

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

June 30, 2009

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

(CAD \$ thousands except per share amounts)

	June 30	December 31
	2009	2008

Assets

Investment properties	\$ 3,168,345	\$ 3,310,317
Development properties	387,745	360,562
Long term investments (Note 4)	32,323	40,086
Intangible assets	95,026	110,067
Restricted cash	21,401	25,969
Cash	6,338	16,359
Receivables and other (Note 3)	153,287	138,397
Currency guarantee receivable (Note 11)	<u>14,946</u>	<u>28,165</u>
	<u>\$ 3,879,411</u>	<u>\$ 4,029,922</u>

Liabilities

Long term debt (Note 6)	\$ 2,815,980	\$ 2,952,124
Accounts payable and other liabilities (Note 5)	246,705	268,796
Construction financing	111,639	102,433
Future income taxes (Note 7)	98,603	129,097
Intangible liabilities	13,762	15,429
Liabilities of discontinued operations	28,903	28,903
Derivative instrument liability (Note 11)	<u>23,162</u>	<u>19,427</u>
	<u>3,338,754</u>	<u>3,516,209</u>

Shareholders' equity (Note 8)

	<u>540,657</u>	<u>513,713</u>
	<u>\$ 3,879,411</u>	<u>\$ 4,029,922</u>

Commitments (Note 13)
Contingent liabilities (Note 14)
Subsequent events (Note 16)

Approved by the Board, August 7, 2009

"Signed"

Richard Homburg, Phzn., D. Comm.
Director

"Signed"

Edward P. Ovsenny
Director

Homburg Invest Inc.
Consolidated Interim Statement of Earnings (Loss)
Six Months Ended June 30
(Unaudited - Prepared by Management)

	Three Mos. Ended June 30 2009	Three Mos. Ended June 30 2008	Six Mos. Ended June 30 2009	Six Mos. Ended June 30 2008
(CAD \$ thousands except per share amounts)				
Property revenue	\$ 82,232	\$ 76,879	\$ 162,264	\$ 151,241
Sale of properties developed for resale	18,639	48,451	42,150	137,348
Dividend income	375	106	382	2,940
Gain on fair value increase in investments	2,286			
Other income	405	150	754	774
Foreign exchange gain	3,589	32	10,780	
Gain on derivative instruments	3,896			
Gain on sale of assets	648		2,250	
	<u>112,070</u>	<u>125,618</u>	<u>218,580</u>	<u>292,303</u>
Property operating expenses	25,381	20,318	48,218	39,891
Cost of sale of properties developed for resale	25,904	31,792	48,349	101,176
Interest on long term debt	38,805	38,583	77,578	74,817
Interest and financing costs	1,528	2,031	3,527	8,621
Depreciation and amortization	15,609	15,138	35,279	30,144
General and administrative	5,929	6,503	11,788	11,904
Stock based compensation	48	207	96	207
Foreign exchange loss				962
Loss on derivative instruments		22	4,811	902
Loss on fair value change in investments		2,525	937	7,103
	<u>113,204</u>	<u>117,119</u>	<u>230,583</u>	<u>275,727</u>
Earnings (loss) before income taxes	<u>(1,134)</u>	<u>8,499</u>	<u>(12,003)</u>	<u>16,576</u>
Total income tax recovery (Note 7)	<u>(4,455)</u>	<u>(826)</u>	<u>(6,962)</u>	<u>(1,967)</u>
Net earnings (loss)	<u>\$ 3,321</u>	<u>\$ 9,325</u>	<u>\$ (5,041)</u>	<u>\$ 18,543</u>

Earnings (loss) per share (Note 9)

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

Basic				
Net earnings (loss)	<u>\$ 0.16</u>	<u>\$ 0.47</u>	<u>\$ (0.27)</u>	<u>\$ 0.94</u>
Diluted				
Net earnings (loss)	<u>\$ 0.15</u>	<u>\$ 0.46</u>	<u>\$ (0.27)</u>	<u>\$ 0.92</u>

See accompanying notes to these consolidated interim financial statements prepared under Canadian GAAP.

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

	Three Mos. Ended June 30 2009	Three Mos. Ended June 30 2008	Six Mos. Ended June 30 2009	Six Mos. Ended June 30 2008
(CAD \$ thousands except per share amounts)				
Net earnings (loss)	\$ <u>3,321</u>	\$ <u>9,325</u>	\$ <u>(5,041)</u>	\$ <u>18,543</u>
Other comprehensive income (loss)				
Unrealized foreign currency translation gain (loss)	(15,412)	(34,600)	(35,567)	41,845
Future income tax recovery (expense) (Note 8a)	<u>6,138</u>	<u>(2,727)</u>	<u>21,593</u>	<u>(34,600)</u>
	<u>(9,274)</u>	<u>(37,327)</u>	<u>(13,974)</u>	<u>7,245</u>
Foreign currency gain (loss) on financial instruments designated as hedges of self sustaining foreign operations	6,204	4,511	23,454	(35,486)
Future income tax recovery (expense) (Note 8a)	<u>6,204</u>	<u>(744)</u>	<u>23,454</u>	<u>5,855</u>
	<u>6,204</u>	<u>3,767</u>	<u>23,454</u>	<u>(29,631)</u>
Other comprehensive income (loss)	<u>(3,070)</u>	<u>(33,560)</u>	<u>9,480</u>	<u>(22,386)</u>
Comprehensive income (loss)	<u>\$ 251</u>	<u>\$ (24,235)</u>	<u>\$ 4,439</u>	<u>\$ (3,843)</u>

**Consolidated Interim Statement of Accumulated Other
Comprehensive Loss**
Six Months Ended June 30
(Unaudited - Prepared by Management)

	Three Mos. Ended June 30 2009	Three Mos. Ended June 30 2008	Six Mos. Ended June 30 2009	Six Mos. Ended June 30 2008
(CAD \$ thousands except per share amounts)				
Accumulated other comprehensive loss, beginning of period	\$ (11,488)	\$ (4,714)	\$ (24,038)	\$ (15,888)
Other comprehensive income (loss)	<u>(3,070)</u>	<u>(33,560)</u>	<u>9,480</u>	<u>(22,386)</u>
Accumulated other comprehensive loss, end of period	<u>\$ (14,558)</u>	<u>\$ (38,274)</u>	<u>\$ (14,558)</u>	<u>\$ (38,274)</u>

See accompanying notes to these consolidated interim financial statements prepared under Canadian GAAP.

