ING UK Real Estate Income Trust Limited

Annual Report And Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

REAL ESTATE

ING

Front Cover: Grafton Gate, Milton Keynes, Bucks
1–3 Chancery Lane, London WC2

ING UK Real Estate Income Trust Limited
Annual Report 2007
Contents

Unit 5320, Magna Park, Lutterworth, Leics.

Facts and Figures

GROUP SUMMARY

ING UK Real Estate Income Trust Limited is a closed-ended, Guernsey registered investment company, launched on the London and Channel Islands' Stock Exchanges on the 25 October 2005. With approximately 800 investors, the Company, together with several subsidiaries including a Guernsey unit trust and four Jersey unit trusts which beneficially hold title to the properties, comprise "the Group".

GROUP OBJECTIVE

The Group aims to provide shareholders with an attractive level of income together with the potential for capital growth. It can invest both directly and indirectly in an investment portfolio comprising UK, Isle of Man and Channel Islands properties. The Group's focus is on five principal commercial property sectors: office, retail, retail warehouse, industrial and leisure. Maximum borrowings are limited to 65% of gross assets. The investment portfolio is managed by ING Real Estate Investment Management (UK) Limited.

FINANCIAL HIGHLIGHTS

> Income profit for the year, prior to payment of dividends and excluding revaluation, of £18.5 million, compared to a prorated income profit of £17.9 million for the year to 31 December 2006.

> Dividends totalling £20.7 million paid in the year, equivalent to 6.25 pence per ordinary share.

> Gain of £4.1 million arising from sale of assets.

> Total expense ratio of 1.11% (calculated as total expenses as a proportion of the average property assets).

> Reduction in total cost of debt to 5.16% (31 December 2006: 5.18%). Since the year end and following disposals, the loan balance of £307.0 million has been reduced to £282.2 million and total debt cost reduced to 5.09%.

> 1,098,700 shares repurchased for cancellation during the year, enhancing income.

OPERATIONAL HIGHLIGHTS

> Outperformance of the underlying property portfolio at income level, generating an income return of 5.7% compared with the IPD Annual Index of 4.6%.

> Outperformance of the underlying property portfolio generating a total return of -0.8% compared to the IPD Annual Index of -3.4%.

> Dividend cover of 89% was achieved reflecting active management in the year.

> Exchanged contracts on six disposals over the year, at an average premium of 8.8% over preceding valuation.

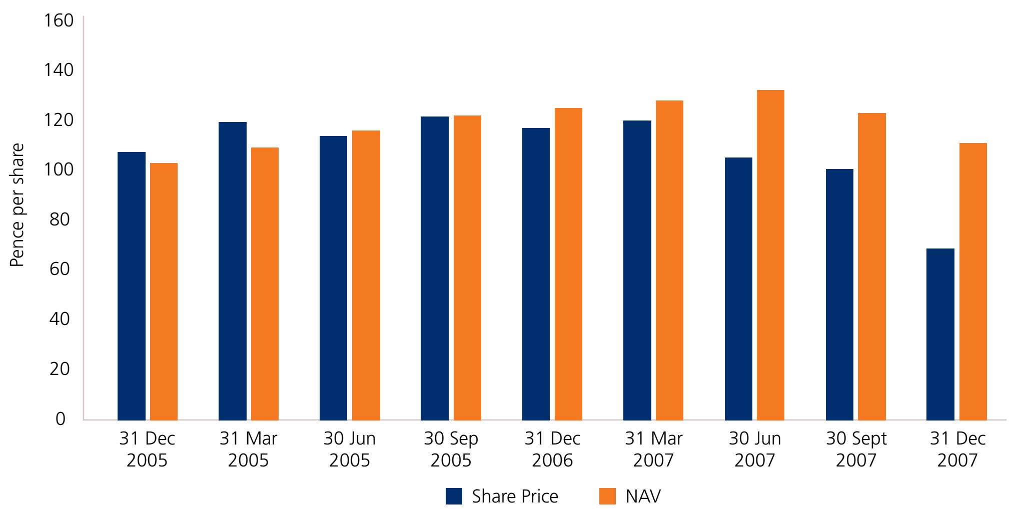
> Outperformance principally driven through sales programme and exposure to office sector.

Facts and Figures (continued)

	Year ended 31 Dec 2007	15 month period to 31 Dec 2006
Net Asset Value	£369.5 million	£418.3 million
Net Asset Value per share	112 pence	126 pence
Dividends paid	£20.7 million	£17.8 million
Net income for the year/period	£18.5 million	£22.4 million
Pre-tax (loss)/profit (including unrealised (losses)/gains)	£(27.8) million	£106.6 million
(Loss)/earnings per share	(8.2) pence	34.4 pence
(Loss)/gain on interest rate swaps	£(3.1) million	£8.7 million
(Loss)/gain on revaluation of portfolio	£(46.7) million	£70.4 million
Gearing*	45.4%	44.6%
Share price	69.5 pence	118 pence
Net Asset Value total return	(6.8)%	33.8%
Shareholder total return	(35.8)%	25.4%

* Calculated as debt as a proportion of gross assets less current liabilities

Share Price and Net Asset Value since Inception



593/599 Fulham Road, London SW6

Chairman's Statement

I am pleased to present the Annual Report for ING UK Real Estate Income Trust Limited for the 12 months from 1 January 2007 to 31 December 2007, during which time conditions within the UK commercial property market changed dramatically.

Despite rising interest rates, the first six months were to be characterised by increasing asset values and continued investor demand. The later months have been in sharp contrast, with reduced investor activity and significantly tighter availability of bank lending, which has led to a 'buyers' market' with reducing capital values, despite a reduction in financing rates.

In 2006, we highlighted that growth in the market driven by yield compression would not last and that income would become a primary driver of performance. Although the correction in the underlying asset class has been significantly sharper than commentators had predicted, this change in sentiment has primarily been driven by capital market conditions, rather than the underlying occupational market which provided positive rental growth throughout the year.

Against this backdrop, I am pleased to report that your Company, as an income focused vehicle, has met its objectives and continued to pay a dividend equivalent to 6.25 pence per share. The ungeared performance of the portfolio outperformed the IPD Annual Index on both an Income and Total Return basis.

The Investment Manager continues to extract value from the portfolio and acquired only £2.6 million of assets in 2007. It sold or exchanged contracts on approximately £39 million of sales, not only ahead of the original cost on acquisition, but also over 8% on average ahead of their preceding valuation.

Set against the repricing of the commercial property market, there have been considerable successes within the property portfolio and through active management at the end of the year the dividend cover of the Group was 89%, with the remaining £2.3 million distributed to investors from retained earnings.

Your Board has been active in addressing issues within the underlying market and, as such, during the year and also following the year end, the Group reduced the overall level and cost of its borrowings.

In addition, over the year there has been an increasingly wide divergence between the asset valuation and the share price, as the volatility and forward looking nature of the share price became disconnected with the more stable asset class. This led your Company to seek to repurchase over one million shares for cancellation during the final quarter of 2007, which enhanced both income and net asset value per share.

The Board has been pleased with the way the Investment Manager has managed the portfolio during these difficult market conditions, but remains acutely aware of the need to maintain all activity cognisant with the prevailing conditions and ensure that no opportunity is missed to optimise investor returns.

One particular aspect that both the Board and Investment Manager are aware of is the importance of maintaining a competitive total expense ratio, which for the year to 31 December 2007 was 1.11%.

At the same time the Board is acutely aware of the volatility of current conditions and will ensure that the investment strategy is continually monitored and adapted to meet any unexpected and significant changes in market sentiment.

The portfolio remains well balanced, offers an attractive income yield of just over 6% with reversionary potential, a 95% occupancy rate and a secure income stream with an average lease length in excess of 8.5 years.

Whilst economic concerns still exist, the effect of declining interest rates and a rising income return from commercial property is bringing investors and liquidity back to the sector. Whilst capital values of commercial real estate continue to be volatile, the income and stability of this income stream is one of the defensive attributes of the sector and we believe the Group is well structured in current market conditions to continue to meet its objective of delivering a strong income return.

Given the structure of the portfolio and the Investment Manager's performance to date, the Board is confident that the Investment Manager will continue to take action and address the challenging market conditions to best position the Company to achieve its objectives during 2008.

Nicholas Thompson
Chairman of the Board
8 April 2008

Longcross Court, Newport Road, Cardiff

Economic and Property Market Overview

ECONOMIC OVERVIEW

2007 was an unsettling year for the UK economy. Whilst GDP growth continued to advance, rising at a robust pace of 2.8% per annum up to the end of the year, there was also a marked deterioration in financial conditions that began in the summer. The UK was not immune from the US sub-prime mortgage crisis and institutions also suffered significant sub-prime-related losses.

The result of the losses was a notable reduction in the willingness of banks to lend to each other and, consequently, the spread between the 3-month LIBOR and the base rate widened significantly, reducing the amount of liquidity available in the financial system. Moreover, despite the strength of the underlying economy, the credit crunch has impacted on investor sentiment across all asset classes. The risk premium to invest will almost certainly have risen across the asset classes. An exception was gilts, where yields fell as investors sought a degree of security in uncertain times. The credit tightening will eventually ease, probably later on in 2008, and although base rates are now reducing, it is difficult to envisage debt in the future being as freely available as it has been over the last four to five years.

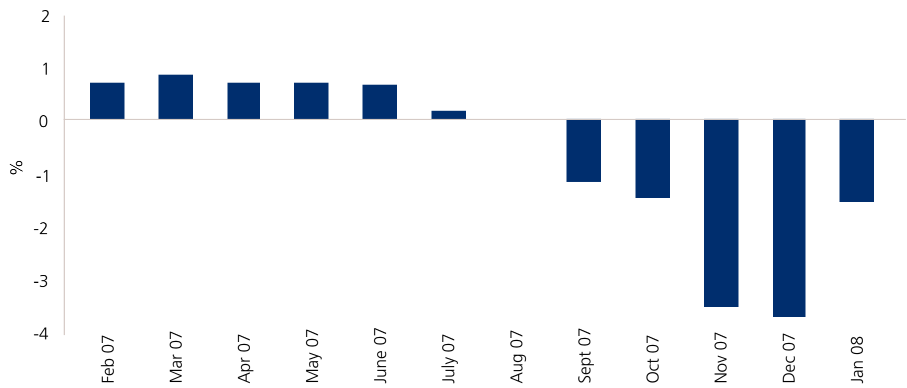
Adding to the concerns brought about by the seizing up of the financial system, UK economic growth is also expected to slow in 2008. Current economic growth has been partly underpinned by the resilience of household consumption. However, previous interest rate rises are beginning to take effect with household expenditure and retail sales growth now starting to ease.

RPI inflation was 4.1% per annum in February 2008, up from 4.0% in December 2007. Upside risks include food and oil prices and their effects on both producers and manufactured goods prices. The outlook for a weak 2008 prompted the Bank of England to cut rates by 25 basis points in December to 5.50% and again in early February 2008 to a current 5.25%. This was influenced by the ongoing credit crunch and fears of it spilling over to the real economy.

PROPERTY PERFORMANCE

According to the IPD Annual Index, the average ungeared UK property total return was -3.4% over the year to December 2007. This overall figure masks significant variation in monthly performance. On a month-on-month basis, total returns were mild but positive for the first half of the year. However, thereafter total returns started to decline as the market began to experience reduced investor demand and weakening capital values, and the credit crunch began to impact on investor sentiment.

Figure 1: Monthly Change in IPD All Property Total Returns



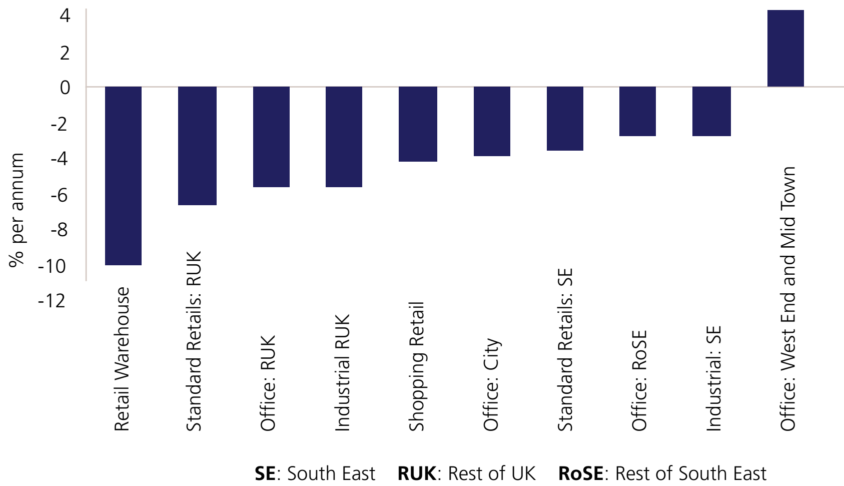
Source: IPD

Economic and Property Market Overview (continued)

The worst monthly performance was recorded in December 2007 and total returns actually improved over the following month. It is, however, too soon to tell whether this slight deceleration in the decline marks a more general improvement in the market.

