

Homburg Invest Inc.
Consolidated Interim Financial Statements
International Financial Reporting Standards
(Unaudited - Prepared by Management)

March 31, 2008

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Homburg Invest Inc.
Consolidated Interim Balance Sheet
(Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)

	March 31 2008	December 31 2007
Assets		
Cash	\$ 15,383	\$ 17,927
Receivables and other	80,933	30,690
Long term investments	36,576	39,562
Restricted cash	22,828	27,704
Development properties	335,574	352,118
Investment properties	3,578,752	3,341,304
Derivative instrument asset		221
Currency guarantee receivable	13,963	
Goodwill	48,594	10,853
	<u>\$ 4,132,603</u>	<u>\$ 3,820,379</u>
Liabilities		
Accounts payable and other liabilities (Note 4)	\$ 348,627	\$ 596,231
Construction financing	78,821	66,393
Long term debt (Note 3)	2,612,273	2,094,122
Deferred income taxes (Note 6)	155,961	148,459
Liabilities of discontinued operations	28,903	28,903
	<u>3,224,585</u>	<u>2,934,108</u>
Shareholders' equity (Note 5)	<u>908,018</u>	<u>886,271</u>
	<u>\$ 4,132,603</u>	<u>\$ 3,820,379</u>

Commitments (Note 11)
Contingent liabilities (Note 12)
Subsequent events (Note 13)

Approved by the Board, May 8, 2008

"Signed"

Richard Homburg, Phzn., D. Comm.
Director

"Signed"

Edward P. Ovsenny
Director

See accompanying notes to these unaudited consolidated interim financial statements prepared under International Financial Reporting Standards. Unaudited consolidated interim financial statements prepared under Canadian GAAP are also available.

Homburg Invest Inc.
Consolidated Interim Statement of Earnings
Three Months Ended March 31
(Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)	2008	2007
Property revenue	\$ 74,813	\$ 40,036
Sale of properties developed for resale	81,517	15,948
Unrealized valuation changes		8,555
Dividend income and distributions	2,834	1,969
Foreign exchange gain		708
Other income	624	550
Realized valuation changes		376
Gain on derivative instrument		757
	<u>159,788</u>	<u>68,899</u>
Cost of sale of properties developed for resale	65,374	13,523
Interest on long term debt	36,234	21,124
Property operating expenses	19,573	4,216
Interest and financing costs	6,590	1,707
Loss on derivative instrument	880	
General and administrative	5,401	1,912
Amortization		377
Unrealized valuation changes	622	
Loss on fair value of investments	4,580	
Foreign exchange loss	994	
	<u>140,248</u>	<u>42,859</u>
Earnings before income taxes	<u>19,540</u>	<u>26,040</u>
Current income and capital taxes	1,736	2,130
Deferred income taxes	<u>(50)</u>	<u>4,930</u>
Income taxes (Note 6)	<u>1,686</u>	<u>7,060</u>
Net earnings	<u>\$ 17,854</u>	<u>\$ 18,980</u>

Earnings per share (Note 10)
Per Class A Subordinate Voting Share and Class B Multiple Voting Share

Basic	<u>\$ 0.10</u>	<u>\$ 0.15</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.14</u>

See accompanying notes to these unaudited consolidated interim financial statements prepared under International Financial Reporting Standards. Unaudited consolidated interim financial statements prepared under Canadian GAAP are also available.

Homburg Invest Inc.
Consolidated Interim Statement of Changes in Equity
Three Months Ended March 31
(Unaudited - Prepared by Management)
(CAD \$ thousands except per share amounts)

	Other paid in Capital	Revaluation Surplus	Share Capital	Contributed Surplus	CTA (1)	Retained Earnings	Total
Balance December 31, 2006	\$	\$ 32,994	\$ 311,160	\$ 916	\$ 12,960	\$ 145,974	\$ 504,004
Net earnings for the year						140,495	140,495
Exercise of options			3,785				3,785
Dividends (\$0.42 per share)						(65,584)	(65,584)
Issue of stock options				5,288			5,288
Issue of other paid in capital	11,489						11,489
Dividend reinvestment plan			35,074				35,074
Issue costs			(7,127)				(7,127)
Public and other share issue			259,763				259,763
Acquisition of properties			30,051				30,051
Applied to stock options exercised			559	(559)			
Foreign currency reserve for self sustained operations					(31,520)		(31,520)
Deferred taxes rate adjustment		553					553
Balance December 31, 2007	11,489	33,547	633,265	5,645	(18,560)	220,885	886,271
Net earnings for the period						17,854	17,854
Dividends (\$0.24 per share)						(43,310)	(43,310)
Dividend reinvestment plan			22,572				22,572
Issue costs			(51)				(51)
Foreign currency reserve for self sustained operations					24,682		24,682
Balance March 31, 2008	\$ 11,489	\$ 33,547	\$ 655,786	\$ 5,645	\$ 6,122	\$ 195,429	\$ 908,018

(1) Cumulative Foreign Currency Translation Account

See accompanying notes to these unaudited consolidated interim financial statements prepared under International Financial Reporting Standards. Unaudited consolidated interim financial statements prepared under Canadian GAAP are also available.

