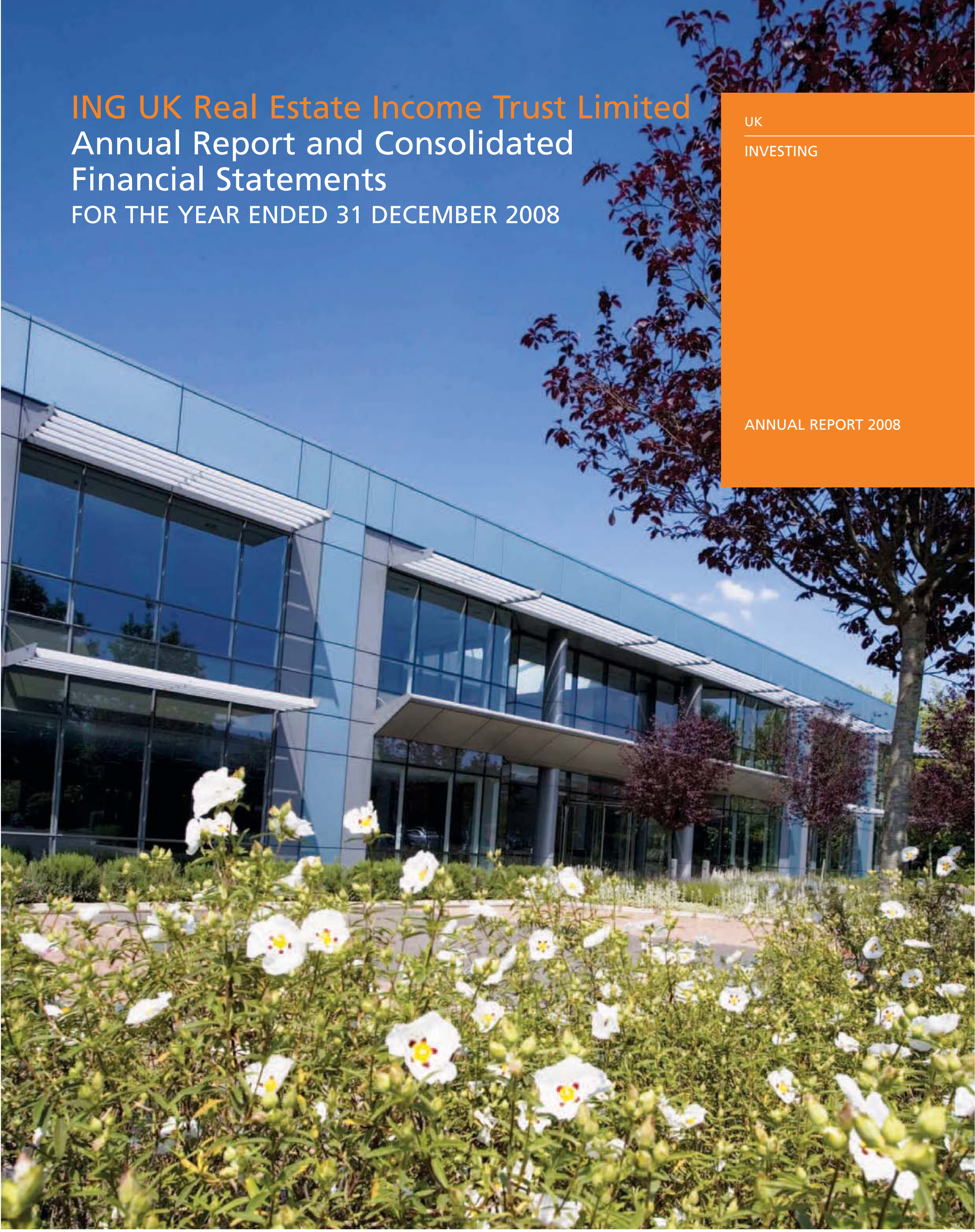
ING UK Real Estate Income Trust Limited
Annual Report and Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2008