In terms of the main three-sector hierarchy, the Office sector saw the best relative return of -0.7% per annum, followed by -3.3% per annum for Industrials and -7.1% per annum for Retail.

Figure 2: IPD Total Returns (% per annum) by Property Analysis Segment (31 December 2007)

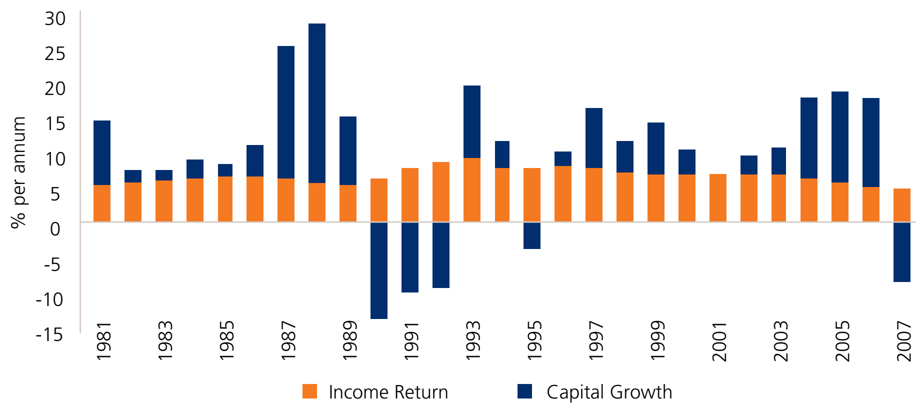


Source: IPD

The underperformance of the retail sector was chiefly driven by the significant declines in total returns in the retail warehouse sub-sector, reflecting proportionally greater outward yield movement from their lower yield level, whilst the more defensive shopping centre segment fared relatively better.

The sub-sectors that fared relatively better overall, however, were mainly focused on London and the South East, such as West End and Mid-town offices, primarily driven through strong rental growth, South East industrial and Rest of South East offices.

Figure 3: IPD All Property Income Return and Capital Growth (% per annum)



Capital growth detracted from returns to a significant extent in 2007, with the income return acting as a buffer against the impact of the outward yield movement.

The decrease in liquidity was demonstrated by the reduction in UK property investment turnover levels in the closing months of 2007, down from an average of around £15 billion quarter-on-quarter over the last few years to around £7 billion in the last quarter of 2007. This means that the normal volume of deal evidence has not been available for year end valuations and therefore we expect that the outward yield movement that was seen in the market in late 2007 will continue to filter through into the IPD index this year as a result of valuation lag.

However, given the relative "speed" of the yield movement to date, it is unlikely that this will be a drawn out process as was the case in the early 1990s, but the pace of yield increase is instead expected to slow. It is also unlikely that the full extent of yield movement that has been registered in the transactions market has yet to be reflected in the IPD index, due to the valuation process, which tends to "smooth" the highest and lowest performance points out of the index.

Looking further into the performance drivers, unsurprisingly given the buoyant conditions in the wider economy over the last few years, IPD rental growth continued at a robust 4.1% per annum. This was largely powered by central London office stock seeing rental value growth of around 10 to 15% over the last 12 months. However, because of previous capital growth, income returns still marginally fell from 4.9% per annum to 4.6% per annum over the same 12 month period.

The strong rental value growth that was recorded in the central London office market was also seen elsewhere in the country, with Rest of South East offices (excluding central London) also seeing buoyant growth of 4.1% per annum. Another strong performer was South East standard retail, which achieved rental value growth of 2.8% in 2007. The industrial sector, however, continued to see relatively low rises in rental levels but, more positively, maintained the highest income return of 6.9% per annum.

As a result of this deterioration in investor sentiment and outward movement in yields, the property market underperformed both equities and bonds on an annual basis to December, with the other main asset classes recording total returns of 4.6% and 2.9% respectively. For the UK, on a one, three and five year basis equities outperformed both bonds and property. Property shows a much stronger performance over ten years, outperforming both asset classes, with an annualised return of 11.5%.

Portfolio Review

STRATEGY

The investment strategy is aimed at providing an attractive level of income, together with the potential for capital growth, from directly or indirectly investing in a diversified portfolio of property located in the UK, Isle of Man or Channel Islands.

It is intended that the Group will hold a diversified portfolio of properties. The Group's strategy includes investment in the five principal sectors; namely office, retail, retail warehouse, industrial and leisure. The Group may also invest in other property funds.

The Investment Manager has a strategy of targeting assets with good fundamental characteristics, maintaining a diverse spread of occupational tenants and above average income yields for the property sector, with opportunities to enhance value through active management.

This is achieved by taking an overweight position in sub sectors which provide a higher level of income return relative to the IPD Annual Index, whilst at the same time providing opportunities for capital growth. The Group has an overweight position in the office and industrial sectors and a lower weighting towards the retail sector. In particular the Group has a below average exposure to lower yielding sub sectors such as retail warehousing and central London offices.

Particular emphasis is placed on providing a stable and secure cash flow, added to which active management initiatives are pursued that can enhance income or capital value.

Where assets do not meet the strategy of providing strong income return characteristics or offer the prospects for capital enhancement, and where active management initiatives have been completed, then, where appropriate, monies will be recycled to opportunities that provide greater performance potential.

With a number of disposals completed throughout 2007 and early in 2008, the Investment Manager has sought to enhance the income bias and at the same time reduce the number of non-core assets within the portfolio. Proceeds were primarily used to reduce the overall level and cost of debt and it is expected that this will continue into 2008, with a view to repaying all non-securitised borrowings by the end of this year.

PORTFOLIO PERFORMANCE

For the year ending 31 December 2007, at an ungeared level, the underlying portfolio outperformed the IPD Annual Index on both an income and total return basis.

The Group's property portfolio produced a total loss of -0.8% which compares favourably with the IPD Annual Index of -3.4%. The portfolio has now outperformed this Index since inception.

The income return from the portfolio was 5.7% for 2007, significantly ahead of the IPD Annual Index at 4.6%, for the second consecutive year.

In 2007, as in 2006, the portfolio outperformed on an income return basis due to the portfolio structure providing a relatively high initial yield, further combined with active management initiatives that enhanced income throughout the year.

NET ASSET VALUE

The marked and sudden movement in capital values in the second half of 2007 impacted overall performance, and, together with the impact of gearing, reduced the overall Net Asset Value (NAV) of the Group.

For the year to December 2007, the NAV Total Return was -6.8%. NAV Total Return is calculated as the percentage increase or decrease in net asset value generated over the year assuming the dividend is reinvested.

Since launch in October 2005, the NAV Total Return has been 10.3% on an annualised basis.

REVIEW OF 2007

The repricing of commercial real estate during 2007 came much sooner and was more severe than we had predicted. Whilst the occupier market remained robust throughout the year, this was in marked contrast to the investment market in which values corrected sharply in the latter half of the year.

Set against this correction, there was significant activity on the underlying portfolio and real progress was made in enhancing the quality of the portfolio and income generated. In the latter half of 2007 active management was as much focused on maintaining value as opposed to creating it.

The sales programme which continued throughout the year, with selective disposals across all sectors, resulted in proceeds that were used to degear the portfolio, whilst at the same time reducing the overall exposure to the retail sector in particular.

Whilst it was the Investment Manager's intention to reduce borrowing further over the course of the year, the speed of the correction in the underlying market and significantly lower transaction volumes in the fourth quarter resulted in some disposal transactions becoming abortive in the latter part of the year as purchasers withdrew from transactions, unable to obtain finance or approval to proceed.

With a portfolio as diverse as this, there are likely to be many asset management led initiatives that provide performance on a cumulative basis rather than one off transactions. We have however highlighted below examples across all sectors that contributed to performance. What is particularly pleasing is the completion of a number of business plans, many of which were first prepared at the launch.

The Investment Manager's focus continues to be on active management to retain existing tenants, minimise void periods and capitalise on situations where the landlord and tenant can work together to create value. Particular emphasis has been on providing additional income and thereby enhancing the dividend cover which this year was close to 90%.

At the year end the portfolio consisted of 58 assets, diversified across both sector and geographically, providing an income stream secured against over 300 separate tenancies. The running yield on the portfolio was 6.01% and reversionary yield 6.63%, before purchaser's costs.

A brief sector by sector summary follows;

Offices

The Group has an overweight position towards the office sector, which performed well during 2007.

In particular, central London assets, such as Boundary House, London, EC3 which was acquired in 2006 at a low rent of £18 per sq. ft., saw significant performance as leases were restructured and income grew, with over 20% rental growth achieved during 2007.

At Angel Gate Office Village, London, N1 the scheme reached over 95% occupancy for the first time since acquisition and rental levels achieved showed over 25% rental growth during 2007.

Portfolio Review (continued)

At City Link House, Croydon we were able to regear a lease over four floors to The Royal Bank of Scotland plc on a 15 year term enhancing both rental income and capital value.

Retail

Performance in the retail sector was more muted, coming principally from the disposals made in 2007. The sale of Belfast in particular is detailed below.

A strong rent review settlement at one of the retail warehouse assets, Angouleme Way Retail Park, Bury, has enhanced the rental income from the park, and also provided good quality evidence for future settlements, with estimated rental growth of over 16% in 2007.

In addition, the Group's two principal supermarket investments performed well on the back of rental and capital growth.

Industrial

The industrial sector continues to be important for its relatively high income return and one small strategic acquisition was made in this sector as detailed below.

At Easter Court, Warrington, the estate became fully income producing following three lettings during the course of 2007. The income has increased 47% since the end of 2006.

The disposal of the industrial unit at Garsington Road, Oxford, detailed opposite, highlights the recycling of capital, in particular of smaller assets, where there is limited capital upside and the income return does not meet the Group's criteria.

ACQUISITIONS AND DISPOSALS

In the year to 31 December 2007 the Group acquired one asset and exchanged contracts or disposed of six assets for a consideration of over £39 million, on average 8.8% above their preceding valuation.

The acquisition was of a vacant industrial unit, adjacent to the Group's largest holding, a south east industrial estate, in Harlow, Essex. This was a strategic acquisition for £2.6 million, which consolidated the holding. Having refurbished and re-let the unit to FedEx UK Limited following acquisition, this provided new rental value evidence for the rest of the estate.

The disposals were part of a planned programme of phased disposals which started in 2006, principally to reduce the number of smaller assets within the portfolio and also to sell assets which did not contribute on an income return basis and where the business plans had been implemented.

The principal sales were as follows:

Trafford Park, Manchester – The Group completed the sale of two detached retail warehouse units for £5.8 million on 13 April 2007, following completion of rent reviews undertaken the preceding year. The sale was £255,000 ahead of the preceding quarter's valuation.

Scottish Provident Building, Belfast – The Group completed the sale of this Grade II Listed building, located in central Belfast for £21.0 million on 20 December 2007. Detailed analysis had been undertaken in respect of a refurbishment of the predominately vacant upper parts and a decision was made to sell the asset rather than employ significant capital to facilitate a refurbishment programme. The sale reflected a net initial yield of 3.75% and was £2.2 million ahead of the preceding valuation.

40 Garsington Road, Oxford – The Group exchanged contracts on the sale of a vacant industrial unit in Oxford, following the tenant activating their break clause in November 2007. The outgoing tenant paid the Group a penalty of £132,000, equivalent to six months' rental, to terminate the lease. The sale, which completed just after the year end, was at £4.85 million, £510,000 ahead of the previous valuation.

Whilst in current market conditions it is more difficult to achieve disposals, where appropriate these will continue where value can be achieved through the disposal process and when it is in line with the strategy of enhancing income and total return prospects.

OCCUPANCY

The occupancy rate on the portfolio remains strong and at December stood at 95%, ahead of the IPD Annual Index of 92.8%.

The Investment Manager has taken advantage of the low vacancy rate and has undertaken surrenders of occupational leases where value can be generated through this process.

As at 31 December 2007, approximately 50% of the void is attributable to two assets, which are detailed below:-

3 The Boulevard, Watford – This refurbished office building totals 43,259 sq. ft. and provides Grade A headquarters open plan accommodation. The Watford area has been over-supplied for a number of years although the availability of stock in this market has reduced. The Manager continues to market the property on flexible terms and unfortunately a transaction to lease the entire building became abortive in December this year. We are actively remarketing it and are exploring reconfiguring access arrangements and flexible leasing options.