Homburg Invest Inc.
Consolidated Interim Statement of Cash Flows
Three Months Ended March 31
(Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)	2008	2007
Operating activities		
Net earnings	\$ 17,854	\$ 18,980
Adjustments for:		
Realized valuation changes		(376)
Deferred rental income	(3,198)	(3,327)
Unrealized valuation changes	622	(8,555)
Deferred and capital income taxes	(50)	5,020
Amortization of financing fees	4,854	377
Fair value change in investments	4,580	
Accretion in value of discounted liabilities	214	
Loss (gain) on derivative instrument	880	(757)
Foreign exchange gain	994	(138)
	<u>26,750</u>	<u>11,224</u>
Change in non-cash working capital (Note 14)	<u>4,167</u>	<u>(12,200)</u>
Net cash from (used in) operations	<u>30,917</u>	<u>(976)</u>
Investing activities		
Investment in investment properties	(10,779)	(5,936)
Proceeds on sale of investment properties		1,090
Decrease (increase) in restricted cash	4,876	(24,761)
Receipt of funds on deposit		17,100
Investment in development properties	(9,044)	(18,346)
Purchase of long term investments	(780)	(96,443)
Net cash used in investing activities	<u>(15,727)</u>	<u>(127,296)</u>
Financing activities		
Increase (decrease) in demand loans	(274,404)	54,467
Increase (decrease) in mortgages payable	234,610	(5,905)
Proceeds from bonds	38,236	25,961
Decrease in related party receivable		1,278
Increase in deferred financing charges	(7,019)	(1,641)
Issue of common shares (issue costs)	(51)	36,744
Dividends paid	(20,739)	(9,022)
Decrease in related party payable	(795)	
Increase (decrease) in construction financing	12,428	(50)
Net cash from (used in) financing activities	<u>(17,734)</u>	<u>101,832</u>
Increase (decrease) in cash	(2,544)	(26,440)
Cash beginning of period	<u>17,927</u>	<u>66,743</u>
Cash end of period	<u>\$ 15,383</u>	<u>\$ 40,303</u>

Supplemental cash flow information (Note 14)

See accompanying notes to these unaudited consolidated interim financial statements prepared under International Financial Reporting Standards. Unaudited consolidated interim financial statements prepared under Canadian GAAP are also available.

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)

March 31, 2008 and 2006

1. Basis of financial statement presentation

These unaudited interim financial statements have been prepared by management under International Financial Reporting Standards ("IFRS"), on a basis consistent with those followed in the most recent audited consolidated financial statements. These financial statements include the accounts of Homburg Invest Inc. and its subsidiaries, wholly owned partnerships and partially owned partnerships (collectively the "Company"). These financial statements do not contain all disclosures required by IFRS for annual financial statements, and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2007. The Company also prepares a separate set of interim consolidated financial statements under Canadian Generally Accepted Accounting Principals.

The preparation of financial statements in conformity with IFRS requires that management 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. Business and major investment property acquisitions

During the period, management completed the purchase price allocation related to the April 5, 2007 business acquisition. The following represents the changes to the previously reported assets and liabilities:

		<u>Provisional Amounts</u>	<u>Adjustment</u>		<u>Final Amounts</u>
Assets					
Investment Properties	\$	519,557	\$ (40,641)	\$	478,916
Goodwill		10,853	<u>37,741</u>		48,594
			<u>\$ (2,900)</u>		
Liabilities					
Deferred income taxes	\$	29,180	<u>\$ (2,900)</u>	\$	26,280

Management is still in the process of obtaining additional valuation information for the last three 2007 acquisitions. This information once obtained, may result in material changes to the allocation of the purchase price to assets and liabilities.

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)

March 31, 2008 and 2006

3. Long term debt

	March 31 2008	December 31 2007
Secured debt		
Mortgages payable (a)	\$ 1,978,629	\$ 1,557,810
Mortgage bonds payable	<u>214,168</u>	<u>200,205</u>
	<u>2,192,797</u>	<u>1,758,015</u>
Unsecured debt		
Corporate non-asset backed bonds (b)	383,570	303,765
Junior subordinated notes	<u>60,879</u>	<u>55,800</u>
	<u>444,449</u>	<u>359,565</u>
	<u>2,637,246</u>	2,117,580
Deferred financing charges, net of accumulated amortization of \$6,794 (December 31, 2007 - \$2,905)	<u>(24,973)</u>	<u>(23,458)</u>
	<u>\$ 2,612,273</u>	<u>\$ 2,094,122</u>

Long term debt has both fixed and variable interest rates. At period end the weighted average interest rate for variable rate long term debt was 5.62% and for fixed rate long term debt was 5.90% (December 31, 2007 - variable- 5.54%, fixed - 5.7%).