UK

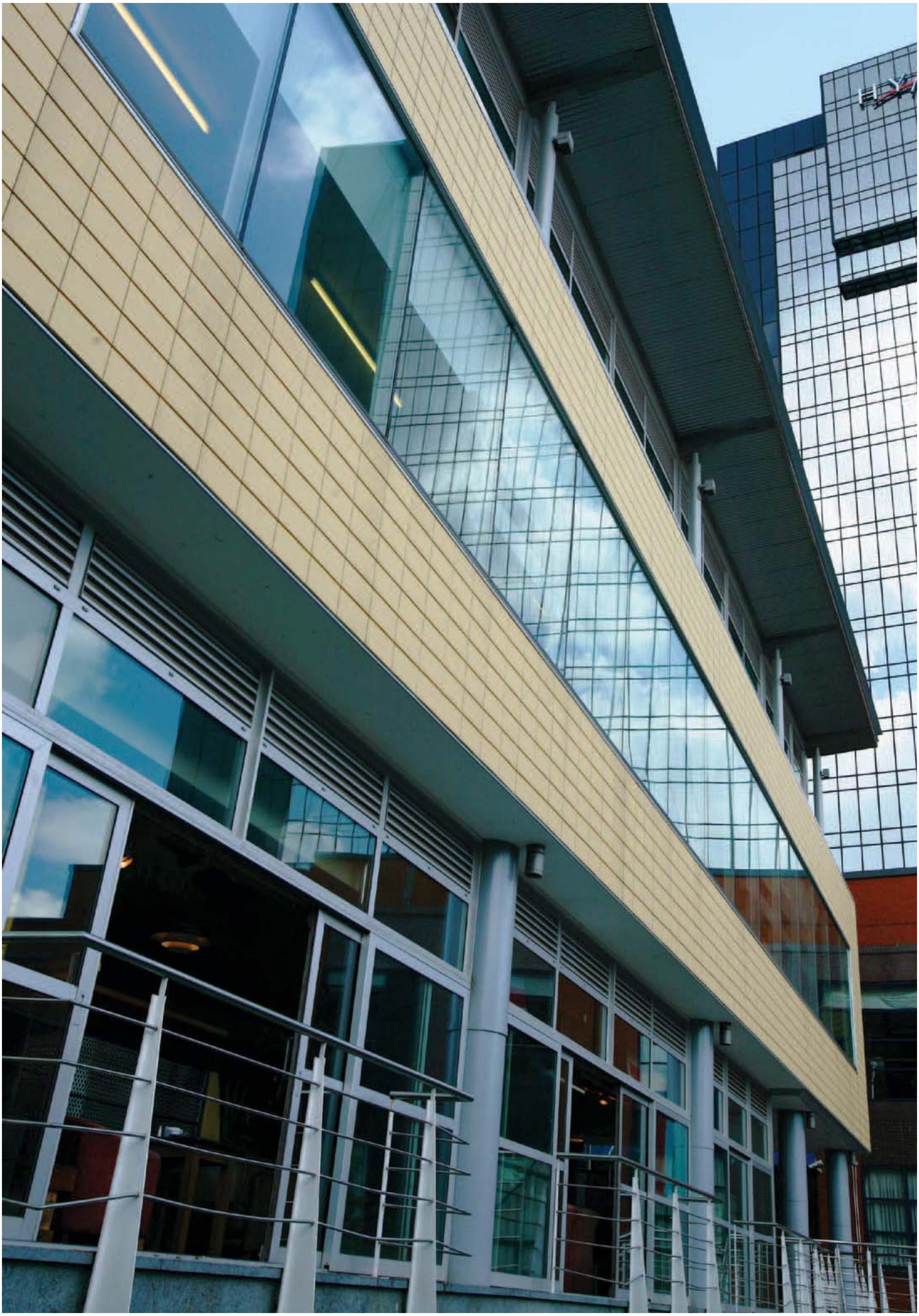
INVESTING

ANNUAL REPORT 2008



REAL ESTATE

ING



Regency Wharf, Broad Street, Birmingham
Front cover: 3 The Boulevard, Croxley Green, Watford, Herts

Contents

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 25 October 2005. With approximately 900 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. 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 £17.9 million (31 December 2007: £18.5 million)
- Total loss for the year after property revaluations of £140.4 million (31 December 2007: loss of £27.3 million)
- Loan balances reduced to £225 million (31 December 2007: £307 million)
- Reduction in total cost of debt to 4.86% (31 December 2007: 5.16%)
- Gain of £2.5 million arising from sale of assets
- Dividends totalling £18.8 million paid during the year, reflecting 5.7 pence per share

