

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

June 30, 2008

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

(CAD \$ thousands except per share amounts)

	June 30 2008	December 31 2007
<b>Assets</b>		
Cash	\$ 16,471	\$ 17,927
Receivables and other	88,344	30,690
Long term investments	38,278	39,562
Restricted cash	17,329	27,704
Development properties	386,161	352,118
Investment properties	3,560,364	3,341,304
Currency guarantee receivable	11,420	
Goodwill	48,594	10,853
Derivative instrument asset		221
	<u>\$ 4,166,961</u>	<u>\$ 3,820,379</u>
<b>Liabilities</b>		
Accounts payable and other liabilities (Note 4)	\$ 260,262	\$ 596,231
Construction financing	108,980	66,393
Long term debt (Note 3)	2,695,014	2,094,122
Deferred income taxes (Note 7)	187,108	148,459
Liabilities of discontinued operations (Note 6)	<u>28,903</u>	<u>28,903</u>
	<u>3,280,267</u>	<u>2,934,108</u>
<b>Shareholders' equity (Note 5)</b>	<u>886,694</u>	<u>886,271</u>
	<u>\$ 4,166,961</u>	<u>\$ 3,820,379</u>

Commitments (Note 12)  
Contingent liabilities (Note 13)  
Subsequent events (Note 14)

Approved by the Board, August 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**  
**Six Months Ended June 30**  
**(Unaudited - Prepared by Management)**

	Three Mos. Ended June 30 2008	Three Mos. Ended June 30 2007	Six Mos. Ended June 30 2008	Six Mos. Ended June 30 2007
<i>(CAD \$ thousands except per share amounts)</i>				
Property revenue	\$ 77,290	\$ 54,925	\$ 152,103	\$ 94,961
Sale of properties developed for resale	49,392	11,183	130,909	27,131
Dividend income and distributions	106	27	2,940	1,996
Unrealized valuation changes		16,538		25,093
Other income	142	599	766	1,149
Foreign exchange gain	32	12,515		13,223
Gain on derivative instrument		2,076		2,833
Realized valuation changes		676		1,052
	<u>126,962</u>	<u>98,539</u>	<u>286,718</u>	<u>167,438</u>
Cost of sale of properties developed for resale	35,442	10,528	100,816	24,051
Interest on long term debt	38,583	26,325	74,817	47,639
Property operating expenses	20,318	11,949	39,891	16,165
General and administrative	6,503	2,825	11,904	4,737
Interest and financing costs	2,031	5,642	8,621	7,159
Unrealized valuation changes	3,389		4,011	
Loss on fair value of investments	2,517		7,097	
Foreign exchange loss			962	
Loss on derivative instrument	22		902	
Stock based compensation (Note 5a)	207		207	
Amortization		1,053		1,430
	<u>109,012</u>	<u>58,322</u>	<u>249,228</u>	<u>101,181</u>
Earnings before income taxes	<u>17,950</u>	<u>40,217</u>	<u>37,490</u>	<u>66,257</u>
Current income and capital taxes	65	955	1,801	3,085
Deferred income taxes	1,176	7,572	1,126	12,502
Total income taxes (Note 7)	<u>1,241</u>	<u>8,527</u>	<u>2,927</u>	<u>15,587</u>
Net earnings from continuing operations	16,709	31,690	34,563	50,670
Net loss from discontinued operations		(2,092)		(2,092)
Net earnings	<u>\$ 16,709</u>	<u>\$ 29,598</u>	<u>\$ 34,563</u>	<u>\$ 48,578</u>

