EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

HALF YEARLY REPORT

FOR THE SIX MONTHS ENDED
30 JUNE 2013

CONTENTS

CHAIRMAN'S STATEMENT

Overview

In the past six months the Company has made headway in executing its strategy. While some property occupier markets remain fragile, our Investment Manager reports improving sentiment and increased liquidity for better located property in the main markets of France and Germany. Against this background it is pleasing to report that at the end of the period the Company's largest property asset (an office in St Etienne, France) was sold for €66.0 million (£56.6 million), a premium to its December 2012 valuation. This is a significant achievement and enabled the Company to make a material debt repayment, thereby reducing our liability at the date of sale from €198.8 million (£170.3 million) to €138.6 million (£118.8 million). Part of the Europort asset in Frankfurt was also committed to be sold for €0.7 million (£0.6 million); this sale completed on the 8 August 2013. These sales were accretive to the Company's Net Asset Value.

While investor sentiment and debt capital markets have shown some signs of improvement since the beginning of the year, we remain conscious that properties need to be carefully prepared for sale. Given the sensitive occupier markets, the process to prepare for sale can take considerable time. The completion of asset management initiatives during the last six months however has improved saleability of some of the properties in the portfolio and the Company continues to work hard to achieve sales where they are in the best interests of shareholders.

Strategy Update

The execution of the realisation strategy has continued and during the last six months, and in the subsequent period, sales of properties valued at €65.4 million (£56.1 million) have been achieved.

For those properties which are not in the most liquid markets, or not currently in a position to be sold at a fair price for shareholders, the sale process will take longer than originally envisaged. Therefore, as we reported last time, the Board has concluded that it will not be possible to execute the Company's strategy before the end of 2013. This makes it all the more important that the existing debt facility is renegotiated as a contingency in the event that insufficient sales have been executed to repay the loan. The Group is engaged in detailed discussions with lenders to refinance the current facility which expires in January 2014. Good progress is being made but there is no certainty that a refinance solution will be secured. This is a priority for the Board and for the Investment Manager. The valuation of the property portfolio would be at risk of a material reduction to that reported at 30 June 2013 in the event a refinance is not concluded.

As disclosed in the full year-end report, since the Directors declared a strategy to effect an orderly disposal programme and return surplus capital to shareholders, the Financial Statements have not been prepared on a going concern basis. To date this has not had any impact on the carrying value of the Group's assets or liabilities.

Performance

The Company's Net Asset Value ("NAV") as at 30 June 2013 was £64.5 million or 194 pence per share ("pps"), compared with £64.1 million or 193 pps as at 31 December 2012, reflecting a small increase over the period.

The value of the Group's property portfolio fell 1.4% (in euro terms on a like-for-like basis) over the period to €224.4 million (31 December 2012: €227.7 million). The rate at which property valuations declined in the period under review reduced compared with 2012. While this points to a general improvement in capital market sentiment, uncertainty in southern Europe continues to weigh on liquidity and pricing of the rest of the portfolio.

Due to the appreciation of the euro by 4.9%, relative to sterling, over the course of the period, the existing portfolio's holding value actually increased over and above the actual falls in property. Excluding the sale during the period, the portfolio value changed from £185.7 million as at 31 December 2012 to £192.3 million as at 30 June 2013. This means that whilst the property values decreased by £2.9m the currency translation increased the remaining portfolio by £9.5 million.

Financing and Derivatives

During the period, €64.0 million (£54.4 million) sales proceeds and €2.3 million (£1.9 million) paid under the terms of the cash sweep with Lloyds Banking Group have been applied to reducing the Group's financial liabilities.

As at 30 June 2013 the Group had senior debt liabilities of €140.8 million (£120.7 million), a cross currency swap liability ("CCS") of €17.8 million (£15.2 million) and an interest rate swap liability of €2.7 million (£2.3 million). Total combined liabilities therefore amounted to €161.3 million (£138.2 million).

The movements in the senior debt facilities and CCS are reconciled in the tables below:

Debt as at 31 December 2012	€201.9m	£164.6m
Loan repayments	(€62.5m)	(£53.1m)
Amortisation of finance costs	€1.0m	£0.9m
Deferred arrangement fees	€0.4m	£0.3m
Currency Translation	-	£8.0m
Debt as at 30 June 2013	€140.8m	£120.7m

CHAIRMAN'S STATEMENT

CCS as at 31 December 2012	€18.5m	£15.0m
Capital repayments	(€3.8m)	(£3.2m)
Fair value movement	€3.1m	£2.6m
Currency Translation	-	£0.8m
CCS as at 30 June 2013	€17.8m	£15.2m

Loan-to-value ratio

The Group had a gross loan-to-value ("LTV") ratio at the reporting date of 61.7% and circa £7.4 million of free cash resources. The net LTV on this basis is 58.4%. This provides significant valuation headroom for the Company given current LTV covenants of 75%.

Outlook

The successful disposal of St Etienne provides some encouragement for the second half of 2013, particularly against the background of a slight easing in the lending markets in Western Europe. Concluding further sales will however take time. We remain conscious that although investor sentiment has improved for many of the assets owned by the Company, economic prospects remain uncertain at a time when southern European economies struggle to meet their financial obligations to the European Union.

In the near term the overwhelming priority is to secure a refinance solution to provide both stability to the Group's balance sheet and enable the structured realisation strategy to continue. The future performance of the Company will be determined by our ability to renegotiate the debt facility and generate proceeds from sales.

Crispian Collins
Chairman

INVESTMENT MANAGER'S REPORT

Forward Looking Statement

This report has been prepared solely to provide additional information to enable shareholders to assess the Group's strategies and the potential for these strategies to succeed. The report should not be relied on by any other party or for any other purpose.

This Report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. These statements are made in good faith based on the information available to the Investment Manager up to the time of its approval of this report. However, such statements should be treated with caution as they involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. The continuing uncertainty in global economic outlook inevitably increases the economic and business risks to which the Group is exposed. Nothing in this report should be construed as a profit forecast.

Investment Objective

The Company's investment objectives reflect the intention to dispose of all of the Group's assets. As Investment Manager of the Company, the focus is to:

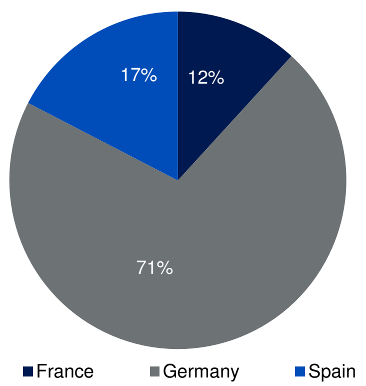
1. Maximise value of the current assets via active management such as lease extensions and new lettings.
2. Sell assets in a timely manner so long as the best value can be realised.
3. Review, extend or repay the loan in order to provide enough time for realisation at the best value.

Portfolio Update

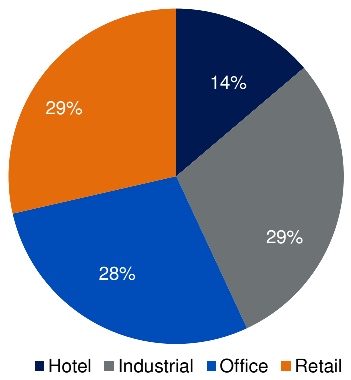
The Company owned nine commercial property investments on 30 June 2013. These are in Germany, France and Spain comprising retail, office, industrial and a hotel property in Dusseldorf.

As at 30 June 2013 the independent valuation of the portfolio undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards was £192.3 million (€224.4 million). Allowing for the effect of €64.7 million (£55.5 million) of property sales, this valuation represents a like-for-like decrease over the period of 1.4% from the 31 December 2012 value of £185.7 million (€227.7 million). In sterling terms the portfolio valuation increased by 3.6%.