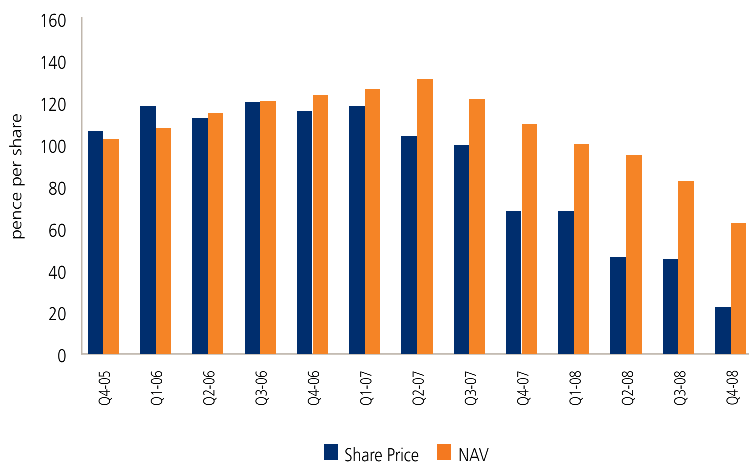
OPERATIONAL HIGHLIGHTS

- Sales programme achieving receipts of £61.4 million in the year
- Change in dividend policy to operate forward looking fully covered dividend
- Dividend cover of 95% achieved, enhanced by active management in the year
- Improved income maturity to 9.1 years (December 2007: 8.6 years)
- Outperformance of the underlying property portfolio at an income level, generating an annual income return of 7.1% compared with the IPD Annual Benchmark figure of 5.3%
- Outperformance of underlying property portfolio generating an annual total return of -18.0% compared to the IPD Annual Benchmark figure of -22.2%
- Occupancy rate of 92%, following letting of second largest rental void in the portfolio

	Year ended 31 December 2008	Year ended 31 December 2007
Net asset value	£210.3 million	£369.5 million
Net asset value per share	64 pence	112 pence
Dividends paid	£18.8 million	£20.7 million
Net income for the year	£17.9 million	£18.5 million
Pre-tax loss (including unrealised losses)	£(140.4) million	£(27.8) million
Loss per share	(42.5) pence	(8.2) pence
Loss on interest rate swaps	£(19.7) million	£(3.1) million
Loss on revaluation of portfolio	£(140.8) million	£(46.7) million
Gearing*	47.2%	40.5%
Share price	22.5 pence	69.5 pence
Net asset value total return	(39.3)%	(6.8)%
Shareholder total return	(63.1)%	(35.8)%
Total Expense Ratio	1.42%	1.11%

*Calculated as net debt less cash as a proportion of property valuation

NET ASSET VALUE AND SHARE PRICE FROM INCEPTION



1 The Boulevard, Shire Park, Welwyn Garden City, Herts

Chairman's Statement

This Report and Accounts covers the 12 month period to 31 December 2008, during which time we have witnessed one of the most severe shocks to the global financial system on record. The collapse of a number of major financial institutions, and the need for state intervention on many others to ensure their survival, has had an unprecedented effect on the global capital markets.

The real estate market is no exception and the UK in particular, as one of the most transparent and liquid markets in the world, has experienced an unprecedented decline in asset values over the reporting period. In particular, the final quarter of 2008 witnessed the worst quarterly returns on record, and, putting them into context, the decline in this one quarter equalled the sum of the decline over the preceding five quarters. From a global perspective, the UK real estate market was the first to react and has fallen both the furthest and the fastest.

Such a dramatic decline in capital values has had an adverse effect on your Company however the Board and Investment Manager have been strongly focused on minimising the impact of this over the period. In particular, the sales programme which started in 2007 continued and, with disposals of over £60 million, has enabled over £82 million of debt to be repaid during the course of the year. The sales programme has continued into 2009.

During the course of the year, the Company concluded that in future it should only operate a covered dividend policy, which led to a reduction in the dividend payment in the final quarter of 2008. This is particularly relevant looking forward, where over the short-term we expect cashflow to be put under pressure through weakness in the underlying economy. The Company, which has always had an income bias, has a low void exposure, has no exposure to development projects and equally has not been over exposed to highly growth dependent sectors such as retail warehousing and central London offices which have been more severely affected by the economic slowdown.

The marked deterioration in the UK Commercial property market has meant that the Company has operated in excess of its loan to value covenant within its debt facility following the year end. However, as announced earlier this month, the Company has convened a meeting with Noteholders in May and has presented restructuring proposals. Equally, the Company is continuing to make asset disposals, which if successful will mean that this covenant becomes compliant within the remedy period afforded by the loan documentation. Further details are included later within this report.

As previously advised, and in light of the current position, until the loan has been restructured the Board does not expect to pay a dividend and will not consider the next quarterly dividend until this outcome has been finalised.