**Earnings per share (Note 11)**  
**Per Class A Subordinate Voting Share and Class B Multiple Voting Share**

<b>Basic</b>				
Net earnings from continuing operations	<u>\$ 0.09</u>	<u>\$ 0.24</u>	<u>\$ 0.19</u>	<u>\$ 0.40</u>
Net loss from discontinued operations	<u>\$</u>	<u>\$(0.02)</u>	<u>\$</u>	<u>\$(0.02)</u>
Net earnings	<u>\$ 0.09</u>	<u>\$ 0.22</u>	<u>\$ 0.19</u>	<u>\$ 0.38</u>
<b>Diluted</b>				
Net earnings from continuing operations	<u>\$ 0.09</u>	<u>\$ 0.22</u>	<u>\$ 0.18</u>	<u>\$ 0.37</u>
Net loss from discontinued operations	<u>\$</u>	<u>\$(0.02)</u>	<u>\$</u>	<u>\$(0.02)</u>
Net earnings	<u>\$ 0.09</u>	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.35</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**  
**Six Months Ended June 30**  
**(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
<b>Balance December 31, 2006</b>	\$	\$ 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 issues			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
<b>Balance December 31, 2007</b>	11,489	33,547	633,265	5,645	(18,560)	220,885	886,271
Net earnings for the period						34,563	34,563
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					(13,558)		(13,558)
Issue of stock options				207			207
<b>Balance June 30, 2008</b>	<b>\$ 11,489</b>	<b>\$ 33,547</b>	<b>\$ 655,786</b>	<b>\$ 5,852</b>	<b>\$ (32,118)</b>	<b>\$ 212,138</b>	<b>\$ 886,694</b>

(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**  
**Six Months Ended June 30**  
**(Unaudited - Prepared by Management)**

	Three Mos. Ended June 30 2008	Three Mos. Ended June 30 2007	Six Mos. Ended June 30 2008	Six Mos. Ended June 30 2007
(CAD \$ thousands except per share amounts)				
<b>Operating activities</b>				
Net earnings from continuing operations	\$ 16,709	\$ 31,690	\$ 34,563	\$ 50,670
Adjustments for:				
Realized valuation changes		(676)		(1,052)
Deferred rental income	(3,446)	(1,922)	(6,644)	(5,249)
Unrealized valuation changes	3,389	(16,538)	4,011	(25,093)
Deferred and capital income taxes	1,644	7,672	1,594	12,692
Stock based compensation	207		207	
Amortization of financing fees	2,101	1,053	6,955	1,430
Fair value change in investments	2,517		7,097	
Accretion in value of discounted liabilities	66		280	
Loss (gain) on derivative instrument	22	(2,076)	902	(2,833)
Foreign exchange loss (gain)	(32)	(12,011)	962	(12,149)
	<u>23,177</u>	<u>7,192</u>	<u>49,927</u>	<u>18,416</u>
Change in non-cash working capital (Note 15)	<u>(13,402)</u>	<u>(18,454)</u>	<u>(9,235)</u>	<u>(30,654)</u>
Net cash from (used in) operating activities	<u>9,775</u>	<u>(11,262)</u>	<u>40,692</u>	<u>(12,238)</u>
<b>Investing activities</b>				
Investment in investment properties	(14,965)	(189,934)	(25,744)	(195,870)
Proceeds on sale of investment properties				1,090
Decrease (increase) in restricted cash	5,499	(175,567)	10,375	(200,328)
Receipt of funds on deposit		(17,100)		
Investment in development properties	(44,489)	(27,238)	(53,533)	(45,584)
Purchase of long term investments	(2,908)		(3,688)	(96,443)
Discontinued operations		21,823		21,823
Net cash used in investing activities	<u>(56,863)</u>	<u>(388,016)</u>	<u>(72,590)</u>	<u>(515,312)</u>
<b>Financing activities</b>				
Increase (decrease) in demand loans	(83,305)	113,597	(357,709)	168,064
Increase (decrease) in mortgages payable	57,751	(6,058)	292,361	(11,963)
Proceeds from bonds	52,556	110,463	90,792	136,424
Decrease in related party receivable		3,088		4,366
Increase in deferred financing charges	(2,702)	(13,475)	(9,721)	(15,116)
Issue of common shares (issue costs)		72	(51)	36,816
Dividends paid			(20,739)	(9,022)
Increase (decrease) in related party payable	(6,283)	15,978	(7,078)	15,978
Increase in construction financing	30,159	4,781	42,587	4,731
Proceeds from subscription receipts		181,857		181,857
Net cash from financing activities	<u>48,176</u>	<u>410,303</u>	<u>30,442</u>	<u>512,135</u>
Increase (decrease) in cash	1,088	11,025	(1,456)	(15,415)
<b>Cash beginning of period</b>	<u>15,383</u>	<u>40,303</u>	<u>17,927</u>	<u>66,743</u>
<b>Cash end of period</b>	<u>\$ 16,471</u>	<u>\$ 51,328</u>	<u>\$ 16,471</u>	<u>\$ 51,328</u>

Supplemental cash flow information (Note 15)

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.

