

**MATRIX EUROPEAN REAL ESTATE
INVESTMENT TRUST LIMITED**

INTERIM REPORT 2007

MATRIX EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

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Highlights for the six months ended 30 June 2007

- Conversion from open-ended collective investment scheme to a closed-ended Guernsey registered investment company with limited liability on 25 April 2007.
- Admission of participating shares to the Official List of UK Listing Authority on 4 June 2007.
- Placing and public offer on 4 June 2007 raised gross proceeds of £170.8 million through the issue of an additional 25.3 million participating shares.
- Acquisition of IZD office tower in Vienna for gross consideration of £175.0 million on 12 June 2007.
- Secured lettings of vacant space in IZD to take the occupancy level to 99% compared to 88% at acquisition.
- Portfolio of four buildings acquired in Spain for £35.7 million on 30 March 2007.
- NAV per share (adjusted) up 3.3% since 31 December 2006 to £6.51 as at 30 June 2007.
- First dividend, as a listed company, of 3.375p per share was paid on 31 August 2007, representing an annualised dividend of 6% on issue price of £6.75.

Chairman's statement

I am pleased to announce the first consolidated interim results of Matrix European Real Estate Investment Trust Limited ("the Company") and its subsidiaries (together, "the Group") since the successful listing of the Company on the Official List of the United Kingdom Listing Authority (the "UKLA"). The Company invests in European commercial real estate, to provide investors with an attractive level of income return, together with the potential for income and capital growth.

Changes in Capital

The Company converted from an open-ended collective investment scheme to a closed-ended Guernsey registered investment company with limited liability on 25 April 2007.

We successfully raised a further £163.2 million of capital, net of issue costs, through the issue of 25.3 million Participating shares as part of an IPO, bringing the total number of participating shares in issue to 38.5 million. The Participating shares were successfully admitted to the Official List of the UKLA on 4 June 2007 and are now traded on the London Stock Exchange.

Subsequent to 30 June 2007, we applied to the Royal Court of Guernsey to have the Company's Share Premium account released as a distributable reserve. The Court accepted the application on 14 September 2007 and as a result our distributable reserves have increased by £171.6 million.

Acquisition of Matrix Vienna Tower LLP

The Group successfully acquired Matrix Vienna Tower LP ("MVT"), a vehicle that owns the IZD office tower ("IZD") in Vienna on 12 June 2007 for gross consideration of £175 million.

Subsequent to the acquisition, we have successfully secured lettings on the vacant office space within IZD, including with Verbund – Austrian Power Grid AG and Baxter AG. These additional lettings have resulted in an increase of the occupancy level of IZD to 99% compared to 88% at acquisition; furthermore, this represents the highest occupancy rate of any similar building within Vienna.

Property Portfolio

The property portfolio is £526.3 million as at 30 June 2007, representing an increase of 62% since 31 December 2006. The increase is principally driven by the successful completion of the acquisitions of IZD and a portfolio of four buildings in Spain occupied by Panrico Donuts, on 30 March 2007 for £35.7 million.

We continue to seek new opportunities and were pleased to announce a further acquisition in July 2007 of a pre let development comprising two buildings in Montpellier, France in July 2007 for a net price of €21.0m and a gross yield of 6.5%.

We believe that the European property markets will continue to present significant growth opportunities in the long term despite the current instability in the marketplace due to recent developments in the debt markets.

Borrowings

The Group's borrowings have increased to £334.9 million as at 30 June 2007 from £271.4 million at 31 December 2006 principally as a result of the borrowings acquired with the acquisition of MVT. However, the level of gearing has fallen from 78% at 31 December 2006 to 58% at 30 June 2007 as a result of £145.8 million of the proceeds received from the share issue being used to repay debt, including £71.3 million of debt held within the Matrix Vienna Group.

Chairman's statement (continued)

We continue to follow our policy of holding a high proportion of fixed-rate debt. At 30 June 2007, we have fixed the interest rates on over 88% of our current borrowings through the use of interest rate swaps at below 4% until at least 2010. Given this profile there is no pressing need for us to refinance; however, as detailed in the Company's prospectus, it is our intention to continue to consider the opportunity for refinancing over the next 12 months as the debt and Commercial Mortgage Backed Securitisation ("CMBS") markets begin to settle.