Normal principal installments and principal maturities are as follows;

	Normal Principal <u>Installments</u>	Principal <u>Maturities</u>	Bonds and Junior Subordinated <u>Notes</u>	<u>Total</u>	Weighted average interest rate of <u>maturing debt</u>
2008	\$ 20,398	\$ 212,595	\$	\$ 232,993	6.53%
2009	29,770	11,966		41,736	6.79%
2010	30,488	10,883	48,500	89,871	7.53%
2011	35,451	18,919	64,696	119,066	7.20%
2012	37,790	48,047	100,972	186,809	6.72%
Subsequent years	<u> </u>	<u>1,522,322</u>	<u>444,449</u>	<u>1,966,771</u>	5.69%
	<u>\$ 153,897</u>	<u>\$ 1,824,732</u>	<u>\$ 658,617</u>	<u>\$ 2,637,246</u>	

It is the Company's intention to seek renewals of the mortgage principal maturities at market rates.

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)

March 31, 2008 and 2006

3. Long term debt (cont.)

a) Mortgages payable

Specific investment properties and an assignment of specific rents receivable have been pledged as collateral for Mortgages payable, with maturity dates between 2008 and 2020. Included in mortgages payable are the following foreign denominated amounts:

USD denominated	USD	\$ <u>93,376</u>	\$ <u>8,395</u>
	CAD	\$ <u>95,542</u>	\$ <u>9,791</u>
EURO denominated	EUR	€ <u>847,432</u>	€ <u>680,520</u>
	CAD	\$ <u>1,369,959</u>	\$ <u>1,047,960</u>

The period end exchange rates have been used to translate the non-Canadian mortgages.

b) Corporate non-asset backed bonds

<u>Bond Series</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>	March 31	December 31
				<u>2008</u>	<u>2007</u>
HB8	May 31, 2013	7.00%	EUR €50,010	\$ <u>80,846</u>	\$ 72,334
HB9	October 31, 2013	7.00%	EUR €60,000	<u>96,996</u>	86,784
HB10	February 15, 2014	7.25%	EUR €100,005	<u>161,668</u>	144,647
HB11	January 15, 2015	7.25%	EUR €27,255	<u>44,060</u>	
				<u>\$ 383,570</u>	<u>\$ 303,765</u>

The Corporate non-asset backed bonds are seven year bonds issued in series and secured by a corporate guarantee. The bonds mature between May 2013 and January 2015 and the Company has the option to redeem any series of bonds at their face amount anytime subsequent to the fifth anniversary of the issue of the bonds. The interest is payable semi-annually on June 30 and December 31. The bonds are issued in Euros and have been translated at year end exchange rates. At March 31, 2008, the series HB11 bonds are still being issued to a maximum face value of EUR €100,005.

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)
March 31, 2008 and 2006

4. Accounts payable and other liabilities

Included in Accounts payable and other liabilities are non-construction demand loans which include acquisition bridge loans. During the period, the Company repaid \$238,104 of the A Facility of the bridge loan, reducing the remaining balance to \$41,896; and repaid \$35,733 of the B Facility, reducing its remaining balance to \$39,267 at period end.

The A Facility, which is due no later than November 30, 2008, was scheduled to be repaid during the period from the refinancing of two properties. The refinancing of one property was finalized on April 1, 2008, resulting in a further reduction of the A Facility of \$24,000 and the refinancing of the second property is now scheduled for late in the second quarter. The lender has approved these extensions to the previously scheduled repayment, with the refinancing of the second property now extended to June 30, 2008.

The B Facility, which is due no later than May 30, 2008, will continue to be repaid from the proceeds of Homburg Bond 11, currently being marketed in Europe.

The acquisition bridge loans bear interest at a base rate of 6.25% plus 1.5% to 2.5% and are collateralized by a third charge on the assets of Homburg Real Estate Trust and the pledging of the partnership units of specific limited partnerships.

Also included in Accounts payable and other liabilities is a credit facility of \$60,000. The facility was scheduled to be repaid during the period from the refinancing of two properties. The refinancing of one property was finalized on April 1, 2008, resulting in a reduction of the credit facility of \$40,000 and the refinancing of the second property is now scheduled for late in the second quarter. The lender has approved these extensions to the previously scheduled repayment, with the refinancing of the second property now extended to June 30, 2008. (Note 13)

The Company has available credit facilities of \$25,800 of which \$1,902 (December 31, 2007 - \$2,049) is being utilized at March 31. Of these facilities, \$15,000 (December 31, 2007 - \$15,000) is with a company controlled by the Chairman and Chief Executive Officer.