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# Homburg Invest Inc.

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

(CAD \$ thousands except per share amounts)

June 30, 2008

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### 1. Basis of financial statement presentation

These unaudited consolidated 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 unaudited consolidated interim financial statements under Canadian Generally Accepted Accounting Principles.

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.

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

During the period, management completed the purchase price allocation related to the November 30, 2007 acquisition. The following represents the changes to the previously reported assets and liabilities:

		<u>Provisional Amounts</u>	<u>Adjustment</u>		<u>Final Amounts</u>
<b>Assets</b>					
Investment Properties	\$	364,121	<u>\$ 5,318</u>	\$	369,439
<b>Liabilities</b>					
Payables and other liabilities	\$		<u>\$ 5,318</u>	\$	5,318

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## Homburg Invest Inc.

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

(CAD \$ thousands except per share amounts)

June 30, 2008

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#### 2. Business and major investment property acquisitions (cont.)

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

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#### 3. Long term debt

	June 30 <u>2008</u>	December 31 <u>2007</u>
Secured debt		
Mortgages payable (a)	\$ 2,018,858	\$ 1,557,810
Mortgage bonds payable	<u>211,624</u>	<u>200,205</u>
	<u>2,230,482</u>	<u>1,758,015</u>
Unsecured debt		
Corporate non-asset backed bonds (b)	430,483	303,765
Junior subordinated notes	<u>60,157</u>	<u>55,800</u>
	<u>490,640</u>	<u>359,565</u>
	2,721,122	2,117,580
Deferred financing charges, net of accumulated amortization of \$8,835 (December 31, 2007 - \$2,905)	<u>(26,108)</u>	<u>(23,458)</u>
	<u>\$ 2,695,014</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 5.771% and for fixed rate long term debt was 6.018% (December 31, 2007 - variable- 5.54%, fixed - 6.06%).

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	\$ 15,708	\$ 85,578	\$	\$ 101,286	6.46%
2009	32,721	11,966		44,687	6.79%
2010	33,284	11,111	47,922	92,317	7.51%
2011	38,377	18,919	63,928	121,224	7.20%
2012	40,267	53,774	99,771	193,812	6.72%
Subsequent years	<u>                    </u>	<u>1,677,153</u>	<u>490,643</u>	<u>2,167,796</u>	5.78%
	<u>\$ 160,357</u>	<u>\$ 1,858,501</u>	<u>\$ 702,264</u>	<u>\$ 2,721,122</u>	

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

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## Homburg Invest Inc.

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

(CAD \$ thousands except per share amounts)  
June 30, 2008

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#### 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:

			<b>June 30</b>	December 31
			<b><u>2008</u></b>	<u>2007</u>
USD denominated	USD	\$	<u><b>93,038</b></u>	<u>93,720</u>
	CAD	\$	<u><b>94,071</b></u>	<u>92,033</u>
EURO denominated	EUR	€	<u><b>844,497</b></u>	<u>824,265</u>
	CAD	\$	<u><b>1,349,000</b></u>	<u>1,192,217</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>	<b>June 30</b>	December 31
				<b><u>2008</u></b>	<u>2007</u>
HB8	May 31, 2013	7.00%	EUR €50,010	\$ <b>79,886</b>	\$ 72,334
HB9	October 31, 2013	7.00%	EUR €60,000	<b>95,844</b>	86,784
HB10	February 15, 2014	7.25%	EUR €100,005	<b>159,748</b>	144,647
HB11	January 15, 2015	7.25%	EUR €59,475	<u><b>95,005</b></u>	<u>          </u>
				<u><b>\$ 430,483</b></u>	<u>\$ 303,765</u>

The Corporate non-asset backed bonds are seven year bonds issued in series and have as security 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 period end exchange rates. At June 30, 2008, the series HB11 bonds are still being issued to a maximum face value of EUR €100,005.

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## **Homburg Invest Inc.**

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

(CAD \$ thousands except per share amounts)

June 30, 2008

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#### **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 \$262,857 of the A Facility of the bridge loans, reducing the remaining balance to \$17,143; and repaid \$75,000 of the B Facility, reducing its remaining balance to \$NIL at period end.

The balance of the A Facility, which is due no later than November 30, 2008, is scheduled for repayment by August 31, 2008 from the proceeds of Bond 11 and from the refinancing of an investment property.