I would like to take this opportunity to thank John Gibbon for his contribution to the Board, following the announcement of his departure at the end of March. John has served on the Board since inception and we thank him for all he has done for the Company. At the same time I would like to express my appreciation to the remainder of the Board for their support and diligence in all our deliberations over the last year.

Equally the Board and I would like to thank Michael Morris and all his colleagues at ING Real Estate Investment Management for their continued efforts on behalf of the Company during what have been exceptionally challenging conditions for the UK real estate markets.

Whilst we expect 2009 to continue to be another difficult year for all UK real estate companies the Board, together with the Investment Manager, are determined that there will be no relaxation of effort in delivering a robust and sustainable Company positioned to take advantage of future investment opportunities when that is appropriate.

Nicholas Thompson
Chairman
29 April 2009

Responsibility Statement

We confirm to the best of our knowledge:

- the Financial Statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Investment Manager's Report includes a fair review of development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board.

Nicholas Thompson
Chairman
29 April 2009

Notcutt House, 36 Southwark Bridge Road, London SE1

Investment Manager's Report

ECONOMIC OVERVIEW

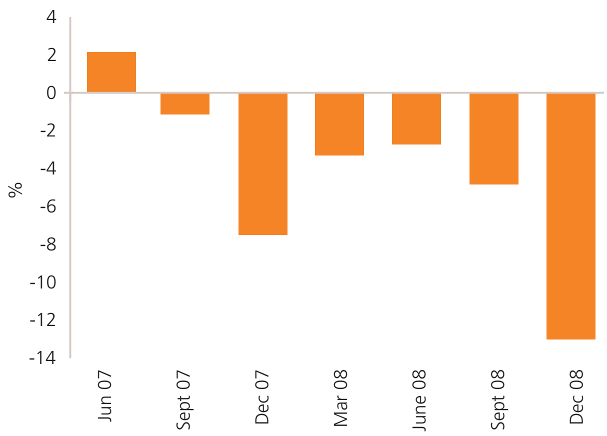
Economic growth in 2008 for the year as a whole stood at 0.7%, with year-on-year GDP growth slipping from 2.9% in December 2007 to -2.0% in December 2008. Although a slowdown was foreseen at the beginning of last year, the length and severity of the credit crunch were not, and economic growth, not just in the UK but globally, has slowed rapidly. Most of the world's largest economies were in recession by the end of 2008 and the UK saw a quarter-on-quarter contraction in economic output in each of the last two quarters of 2008.

The Consumer Price Index (CPI) rose steadily during 2008 to peak at 5.2% in September, driven by a surge in oil prices that was accentuated by sterling falling against the US Dollar, large increases in domestic energy costs and consistently high food price inflation. However, the collapse of Wall Street investment bank Lehman Brothers in September and the spate of banking and insurance rescues over the subsequent weeks sparked a dramatic change in the outlook for credit availability and thus economic growth. With growth projections weaker since the summer, oil prices – a key component of recent inflationary pressure – were already down from USD 140 per barrel in June to USD 90 per barrel in September. As the full extent of the banking crisis and its impact on global growth became clearer, oil plummeted to less than USD 40 per barrel by December. With demand weaker across the whole economy, inflation receded and by the end of 2008 CPI had dropped to 3.1%. CPI is currently at 2.9%.

Interest rates remained on hold for much of 2008 as these inflationary pressures persisted. Post-Lehman Brothers, however, the Bank of England was aggressive in cutting interest rates to stimulate activity as the growth outlook deteriorated rapidly. By the end of 2008, following unprecedented 150 and 100 basis point cuts in November and December respectively, the base rate stood at just 2%. Base rate is currently at 0.5%.

According to the IPD Annual Index, the average ungeared total return on UK property was -22.1% for the year to December 2008. At a sector level, retail was the marginal underperformer, recording -22.6%, with offices returning -22.4% and industrial property -21.2%. While total returns were weak in the first three quarters of the year, the fourth quarter was the weakest by a considerable margin as the severity of the economic outlook became apparent.