Country*



Sector allocation*



* Based on contracted rent

INVESTMENT MANAGER'S REPORT

Distribution of values

Country	Property	Sector	€ 0-€ 25m	€ 25m- € 50m	>€ 50m
France	Nice	Office	♦		
Germany	Frankfurt	Industrial			♦
Germany	Düren	Retail			♦
Germany	Düsseldorf	Hotel		♦	
Germany	Kaiserslautern	Retail		♦	
Spain	Valladolid	Industrial	♦		
Spain	Madrid	Industrial	♦		
Spain	Cordoba	Industrial	♦		
Spain	Murcia	Industrial	♦		

The portfolio produces a current annual rental income of £18.5 million (€21.6 million) which reflects a net initial yield of 8.2%.

As at 30 June 2013 the portfolio had a weighted average lease length of 8.6 years (7.7 years until first break). The tables in note 5(c) give details of the Group's ten largest tenants.

Property Asset Management

The active asset management strategy adopted by the Company resulted in new lettings or lease re-negotiations on over 25,000 sqm and contracted rents of €3.2 million pa in the first half of 2013. Key events included the re-negotiation of the lease to the anchor tenant in Düren for a new term of 10 years and a lease amendment with IBM in Nice, France. In exchange for the Company receiving a payment of €1.3 million, IBM reduced their annual rent to €2.5 million and vacated approximately one third of the buildings on the site. IBM's lease will continue until March 2015 and we are also in discussions with them about their future occupational strategy. The new lease arrangement with IBM provides the Company with additional options for the future use/occupation of the properties in Nice.

This asset management discipline ensured that income security across the portfolio remained constant at 8.6 years until expiry (compared to 8.7 years at December 2012).

Void levels increased to 14.2% from 7.4% due mainly to the lease amendment agreed with IBM. The vacancy at the Europort property close to Frankfurt airport has reduced slightly from 23% to 22%.

Market Overview

The eurozone economy remains in a delicate condition. On the one hand, both the German and Italian governments have completed their austerity programmes and the recent fall in commodity prices has damped inflation and reduced the squeeze on real disposable incomes. Recent surveys show a modest upturn in business confidence although consumers in the Netherlands and Spain still have high levels of debt and France and Italy need to make further reforms to their labour and pension laws to improve competitiveness. Moreover, while the risk of a eurozone break-up has receded, we believe that Portugal, and perhaps Ireland, will eventually need to follow Greece and restructure their government debt. Given these challenges, Schroders expects a fairly subdued recovery in the Eurozone with GDP growth of 0.6% in 2014 and 1.4% in 2015. The main exceptions are likely to be Germany and Sweden (outside the euro), which are major exporters of capital goods to Asia and the US and also benefit from strong government finances.

The Technology, Media and Telecoms sector is currently one of the few in Europe which is taking more office accommodation space. The TMT sector tends to congregate in certain cities where there is a pool of skilled labour and its growth has helped support the recovery in office rents in cities such as Berlin, Lyon and Munich since 2010.

INVESTMENT MANAGER'S REPORT

Weak retail sales and increasing online penetration have led to a rise in shopping centre vacancy in Europe. In general large centres (over 40,000 m2) have suffered less than smaller schemes, but even in northern Europe vacancy rates in these have edged up from 2-3% of units in 2009, to 4-6% in 2012 (source: PMA). Given the sharp fall in retail sales, vacancy rates in large centres in Italy and Spain are higher at 7-10%. Online retailing accounted for roughly 30% of gross take-up of logistics space in 2012 (source: CBRE). However, while helpful, most European cities still have a lot of empty second-hand space and that is currently keeping logistics rents in check.

In most of northern Europe we expect some capital values to fall in the remainder of 2013. Germany and Sweden are likely to perform better than average but the key is prosperous city and town centres capable of supporting local economic growth. We expect capital values in southern Europe to fall more sharply, particularly in Spain which could see a number of distressed sales.

Realisation Process

During the last six months the Company has disposed of assets valued at €64.7 million (£55.5 million) and as at 30 June 2013 has €122.2 million (£104.7 million) of properties held for sale in the accounts. During the period investor demand for secondary property with stabilised income streams has improved. This liquidity has enabled us to negotiate potential sales with a greater degree of confidence; however disposal processes remain protracted and execution risk is high. The demand for assets with shorter lease profiles and/or uncertain occupier markets is weak and it is expected that sales of the higher risk assets in the portfolio will take some time; certainly beyond the end of the year. It has therefore been a priority to actively manage assets and their lease lengths.

Performance

The NAV as at 30 June 2013 was £64.5 million, reflecting an increase of £0.4million or 0.6% over the period. The table below provides a reconciliation of the movement:

	£m
NAV attributable to equity shareholders as at 31 Dec 2012	64.1
Valuation change on investment property	(2.9)
Realised profit on disposal of investment property	0.5
Fair value movement in hedging contracts	(0.4)
Net revenue	3.2
NAV attributable to equity shareholders as at 30 June 13	64.5

One property in St Etienne, France was sold on 28 June 2013 at a price 2.0% above the 31 December 2012 valuation.

Debt Facilities and Financial Covenants

Schroders is working with the Board on a variety of potential refinance solutions in order to provide the Company with an appropriate structure within which to execute property sales at prices which are in the shareholders' best interests.

The Group has a single debt facility with Lloyds Banking Group ("LBG") which matures on 5 January 2014. At 30 June 2013 the Group had £120.7 million (€140.8 million) of debt outstanding, reducing from £164.6 million (€201.9 million) as at 31 December 2012 following sales and amortisation through cash sweep.

The loan has an LTV covenant of 75%, which is tested quarterly using the independent valuations produced for the Company at the most recent valuation date. The loan covenant will next be tested on 20 September 2013 using the property valuations as at 30 June 2013. Other loan covenants include:

In the event that the LTV is in excess of 65%, operational income is used to amortise one of the individual asset's loans selected from the three highest LTV percentages, at the discretion of LBG ("cash sweep").

When properties are sold the debt pay-down required is equal to 120% of the allocated loan for the property sold and the Foreign Exchange liability will be reduced in proportion to the property value.

INVESTMENT MANAGER'S REPORT

The loan is subject to an interest cover ratio (ICR) of 1.30x.

The loan carries a margin of 2.75%, reducing to 2.25% if the LTV is below 60%.

As at 30 June 2013 the Group had an overall LTV ratio of 61.7% and circa £7.4 million of cash. Prior to the sale of St Etienne, the Group's LTV exceeded the 65% threshold above which income is required to amortise debt. Under the terms of this bank covenant, the Group has paid down €2.3 million of debt since 31 December 2012. There is valuation headroom of circa 17.7%, based on 30 June 2013 values, before the 75% LTV covenant is breached.

The Group remained in compliance with the financial covenants associated with its bank facilities and foreign exchange contract.

The Company is in regular dialogue with LBG and other lending banks concerning the progress of our sales programme and potential options for refinancing beyond the maturity date of the facility in January 2014. Given such challenging markets, sales of all properties are unlikely to be completed by the end of 2013. Without adequate financing in place beyond January 2014 the valuation of the Group's property portfolio would be at risk of a material reduction from the level reported as at 30 June 2013. Providing stability to the balance sheet of the Company is a priority for the Investment Manager and the Board.

Interest Rate Hedging

The Group utilises interest rate swaps to provide fixed rate financing on its portfolio. These swaps are with LBG and mature in January 2014. The average swap rate is 2.67% which, together with a current loan margin of 2.75%, provides total financing costs of 5.42%.

At 30 June 2013 the Group held €201.0 million (£172.3 million) (31 December 2012: €201.0 million (£163.9million)) of interest rate swaps having an associated liability of €2.7 million (£2.3 million) (31 December 2012: €5.3 million (£4.3 million)).

Foreign exchange contracts and covenants

The Group has a single Cross Currency Swap ("CCS") contract with LBG to mitigate the effect of movements in exchange rates between the Euro and Sterling currencies. This contract matures in June 2014. It consists of two elements:

- a cash-flow hedge whereby €5.0 million is exchanged for £3.7 million on a quarterly basis until June 2014; and
- a fair-value hedge for €69.2 million to be exchanged for £46.7 million due in June 2014.

