

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

September 30, 2008

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

(CAD \$ thousands except per share amounts)

September 30  
2008

December 31  
2007

**Assets**

Cash	\$ 17,935	\$ 17,927
Receivables and other	104,254	30,690
Long term investments	34,855	39,562
Restricted cash	20,451	27,704
Development properties	401,626	352,118
Investment properties	3,430,251	3,341,304
Goodwill	48,595	10,853
Derivative instrument asset		221
	<u>\$ 4,057,967</u>	<u>\$ 3,820,379</u>

**Liabilities**

Accounts payable and other liabilities (Note 4)	\$ 274,758	\$ 596,231
Construction financing	113,743	66,393
Long term debt (Note 3)	2,593,391	2,094,122
Deferred income taxes (Note 7)	159,644	148,459
Liabilities of discontinued operations (Note 6)	<u>28,903</u>	<u>28,903</u>
	<u>3,170,439</u>	<u>2,934,108</u>

**Shareholders' equity (Note 5)**

	<u>887,528</u>	<u>886,271</u>
	<u>\$ 4,057,967</u>	<u>\$ 3,820,379</u>

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

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 International Financial Reporting Standards. Unaudited consolidated interim financial statements prepared under Canadian GAAP 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	\$ 76,469	\$ 55,621	\$ 228,572	\$ 150,582
Sale of properties developed for resale	39,917	7,875	170,826	35,006
Foreign exchange gain	6,360	2,530	5,398	15,755
Dividend income and distributions	24		2,964	1,996
Other income	1,075	2,310	1,841	2,029
Unrealized valuation changes		15,810		40,903
Gain on derivative instrument				2,298
Realized valuation changes				1,050
	<u>123,845</u>	<u>84,146</u>	<u>409,601</u>	<u>249,619</u>
Cost of sale of properties developed for resale	31,236	7,420	132,052	31,471
Interest on long term debt	38,563	30,993	113,380	78,632
Property operating expenses	20,712	13,467	60,603	29,632
Unrealized valuation changes	25,403		29,414	
General and administrative	5,234	3,118	17,138	7,855
Loss on fair value of investments	5,034		12,131	
Interest and financing costs	1,559	618	10,180	7,777
Loss on derivative instrument	5	535	907	
Stock based compensation (Note 5a)	52	5,000	259	5,000
	<u>127,798</u>	<u>61,151</u>	<u>376,064</u>	<u>160,367</u>
Earnings (loss) before income taxes	<u>(3,953)</u>	<u>22,995</u>	<u>33,537</u>	<u>89,252</u>
Current income and capital taxes	3,461	1,679	5,262	4,764
Deferred income taxes	1,737	2,720	2,863	15,222
Total income taxes (Note 7)	<u>5,198</u>	<u>4,399</u>	<u>8,125</u>	<u>19,986</u>
Net earnings (loss) from continuing operations	(9,151)	18,596	25,412	69,266
Net loss from discontinued operations (Note 6)		(163)		(2,255)
Net earnings (loss)	<u>\$ (9,151)</u>	<u>\$ 18,433</u>	<u>\$ 25,412</u>	<u>\$ 67,011</u>

**Earnings per share (Note 11)**

**Per Class A Subordinate Voting Share and Class B Multiple Voting Share**

Basic

Net earnings (loss) from continuing operations	<u>\$ (0.05)</u>	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.45</u>
Net loss from discontinued operations	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (0.01)</u>
Net earnings (loss)	<u>\$ (0.05)</u>	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.44</u>

