

Homburg Invest Inc.
Consolidated Interim Financial Statements
Canadian GAAP
(Unaudited - Prepared by Management)

September 30, 2008

Contents

	<u>Page</u>
Consolidated Interim Balance Sheet	1
Consolidated Interim Statement of Earnings	2
Consolidated Interim Statement of Comprehensive Income (Loss)	3
Consolidated Interim Statement of Accumulated Other Comprehensive Loss	3
Consolidated Interim Statement of Deficit	4
Consolidated Interim Statement of Cash Flows	5
Notes to Canadian GAAP Consolidated Interim Financial Statements	6-26

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

(CAD \$ thousands except per share amounts)

	September 30 2008	December 31 2007
Assets		
Investment properties	\$ 2,981,494	\$ 2,939,960
Development properties	343,572	293,955
Long term investments	34,855	39,562
Intangible assets	114,635	100,619
Goodwill	63,456	33,036
Restricted cash	20,451	27,704
Cash	17,935	17,927
Receivables and other	159,686	78,624
Derivative instrument asset		221
	<u>\$ 3,736,084</u>	<u>\$ 3,531,608</u>

Liabilities

Long term debt (Note 4)	\$ 2,593,391	\$ 2,094,122
Accounts payable and other liabilities (Note 5)	250,428	579,373
Construction financing	113,743	66,393
Future income taxes (Note 8)	107,542	110,578
Intangible liabilities	11,937	12,234
Liabilities of discontinued operations (Note 7)	<u>28,903</u>	<u>28,903</u>
	<u>3,105,944</u>	<u>2,891,603</u>
Shareholders' equity (Note 6)	<u>630,140</u>	<u>640,005</u>
	<u>\$ 3,736,084</u>	<u>\$ 3,531,608</u>

Commitments (Note 13)
Contingent liabilities (Note 16)
Subsequent events (Note 17)

Approved by the Board, November 6, 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 Canadian GAAP.
Unaudited consolidated interim financial statements prepared under International Financial Reporting Standards are also available.

Homburg Invest Inc.
Consolidated Interim Statement of Earnings
Nine Months Ended September 30
(Unaudited - Prepared by Management)

	Three Mos. Ended September 30 2008	Three Mos. Ended September 30 2007	Nine Mos. Ended September 30 2008	Nine Mos. Ended September 30 2007
(CAD \$ thousands except per share amounts)				
Property revenue	\$ 75,740	\$ 53,132	\$ 226,981	\$ 148,093
Sale of properties developed for resale	41,368	7,875	178,716	35,006
Dividend income and distributions	24		2,964	1,996
Gain on fair value increase in investments				677
Other income	1,075	878	1,841	2,029
Foreign exchange gain	6,360	2,532	5,398	15,755
Gain on derivative instrument				2,298
Gain on sale of assets				2,177
	<u>124,567</u>	<u>64,417</u>	<u>415,900</u>	<u>208,031</u>
Interest on long term debt	38,563	30,994	113,380	78,632
Interest and financing costs	1,559	618	10,180	7,777
Cost of sale of properties developed for resale	31,187	7,420	132,363	31,471
Depreciation and amortization	14,722	7,613	44,866	26,349
Property operating expenses	20,712	12,237	60,603	28,402
General and administrative	5,234	3,118	17,138	7,855
Stock based compensation (Note 6c)	52	5,000	259	5,000
Loss on derivative instrument	5	535	907	
Loss on fair value decrease in investments	5,034	3,038	12,129	
	<u>117,068</u>	<u>70,573</u>	<u>391,825</u>	<u>185,486</u>
Earnings (loss) before income taxes	<u>7,499</u>	<u>(6,156)</u>	<u>24,075</u>	<u>22,545</u>
Current income and capital taxes	3,461	1,679	5,262	4,764
Future income taxes	(269)	(5,115)	(4,037)	317
Total income taxes (recovery) (Note 8)	<u>3,192</u>	<u>(3,436)</u>	<u>1,225</u>	<u>5,081</u>
Net earnings (loss) from continuing operations	4,307	(2,720)	22,850	17,464
Net loss from discontinued operations (Note 7)		(163)		(2,255)
Net earnings (loss)	<u>\$ 4,307</u>	<u>\$ (2,883)</u>	<u>\$ 22,850</u>	<u>\$ 15,209</u>

Earnings (loss) per share (Note 12)
Per Class A Subordinate Voting Share and Class B Multiple Voting Share

Basic				
Net earnings (loss) from continuing operations	\$ <u>0.02</u>	\$(0.02)	\$ <u>0.12</u>	\$ <u>0.11</u>
Net loss from discontinued operations	\$	\$	\$	\$(0.01)
Net earnings (loss)	<u>\$ 0.02</u>	<u>\$(0.02)</u>	<u>\$ 0.12</u>	<u>\$ 0.10</u>
Diluted				
Net earnings (loss) from continuing operations	\$ <u>0.02</u>	\$(0.02)	\$ <u>0.11</u>	\$ <u>0.11</u>
Net loss from discontinued operations	\$	\$	\$	\$(0.01)
Net earnings (loss)	<u>\$ 0.02</u>	<u>\$(0.02)</u>	<u>\$ 0.11</u>	<u>\$ 0.10</u>