Financial performance

The net assets of the Group, based on the participating shares being classified as equity, have increased from £77.4 million at 31 December 2006 to £247.0 million at 30 June 2007, which principally reflects the additional capital that was raised through the share issue.

The adjusted NAV per participating share (Note 10), which assumes the sale of vehicles rather than underlying assets, is £6.51 at 30 June 2007 compared to £6.30 at 31 December 2006. This compares to an unadjusted NAV per share of £6.29, £6.30 and £6.61 at 30 June 2007, 31 December 2006 and 30 June 2006, respectively.

The Group has reported a profit of £0.954 million for the six month period to 30 June 2007.

Related parties

Related party disclosures are given in Note 12.

Dividend

In line with the Company's disclosed dividend policy to pay dividends quarterly to Shareholders, the Board declared an interim dividend of 3.375p per share which was paid on 31 August 2007 to shareholders on the register on 1 August 2007.

The targeted gross annualised dividend yield of 6% based on the issue price of £6.75 until 30 June 2008 remains unchanged.

Going forward

We continue to evaluate a range of strategic opportunities and, despite the current turbulence in the market, believe that the Company remains well positioned to take advantage of any opportunities that arise

Crispian Collins
Chairman

Certain statements in this half-yearly report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. These statements involve risks and uncertainties, therefore actual results may differ materially from those expressed or implied.

The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, other than as required by any relevant regulatory authority.

Statement of Directors' responsibility

The Directors confirm that these interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of Matrix European Real Estate Investment Trust Limited are listed in the Annual Report for the year ended 31 December 2006. A list of current directors will be maintained on the MEREIT website: www.mereit.info, which will be launched in October 2007.

By order of the Board

Crispian Collins
Chairman
27 September 2007

Robert Tsenin
Director
27 September 2007

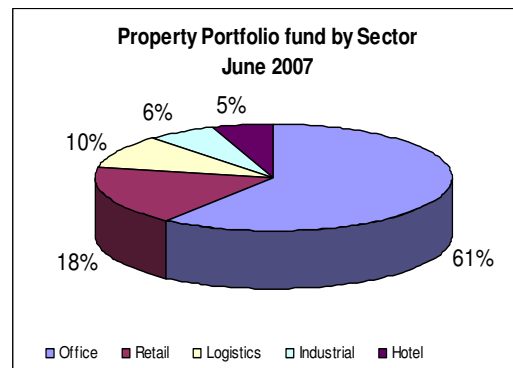
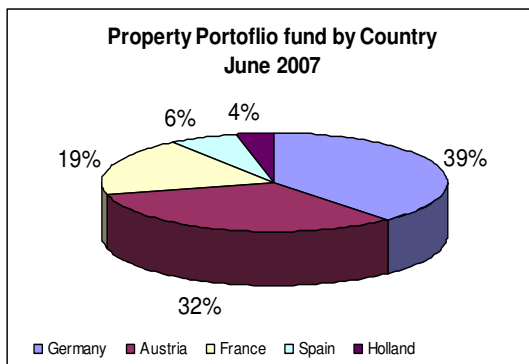
Stephen Coe
Director
27 September 2007

Property portfolio

		Percentage of portfolio	30 June 2007 €m	30 June 2007 £m	31 December 2006 £m
IZD Vienna	Austria	30.9%	241.5*	162.5*	-
Europort	Germany	15.7%	109.3	82.5	82.5
St. Etienne	France	11.8%	92.5	62.3	61.3
Dueren	Germany	8.3%	65.3	43.9	43.8
Panrico	Spain	6.6%	51.9	34.9	-
Dusseldorf	Germany	5.6%	44.2	29.7	29.3
La Gaude	France	5.2%	41.0	27.6	26.2
Munster	Germany	4.1%	31.8	21.4	21.4
Kaiserlautern	Germany	4.1%	31.8	21.4	21.2
Leiden	Holland	3.7%	28.5	19.2	19.2
Lyon	France	2.5%	19.6	13.2	13.2
Celle	Germany	1.5%	24.6	7.7	7.4
		100.0%	782.0	526.3	325.5