During the period £3.2 million was used to reduce the liability associated with this contract and the capital element has been amended from an exchange of €86.7 million for £58.5 million in June 2014 (as at 31 December 2012) to €69.2 million for £46.7 million in June 2014 at the period-end. The liability under the CCS as at 30 June 2013 was £15.2 million.

The CCS is subject to several financial covenants.

These are:

- the net asset value ("NAV") of the Group (excluding the value of the CCS) to be greater than twice the liability under the CCS and;
- the NAV to be at least €34.6 million.

As at 30 June 2013 the Company was in compliance with the above covenants.

Principal risks and uncertainties

The Group considers its strategic, operational and financial risks and identifies actions to mitigate these risks and uncertainties. During the six months to 30 June 2013 there has been no significant change to the principal risks and uncertainties faced by the Group. The Group has not identified any new principal risks and uncertainties that it is likely to face in the second half of the financial year.

The Principal risks and uncertainties facing the Group in the next six months are summarised below and are primarily referred to in the Chairman's Statement, Investment Manager's Report and note 5 of the Financial Statements:

- Re-financing of the Group's debt which matures in January 2014;
- Property values;
- Risks associated with movements in interest rates;
- Risks associated with movements in exchange rates;
- Risks associated with credit exposure to tenants.

INVESTMENT MANAGER'S REPORT

Summary

Progress has been made with disposals and realisation of value. This has enabled the company to reduce debt.

Active management such as leasing extensions and new lettings has either added or protected value. This has also enabled assets to be prepared for sale.

The priority is to now create greater stability of the balance sheet with a solution to the bank's loan facility. As the Investment Manager's report identifies, the current loan is repayable at the start of 2014 and without a solution shareholder value would be damaged. This priority is being vigorously pursued in order to try to protect shareholder value wherever possible.

Schroder Property Investment Management Limited

Investment Manager

29 August 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge:

- The condensed set of Consolidated Financial Statements (the "Financial Statements")have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union;

- The half-yearly investment management report includes a fair review of the information required by DTR 4.2.7 being an indication of important events that have occurred during the first 6 months of the year and a description of the principal risks and uncertainties for the remaining six months of the year; and

- The half yearly investment management report includes a fair review of the information required by DTR 4.2.8 being disclosure of related party transactions and changes therein since the last annual report. As explained in note 3 to the Financial Statements, the Directors do not believe the going concern basis to be appropriate and these Financial Statements have not been prepared on that basis.

The Directors of European Real Estate Investment Trust Limited ("EREIT" or the "Company") are listed in the Annual Report and Financial Statements for the year ended 31 December 2012. A list of current Directors is also maintained on the EREIT website: www.ereit.co.uk.

By order of the Board

Crispian Collins	**Stephen Coe**	**Jan van der Vlist**	**Wessel Hamman**	**Roger Phillips**
Chairman	**Director**	**Director**	**Director**	**Director**
29 August 2013	**29 August 2013**	**29 August 2013**	**29 August 2013**	**29 August 2013**

EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Non-current assets				
Investment property portfolio	13	86,899	90,697	87,578
Goodwill	14	-	1,344	1,408
Total non-current assets		86,899	92,041	88,986
Current assets				
Properties held for sale	13	104,741	148,410	145,883
Trade and other receivables	15	5,669	7,675	10,660
Cash and cash equivalents		13,330	13,331	12,337
Total current assets		123,740	169,416	168,880
Total assets		210,639	261,457	257,866
Current liabilities				
Bank loans	18	120,691	-	-
Trade and other payables	17	5,126	3,628	6,811
Interest-rate derivative contracts	16	2,319	3,628	4,335
Exchange-rate derivative contracts	16	15,178	1,332	1,535
Total current liabilities		143,314	8,588	12,681
Non-current liabilities				
Bank loans	18	-	163,303	164,633
Interest-rate derivative contracts	16	-	2,040	-
Exchange-rate derivative contracts	16	-	15,956	13,510
Deferred tax		2,855	2,888	2,973
Total non-current liabilities		2,855	184,187	181,116
Total liabilities		146,169	192,775	193,797
Net assets		64,470	68,682	64,069
Equity attributable to owners of the parent				
Share capital	19	-	-	-
Special reserve		213,847	213,847	213,847
Translation reserve		20,269	26,273	19,359
Revenue reserve		(169,719)	(171,719)	(169,211)
Total equity attributable to owners of the parent		64,397	68,401	63,995
Non-controlling interests		73	281	74
Total equity		64,470	68,682	64,069
Number of shares in issue		33,163,276	33,163,276	33,163,276
Net asset value per share (basic) (pence)		194	206	193

The notes on pages 14 to 32 form an integral part of these Financial Statements.

The consolidated condensed Financial Statements have been authorised for issue and approved by the Board on 29 August 2013 and were signed on its behalf by:

Stephen Coe
Director

EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	**6 months to 30 June 2013 £'000**	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Revenue				
Rental income		13,557	15,329	29,299
Property operating expenditure		(3,356)	(3,716)	(6,257)
Net rental income	7	10,201	11,613	23,042
Profit/(loss) on disposal of properties		473	(1,163)	(1,158)
Other income		-	-	3
Total income		10,674	10,450	21,887
Administrative expenses	9	(1,815)	(2,996)	(5,326)
Administrative expenses - change of Investment Manager	9	-	-	(682)
Impairment of goodwill	14	(1,468)	(230)	(174)
Exchange rate differences		(1,468)	(621)	(1,355)
Total administrative expenses		(4,751)	(3,847)	(7,537)
Exchange gains realised on liquidation of subsidiaries		2,339	-	7,334
Net deficit on revaluation of investment properties	13	(2,938)	(12,274)	(20,635)
Operating profit/(loss)		5,324	(5,671)	1,049
Finance income	10	1	16	18
Finance expense	10	(5,942)	(6,513)	(11,958)
Movement in fair value of interest rate swap contracts	10	2,219	35	1,228
Movement in fair value of exchange rate derivative contracts	10	(2,601)	5,179	5,466
Loss before tax		(999)	(6,954)	(4,197)
Tax	11	490	(535)	(991)
LOSS FOR THE PERIOD/YEAR		(509)	(7,489)	(5,188)
Other comprehensive income:				
Exchange differences on translation of foreign operations		3,249	(2,599)	(2,179)
Exchange gains realised on liquidation of subsidiaries		(2,339)	-	(7,334)
Other comprehensive income/(loss) for the period/year, net of tax		910	(2,599)	(9,513)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR		401	(10,088)	(14,701)
Loss attributable to:				
Owners of the parent	12	(508)	(7,489)	(4,981)
Non-controlling interests		(1)	-	(207)
		(509)	(7,489)	(5,188)
Total comprehensive income/(loss) attributable to:				
Owners of the parent		402	(10,088)	(14,494)
Non-controlling interests		(1)	-	(207)
		401	(10,088)	(14,701)
Loss per share (basic and diluted) pence	12	(2)	(22)	(15)

The notes on pages 14 to 32 form an integral part of these Financial Statements.

UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Share capital	Special reserve	Translation reserve	Revenue reserve	**Sub Total**	Non-controlling interests	**Total Equity**
	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
At 31 December 2011	-	217,307	28,872	(164,230)	**81,949**	281	**82,230**
Loss for the period	-	-	-	(7,489)	**(7,489)**	-	**(7,489)**
Other comprehensive loss	-	-	(2,599)	-	**(2,599)**	-	**(2,599)**
Return of capital	-	(3,460)	-	-	**(3,460)**	-	**(3,460)**
At 30 June 2012	-	213,847	26,273	(171,719)	**68,401**	281	**68,682**
Profit/(loss) for the period	-	-	-	2,508	**2,508**	(207)	**2,301**
Other comprehensive loss	-	-	(6,914)	-	**(6,914)**	-	**(6,914)**
At 31 December 2012	-	213,847	19,359	(169,211)	**63,995**	74	**64,069**
Loss for the period	-	-	-	(508)	**(508)**	(1)	**(509)**
Other comprehensive income	-	-	910	-	**910**	-	**910**
At 30 June 2013	**-**	**213,847**	**20,269**	**(169,719)**	**64,397**	**73**	**64,470**

The notes on pages 14 to 32 form an integral part of these Financial Statements.