Unit G2, River Way Industrial Estate, Harlow – This industrial unit, comprising 33,500 sq. ft. was vacated in 2007 and was subsequently refurbished. An agreement for lease has just been signed, which will secure a new ten year lease with a break option after five years, setting further positive evidence for the estate and increasing the rental income by over £209,000 per annum.

DEBT

The Group's borrowings were reduced during 2007 as part of a strategy to reduce the overall level of debt. Whilst debt repayment costs were fixed, changes to the marked to market value of the swap had a negative impact on the Balance Sheet at the year end. The debt is held in two separate tranches, the majority of which is securitised. Proceeds from sales have been used to reduce borrowings in the more expensive tranche. At 31 December 2007 the weighted average cost of debt was 5.16%, excluding loan arrangement costs.

The Group has borrowed a total of £225 million of AAA rated loan notes on the debt market, with interest payable on the initial £200 million at 4.795% and the further £25 million at 5.3804%, both fixed by way of interest rate swaps. These loan notes are repayable on 31 January 2013.

The Group also has a loan with JP Morgan with a balance of £82 million at 31 December 2007. Interest is payable on this loan at 6.0%, also fixed by way of a swap. This loan is repayable on 4 December 2009.

During the year loan repayments of £6.5 million were made. Following the year end and after completion of the disposals undertaken in the fourth quarter, the Group reduced its non-securitised borrowings by a further £24.8 million. Current borrowings now stand at £282.2 million and the weighted average cost of debt has reduced to 5.09%.

Outlook

With economic growth entering a slower period over the next 12 to 18 months, the principal implication for commercial property is softer occupational demand. Supply-side issues are also a factor to consider, but we believe that in most cases the importance of new supply is exaggerated. Some pockets of new supply will have local impacts, particularly in retail, where new shopping centres and retail parks can alter the dynamic between retail locations within the catchment, but these locations have a minimal impact on rents at a national level. Even in City offices, where an above average amount of new supply is set for delivery in 2008 and 2009, the impact on rents should be minor, providing financial sector redundancies do not escalate dramatically. Consequently, while we do expect rental growth on the average UK property portfolio to decelerate, we would not expect a decline in rental levels in the absence of a prolonged economic recession.

On the capital market front, credit markets are unlikely to immediately ease. That means property market liquidity will remain lower than normal over the remainder of the year. Despite a 10 to 15% fall in capital values in 2007, we expect the IPD index to show further falls in capital values, concentrated in the first half of 2008. A key reason for this is that we believe that UK property is already approaching long-term ‘fair value’ (an initial yield of around 5.25 to 5.5%), but values are likely to undershoot through the bottom of the cycle, as they overshot at the top. The difference between the current views on yields in the transactions market and those yields being quoted by IPD will also come more into play this year, with the index expected to continue to “catch up” with the underlying market.

At a sector level, industrials are expected to outperform over a one, three and five year time horizon, with both the South East and Rest of UK sub-markets forecast to see relatively healthy returns. The office sector is expected to see the lowest total returns over all three periods. However, it must be noted that this relative underperformance will largely be the result of the central London sub-markets. Indeed, offices elsewhere in the UK are expected to see a somewhat stronger performance and are in fact forecast to move in line with the all-property average over the three periods.

Income returns are expected to form the greatest proportion of total returns and are forecast to average 5.9% per annum over the five years to 2012, slightly stronger than the 5.7% per annum that has been recorded over the period 2002 to 2007.

2008 sees the introduction of two elements of legislation that will affect the real estate sector, namely The Rating (Empty Properties) Act 2007 and the Energy Performance of Buildings Regulations 2007. The former, which came into effect on 1 April, increases the rates liability of vacant accommodation and in particular the industrial sector which until now has benefited from full business rates relief for vacant properties.

At present, the portfolio benefits from a relatively low vacancy rate, so the impact of the legislation will be less than the market in general. We have employed consultants to review the rates liabilities on all vacant or soon to be vacant assets to ensure that appeals can be lodged and costs mitigated where appropriate.

In respect of the introduction of Energy Performance Certificates, these were introduced (on a phased basis) from 6 April and are required on all sales and lettings of commercial real estate, dependent upon the size of the building. We have employed consultants to prepare these to ensure that no letting or sale campaign is prejudiced by the introduction of this legislation.

Furthermore, in respect of properties that are in direct control of the landlord, either being multi-let or vacant, we are in the process of establishing a policy to ensure that the environmental impact of these assets is improved in the short and medium term, through the introduction and monitoring of energy saving measures. The income bias on the portfolio, along with office exposure and lower weighting in the retail sector, led to outperformance in 2007.

With slower economic and rental growth envisaged for 2008, the portfolio's defensive quality of a high income return and low exposure to primarily growth dependant sectors, will, we believe, enable it to continue to outperform.

We will continue our successful sales programme with a view to further reducing borrowings where we are able to make disposals at opportunistically attractive levels, selling assets where we have completed business plans and where they do not add to the income bias of the portfolio.

With the diversity of assets and tenancies within the portfolio we are confident that the asset management team will continue to deliver outperformance and create additional opportunities that will enhance value and income from the underlying portfolio.

Michael Morris
ING Real Estate Investment Management (UK) Limited

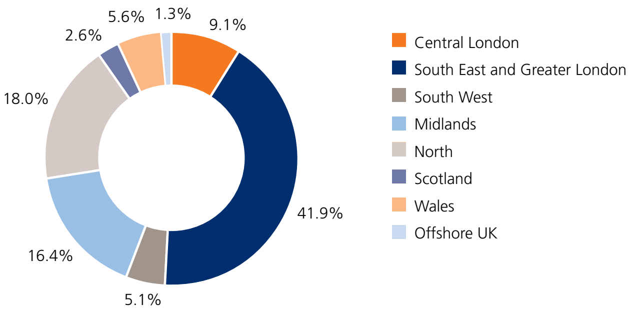
8 April 2008

Portfolio Analysis

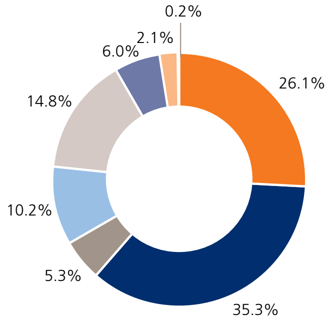
GEOGRAPHICAL

As at 31 December 2007 the regional weightings of the Property Portfolio, as a percentage of current portfolio value, are summarised as follows:

% of Portfolio



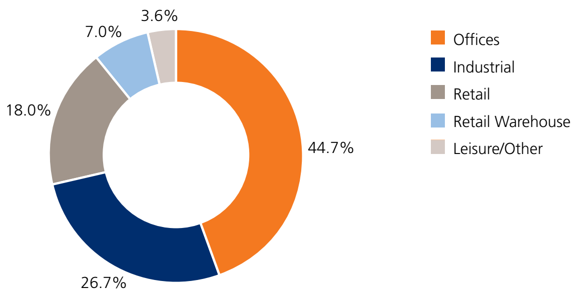
IPD Annual Index %



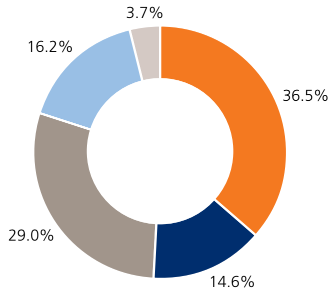
SECTOR

As at 31 December 2007 the sector weightings of the Property Portfolio, as a percentage of current portfolio value, are summarised as follows:

% of Portfolio

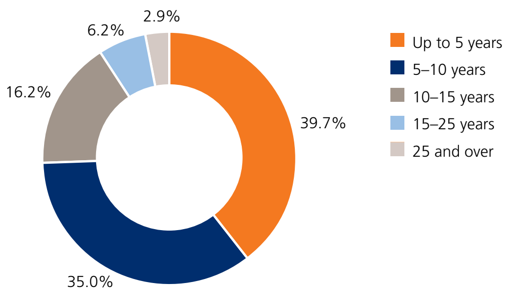


IPD Annual Index %



LONGEVITY OF INCOME

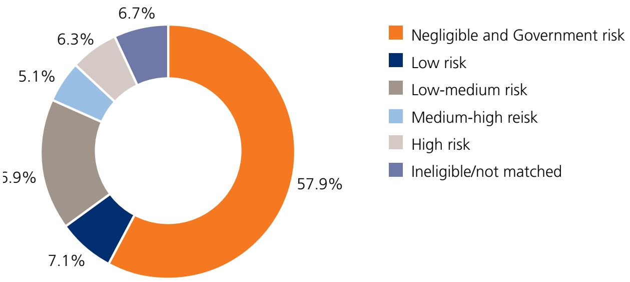
As at 31 December 2007, based as a percentage of current net annual rent, the length of the leases to the first termination is summarised as follows:



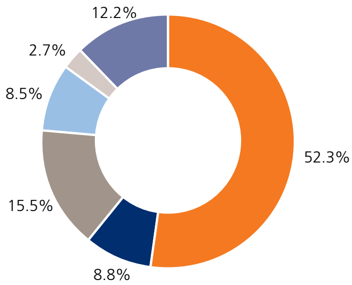
COVENANT STRENGTH

The covenant strength, based as a percentage of current passing rent by risk rating, as at 31 December 2007 is summarised as follows:

% of Portfolio



IPD Annual Index %



Covenant strength data is produced by Investment Property Databank (IPD).

The Group held a total of £1.4 million of rental deposits at 31 December 2007.

TOP TEN TENANTS

The top ten tenants, based as a percentage of current passing rent, as at 31 December 2007 is summarised as follows:

	% of Passing Rent
TNT UK Limited	7.1
Tesco Stores Limited	4.0
Merrill Lynch Europe Plc	3.1
Cadence Design Systems Limited	2.6
Sybase (UK) Limited	2.3
Tanfield Group Plc	2.3
Barclays Sharedealing	2.2
Tibbett & Britten Limited	2.2
Computer Associates UK Limited	1.9
S P Group Limited	1.8
	29.5

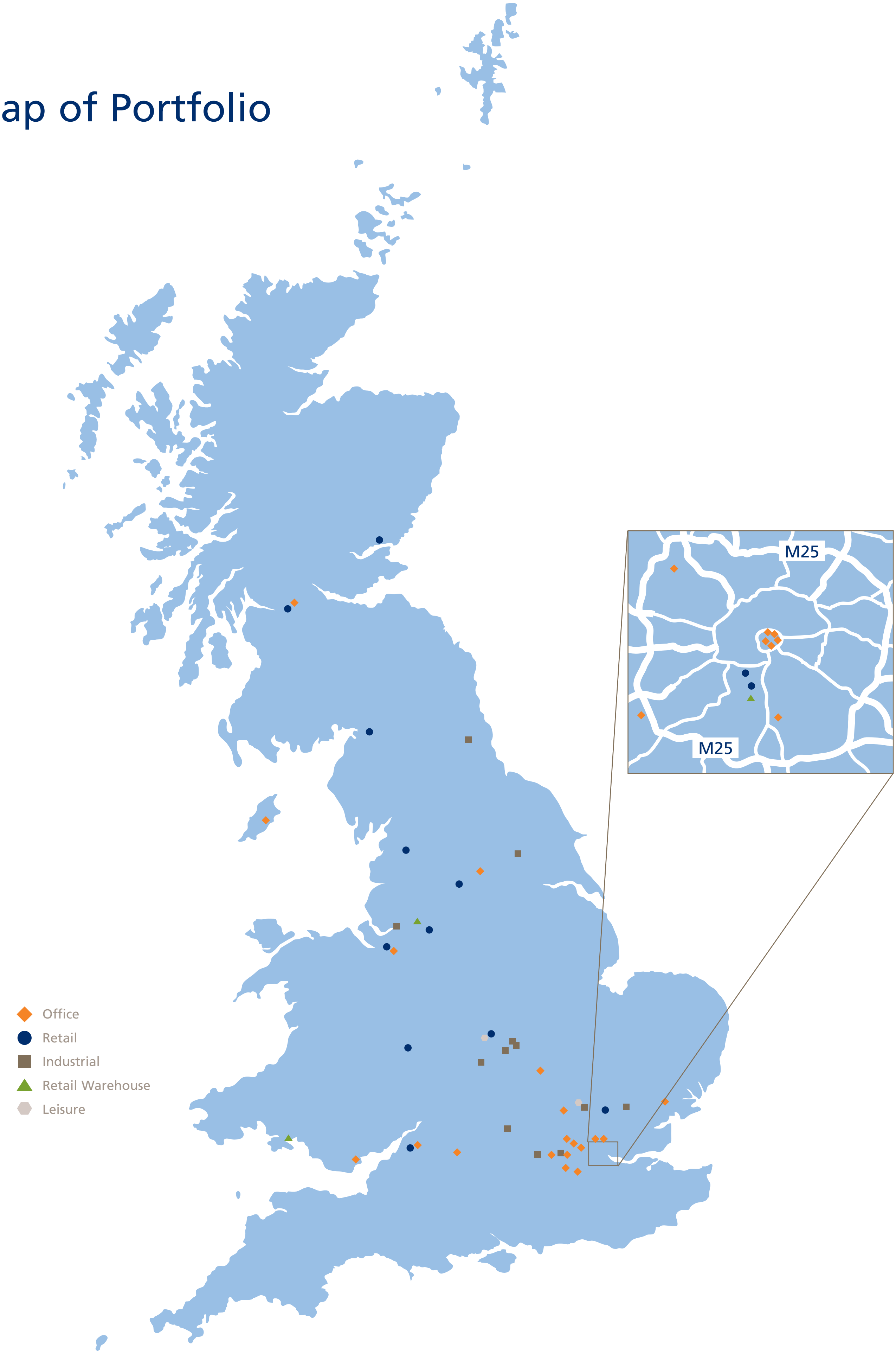
Portfolio Analysis (continued)