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)

March 31, 2008 and 2006

5. Shareholders' equity

The following are rates of exchange in effect:

	\$1.00 USD	€1.00 EUR
March 31, 2008	\$ 1.02	\$ 1.62
December 31, 2007	\$ 0.98	\$ 1.45
Average rate for 1st quarter 2008	\$ 1.00	\$ 1.51
Average rate for 1st quarter 2007	\$ 1.17	\$ 1.54

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	Class A Subordinate <u>Voting Shares</u> (000's)	Class B Multiple <u>Voting Shares</u> (000's)	<u>Stated Capital</u>
Issued and outstanding at December 31, 2006	87,090	30,897	\$ 311,160
Exercise of options	1,398	618	4,344
Acquisition of properties	4,690		30,051
Private and other share issues	49,412		259,763
Issue costs, net of income taxes			(7,127)
Dividend reinvestment plan	<u>6,355</u>	<u> </u>	<u>35,074</u>
Issued and outstanding at December 31, 2007	148,945	31,515	633,265
Dividend reinvestment plan	6,634		22,572
Issue costs, net of income taxes			(51)
Issued and outstanding at March 31, 2008	<u><u>155,579</u></u>	<u><u>31,515</u></u>	<u><u>\$ 655,786</u></u>

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)

March 31, 2008 and 2006

6. Income taxes

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

	<u>2008</u>	<u>2007</u>
Earnings from continuing operations before income taxes	\$ <u>19,540</u>	\$ <u>26,040</u>
Combined income tax rate	<u>30.26</u> %	<u>33.00</u> %
Income taxes	\$ 5,913	\$ 8,593
Increase (decrease) in income taxes resulting from:		
Large corporation tax	522	90
Canadian tax (recovery) on foreign income	(1,684)	436
Corporate rate differential in respect of subsidiaries	(77)	(414)
Non-taxable portion of capital gains	(2,357)	
Non-deductible expense	571	
Permanent adjustment on unrealized and realized valuation changes	(525)	(1,416)
Effect of rate changes on temporary differences	(677)	
Effective rate change in Canadian jurisdiction		(229)
	<u>\$ 1,686</u>	<u>\$ 7,060</u>

7. Financial instruments and risk management

Financial instruments

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

The Company holds the following long term financial instruments: mortgages, mortgage bonds, corporate non-asset backed bonds, junior subordinated notes, long term payables and long term investments. The mortgages have a fair value of \$1,932,123 (December 31, 2007 - \$1,535,906). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations. The total fair value of all bonds is \$553,355 (December 31, 2007 - \$500,424). The currency guarantee receivable (payable) is carried at fair value. The junior subordinated notes have a fair value of \$58,928 (December 31, 2007 - \$58,588). The Company's long term investment in DEGI Homburg Harris Limited Partnership is carried at its cost of \$4,851 (December 31, 2007 - \$4,071); all of the other long term investments are carried at their fair value.

The fair values of long term financial instruments (other than long term investments) 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. Fair value of long term investments is based on the quoted market price. Potential taxes and other transaction costs have not been considered in estimating fair value, as management has determined these costs to be impractical to estimate.

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)
March 31, 2008 and 2006

7. Financial instruments and risk management (cont.)

The Company's short-term financial instruments, comprising amounts receivable, cash, accounts payable and accrued liabilities, demand loans and security deposits 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 borrowings of the Company have fixed and floating interest rate components resulting in an exposure to interest rate movements. Liquidity risk relates to the possibility of insufficient debt and equity financing available to fund the desired growth of the Company and to refinance the current and long term debts as they come due. At period end, the Company's debt consists of \$2,135,421 in fixed rate debt and \$688,231 in floating rate debt. 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 30 years. In addition, the Company has entered into interest rate swaps maturing in October 2014 in order to manage the impact of fluctuating interest rates on EUR €35,000 of its long term debt. Due to a reduction of interest rates in The Netherlands and Germany during the period ended March 31, 2008 the impact on the statement of earnings is a loss of \$880. During the period the interest rate swap was settled.

The Company discloses its annual debt repayment information related to long term debt in Note 3, as well as the weighted average rate of the maturing debt. In addition to these long term amounts, the Company has \$246,416 in short term loans which are repayable in less than one year. The Company's long term debt has a weighted average term to maturity of 8.96 years and 17.7% of long term debt matures by December 31, 2012.

With all other variables held constant, the Company has determined that a 1% change in the interest rate would result in an \$6,882 change in the Company's earnings before income taxes as a result of the impact on floating rate borrowings.

b) Credit risk

The Company's principal assets are commercial and residential buildings. Credit risk on tenant receivables arises from the possibility that tenants may not fulfill their lease obligations. The Company mitigates this credit risk by performing credit checks on prospective tenants, having a large diverse tenant base with varying lease expirations, requiring security deposits on high risk tenants and ensuring that a considerable portion of its property revenue is earned from international, national and large anchor tenants.