A description of the nature and purpose of each reserve is included within note 19.

EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

UNAUDITED CONSOLIDATED CONDENSED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	**6 months to 30 June 2013 £'000**	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Net cash inflow from operating activities	20	7,415	5,059	13,363
Cash flows from investing activities				
Payments to enhance properties		-	(201)	(1,212)
Cash proceeds from sale of properties		55,510	38,939	38,402
Net cash inflow from investing activities		55,510	38,738	37,190
Cash flows from financing activities				
Bank loans repaid		(53,096)	(29,652)	(30,177)
Bank interest received		1	16	18
Finance costs paid		(4,772)	(5,339)	(9,852)
Return of capital		-	(3,460)	(3,460)
Repayment of interest rate swap contracts		-	(928)	(1,092)
Repayment of foreign exchange derivative contract		(3,230)	(2,413)	(4,391)
Net cash outflow from financing activities		(61,097)	(41,776)	(48,954)
Net increase in cash and cash equivalents		1,828	2,021	1,599
Opening cash and cash equivalents		12,337	12,380	12,380
Effects of exchange rate changes on cash and cash equivalents		(835)	(1,070)	(1,642)
Closing cash and cash equivalents		13,330	13,331	12,337

The notes on pages 14 to 32 form an integral part of these Financial Statements.

Included within the Group's closing cash and cash equivalents is £2.5m (December 2012: £2.4m; June 2012: £nil) held as rent guarantees against future rental receipts which are refundable to tenants. The corresponding creditor is shown within trade and other payables in note 17.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

European Real Estate Investment Trust Limited (''EREIT'') is a company incorporated and registered in Guernsey. The consolidated condensed Financial Statements of the Company for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

These consolidated condensed Financial Statements were approved for issue on 29 August 2013.

These consolidated condensed financial results are unaudited and do not comprise statutory accounts within the meaning of section 245 of the Companies (Guernsey) Law, 2008. Statutory audited accounts for the year ended 31 December 2012 were approved by the Board of Directors on 18 March 2013. The report of the auditors on those accounts was unqualified but contained an emphasis of matter paragraph in relation to the preparation of the accounts on a non-going concern basis and the expiration of the Group's bank facilities in January 2014.

2. Basis of preparation

The consolidated condensed financial information for the six months ended 30 June 2013 for the Group has been prepared in accordance with the Listing Rules of the Financial Conduct 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 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

3. Going Concern

Following the Extraordinary General Meeting held on 5 August 2011, the Group's investment policy was revised to effect an orderly disposal programme and return surplus capital to shareholders.

As the Directors intend to return all capital to shareholders of the Company they have not prepared the Financial Statements on a going concern basis. This has not had any impact on the carrying value of the Group's assets or liabilities.

The Company is in regular dialogue with LBG and other lending banks concerning the progress of our sales programme and potential options for refinancing beyond the maturity date of the facility in January 2014. Given such challenging markets, the Board does not believe it will be possible to dispose of all properties by the end of 2013 at prices which are in the best interest of shareholders. Without adequate financing in place beyond January 2014 the valuation of the Group's property portfolio would be at risk of a material reduction from the level reported as at 30 June 2013.

4. Significant accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual Financial Statements for the year ended 31 December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) *Standards, interpretations and amendments to published standards effective for the period, but which are not relevant to the Group*

The following standards, amendments and interpretations to published statements are mandatory for accounting periods beginning on or after 1 January 2013 but are currently not relevant to the Group's operations:

- Amendments to IFRIC 14 & IAS 19 Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for periods beginning on or after 1 January 2011).

(b) *Standards, interpretations and amendments to published standards adopted in the period*

The following standards, which have only impacted disclosures, are mandatory for accounting periods beginning on or after 1 January 2013 and have been adopted in the financial statements:

- Amendments to IAS 34 Interim Financial Reporting (effective for periods beginning on or after 1 January 2013).
- IFRS 13 Fair Value Measurement (effective for periods beginning on or after 1 January 2013).

(c) Standards, amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 January 2014 or later periods and which the Group has decided not to adopt early. These are:

- IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2015 – still to be endorsed).
- IFRS 10 Consolidated Financial Statements (effective for periods beginning on or after 1 January 2014).
- IFRS 11 Joint Arrangements (effective for periods beginning on or after 1 January 2014).
- IFRS 12 Disclosure of Interests in Other Entities (effective for periods beginning on or after 1 January 2014).

NOTES TO THE FINANCIAL STATEMENTS

5. Financial risk management

The Group's activities expose it to a variety of financial risks: interest rate risk, currency risk, credit risk, liquidity risk and capital risk management. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. It is the Group's policy to hedge interest rate risk through the use of interest rate swaps. Such interest rate swaps have had the economic effect of converting borrowings from floating rates to fixed rates.

The Group has raised long-term borrowings at floating rates and substantially swapped them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. As at 30 June 2013, the Group's borrowings were 145% hedged (December 2012: 100% hedged; June 2012: 102% hedged).

The interest rate swap liability reflects the fact that market interest rates are at a level lower than the amount of the fixed rate interest terms. Should the Euribor increase by 1% the interest rate swap liability would decrease to £1.8m (December 2012: £3.0m; June 2012: £3.4m). Conversely should the Euribor fall by 1% the Group's interest rate swap liability would increase to £2.4m (December 2012: £4.6m; June 2012: £6.8m) from a closing value at reporting date of £2.3m (December 2012: £4.4m; June 2012: £5.7m). The downward variance assumes that rates do not become negative.

(b) Currency risk

Whilst the Group's investments will typically be made in currencies other than sterling and generate non-sterling revenue, any distributions will be payable to shareholders in sterling and the Net Asset Value will be stated in sterling. As a consequence, the Group will be exposed to currency fluctuations between the Group's presentation currency and other currencies (the euro). Movements in the exchange rate between sterling and any currencies in which the Group transacts may have an unfavourable effect on the Group's returns. These movements in the exchange rate may be influenced by factors such as trade imbalances, levels of short term interest rates, differences in relative values of similar assets in different currencies, long term opportunities for investment and capital appreciation and political developments.

The Group intends to hedge its foreign exchange rate exposure at levels which the Directors consider appropriate from time to time. As at the reporting date the Group has in place an income hedge of £3.7m per quarter and a capital hedge of approximately 75% (December 2012: 89%; June 2012: 95%) of its Net Asset Value against euro/sterling fluctuations.

There is no guarantee that the proportion of income and Net Asset Value exposure which will be hedged will remain at these levels or that it will be possible to secure hedges in the future on acceptable commercial terms. In addition, the unhedged amount of income and Net Asset Value will remain exposed to currency fluctuations.

The intention of the Group's foreign exchange hedging strategy is to protect it from unfavourable movements in exchange rates and to provide a more stable income and value profile. However changes in the fair value of the Group's currency hedges may introduce volatility or negatively impact the Financial Statements of the Group.

The table below demonstrates the sensitivity of the foreign exchange swap to currency fluctuations. The table represents the euro to sterling conversion.

Exchange €:£				Period end closing rate		
	1.02	1.07	1.12	1.1668	1.22	1.27
	£'000	£'000	£'000	£'000	£'000	£'000
Periodic	4,944	4,017	3,069	2,412	1,694	1,041
Final	21,523	18,331	15,424	12,766	10,326	8,121
Exchange rate derivative liability	26,467	22,348	18,493	15,178	12,020	9,162

Periodic - refers to value of the €5m quarterly CCS

Final - refers to the value of the €69.2m CCS due in 2014

NOTES TO THE FINANCIAL STATEMENTS

The Group's policy is for group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already in that currency will, where possible, be transferred from elsewhere within the Group.

The functional currency of all entities in the Group is the euro. The table below details the Group's exposure to different currencies at the end of each reporting period:

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Net assets			
Euros	60,597	62,319	58,623
Sterling	3,873	6,363	5,446
	64,470	68,682	64,069

The table below shows the effect on the net assets of the Group at 30 June 2013 if the euro had strengthened or weakened against sterling by various amounts, with all other variables held constant.