LIST OF PROPERTIES BY VALUE BAND AT 31 DECEMBER 2007

Properties in excess of £20 million	Sector
Colchester Business Park, The Crescent, Colchester, Essex	Office
36-42 Frodsham Street and Frodsham Square, Chester	Retail
Unit 5320, Magna Park, Lutterworth, Leics.	Industrial
Units A-G2 River Way Industrial Estate, Harlow, Essex	Industrial
Phase II, Parc Tawe, Link Road, Swansea	Retail Warehouse
Boundary House, Jewry Street, London EC3	Office
Properties between £15 million to £20 million	
Lincoln Place (Block 2), Farringdon Road, London EC1	Office
Angel Gate Office Village, City Road, London EC1	Office
Properties between £10 million to £15 million	
Westlea Campus, Chelmsford Road, Swindon, Wilts.	Office
Angouleme Way Retail Park, Bury, Greater Manchester	Retail Warehouse
Unit 3220, Magna Park, Lutterworth, Leics.	Industrial
Regency Wharf, Broad Street, Birmingham	Leisure
L'avenir, Opladen Way, Westwick, Bracknell, Berks.	Office
56, Castle Street, 2/12 English Street and 12-21 St Cuthberts Lane, Carlisle, Cumbria	Retail
53/55/57 Broadmead, Bristol	Retail
1–3 Chancery Lane, London WC2	Office
Sentinel House, Ancells Business Park, Fleet, Hants.	Office
Arena Court, Crown Lane, Maidenhead, Berks.	Office
401 Grafton Gate East, Milton Keynes, Bucks.	Office
City Link House and Tolley House, Addiscombe Road, Croydon	Office
171 Bath Road, Slough, Berks.	Office
Vigo 250, Birtley Road, Washington, Tyne and Wear	Industrial
Business Centre, Molly Millars Lane, Wokingham, Berks.	Industrial
134/152 Balham High Road, London, SW12	Retail

Properties between £5 million to £10 million	Sector
Scots Corner, High Street/Institute Road, Birmingham	Retail
17/19 Fishergate, Preston	Retail
9/12 St James Parade, Bristol	Office
Units 1–13, Dencora Way, Sundon Park, Luton, Beds.	Industrial
Unit 2, Ravensbank Business Park, Redditch, Worcs.	Industrial
Lawson Mardon Buildings, Kettlestring Lane, York	Industrial
Waterside Park, Longshot Lane, Bracknell, Berks.	Office
Notcutt House, 36 Southwark Bridge Road, London SE1	Office
Longcross Court, Newport Road, Cardiff	Office
Trident House, 42/48 Victoria Street, St Albans, Herts.	Office
Provident House, Ballacottier Business Park, Isle Of Man	Office
Waterside House, Kirkstall Road, Leeds	Office
Northampton Business Park, 800 Pavilion Drive, Northampton	Office
Atlas, Third Avenue, Globe Park, Marlow, Bucks.	Office
3 The Boulevard, Croxley Green, Watford, Herts.	Office
1 Boulevard, Shire Park, Welwyn Garden City, Herts.	Office
Queens House, 17/29 St Vincent Place, Glasgow	Office
Leys House, 86/88 Woodbridge Road, Guildford, Surrey	Office
Units 1–3, 18/28 Victoria Lane, Huddersfield, West Yorks.	Retail
593/599 Fulham Road, London SW6	Retail
Easter Court, Gemini Park, Warrington	Industrial
Zenith, Downmill Road, Bracknell, Berks	Industrial
Haynes Way, Swift Valley Industrial Estate, Rugby, Warwickshire	Industrial
Strathmore Hotel, Arndale Centre, Luton, Beds.	Leisure
Properties under £5 million	
Heron Industrial Estate, Spencers Wood, Reading	Industrial
72/78 Murraygate, Dundee	Retail
7&9 Warren Street, Stockport	Retail
6/12 Parliament Row, Hanley, Worcs.	Retail
Merchants House, Crook Street, Chester	Office
Globe House, Madeira Road, West Byfleet, Surrey	Office
477 Alexandra Parade, Glasgow	Retail
69/75 Queensway, 2–12 Park Place, Stevenage, Herts.	Retail
9/17 Western Road, Mitcham, Surrey	Retail Warehouse
40 Garsington Road, Oxford	Industrial

Map of Portfolio



Atlas, Third Avenue, Globe Park, Marlow, Bucks

Corporate Governance Report

THE COMBINED CODE

The UK Listing Authority requires listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code on Corporate Governance ("the Code") which was issued in 2006 by the Financial Reporting Council. However it only requires corporate governance disclosure and compliance with the Code by those listed companies incorporated in the United Kingdom.

The Company is not incorporated in the United Kingdom and as such it has availed itself of the exemption, as an overseas company, under the Listing Rules not to comply with the requirements of the Code. However, the Board has chosen to adopt where possible the principles of the Code and the Turnbull guidance and has sought to comply throughout the year, insofar as the principles can sensibly be applied to a company of this nature.

The Company complies with the corporate governance guidelines issued by the Guernsey Financial Services Commission on 10 December 2004, whose underlying principles are the same as those of the Code. In addition the Directors believe that the Group has complied with the provisions of the Code where appropriate, and that it has complied throughout the year with the provisions where the requirements are of a continuing nature, except that a Remuneration Committee has not been established, and a Senior Independent Director has not been appointed given that the majority of the Directors are independent.

THE BOARD

The Board meets regularly, normally quarterly, and more frequently if necessary, and retains full responsibility for the direction and control of the Company. Details of the Board including biographies can be found on page 33.

The Company is led and controlled by a Board comprising non-executive Directors, all of whom have wide experience and four of whom are considered to be independent. Tjeerd Borstlap is not considered to be independent due to being an employee of ING Real Estate Investment Management. Notwithstanding Trevor Ash's directorship of ING Global Real Estate Securities Limited, the Board considers him to be independent in character and judgement and does not believe that there are any relationships or circumstances which are likely to affect, or could appear to affect, his judgement.

The Board believes that it is in the shareholders' best interests for the Chairman to be the point of contact for all matters relating to the governance of the Company and as such has not appointed a senior independent non-executive Director for the purposes of the Code. The appointment of Directors is considered by the Board. The Articles of Association stipulate that all new Directors shall retire at their first Annual General Meeting and offer themselves for re-appointment. One third, or the number nearest to but not exceeding one third, of the Directors shall retire and offer themselves for re-appointment at each subsequent Annual General Meeting.

The Board has reviewed its performance and composition, and is satisfied on both subjects. In addition, following the informal evaluation of the performance of the Board, its Committees and individual Directors, it is considered that the performance of all Directors continues to be effective and that they have demonstrated commitment to their roles.

The Board has established an Audit Committee (Chairman: Robert Sinclair) which meets when necessary, but at least twice a year, with the auditors of the Group with a view to providing further assurance of the quality and reliability of, inter-alia, the financial information used by the Board in these Financial Statements. In addition, the Board has established a Management Engagement Committee to monitor the Investment Manager's compliance with the Investment Management Agreement, and a Property Valuation Committee to oversee the valuation process.

Trevor Ash currently sits on the Audit, Management Engagement and Property Valuation Committees of the Board. The Board considers Trevor Ash to be independent for the purposes of continuing to be a member of the committees.

The Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and is financially sound.

The Board is responsible for establishing, maintaining and monitoring the effectiveness of the Group's system of internal, financial and other controls. The internal financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. The system of internal financial controls can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has contractually delegated to ING Real Estate Investment Management (UK) Limited the investment management of the Group's properties and Northern Trust International Fund Administration Services (Guernsey) Limited is contracted to provide the Company's administration, registrar and secretarial functions. The Board reviews regularly the performance of the services provided by these companies, and does not intend to make any changes to the current arrangements.

The Company maintains Directors' and Officers' liability insurance which provides insurance cover for the Directors against certain personal liabilities which they may incur by reason of their duties as Directors.

The Company has a procedure whereby the Board is entitled to obtain independent advice where relevant.

All Directors of the Company are non-executive and Directors' fees are recommended by the Board. The emoluments of the Directors for the year were as follows:

	Year ended 31 December 2007 £	15 month period ended 31 December 2006 £
Nicholas Thompson	28,750	31,250
Robert Sinclair	22,000	25,000
Trevor Ash	17,000	18,750
John Gibbon	17,000	18,750
Tjeerd Borstlap	–	–

The figures above represent emoluments earned as Directors during the financial year. The annual emoluments for each Director were reviewed and amended in the final quarter of 2007, with the effect of increasing the annual emoluments of each of the Directors in line with market rates.

The Directors receive no other remuneration or benefits from the Group other than the fees stated above. The Directors have no service contracts or interests in any material contracts with the Group.

A review of the Directors' remuneration was conducted during 2007 by New Bridge Street Consultants and these recommendations were implemented with effect from 1 October 2007. The only change from these recommendations was to moderate the remuneration of the Chairman to 80% of the recommended figure which has now been fixed at £40,000 per annum. At this time the emoluments for Trevor Ash and John Gibbon were increased to £23,000 per annum, and the emoluments for Robert Sinclair (Chairman of the Audit Committee) were increased to £28,000 per annum.

Corporate Governance Report (continued)

Simultaneously with this review and in addition to the ongoing monitoring of performance referred to above an external appraisal of the Board was carried out by Trust Associates which the Board found useful and have incorporated several changes to its operation as a result.

RELATIONS WITH SHAREHOLDERS

In conjunction with the Board, the Administrator keeps under review the register of members of the Company. All shareholders are encouraged to participate in the Company's Annual General Meeting. All Directors normally attend the Annual General Meeting, at which shareholders have the opportunity to ask questions and discuss matters with the Directors and the Investment Manager.

It is recognised that the Code requires notice of Annual General Meetings to be dispatched at least 20 working days before the meeting. The Company intends to comply with the Code provision in 2008.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities in relation to the Financial Statements

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enables them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 1994. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement of Going Concern

The Directors believe it is appropriate to adopt the going concern basis in preparing the Financial Statements as, after due consideration, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Whilst the Group is reliant on the availability of long-term financing, currently in the form of loans from financial institutions, the Directors believe that this form of financing will remain available to the Group for the foreseeable future. (See also liquidity risk disclosures in note 23 to the Financial Statements).

Internal Control

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. They have therefore established an ongoing process designed to meet the particular needs of the Group in managing the risks to which it is exposed consistent with the guidance provided by the Turnbull Committee. Such review procedures have been in place throughout the full financial year and up to the date of the approval of the Financial Statements and the Board is satisfied with their effectiveness.

This process involves a review by the Board of the control environment within the Group's service providers to ensure that the Group's requirements are met.

The Group, in common with other similar groups, does not have an internal audit function. The Board has considered the need for an internal audit function but has decided to place reliance on the Administrator's and Investment Manager's systems and internal audit procedures.

These systems are designed to ensure effectiveness and efficient operations, internal control and compliance with laws and regulations. In establishing the systems of internal control regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows therefore that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The effectiveness of the internal control systems is reviewed annually by the Board and the Audit Committee. The Audit Committee has a discussion annually with the auditor to ensure that there are no issues of concern in relation to the audit opinion on the Financial Statements and, if necessary, representatives of the Investment Manager would be excluded from that discussion.