The acquisition bridge loan bears interest at a base rate of 6.25% and is 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 \$20,000. The facility was scheduled to be repaid during the period from the refinancing of a property. The refinancing is now scheduled for the third quarter. The lender has approved this extension to the previously scheduled repayment, with the refinancing of the property now extended to September 8, 2008.

The Company has available credit facilities of \$35,800 of which \$20,800 (December 31, 2007 - \$2,049) is being utilized at June 30. Of these facilities, \$15,000 (December 31, 2007 - \$15,000) is with a company controlled by the Chairman and Chief Executive Officer.

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## Homburg Invest Inc.

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

(CAD \$ thousands except per share amounts)  
June 30, 2008

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#### 5. Shareholders' equity

The following are rates of exchange in effect:

	\$1.00 USD	€1.00 EUR
June 30, 2008	\$ 1.01	\$ 1.60
December 31, 2007	\$ 0.98	\$ 1.45
Average rate for six months 2008	\$ 1.01	\$ 1.54
Average rate for six months 2007	\$ 1.14	\$ 1.51

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

	Class A Subordinate Voting Shares (000's)	Class B Multiple Voting Shares (000's)	Stated Capital
<b>Issued and outstanding at December 31, 2006</b>	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>
<b>Issued and outstanding at December 31, 2007</b>	148,945	31,515	633,265
Dividend reinvestment plan	6,634		22,572
Issue costs, net of income taxes			(51)
<b>Issued and outstanding at June 30, 2008</b>	<u><u>155,579</u></u>	<u><u>31,515</u></u>	<u><u>\$ 655,786</u></u>

#### a) Stock options

Under the Company's Stock Option Plan ("the Plan"), the Company may grant options to its directors and officers of the Company and employees of the management company. New stock options may not be granted under the Plan on Class B Multiple Voting Shares of the Company. The maximum number of Class A Subordinate Voting Shares issuable pursuant to stock options outstanding under the Plan shall not exceed 10% of the aggregate number of issued and outstanding Class A Subordinate Voting Shares and Class B Multiple Voting Shares at the time of grant. Under the Plan, the exercise price of each option shall not be less than the closing market price of the Class A Subordinate Voting Shares on the TSX on the last trading day prior to the date of granting of the stock option and an option's maximum term is 10 years. Options are granted and vest at the discretion of the Board of Directors, and are fully exercisable once vested.

On June 30, 2008 there were no Class B Multiple Voting Share Options granted and there were 9,304,420 Class A Subordinate Voting Share Options granted and unexercised (8,435,867 fully vested).

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## Homburg Invest Inc.

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

(CAD \$ thousands except per share amounts)

June 30, 2008

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#### 5. Shareholders' equity (cont.)

During the period ended June 30, 2008, the Company granted 1,353,191 stock options under the Plan, with an exercise price of \$3.76 per share, which was equal to the market price on the last trading day prior to the grant date. Of the options granted, 484,638 vested on the grant date, and the remainder will vest equally on the grant date anniversary over the subsequent four years. The resulting \$579,030 fair value is charged to expense over the vesting period with a corresponding amount recorded in contributed surplus. The amount recorded in contributed surplus will be reclassified to share capital as the options are exercised.

The Company follows the recommendations of International Financial Reporting Standard 2 concerning Stock Based Compensation and Other Payments wherein fair value of each option grant is estimated on the date of grant using the Binomial or similar option pricing model. The fair value of each option granted was estimated using the exercise price and the following weighted average assumptions for all outstanding options:

Expected volatility	30.0 - 40.0%
Risk free interest rate	3.31 - 4.60%
Expected lives	3.5 - 5 Years
Expected dividend yield	5.6 - 13.0%

A summary of the status of the Company's Stock Option Plan as at June 30, 2008 and December 31, 2007 and changes during the periods ending on those dates is presented below.