	£'000 Net assets
Sterling to euro exchange rate	
Exchange rate: £1:€1.02	64,980
Exchange rate: £1:€1.07	64,792
Exchange rate: £1:€1.12	64,725
Year-end closing rate: £1:€1.1668	64,470
Exchange rate: £1:€1.22	64,322
Exchange rate: £1:€1.27	64,147

(c) Credit risk

The Group is exposed to credit risk from cash and cash equivalents, derivative financial instruments held with LBG for CCS and interest rate swaps, deposits with banks and financial institutions, as well as credit exposure to tenants.

The credit risk on cash and cash equivalents is limited due to the high proportion of funds being held with high rated banking institutions. The table below shows the balance of cash and cash equivalents held with various financial institutions at the end of each reporting period.

Bank	**Ratings at 30 June 2013**	**Balance at 30 June 2013 £'000**	**Ratings at 30 June 2012**	**Balance at 30 June 2012 £'000**	**Ratings at 31 December 2012**	**Balance at 31 December 2012 £'000**
Barclays Bank	A	10,053	A	10,565	A	10,463
Banque Internationale Luxembourg	A-	3,180	A-	2,378	A+	1,827
ABN Amro	A+	97	A+	388	A+	47
		13,330		13,331		12,337

Source: Fitch ratings

The Group is exposed to loss of rental income and increase in costs, such as legal fees, if tenants fail to meet their payment obligations under their leases. The Group seeks to mitigate default risk by assessing the credit worthiness of potential and current tenants based on ratings assigned by independent credit rating agencies such as Dun & Bradstreet, and by diversifying its tenant base to include multinational corporations and local enterprises in different sectors and Continental European markets.

The Group may also require deposits or guarantees from banks, parent companies or tenants where there is a perceived credit risk or in accordance with prevailing market practice. During 2012 and as at 30 June 2013 the Group had enforced rental guarantees of £2.5m against future rental receipts from one of its tenants. This amount has been included within cash and cash equivalents. As the amounts are deemed refundable to the tenant a corresponding creditor has been shown in trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

The Investment Manager reviews reports prepared by an independent credit rating agent, or other sources, to assess the credit quality of the Group's tenants and aims to ensure there is no excessive concentration of risk and that the impact of any default by a tenant is minimised.

However, there is no guarantee that credit risk management procedures will be able to limit potential loss of revenues and income from tenants who default on their lease obligations. If any or all of the Group's tenants are unable to pay against their receivable accounts, the Group's revenues and profitability will be adversely affected.

The tables below detail the Group's ten largest tenants representing greater than 72% (December 2012: 79%; June 2012: 81%) of total contracted rent at 30 June 2013, 31 December 2012 and 30 June 2012. All of the Group's major tenants have paid their rental obligations.

Tenant	Location	Country	Risk Band[4]	30 June 13 contracted rent[5]	Proportion of annual contracted rent	30 June 13 debtor balance	Unexpired lease term
				£m	%	£m	Years
1. Panrico[1]	Spain	Spain	High	3.2	17.7%	-	17.8
2. NH Hoteles	Düsseldorf	Germany	Low-Medium	2.5	13.7%	-	15.3
3. IBM	Nice	France	Negligible	2.1	11.7%	-	1.7
4. Schenker Deutschland	Frankfurt	Germany	Low-Medium	1.8	10.0%	-	2.2
5. Hennes & Mauritz[2]	Kaiserslautern, Düren	Germany	Low-Medium	0.9	4.7%	-	8.5
6. Peek & Cloppenburg	Kaiserslautern	Germany	Low-Medium	0.6	3.5%	-	9.5
7. LSG Sky Chefs	Frankfurt	Germany	Low/High[3]	0.6	3.5%	-	2.0
8. Federal Express Europe Inc.	Frankfurt	Germany	Negligible	0.6	3.4%	-	1.0
9. APCOA Autoparking	Kaiserslautern	Germany	Low-Medium	0.5	2.7%	-	1.5
10. Saturn	Düren	Germany	Low-Medium	0.4	1.9%	-	10.0

1 Cash guarantee for 12-months held. 2 Swedish parent company guarantee 3 Tenants are subsidiaries of LSG Lufthansa (19% Spiriant/ 81% LSG Sky Chefs Culinary Service) 4 IPD risk band based on D&B failure score 5 Contracted rents excluding turnover rents

Tenant	Location	Country	Risk Band[4]	31 Dec 12 contracted rent[5]	Proportion of annual contracted rent	31 Dec 12 debtor balance	Unexpired lease term
				£m	%	£m	Years
1. Casino	St Etienne	France	Low	5.9	24.2%	-	9.5
2. IBM	Nice	France	Low	3.2	13.1%	-	2.2
3. Panrico[1]	Spain	Spain	High	3.0	12.3%	-	18.3
4. NH Hoteles	Düsseldorf	Germany	Low-Medium	2.4	9.7%	-	15.8
5. Schenker Deutschland	Frankfurt	Germany	Low-Medium	1.7	7.2%	-	2.7
6. Hennes & Mauritz[2]	Kaiserslautern, Düren	Germany	Low-Medium	0.8	3.3%	-	9.0
7. Peek & Cloppenburg	Kaiserslautern	Germany	Low-Medium	0.6	2.5%	-	10.0
8. LSG Sky Chefs	Frankfurt	Germany	Low/High[3]	0.6	2.5%	-	2.2
9. Federal Express Europe Inc.	Frankfurt	Germany	Negligible	0.6	2.4%	-	1.5
10. APCOA Autoparking	Kaiserslautern	Germany	Negligible	0.5	1.9%	-	2.0

1 Cash guarantee for 12-months held. 2 Swedish parent company guarantee 3 Tenants are subsidiaries of LSG Lufthansa (19% Spiriant/ 81% LSG Sky Chefs Culinary Service) 4 IPD risk band based on D&B failure score 5 Contracted rents excluding turnover rents

Tenant	Location	Country	Risk Band[4]	30 Jun 12 contracted rent[5] £m	Proportion of annual contracted rent %	30 Jun 12 debtor balance £m	Unexpired lease term Years
1. Casino	St Etienne	France	Low	5.5	22.9%	-	10.0
2. IBM	Nice	France	Low	3.2	13.1%	-	2.7
3. Panrico[1]	Spain	Spain	High	3.0	12.4%	-	18.8
4. NH Hoteles	Düsseldorf	Germany	Low-Medium	2.3	9.7%	-	16.3
5. Schenker Deutschland	Frankfurt	Germany	Low-Medium	2.1	8.7%	-	3.2
6. LSG Sky Chefs	Frankfurt	Germany	Low/High[3]	0.8	3.5%	-	2.7
7. Peek & Cloppenburg	Kaiserslautern	Germany	Low-Medium	0.7	3.0%	-	1.8
8. Hennes & Mauritz[2]	Kaiserslautern, Düren	Germany	Low-Medium	0.6	2.7%	-	6.1
9. Federal Express Europe Inc.	Frankfurt	Germany	Negligible	0.6	2.4%	-	2.0
10. APCOA Autoparking	Kaiserslautern	Germany	Negligible	0.5	1.9%	-	2.5

1 Rent guarantee for 12-months held. 2 Swedish parent company guarantee 3 Tenants are subsidiaries of LSG Lufthansa (19% Spiriant/ 81% LSG Sky Chefs Culinary Service) 4 IPD risk band based on D&B failure score 5 Contracted rents excluding turnover rents

(d) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial commitments.

There is additional risk that during 2013, with the possibility of further falls in property values through Europe that the Group could breach the LTV covenants with its banks. The table shows the quantum of cash needed to pay down existing debt to ensure no breaches of LTV covenants if the asset values within the portfolio continue to fall.