RISK MANAGEMENT

There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historic results. The main risks and how they are mitigated are shown below;

Issue	Risk	Mitigation
Market risk	The Group operates in the property sector which is known to be cyclical.	The Investment Manager undertakes significant research to ensure that the strategy of the Group can be constantly amended to take account of changes in the prevailing market.
Geographical risk	Property market returns can vary significantly between geographical areas.	By maintaining a diversified portfolio the Investment Manager can minimise exposure to one particular market.
Investment risk	Identifying good investments ahead of competitors.	The Investment Manager has a dedicated acquisitions team which assists in identifying, negotiating and completing acquisitions and sales according to strict returns criteria.
Letting risk	The risk of being unable to let the majority of lettable space.	The Investment Manager maintains close contact with leasing agents and utilises its research team to ensure exposure to less favourable markets is minimised.
Valuation risk	The property portfolio is susceptible to fluctuations in property valuations.	By maintaining a diversified portfolio the Investment Manager may spread the risk of a large downturn in a specific class of asset.
Expertise risk	The risk of being unable to attract appropriate individuals to manage the portfolio.	The Investment Manager has a policy of ensuring that remuneration is linked to the market. The Investment Manager's agreement is regularly reviewed by the Board.
Liquidity risk	The risk that insufficient funds are available for operating costs, maintenance of debt and asset management initiatives.	Cashflows are continuously monitored and detailed forecasts prepared to ensure sufficient resources exist. Funding maturities are spread over a range of time scales, and good relationships are maintained with lenders. Covenant requirements are also continually monitored and reported regularly to the Board.
Interest rate risk	The risk of fluctuation of interest rates on loans.	Interest payable on floating rate loans are fixed by way of interest rate swaps to minimise exposure.

Corporate Governance Report (continued)

INVESTMENT RESTRICTIONS

The Group is bound by the UK Listing Rules investment restrictions in accordance with the Listing Rules and Prospectus Rules of the UK Listing Authority as follows:

> Distributable income will be principally derived from investments. Neither the Company nor any member of the Group will undertake a trading activity which is significant in the context of the Group as a whole;

> Other than for the purpose of funding other members of the Group, and except for the holding of units in and funding of the GPUT (see note 11), not more than 20% of the Gross Assets of the Group will be lent to or invested in the securities of any one company or group (including loans to or shares in the Company's own subsidiaries) at the time when the investment or loan is made; for this purpose any existing holding in the company concerned will be aggregated with the proposed new investment;

> Dividends will not be paid unless they are covered by income received from underlying investments and for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Company;

> The distribution as dividend of surpluses arising from the realisation of investments will be prohibited;

> The Company will be a passive investor and will not (save in respect of subsidiary undertakings which may be established from time to time) seek to control, or be actively involved in the management of, any companies or businesses in which it invests; and

> The Company will not be a dealer in investments.

As a property investment company for the purposes of the Listing Rules, the following restrictions will also be adhered to:

> No single property (including all adjacent or contiguous properties) shall constitute more than 15% of the Gross Assets of the Group;

> Income receivable from any single tenant, or tenants within the same group, in any one financial year should not exceed 20% of the total rental income of the Group in that financial year;

> At least 90% by value of properties held by the Group shall be in the form of freehold or long leasehold properties or the equivalent;

> The proportion of the Group's property portfolio which is unoccupied or not producing income or which is the course of substantial development, redevelopment or refurbishment shall not exceed 25% of the value of the portfolio; and

> The Company shall not retain more than 15% of its net profits, before gains and losses on the disposal of properties and other investments.

Additional investment restrictions set by the Board of Directors are that:

> The Group shall not invest more than 10% of its Gross Assets in residential property. For this purpose, the Board views student and key worker accommodation as commercial property where there is a single overriding lease to a single covenant or a guarantee for a period in excess of one year;

> The Group shall not invest more than 20% of its Gross Assets in other property investment funds, save for funds wholly owned within the Group; this restriction shall not apply to special purposes vehicles and joint ventures;

> The Group shall not invest more than 15% of its Gross Assets in other ING Group managed funds; and

> Any purchase or sale of assets from or to any member of the ING Group or any entity managed by any member of the ING Group with consideration in excess of £50,000 will require prior Board approval.

CORPORATE RESPONSIBILITY

The Board is responsible for setting the values and standards of the Group, including leadership on environmental and social issues.

Since the Group has no employees other than the Directors, the Board has ensured that the Investment Manager adheres to the corporate responsibility policies of the ING Real Estate Group, as disclosed in their most recent Annual Report. Further information on actions being taken in this regard is included in the Investment Manager's Report on page 16.

1/11 Donegall Square West, Belfast

Directors' Report

The Directors of ING UK Real Estate Income Trust Limited present their Annual Report and audited Financial Statements for the year ended 31 December 2007. Comparatives are provided for the period from incorporation on 15 September 2005 to 31 December 2006.

The Company is a closed ended investment company and is registered under the provisions of The Companies (Guernsey) Law, 1994.

PRINCIPAL ACTIVITY

The principal activity of the Company is property investment with the objective of providing shareholders with an attractive level of income together with the potential for capital growth, by investing in a diversified UK commercial property portfolio.

RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Income Statement on page 38. Details of dividends paid and proposed are set out in note 9 to the Consolidated Financial Statements.

LISTINGS

The Company is listed on the London and Channel Islands' Stock Exchanges.

SHARE CAPITAL

The issued share capital of the company as at 31 December 2007 was 330,401,300 (31 December 2006: 331,500,000) ordinary shares of No Par Value.

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue subject to the annual renewal of this authority from shareholders. During the year to 31 December 2007 the Company bought 1,098,700 of its ordinary shares of No Par Value for cancellation at an average price of 75.9 pence per share. Any buy back of ordinary shares is and will be made subject to Guernsey law, and the making and timing of any buy backs are at the absolute discretion of the Board.

SUBSTANTIAL SHAREHOLDINGS

The Company has received notification that the following shareholders had a beneficial interest of 3% or more of the Company's issued share capital as at 24 January 2008.

	% of issued share capital
ING Group	18.7%
Newton Investment Management Limited	6.5%
BlackRock Investment Management Limited	5.4%
Gerrard Limited	5.0%
Legal & General Investment Management Limited	5.0%
QVT Financial LP	4.2%
Scottish Widows Investment Partnership	3.9%
Schroder Investment Management Limited	3.5%
Cazenove Capital Management	3.0%

Directors' Report (continued)

DIRECTORS AND DIRECTORS' INTERESTS

The current Directors of the Company are set out on page 33. David Blight resigned from the Board with effect from 4 April 2007 and Tjeerd Borstlap was appointed with effect from the same date. The other Directors served throughout the year.

The Directors' interests in the shares of the Company are set out below:

	Ordinary Shares	% of issued share capital
Nicholas Thompson	6,333	0.002%
Robert Sinclair	15,000	0.005%
John Gibbon	5,674	0.002%

In addition, Mrs Elizabeth Thompson, wife of Nicholas Thompson, owns 21,666 shares, or 0.007% of the issued share capital of the group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The Directors are required by The Companies (Guernsey) Law 1994 to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the net income or loss for that year in accordance with International Financial Reporting Standards (IFRS). In preparing those Financial Statements the Directors are required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Robert Sinclair **Tjeerd Borstlap**
8 April 2008

Company Information

DIRECTORS

Nicholas Thompson (Chairman) – Age 59, was formerly Director and Head of Fund and Investment Management at Prudential Property Investment Management until his retirement in 2004, having joined Prudential's property business in 1967. He is currently the Chairman of IPD's Performance Analysis Service Consultative Group, Chairman of the Property Forum of the Association of Investment Companies, a Director of the Lend Lease Retail Partnership, a Board Member of West Northants Development Corporation, a Governor of the Cambridge International Land Institute and a member of the investment committee of Clare College, Cambridge. He is a Fellow of the Royal Institution of Chartered Surveyors.

Trevor Ash – Age 61, was formerly Managing Director of Rothschild Asset Management (CI) Limited (until 1999) and a non-executive Director of Rothschild Asset Management Limited. He retired as a Director of NM Rothschild & Sons (CI) Limited in 2007. He is a Director of a number of funds managed by Merrill Lynch, Thames River Capital, Dexion Capital Management and ING. He is a Fellow of the Securities & Investment Institute.

John Gibbon – Age 62, was formerly Managing Director of BAE SYSTEMS Pension Funds Investment Management (until 2001). John is also a Director of JP Morgan Fleming Japanese Smaller Companies Investment Trust plc and was formerly a Director of Wigmore Property Investment Trust plc. He is an adviser to a number of pension funds and is a member of the Investors' Committee of the Property Income Trust for Charities.

Robert Sinclair (Chairman of the Audit Committee) – Age 58, is Chairman of the Guernsey based Artemis Group and a Director of a number of investment fund management companies and investment funds associated with clients of that Group. Robert is also a Director of Gottex Market Neutral Trust Limited, a company listed on the London Stock Exchange. Robert was a Director of The Bioscience Investment Trust plc and is Chairman of Schroder Oriental Income Fund Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Tjeerd Borstlap – (appointed 4 April 2007) – Age 53, is Chief Financial Officer of ING Real Estate Investment Management located in The Hague. In this capacity he is responsible for Finance, IT, Risk and Compliance. Prior to joining ING Real Estate Investment Management in 2003, Tjeerd held various senior financial management positions within the ING Group. He graduated in Business Economics at the Erasmus University in Rotterdam and subsequently qualified as a Registered Auditor through the auditing profession with Peat Marwick & Mitchell, now KPMG.

Company Information (continued)

MANAGERS AND ADVISERS

Directors

Nicholas Thompson (Chairman)
Trevor Ash
David Blight (resigned 4 April 2007)
Tjeerd Borstlap (appointed 4 April 2007)
John Gibbon
Robert Sinclair

Investment Manager

ING Real Estate Investment Management (UK) Limited
2nd Floor
25 Copthall Avenue
London EC2R 7BP

Fund Administrator, Registrar and Secretary

Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255, Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3LQ

Receiving Agent and UK Transfer/Paying Agent

Computershare Investor Services plc
PO Box 859
The Pavilions
Bridgewater Road
Bristol BS99 1XZ

Brokers

JP Morgan Cazenove
20 Moorgate
London EC2R 6DA

Tax Advisers

Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 3TR

Registered Office

Trafalgar Court
Les Banques
St. Peter Port
Guernsey

Auditors

Deloitte & Touche LLP
Regency Court
Glategny Esplanade
St. Peter Port
Guernsey GY1 3HW

Property Valuers

King Sturge LLP
30 Warwick Place
London W1B 5NH

Solicitors to the Group:

As to English Law

Norton Rose
3 More London Riverside
London SE1 2AQ

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1 HS

As to Guernsey Law

Carey Olsen
PO Box 98
7 New Street
St. Peter Port
Guernsey GY1 4BZ

Company Website
www.ingreit.co.uk

Independent Auditor's Report

to the members of
ING UK Real Estate Income Trust Limited ("the Company")

We have audited the Group Financial Statements of ING UK Real Estate Income Trust Limited (the "Financial Statements") for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cashflow Statement and the related notes 1 to 25. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with International Financial Reporting Standards and applicable Guernsey law are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed. We are not required to review any Corporate Governance disclosures required by The Listing Rules of the Financial Services Authority as the Company has availed itself of an exemption as an overseas company, from the requirement to publish a statement of compliance with The Combined Code.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OPINION

In our opinion the Financial Statements give a true and fair view, in accordance with International Financial Reporting Standards issued and adopted by the International Accounting Standards Board, of the state of the Group's affairs as at 31 December 2007 and of the Group's result for the year ended 31 December 2007 and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

Deloitte & Touche LLP

Chartered Accountants
St. Peter Port
Guernsey, Channel Islands
8 April 2008

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls listed to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in Guernsey governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Independent Valuer's Report

King Sturge

King Sturge LLP
30 Warwick Street
London W1B 5NH

T +44 (0)20 7493 4933
F +44 (0)20 7087 5555
www.kingsturge.com

RB/ jr

22 January 2008

ING UK Real Estate Income Trust Ltd
c/o P O Box 255
Trafalgar Court
Les Banques
Guernsey
GY1 3QL

Dear Sirs

VALUATION OF PROPERTIES

In accordance with your instructions we have valued the freehold and long leasehold properties held by the Trust as at the Valuation Date, 25 December 2007. This valuation report has been prepared for Balance Sheet Purposes.

The properties have been valued individually on the basis of "Market Value" in accordance with the RICS Appraisal and Valuation Standards Fifth Edition. No allowance has been made for expenses of realisation nor any taxation that may arise. Our valuations are expressed exclusive of Value Added Tax.

Having regard to foregoing we are of the opinion that the aggregate of the individual values as at 25 December 2007 of the respective freehold and long leasehold interests, subject to and with the benefit of the various occupational leases described, as summarised in the schedules, is in the sum of **£631,047,000 (Six Hundred and Thirty One Million and Forty Seven Thousand Pounds).** The properties are, we understand, all held as investments and accordingly, no other categorisation is made. A full breakdown of the valuation has been provided to you.