* Open market valuation less rental guarantees and tenant lease incentives

** Open market valuation represents an asset sale less varying assumptions as to purchaser costs by property.



CONSOLIDATED INCOME STATEMENT
 for the six months to 30 June 2007

	6 months to 30 June 2007 (unaudited) £'000	6 months to 30 June 2006 (unaudited)* £'000	12 months to 31 December 2006 (audited)* £'000
Rental income	11,887	-	8,292
Property operating expenditure	(2,470)	-	(1,207)
Net rental income	9,417	-	7,085
Other administrative expenses	(6,097)	(334)	(2,131)
	3,320	(334)	4,954
Gain/(loss) on revaluation of investment properties	1,949	-	(4,520)
Operating Profit	5,269	(334)	434
Finance income	472	-	110
Finance expense	(8,454)	-	(6,268)
Movement in fair value of derivative contracts	2,597	-	1,135
Movement in fair value of participating shares	1,464	334	5,608
	1,348	-	1,019
Share of the loss of joint ventures (post tax)	(114)	-	-
Profit before tax	1,234	-	1,019
Tax	(280)	-	(1,019)
Profit for the financial period attributable to equity shareholders	954	-	-
Earnings per share (basic and diluted) (pence)	4	-	-

See note 5 for details of dividends.

* As restated. See note 3.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the six months to 30 June 2007

	6 months to 30 June 2007 (unaudited) £'000	6 months to 30 June 2006 (unaudited) £'000	12 months to 31 December 2006 (audited) £'000
Valuation movement on development properties	1,858	-	2,784
Exchange differences on translation of foreign operations	(1,342)	-	(1,171)
Amount attributable to participating shares	-	-	(1,613)
Net income directly recognised in equity	516	-	-
Profit for the financial period	954	-	-
Total recognised income and expense for the period	1,470	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months to 30 June 2007

	6 months to 30 June 2007 (unaudited) £'000	6 months to 30 June 2006 (unaudited) £'000	12 months to 31 December 2006 (audited) £'000
Opening total equity	-	-	-
Transfer of net assets attributable to participating shares on variation of rights attached to the shares	75,972	-	-
Total recognised income and expense for the period	1,470	-	-
Dividends	(2,089)	-	-
Issue of share capital	176,616	-	-
Issue costs	(4,994)	-	-
Closing total equity	246,975	-	-

CONSOLIDATED BALANCE SHEET

as at 30 June 2007

	30 June 2007 (unaudited) £'000	30 June 2006 (unaudited)* £'000	31 December 2006 (audited)* £'000
Non-current assets			
Investment properties	464,087	110,435	264,219
Development properties	62,260	59,997	61,232
	<u>526,347</u>	<u>170,432</u>	<u>325,451</u>
Investments	-	1,880	-
Investments in joint ventures	(29)	-	-
Goodwill	22,555	4,801	4,801
	<u>548,873</u>	<u>177,113</u>	<u>330,252</u>
Total non-current assets			
Current assets			
Trade and other receivables	15,586	12,757	14,153
Interest rate derivative contracts	10,075	558	3,034
Cash and cash equivalents	47,407	18,249	19,789
	<u>73,068</u>	<u>31,564</u>	<u>36,976</u>
Total current assets			
Total assets	<u>621,941</u>	<u>208,677</u>	<u>367,228</u>
Current liabilities			
Trade and other payables	17,430	25,222	13,379
Amounts due to holders of participating shares	-	24,409	77,436
Exchange rate derivative contracts	2,559	-	-
Bank loans and overdrafts	-	19,952	61,558
	<u>19,989</u>	<u>69,583</u>	<u>152,373</u>
Total current liabilities			
Non-current liabilities			
Bank loans	334,907	134,293	209,871
Government grants	1,091	-	-
Deferred tax	18,979	4,801	4,984
	<u>354,977</u>	<u>139,094</u>	<u>214,855</u>
Total non-current liabilities			
Total liabilities	<u>374,966</u>	<u>208,677</u>	<u>367,228</u>
Net assets	<u>246,975</u>	<u>-</u>	<u>-</u>
Equity			
Share capital	-	-	-
Share premium	171,622	-	-
Special reserve	76,889	-	-
Translation reserve	(2,513)	-	-
Revaluation reserve	1,530	-	-
Revenue reserve	(553)	-	-
	<u>246,975</u>	<u>-</u>	<u>-</u>
Total shareholders' equity			