Portfolio valuation fall from 30 June 2013	0%	5%	10%	15%	20%	25%
	£'000	£'000	£'000	£'000	£'000	£'000
Required amount of LBG debt to be repaid due to breach of covenants on fall of LTV	-	-	-	-	3,344	10,557

The CCS financial covenant requires the Net Asset Value (as defined under the CCS contract) of the Group to remain above €75.0m based on the capital element being €150m (reducing proportionately as the contract is reduced), and to be at least twice the value of the CCS.

The tables on the following page analyses the Group's financial liabilities, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Board has assumed the financial covenants will not be breached.

At 30 June 2013	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings (including interest to maturity)	125,000	-	-	-
Derivative financial instruments*	17,497	-	-	-
Trade and other payables	5,126	-	-	-

At 30 June 2012	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings (including interest to maturity)	9,101	168,265	-	-
Derivative financial instruments	4,960	17,996	-	-
Trade and other payables	2,628	-	-	-

At 31 December 2012	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings (including interest to maturity)	9,007	165,028	-	-
Derivative financial instruments	5,870	13,510	-	-
Trade and other payables	4,895	-	-	-

* The Group had an aggregate mark-to-market liability in respect of CCS hedging contracts of £15.2m (December 2012: £15.0m; June 2012: £17.3m). This becomes payable should any of the CCS covenants detailed above be breached.

The table below shows the credit balance of the counterparty in relation to the Group's bank borrowings at the end of each reporting period.

	Fitch Ratings at 30/06/13	**30 June 2013 £'000**	30 June 2012 £'000	31 December 2012 £'000
Lloyds Banking Group	A	120,691	163,303	164,633

The Company is in regular dialogue with LBG and other lending banks concerning the progress of the sales programme and potential options for refinancing beyond the maturity date of the facility in January 2014.

(e) Capital risk management

Prior to 5 August 2011, the Group's underlying objective was to provide shareholders with an attractive level of income return, together with the potential for income and capital growth, through investment in European property.

At an Extraordinary General Meeting held on 5 August 2011, shareholders approved a change in investment policy to enable the Group to effect an orderly disposal programme and return surplus capital to shareholders.

Consistent with industry practice, the Group monitors capital on the basis of the LTV ratio quoted in the Chairman's Statement and Investment Manager's Report. The LTV ratio is defined as outstanding third party debt divided by the Group's Property Value.

NOTES TO THE FINANCIAL STATEMENTS

6. Segmental reporting

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case is the Board of Directors) in order to allocate resources to the segments and to assess their performance.

The internal financial reports received by the Board of Directors contain financial information at a Group level and there are no reconciling items between the results contained in these reports and the amounts reported in the Financial Statements.

The Group's investment property portfolio is comprised of properties in Germany, France and other European countries. In prior periods, information was provided to the Board of Directors showing gross rental income and investment property valuation by individual property. For the purposes of IFRS 8, each individual property was considered to be a separate operating segment in that its performance was monitored individually. The Board of Directors considered it appropriate to aggregate these individual operating segments into geographical reportable segments, as properties within each of these geographical segments demonstrated similar long-term financial performance and economic characteristics.

However, at the Extraordinary General Meeting held on 5 August 2011, the Group's investment policy was revised to effect an orderly disposal programme. As a result of this decision, the Group's internal reporting is more focused on the progress of the disposal programme and the returning of funds to shareholders as opposed to individual property valuation and rental income as was the case in the prior periods. As a consequence, the Board of Directors consider that the Group now has a single operating segment.

Disclosure regarding the Group's major customers is given in note 5 (c). Four (December 2012: three; June 2012: three) customers individually contributed ten percent or more to the Group's revenue.

7. Net rental income

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Tenant rents	11,802	13,187	24,898
Service charge income	1,755	2,142	4,401
Rental income	13,557	15,329	29,299
Property operating expenditure	(3,356)	(3,716)	(6,257)
Net rental income	10,201	11,613	23,042
Service charge income	1,755	2,142	4,401
Property operating expenditure	(3,356)	(3,716)	(6,257)
Non-recoverable property operating expenditure	(1,601)	(1,574)	(1,856)

8. Employee costs

The Group has no employees (December 2012 and June 2012: nil)

NOTES TO THE FINANCIAL STATEMENTS

9. Administrative expenses

	6 months to 30 June 2013 £'000	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Management fee (note 21)	422	751	1,257
Legal, consultancy and tax services	584	1,286	1,883
Accountancy and administration	545	568	1,135
Audit fees	85	89	146
Other	179	302	905
	1,815	2,996	5,326

Other administrative expenses include Directors' fees, office rental, valuation, registrar and regulatory fees and sundry costs.

Administrative expenses – change of Investment Manager

One-off transaction costs of £0.68 million were incurred during 2012 due to the change of Investment Manager, comprising a £0.25 million termination fee paid to Matrix Property Fund Management (Guernsey) Limited, a £0.09 million transition fee paid to Schroders and £0.34 million of professional fees and other costs.

10. Net finance costs

	6 months to 30 June 2013 £'000	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Finance income:			
Short-term deposits	1	16	18
Finance expense:			
Bank borrowings	(4,769)	(5,216)	(9,732)
Loan fee amortisation	(844)	(1,028)	(1,646)
Bank loan deferred arrangement fee	(329)	(269)	(580)
	(5,942)	(6,513)	(11,958)
Movement in fair value of derivative contracts:			
Interest-rate swaps	2,219	35	1,228
Exchange-rate derivative contracts	(2,601)	5,179	5,466
	(382)	5,214	6,694
Net finance costs	(6,323)	(1,283)	(5,246)

11. Income tax expense

Tax is charged at 16.94% for the six months ended 30 June 2013 (31 December 2012: 30.96%; 30 June 2012: 22.24%) representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

NOTES TO THE FINANCIAL STATEMENTS

12. Loss per share

	6 months to 30 June 2013	6 months to 30 June 2012	12 months to 31 December 2012
Loss per share – Basic and diluted (pence)	(2)	(22)	(15)
Loss for the period attributable to owners of the parent (£'000)	(508)	(7,489)	(4,981)
Weighted average number of shares in issue	33,163,276	33,962,671	33,562,973

As the Group does not have any instruments that may dilute earnings, the same basic and diluted loss per share is reported.

13. Property portfolio

	Non current assets	Current assets	
	Investment properties	Properties held for sale	Property portfolio total
	£'000	£'000	£'000
Book value at 31 December 2011	203,261	94,980	298,241
Capital expenditure	201	-	201
Disposals	-	(37,746)	(37,746)
Movements on revaluation of properties			
- recognised in the statement of comprehensive income	(11,452)	(822)	(12,274)
Exchange differences on translation of foreign currencies	(6,666)	(2,649)	(9,315)
Transfer to properties held for sale	(94,647)	94,647	-
Book value at 30 June 2012	90,697	148,410	239,107
Capital expenditure	1,011	-	1,011
Movements on revaluation of properties			
- recognised in the statement of comprehensive income	(8,453)	92	(8,361)
Exchange differences on translation of foreign currencies	1,283	421	1,704
Transfer to properties held for sale	3,040	(3,040)	-
Book value at 31 December 2012	87,578	145,883	233,461
Reversal of cost provision	(850)	-	(850)
Disposals	-	(49,783)	(49,783)
Movements on revaluation of properties			
- recognised in the statement of comprehensive income	(3,529)	591	(2,938)
Exchange differences on translation of foreign currencies	4,298	7,452	11,750
Transfer to properties held for sale	(598)	598	-
Book value at 30 June 2013	86,899	104,741	191,640

Property portfolio analysis

	Leasehold £'000	Freehold £'000	Total £'000
At 30 June 2013	24,444	167,196	191,640
At 31 December 2012	23,848	209,613	233,461
At 30 June 2012	23,702	215,405	239,107

The fair value of the Group's investment properties at 30 June 2013 has been arrived at on the basis of valuations carried out by CBRE Limited, external valuers. The valuation basis has been by "Fair Value" in accordance with the Royal Institution of Chartered Surveyors ("RICS") Appraisal and Valuation Standards. The historic cost of the property portfolio translated at the reporting date exchange rate is £309.2m (December 2012: £364.0m; June 2012: £360.9m).