Yours faithfully

ROBERT BALDWIN
Partner
King Sturge LLP

T 020 7087 5722 (Direct)
F 020 7087 5761 (Direct)
M 07808 290859 (Mobile)
robert.baldwin@kingsturge.com

Corporate Governance

Consolidated Income Statement
For the year ended 31 December 2007

	Notes	Income £000	Capital £000	Year ended 31 Dec 2007 Total £000	15 Sept 2005 to 31 Dec 2006 Total £000
Income					
Rental income	3,12	40,902	-	40,902	39,329
Service charges recharged to tenants		3,999	-	3,999	6,074
Other operating income		2,795	-	2,795	4,661
Total operating income		**47,696**	**-**	**47,696**	**50,064**
Gains and losses on investments					
Realised gains arising on disposal of investment properties	12	–	4,085	4,085	4,572
Unrealised (losses)/gains on revaluation of investment properties	12	–	(46,775)	(46,775)	70,421
Total gains and losses on investments		**–**	**(42,690)**	**(42,690)**	**74,993**
Expenses					
Property operating expenses	12	(2,935)	-	(2,935)	(2,572)
Service charge costs		(3,999)	-	(3,999)	(6,074)
Management expenses	5	(6,496)	-	(6,496)	(5,977)
Other operating expenses	6	(1,669)	-	(1,669)	(1,607)
Total operating expenses		**(15,099)**	**-**	**(15,099)**	**(16,230)**
(Loss)/profit before finance costs and tax		**32,597**	**(42,690)**	**(10,093)**	**108,827**
Financing					
Interest receivable	7	1,914	-	1,914	1,617
Interest payable	7	(16,470)	-	(16,470)	(12,549)
Unrealised (losses)/gains on revaluation of interest rate swaps	7	-	(3,079)	(3,079)	8,727
Total finance costs		**(14,556)**	**(3,079)**	**(17,635)**	**(2,205)**
(Loss)/profit before tax		**18,041**	**(45,769)**	**(27,728)**	**106,622**
Tax	8	460	-	460	(460)
(Loss)/profit for the year/period		**18,501**	**(45,769)**	**(27,268)**	**106,162**
(Loss)/earnings per share					
Basic and diluted	10			(8.2p)	34.4p

The total column of this statement represents the Group's Consolidated Income Statement, prepared in accordance with International Financial Reporting Standards. The supplementary income return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of the parent company. There are no minority interests. Notes 1 to 25 form part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2007

	Notes	Share Capital £000	Share Premium Account £000	Distributable Reserve £000	Retained Earnings £000	Total £000
Balance as at 15 September 2005		**–**	**–**	**–**	**–**	**–**
Net profit for the period		–	–	–	106,162	106,162
Dividends paid	9	–	–	–	(17,835)	(17,835)
Issue of ordinary shares	19	–	337,198	–	–	337,918
Issue costs	19	–	(7,199)	–	–	(7,199)
Transfer to distributable reserve	19	–	(298,610)	298,610	–	–
Balance as at 31 December 2006		**–**	**31,389**	**298,610**	**88,327**	**418,326**
Net loss for the year		–	–	–-	(27,268)	(27,268)
Dividends paid	9	–	–	–	(20,707)	(20,707)
Repurchase of ordinary shares	18	–	–	(834)	–	(834)
Balance as at 31 December 2007		**–**	**31,389**	**297,776**	**40,352**	**369,517**

Notes 1 to 25 form part of these Consolidated Financial Statements.

Consolidated Balance Sheet
As at 31 December 2007

	Notes	2007 £000	2006 £000
Non-current assets			
Investment properties	12	633,206	702,167
Total non-current assets		**633,206**	**702,167**
Current assets			
Accounts receivable	13	6,018	7,437
Cash and cash equivalents	14	51,150	37,873
Total current assets		**57,168**	**45,310**
Total assets		**690,374**	**747,477**
Current liabilities			
Accounts payable and accruals	15	(17,496)	(24,428)
Total current liabilities		**(17,496)**	**(24,428)**
Non-current liabilities			
Loans and borrowings	16	(303,361)	(304,723)
Total non-current liabilities		**(303,361)**	**(304,723)**
Total liabilities		**(320,857)**	**(329,151)**
Net assets		**369,517**	**418,326**
Equity			
Ordinary share capital	18	–	–
Share premium account	19	31,389	31,389
Distributable reserve	19	297,776	298,610
Retained earnings		40,352	88,327
Total equity		369,517	418,326
Net asset value per share	**21**	**1.12**	**1.26**

Notes 1 to 25 form part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Board of Directors on 8 April 2008 and signed on its behalf by:

Robert Sinclair
Director

Tjeerd Borstlap
Director

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	Notes	Year ended 31 Dec 2007 £000	Period from 15 Sept 2005 to 31 Dec 2006 £000
(Loss)/profit before tax		**(27,728)**	**106,622**
Adjusted for			
Interest receivable		(1,914)	(1,617)
Interest payable		16,470	12,549
Realised and unrealised gains and losses on investments		45,712	(83,720)
Amortisation of finance costs		544	331
Cashflows from operating profit before working capital changes		**33,084**	**34,165**
Decrease/(increase) in trade and other receivables		1,419	(4,930)
(Decrease)/increase in trade and other payables		(7,188)	23,968
Net cash flows from operating activities		**27,315**	**53,203**
Cash flows from investing activities			
Purchase of investment properties	12	(5,913)	(652,930)
Disposal of investment properties	12	34,343	25,756
Interest received		1,847	1,617
Net cash flows from investing activities		**30,277**	**(625,557)**
Cash flows from financing activities			
Equity raised	19	-	337,198
Repurchase of ordinary shares	19	(834)	–
Proceeds from long-term borrowings	16	–	738,000
Repayment of long-term borrowings	16	(6,469)	(424,550)
Issue costs of borrowing and equity raising		–	(10,037)
Interest paid on loans		(16,305)	(12,549)
Dividends paid	9	(20,707)	(17,835)
Net cash flows from financing activities		**(44,315)**	**610,227**
Net increase in cash and cash equivalents		**13,277**	**37,873**
Cash and cash equivalents at beginning of year/period		37,873	–
Cash and cash equivalents at end of year/period	14	**51,150**	**37,873**

Notes 1 to 25 form part of these Consolidated Financial Statements.

Angouleme Retail Park, Bury

Notes to the Consolidated Financial Statements
for the year ended 31 December 2007

1. GENERAL INFORMATION

ING UK Real Estate Income Trust Limited was incorporated on 15 September 2005 and is registered as a closed ended Guernsey investment company. The Consolidated Financial Statements are prepared for the year ended 31 December 2007 with comparatives for the period from incorporation on 15 September 2005 to 31 December 2006.

These Financial Statements are presented in pounds sterling being the currency of the primary economic environment in which the Group operates. No Company only information has been provided because in the opinion of the Directors this would not give a materially different view than for the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("the IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the UK Listing Authority and Channel Islands Stock Exchange.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations applicable to the Group, which have not been applied in these Financial Statements, were in issue but not yet effective:

IFRS 8 Operating Segments

The Directors anticipate that the adoption of the above Standard in future years will not have a material impact on the Financial Statements of the Group when the Standard comes into force for the period commencing 1 January 2009.

IFRIC 10 Interim Financial Reporting and Impairment

The Directors anticipate that the adoption of the above Interpretation in future years will not have a material impact on the Financial Statements of the Group when the Interpretation comes into force for the period commencing 1 January 2009.

The Directors believe that other pronouncements which are in issue but not yet operative or adopted by the Group will not have a material impact on the Financial Statements of the Group.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of investment properties and derivatives. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts has been issued by the Association of Investment Companies ('AIC') in December 2005 and is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

Adoption of new and revised standards

The Group is required to adopt IFRIC 9 'Reassessment of Embedded Derivatives' (IFRIC 9) for the first time in the current financial year. This Interpretation does not have a material impact on the Financial Statements of the Group.

The Group is also required to adopt International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (IFRS 7) for the first time and the resulting changes to IAS 1 'Presentation of Financial Statements'. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these Financial Statements regarding the Group's financial instruments and management of capital (note 23).

Critical accounting judgments and key sources of estimation uncertainty

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Where such judgments are made they are discussed below.

Fair value of derivatives

The Directors use their judgement in selecting an appropriate valuation technique for financial instruments. Valuation techniques commonly used by market practitioners are applied. For derivative instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Derivatives are valued in these Financial Statements based on the valuation received from the issuer of the swap.

Fair value of Investment properties

The fair value of the Group's investment properties is a key source of estimated uncertainty; however, in accordance with the accounting policy of the Group, investment properties have been valued on the basis of market value and market rental value by external valuers.

Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The Group ensures the use of suitable qualified external valuers valuing the investment properties held by the Group.

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company made up to 31 December. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of ING (UK) Listed Real Estate Issuer PLC are consolidated in accordance with SIC 12, "Consolidation – Special Purpose Entities".

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Income Statement.

Presentation of the Income Statement

In order to better reflect the activities of an Investment Company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Freehold property held by the Group to earn income or for capital appreciation or both is classified as investment property in accordance with IAS 40 'Investment Property'. Property held under finance leases for similar purposes is also classified as investment property. Investment property is initially recognised as purchase cost plus directly attributable acquisition expenses. Investment properties are carried at a re-valued amount which is stated at its fair value as determined on an open market basis as at the Balance Sheet date. The fair value of investment property is based on valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. Gains and losses arising from changes in fair value are included in the Income Statement in the year in which they arise. Purchases and sales of investment property are recognised when contracts have been unconditionally exchanged during the year and the significant risks and rewards of ownership have been transferred.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Income Statement in the year the item is derecognised. Investment properties are not depreciated.

Realised and unrealised gains in investment properties have been presented as capital items within the Income Statement.

The loan has a first ranking mortgage over all the properties, see Note 16. In line with industry practice, investment properties are held in nominee companies.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

An operating lease is a lease other than a finance lease. Lease income is recognised in income on a straight-line basis over the lease term. Indirect costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Financial Statements reflect the requirements of SIC 15, "Operating Leases - Incentives" to the extent that they are material. Premiums received on the surrender of leases are recorded as income immediately if there are no relevant conditions attached to the surrender.

Income and expenses

Income and expenses are included in the Income Statement on an accruals basis. All of the Group's income and expenses are derived from continuing operations.

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured.

Property operating costs include the costs of professional fees on letting and other non-recoverable costs.

The income charged to tenants for property service charges and the costs associated with such service charges are shown separately in the Income Statement to reflect that notwithstanding this money is held on behalf of tenants occupying the properties, the ultimate risk for paying and recovering these costs rests with the property owner.

Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities in three months' or less and that are subject to an insignificant risk of change in value.

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend policy

Dividends are recognised as a liability in the period in which they are declared and paid.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in interest rates. The Group uses interest rate swap contracts to mitigate this exposure. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise. These derivatives are categorised as held for trading under IAS 39 and are held only to mitigate the risk of changes in interest rates as disclosed in note 23.

Trade receivables

Trade receivables are stated at their nominal amount as reduced by appropriate allowances for estimated irrecoverable amounts.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the Income Statement when the liabilities are derecognised, as well as through the amortisation process.

Finance costs

Finance costs incurred relating to the arrangement of loans are written off to the Income Statement over the term of the loan.

Other assets and liabilities

Other assets and liabilities are not interest bearing and are stated at their nominal value.

Taxation

The Directors conduct the affairs of the Group such that the management and control of the Group is not exercised in the United Kingdom and that the Group does not carry on a trade in the United Kingdom. Accordingly the Group will not be liable to United Kingdom taxation on its income or capital gains arising in the United Kingdom and the Isle of Man, other than certain income deriving from a United Kingdom source.

The Group is subject to United Kingdom taxation on income arising on the investment properties after deduction of allowable debt financing costs and allowable expenses.

The Group is tax exempt in Guernsey for the year ended 31 December 2007.

Principles for the Cash Flow Statement

The Cash Flow Statement has been drawn up according to the indirect method, separating the cash flows from operating activities, investing activities and financing activities. The net result has been adjusted for amounts in the Income Statement and movements in the Balance Sheet which have not resulted in cash income or expenditure in the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cash amounts in the Cash Flow Statement include those assets that can be converted into cash without any restrictions and without any material risk of decreases in value as a result of the transaction. Dividends that have been proposed and declared are included in the cash flow from financing activities.

3. RENTAL INCOME

Rent receivable is stated exclusive of Value Added Tax and arose wholly from continuing operations in the United Kingdom and the Isle of Man.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Directors are of the opinion that the Group, through its subsidiary undertakings, operates in one reportable industry segment, namely real estate investment, and across one primary geographical area, namely the United Kingdom and the Isle of Man and therefore no segmental reporting is required. The portfolio consists of 58 commercial properties, which are in the office, retail, retail warehouse, industrial and leisure sectors.