The Company's largest tenant has provided a letter of guarantee in an amount representing in excess of 2 years property revenue from this tenant.

The Company's receivables are comprised primarily of current balances owing and the Company performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts. The Company has not experienced any significant receivable write offs and there has been no significant change in the provision during the period.

The remaining significant receivables consist of taxes recoverable from various government agencies and revenue from the sale of development properties. The amounts due from government agencies represent current recoverable amounts and the revenue from the sale of development properties is secured by letters of credit issued by the purchaser.

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)

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7. Financial instruments and risk management (cont.)

c) Currency risk

Currency risk arises from assets and liabilities denominated in US Dollars or Euros. The Company mitigates a portion of its currency risk on mortgage bonds denominated in Euros through a guarantee agreement (See Note 3). In support of the currency guarantee the related party has arranged an arms length credit facility agreement. The Company has also established internal hedging relationships between Euro-denominated net investments in foreign self-sustaining operations and Euro-denominated Corporate Non-Asset Backed Bonds and Junior Subordinated Notes. At March 31, 2008, EUR €234,340 (December 31, 2007 - €234,340) of the Company's net investment was hedged with an equal amount of Euro-denominated debt. The hedge is considered to be an effective hedge at March 31, 2008 and December 31, 2007 and will be regularly reviewed to assess the continued effectiveness of the hedging relationship. Currency risk for other amounts denominated in US Dollars and Euros is mitigated by US Dollar and Euro revenue and expense streams related to property rentals.

The operating results of the Company's foreign operations are translated to Canadian dollars for financial statement reporting purposes. Changes to the exchange rates during the reporting period impact those reported results.

With all other variables held constant, the Company has determined that a 10% increase (decrease) in the exchange rate of the US dollar in comparison to the Canadian dollar would result in a decrease (increase) in earnings before income taxes of \$162.

With all other variables held constant, the Company has determined that a 10% increase (decrease) in the exchange rate of the Euro in comparison to the Canadian dollar would result in an decrease (increase) in earnings before income taxes of \$317.

The Balance Sheets of the Company's foreign self-sustaining operations are translated to Canadian dollars for financial reporting purposes using the period end exchange rate. The change in exchange rates on the net investment position of these self-sustaining foreign operations is reflected in the Other Comprehensive Income of the Company during the period. As noted above, the Company has established an internal hedging relationship between Euro-denominated debt and net investments in self-sustaining operations. To the extent that the hedges are effective, the foreign currency gain or loss on the hedging amounts of Euro-denominated debt is reflected in the Other Comprehensive Income during the period.

The Company feels that 10% represents a reasonably possible change in existing exchange rates.

Homburg Invest Inc.

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7. Financial instruments and risk management (cont.)

d) Concentration risk

The Company's largest single tenant represents approximately 17% (December 31, 2007 - 25%) of property revenue for the period. The risk relates to the ability of the Company to replace this revenue stream on a timely basis while maintaining the related property costs. The Company mitigates this risk by entering into long term leases; reviewing financial stability of tenants; obtaining security or guarantees where appropriate; and geographic and industry segmentation of tenants. The Company also maintains their properties to a quality standard that would support timely re-leasing of a property.

8. Capital management

The Company's objectives in managing capital are:

- increasing equity, through retained earnings and equity financing, sufficient to support debt borrowing to fund growth of the asset base, while maintaining a debt-to-equity ratio of not more than 4.0:1;
- funding growth through a balance of debt and equity sufficient to maintain an IFRS interest expense coverage ratio at an annual rate of at least 1.25:1; and,
- providing shareholders with a return on total shareholders' equity of greater than 15% annually, and paying total annual dividends at a sustainable level.

In the management of its capital, the Company includes all short term bank indebtedness, long term debt and shareholders' equity.

The Company has external covenants imposed by specific borrowing facilities. These covenants primarily relate to maintenance of minimal interest coverage ratios. The Company is in compliance with its covenants.

The results of the Company's management objectives for the period were as follows:

Debt-to-equity ratio	March 31, 2008 December 31, 2007	3.17:1 2.97:1
Interest expense coverage ratio	March 31, 2008 December 31, 2007	1.62:1 1.78:1
Annualized dividend as percentage of net earnings per basic share of previously completed fiscal year	March 31, 2008 December 31, 2007	52.01% 39.18%

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)
March 31, 2008 and 2006

8. Capital Management (cont.)

Debt calculated as:

	March 31 2008	December 31 2007
Long term debt	\$ 2,612,273	\$ 2,094,122
Construction financing	78,821	66,393
Long term payables	25,006	24,178
Due to DIM shareholders	3,461	4,424
Demand loans	<u>167,595</u>	<u>441,113</u>
	<u>\$ 2,887,156</u>	<u>\$ 2,630,230</u>
Shareholders Equity	<u>\$ 908,018</u>	<u>\$ 886,271</u>

Interest coverage is defined as total revenue less unrealized fair value gains, property operating expenses, costs of property sales, and general and administrative expenses divided by interest expense.