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

Homburg Invest Inc.
Consolidated Interim Statement of Comprehensive Income (Loss)
Nine Months Ended September 30
(Unaudited - Prepared by Management)

	Three Mos. Ended September 30 2008	Three Mos. Ended September 30 2007	Nine Mos. Ended September 30 2008	Nine Mos. Ended September 30 2007
<i>(CAD \$ thousands except per share amounts)</i>				
Net earnings (loss)	\$ <u>4,307</u>	\$ (2,883)	\$ <u>22,850</u>	\$ <u>15,209</u>
Other comprehensive income (loss)				
Foreign currency gain (loss) on financial instruments designated as hedges of self sustaining foreign operations	22,866	(876)	(12,620)	9,213
Related income tax recovery (expense)	<u>(3,836)</u>	<u>129</u>	<u>2,019</u>	<u>(1,520)</u>
	19,030	(747)	(10,601)	7,693
Future tax effects related to unrealized foreign currency translation gain (loss) (Note 6)	20,063		(14,537)	
Unrealized foreign currency translation gain (loss)	<u>(27,591)</u>	<u>(6,571)</u>	<u>14,254</u>	<u>(28,196)</u>
Other comprehensive income (loss)	<u>11,502</u>	<u>(7,318)</u>	<u>(10,884)</u>	<u>(20,503)</u>
Comprehensive income (loss)	<u>\$ 15,809</u>	<u>\$ (10,201)</u>	<u>\$ 11,966</u>	<u>\$ (5,294)</u>

Consolidated Interim Statement of Accumulated Other Comprehensive Loss
Nine Months Ended September 30
(Unaudited - Prepared by Management)

	Three Mos. Ended September 30 2008	Three Mos. Ended September 30 2007	Nine Mos. Ended September 30 2008	Nine Mos. Ended September 30 2007
<i>(CAD \$ thousands except per share amounts)</i>				
Accumulated other comprehensive income (loss), beginning of period	\$ (38,274)	\$ (7,008)	\$ (15,888)	\$ 6,177
Other comprehensive income (loss)	<u>11,502</u>	<u>(7,318)</u>	<u>(10,884)</u>	<u>(20,503)</u>
Accumulated other comprehensive loss, end of period	<u>\$ (26,772)</u>	<u>\$ (14,326)</u>	<u>\$ (26,772)</u>	<u>\$ (14,326)</u>

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

Consolidated Interim Statement of Deficit
Nine Months Ended September 30
(Unaudited - Prepared by Management)

	Three Mos. Ended September 30 2008	Three Mos. Ended September 30 2007	Nine Mos. Ended September 30 2008	Nine Mos. Ended September 30 2007
<hr/>				
<i>(CAD \$ thousands except per share amounts)</i>				
Retained earnings (deficit), beginning of period				
As previously reported	\$ (19,273)	\$ (13,289)	\$ 5,494	\$ (3,305)
Change in accounting policy	<u> </u>	<u> </u>	<u> </u>	<u>(4,785)</u>
Retained earnings (deficit), beginning of period as restated	(19,273)	(13,289)	5,494	(8,090)
Net earnings (loss)	4,307	(2,883)	22,850	15,209
Dividend related to DIM Vastgoed N.V. dividend guarantee	(1,186)		(1,186)	
Dividends	<u>(44,903)</u>	<u>(42,293)</u>	<u>(88,213)</u>	<u>(65,584)</u>
Deficit, end of period	<u>\$ (61,055)</u>	<u>\$ (58,465)</u>	<u>\$ (61,055)</u>	<u>\$ (58,465)</u>

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

Homburg Invest Inc.
Consolidated Interim Statement of Cash Flows
Nine Months Ended September 30
(Unaudited - Prepared by Management)