Homburg Invest Inc.
Consolidated Interim Statement of Retained Earnings (Deficit)
Six Months Ended June 30
(Unaudited - Prepared by Management)

	Three Mos. Ended June 30 2009	Three Mos. Ended June 30 2008	Six Mos. Ended June 30 2009	Six Mos. Ended June 30 2008
(CAD \$ thousands except per share amounts)				
Retained earnings (deficit), beginning of period	\$ (187,876)	\$ (28,598)	\$ (179,479)	\$ 5,494
Net earnings (loss)	3,321	9,325	(5,041)	18,543
Dividends				(43,310)
Dividend related to DIM Vastgoed N.V. dividend guarantee	(36)		(71)	
Homburg Capital Securities A, accretion in equity component (Note 8c)	<u>(231)</u>	<u> </u>	<u>(231)</u>	<u> </u>
Deficit, end of period	<u>\$ (184,822)</u>	<u>\$ (19,273)</u>	<u>\$ (184,822)</u>	<u>\$ (19,273)</u>

See accompanying notes to these consolidated interim financial statements prepared under Canadian GAAP.

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

	Three Mos. Ended June 30 2009	Three Mos. Ended June 30 2008	Six Mos. Ended June 30 2009	Six Mos. Ended June 30 2008
(CAD \$ thousands except per share amounts)				
Cash obtained from (used in)				
Operating activities				
Net earnings (loss)	\$ 3,321	\$ 9,325	\$ (5,041)	\$ 18,543
Items not affecting cash:				
Gain on sale of assets	(648)		(2,250)	
Loss (gain) on derivative instruments	(3,896)	22	4,811	902
Depreciation and amortization	15,609	15,138	35,279	30,144
Amortization of financing fees	1,240	2,101	2,225	6,955
Amortization of above and below market leases	215	406	3,092	862
Deferred rental income	(2,541)	(3,446)	(5,205)	(6,644)
Future and capital income taxes	(5,014)	(423)	(10,472)	(3,300)
Stock based compensation	48	207	96	207
Fair value change in investments	(2,286)	2,517	937	7,095
Accretion in value of discounted liabilities	418	66	497	280
Foreign exchange loss (gain)	(3,589)	962	(10,780)	962
Change in non-cash working capital and other (Note 10)	(4,518)	(17,550)	1,507	(15,764)
Net cash from (used in) operating activities	<u>(1,641)</u>	<u>9,325</u>	<u>14,696</u>	<u>40,242</u>
Investing activities				
Investment in investment properties and intangibles	(4,353)	(14,515)	(10,608)	(25,294)
Decrease in restricted cash	798	5,499	4,568	10,375
Proceeds on sale of investments	5,588		13,946	
Purchase of investments	(2,519)	(2,908)	(5,279)	(3,688)
Investment in development properties	(12,783)	(44,489)	(24,441)	(53,533)
Net cash used in investing activities	<u>(13,269)</u>	<u>(56,413)</u>	<u>(21,814)</u>	<u>(72,140)</u>
Financing activities				
Increase (decrease) in demand loans	1,032	(83,305)	(8,277)	(357,709)
Increase (decrease) in mortgages payable	(9,254)	57,751	(18,529)	292,361
Proceeds from bonds		52,556	11,043	90,792
Increase in deferred financing charges	(499)	(2,702)	(767)	(9,721)
Decrease (increase) in related party receivable	214		(11,035)	
Repurchase of common shares and issue costs	(1,219)		(1,346)	(51)
Dividends paid				(20,739)
Increase in construction financing	1,999	30,159	9,206	42,587
Decrease in related party payable	(8,971)	(6,283)	(9,066)	(7,078)
Proceeds from Homburg Capital Securities A (Note 8c)	18,991		25,868	
Net cash from (used in) financing activities	<u>2,293</u>	<u>48,176</u>	<u>(2,903)</u>	<u>30,442</u>
Increase (decrease) in cash	(12,617)	1,088	(10,021)	(1,456)
Cash, beginning of period	18,957	15,383	16,359	17,927
Cash, end of period	<u>\$ 6,340</u>	<u>\$ 16,471</u>	<u>\$ 6,338</u>	<u>\$ 16,471</u>

Supplemental cash flow information (Note 10)

See accompanying notes to these consolidated interim financial statements prepared under Canadian GAAP.

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

June 30, 2009

(CAD \$ thousands except per share amounts)

1. Basis of financial statement presentation

These unaudited consolidated interim financial statements ("financial statements") have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("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, 2008.

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

On January 1, 2009, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook 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 new standard has not had any effect on the Company.

On January 20, 2009 the Emerging Issues Committee ("EIC") of the CICA issued a new abstract EIC 173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and financial liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not significantly impact the Company's financial statements.

The Canadian Accounting Standards Board of the CICA confirmed that the adoption of International Financial Reporting Standards ("IFRS") would be effective for the interim and annual periods beginning on or after January 1, 2011. IFRS will replace Canada's current GAAP. Comparative IFRS information for the previous fiscal year will also have to be reported. These new standards will be effective for the Company in the first quarter of 2011. Early adoption is permitted provided exemptive relief is obtained from securities regulators.