	March 31, 2008	March 31, 2007
Interest on long term debt	\$ 36,234	\$ 22,831
Interest and financing costs	<u>6,590</u>	<u> </u>
	<u>\$ 42,824</u>	<u>\$ 22,831</u>
Total revenue	\$ 159,788	\$ 68,899
Unrealized valuation changes		(8,555)
Property operating expenses	(19,573)	(4,216)
Cost of sales of properties	(65,374)	(13,523)
General and administrative	<u>(5,401)</u>	<u>(1,912)</u>
	<u>\$ 69,440</u>	<u>\$ 40,693</u>
	1.6215	1.7824

There was no change in the Company's approach to capital management during the period.

The Company experienced significant growth of its asset base and related debt financing during the last 12 months. As a result of a public share issue in 2007, the Company was able to maintain its debt-to-equity ratio.

Homburg Invest Inc.

Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

(CAD \$ thousands except per share amounts)

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9. Related party transactions

The Company's ultimate parent is Homburg N.V., which is controlled by the Chairman and Chief Executive Officer.

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

	March 31	March 31
	2008	2007
Rental revenue earned	\$ <u>(112)</u>	\$ <u>(103)</u>
Asset and construction management fees incurred	\$ <u>4,524</u>	\$ <u>2,508</u>
Property management fees incurred	\$ <u>834</u>	\$ <u>416</u>
Insurance incurred	\$ <u>362</u>	\$ <u>291</u>
Service fees incurred	\$ <u>279</u>	\$ <u>206</u>
Property acquisition/disposal fees incurred	\$ <u>2,145</u>	\$ <u>2,027</u>
Mortgage bond guarantee fees incurred	\$ <u>969</u>	\$ <u>925</u>
Bond and other debt issue costs incurred	\$ <u>1,762</u>	\$ <u>1,060</u>

The transactions are recorded at exchange amounts.

- b) Included in accounts payable are the following balances payable to companies commonly controlled by the Chairman and Chief Executive Officer, which are non-interest bearing and has no set terms of repayment.

	March 31	December 31
	2008	2007
Mortgage bond guarantee fees	\$ <u>969</u>	\$ <u>2,110</u>
Management fees	\$ <u>76</u>	\$ <u>97</u>

- c) Professional services of approximately \$47 (March 31, 2007 - \$51) were purchased from a corporation of which one of the Company's directors is affiliated.
- d) Also included in accounts payable is \$11,748 (December 31, 2007 - \$12,543) in payables to companies commonly controlled by the Chairman and Chief Executive Officer, which is non-interest bearing and has no set terms of repayment.
- e) The Company has entered into a guarantee arrangement for the principal and interest amounts of the Mortgage Bonds payable to maturity, 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 (Note 3). The cost of this guarantee per annum is 2.0% on the Series 2 Bonds, and 1.6% on the Series 4, Series 5, Series 6, and Series 7 Bonds.
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10. Earnings per share

Net earnings per share has been calculated based on the weighted average number of shares outstanding as follows:

	March 31 2008 (000's)	March 31 2007 (000's)
Basic		
Class A Subordinate Voting	146,019	93,640
Class B Multiple Voting	<u>31,515</u>	<u>31,384</u>
	<u>177,534</u>	<u>125,024</u>
Diluted		
Class A Subordinate Voting	150,919	99,880
Class B Multiple Voting	<u>31,515</u>	<u>31,480</u>
	<u>182,434</u>	<u>131,360</u>
The dilution consists of:		
Class A	<u>2008</u>	<u>2007</u>
Exercise of options	143	539
Conversion of long term payable		224
DIM payable/Other paid in capital	<u>4,757</u>	<u>5,477</u>
	<u>4,900</u>	<u>6,240</u>
Class B		
Exercise of options	<u> </u>	<u>96</u>

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

The Company's stock options issued July 16, 2007, with an exercise price of \$5.68, are anti-dilutive and have been excluded from the calculation of diluted earnings per share.

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11. Commitments

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

2008	\$	1,886
2009	\$	602
2010	\$	611
2011	\$	603
2012	\$	396

b) The following is a schedule of the future payments required under an emphyteutic lease, expiring in 2065, on land for an income producing property of a subsidiary:

2008	\$	68
2009	\$	91
2010	\$	91
2011	\$	91
2012	\$	91
Subsequent	\$	4,801

c) The following is a schedule of the future minimum lease payments on an operating lease signed by the Company:

2008	\$	NIL
2009	\$	NIL
2010	\$	3,479
2011	\$	13,914
2012	\$	13,914
Subsequent	\$	203,498

The Company is working toward sub-leasing this space prior to the occupancy date; which is expected to be in the fourth quarter of 2010. Any sub-lease would reduce the Company's future obligation under the lease commitment.

d) The Company and its subsidiaries have entered into various property management agreements, expiring between 2010 and 2012. (Note 9a).

e) The Company has 6 construction projects underway to which it has signed commitments of \$75,280.