	June 30 2008		December 31 2007	
	Shares (000's)	Weighted-Average Exercise Price	Shares (000's)	Weighted-Average Exercise Price
Outstanding at beginning of period	7,954	\$ 5.50	2,528	\$ 2.07
Granted	1,353	\$ 3.76	7,450	\$ 5.68
Exercised		\$	(2,016)	\$ 1.88
Expired	(3)	\$ 2.85	(8)	\$ 2.85
Outstanding at end of period	<u>9,304</u>	\$ 4.70	<u>7,954</u>	\$ 5.50

Number of Shares Under Option (000's)	Date of Grant	Expiration Date	Exercise Price
501	June 29, 2005	June 29, 2010	\$ 2.85
7,450	July 16, 2007	July 15, 2012	\$ 5.68
<u>1,353</u>	June 27, 2008	June 26, 2013	\$ 3.76
<u>9,304</u>			

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## Homburg Invest Inc.

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

(CAD \$ thousands except per share amounts)

June 30, 2008

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#### 6. Discontinued operations

During the period ended June 30, 2007, a subsidiary of the Company disposed of 19 office rental properties and 28 industrial rental properties for proceeds of \$574.7 million. The operating results are included in net loss from discontinued operations for the two month period in 2007 that the properties were owned. Also, during the third quarter of 2007, a subsidiary disposed of 7 industrial properties for proceeds of \$17.3 million.

The following is the statement of earnings, and balance sheet associated with the discontinued operations for the period ended June 30, 2007.

#### Income Statement

Property revenue	\$ 12,447
Property operating expenses	<u>5,943</u>
	6,504
Interest	<u>9,604</u>
Net loss from discontinued operations before income taxes	(3,100)
Income taxes (recovery)	<u>(1,008)</u>
Net loss from discontinued operations	<u><u>\$ (2,092)</u></u>

#### Balance Sheet

Income tax payable	<u><u>\$ 28,903</u></u>
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## Homburg Invest Inc.

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

(CAD \$ thousands except per share amounts)

June 30, 2008

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#### 7. 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:

	<b>June 30 2008</b>	June 30 2007
Earnings from continuing operations before income taxes	\$ <u>37,490</u>	\$ <u>66,257</u>
Combined income tax rate	<u>30.26</u> %	<u>31.00</u> %
Income taxes	\$ 11,344	\$ 20,540
Increase (decrease) in income taxes resulting from:		
Large corporation tax	468	190
Canadian tax (recovery) on foreign income	(1,684)	674
Corporate rate differential in respect of subsidiaries	130	(1,297)
Non-taxable portion of capital gains	(4,428)	(292)
Non-deductible expense	91	
Permanent adjustment on unrealized and realized valuation changes	(995)	(3,244)
Effect of rate changes on temporary differences	(1,999)	
Other		(984)
	<u>\$ 2,927</u>	<u>\$ 15,587</u>

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#### 8. 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 \$1,964,594 (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 \$601,047 (December 31, 2007 - \$500,424). The currency guarantee receivable (payable) is carried at fair value. The junior subordinated notes have a fair value of \$54,900 (December 31, 2007 - \$58,588). The Company has one long term investment carried at its cost of \$7,646 (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.

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## Homburg Invest Inc.

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

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#### 8. 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 \$2,316,520 in fixed rate debt and \$597,611 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 June 30, 2008 the impact on the statement of earnings is a loss of \$902. 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 \$193,010 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 8.46 years and 20.3% of long term debt matures by December 31, 2012.

With all other variables held constant, the Company has determined that a 1% change in interest rates would result in an \$4,168 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 issued 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 has pledged as security letters of credit issued by the purchaser.

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## Homburg Invest Inc.

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

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#### 8. 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. 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 June 30, 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 June 30, 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% change 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 \$222.

With all other variables held constant, the Company has determined that a 10% change 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 \$365.

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.

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## Homburg Invest Inc.

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

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#### 8. 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's largest tenant has issued a letter of guarantee in an amount representing in excess of 2 years property revenue from this tenant. The Company also maintains their properties to a quality standard that would support timely re-leasing of a property.

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#### 9. 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	<b>June 30, 2008</b> December 31, 2007	<b>3.29:1</b> 2.97:1
Interest expense coverage ratio	<b>June 30, 2008</b> June 30, 2007	<b>1.61:1</b> 1.78:1
Annualized dividend as percentage of net earnings per basic share of previously completed fiscal year	<b>June 30, 2008</b> June 30, 2007	<b>52.01%</b> 39.18%

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## 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. Capital Management (cont.)