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

June 30, 2009

(CAD \$ thousands except per share amounts)

3. Receivables and other	June 30 2009	December 31 2008
Trade receivables	\$ 72,519	\$ 84,813
Deferred rental receipts	43,930	40,639
Related party receivable (Note 12h)	11,035	
Prepays	13,236	3,975
Deferred leasing costs, net of accumulated amortization of \$3,837 (December 31, 2008 - \$3,406)	9,278	8,970
Homburg Capital Securities A receivable (Note 8c)	<u>3,289</u>	<u> </u>
	<u>\$ 153,287</u>	<u>\$ 138,397</u>

4. Long term investments

At December 31, 2008, the Company's investment in DIM Vastgoed N.V. ("DIM") consisted of deposit receipts representing 971,462 shares of DIM, a real estate investment company listed on the NYSE Euronext, and 266,214 directly owned shares. On January 9, 2009 (the "Agreement Date"), the Company entered into a Stock Exchange Agreement (the "Exchange Agreement") with Equity One Inc. ("Equity One"), whereby it sold this investment in DIM in exchange for 866,373 shares of Equity One common stock, resulting in a gain on sale of \$166. During the first two quarters of 2009, the Company disposed of all of its shares of Equity One and recognized a gain of \$2,151.

The Company also has an investment in DIM related to the October 2010 closing (the "DIM 2010 Shares"), which consists of deposit receipts representing 766,573 (December 31, 2008 - 766,573) shares of DIM. The fixed purchase price for the DIM 2010 Shares will not be paid, and legal title will not transfer, until October 1, 2010 (the "Settlement Date"). Dividends paid on the DIM 2010 Shares through to the Settlement Date will be retained by the sellers of these shares. Until the Agreement Date, the Company had full voting rights associated with the DIM 2010 Shares.

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

June 30, 2009

(CAD \$ thousands except per share amounts)

4. Long term investments (cont.)

Under the Exchange Agreement, the Company also entered into an arrangement to sell to Equity One the DIM 2010 Shares, if and when the Company has acquired ownership thereof. The Exchange Agreement requires Equity One to issue to the Company 536,601 shares of common stock in exchange for 766,573 of DIM's ordinary shares if Equity One's common stock is trading below USD\$20.00. Likewise, the arrangement requires the Company to provide Equity One with 766,573 of DIM's ordinary shares in exchange for 536,601 shares of Equity One common stock if the Equity One stock is trading above USD\$16.50. The Stock Exchange Agreement provides for a time-sensitive cash settlement option, solely at the discretion of Equity One, that takes precedence over the aforementioned stock exchange. This cash settlement option provides Equity One with the ability to pay the Company cash of USD\$11.50 per DIM ordinary share, adjusted for a dividend formula that considers Equity One and DIM dividends, if any. As the exchange is considered to be contingent on factors beyond the Company's control, it has not been accounted for as a sale transaction, and the Company continues to record the DIM 2010 Shares at fair value, which is considered to be the market price of the underlying DIM ordinary shares, subject to such market price not exceeding the floor price of USD\$11.50 per share as established in the Exchange Agreement. At June 30, 2009, the fair value of the DIM 2010 Shares was \$6,203 (December 31, 2008 - \$7,077).

Concurrent with the signing of the Exchange Agreement, the Company entered into a Voting Rights Transfer Agreement which transferred to Equity One the voting rights associated with the DIM 2010 shares until such time as the Exchange Agreement with respect to these shares is consummated.

5. Accounts payable and other liabilities

	June 30	December 31
	<u>2009</u>	<u>2008</u>
Trade payables (Note 12b)	\$ 108,117	\$ 104,910
Non-construction demand loans	76,633	90,613
Related party payable (Notes 12e, f, and g)	9,838	18,904
Income taxes payable	7,169	5,739
Notes payable	167	173
Security deposits	1,049	1,352
Homburg Capital Securities A (Note 8c)	4,702	
Long term payables	25,354	25,287
Shareholders of DIM Vastgoed N.V., due October 2010	4,026	4,440
Prepaid rents and deposits	9,650	17,378
	<u>\$ 246,705</u>	<u>\$ 268,796</u>

The Company has available credit facilities of \$78,000 of which \$63,000 (December 31, 2008 - \$64,849) is being utilized at June 30, 2009. Of these facilities, \$15,000 (December 31, 2008 - \$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)

June 30, 2009

(CAD \$ thousands except per share amounts)

6. Long term debt

	June 30	December 31
	<u>2009</u>	<u>2008</u>
Secured debt		
Mortgages payable (a)	\$ 2,058,542	\$ 2,160,544
Mortgage bonds payable	<u>215,148</u>	<u>228,368</u>
	<u>2,273,690</u>	<u>2,388,912</u>
Unsecured debt		
Corporate non-asset backed bonds (b)	503,472	522,700
Junior subordinated notes	<u>63,720</u>	<u>67,551</u>
	<u>567,192</u>	<u>590,251</u>
	2,840,882	2,979,163
Deferred financing charges, net of accumulated amortization of \$12,131 (December 31, 2008 - \$12,161)	<u>(24,902)</u>	<u>(27,039)</u>
	<u>\$ 2,815,980</u>	<u>\$ 2,952,124</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 2.59% and for fixed rate long term debt was 5.91% (December 31, 2008 - variable - 4.47%, fixed - 5.94%).

Scheduled principal installments and principal maturities for the period ending June 30 are as follows:

	<u>Mortgages</u>		Bonds and Junior Subordinated Notes	Total	Weighted average interest rate of maturing debt
	Normal Principal Installments	Principal Maturities			
2010	\$ 37,205	\$ 36,902	\$ 48,720	\$ 122,827	6.68%
2011	39,989	4,243		44,232	7.66%
2012	41,203	130,820	166,428	338,451	6.36%
2013	37,725	328,966	81,216	447,907	5.11%
2014	32,172	147,275	259,848	439,295	6.42%
Subsequent years	<u> </u>	<u>1,222,042</u>	<u>226,128</u>	<u>1,448,170</u>	5.13%
	<u>\$ 188,294</u>	<u>\$ 1,870,248</u>	<u>\$ 782,340</u>	<u>\$ 2,840,882</u>	

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

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

June 30, 2009

(CAD \$ thousands except per share amounts)

6. 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 2009 and 2020. Included in mortgages payable are the following foreign denominated amounts:

		June 30	December 31
		<u>2009</u>	<u>2008</u>
USD denominated	USD	\$ <u>91,604</u>	\$ <u>92,335</u>
	CAD	\$ <u>105,894</u>	\$ <u>112,907</u>
EURO denominated	EUR €	<u>851,148</u>	€ <u>858,243</u>
	CAD	\$ <u>1,382,264</u>	\$ <u>1,479,439</u>

The period end exchange rates have been used to translate the foreign denominated mortgages.

b) Corporate non-asset backed bonds

<u>Bond Series</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>	June 30	December 31
				<u>2009</u>	<u>2008</u>
HB8	May 31, 2013	7.00%	EUR €50,010	\$ 81,216	\$ 86,207
HB9	October 31, 2013	7.00%	EUR €60,000	97,440	103,428
HB10	February 15, 2014	7.25%	EUR €100,005	162,408	172,389
HB11	January 15, 2015	7.25%	EUR €100,005	162,408	160,676
				<u>\$ 503,472</u>	<u>\$ 522,700</u>

The Corporate non-asset backed bonds are seven year bonds issued in series and have a corporate guarantee pledged as collateral. 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.