12. Contingent liabilities

a) There are claims which the Company is involved with, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

b) Specific subsidiaries of the Company have been advised of a pending potential transfer tax assessment. The tax assessments, if issued, would impose transfer tax on the acquisition of these properties by the subsidiaries. The potential liability would be EUR €7,831 (\$12,660) and would increase the cost of the applicable properties should the Company be unsuccessful in defending the assessments. To date no assessments have been received. The Company has reviewed this matter, has received legal advice, and believes it is not required to pay the transfer tax on these acquisitions. Accordingly, the Company has not recorded any of the proposed transfer tax in its consolidated financial statements.

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13. Subsequent events

a) The Company has signed an agreement, jointly with other parties, on the acquisition of a parcel of land in Canada, for a total purchase price of \$88,000. The Company has paid a refundable deposit of \$500 and is completing due diligence work related to the purchase. Upon successful completion of the due diligence and obtaining board approval, the purchase price would be financed with debt of \$73,000 and the remainder in cash from the partners, which is expected to occur in the second quarter of 2008.

b) The Company is continuing the issuance of Series HB11 for a maximum value of EUR €100,005 (\$161,668) bearing an annual interest rate of 7.25% to be paid on a semi-annual basis. The Bond issue was approved by the Board of Directors and the Company has received regulatory approval. The proceeds from the issue are being used to repay demand loans, for general corporate purposes and for future acquisitions.

c) The Company has refinanced the mortgage on an investment property. The total proceeds of \$140,000 bears interest at 5.16% per annum for a period of five years and the debt is amortized over twenty-five years. The proceeds were used to repay the existing first mortgage of \$76,000; reduce a credit facility by \$40,000 and repay demand loans by \$24,000.

14. Supplemental cash flow information

	March 31 2008	March 31 2007
Change in non-cash working capital		
Receivables and other	\$ (9,087)	\$ 4,524
Construction properties	(39,266)	(10,921)
Accounts payable and other liabilities	21,099	(5,803)
Proceeds in excess of earnings on development properties	<u>31,421</u>	<u> </u>
	<u>\$ 4,167</u>	<u>\$ (12,200)</u>
Interest paid	<u>\$ 33,193</u>	<u>\$ 18,179</u>
Capital and income taxes paid (refunded)	<u>\$ 2,444</u>	<u>\$ 1,287</u>

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15. Segmented Information

The Company owns a diverse portfolio of residential and commercial income-producing properties located in Canada, The United States of America, Germany, the Baltics and The Netherlands. Sales and costs of properties developed for resale relate to properties within Canada. 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, 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:

March 31, 2008	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 22,188	\$ 9,620	\$ 40,350	\$ 2,655	\$ 74,813
Property Operating expenses	<u>8,552</u>	<u>642</u>	<u>9,022</u>	<u>1,357</u>	<u>19,573</u>
	<u>\$ 13,636</u>	<u>\$ 8,978</u>	<u>\$ 31,328</u>	<u>\$ 1,298</u>	<u>\$ 55,240</u>

March 31, 2007	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 5,521	\$ 8,253	\$ 25,608	\$ 654	\$ 40,036
Property Operating expenses	<u>1,278</u>	<u>230</u>	<u>2,390</u>	<u>318</u>	<u>4,216</u>
	<u>\$ 4,243</u>	<u>\$ 8,023</u>	<u>\$ 23,218</u>	<u>\$ 336</u>	<u>\$ 35,820</u>

March 31, 2008	Netherlands	Germany/ The Baltics	Canada	US	Total
Property revenue	\$ 10,796	\$ 23,790	\$ 36,153	\$ 4,074	\$ 74,813
Property Operating expenses	<u>1,053</u>	<u>1,154</u>	<u>16,197</u>	<u>1,169</u>	<u>19,573</u>
	<u>\$ 9,743</u>	<u>\$ 22,636</u>	<u>\$ 19,956</u>	<u>\$ 2,905</u>	<u>\$ 55,240</u>

March 31, 2007	Netherlands	Germany/ The Baltics	Canada	US	Total
Property revenue	\$ 9,661	\$ 20,207	\$ 8,974	\$ 1,194	\$ 40,036
Property Operating expenses	<u>429</u>	<u>408</u>	<u>2,837</u>	<u>542</u>	<u>4,216</u>
	<u>\$ 9,232</u>	<u>\$ 19,799</u>	<u>\$ 6,137</u>	<u>\$ 652</u>	<u>\$ 35,820</u>