* As restated. See note 3

CONSOLIDATED CASH FLOW STATEMENT
 for the six months to 30 June 2007

	6 months to 30 June 2007 (unaudited) £'000	6 months to 30 June 2006 (unaudited) £'000	12 months to 31 December 2006 (audited) £'000
Cash flows from operating activities			
Profit after tax	954	-	-
Adjustments for:			
Tax	280	-	1,019
Share of the loss of joint ventures (post tax)	114	-	-
Movement in fair value of participating shares	(1,464)	(334)	(5,608)
Movement in the fair value of derivative contracts	(2,597)	-	(1,135)
Finance expense	8,454	-	6,268
Finance income	(472)	-	(110)
Unrealised (gain)/loss on revaluation of investment properties	(1,949)	-	4,520
Decrease/(increase) in trade and other receivables	4,905	-	(13,964)
(Decrease)/increase in trade and other payables	(7,989)	334	4,829
	236	-	(4,181)
Tax paid	(13)	-	(205)
Net cash outflow from operating activities	223	-	(4,386)
Cash flows from investing activities			
Payments to acquire properties	(34,985)	(117,395)	(246,288)
Acquisition of subsidiary net of cash acquired	5,569	-	(976)
Investment in joint ventures	(85)	-	-
Net cash outflow from investing activities	(29,501)	(117,395)	(247,264)
Cash flows from financing activities			
Additional financing from related parties	-	-	1,914
Cash received for future dealing day	-	-	4,296
Proceeds from issue of participating shares net of issue costs	171,622	16,631	63,736
New bank loans raised	38,425	119,013	220,540
Bank loans repaid	(145,849)	-	(8,087)
Bank interest received	472	-	115
Finance costs paid	(5,612)	-	(10,415)
Dividends paid	(2,089)	-	-
Net cash inflow from financing activities	56,969	135,644	272,099
Effects of exchange rate changes on cash and cash equivalents	(73)	-	(660)
Net increase in cash and cash equivalents	27,618	18,249	19,789
Opening cash and cash equivalents	19,789	-	-
Closing cash and cash equivalents	47,407	18,249	19,789

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Company is a limited liability company incorporated and registered in Guernsey. The address of its registered office is Investec House, La Plaiderie, St. Peter Port, Guernsey. The Company is listed in Luxembourg with a secondary listing on the London Stock Exchange.

These interim financial statements were approved for issue on 27 September 2007.

These interim financial results are unaudited and do not comprise statutory accounts. Statutory accounts for the year ended 31 December 2006 were approved by the Board of directors on 26 April 2007. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph.

2 Basis of preparation

The consolidated interim financial information for the Group has been prepared in accordance with the Listing Rules of the Financial Services Authority and IAS 34, 'Interim financial reporting' as adopted by the European Union. The interim report should be read in conjunction with the annual financial statements for the year ended 31 December 2006, which have been prepared in accordance with IFRSs as adopted by the European Union.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the period ended 31 December 2006, as described in those annual financial statements.

The Directors have revisited the treatment of goodwill arising on business combinations where it arises due to the recognition of deferred tax arising from the revaluation of property or real estate transfer tax savings, and believe that there is no impairment to goodwill where the ultimate intention is to sell the property acquired through the sale of the corporate vehicle in which the property is held. This means that the goodwill on the acquisition of Dueren in 2006 has been reinstated and as such the comparatives at 31 December 2006 and 30 June 2006 have been restated. The change has no impact on either net assets or profit for the financial period attributable to equity shareholders.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2007.

- IFRIC 7, 'Applying the restatement approach under IAS 29', effective for annual periods beginning on or after 1 March 2006. This interpretation is not relevant for the group.
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. This interpretation has not had any impact on the recognition of share-based payments in the group.
- IFRIC 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006. This interpretation has not had a significant impact on the reassessment of embedded derivatives as the group already assessed if embedded derivative should be separated using principles consistent with IFRIC 9.