	Three Mos. Ended September 30 2008	Three Mos. Ended September 30 2007	Nine Mos. Ended September 30 2008	Nine Mos. Ended September 30 2007
(CAD \$ thousands except per share amounts)				
Cash obtained from (used in)				
Operating activities				
Net earnings (loss) from continuing operations	\$ 4,307	\$ (2,720)	\$ 22,850	\$ 17,464
Items not affecting cash:				
Gain on sale of assets				(2,177)
Loss (gain) on derivative instrument	5	535	907	(2,298)
Depreciation and amortization	14,722	7,613	44,866	26,349
Amortization of financing fees	922	4,014	7,877	6,384
Amortization of above and below market leases	729	2,489	1,591	2,489
Deferred rental income	(3,470)	(3,474)	(10,114)	(8,723)
Future and capital income taxes	903	(5,006)	(2,397)	616
Stock based compensation	52	5,000	259	5,000
Fair value change in investments	5,034	3,038	12,129	(677)
Accretion in value of discounted liabilities	69		349	
Foreign exchange gain	(6,360)	(3,327)	(5,398)	(15,476)
	<u>16,913</u>	<u>8,162</u>	<u>72,919</u>	<u>28,951</u>
Change in non-cash working capital (Note 14)	<u>(1,882)</u>	<u>(22,071)</u>	<u>(17,646)</u>	<u>(53,390)</u>
Net cash from (used in) operating activities	<u>15,031</u>	<u>(13,909)</u>	<u>55,273</u>	<u>(24,439)</u>
Investing activities				
Investment in investment properties and intangibles	(9,988)	(10,556)	(35,282)	(208,134)
Proceeds on sale of investment properties				1,090
Decrease (increase) in restricted cash	(3,122)	173,832	7,253	(26,496)
Purchase of long term investments	(887)		(4,575)	(96,443)
Investment in development properties	(22,765)	(1,041)	(76,298)	(46,625)
Discontinued operations		8,157		29,980
Net cash from (used in) investing activities	<u>(36,762)</u>	<u>170,392</u>	<u>(108,902)</u>	<u>(346,628)</u>
Financing activities				
Increase (decrease) in demand loans	3,653	(164,918)	(354,056)	3,146
Increase (decrease) in mortgages payable	(13,267)	(19,144)	279,094	(31,107)
Proceeds from bonds	28,712	20,382	119,504	156,806
Increase in deferred financing charges	(1,050)	(1,561)	(10,771)	(16,677)
Decrease in related party receivable				4,366
Issue of common shares (issue costs)		37,842	(51)	74,658
Dividends paid	(114)	(21,501)	(20,853)	(30,523)
Increase in construction financing	4,763	10,105	47,350	14,836
Increase (decrease) in related party payable	498	(15,834)	(6,580)	144
Proceeds from subscription receipts				181,857
Net cash from (used in) financing activities	<u>23,195</u>	<u>(154,629)</u>	<u>53,637</u>	<u>357,506</u>
Increase (decrease) in cash	1,464	1,854	8	(13,561)
Cash, beginning of period	<u>16,471</u>	<u>51,328</u>	<u>17,927</u>	<u>66,743</u>
Cash, end of period	<u>\$ 17,935</u>	<u>\$ 53,182</u>	<u>\$ 17,935</u>	<u>\$ 53,182</u>

Supplemental cash flow information (Note 14)

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

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

1. Significant Accounting Policies

Basis of Presentation

These unaudited consolidated interim financial statements ("financial statements") have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") on a basis consistent with those followed in the most recent audited consolidated financial statements except as noted below. 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 GAAP 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 consolidated interim financial statements under International Financial Reporting Standards.

The preparation of financial statements in conformity with GAAP 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. Change in Accounting Policies

Effective January 1, 2008, the Company adopted the following new accounting standards from the Canadian Institute of Chartered Accountants ("CICA"): Section 1400 "General Standards of Financial Statement Presentation"; Section 1535 "Capital Disclosures"; Section 3031 "Inventories"; Section 3862 "Financial Instruments - Disclosures"; and Section 3863 "Financial Instruments - Presentation". The adoption of these new standards resulted in additional disclosures with regards to financial instruments and objectives, policies and measures for managing capital. The new standards did not have an impact on the valuation or classification of the amounts in the Company's unaudited consolidated interim financial statements.

Section 1400 General Standards of Financial Statement Presentation was amended to include a requirement to assess and disclose uncertainties about the Company's ability to continue as a going concern. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008.

Section 1535 Capital Disclosures requires the Company to disclose its objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, the consequences of any non-compliance. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008. (Note 10)

Section 3031 Inventories requires that inventories be valued at the lower of cost and net realizable value. The Company's inventory consists of construction properties being developed for resale. The Company currently follows the lower of cost and net realizable value for its development properties, resulting in no impact from this new requirement. The new standard also requires reversal of any previous write downs to net realizable value when the net realizable value has increased. The Company has had no write downs of inventories to net realizable value. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008.

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

2. Change in Accounting Policies (cont.)

Sections 3862 Financial Instruments - Disclosure and 3863 Financial Instruments - Presentation replace accounting standard 3861 Financial Instruments - Disclosure and Presentation. The presentation requirements have not changed. Additional disclosure is required relating to the significance of financial instruments on the Company's financial position and performance, including quantitative and qualitative information about the Company's exposure to risks arising from financial instruments and how the Company manages those risks. The new requirements came into effect for the Company's fiscal year beginning January 1, 2008. (Note 9)

Future accounting pronouncements

On January 1, 2009, the Company will adopt new Section 3064 Goodwill and Intangible Assets. The new section establishes standards for recognition, measurement and disclosure and replaces existing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The Company is evaluating the new standard but does not expect any material impact on the consolidated financial statements. In February 2008, the Accounting Standards Board of the CICA confirmed that Canadian GAAP will be converged with International Financial Reporting Standards (IFRS) effective January 1, 2011 for publicly accountable enterprises. Early adoption will be permitted as of January 1, 2009 provided exemptive relief is obtained from securities regulators. The Company currently reports under both Canadian GAAP and IFRS and as such expects to early adopt at the earliest in 2010, subject to approval from securities regulators.