Debt calculated as:

	June 30, 2008	December 31, 2007
Long term debt	\$ 2,695,014	\$ 2,094,122
Construction financing	108,980	66,393
Long term payables	24,709	24,178
Due to DIM shareholders	3,674	4,424
Demand loans	84,030	441,113
	<u>\$ 2,916,407</u>	<u>\$ 2,630,230</u>
Shareholders' Equity	<u>\$ 886,694</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.

	June 30, 2008	June 30, 2007
Interest on long term debt	\$ 74,817	\$ 47,639
Interest and financing costs	8,621	7,159
	<u>\$ 83,438</u>	<u>\$ 54,798</u>
Total revenue	\$ 286,718	\$ 167,438
Unrealized valuation changes		(25,093)
Property operating expenses	(39,891)	(16,165)
Cost of sales of properties	(100,816)	(24,051)
General and administrative	(11,904)	(4,737)
	<u>\$ 134,107</u>	<u>\$ 97,392</u>

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.

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## Homburg Invest Inc.

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

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#### 10. 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:

	<b>Six Months Ended June 30 2008</b>	<b>Six Months Ended June 30 2007</b>
Rental revenue earned	\$ <u>(333)</u>	\$ <u>(225)</u>
Asset and construction management fees incurred	\$ <u>10,456</u>	\$ <u>6,040</u>
Property management fees incurred	\$ <u>1,748</u>	\$ <u>887</u>
Insurance incurred	\$ <u>691</u>	\$ <u>473</u>
Service fees incurred	\$ <u>522</u>	\$ <u>368</u>
Property acquisition/disposal fees incurred	\$ <u>2,150</u>	\$ <u>30,674</u>
Mortgage bond guarantee fees incurred	\$ <u>1,848</u>	\$ <u>1,850</u>
Share and subscription receipts issue costs incurred	\$ <u>          </u>	\$ <u>950</u>
Bond and other debt issue costs incurred	\$ <u>3,818</u>	\$ <u>5,705</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.

	<b>June 30 2008</b>	<b>December 31 2007</b>
Mortgage bond guarantee fees	\$ <u>3,695</u>	\$ <u>2,110</u>
Management fees	\$ <u>90</u>	\$ <u>97</u>

- c) Professional services of approximately \$47 (June 30, 2007 - \$101) were purchased from a corporation of which one of the Company's directors is affiliated.
- d) Also included in accounts payable is \$5,465 (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, 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 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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## 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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#### 11. Earnings per share

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

	<b>Three Mos. Ended June 30 2008 (000's)</b>	Three Mos. Ended June 30 2007 (000's)	<b>Six Mos. Ended June 30 2008 (000's)</b>	Six Mos. Ended June 30 2007 (000's)
Basic				
Class A Subordinate Voting	<b>155,579</b>	100,258	<b>152,299</b>	96,967
Class B Multiple Voting	<b>31,515</b>	31,515	<b>31,515</b>	31,450
	<b><u>187,094</u></b>	<u>131,773</u>	<b><u>183,814</u></b>	<u>128,417</u>
Diluted				
Class A Subordinate Voting	<b>160,465</b>	113,043	<b>157,190</b>	106,516
Class B Multiple Voting	<b>31,515</b>	31,515	<b>31,515</b>	31,482
	<b><u>191,980</u></b>	<u>144,558</u>	<b><u>188,705</u></b>	<u>137,998</u>
The dilution consists of:				
Class A				
Exercise of options	<b>129</b>	283	<b>134</b>	409
Conversion of long term payable		263		263
DIM payable/Other paid in capital	<b>4,757</b>	5,477	<b>4,757</b>	5,477
Conversion of Subscription Receipts		<u>6,762</u>		<u>3,400</u>
	<b><u>4,886</u></b>	<u>12,785</u>	<b><u>4,891</u></b>	<u>9,549</u>
Class B				
Exercise of options				<u>32</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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## Homburg Invest Inc.

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

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#### 12. Commitments

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

2008	\$	1,257
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	\$	46
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 10a).

e) The Company has 6 construction projects underway to which it has signed commitments of \$59,405.

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#### 13. Contingent liabilities

a) There are claims which the Company is involved with, arising out of the ordinary course of business operations. The Company 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 (\$12,509) 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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## Homburg Invest Inc.