Diluted

Net earnings (loss) from continuing operations	<u>\$ (0.04)</u>	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.43</u>
Net loss from discontinued operations	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (0.01)</u>
Net earnings (loss)	<u>\$ (0.04)</u>	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.42</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**  
**Nine Months Ended September 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 (\$0.39 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						25,412	25,412
Dividend related to DIM Vastgoed N.V. dividend guarantee						(1,186)	(1,186)
Dividends (\$0.46 per share)						(88,213)	(88,213)
Dividend reinvestment plan			22,572				22,572
Issue costs			(51)				(51)
Shares issued for stock dividend			44,788				44,788
Foreign currency reserve for self sustained operations					(2,324)		(2,324)
Issue of stock options				259			259
<b>Balance September 30, 2008</b>	<b>\$ 11,489</b>	<b>\$ 33,547</b>	<b>\$ 700,574</b>	<b>\$ 5,904</b>	<b>\$ (20,884)</b>	<b>\$ 156,898</b>	<b>\$ 887,528</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**  
**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
<b>Operating activities</b>				
Net earnings (loss) from continuing operations	\$ (9,151)	\$ 18,596	\$ 25,412	\$ 69,266
Adjustments for:				
Realized valuation changes				(1,050)
Deferred rental income	(1,048)	(3,474)	(7,692)	(8,723)
Unrealized valuation changes	25,403	(15,810)	29,414	(40,903)
Deferred and capital income taxes	2,909	2,829	4,503	15,521
Stock based compensation	52	5,000	259	5,000
Amortization of financing fees	922	4,954	7,877	6,384
Fair value change in investments	5,034		12,131	
Accretion in value of discounted liabilities	69		349	
Loss (gain) on derivative instrument	5	535	907	(2,298)
Foreign exchange gain	(6,360)	(3,327)	(5,398)	(15,476)
	<u>17,835</u>	<u>9,303</u>	<u>67,762</u>	<u>27,721</u>
Change in non-cash working capital (Note 15)	<u>(1,130)</u>	<u>(21,915)</u>	<u>(10,365)</u>	<u>(52,569)</u>
Net cash from (used in) operating activities	<u>16,705</u>	<u>(12,612)</u>	<u>57,397</u>	<u>(24,848)</u>
<b>Investing activities</b>				
Investment in investment properties	(11,662)	(11,853)	(37,406)	(207,725)
Proceeds on sale of investment properties				1,090
Decrease (increase) in restricted cash	(3,122)	173,832	7,253	(26,496)
Investment in development properties	(22,765)	(1,041)	(76,298)	(46,625)
Purchase of long term investments	(887)		(4,575)	(96,443)
Discontinued operations		8,157		29,980
Net cash from (used in) investing activities	<u>(38,436)</u>	<u>169,095</u>	<u>(111,026)</u>	<u>(346,219)</u>
<b>Financing activities</b>				
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
Decrease in related party receivable				4,366
Increase in deferred financing charges	(1,050)	(1,561)	(10,771)	(16,677)
Issue of common shares (issue costs)		37,842	(51)	74,658
Dividends paid	(114)	(21,501)	(20,853)	(30,523)
Increase (decrease) in related party payable	498	(15,834)	(6,580)	144
Increase in construction financing	4,763	10,105	47,350	14,836
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 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)

September 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)  
September 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

	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%).

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	\$ 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.

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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)

September 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>September 30</b>	December 31
		<b><u>2008</u></b>	<u>2007</u>
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.

##### b) Corporate non-asset backed bonds

<u>Bond Series</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>	<b>September 30</b>	December 31
				<b><u>2008</u></b>	<u>2007</u>
HB8	May 31, 2013	7.00%	EUR €50,010	\$ <b>75,020</b>	\$ 72,334
HB9	October 31, 2013	7.00%	EUR €60,000	<b>90,006</b>	86,784
HB10	February 15, 2014	7.25%	EUR €100,005	<b>150,018</b>	144,647
HB11	January 15, 2015	7.25%	EUR €77,175	<u><b>115,770</b></u>	<u>          </u>
				<u><b>\$ 430,814</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 September 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)

September 30, 2008

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#### 4. 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.