3. 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</u>		<u>Final</u>
	<u>Amounts</u>	<u>Adjustment</u>	<u>Amounts</u>
Assets			
Investment Properties	\$ 501,984	\$ (37,628)	\$ 464,356
Intangible assets	26,910	(3,007)	23,903
Goodwill	33,036	<u>30,420</u>	63,456
		<u>\$ (10,215)</u>	
Liabilities			
Intangible liabilities	\$ 9,337	\$ 6	\$ 9,343
Future income taxes	51,363	<u>(10,221)</u>	41,142
		<u>\$ (10,215)</u>	

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

3. Business and major investment property acquisitions (cont.)

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:

	Provisional <u>Amounts</u>	<u>Adjustment</u>	Final <u>Amounts</u>
Assets			
Investment Properties	\$ 361,407	\$ (11,883)	\$ 349,524
Intangible assets	5,380	18,432	23,812
		<u>\$ 6,549</u>	
Liabilities			
Intangible liabilities	\$ 2,666	\$ 1,231	\$ 3,897
Payables and other liabilities		<u>5,318</u>	5,318
		<u>\$ 6,549</u>	

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.

4. Long term debt

	September 30 <u>2008</u>	December 31 <u>2007</u>
Secured debt		
Mortgages payable (a)	\$ 1,930,346	\$ 1,557,810
Mortgage bonds payable	<u>200,202</u>	<u>200,205</u>
	<u>2,130,548</u>	<u>1,758,015</u>
Unsecured debt		
Corporate non-asset backed bonds (b)	430,814	303,765
Junior subordinated notes	<u>58,267</u>	<u>55,800</u>
	<u>489,081</u>	<u>359,565</u>
	2,619,629	2,117,580
Deferred financing charges, net of accumulated amortization of \$10,077 (December 31, 2007 - \$2,905)	<u>(26,238)</u>	<u>(23,458)</u>
	<u>\$ 2,593,391</u>	<u>\$ 2,094,122</u>

Long term debt has both fixed and variable interest rates. At period end the contractual weighted average interest rate for variable rate long term debt was 5.769% and for fixed rate long term debt was 6.021% (December 31, 2007 - variable - 5.54%, fixed - 6.06%).

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

4. Long term debt (cont.)

Normal principal installments and principal maturities are as follows;

	<u>Normal Principal Installments</u>	<u>Principal Maturities</u>	<u>Bonds and Junior Subordinated Notes</u>	<u>Total</u>	<u>Weighted average interest rate of maturing debt</u>
2008	\$ 8,641	\$ 75,657	\$	\$ 84,298	6.46%
2009	31,500	11,966		43,466	6.79%
2010	32,319	10,910	45,003	88,232	7.49%
2011	36,793	18,919	60,034	115,746	7.19%
2012	38,587	61,010	93,696	193,293	6.72%
Subsequent years	<u> </u>	<u>1,604,044</u>	<u>490,550</u>	<u>2,094,594</u>	5.83%
	<u>\$ 147,840</u>	<u>\$ 1,782,506</u>	<u>\$ 689,283</u>	<u>\$ 2,619,629</u>	

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

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:

		September 30 2008	December 31 2007
USD denominated	USD	\$ <u>92,694</u>	\$ <u>93,720</u>
	CAD	\$ <u>96,235</u>	\$ <u>92,033</u>
EURO denominated	EUR	€ <u>841,881</u>	€ <u>824,265</u>
	CAD	\$ <u>1,262,906</u>	\$ <u>1,192,217</u>

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

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

4. Long term debt (cont.)

b) Corporate non-asset backed bonds

<u>Bond Series</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>	September 30 2008	December 31 2007
HB8	May 31, 2013	7.00%	EUR €50,010	\$ 75,020	\$ 72,334
HB9	October 31, 2013	7.00%	EUR €60,000	90,006	86,784
HB10	February 15, 2014	7.25%	EUR €100,005	150,018	144,647
HB11	January 15, 2015	7.25%	EUR €77,175	115,770	
				<u>\$ 430,814</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 September 30, 2008, the series HB11 bonds are still being issued to a maximum face value of EUR €100,005.

5. Accounts payable and other liabilities

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 2009. The lender has approved this extension to the previously scheduled repayment, with the refinancing of the property now extended to March 2009.

The Company has available credit facilities of \$76,295 of which \$60,944 (December 31, 2007 - \$2,049) is being utilized at September 30, 2008. 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 Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

6. Shareholders' equity

	September 30 2008	December 31 2007
Retained earnings (deficit)	\$ (61,055)	\$ 5,494
Accumulated other comprehensive loss (a)	<u>(26,772)</u>	<u>(15,888)</u>
	(87,827)	(10,394)
Share capital (b)	700,574	633,265
Other paid in capital	11,489	11,489
Contributed surplus	<u>5,904</u>	<u>5,645</u>
	<u>\$ 630,140</u>	<u>\$ 640,005</u>