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

June 30, 2009

(CAD \$ thousands except per share amounts)

7. Income taxes

Income tax expense (recovery) 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 (loss) before income taxes. These differences result from the following items:

	Six Months Ended June 30 2009	Six Months Ended June 30 2008
Earnings (loss) before income taxes	\$ <u>(12,003)</u>	\$ <u>16,576</u>
Combined income tax rate	<u>31.50</u> %	<u>30.26</u> %
Income taxes (recovery)	\$ (3,781)	\$ 5,016
Increase (decrease) in income taxes resulting from:		
Non-taxable portion of capital gains and market value changes	(1,899)	(5,348)
Provincial capital tax (net of income tax recovery)	178	468
Effect of rate change on temporary differences	557	(641)
Non-deductible (Non-taxable) amounts	(2,041)	91
Effect of difference in statutory tax rates of subsidiaries	122	130
Other	(98)	(1,683)
	<u>\$ (6,962)</u>	<u>\$ (1,967)</u>
Income taxes (recovery):		
Current income and capital taxes	\$ 3,510	\$ 1,801
Future income taxes	(10,472)	(3,768)
	<u>\$ (6,962)</u>	<u>\$ (1,967)</u>

Future income tax assets (liabilities) represent the temporary differences between the tax basis of assets and liabilities and the carrying amount of assets and liabilities for financial reporting purposes. The major components of the Company's future income tax assets (liabilities) are as follows:

	June 30 2009	December 31 2008
Loss carry forwards and foreign tax credits	\$ 19,919	\$ 14,370
Deferred revenues and costs	(9,070)	(7,372)
Unrealized losses	21,951	27,989
Investment properties	(131,403)	(164,084)
	<u>\$ (98,603)</u>	<u>\$ (129,097)</u>

The Company's non capital loss carryforwards begin to expire in 2028, and foreign tax credits begin to expire in 2015. As at June 30, 2009, the Company has \$3,083 of unrecognized future tax assets.

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

June 30, 2009

(CAD \$ thousands except per share amounts)

8. Shareholders' equity

	June 30	December 31
	<u>2009</u>	<u>2008</u>
Deficit	\$ (184,822)	\$ (179,479)
Accumulated other comprehensive loss (a)	<u>(14,558)</u>	<u>(24,038)</u>
	(199,380)	(203,517)
Share capital	691,785	698,535
Other paid in capital (c)	35,547	11,489
Contributed surplus	<u>12,705</u>	<u>7,206</u>
	<u>\$ 540,657</u>	<u>\$ 513,713</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. The net future income tax recovery related to the exchange adjustment on the net assets reflects: (1) the reduction in taxable temporary differences associated with the investment properties, and (2) the non-taxable portion of unrealized foreign currency gains on debt held by controlled foreign affiliates. In addition, during the quarter the valuation allowance on prior periods unrealized foreign exchange loss on hedged debt and debt held by limited partnerships was reversed to the extent of 50% of the unrealized gain in the quarter. The valuation allowance in respect of the future income tax benefit of the unrealized foreign exchange losses on debt charged to other comprehensive income at the end of June 30, 2009 is \$10,707.

The following are rates of exchange in effect:

	\$1.00 USD	€1.00 EUR
June 30, 2009	\$ 1.16	\$ 1.62
December 31, 2008	\$ 1.22	\$ 1.72
Average rate for six months 2009	\$ 1.21	\$ 1.61
Average rate for six months 2008	\$ 1.01	\$ 1.54

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

June 30, 2009

(CAD \$ thousands except per share amounts)

8. Shareholders' equity (cont.)

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, 2007	16,132	3,152	\$ 633,265
Shares acquired under Normal Course Issuer Bid	(51)	(1)	(2,028)
Shares issued for stock dividend			44,788
Issue costs, net of income taxes			(62)
Dividend reinvestment plan	<u>709</u>	<u> </u>	<u>22,572</u>
Issued and outstanding at December 31, 2008	16,790	3,151	698,535
Shares acquired under Normal Course Issuer Bid (b)	<u>(171)</u>	<u>(2)</u>	<u>(6,750)</u>
Issued and outstanding at June 30, 2009	<u><u>16,619</u></u>	<u><u>3,149</u></u>	<u><u>\$ 691,785</u></u>

b) Normal Course Issuer Bid ("NCIB")

On October 16, 2008, the Company announced plans, under an approved NCIB, to acquire (on a post-consolidation basis) up to 1,051,000 Class A Subordinate Voting shares and 157,500 Class B Multiple Voting shares over a one year period ending October 16, 2009. The NCIB enables the Company to acquire up to 4,754 Class A Shares and up to 100 Class B Shares on any given trading day. Any shares acquired by the Company under the NCIB are being cancelled. During the six months ended June 30, 2009, the Company acquired and cancelled 171,200 Class A Shares at an average cost of \$7.79 per share, and 1,700 Class B Shares at an average cost of \$7.34 per share.

Class A and Class B shares acquired are being cancelled and removed from share capital at the average issue price at the time of acquisition. The discount on repurchases made in the six month period ended June 30, 2009 of \$5,404 is credited to contributed surplus.