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#### 5. Shareholders' equity

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

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>	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>
<b>Issued and outstanding at December 31, 2007</b>	161,323	31,515	633,265
Dividend reinvestment plan	7,089		22,572
Shares issued for stock dividend			44,788
Issue costs, net of income taxes			(51)
<b>Issued and outstanding at September 30, 2008</b>	<u><b>168,412</b></u>	<u><b>31,515</b></u>	<u><b>\$ 700,574</b></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)  
September 30, 2008

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

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.

#### **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 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).

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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)

September 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 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.

	September 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	(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)	Date of Grant	Expiration Date	Exercise Price
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>			

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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)

September 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 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>
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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)

September 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:

	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007
Earnings from continuing operations before income taxes	\$ <u>33,537</u>	\$ <u>89,252</u>
Combined income tax rate	<u>32.00</u> %	<u>33.00</u> %
Income taxes	\$ 10,732	\$ 29,453
Increase (decrease) in income taxes resulting from:		
Provincial capital tax (net of income tax recovery)	820	299
Canadian tax (recovery) on foreign income	(4,188)	628
Corporate rate differential in respect of subsidiaries	3,755	(1,575)
Non-taxable portion of capital gains and market value increase	(3,482)	(309)
Non-deductible expense	269	1,650
Permanent adjustment on unrealized and realized valuation changes	712	(7,819)
Effective rate changes on temporary differences	(493)	
Other		(2,341)
	<u>\$ 8,125</u>	<u>\$ 19,986</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 \$1,871,812 (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.

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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)

September 30, 2008

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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 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.

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 \$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.

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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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#### 8. Financial instruments and risk management (cont.)

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.

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 \$791.

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 \$496.

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)

(CAD \$ thousands except per share amounts)

September 30, 2008

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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 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.

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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>September 30, 2008</b> December 31, 2007	<b>3.18:1</b> 2.97:1
Interest expense coverage ratio	<b>September 30, 2008</b> September 30, 2007	<b>1.62:1</b> 1.62:1
Annualized dividend as percentage of net earnings per basic share of previously completed fiscal year	<b>September 30, 2008</b> September 30, 2007	<b>51.16%</b> 45.35%

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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:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
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	88,265	441,113
	<u>\$ 2,822,749</u>	<u>\$ 2,630,230</u>
Shareholders' Equity	<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>	<u>Nine Months Ended September 30, 2007</u>
Interest on long term debt	\$ 113,380	\$ 78,632
Interest and financing costs	10,180	7,777
	<u>\$ 123,560</u>	<u>\$ 86,409</u>
Total revenue	\$ 409,601	\$ 249,619
Unrealized valuation changes		(40,903)
Property operating expenses	(60,603)	(29,632)
Cost of sales of properties	(132,052)	(31,471)
General and administrative	(17,138)	(7,855)
	<u>\$ 199,808</u>	<u>\$ 139,758</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 within the objective range.

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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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#### 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>Nine Months Ended September 30 2008</b>	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>314,887</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 has no set terms of repayment.

	<b>September 30 2008</b>	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.
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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)

September 30, 2008

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

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 periods reported 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)

(CAD \$ thousands except per share amounts)

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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	\$	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 10a).

e) The Company has 5 construction projects underway to which it has signed commitments of \$47,412.

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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 (\$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.

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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 (\$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.

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#### 15. Supplemental cash flow information

	Three Mos. Ended September 30 2008	Three Mos. Ended September 30 2007	Nine Mos. Ended September 30 2008	Nine Mos. Ended September 30 2007
Change in non-cash working capital				
Receivables and other	\$ (4,316)	\$ 6,518	\$ (16,566)	\$ 19,716
Construction properties	(23,549)	(36,919)	(97,028)	(85,275)
Accounts payable and other liabilities	3,012	8,486	23,487	12,990
Proceeds in excess of earnings on development properties	23,723		79,742	
	<u>\$ (1,130)</u>	<u>\$ (21,915)</u>	<u>\$ (10,365)</u>	<u>\$ (52,569)</u>
Interest paid	<u>\$ 30,772</u>	<u>\$ 46,431</u>	<u>\$ 117,524</u>	<u>\$ 86,161</u>
Capital and income taxes paid (refunded)	<u>\$ 3,707</u>	<u>\$ (2,195)</u>	<u>\$ 8,712</u>	<u>\$ (908)</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:

#### Nine Months Ended September 30, 2008

	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 66,844	\$ 30,717	\$ 123,045	\$ 7,966	\$ 228,572
Operating expenses	<u>26,257</u>	<u>2,493</u>	<u>27,648</u>	<u>4,205</u>	<u>60,603</u>
	<u>\$ 40,587</u>	<u>\$ 28,224</u>	<u>\$ 95,397</u>	<u>\$ 3,761</u>	<u>\$ 167,969</u>

#### Nine Months Ended September 30, 2007

	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 36,378	\$ 24,768	\$ 83,398	\$ 6,038	\$ 150,582
Operating expenses	<u>13,825</u>	<u>874</u>	<u>12,260</u>	<u>2,673</u>	<u>29,632</u>
	<u>\$ 22,553</u>	<u>\$ 23,894</u>	<u>\$ 71,138</u>	<u>\$ 3,365</u>	<u>\$ 120,950</u>

	Retail	Industrial	Office	Residential	Total
September 30, 2008					
Investment property	<u>\$ 915,867</u>	<u>\$ 537,859</u>	<u>\$ 1,887,974</u>	<u>\$ 88,551</u>	<u>\$ 3,430,251</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>

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

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.

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## Homburg Invest Inc.

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

##### Nine Months Ended September 30, 2008

	Germany	Netherlands	The Baltic	Canada	US	Total
Property revenue	\$ 60,964	\$ 33,421	\$ 14,261	\$ 107,724	\$ 12,202	\$ 228,572
Operating expenses	<u>950</u>	<u>3,569</u>	<u>3,748</u>	<u>48,979</u>	<u>3,357</u>	<u>60,603</u>
	<u>\$ 60,014</u>	<u>\$ 29,852</u>	<u>\$ 10,513</u>	<u>\$ 58,745</u>	<u>\$ 8,845</u>	<u>\$ 167,969</u>

##### Nine Months Ended September 30, 2007

	Germany	Netherlands	The Baltics	Canada	US	Total
Property revenue	\$ 58,739	\$ 29,102	\$	\$ 59,708	\$ 3,033	\$ 150,582
Operating expenses	<u>1,128</u>	<u>1,824</u>	<u></u>	<u>25,250</u>	<u>1,430</u>	<u>29,632</u>
	<u>\$ 57,611</u>	<u>\$ 27,278</u>	<u>\$</u>	<u>\$ 34,458</u>	<u>\$ 1,603</u>	<u>\$ 120,950</u>

##### September 30, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment property	\$ <u>1,114,221</u>	\$ <u>595,985</u>	\$ <u>275,691</u>	\$ <u>1,275,999</u>	\$ <u>168,355</u>	\$ <u>3,430,251</u>
Mortgages payable	\$ <u>669,362</u>	\$ <u>383,468</u>	\$ <u>199,124</u>	\$ <u>582,157</u>	\$ <u>96,235</u>	\$ <u>1,930,346</u>
Mortgage bonds payable	\$ <u>30,015</u>	\$	\$	\$ <u>168,716</u>	\$	\$ <u>198,731</u>

##### December 31, 2007

	Germany	Netherlands	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>649,862</u>	\$ <u>376,925</u>	\$ <u>154,709</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 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.

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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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September 30, 2008

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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 will adopt this amendment on the effective date.

##### **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.**

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

(CAD \$ thousands except per share amounts)

September 30, 2008

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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 of 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, earlier adoption is permitted. The Company has adopted IFRS effective January 1, 2008.

##### **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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