5. MANAGEMENT EXPENSES

	Year ended 31 Dec 2007 £000	Period ended 31 Dec 2006 £000
Investment Manager's fees	6,496	5,977

Under the terms of the Investment Management Agreement, ING Real Estate Investment Management (UK) Limited (the "Investment Manager") receives remuneration for property management and administration services. The management fee is payable quarterly in arrears and is equal to the aggregate of the following:

a) one quarter of 90 basis points of gross property assets up to and including £600 million

b) one quarter of 82.5 basis points of gross property assets in excess of £600 million and up to and including £800 million

c) one quarter of 75 basis points of gross property assets in excess of £800 million

d) one quarter of 40 basis points of cash assets.

6. OTHER OPERATING EXPENSES

	Year ended 31 Dec 2007 £000	Period ended 31 Dec 2006 £000
Valuation expenses	201	229
Audit fees	85	140
Amortisation of finance costs (note 13)	544	332
Swap arrangement fee	-	247
Debt servicer fees	355	410
Other expenses	509	249
	1,669	**1,607**

During the year £14,500 was paid to the auditors, Deloitte & Touche LLP Guernsey in respect of non-audit services (period ended 31 December 2006: £729,900 of which £528,500 was for work relating to the Company's initial public offering which was written off against the share premium account).

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

6. OTHER OPERATING EXPENSES (CONTINUED)

£75,600 was paid during the year to the Group's tax advisors, Deloitte & Touche LLP London (period to 31 December 2006: £96,250).

The Group has no employees other than the Directors. See the Corporate Governance Report (page 24) for details of Directors' emoluments.

7. FINANCE COSTS

	Year ended 31 Dec 2007 £000	Period ended 31 Dec 2006 £000
Interest receivable from financial assets that are not at fair value through profit and loss	1,914	1,617
Interest payable on loans at amortised cost	(16,470)	(12,549)
Unrealised (losses)/gains on revaluation of interest rate swaps at fair value through profit and loss (note 23)	(3,079)	8,727
	(17,635)	**(2,205)**

8. TAX

The (credit)/charge for the year is:

	Year ended 31 Dec 2007 £000	Period ended 31 Dec 2006 £000
UK income tax at 22% on UK rental income	(460)	460

The Group is exempt from Guernsey taxation. The Directors conduct the affairs of the Group such that the management and control of the Group is not exercised in the United Kingdom and that the Group does not carry on a trade in the United Kingdom. Accordingly the Group will not be liable to United Kingdom taxation on its income or capital gains other than certain income deriving from a United Kingdom source. The Group is subject to United Kingdom taxation on income arising on the investment properties after deduction of allowable debt financing costs and allowable expenses. As tax losses have been incurred, there is no tax liability in the current year.

9. DIVIDENDS

	Year ended 31 Dec 2007 £000	Period ended 31 Dec 2006 £000
Interim dividend for the period ended 31 December 2005: 1.16 pence	-	3,537
Interim dividend for the period ended 31 March 2006: 1.5625 pence	-	4,766
Interim dividend for the period ended 30 June 2006: 1.5625 pence	-	4,766
Interim dividend for the period ended 30 September 2006: 1.5625 pence	-	4,766
Interim dividend for the period ended 31 December 2006: 1.5625 pence	5,180	-
Interim dividend for the period ended 31 March 2007: 1.5625 pence	5,180	-
Interim dividend for the period ended 30 June 2007: 1.5625 pence	5,180	-
Interim dividend for the period ended 30 September 2007: 1.5625 pence	5,167	-
	20,707	**17,835**

The interim dividend of 1.5625 pence per ordinary share in respect of the period ended 31 December 2007 has not been recognised as a liability in accordance with IFRS as it was declared after the year end. A dividend of £5,163,000 was paid on 29 February 2008.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net (loss)/profit for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

The following reflects the income and share data used in the basic and diluted earnings per share calculations:

	Year ended 31 Dec 2007	Period ended 31 Dec 2006
Net (loss)/profit attributable to ordinary shareholders of the Company from continuing operations (£000)	(27,268)	106,162
Weighted average number of ordinary shares for basic and diluted earnings per share	331,350,393	308,366,051

11. INVESTMENTS

The Company had the following principal subsidiaries and sub-subsidiaries as at 31 December 2007 and as at 31 December 2006:

Name	Place of incorporation	Ownership proportion
ING UK Real Estate (Property) Limited	Guernsey	100%
ING (UK) REIT (SPV) Limited	Guernsey	100%
ING (UK) Listed Real Estate	Guernsey	100%
ING UK Real Estate (Property) No.2 Limited	Guernsey	100%
ING (UK) REIT (SPV No.2) Limited	Guernsey	100%
Merbrook Business Property Unit Trust*	Jersey	100%
Merbrook Prime Retail Property Unit Trust*	Jersey	100%
Merbrook Bristol Property Unit Trust*	Jersey	100%
Merbrook Swindon Property Unit Trust*	Jersey	100%
ING (UK) Listed Real Estate Issuer Plc	England & Wales	-

* - (“the JPUTS”)

ING UK Real Estate (Property) Limited and ING (UK) REIT (SPV) Limited own 100% of the units in ING (UK) Listed Real Estate, a Guernsey unit trust (“the GPUT”).

The GPUT owns 99% of the units in Merbrook Swindon Property Unit Trust, a Jersey unit trust. The remaining units are held by ING UK Listed Real Estate Limited, which in turn is owned in equal shares by ING UK Listed Real Estate Nominee (No.1) Limited (“Nominee 1”) and the GPUT. Shares in Nominee 1 are held in trust by Admiral Nominees Limited and Nelson Representatives Limited on behalf on the Company.

ING UK Real Estate (Property) No.2 Limited and ING (UK) REIT (SPV No.2) Limited own 100% of the units in Merbrook Business Property Unit Trust, Merbrook Prime Retail Property Unit Trust and Merbrook Bristol Property Unit Trust, which are each registered as Jersey unit trusts.

The subsidiaries were incorporated to provide a tax efficient structure for the Company to invest in the underlying property investments.

Under the principles of SIC 12 the Group has consolidated the results of ING (UK) Listed Real Estate Issuer PLC, a Special Purpose Entity (the “SPE”), that provides funding to the Group. Under the terms of the securitisation documents the Group has an obligation to the SPE in respect of any amounts due or payable under the swap agreements and hence accounts for movements in the fair value of these swaps through the Income Statement. The Group does not own any of the share capital of the SPE, see note 16.

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

12. INVESTMENT PROPERTIES

	2007 £000	2006 £000
Opening valuation	702,167	-
Additions	5,913	652,930
Disposals	(34,343)	(25,756)
	673,737	**627,174**
Gains and losses on investments held at fair value through profit and loss:		
Gains on disposals	4,085	4,572
(Deficit)/surplus on revaluation	(46,775)	70,421
Closing valuation	**631,047**	**702,167**
Valuations of assets held under finance leases	2,159	-
Total investment properties	**633,206**	**702,167**
Historic cost	**611,384**	**631,746**

The investment properties were valued by King Sturge LLP, Chartered Surveyors, as at 25 December 2007, on the basis of Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The Group's borrowings (note 16) are secured by a first ranking fixed charge over the investment properties held.

Rental income and property expenses arise from the properties shown above.

13. ACCOUNTS RECEIVABLE

	2007 £000	2006 £000
Tenant debtors	4,011	4,930
Capitalised finance costs	2,007	2,507
	6,018	**7,437**

The loan arrangement costs as at 31 December 2007 are £2,882,000 (31 December 2006: £2,838,000). These are amortised over the lives of the loans. For the year ended 31 December 2007 £544,000 of these costs were written off to the Income Statement (31 December 2006: £331,000).

The Directors consider that the carrying amount of accounts receivable approximates their fair value.

14. CASH AND CASH EQUIVALENTS

	2007 £000	2006 £000
Cash at bank and in hand	10,564	9,589
Short-term deposits	40,586	28,284
	51,150	**37,873**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The carrying amounts of these assets approximate their fair value.

15. ACCOUNTS PAYABLE AND ACCRUALS

	2007 £000	2006 £000
Accruals	5,867	6,755
Deferred rental income	8,209	9,088
VAT liability	1,510	4,759
Other tax payable	-	460
Trade creditors	639	1,350
Other creditors	1,140	2,016
Obligations under finance leases (note 20)	131	-
	17,496	**24,428**

The Directors consider that the carrying amount of accounts payable and accruals approximates their fair value.

16. LOANS AND BORROWINGS

	Maturity	2007 £000	2006 £000
Floating rate notes	31 January 2013	225,000	225,000
Bank loan	4 December 2009	81,981	88,450
Interest rate swaps		(5,648)	(8,727)
Obligations under finance leases (note 20)		2,028	-
		303,361	**304,723**

On 20 December 2005 the Group issued £200 million of AAA rated seven year loan notes to the debt market. The interest payable on these notes is fixed at 4.795% by means of an interest rate swap. On 6 July 2006 a further £25 million of loan notes were issued on the same terms, with the interest payable fixed at 5.3804% by means of a further swap. The loan notes are secured over the investment properties held by the GPUT, and are repayable on 31 January 2013. The loan notes were issued by ING (UK) Listed Real Estate Issuer PLC, a Special Purpose Entity that is consolidated under the principles of SIC 12, see note 11.

On 4 December 2006 the Group entered into a three year term loan with J P Morgan for £93 million. The full amount was drawn down on that date, with £4,550,000 repaid on 11 December 2006, following the disposal of an investment property. Subsequent disposals have led to further repayments of the loan. Interest on the loan is fixed at 5.20% by a further interest rate swap, plus a margin payment of between 60 and 80 basis points depending on the loan to value ratio at the time. This is currently 80 basis points. The loan is repayable in full on 4 December 2009, and is secured over the units held in the JPUTs and the investment properties held by those JPUTs, with the exception of Merbrook Swindon Property Unit Trust.

The interest rate swaps mature on the same dates as the associated borrowings.

The weighted average interest rate paid on the Group's borrowings for the year was 5.1645% (31 December 2006: 5.1817%).

The fair value of the loans may be lower than the book value given that, at the present time, lenders are less willing to provide financing for the type of assets held by the Group at the interest annually paid by the Group. However, it is not practical or possible to measure the fair value of the loan due to the current market conditions.

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

16. LOANS AND BORROWINGS (CONTINUED)

The loan agreement for the floating rate notes states that for the securitised pool of assets the Loan to Value ratio should not exceed 50% and the Interest Cover Ratio should be a minimum of 1.50. The additional JP Morgan loan agreement determines that for the assets falling under this agreement the Loan to Value ratio should not exceed 78% and the minimum Interest Cover Ratio should be a minimum of 1.10. The Group has not breached any of the loan covenants either in the current year or in the previous accounting periods.

17. CONTINGENCIES AND CAPITAL COMMITMENTS

The Group has entered into contracts at Longcross Court, Cardiff and Heron Industrial Estate, Reading with commitments outstanding at 31 December 2007 of approximately £1 million, (31 December 2006 : £nil). There are no other contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements as at 31 December 2007.

18. ORDINARY SHARE CAPITAL

Authorised:	2007 £000	2006 £000
Unlimited number of ordinary shares of no par value	-	-
Issued and fully paid:		
330,401,300 ordinary shares of no par value (31 December 2006: 331,500,000)	-	-

The Company has one class of ordinary shares which carry no right to fixed income.

The Company issued 252.2 million ordinary shares of no par value at an issue price of £1 per share by means of an initial public offering on 25 October 2005. The Company also issued a further 52.8 million ordinary shares of no par value at £1 per share on the same date as consideration for the GPUT.

The Company issued a further 26.5 million Ordinary Shares of no par value at an issue price of 121.5 pence by means of a placing on 7 November 2006.

The Directors have authority to buy back up to 14.99% of the Company's ordinary shares in issue subject to the annual renewal of the authority from shareholders. Any buy back of ordinary shares will be made subject to Guernsey law, and the making and timing of any buy backs will be at the absolute discretion of the Board.

During November 2007 the Company repurchased 1,098,700 ordinary shares for cancellation at an average price of 75.76 pence per share, leaving ordinary shares in issue of 330,401,300. Under Guernsey law, a capital redemption reserve is created for the redemption of these ordinary shares. As the nominal value of these shares is £nil the amount to be transferred to this reserve is £nil.