a) Accumulated other comprehensive loss

Accumulated other comprehensive loss represents the unrecognized exchange adjustment on the net assets of the Company's subsidiaries that operate in the United States of America, Germany, The Netherlands, and the Baltics. The change for the period reflects the impact of currency movements during the period on these net assets offset by in-place effective hedges. During the six months ended June 30, 2008, the Company completed an analysis of future income tax considerations in connection with certain self-sustaining foreign operations that generate Foreign Accrual Property Income taxable in Canada. The Company determined that the substantial foreign exchange gains that arose on the real estate investments within these self-sustaining foreign operations during the three months ended March 31, 2008 which were charged to other comprehensive income gave rise to taxable temporary differences and require the recognition of future income tax liabilities. The Company also determined that the substantial unrealized foreign exchange losses that arose on debt within these self-sustaining foreign operations during the three months ended March 31, 2008 which were also charged to other comprehensive income also gave rise to temporary differences but the Company's ability to utilize the associated future tax benefits was not considered more likely than not. As a result, a full valuation allowance had been established on the future tax benefits of unrealized foreign exchange losses on debt related to these self-sustaining foreign operations. Based on further analysis in the three months ending September 30, 2008, the Company has determined that the future tax benefits arising on the unrealized foreign exchange losses on the debt are more likely than not to be realized. As a result, the valuation allowance established in the prior three month period has been reversed and a future tax benefit of \$2.9 million has been charged to other comprehensive income in the current period. As a result of foreign exchange gains and losses charged to other comprehensive income and the change in valuation allowance described above during the three months ended September 30, 2008, a reduction of the future tax liability and recovery in other comprehensive income of \$22.6 million has been recognized during the three months ended September 30, 2008.

The following are rates of exchange in effect:

	\$	\$1.00 USD	\$	€1.00 EUR
September 30, 2008	\$	1.04	\$	1.50
December 31, 2007	\$	0.98	\$	1.45
Average rate for nine months 2008	\$	1.02	\$	1.55
Average rate for nine months 2007	\$	1.11	\$	1.49

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

6. Shareholders' equity (cont.)

b) Share capital

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	95,183	30,897	\$ 311,160
Exercise of options	1,536	618	4,344
Acquisition of properties	5,012		30,051
Private, public and other share issues	52,801		259,763
Issue costs, net of income taxes			(7,127)
Dividend reinvestment plan	<u>6,791</u>	<u> </u>	<u>35,074</u>
Issued and outstanding at December 31, 2007	161,323	31,515	633,265
Dividend reinvestment plan	7,089		22,572
Issue costs, net of income taxes			(51)
Shares issued for stock dividend			<u>44,788</u>
Issued and outstanding at September 30, 2008	<u><u>168,412</u></u>	<u><u>31,515</u></u>	<u><u>\$ 700,574</u></u>

During the period ended September 30, 2008, the Company declared a dividend of \$0.24 per share on all issued and outstanding shares. The dividend was paid "in-kind" by issuing Class A Subordinate Voting Shares at a fair value price of \$3.49 per share. The fair value was determined based on the weighted average trading price of the Class A Shares for a five day trading period prior to the date of the dividend declaration. After giving effect to the cash payment of non-resident withholding taxes and fractional shares, 0.068593 Class A Shares were issued for each outstanding Class A and Class B Multiple Voting Share.

All current and comparative reported share and per share amounts have been retrospectively adjusted to reflect the dilutive effect of the "in-kind" dividend.

c) 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 September 30, 2008 there were no Class B Multiple Voting Share Options granted and there were 9,296,815 Class A Subordinate Voting Share Options granted and unexercised (8,428,262 fully vested and exercisable).

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

6. 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 section 3870 of the CICA Handbook concerning Stock Based Compensation and Other Payments wherein the 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 September 30, 2008 and December 31, 2007 and changes during the periods ending on those dates is presented below.

	<u>September 30</u>		<u>December 31</u>	
	<u>2008</u>		<u>2007</u>	
	<u>Shares</u>	<u>Weighted-Average</u>	<u>Shares</u>	<u>Weighted-Average</u>
	<u>(000's)</u>	<u>Exercise Price</u>	<u>(000's)</u>	<u>Exercise Price</u>
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	(10)	\$ 2.85	(8)	\$ 2.85
Outstanding at end of period	<u>9,297</u>	\$ 5.25	<u>7,954</u>	\$ 5.50
Number of Shares				
Under Option				
(000's)				
494	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>9,297</u>				

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

7. 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 September 30, 2007.

Income Statement	
Property revenue	\$ 12,447
Property operating expenses	<u>6,075</u>
	6,372
Interest	<u>9,635</u>
Net loss from discontinued operations before income taxes	(3,263)
Income taxes (recovery)	<u>(1,008)</u>
Net loss from discontinued operations	<u><u>\$ (2,255)</u></u>
Balance Sheet	
Income tax payable	<u><u>\$ 28,903</u></u>

8. 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 rates for various foreign jurisdictions to earnings before income taxes. These differences result from the following items:

	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007
Earnings from continuing operations before income taxes	<u>\$ 24,075</u>	<u>\$ 22,545</u>
Combined income tax rate	<u>32.00 %</u>	<u>33.00 %</u>
Income taxes	\$ 7,704	\$ 7,440
Increase (decrease) in income taxes resulting from:		
Non-taxable portion of capital gains and market value increase	(6,818)	(3,132)
Provincial capital tax (net of income tax recovery)	820	299
Canadian tax (recovery) on foreign income	(652)	628
Effective rate change on temporary differences	(317)	(229)
Non-deductible expense	269	1,650
Foreign income taxed at different rates		(1,575)
Corporate rate differential in respect of subsidiaries	<u>219</u>	
	<u><u>\$ 1,225</u></u>	<u><u>\$ 5,081</u></u>