NOTES TO THE FINANCIAL STATEMENTS

3 Accounting policies (continued)

- IFRIC 10, 'Interims and impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing or recognition of impairment losses as the group already accounted for such amounts using principles consistent with IFRIC 10.
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. IFRS 4, 'Insurance contracts', revised implementation guidance, effective when an entity adopts IFRS 7. As this interim report contains only condensed financial statements, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 December 2007 and have not been early adopted:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. Management do not expect this interpretation to be relevant for the group.
- IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the group.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. Management do not currently foresee any changes to the group's business segments.
- IFRIC 13, 'Customer Loyalty Programme', effective for accounting periods beginning on or after 1 July 2008, subject to EU endorsement. Management do not expect this interpretation to be relevant for the group.
- IFRIC 14, 'The Limited on a Defined Benefit Asset Minimum Funding Requirements and their Interaction', effective for accounting periods beginning on or after 1 January 2008, subject to EU endorsement. Management do not expect this interpretation to be relevant for the group.
- IAS 23 (Revised), 'Borrowing Costs', effective for accounting periods beginning on or after 1 July 2009, subject to EU endorsement. Management do not currently foresee any changes to the group's accounting policies.

4 Segmental reporting

The directors consider that there is only one business segment being investment and development properties and only one geographic area being Europe. Therefore the disclosures for the primary and secondary segments have already been given in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

5 Dividends

	6 months to 30 June 2007 (unaudited) £'000	6 months to 30 June 2006 (unaudited) £'000	12 months to 31 December 2006 (audited) £'000
Declared and paid during the period May 2007	2,089	-	-
	<hr/>	<hr/>	<hr/>
	2,089	-	-
	<hr/>	<hr/>	<hr/>
Proposed	1,300	-	-
	<hr/>	<hr/>	<hr/>

The Board declared an interim dividend of 3.375p per share which was paid on 31 August 2007 to shareholders on the register on 1 August 2007.

6 Investment and development properties

	Investment Properties £'000	Development Properties £'000	Total £'000
Net book value at 21 December 2005	-	-	-
Property acquired via business combinations	42,658	-	42,658
Property acquisitions	67,777	59,997	127,774
	<hr/>	<hr/>	<hr/>
Net book value at 30 June 2006	110,435	59,997	170,432
Property acquisitions	158,250	-	158,250
Capital expenditure less development rents received	-	(1,516)	(1,516)
Movements on revaluation of properties			
- recognised in the income statement	(4,520)	-	(4,520)
- recognised in equity	-	2,784	2,784
Exchange differences on translation of foreign currencies	54	(33)	21
	<hr/>	<hr/>	<hr/>
Net Book value at 31 December 2006	264,219	61,232	325,451
Property acquired via business combinations	162,443	-	162,443
Property acquisitions	35,729	-	35,729
Capital expenditure less development rents received	33	(779)	(746)
Movements on revaluation of properties			
- recognised in the income statement	1,949	-	1,949
- recognised in equity	-	1,858	1,858
Exchange differences on translation of foreign currencies	(286)	(51)	(337)
	<hr/>	<hr/>	<hr/>
Net Book value at 30 June 2007	464,087	62,260	526,347
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

6 Investment and development properties (continued)

The fair value of the Group's investment properties at 30 June 2007 has been arrived at on the basis of valuations carried out by CB Richard Ellis (CBRE) and Drivers Jonas, independent valuers not connected with the Group. The valuation basis has been by "market value" in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards.

Subsequent to 30 June 2007, the development property at St.Etienne has been completed, and has been transferred to investment properties.

7 Bank loans and overdrafts

	30 June 2007 (unaudited) £'000	30 June 2006 (unaudited) £'000	31 December 2006 (audited) £'000
Non-current borrowings	334,907	134,293	209,871
Current borrowings	-	19,952	61,558
	<u>334,907</u>	<u>154,245</u>	<u>271,429</u>

Movement in borrowings is analysed as follows:

	£'000
As at 21 December 2005	-
Business combinations	36,122
New borrowings (net of finance costs)	118,123
	<u>154,245</u>
As at 30 June 2006	154,245
New borrowings (net of finance costs)	127,896
Repayment of borrowings	(7,853)
Amortisation of finance costs	382
Exchange differences on translation of foreign currencies	(3,241)
	<u>271,429</u>
As at 31 December 2006	271,429
Business combinations	170,581
New borrowings (net of finance costs)	38,425
Repayment of borrowings	(145,849)
Amortisation of finance costs	243
Exchange differences on translation of foreign currencies	78
	<u>334,907</u>
As at 30 June 2007	<u>334,907</u>

NOTES TO THE FINANCIAL STATEMENTS

8 Share Capital

	30 June 2007 (unaudited)		30 June 2006 (unaudited)		31 December 2006 (audited)	
	No.	£	No.	£	No.	£
Authorised share capital						
Management shares of £1	100	100	100	100	100	100
Participating shares with no par value	unlimited	-	unlimited	-	unlimited	-
Issued and fully paid Management shares						
Opening and closing balance	2	2	2	2	2	2

The management Shares rank pari passu with the participating Shares in the event of liquidation but only for the return of the nominal paid up capital but carry no voting rights unless there are no participating Shares in issue and carry no rights to dividends.