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Notes to International Financial Reporting Standards Consolidated Interim Financial Statements (Unaudited - Prepared by Management)

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March 31, 2008 and 2006

15. Segmented information (cont.)

March 31, 2008	Retail	Industrial	Office	Residential	Total
Investment property	\$ <u>930,836</u>	\$ <u>586,235</u>	\$ <u>1,972,924</u>	\$ <u>88,757</u>	\$ <u>3,578,752</u>
Mortgages payable	\$ <u>244,211</u>	\$ <u>395,827</u>	\$ <u>1,274,832</u>	\$ <u>63,758</u>	\$ <u>1,978,628</u>
Mortgage bonds payable	\$ <u>48,498</u>	\$ <u>25,144</u>	\$ <u>7,204</u>	\$ <u> </u>	\$ <u>80,846</u>

December 31, 2007	Retail	Industrial	Office	Residential	Total
Investment property	\$ <u>933,498</u>	\$ <u>518,700</u>	\$ <u>1,797,308</u>	\$ <u>91,798</u>	\$ <u>3,341,304</u>
Mortgages payable	\$ <u>235,826</u>	\$ <u>328,441</u>	\$ <u>929,260</u>	\$ <u>64,283</u>	\$ <u>1,557,810</u>
Mortgage bonds payable	\$ <u>43,394</u>	\$ <u>22,498</u>	\$ <u>6,444</u>	\$ <u> </u>	\$ <u>72,336</u>

March 31, 2008	Netherlands	Germany/ The Baltics	Canada	US	Total
Investment property	\$ <u>644,861</u>	\$ <u>1,491,647</u>	\$ <u>1,278,141</u>	\$ <u>164,103</u>	\$ <u>3,578,752</u>
Mortgages payable	\$ <u>418,583</u>	\$ <u>939,455</u>	\$ <u>525,048</u>	\$ <u>95,542</u>	\$ <u>1,978,628</u>
Mortgage bonds payable	\$ <u> </u>	\$ <u>32,349</u>	\$ <u>181,819</u>	\$ <u> </u>	\$ <u>214,168</u>

December 31, 2007	Netherlands	Germany/ The Baltics	Canada	US	Total
Investment property	\$ <u>589,276</u>	\$ <u>1,278,139</u>	\$ <u>1,310,351</u>	\$ <u>163,538</u>	\$ <u>3,341,304</u>
Mortgages payable	\$ <u>376,926</u>	\$ <u>804,570</u>	\$ <u>284,281</u>	\$ <u>92,033</u>	\$ <u>1,557,810</u>
Mortgage bonds payable	\$ <u> </u>	\$ <u>28,942</u>	\$ <u>162,678</u>	\$ <u> </u>	\$ <u>191,620</u>

At March 31, 2008 Mortgage bonds payable total \$214,168, exclusive of the currency guarantee receivable of \$13,963. Of this amount \$133,321 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining \$80,847 is allocated to specific segments above.

At December 31, 2007 Mortgage bonds payable total \$191,620, exclusive of the currency guarantee payable of \$8,538. Of this amount \$119,284 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining \$72,336 is allocated to specific segments above.

At March 31, 2008, the Germany/The Baltics segment included one (December 31, 2007 - one) tenant that individually represented greater than 10% of total property revenue. This tenant individually represented 17% (March 31, 2007 - 35%) of total property revenue for the period.

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16. Future applicable accounting standards

The following new accounting standards have been issued, but are not yet effective.

Borrowing Costs

IAS 23 Borrowing Costs has been amended and is effective for fiscal years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs as they relate to a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. The Company currently follows a policy of capitalizing borrowing costs related to development properties and therefore this new accounting standard will have no impact on the financial results.

Operating Segments

IFRS 8 Operating Segments has been amended and is effective for fiscal years beginning on or after January 1, 2009. The standard made consequential amendments to the existing standard. This new standard covers disclosure and terminology issues only and will have no effect on the reported financial results.

Business Combinations

IFRS 3 Business Combinations has been amended and is effective for fiscal years beginning on or after July 1, 2009. The amendments to IFRS 3 and IAS 27 must be adopted concurrently. The standard clarifies the distinction between a business combination and an asset acquisition and requires that transaction costs incurred on business combinations be expensed when incurred. The Company does not currently follow a practice of expensing transaction costs, and is evaluating the impact of this new standard on its consolidated financial statements.

Consolidated and Separate Financial Statements

IAS 27 Consolidated and Separate Financial Statements has been amended and is effective for fiscal years beginning on or after July 1, 2009. The amendments to IAS 27 and IFRS 3 must be adopted concurrently. The standard clarifies the circumstances under which an entity must consolidate another entity; the accounting for changes in the level of ownership of a subsidiary, including loss of control; and, the required disclosure regarding the nature of the relationship. The Company is evaluating the impact of this new standard on its consolidated financial statements.

17. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.