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

9. 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 \$1,871,812 (December 31, 2007 - \$1,535,906). The total fair value of all bonds is \$620,164 (December 31, 2007 - \$500,424). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations. The currency guarantee receivable (payable) of \$(1,471) is carried at fair value and is included in mortgage bonds payable. The junior subordinated notes have a fair value of \$54,351 (December 31, 2007 - \$58,588). The Company has one long term investment carried at its cost of \$8,533 (December 31, 2007 - \$4,071) as it is an available for sale investment with no active market price; 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.

The Company's short-term financial instruments, comprising amounts receivable, cash, accounts payable and accrued liabilities, demand and short term 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 and liquidity risks

As a result of the current global capital market condition, lenders have tightened their lending standards, and may continue to do so. The effect of this could be that the Company may have more difficulty obtaining the same level of financing and/or similar terms of financing on renewals and on new debt. The Company's financial condition and results of operations could be adversely affected if it were not able to obtain financing, or obtain appropriate terms for its financing.

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 \$2,288,075 in fixed rate debt and \$533,562 in floating rate debt before deferred financing charges. 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 September 30, 2008 the impact on the statement of earnings is a loss of \$907. During the period the interest rate swap was settled.

Homburg Invest Inc.

Notes to Canadian GAAP Consolidated Interim Financial Statements

(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

9. Financial instruments and risk management (cont.)

The Company discloses its annual debt repayment information related to long term debt in Note 4, as well as the weighted average rate of the maturing debt. In addition to these long term amounts, the Company has \$202,009 in demand and 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 8.5 years and 20.00% 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 annualized after tax change of \$3,642 in the Company's earnings 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 is supported by security letters of credit issued by the purchaser.

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 September 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 September 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.

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

9. Financial instruments and risk management (cont.)

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 annualized earnings after income taxes of \$655.

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 annualized earnings after income taxes of \$355.

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.

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 the financial stability of the tenant and obtaining security or guarantees where appropriate; and seeking geographic and industry diversity 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.

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

10. Capital management

The Company reports its financial results under both Canadian Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

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 an IFRS 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:

		Canadian GAAP	IFRS
Debt-to-equity ratio	September 30, 2008	4.48:1	3.18:1
	December 31, 2007	4.11:1	2.97:1
Interest expense coverage ratio	September 30, 2008	1.67:1	1.62:1
	September 30, 2007	1.62:1	1.62:1
Annualized dividend as percentage of net earnings per basic share of previously completed fiscal year	September 30, 2008	89.80%	51.16%
	September 30, 2007	185.71%	45.35%

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

10. Capital Management (cont.)

Debt calculated as:

	September 30, 2008	December 31, 2007
Long term debt	\$ 2,593,391	\$ 2,094,122
Construction financing	113,743	66,393
Long term payables	22,323	24,178
Due to DIM shareholders	5,027	4,424
Demand loans	<u>88,265</u>	<u>441,113</u>
	<u>\$ 2,822,749</u>	<u>\$ 2,630,230</u>

Shareholders' Equity

Canadian GAAP	<u>\$ 630,140</u>	<u>\$ 640,005</u>
IFRS	<u>\$ 887,528</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.

	<u>Nine Months Ended September 30, 2008</u>		Nine Months Ended September 30, 2007	
	Canadian GAAP	IFRS	Canadian GAAP	IFRS
Interest on long term debt	\$ 113,380	\$ 113,380	\$ 78,632	\$ 78,632
Interest and financing costs	<u>10,180</u>	<u>10,180</u>	<u>7,777</u>	<u>7,777</u>
	<u>\$ 123,560</u>	<u>\$ 123,560</u>	<u>\$ 86,409</u>	<u>\$ 86,409</u>
Total revenue	\$ 415,900	\$ 409,601	\$ 208,031	\$ 249,619
Gain on fair value of investments			(677)	
Unrealized valuation gains				(40,903)
Property operating expenses	(60,603)	(60,603)	(28,402)	(29,632)
Cost of sales of properties	(132,363)	(132,052)	(31,471)	(31,471)
General and administrative	<u>(17,138)</u>	<u>(17,138)</u>	<u>(7,855)</u>	<u>(7,855)</u>
	<u>\$ 205,796</u>	<u>\$ 199,808</u>	<u>\$ 139,626</u>	<u>\$ 139,758</u>

There was no change in the Company's approach to capital management during the period. The Company believes that the measurement of capital management is best accomplished using IFRS financial results, which reflect the primary operating assets at their fair value.

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 within the objective range.