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8. Shareholders' equity (cont.)

c) Other Paid in Capital

	June 30 <u>2009</u>	December 31 <u>2008</u>
Balance, beginning of period	\$ 11,489	\$ 11,489
Homburg Capital Securities A Equity component	25,311	
Deferred transaction costs	(1,253)	
Balance, end of period	<u>\$ 35,547</u>	<u>\$ 11,489</u>

Homburg Capital Securities A

During the six month period, the Company issued EUR €18,644 (\$30,040) Homburg Capital Securities A ("HCSA"). The HCSA are 99 year securities maturing February 27, 2108, bearing an annual interest rate of 9.5%, payable quarterly. The Company has the option to pay any and all of the quarterly interest payments in cash or through the issuance of Class A Preferred shares. The principal amount of HCSA must be paid in cash upon redemption or maturity.

The HCSA are direct unsecured obligations of Homburg Invest Inc. and are subordinate to the Company's existing Mortgage Bonds Payable and Corporate non-asset backed bonds, and rank senior to the Company's Class A Subordinate Voting shares and Class B Multiple Voting shares.

The Company will have the right to redeem the HCSA, at a price equal to 100% of the principal amount of the HCSA to be redeemed, plus accrued and unpaid interest to the date of redemption by giving not less than thirty (30) and no more than sixty (60) days' prior notice on account of:

- certain changes in tax legislation or other tax events subjecting the issuer to additional taxes or other governmental charges;
- the termination of equity treatment for accounting purposes of future interest obligations under the HCSA or of the Class A Preferred Shares, subject to an insignificant amount of Class A Preferred Shares then issued and outstanding; and
- on February 27, 2014 or any subsequent interest payment date, in whole or in part.

Any Class A Preferred shares issued will be issued in series and will have the following terms and conditions: par value of one (1) Euro each; non-voting; cumulative dividends at the annual rate of 9.75%, as and when declared by the board of directors; having an indefinite life. The Class A Preferred shares will have a mandatory obligation for the Company to redeem all issued and outstanding Class A Preferred shares for an amount equal to their par value plus any accrued but unpaid dividends thereon at the earlier of:

- the next interest payment date on which the Company elects to pay interest on the HCSA in cash, in whole or in part; and
 - the business day falling immediately prior to the date on which the Company redeems, purchases or otherwise acquires any shares or securities in the capital of the Company ranking junior to or pari passu with the HCSA.
-

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8. Shareholders' equity (cont.)
c) Other Paid in Capital (cont.)

In addition, any Class A Preferred shares issued in respect of quarterly interest payments prior to April 1, 2011, will be puttable at the holders' option back to the Company for cash equal to one (1) Euro per Class A Preferred share. The put option with respect to any such Class A Preferred shares issued will expire 30 days from the date of receipt of the Class A Preferred shares.

The Company has determined that the expected life of the HCSA is 50 years through March 31, 2059. The proceeds received on issuance have been allocated to three components:

- The Company has recognized a liability of EUR €84 (\$137) equal to the present value of the HCSA principal that must be repaid at the end of the expected life of the instrument. This liability is being accreted using a rate of 11.0% to its full principal amount over the expected life of the instrument using the effective interest rate method with accretion recognized in interest expense.

- The Company has recognized a liability of EUR €2,811 (\$4,565) for the present value of the interest payments prior to April 1, 2011, given the holder put option with respect to any Class A Preferred shares received with respect to such interest payments. This liability has been discounted and is being accreted using the effective interest rate method at a rate of 11.0%, with accretion recognized in interest expense.

- The residual amount of EUR €15,731 (\$25,338) represents the future quarterly interest payments after March 31, 2011, that can be settled by the issuance of Class A Preferred shares at the Company's option. This residual amount has been included in other paid in capital. This amount is also being accreted over the expected life of the instrument using the effective interest rate method with accretion amounts charged directly to retained earnings. Interest payments made after March 31, 2011, whether in cash or Class A Preferred shares, will reduce the other paid in capital amount. The effective interest rate used results in other paid in capital reducing to nil at the end of the expected life of the instrument.

Foreign currency gains and losses on the liability components, whether realized or unrealized, will impact earnings each quarter. Foreign currency fluctuations on interest payments made after March 31, 2011, will be charged to retained earnings.

Basic and diluted earnings per share are being reduced by amounts charged directly to retained earnings as such amounts are in preference to earnings available to common shareholders. In addition, cumulative preferred dividends whether paid or unpaid on any Class A Preferred shares that may be outstanding will reduce basic and diluted earnings per share.

Transaction costs related to the HCSA are being allocated to the liability and equity components in proportion to the initial allocation of the proceeds received. The transaction costs related to the liability components are included in deferred financing fees and are being amortized, on an effective interest basis, over the estimated life of the related liability component. The transaction costs related to the equity component are netted against other paid in capital and are being amortized to retained earnings, on an effective interest basis, over the expected life of 50 years for the HCSA.

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9. Earnings (loss) per share

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

	Three Mos. Ended June 30 <u>2009</u> (000's)	Three Mos. Ended June 30 <u>2008</u> (000's)	Six Mos. Ended June 30 <u>2009</u> (000's)	Six Mos. Ended June 30 <u>2008</u> (000's)
Basic				
Class A Subordinate Voting	16,695	16,841	16,740	16,491
Class B Multiple Voting	<u>3,149</u>	<u>3,152</u>	<u>3,150</u>	<u>3,152</u>
	<u><u>19,844</u></u>	<u><u>19,993</u></u>	<u><u>19,890</u></u>	<u><u>19,643</u></u>
Diluted				
Class A Subordinate Voting	17,171	17,331	16,740	16,981
Class B Multiple Voting	<u>3,149</u>	<u>3,152</u>	<u>3,150</u>	<u>3,152</u>
	<u><u>20,320</u></u>	<u><u>20,483</u></u>	<u><u>19,890</u></u>	<u><u>20,133</u></u>
The dilution consists of:				
Class A				
Exercise of options		14		14
DIM payable/Other paid in capital	<u>476</u>	<u>476</u>	<u> </u>	<u>476</u>
	<u><u>476</u></u>	<u><u>490</u></u>	<u><u> </u></u>	<u><u>490</u></u>

Earnings (loss) available to Class A and Class B shareholders is calculated as:

Net earnings (loss)	\$ 3,321	\$ 9,325	\$ (5,041)	\$ 18,543
Less Homburg Capital Securities equity accretion (Note 8(c))	<u>(231)</u>	<u> </u>	<u>(231)</u>	<u> </u>
Earnings (loss) available	<u><u>\$ 3,090</u></u>	<u><u>\$ 9,325</u></u>	<u><u>\$ (5,272)</u></u>	<u><u>\$ 18,543</u></u>

The weighted average number of shares for 2008 have been retrospectively adjusted to reflect the impact of the 2008 stock consolidation and "in-kind" dividend.