The property portfolio total is shown net of tenant incentives of £0.7m (December 2012: £5.0m; June 2012: £2.4m).

The Group's investment policy has been revised to effect an orderly disposal programme and a return of funds to shareholders. Following the sale of investment properties, the funds available to distribute to shareholders are subject to a requirement to comply with bank facility and loan covenant terms.

Properties held for sale are those which, at the period-end, were available for immediate sale, being actively marketed and expected to sell within twelve months.

14. Goodwill

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
At the beginning of the period	1,408	1,625	1,625
Impairment	(1,468)	(230)	(174)
Exchange differences on translation of foreign currencies	60	(51)	(43)
At the period end	-	1,344	1,408
Goodwill is attributable to the following cash generating unit			
Duren	-	1,344	1,408

The goodwill capitalised on the acquisition of Stadt Center Düren Verwaltungs GmbH is reviewed every six months for impairment, or more frequently if there is an indication that impairment may have occurred.

The impairment of goodwill has been determined by comparing the Group's cost of acquisition of Stadt Center Düren Verwaltungs GmbH with the fair value less costs to sell of the assets and liabilities of Stadt Center Düren Verwaltungs GmbH and its subsidiaries.

As at 30 June 2013 goodwill has been fully impaired as a result of the Group actively pursuing the realisation strategy.

15. Trade and other receivables

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Rent receivable	772	1,564	2,037
Tenant lease incentives	713	2,449	5,028
Monies held by property managers	487	1,437	1,010
VAT recoverable	1,120	876	639
Amounts held in escrow	1,940	889	1,630
Other	637	460	316
	5,669	7,675	10,660

The table below shows the trade and other receivables past due but not impaired:

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Rent receivable	772	130	826
Monies held by property managers	487	1,437	1,010
VAT recoverable	1,120	876	639
Other	437	249	196
	2,816	2,692	2,671

The 'Amounts held in escrow' relate to monies held in escrow for potential claims following the sale of properties, and for fees payable to the Investment Manager under the Investment Management Agreement.

The maturity profile of 'Amounts held in escrow' is as follows:

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Within one year	257	-	-
In the second year	998	243	979
In the third year	685	-	-
In the fourth year	-	646	651
	1,940	889	1,630

The Group's trade and other receivables are denominated in euros.

There is no significant difference between the fair value and carrying value of liabilities at the Statement of Financial Position date.

Trade and other receivables are reviewed for recoverability on an on-going basis. The Investment Manager also regularly monitors reports prepared by an independent credit rating agent, or other sources, to assess the credit quality of the Group's tenants.

16. Derivative financial instruments

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Interest-rate derivative contracts			
- Current liabilities	(2,319)	(3,628)	(4,335)
- Non-current liabilities	-	(2,040)	-
Exchange-rate derivative contracts			
- Current liabilities	(15,178)	(1,332)	(1,535)
- Non-current liabilities	-	(15,956)	(13,510)
	(17,497)	(22,956)	(19,380)

The Group uses interest-rate swaps to mitigate the effects of movements in interest rates on the results of the Group. The Group has a number of interest-rate swaps that exchange variable rates to fixed rates (at an average rate of 2.67%) with an expiration date of January 2014.

The Group uses foreign exchange rate derivative contracts to mitigate the effect of movements in exchange rates on the results of the Group. The Group has a single exchange rate derivative contract which consists of two elements. The first element is a cash-flow hedge whereby €5.0m is exchanged for £3.7m on a quarterly basis until June 2014. The second element is a fair-value hedge for €69.2m to be exchanged for £46.7m (December 2012: €86.7m to be exchanged for £58.5m; June 2012: €101.0m to be exchanged for £68.2m). In the event of a default on the covenants attaching to the swap the Group could be required to settle the swap contract which at reporting date is a liability of £15.2m. The covenants in relation to the exchange rate derivative are detailed in note 5(d). The Group does not apply hedge accounting.

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's interest-rate swaps and foreign exchange rate derivative contracts are valued in accordance with Level 2. The foreign exchange rate derivative contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest-rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

NOTES TO THE FINANCIAL STATEMENTS

17. Trade and other payables

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Trade payables	507	573	508
Amounts due to related parties	100	84	225
Accruals	420	306	400
Interest payable	39	38	41
Rent received in advance	-	1,000	1,012
VAT payable	188	313	309
Income tax	1	345	595
Rent guarantees	2,530	-	2,406
Other payables	1,341	969	1,315
	5,126	3,628	6,811

Rent guarantees are refundable to tenants.

The Group's trade and other payables are denominated in euros and sterling.

There is no significant difference between the fair value and carrying value of liabilities at the Statement of Financial Position date.

18. Borrowings

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
At the beginning of the period	164,633	197,850	197,850
Repayment of borrowings	(53,096)	(29,652)	(30,177)
Amortisation of finance costs	844	1,028	1,646
Bank loan deferred arrangement fee	329	269	580
Exchange differences on translation of foreign currencies	7,981	(6,192)	(5,266)
At the period end	120,691	163,303	164,633

The table below shows the breakdown of borrowings at each reporting date:

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Bank loan	118,756	163,535	163,921
Capitalised finance costs	(551)	(1,953)	(1,334)
Deferred arrangement fees	2,486	1,721	2,046
	120,691	163,303	164,633

There is no significant difference between the fair value and the book value of the Group's borrowings. All of the Group's borrowings are in euros and all have floating interest rates. The maturity profile of the Group's borrowings at each reporting date is as follows:

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Within one year	120,691	-	-
In the second year	-	163,303	164,633
	120,691	163,303	164,633

The Group is in regular dialogue with LBG and other lending banks concerning the progress of the sales programme and potential options for refinancing beyond the maturity date of the facility in January 2014. Given such challenging markets, sales of all properties are unlikely to be completed by the end of 2013. Without adequate financing in place beyond January 2014 the valuation of the Group's property portfolio would be at risk of material change from the level reported as at 30 June 2013. The refinancing of the Group's existing debt facility is considered a priority by the Investment Manager and the Board.

19. Share capital and reserves

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 2013		30 June 2012		31 December 2012	
	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

	30 June 2013 No.	30 June 2012 No.	31 December 2012 No.
Issued and fully paid Participating shares			
At the beginning of the period	33,163,276	34,569,903	34,569,903
Redemption of shares	-	(1,406,627)	(1,406,627)
At the period end	33,163,276	33,163,276	33,163,276

On 13 April 2012, the Group returned capital of £3.5m to shareholders via the redemption of 1,406,627 of the Company's issued shares.

NOTES TO THE FINANCIAL STATEMENTS

The following describes the nature and purpose of each reserve within equity:

Special reserve

On 15 December 2006, the Royal Court of Guernsey confirmed the reduction of share capital by cancellation of its share premium at that time and creation of a separate special reserve, which is an additional distributable reserve to be used for all purposes permitted under Guernsey Company law, including the buy-back of shares and the payment of dividends.

Translation reserve

The amount of any gains and losses arising on the translation of net assets of foreign operations in to sterling.

Revenue reserve

The cumulative amount of any profits or losses.

Non-controlling interests

The share of net assets attributable to non-controlling interests in subsidiary undertakings.

20. Cash flow from operating activities

	6 months to 30 June 2013 £'000	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Loss for the period / year	(509)	(7,489)	(5,188)
Income tax (credit)/charge	(490)	535	991
Loss before tax	(999)	(6,954)	(4,197)
Movement in the fair value of interest rate derivative contracts	(2,219)	(35)	(1,228)
Movement in the fair value of foreign exchange derivative contracts	2,601	(5,179)	(5,466)
Finance expense	5,942	6,513	11,958
Finance income	(1)	(16)	(18)
Operating profit/(loss)	5,324	(5,671)	1,049
(Profit)/loss on disposal of properties	(473)	1,163	1,158
Exchange rate differences	1,468	621	1,355
Exchange gains realised on liquidation of subsidiaries	(2,339)	-	(7,334)
Adjustments for:			
Impairment of goodwill	1,468	230	174
Net deficit on revaluation of property portfolio	2,938	12,274	20,635
Tenant incentives and rental guarantees	(999)	259	(2,290)
Changes in working capital:			
Decrease in trade and other receivables	967	562	205
(Decrease)/increase in trade and other payables	(542)	(2,188)	730
	7,812	7,250	15,682
Tax paid	(397)	(2,191)	(2,319)
Net cash inflow from operating activities	7,415	5,059	13,363

21. Related party transactions

On 5 September 2012, Schroder Property Investment Management Limited (the "Investment Manager") was appointed to manage the Group. Under the terms of an Investment Management Agreement, the Investment Manager is responsible for advising the Group on the overall management of the Group's investments and for managing those investments in accordance with the Group's investment objective and policy, subject to the overall supervision of the Directors.