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

11. Related party transactions

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

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

	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007
Rental revenue earned	\$ <u>(994)</u>	\$ <u>(270)</u>
Asset and construction management fees incurred	\$ <u>14,618</u>	\$ <u>9,553</u>
Property management fees incurred	\$ <u>2,882</u>	\$ <u>1,287</u>
Insurance incurred	\$ <u>1,178</u>	\$ <u>514</u>
Service fees incurred	\$ <u>690</u>	\$ <u>504</u>
Property acquisition/disposal fees incurred	\$ <u>2,153</u>	\$ <u>31,487</u>
Mortgage bond guarantee fees incurred	\$ <u>2,703</u>	\$ <u>2,776</u>
Share and subscription receipts issue costs incurred	\$ <u>NIL</u>	\$ <u>950</u>
Bond and other debt issue costs incurred	\$ <u>4,907</u>	\$ <u>6,530</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 have no set terms of repayment.

	September 30 2008	December 31 2007
Mortgage bond guarantee fees	\$ <u>2,703</u>	\$ <u>2,110</u>
Management fees	\$ <u>1,287</u>	\$ <u>97</u>

- c) Professional services of approximately \$142 (September 30, 2007 - \$152) were purchased from a corporation of which one of the Company's directors is affiliated.
- d) Also included in accounts payable is \$5,963 (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.
- f) On September 30, 2008 the Company acquired an investment property from a company commonly controlled by the Chairman and Chief Executive Officer for \$2,900.
-

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

12. Earnings per share

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

	Three Mos. Ended September 30 <u>2008</u> (000's)	Three Mos. Ended September 30 <u>2007</u> (000's)	Nine Mos. Ended September 30 <u>2008</u> (000's)	Nine Mos. Ended September 30 <u>2007</u> (000's)
Basic				
Class A Subordinate Voting	168,412	151,046	166,084	121,032
Class B Multiple Voting	<u>31,515</u>	<u>31,515</u>	<u>31,515</u>	<u>31,472</u>
	<u>199,927</u>	<u>182,561</u>	<u>197,599</u>	<u>152,504</u>
Diluted				
Class A Subordinate Voting	173,225	160,422	170,956	128,303
Class B Multiple Voting	<u>31,515</u>	<u>31,515</u>	<u>31,515</u>	<u>31,503</u>
	<u>204,740</u>	<u>191,937</u>	<u>202,471</u>	<u>159,806</u>
The dilution consists of:				
Class A				
Exercise of options	56	249	115	351
Conversion of long term payable		42		183
DIM payable/Other paid in capital	4,757	5,544	4,757	5,544
Conversion of Subscription Receipts		<u>3,541</u>		<u>1,193</u>
	<u>4,813</u>	<u>9,376</u>	<u>4,872</u>	<u>7,271</u>
Class B				
Exercise of options				<u>31</u>

The weighted average number of shares have been retrospectively adjusted to reflect the impact of the "in-kind" dividend as described in Note 6.

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 June 27, 2008 with an exercise price of \$3.76 and the stock options issued July 16, 2007 with an exercise price of \$5.68, are anti-dilutive for all reported periods and have been excluded from the calculation of diluted earnings per share.

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

13. Commitments

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

2008	\$	628
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	\$	23
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 11a).
- e) The Company has 5 construction projects underway to which it has signed commitments of \$47,412.
-

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

14. Supplemental cash flow information

	Three Mos. Ended September 30 <u>2008</u>	Three Mos. Ended September 30 <u>2007</u>	Nine Mos. Ended September 30 <u>2008</u>	Nine Mos. Ended September 30 <u>2007</u>
Change in non-cash working capital				
Receivables and other	\$ (9,272)	\$ 6,518	\$ (16,566)	\$ 19,716
Construction properties	(23,549)	(36,919)	(97,028)	(85,275)
Accounts payable and other liabilities	9,572	8,486	30,047	12,990
Deferred leasing costs	(856)	(156)	(1,306)	(821)
Proceeds in excess of earnings on development properties	<u>22,223</u>	<u>67,207</u>	<u>67,207</u>	<u>67,207</u>
	<u>\$ (1,882)</u>	<u>\$ (22,071)</u>	<u>\$ (17,646)</u>	<u>\$ (53,390)</u>
Interest paid	<u>\$ 30,772</u>	<u>\$ 46,431</u>	<u>\$ 117,524</u>	<u>\$ 86,161</u>
Capital and income taxes paid	<u>\$ 3,707</u>	<u>\$ (2,195)</u>	<u>\$ 8,712</u>	<u>\$ (908)</u>

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

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 1 - Accounting Policies. The Company primarily evaluates operating performance based on net operating income. As such, interest, depreciation and amortization, and general and administrative expenses have not been allocated to the segments. All key decisions pertaining to these items are managed centrally. The following provides a summary of key information of the Company's residential and commercial operating segments.