	30 June 2007 (unaudited)		30 June 2006 (unaudited)		31 December 2006 (audited)	
	No.	£	No.	£	No.	£
Issued and fully paid Participating shares						
Opening balance	12,320,901	-	-	-	-	-
Shares issued for dividends reinvested	39,846	-	-	-	-	-
Shares issued	26,166,871	-	3,690,641	-	12,320,901	-
Closing balance	38,527,618	-	3,690,641	-	12,320,901	-

In the period 1 January 2007 to 30 June 2007, the Company issued 866,571 participating Shares for cash at various prices from 640p to 675p per share and 39,846 participating shares for dividends reinvested at a price of 640p per share.

The rights attached to the participating shares were amended in April 2007 through the passing of a shareholder resolution that removed the ability of the holder to redeem the shares. The result of this change is that the participating Shares are now classified as equity as opposed to liabilities.

NOTES TO THE FINANCIAL STATEMENTS

9 Changes in equity

	Share capital £'000	Share premium £'000	Special reserve £'000	Translation reserve £'000	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
As at 21 December 2005	-	-	-	-	-	-	-
Total recognised income and expense for the period	-	-	-	-	-	-	-
At 30 June 2006	-	-	-	-	-	-	-
Total recognised income and expense for the period	-	-	-	-	-	-	-
Transfer of deferred tax on investment properties	-	-	-	-	(297)	297	-
Transfer of value movement on investment properties	-	-	-	-	(4,520)	4,520	-
Amount attributable to Participating shares classified as liabilities	-	-	-	-	4,817	(4,817)	-
At 31 December 2006	-	-	-	-	-	-	-
Transfer of amounts attributable to participating shares (Note 8)	-	-	78,978	(1,171)	(2,033)	198	75,972
Total recognised income and expense for the period	-	-	-	(1,342)	1,858	954	1,470
Dividends	-	-	(2,089)	-	-	-	(2,089)
Issue of share capital	-	171,622	-	-	-	-	171,622
Transfer of deferred tax on investment properties	-	-	-	-	(244)	244	-
Transfer of value movement on investment properties	-	-	-	-	1,949	(1,949)	-
At 30 June 2007	-	171,622	76,889	(2,513)	1,530	(553)	246,975

The transfer of amounts attributable to participating shares represents the amounts due to the holders of participating shares as at 31 December 2006 less a distribution payment of £1.5 million paid in January 2007.

NOTES TO THE FINANCIAL STATEMENTS

10 Per share information

Earnings per share

	6 months to 30 June 2007 (unaudited) £	6 months to 30 June 2006 (unaudited) £	12 months to 31 December 2006 (audited) £
Earnings per share (basic and diluted)	0.04	0.00	0.00

NAV per share attributable to participating shares

	30 June 2007 (unaudited) £'000	30 June 2006 (unaudited) £'000	31 December 2006 (audited) £'000
Unadjusted Net Asset Value	246,975	-	-
Adjustment to reclassify participating shares as equity	-	24,409	77,436
Basic Net Asset Value	246,975	24,409	77,436
Add back deferred tax liability on valuation gains	18,979	4,801	4,984
Adjusted to Property valuation for SPV sale as opposed to asset sale	7,229	-	-
Less Goodwill	(22,555)	(4,801)	(4,801)
Adjusted Net Asset Value	250,628	24,409	77,619
NAV per share			
Unadjusted (£)	6.29	0.00	0.00
Basic (£)	6.29	6.61	6.30
Adjusted (£)	6.51	6.61	6.30

NOTES TO THE FINANCIAL STATEMENTS

11 Business combinations

On 13 June 2007, the Group acquired 100% of the share capital of Matrix Vienna Tower LP (“MVT”), a limited partnership that holds an interest in the real estate property located at 7-19 Wagramer Strasse, Vienna, for net consideration of £2.6 million (gross consideration of £175.0 million).