The Company incurred a loss in Earnings (loss) available to Class A and Class B shareholders for the six month ended June 30, 2009. As such, the inclusion of any potential shares in the calculation of diluted per share amounts for six month period in 2009 would be anti-dilutive.

The dilutive effect of outstanding stock options on earnings per share for the three and six months ended June 30, 2008 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 in 2007 with an exercise price of \$56.80 are anti-dilutive for all reporting periods, and the 2005 and 2008 stock options with exercise prices of \$28.50 and \$37.60 respectively, are anti-dilutive for the three months ended June 30, 2009. As such, those options have been excluded from the calculation of diluted earnings per share for the respective periods.

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10. Supplemental cash flow information

	Three Mos. Ended June 30 <u>2009</u>	Three Mos. Ended June 30 <u>2008</u>	Six Mos. Ended June 30 <u>2009</u>	Six Mos. Ended June 30 <u>2008</u>
Change in non-cash working capital and other				
Receivables and other	\$ 29,913	\$ 1,793	\$ (29,610)	\$ (7,294)
Construction properties for resale	(24,649)	(34,213)	(60,218)	(73,479)
Accounts payable and other liabilities	(25,352)	(624)	(6,208)	20,475
Deferred leasing costs	(513)	(388)	(1,178)	(450)
Proceeds in excess of earnings on development properties	<u>16,083</u>	<u>15,882</u>	<u>98,721</u>	<u>44,984</u>
	<u>\$ (4,518)</u>	<u>\$ (17,550)</u>	<u>\$ 1,507</u>	<u>\$ (15,764)</u>
Interest paid	<u>\$ 55,893</u>	<u>\$ 53,559</u>	<u>\$ 85,628</u>	<u>\$ 86,752</u>
Capital and income taxes paid	<u>\$ 2,336</u>	<u>\$ 2,561</u>	<u>\$ 3,100</u>	<u>\$ 5,005</u>

11. 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 \$2,065,013 (December 31, 2008 - \$2,146,666). The total fair value of all bonds is \$651,350 (December 31, 2008 - \$649,404). The principal amount of the mortgage bonds have been guaranteed against currency fluctuations. The currency guarantee receivable of \$14,946 (December 31, 2008 - \$28,165) is carried at fair value. The junior subordinated notes have a fair value of \$84,925 (December 31, 2008 - \$70,607). The long term investments, with the exception of the investment in DEGI Homburg Harris Limited Partnership, are carried at their fair value. The long term investment in DEGI Homburg Harris Limited Partnership represents a 10% interest in an investment property currently under development. The Company has classified the investment as available for sale and carries it at cost as the investment is not quoted in an active market.

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. The fair value of the Company's investment in Homburg Eastern European Fund B.V. is based on the proportionate share of the reported net asset value of the B.V.. The B.V. prepares its financial statements under International Financial Reporting Standards using the fair value model. As such, the net asset value from the financial statements of the B.V. is reflective of its fair value. The fair value of the other long term investments carried at fair value is based on the quoted market price.

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 amortized cost which, due to their short-term nature, approximates their fair value.

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11. Financial instruments and risk management (cont.)

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.

Liquidity risk also relates to the potential required early retirement of debt. Some of the Company's debt agreements have covenants related to minimum debt to equity ratios, interest coverage ratios, and/or reserve account balance requirements. Breach of any of these covenants could result in the related debt being required to be repaid before its scheduled maturity date. Should that happen, the Company may be required to sell properties at unfavourable prices to satisfy the debt repayment, and the financial condition and results of operations could be adversely affected.

At period end, the Company's debt consists of \$2,491,903 in fixed rate debt and \$537,251 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 in order to manage the impact of fluctuating interest rates on EUR €160,384 (\$260,464) (December 31, 2008 - EUR €161,181 (\$277,843)) of its long term debt. Due to a reduction of interest rates in The Netherlands, Germany and the Baltics during the period ended June 30, 2009, the impact on the statement of earnings is a loss of \$4,811 (June 30, 2008 - loss of \$902).

The Company discloses its annual debt repayment information related to long term debt in Note 6, as well as the weighted average rate of the maturing debt. In addition to these long term amounts, the Company has \$188,272 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 7.3 years and 34.51% of long term debt matures or is repaid by December 31, 2013.

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 \$3,680 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.

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11. Financial instruments and risk management (cont.)

The Company's largest tenant represents 19% of property revenue for the period. The ability of this tenant to fulfill its long term lease obligation, or to pay rent on a timely basis could impact the Company's annual cash flow. To mitigate this risk, the tenant has issued a EUR €75,000 (\$121,800) letter of guarantee, to the primary lender on the specific property, which would be utilized to mitigate major losses while the Company sought replacement tenants.

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 June 30, 2009, EUR €234,340 (\$380,568) (December 31, 2008 - €234,340 (\$403,955)) of the Company's net investment was hedged with an equal amount of Euro-denominated debt. The hedge is considered to be an effective hedge at June 30, 2009 and December 31, 2008, 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, excluding un-hedged debt, of \$51 and a foreign exchange gain or loss on the un-hedged US dollar denominated junior subordinated notes of \$1,584 after income taxes.

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, excluding un-hedged debt, of \$958 and a foreign exchange gain or loss on the un-hedged Euro denominated corporate non-asset backed bonds of \$11,125 after income taxes.

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

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11. Financial instruments and risk management (cont.)

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 19% (June 30, 2008 - 17%) 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 to the primary lender on the specific property, 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.

