757,792**	**$ 4,235,622**	**$ 606,473**	**$ 9,478,899**
Operating expenses	**1,200,526**	**102,030**	**1,776,967**	**278,385**	**3,357,908**
Net operating income	**$ 2,678,486**	**$ 655,762**	**$ 2,458,655**	**$ 328,088**	**$ 6,120,991**

Three Months Ended March 31, 2003	Retail	Industrial	Office	Residential	Total
Property revenue	$ 1,905,640	$ 711,926	$ 2,565,832	$ 600,848	$ 5,784,246
Operating expenses	946,039	79,669	1,032,733	241,861	2,300,302
Net operating income	$ 959,601	$ 632,257	$ 1,533,099	$ 358,987	$ 3,483,944

Three Months Ended	**CANADA**			**US**	
March 31, 2004	**West**	**Central**	**Atlantic**		**Total**
Property revenue	**$ 2,552,038**	**$ 847,084**	**$ 4,589,893**	**$ 1,489,884**	**$ 9,478,899**
Operating expenses	**759,109**	**39,296**	**1,814,823**	**744,680**	**3,357,908**
Net operating income	**$ 1,792,929**	**$ 807,788**	**$ 2,775,070**	**$ 745,204**	**$ 6,120,991**

Three Months Ended	CANADA			US	
March 31, 2003	West	Central	Atlantic		Total
Property revenue	$ 2,230,026	$	$ 3,554,220	$	$ 5,784,246
Operating expenses	795,546		1,504,756		2,300,302
Net operating income	$ 1,434,480	$	$ 2,049,464	$	$ 3,483,944

March 31, 2004	**Retail**	**Industrial**	**Office**	**Residential**	**Total**
Investment property	**$ 111,003,872**	**$ 11,309,438**	**$ 151,761,456**	**$ 18,569,074**	**$ 292,643,840**
Mortgages payable	**$ 36,688,396**	**$ 13,753,725**	**$ 57,965,966**	**$ 11,986,764**	**$ 120,394,851**
Mortgage bonds payable	**$ 49,567,538**	**$ 5,921,424**	**$ 12,500,337**	**$**	**$ 67,989,299**

December 31, 2003	Retail	Industrial	Office	Residential	Total
Investment property	$ 97,842,079	$ 26,139,438	$ 128,197,900	$ 18,390,080	$ 270,569,497
Mortgages payable	$ 25,654,023	$ 13,860,911	$ 58,251,935	$ 12,028,934	$ 109,795,803
Mortgage bonds payable	$ 50,718,539	$ 5,541,078	$ 13,031,795	$	$ 69,291,412

	CANADA			**US**	
March 31, 2004	**West**	**Central**	**Atlantic**		**Total**
Investment property	**$ 91,264,341**	**$ 35,029,359**	**$ 127,185,813**	**$ 39,164,327**	**$ 292,643,840**
Mortgages payable	**$ 33,563,211**	**$ 6,750,000**	**$ 60,255,198**	**$ 19,826,442**	**$ 120,394,851**
Mortgage bonds payable	**$ 17,340,867**	**$ 24,876,432**	**$ 25,772,000**	**$**	**$ 67,989,299**

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

20. Segmented information con't.

	CANADA			US	
December 31, 2003	West	Central	Atlantic		Total
Investment property	$ 88,667,147	$ 24,670,000	$ 120,080,738	$ 37,151,612	$ 270,569,497
Mortgages payable	$ 33,816,848	$	$ 56,205,798	$ 19,773,157	$ 109,795,803
Mortgage bonds payable	$ 17,745,740	$ 24,618,864	$ 26,926,708	$	$ 69,291,312

West - British Columbia, Alberta; Central - Ontario, Quebec; Atlantic - Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland

21. Rental income under operating leases

The Company's operations consist of leasing commercial and residential real estate. The following is a schedule by years of minimum future rentals on noncancelable operating leases having initial terms in excess of one year:

2004	$ 24,852,135
2005	20,852,120
2006	18,572,997
2007	15,867,936
2008	13,746,878
Thereafter	110,041,300
	$ 203,933,366

22. Staff costs

The Company has a Management Agreement with a related party (Note 15) and therefore has no employees.

23. Interest in joint ventures

The Company, at March 31, 2004 and December 31, 2003, owns a partial interest in six limited partnerships. The ownership percentages range from 5.63% to 55.55%. These partnerships operate commercial rental properties.

These financial statements reflect the Company's share of the assets, liabilities revenue and expenses of the limited partnerships in accordance with the principle of proportionate consolidation as follows:

	March 31 2004	December 31 2003 (Audited)
Assets		
Cash	**$ 69,021**	$ 142,684
Receivables	**105,177**	105,437
Prepaid and deferred charges	**70,754**	76,542
Property and equipment	**7,931,153**	7,906,131
	$ 8,176,105	$ 8,230,794
Liabilities		
Payables and accruals, trade	**$ 116,405**	$ 104,482
Security deposits and prepaid rent	**10,057**	15,213
Mortgages payable	**4,200,817**	4,228,736
	$ 4,327,279	$ 4,348,431

Three Months Ended March 31, 2004 and 2003 (Unaudited - Prepared by Management – All figures in Canadian Dollars)

23. Interest in joint ventures con't.

	March 31 2004	December 31 2003 (Audited)
Revenue		
Property revenue	**$ 348,233**	$ 323,233
Expenses		
Property operating expenses	**$ 170,138**	$ 146,919
Mortgage interest	**73,449**	75,346
Depreciation and amortization	**24,420**	17,840
	$ 268,007	$ 240,105

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