The Investment Manager is entitled to a base management fee of €1m in the initial twelve month period following their appointment, €0.6m for the second year and 1% of Net Asset Value per annum for any subsequent periods.

The Investment Manager is also entitled to a performance fee based on sales of properties and shareholders' returns achieved. On completion of each property disposal, the Investment Manager will be entitled to a fee of 0.25% of the gross sales value. An additional fee of 0.40% of the gross sales value of each property disposal prior to the second anniversary of the Investment Manager's appointment will be payable if shareholders returns from 25 October 2011 exceeds a hurdle rate of 160 pence per Share (this being £57.5m of capital, combining cash and remaining Net Asset Value). This hurdle rate increases at a rate of 5% per annum.

The Investment Management Agreement terminates on 5 September 2014, save that it may be extended by mutual agreement. If extended, the Investment Management Agreement may be terminated by either party on not less than six months' notice.

The table below show the related party transactions with the Investment Manager at each reporting date.

	6 months to 30 June 2013 £'000	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Statement of comprehensive income			
Management fee	(422)	-	(263)
Performance fee	(140)	-	-
Transition fee	-	-	(92)
Expense reimbursements	(18)	-	-
	(580)	-	(355)

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Statement of financial position			
Management fee accrual	71	-	197

In prior periods and up to 4 September 2012, the Group was managed by Matrix Property Fund Management (Guernsey) Limited ("MPFM"), an investment management company incorporated in Guernsey.

MPFM was entitled to a base fee, acquisition fee and a performance fee together with all reasonable expenses incurred in the performance of its duties. The base fee, which was paid and calculated quarterly, was equal to 0.6% of the Group's Net Asset Value plus any borrowings of the Group.

NOTES TO THE FINANCIAL STATEMENTS

The figures below show the related party transactions with MPFM at the reporting date.

	6 months to 30 June 2013 £'000	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Statement of comprehensive income			
Management fee	-	(751)	(994)
Termination fee	-	-	(246)
Expense reimbursements	-	(6)	(16)
	-	(757)	(1,256)

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Statement of financial position			
Management fee accrual	-	48	-
Other	-	9	-
	-	57	-

In October 2011 the Group engaged Klockensteijn B.V, a company of which the director J van der Vlist is the beneficial owner, to provide consultancy services. Under the terms of the engagement of Klockensteijn, the Group agreed to pay an annual consultancy fee of €405,000 together with a performance fee equal to 7.5% of the amount by which cash returned to shareholders from 25 October 2011 exceeds a hurdle rate of 160 pence per Share (this being £57.5m of capital). This hurdle rate increases at a rate of 5% per annum.

On 17 July 2013, the Group amended the terms of Klockensteijn's engagement. Under the revised terms the Group has agreed to pay, from 1 November 2013, an annual consultancy fee of €100,000.

During the period the Group paid Klockensteijn £172,151 (December 2012: £328,514; June 2012: £166,502) and at the period-end the Group owed Klockensteijn £28,926 (December 2012: £27,521; June 2012: £27,301).

Any performance fee payable at the 7.5% rate will be capped at £1m. In the event that an aggregate of £1m of performance fees have been earned by Klockensteijn, the performance fee shall reduce to 3.75% of shareholder returns in excess of the hurdle rate.

The amended agreement with Klockensteijn terminates on 31 March 2014, save that it may be extended by mutual agreement.

During the period the Directors received the following capital redemptions:

	6 months to 30 June 2013 £'000	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
C Collins	-	3	3
S Coe	-	1	1
J van der Vlist	-	3	3
W Hamman	-	-	-
R Phillips	-	-	-
	-	7	7

22. Events after the balance sheet date

On 8 August 2013 the Group sold a part of the Europort property in Frankfurt, Germany. This was in accordance with the announcement of the notarisation of the sale of this property made on 6 June 2013. A sale has been agreed at a price close to €700,000, which is within 7% of the 31 December 2012 valuation.

INDEPENDENT REVIEW REPORT

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the half yearly report for the six months ended 30 June 2013 which comprises the consolidated statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow and related notes 1 to 22. As described in note 3, they have not been prepared on a going concern basis. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half yearly report based on our review. This report, including the conclusion, has been prepared for, and only for, the Group for the purpose of the Disclosure and Transparency Rules of the Financial Conduct 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months to 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Emphasis of matter - going concern and bank facilities

We draw attention to note 3 in the financial statements which explains that the financial statements have not been prepared on a going concern basis. We further draw attention to note 3 which explains that the group's bank facilities expire in January 2014 and should the asset disposal programme not be completed by that time then the group would require continued bank facilities to continue its orderly disposal programme beyond that date. The financial statements do not contain any adjustments that would be required if the group was unable to obtain continued bank facilities or refinancing.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey
29 August 2013

EUROPEAN REAL ESTATE INVESTMENT TRUST LIMITED

COMPANY INFORMATION

Directors:
Crispian Collins (Chairman)
Stephen Coe
Jan van der Vlist
Wessel Hamman
Roger Phillips

Registered office:
Sarnia House
Le Truchot
St. Peter Port
Guernsey GY1 4NA

Investment Manager:
Schroder Property Investment Management Limited
31 Gresham Street
London EC2V 7QA

Administrator and Secretary:
Praxis Fund Services Limited
PO Box 52
Sarnia House
Le Truchot
St. Peter Port
Guernsey GY1 4NA

Luxembourg Administrator:
Saltgate
40 Avenue Monterey
L-2163
Luxembourg
Grand Duchy of Luxembourg

Broker:
Cenkos Securities Limited
6.7.8 Tokenhouse Yard
London EC2R 7AS

Independent Valuer:
CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

Auditor:
BDO Limited
PO Box 180
Place du Pré
Rue du Pré
St Peter Port
Guernsey GY1 3LL

Accountants:
MGR Weston Kay LLP
55 Loudoun Road
London NW8 0DL

Tax Advisor:
KPMG LLP
Fifteen Canada Square
London E14 SGL

Legal Advisor:
Stephenson Harwood
One, St Paul's Churchyard
London EC4M 8SH

Registrar:
Computershare Investor Services (Jersey) Ltd
Queensway House
Hilgrove Street
St. Helier
Jersey JE1 1ES

INFORMATION FOR SHAREHOLDERS

Financial calendar	
Second Interim Management statement	November 2013
Annual Report and Financial Statements	March 2014
Annual General Meeting	April 2014
First Interim Management statement	May 2014
Share price	
Share price at 30 June 2013	60p
High during the 6 months ended 30 June 2013 (4 Feb 2013)	99p
Low during the 6 months ended 30 June 2013 (22 March 2013)	58p
Other (€:£)	
Average exchange rate for the period	1.1763
Closing exchange rate for the period	1.1668

Investor relations and general enquiries

For all investor relations and general enquiries about EREIT, including requests for further copies of the Report and Accounts, please contact:

Praxis Fund Services Limited
Sarnia House
Le Truchot
St. Peter Port
Guernsey GY1 4NA

Or visit our investor relations website, www.ereit.co.uk, for full up-to-date investor relations information including the latest share price, recent annual and interim reports, results presentations and financial news.

Communications with shareholders are mailed to the addresses held on the share register. For all shareholder administration enquires, including changes of address, please contact:

Computershare Investor Services (Jersey) Ltd
Queensway House
Hilgrove Street
St. Helier
Jersey JE1 1ES