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

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#### 14. Subsequent events

a) The Company is continuing the issuance of Series HB11 for a maximum value of EUR €100,005 (\$159,748) bearing an annual interest rate of 7.25% to be paid on a semi-annual basis. The proceeds from the issue are being used to repay demand loans, for general corporate purposes and for future acquisitions.

b) The Company has acquired three food service outlets in Canada for a total purchase price of \$7,600. The acquisition was financed with debt of \$5,000 and cash of \$2,600.

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#### 15. Supplemental cash flow information

	Three Mos. Ended June 30 2008	Three Mos. Ended June 30 2007	Six Mos. Ended June 30 2008	Six Mos. Ended June 30 2007
Change in non-cash working capital				
Receivables and other	\$ (3,163)	\$ 8,674	\$ (12,250)	\$ 13,198
Construction properties	(34,213)	(37,435)	(73,479)	(48,356)
Accounts payable and other liabilities	(624)	10,307	20,475	4,504
Proceeds in excess of earnings on development properties	<u>24,598</u>	<u>          </u>	<u>56,019</u>	<u>          </u>
	<u>\$ (13,402)</u>	<u>\$ (18,454)</u>	<u>\$ (9,235)</u>	<u>\$ (30,654)</u>
Interest paid	<u>\$ 53,559</u>	<u>\$ 39,730</u>	<u>\$ 86,752</u>	<u>\$ 57,909</u>
Capital and income taxes paid (refunded)	<u>\$ 2,561</u>	<u>          </u>	<u>\$ 5,005</u>	<u>\$ 1,287</u>

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## Homburg Invest Inc.

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

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#### 16. 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 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:

June 30, 2008	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 44,766	\$ 20,236	\$ 81,791	\$ 5,310	\$ 152,103
Property Operating expenses	<u>17,799</u>	<u>1,472</u>	<u>17,953</u>	<u>2,667</u>	<u>39,891</u>
	<u>\$ 26,967</u>	<u>\$ 18,764</u>	<u>\$ 63,838</u>	<u>\$ 2,643</u>	<u>\$ 112,212</u>

June 30, 2007	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 20,582	\$ 16,559	\$ 54,496	\$ 3,324	\$ 94,961
Property Operating expenses	<u>7,088</u>	<u>557</u>	<u>7,180</u>	<u>1,340</u>	<u>16,165</u>
	<u>\$ 13,494</u>	<u>\$ 16,002</u>	<u>\$ 47,316</u>	<u>\$ 1,984</u>	<u>\$ 78,796</u>

June 30, 2008	Netherlands	Germany/ The Baltics	Canada	US	Total
Property revenue	\$ 22,192	\$ 49,481	\$ 72,362	\$ 8,068	\$ 152,103
Property Operating expenses	<u>2,050</u>	<u>2,944</u>	<u>32,679</u>	<u>2,218</u>	<u>39,891</u>
	<u>\$ 20,142</u>	<u>\$ 46,537</u>	<u>\$ 39,683</u>	<u>\$ 5,850</u>	<u>\$ 112,212</u>

June 30, 2007	Netherlands	Germany/ The Baltics	Canada	US	Total
Property revenue	\$ 18,965	\$ 39,801	\$ 34,008	\$ 2,187	\$ 94,961
Property Operating expenses	<u>904</u>	<u>1,023</u>	<u>13,250</u>	<u>988</u>	<u>16,165</u>
	<u>\$ 18,061</u>	<u>\$ 38,778</u>	<u>\$ 20,758</u>	<u>\$ 1,199</u>	<u>\$ 78,796</u>

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## Homburg Invest Inc.

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

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#### 16. Segmented information (cont.)

June 30, 2008	Retail	Industrial	Office	Residential	Total
Investment property	\$ <u>929,358</u>	\$ <u>566,414</u>	\$ <u>1,975,688</u>	\$ <u>88,904</u>	\$ <u>3,560,364</u>
Mortgages payable	\$ <u>257,562</u>	\$ <u>389,190</u>	\$ <u>1,294,592</u>	\$ <u>77,514</u>	\$ <u>2,018,858</u>
Mortgage bonds payable	\$ <u>47,922</u>	\$ <u>24,843</u>	\$ <u>7,121</u>	\$	\$ <u>79,886</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>72,336</u>