Nine Months Ended September 30, 2008

	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 66,804	\$ 30,257	\$ 121,904	\$ 8,016	\$ 226,981
Operating expenses	<u>26,257</u>	<u>2,493</u>	<u>27,648</u>	<u>4,205</u>	<u>60,603</u>
	<u>\$ 40,547</u>	<u>\$ 27,764</u>	<u>\$ 94,256</u>	<u>\$ 3,811</u>	<u>\$ 166,378</u>

Nine Months Ended September 30, 2007

	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 36,187	\$ 24,013	\$ 81,871	\$ 6,022	\$ 148,093
Operating expenses	<u>13,098</u>	<u>874</u>	<u>11,892</u>	<u>2,538</u>	<u>28,402</u>
	<u>\$ 23,089</u>	<u>\$ 23,139</u>	<u>\$ 69,979</u>	<u>\$ 3,484</u>	<u>\$ 119,691</u>

September 30, 2008

	Retail	Industrial	Office	Residential	Total
Investment properties	\$ <u>731,845</u>	\$ <u>444,553</u>	\$ <u>1,720,839</u>	\$ <u>84,257</u>	\$ <u>2,981,494</u>
Mortgages payable	\$ <u>253,067</u>	\$ <u>364,166</u>	\$ <u>1,238,425</u>	\$ <u>74,688</u>	\$ <u>1,930,346</u>
Mortgage bonds payable	\$ <u>45,003</u>	\$ <u>23,327</u>	\$ <u>6,690</u>	\$ <u>—</u>	\$ <u>75,020</u>

December 31, 2007

	Retail	Industrial	Office	Residential	Total
Investment properties	\$ <u>764,447</u>	\$ <u>447,477</u>	\$ <u>1,649,862</u>	\$ <u>78,174</u>	\$ <u>2,939,960</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>

At September 30, 2008 Mortgage bonds payable total \$198,731, exclusive of the currency guarantee payable of \$1,471. Of this amount \$123,711 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining \$75,020 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.

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

15. Segmented information (cont.)

Nine Months Ended September 30, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Property revenue	\$ 59,891	\$ 32,003	\$ 14,058	\$ 108,826	\$ 12,203	\$ 226,981
Operating expenses	950	3,569	3,748	48,979	3,357	60,603
	<u>\$ 58,941</u>	<u>\$ 28,434</u>	<u>\$ 10,310</u>	<u>\$ 59,847</u>	<u>\$ 8,846</u>	<u>\$ 166,378</u>

Nine Months Ended September 30, 2007

	Germany	Netherlands	The Baltics	Canada	US	Total
Property revenue	\$ 57,311	\$ 28,216	\$	\$ 59,533	\$ 3,033	\$ 148,093
Operating expenses	1,128	1,824		24,020	1,430	28,402
	<u>\$ 56,183</u>	<u>\$ 26,392</u>	<u>\$</u>	<u>\$ 35,513</u>	<u>\$ 1,603</u>	<u>\$ 119,691</u>

September 30, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment properties	\$ 941,271	\$ 526,160	\$ 251,779	\$ 1,101,077	\$ 161,207	\$ 2,981,494
Mortgages payable	\$ 669,362	\$ 383,468	\$ 199,124	\$ 582,157	\$ 96,235	\$ 1,930,346
Mortgage bonds payable	\$ 30,015	\$	\$	\$ 168,716	\$	\$ 198,731

December 31, 2007

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment properties	\$ 917,061	\$ 512,622	\$ 207,973	\$ 1,149,355	\$ 152,949	\$ 2,939,960
Mortgages payable	\$ 649,862	\$ 376,925	\$ 154,709	\$ 284,281	\$ 92,033	\$ 1,557,810
Mortgage bonds payable	\$ 28,942	\$	\$	\$ 162,678	\$	\$ 191,620

At September 30, 2008, the Germany/The Baltics segment included one (September 30 - 2007 - one) tenant that individually represented greater than 10% of total property revenue. This tenant individually represented 17% (September 30, 2007 - 26%) of total property revenue for the period.

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
(Unaudited - Prepared by Management)

September 30, 2008

(CAD \$ thousands except per share amounts)

16. 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 certain properties by the subsidiaries. The potential liability would be EUR €7,831 (\$11,747) 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.

17. Subsequent events

a) The Company is continuing the issuance of Series HB11 for a maximum value of EUR €100,005 (\$150,017) 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 acquired two office buildings in The Netherlands for EUR €25,073 (\$37,612) . The acquisition was financed with debt of EUR €25,000 (\$37,502) and the remainder in cash.

c) The Company has received regulatory approval to launch a normal course issuer bid ("NCIB"). The NCIB allows the Company to acquire, through the facilities of the Toronto Stock Exchange at market price, up to 10,510,000 Class A Subordinate Voting Shares ("Class A Shares") and up to 1,575,000 Class B Multiple Voting Shares ("Class B Shares") beginning October 17, 2008 and ending October 16, 2009. The NCIB entitles the Company to acquire up to 47,538 Class A Shares and up to 868 Class B Shares on any given trading day. Any shares acquired by the Company under the NCIB will be cancelled.

d) The Company has refinanced a maturing mortgage on an investment property. The maturing mortgage, which had a principal balance of EUR €28,037 (\$42,058) is included in 2008 principal maturities and had a weighted average interest rate of 6.36%, has been refinanced with EUR €28,200 (\$42,303) of debt with an effective interest rate of 5.40% for a period of 3 years and a term of 5 years.

e) The Company has completed the due diligence process related to a proposed joint venture acquisition of 32 properties in the United States. Based on the due diligence and the current world capital market, the Company has decided not to proceed with the acquisition.

18. Comparative figures

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