12. 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 transactions between related parties is as follows:

	Six Mos. Ended June 30 2009	Six Mos. Ended June 30 2008
Rental revenue earned	\$ <u>(321)</u>	\$ <u>(333)</u>
Interest Income	\$ <u>(362)</u>	\$ <u> </u>
Asset and construction management fees incurred	\$ <u>14,551</u>	\$ <u>10,456</u>
Property management fees incurred	\$ <u>2,003</u>	\$ <u>1,748</u>
Insurance incurred	\$ <u>687</u>	\$ <u>691</u>
Service fees incurred	\$ <u>757</u>	\$ <u>522</u>
Property acquisition/disposal fees incurred	\$ <u>5</u>	\$ <u>2,150</u>
Mortgage bond guarantee fees incurred	\$ <u>1,388</u>	\$ <u>1,848</u>
Tenant Improvements	\$ <u>125</u>	\$ <u> </u>
Bond and other debt issue costs incurred	\$ <u>1,940</u>	\$ <u>3,818</u>
Interest costs incurred	\$ <u>942</u>	\$ <u> </u>

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12. Related party transactions (cont.)

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.

	June 30	December 31
	<u>2009</u>	<u>2008</u>
Mortgage bond guarantee fees	\$ <u>1,388</u>	\$ <u>323</u>
Management fees	\$ <u>694</u>	\$ <u>83</u>

c) The Company has approved a resolution authorizing the property manager, a company commonly controlled by the Chairman and Chief Executive Officer, to operate trust accounts on its behalf as required to conduct business of the Company.

d) Professional services of approximately \$100 (June 30, 2008 - \$47) were purchased from a corporation of which one of the Company's directors is affiliated.

e) Included in accounts payable is \$3,532 (December 31, 2008 - \$14,966) in payables to companies commonly controlled by the Chairman and Chief Executive Officer, which are non-interest bearing and have no set terms of repayment.

f) Also included in accounts payable is a demand note payable plus accrued interest in the amount of EUR €2,343 (\$3,805) (December 31, 2008 - \$3,938) payable to a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 5.619% per annum.

g) Also included in accounts payable is a demand note payable plus accrued interest in the amount of USD \$2,164 (\$2,501) (December 31, 2008 - \$3,322) payable to a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 6.00% per annum.

h) Included in accounts receivable is a demand note receivable plus accrued interest in the amount of EUR €6,795 (\$11,035) (December 31, 2008 - \$NIL) receivable from a company commonly controlled by the Chairman and Chief Executive Officer, which bears an interest rate of 7.25% per annum.

i) 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.

Related party transactions are recorded at their exchange amounts, being the amounts agreed to by the related parties.

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13. Commitments

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

2009	\$	1,769
2010	\$	579
2011	\$	581
2012	\$	610

- 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:

2009	\$	56
2010	\$	112
2011	\$	112
2012	\$	112
2013	\$	112
Subsequent	\$	5,775

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

2009	\$	NIL
2010	\$	3,479
2011	\$	13,914
2012	\$	13,914
2013	\$	14,567
Subsequent	\$	203,497

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 offset the Company's future obligation under the lease commitment.

- d) The Company has a headlease obligation related to a development property that is under contract, which is expected to close late in 2009, for any vacant space that may exist at the date of closing. Based upon current lease commitments for the related space in place at period end, the estimated value of the net headlease obligation is not material.
- e) The Company and its subsidiaries have entered into various property management agreements, expiring between 2010 and 2012 (Note 12a).
- f) The Company has three construction projects underway to which it has signed commitments of \$50,091.
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14. 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) One subsidiary has received a transfer tax assessment and specific other subsidiaries of the Company have been advised of pending potential transfer tax assessments. The tax assessments, both issued and potentially to be issued, would impose transfer tax on the acquisition of certain properties by the subsidiaries. The potential liability would be EUR €10,831 (\$17,590) and would increase the cost of the applicable properties should the Company be unsuccessful in defending the existing assessment and the remaining potential assessments. Of this total amount: the Company has received an assessment for EUR €1,800 (\$2,923); an additional EUR €7,831 (\$12,717) was indicated for potential assessment, and to date no additional assessments have been received. The remaining amount of EUR €1,200 (\$1,949) relates to an acquisition in 2008, and is similar in structure to the acquisition that has already been assessed. The Company has reviewed this matter, has received legal advice, and believes it is not required to pay the transfer tax on any of these acquisitions. Accordingly, the Company has not recorded any of the proposed transfer tax in its consolidated financial statements.

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15. Segmented Information

The Company's investment properties are geographically segmented amongst Canada, The United States of America (US), and Europe. The European properties are located in Germany, the Baltic region, and The Netherlands. The Company has also provided supplemental segmented information based on industry type. Operating performance evaluation is primarily based on the net operating income of properties, which is property revenue less property operating expenses. Expenses such as interest, amortization, and general and administrative are centrally managed, and as such have not been allocated to the segments. The Company also derives significant revenues and costs from the sale of properties developed for resale. These developed and development properties are all located in Canada, and as such all revenues and costs, and development property assets are applicable to that geographic segment.

Six Months Ended June 30, 2009

	Germany	Netherlands	The Baltics	Canada	US	Total
Property revenue	\$ 46,240	\$ 19,995	\$ 11,444	\$ 74,766	\$ 9,819	\$ 162,264
Operating expenses	<u>2,962</u>	<u>2,904</u>	<u>3,283</u>	<u>36,040</u>	<u>3,029</u>	<u>48,218</u>
	<u>\$ 43,278</u>	<u>\$ 17,091</u>	<u>\$ 8,161</u>	<u>\$ 38,726</u>	<u>\$ 6,790</u>	<u>\$ 114,046</u>

Six Months Ended June 30, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Property revenue	\$ 39,666	\$ 21,331	\$ 8,895	\$ 73,281	\$ 8,068	\$ 151,241
Operating expenses	<u>633</u>	<u>2,050</u>	<u>2,311</u>	<u>32,679</u>	<u>2,218</u>	<u>39,891</u>
	<u>\$ 39,033</u>	<u>\$ 19,281</u>	<u>\$ 6,584</u>	<u>\$ 40,602</u>	<u>\$ 5,850</u>	<u>\$ 111,350</u>