19. SHARE PREMIUM AND DISTRIBUTABLE RESERVE

	Share Premium £000	Distributable Reserve £000
Opening balance at 15 September 2005	**-**	**-**
Premium arising on issue of equity shares	305,000	-
Expenses of issue of equity shares	(6,390)	-
Transfer	(298,610)	298,610
Further issue of equity shares	32,198	-
Expenses of issue of equity shares	(809)	-
Balance at 31 December 2006	**31,389**	**298,610**
Repurchase of ordinary shares	-	(834)
Balance at 31 December 2007	**31,389**	**297,776**

By way of a special resolution dated 30 September 2005, the amount standing to the credit of the share premium account was cancelled and transferred to a distributable reserve. Royal Court approval was obtained on 17 October 2005. Distributable reserves may be used for the purpose of paying dividends or buying back shares.

20. OBLIGATIONS UNDER FINANCE LEASES

	2007 £000
Future minimum payments due:	
Within one year	139
In the second to fifth years inclusive	695
After five years	10,998
	11,832
Less: finance charges allocated to future periods	(9,673)
Present value of minimum lease payments	**2,159**

The present value of minimum lease payments is analysed as follows:

	31 Dec 2007 £000
Within one year	131
In the second to fifth years inclusive	653
After five years	1,375
	2,159

Operating leases where the Group is lessor

Property rental income earned during the year was £40.9 million. The investment properties are expected to generate rental yields of 6% on an ongoing basis.

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

20. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

At the Balance Sheet date, the Group had contracted with tenants for the following annual lease payments:

	2007 £000	2006 £000
Within one year	36,435	39,589
In the second to fifth years inclusive	152,659	137,688
After five years	233,448	246,784
	422,542	**424,061**

21. NET ASSET VALUE

The net asset value per ordinary share is based on net assets at the year end and on 330,401,300 (31 December 2006: 331,500,000) ordinary shares, being the number of ordinary shares in issue at the year end.

At 31 December 2007, the Company had a net asset value per ordinary share of £1.12 (31 December 2006: £1.26).

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

31 December 2007	Note	Held at fair value through profit and loss £000	Financial assets and liabilities at amortised cost £000	Total £000
Financial assets				
Cash and cash equivalents	14	-	51,150	51,150
Accounts receivable	13	-	6,018	6,018
Interest rate swaps	16	5,648	-	5,648
		5,648	**57,168**	**62,816**
Financial liabilities				
Loans	16	-	306,981	306,981
Obligations under finance leases	20	-	2,159	2,159
Accruals	15	-	17,365	17,365
		-	**326,505**	**326,505**

31 December 2006	Note	Held at fair value through profit and loss £000	Financial assets and liabilities at amortised cost £000	Total £000
Financial assets				
Cash and cash equivalents	14	-	37,837	37,837
Accounts receivable	13	-	7,437	7,437
Interest rate swaps	16	8,727	-	8,727
		8,727	**45,274**	**54,001**
Financial liabilities				
Loans	16	-	313,450	313,450
Accruals	15	-	24,428	24,428
		-	**337,878**	**337,878**

23. RISK MANAGEMENT

The Group invests in commercial properties in the United Kingdom and the Isle of Man. The following describes the risks involved and the applied risk management. See page 28 of this Report for the detailed investment strategy restrictions of the Group. The Investment Manager reports regularly both verbally and formally to the Board to allow them to monitor and review all the risks noted below.

Capital risk management

The Group's overall strategy remains unchanged since 2006.

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the loans disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Board continues to monitor the balance of the overall capital structure through the payment of dividends, new share issues, share buybacks as well as the issue of new debt or the redemption of existing debt. The Group is not subject to any external capital requirements.

Interest rate risk management

Interest risk arises on interest payable on the floating rate loans and borrowings. The Board manages this risk by use of interest rate swaps. Interest payable on the loan notes and the bank loan has therefore been fixed using interest rate swaps, as described in note 16. The Group's exposure to interest rate risk with respect to the interest rate swaps is monitored and reviewed by the Board on a regular basis.

Interest rate risk

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities, including interest that will accrue to those liabilities except where the Group is entitled and intends to repay the liability before its maturity.

31 December 2007	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
2007					
Cash	5.25%	51,150	-	-	51,150
Finance lease liability		(139)	(695)	(1,325)	(2,159)
Fixed interest rate loans	5.16%	(15,864)	(48,699)	(912)	(65,475)
2006					
Cash	5.25%	37,873	-	-	37,873
Fixed interest rate loans	5.18%	(16,252)	(53,952)	(11,857)	(82,061)

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

23. RISK MANAGEMENT (CONTINUED)

The following table details the Group's liquidity analysis for its derivative financial instruments and have been drawn up based on the undiscounted net cash inflows/(outflows) of those derivative instruments;

31 December 2007	Less than 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
2007				
Interest rate swaps	1,324	4,819	196	6,339
2006				
Interest rate swaps	1,759	6,621	1,830	10,210

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The Board regularly reviews the Group's position relating to interest rate swaps.

Interest rate swap contracts

Interest rate swap contracts enable the Group to mitigate the risk of changing interest rates and cashflow exposures on the floating rate debt held. The fair values of interest rate swaps at the year end are the marked to market values supplied by the issuer of the swap. This value is based on the future cashflows relating to the outstanding balances at the start of the financial year at the relevant interest rate.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	31 Dec 2007 %	31 Dec 2006 %	31 Dec 2007 £000s	31 Dec 2006 £000s	31 Dec 2007 £000s	31 Dec 2006 £000s
Outstanding						
Less than 1 year	-	-	-	-	-	-
1 to 2 years	6.00	-	81,981	-	-	-
2 to 5 years	-	6.00	-	88,450	259	560
More than 5 years	4.86	4.86	225,000	225,000	5,389	8,167
			306,981	**313,450**	**5,648**	**8,727**

The actual movement in the valuation of the swaps and the actual impact on the Income Statement is shown below:

	£000
Initial swap valuation	-
Movement in valuation through Income Statement to 31 December 2006	8,727
Market value of swaps as at 31 December 2006	**8,727**
Movement in valuation through Income Statement to 31 December 2007	(3,079)
Market value of swaps as at 31 December 2007	**5,648**

23. RISK MANAGEMENT (CONTINUED)

Swap contracts interest risk sensitivity

The sensitivity analyses below have been determined based on the exposure to swap interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates based on the swap movements over the past year.

At the reporting date, if swap interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

> Net profit would increase or decrease by £5,865,000 (2006: increase or decrease by £7,179,000); and

> Other equity reserves would increase or decrease by £5,865,000 (2006: increase or decrease by £7,179,000) mainly as a result of the changes in the fair value of interest rate swaps.

See note 16 for full details of all loans and swaps held.

Credit risk

The following tables detail the balances held at the balance sheet date that may be affected by credit risk:

31 December 2007	Note	Held at fair value through profit and loss £000	Financial assets and liabilities at amortised cost £000	Total £000
Financial assets				
Cash and cash equivalents	14	-	51,150	51,150
Accounts receivable	13	-	6,018	6,018
Interest rate swaps	16	5,648	-	5,648
		5,648	**57,168**	**62,816**
Financial liabilities				
Loans	16	-	306,981	306,981
Obligations under finance leases	20	-	2,159	2,159
		-	**309,140**	**309,140**

31 December 2006	Note	Held at fair value through profit and loss £000	Financial assets and liabilities at amortised cost £000	Total £000
Financial assets				
Cash and cash equivalents	14	-	37,837	37,837
Accounts receivable	13	-	7,437	7,437
Interest rate swaps	16	8,727	-	8,727
		8,727	**45,274**	**54,001**
Financial liabilities				
Loans	16	-	313,450	313,450
		-	**313,450**	**313,450**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

23. RISK MANAGEMENT (CONTINUED)

Trade debtors consist of a large number of tenants, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade debtors, and, where appropriate, credit guarantees are acquired. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. The Board continues to monitor the Group's exposure to credit risk.

There have been no loan defaults or breaches during the current or prior periods.

The Group's main cash balances are held with Natwest Bank. Bankruptcy or insolvency of the bank holding cash balances may cause the Group's rights with respect to the cash held by them to be delayed or limited. The Group manages its risk by monitoring the credit quality of its bankers on an ongoing basis. Natwest is also rated by all major rating agencies. If the credit quality of the bank deteriorates, the Group would look to move the short-term deposits or cash to another bank.

There has been no change in the fair values of cash, loans, swaps or receivables as a result of changes in credit risk in the current or prior periods, due to the actions taken to mitigate this risk, as stated above.

The Group is exposed to credit risk from counterparties used to value the interest rate swaps which are financial assets as at 31 December 2007. The risk is mitigated by the Group only engaging with creditworthy counterparties. The counterparty for the interest rate swaps is JP Morgan. They have a credit rating of AA-.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has build an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

All deposits are held with well established banks with high credit ratings.

The following table sets out the carrying amount, by maturity, of the Group's financial assets/ (liabilities).

31 December 2007	Less than 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
Floating				
Cash and cash equivalents	51,150	-	-	51,150
Accounts receivable	6,018	-	-	6,018
Fixed using interest rate swaps				
Floating rate notes	-	-	(225,000)	(225,000)
Bank Loan	-	(81,981)	-	(81,981)
	57,168	**(81,981)**	**(225,000)**	**(249,813)**

23. RISK MANAGEMENT (CONTINUED)

31 December 2006	Less than 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
Floating				
Cash and cash equivalents	37,873	-	-	37,873
Accounts receivable	7,437	-	-	7,437
Fixed using interest rate swaps				
Floating rate notes	-	-	(225,000)	(225,000)
Bank Loan	-	(88,450)	-	(88,450)
	45,310	**(88,450)**	**(225,000)**	**(268,140)**

Market risks

The Group's activities are primarily within the real estate market, exposing it to very specific industry risks.

The yields available from investments in real estate depend primarily on the amount of revenue earned and capital appreciation generated by the relevant properties as well as expenses incurred. If properties do not generate sufficient revenues to meet operating expenses, including debt service and capital expenditures, the Group's revenue will be adversely affected. Revenue from properties may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the market in which the Group operates, the attractiveness of the properties to tenants, the quality of the management, competition from other available properties and increased operating costs (including real estate taxes).

In addition, the Group's revenue would be adversely affected if a significant number of tenants were unable to pay rent or its properties could not be rented on favourable terms. Certain significant expenditure associated with each equity investment in real estate (such as external financing costs, real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in revenue from properties.

By diversifying in regions, sectors, risk categories and tenants, the Investment Manager expects to lower the risk profile of the portfolio. The Board continues to oversee the profile of the portfolio to ensure risks are managed. See the Investment Manager's report on page 10 for the geographical spread and the analysis of the top ten tenants of the portfolio.

The valuation of the Group's property assets is subject to changes in market conditions. Such changes are taken to the Income Statement and thus impact on the Group's net result. A 10% increase or decrease in property values would increase or decrease the Group's net result by £63.1 million.

Concentration Risk

As discussed above, all of the Group's investments are in the UK and Isle of Man and therefore the Group is exposed to macroeconomic changes in the UK and Isle of Man economies. Furthermore, the Group places reliance on a limited number of tenants for its rental income.

Currency Risk

The Group has no exposure to foreign currency risk.

Notes to the Consolidated Financial Statements for the year ended 31 December 2007 (continued)

24.RELATED PARTY TRANSACTIONS

During the year the Investment Manager was paid a total of £6,496,000 (31 December 2006: £5,977,000) in respect of the property management and administration services. As at 31 December 2007 the Group owed £1.3 million to the Investment Manager (31 December 2006: £1.4 million).

The Group has one non-independent director, who is connected with the Investment Manager. The remuneration in respect of this appointment was waived.

ING UK Real Estate Income Trust Limited has no controlling parties.

25. EVENTS AFTER THE BALANCE SHEET DATE

Following the Balance Sheet date further property sales totalling £39.0 million have been made.

A group reorganisation took place on 18 January 2008. ING UK Real Estate Trust (Property) No.2 Limited and ING (UK) REIT (SPV No.2) Limited sold their units in the Merbrook Bristol Property Unit Trust and Merbrook Prime Retail Property Unit Trust to the GPUT. Following this reorganisation a further loan repayment of £24.8 million was made on 21 January 2008. The security previously held by JP Morgan over these properties was transferred to the trustee of the loan notes previously issued to the GPUT.

A dividend of £5,163,000 (1.5625 pence per share) was approved by the Board on 13 February 2008 and paid on 29 February 2008.

ING REAL ESTATE GLOBAL NETWORK

AUSTRIA
AUSTRALIA
BELGIUM
CANADA
CHINA
CZECH REPUBLIC
FRANCE
GERMANY
HUNGARY
ITALY
JAPAN
THE NETHERLANDS
POLAND
ROMANIA
SINGAPORE
SOUTH KOREA
SPAIN
SWEDEN
TAIWAN
THAILAND
UNITED KINGDOM
UNITED STATES

ING UK Real Estate Income Trust Limited
Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL
T +44 (0) 1481 745001 F +44 (0) 1481 745085