The acquired business contributed £0.5 million of revenues and £0.3 million of net profit to the group for the period from acquisition to 30 June 2007. If the acquisition had occurred on 1 January 2007, consolidated revenue and consolidated profit for the half-year ended 30 June 2007 would have been £5.0 million and £2.0 million, respectively. Details of net assets acquired and goodwill are as follows:

	£'000
Purchase consideration	
- cash paid	1,251
- additional amount payable in cash	1,379
	<hr/> 2,630
	<hr/> <hr/> 15,124
Fair value of net identifiable liabilities acquired (see below)	
	<hr/> <hr/> 17,754
Goodwill	

The goodwill arising on the acquisition of MVT is attributable to the anticipation that, when the investment property in MVT is sold, the capital gains tax will be avoided by disposing of the corporate entity rather than the property on its own. The goodwill arises primarily because of the difference between the way in which deferred tax is determined for accounting purposes and the value ascribed to it in the purchase negotiations.

The fair value of the investment property, as calculated by an independent external valuer, has been derived from an assessment of the expected future cash flows to be derived from the property

NOTES TO THE FINANCIAL STATEMENTS

11 Business combinations (continued)

The group has yet to finalise the amount of the fair value of the net identifiable assets acquired. The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount £'000	Accounting policy adjustments £'000	Provisional fair value £'000
Investment property	163,116	(673)	162,443
Current assets	9,615	-	9,615
Cash and cash equivalents	6,820	-	6,820
Trade and other payables	(4,564)	-	(4,564)
Deferred tax	(13,755)	-	(13,755)
Borrowings	(170,839)	(756)	(171,595)
Other liabilities	(4,027)	(61)	(4,088)
Net identifiable liabilities acquired	<u>(13,634)</u>	<u>(1,490)</u>	<u>(15,124)</u>

Outflow of cash to acquire business, net of cash acquired:

- cash consideration	(1,251)
- cash and cash equivalents in company acquired	6,820
Cash inflow on acquisition	<u>5,569</u>

12 Related party transactions

The Company is managed by Matrix Property Fund Management (Guernsey) Limited ("MPFM"), an investment management company incorporated in Guernsey. Under the terms of the Management and Investment Advisory Agreement, MPFM is entitled to an annual management fee, acquisition fees and performance fees.

	6 months to 30 June 2007 (unaudited) £'000	6 months to 30 June 2006 (unaudited) £'000	12 months to 31 December 2006 (audited) £'000
Income statement			
Management fee	1,082	-	1,224
Acquisition fees*	342	1,066	3,286
Performance fees	-	-	-
Fee for preparation for issue of new shares**	175		
	<u>1,599</u>	<u>1,066</u>	<u>4,510</u>

* Capitalised into cost of property acquired

** Netted off share premium

NOTES TO THE FINANCIAL STATEMENTS

12 Related party transactions (continued)

	30 June 2007 (unaudited) £'000	30 June 2006 (unaudited) £'000	31 December 2006 (audited) £'000
Balance sheet - liabilities			
Management fee	682	-	1,224
Acquisition fees	-	1,066	-
Other – purchase consideration	-	-	1,918
	<u>682</u>	<u>1,066</u>	<u>3,142</u>

During the period, £0.3 million was paid to Matrix Securities Limited as a placement fee in relation to the listing of the Company.

13 Commitments

The Group has committed to invest a further £8.4 million in the Dynamic joint venture to fund property investments and property related expenses. The investment is contingent on the identification and approval of suitable property investments.

14 Post balance sheet events

Subsequent to 30 June 2007, an application was made to the Royal Court of Guernsey to have the Share Premium account released as a distributable reserve. The court accepted this application on 14 September 2007 resulting in distributable reserves increasing by £171.6 million.

The Group completed the acquisition of a pre let development comprising two buildings in Montpellier, France in July 2007 for a net price of €21.0m

INDEPENDENT REVIEW REPORT**Independent Review Report to the Shareholders of Matrix European Real Estate Investment Trust Limited****Introduction**

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expenditure, the Consolidated the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, Cash Flow Statement, and related notes 1 to 14. We have read the other information contained within the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in a format equivalent to the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the financial information should be consistent with those applied in preparing the annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

BDO Novus Limited
Chartered Accountants
Elizabeth House, St Peter Port, Guernsey
27 September 2007