June 30, 2009

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment properties	\$ 1,008,376	\$ 601,695	\$ 278,645	\$ 1,109,730	\$ 169,899	\$ 3,168,345
Mortgages payable	<u>717,208</u>	<u>438,505</u>	<u>214,882</u>	<u>582,053</u>	<u>105,894</u>	<u>2,058,542</u>
Mortgage bonds payable	<u>32,496</u>	<u></u>	<u></u>	<u>182,652</u>	<u></u>	<u>215,148</u>

December 31, 2008

	Germany	Netherlands	The Baltics	Canada	US	Total
Investment properties	\$ 1,077,870	\$ 646,936	\$ 297,754	\$ 1,108,558	\$ 179,199	\$ 3,310,317
Mortgages payable	<u>766,780</u>	<u>471,324</u>	<u>228,818</u>	<u>580,714</u>	<u>112,908</u>	<u>2,160,544</u>
Mortgage bonds payable	<u>34,493</u>	<u></u>	<u></u>	<u>193,875</u>	<u></u>	<u>228,368</u>

At June 30, 2009, the Germany segment included one (June 30, 2008 - one) tenant that individually represented 19% (June 30, 2008 - 17%) of the Company's consolidated property revenue for the period.

Homburg Invest Inc.
Notes to Canadian GAAP Consolidated Interim Financial Statements
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June 30, 2009

(CAD \$ thousands except per share amounts)

15. Segmented information (cont.)

Six Months Ended June 30, 2009

	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 48,741	\$ 17,897	\$ 90,330	\$ 5,296	\$ 162,264
Operating expenses	<u>21,035</u>	<u>1,614</u>	<u>22,366</u>	<u>3,203</u>	<u>48,218</u>
	<u>\$ 27,706</u>	<u>\$ 16,283</u>	<u>\$ 67,964</u>	<u>\$ 2,093</u>	<u>\$ 114,046</u>

Six Months Ended June 30, 2008

	Retail	Industrial	Office	Residential	Total
Property revenue	\$ 44,899	\$ 19,931	\$ 81,047	\$ 5,364	\$ 151,241
Operating expenses	<u>17,799</u>	<u>1,472</u>	<u>17,953</u>	<u>2,667</u>	<u>39,891</u>
	<u>\$ 27,100</u>	<u>\$ 18,459</u>	<u>\$ 63,094</u>	<u>\$ 2,697</u>	<u>\$ 111,350</u>

June 30, 2009

	Retail	Industrial	Office	Residential	Total
Investment properties	<u>\$ 739,145</u>	<u>\$ 472,855</u>	<u>\$ 1,872,677</u>	<u>\$ 83,668</u>	<u>\$ 3,168,345</u>
Mortgages payable	<u>\$ 244,045</u>	<u>\$ 390,651</u>	<u>\$ 1,350,125</u>	<u>\$ 73,721</u>	<u>\$ 2,058,542</u>
Mortgage bonds payable	<u>\$ 48,720</u>	<u>\$ 25,211</u>	<u>\$ 7,285</u>	<u>\$</u>	<u>\$ 81,216</u>

December 31, 2008

	Retail	Industrial	Office	Residential	Total
Investment properties	<u>\$ 766,193</u>	<u>\$ 505,433</u>	<u>\$ 1,954,563</u>	<u>\$ 84,128</u>	<u>\$ 3,310,317</u>
Mortgages payable	<u>\$ 261,455</u>	<u>\$ 415,051</u>	<u>\$ 1,409,867</u>	<u>\$ 74,171</u>	<u>\$ 2,160,544</u>
Mortgage bonds payable	<u>\$ 51,714</u>	<u>\$ 26,761</u>	<u>\$ 7,734</u>	<u>\$</u>	<u>\$ 86,209</u>

At June 30, 2009, Mortgage bonds payable totalled \$215,148, exclusive of the currency guarantee receivable of \$14,946. Of this amount \$133,932 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining \$81,216 is allocated to specific segments above.

At December 31, 2008, Mortgage bonds payable totalled \$228,368, exclusive of the currency guarantee receivable of \$28,165. Of this amount \$142,159 related to properties under development and funds intended for acquisitions and development projects which will be located in Canada. The remaining \$86,209 is allocated to specific segments above.

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(CAD \$ thousands except per share amounts)

16. Subsequent events

a) As part of the Company's continual assessment of its portfolio, the Company has signed sales agreements for 4 investment properties located in Canada. The sales are expected to be completed in the third quarter of 2009; subject to the purchasers completing due diligence. The properties are being sold for a total of \$16,840 less selling costs and have a carrying value of \$11,048. There are first mortgage charges against the properties totaling \$6,658 which will be settled as part of the dispositions. The impact of the disposition of these properties is immaterial to ongoing property revenue, property operating expense, and pretax earnings (loss).

b) In June of 2009, Quelle GmbH, and its parent Arcandor AG filed with the German courts to open preliminary insolvency proceedings.

In July 2009, Quelle GmbH announced that they had received EUR €50,000 in credits from the provinces of Bavaria and Saxony in Germany, and that their operations are in a positive cash flow position for the remainder of 2009, and they currently are in the process of planning beyond year end.

The mortgage on the property requires payment of interest and principal on a quarterly basis, and Homburg Invest has made the required payment in July 2009. The next required payment is October 2009. However, since Quelle GmbH has not paid rent since filing to open preliminary insolvency proceedings, the Company has received a notice of default from the lender dated July 23, 2009 with respect to required reserves. The Company will not rectify the default until the status of the Quelle GmbH preliminary insolvency proceedings clarify the status of Quelle GmbH moving forward.

At period end, the specific property has a carrying value of \$192,349, and an outstanding mortgage balance of \$168,219.

Under the original purchase agreement, the Company has recourse to the vendor for certain losses. The Company will continue to monitor the situation, to determine if it has suffered a loss that can be recovered under the terms of these guarantees.

The limited partner structure of the Company provides protection to the shareholders in that the lender only has recourse to the asset it holds security on, not the Company as a whole.

17. Comparative figures

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