June 30, 2008	Netherlands	Germany/ The Baltics	Canada	US	Total
Investment property	\$ <u>631,472</u>	\$ <u>1,474,532</u>	\$ <u>1,288,531</u>	\$ <u>165,829</u>	\$ <u>3,560,364</u>
Mortgages payable	\$ <u>410,703</u>	\$ <u>926,577</u>	\$ <u>587,508</u>	\$ <u>94,070</u>	\$ <u>2,018,858</u>
Mortgage bonds payable	\$	\$ <u>31,964</u>	\$ <u>179,660</u>	\$	\$ <u>211,624</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>376,925</u>	\$ <u>804,571</u>	\$ <u>284,281</u>	\$ <u>92,033</u>	\$ <u>1,557,810</u>
Mortgage bonds payable	\$	\$ <u>28,942</u>	\$ <u>162,678</u>	\$	\$ <u>191,620</u>

At June 30, 2008 Mortgage bonds payable total \$211,624, exclusive of the currency guarantee receivable of \$11,420. Of this amount \$131,738 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining \$79,886 is allocated to specific segments above.

At December 31, 2007 Mortgage bonds payable total \$191,620, exclusive of the currency guarantee payable of \$8,585. 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 June 30, 2008, the Germany/The Baltics segment included one (June 30, 2007 - one) tenant that individually represented greater than 10% of total property revenue. This tenant individually represented 17% (June 30, 2007 - 28%) of total property revenue for the period.

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## **Homburg Invest Inc.**

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

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#### **17. Future applicable accounting standards**

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

##### **Investment Property**

IAS 40 Investment Property has been amended to include property that is being constructed or developed for future use as investment property. Previously, when investment property was being constructed or developed, that property was accounted for under IAS 16 Property, Plant and Equipment until construction or development was complete. Under IAS 16, the Company chose to carry the property using the Revaluation model, to the extent that fair value could be reliably determined, until completion, at which time the property was transferred to IAS 40. Under IAS 40, the Company has chosen the Fair Value model, resulting in Investment Properties being carried at fair value, with adjustment through the Statement of Earnings. The amendment to IAS 40 will result in investment properties under construction or development being within the scope of IAS 40 and, to the extent that fair value is reliably determinable, the carrying value of such properties will be adjusted to fair value. To the extent that fair value is not reliably determinable, the property will be carried at cost until either the fair value becomes reliably determinable or construction is completed, whichever is earlier. The application of the amendment is to be applied prospectively for annual periods beginning on or after January 1, 2009. The amendments can be applied earlier to investment property under construction provided that the fair values of investment properties under construction are determined at the earlier dates. The Company is currently determining the fair value of investment properties under construction and will early apply the amendments to the extent that fair value can be reliably determined.

##### **Share-based Payment**

IFRS 2 Share-based Payment is used for determining the accounting for the Company's stock based compensation. IFRS 2 has been amended to clarify vesting conditions and the accounting treatment of cancellations. The Company's stock options issued in June 2008 included certain options that are subject to vesting periods. The amendments are effective for annual periods beginning on or after January 1, 2009; however, earlier application is permitted. The Company is in the process of assessing the impact of the amendment to IFRS 2 on the accounting for options subject to vesting conditions to ensure compliance with IFRS 2.

##### **Property Developed for Resale**

International Financial Reporting Interpretations Committee (IFRIC) 15 Agreements for the Construction of Real Estate has been issued to clarify when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between the developer and a buyer is reached before the construction of the real estate is completed. The Company will review its revenue recognition methodology for contracts falling under the new guidance. This Interpretation is applicable on a retrospective basis for annual periods beginning on or after January 1, 2009.

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## **Homburg Invest Inc.**

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#### **17. Future applicable accounting standards (cont.)**

##### **Hedges of a Net Investment in a Foreign Operation**

IFRIC 16 Hedges of a Net Investment in a Foreign Operation has been issued to provide guidance to entities that hedge foreign currency risk on net investments in foreign operations. IFRIC 16 specifies foreign currency risks that qualify for hedge accounting and the amount that can be designated; where within the corporate structure a hedging instrument can be held; and, the amount to be reclassified to the statement of earnings upon disposal of the hedged foreign operation. This Interpretation is applicable for annual periods beginning on or after October 1, 2008 on a prospective basis and early application is permitted. Should any of the current hedging instruments not meet the requirements, the Company would be required to prospectively discontinue the applicable hedge accounting. The Company will carry out a review its existing hedging policy to ensure that the most appropriate accounting policy choice is made.

##### **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.

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#### **18. Comparative figures**

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

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