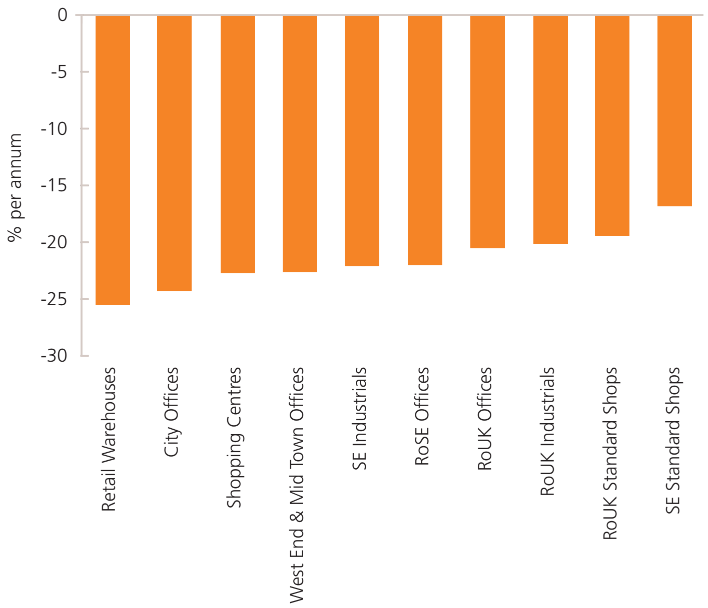
QUARTERLY IPD TOTAL RETURNS SINCE MID-2007



Source: IPD Quarterly Index

The market-wide nature of this downturn is clearly evident from the table below; there is little difference across IPD's Portfolio Analysis Service (PAS). High Street shop units fared best in 2008, which is partially due to their small lot sizes and, therefore, better liquidity. The weakest segments were the large-format (and larger lot size) retail segments and central London offices, where the exposure to the financial services sector is greatest.

ANNUAL IPD TOTAL RETURNS 2008



Source: IPD Annual Index

Although rental values began to fall, by -1.2% at the All Property level in 2008, performance across the year was principally driven by outward yield shift. Yields began to soften in the latter part of 2007, but monthly declines in capital values became entrenched in 2008 as the IPD All Property initial yield (Annual Index) rose from 4.9% in December 2007 to 6.8% in December 2008.

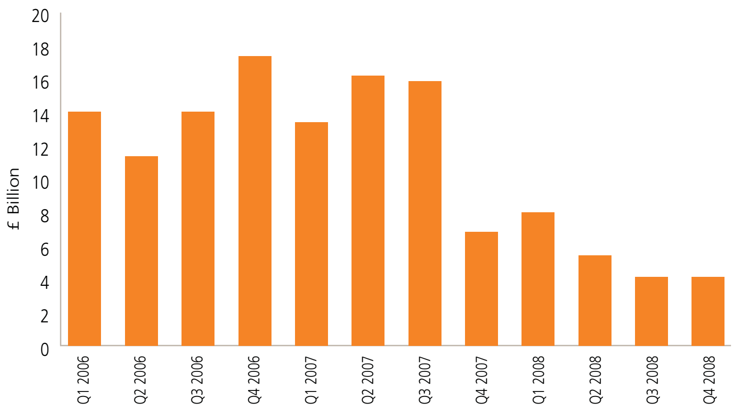
On the occupational side, the market proved to be relatively resilient in the early part of 2008, with rental value growth slowing but remaining positive and indeed quite robust in the West End of London. However, by the end of the year the picture was rather different as the financial crisis took its toll on the market for central London offices: West End rental values fell by 6.8% in 2008 and City rental values by 7.9%.

Retail rents fell only in real terms with nominal rental values up by 0.1% in 2008, largely thanks to the resilience of the West End retail market, where sterling's weakness has boosted tourist spending. Industrial rents, which are the least volatile, were flat across 2008. Void rates rose over the course of the year, with the retail sector particularly affected due to the number of retailer administrations. The marginal falls in IPD rental values in 2008 are only the beginning of the process and stress in the occupier market is set to lead to much larger falls in 2009 and 2010.

Liquidity in the property investment market declined sharply in 2008; transaction volumes across the entire property market were down by more than 60% on 2007 levels. Some parts of the market have seen very little comparable transaction evidence for valuations and valuers have been proactive in valuing on sentiment, meaning yields have risen dramatically in the UK, particularly when compared with some other, equally illiquid, international property markets. The frozen credit markets are the principal driver of this illiquidity and the availability of finance is not expected to improve during 2009.

Investment Manager's Report (continued)

UK PROPERTY INVESTMENT MARKET QUARTERLY TRANSACTION VOLUMES



Source: Property Data

The IPD monthly results recently published for the first quarter of 2009 showed a total return of -7.1%. This reflected negative rental value growth and capital value growth of -3.0% and -8.9% respectively.

STRATEGY

The strategy for the Group remains focused towards the income bias of the vehicle, recognising the very different economic conditions in which the Group is operating.

The UK market has undergone a significant pricing correction and against this backdrop, as Investment Manager, we have been focused on mitigating the effects of this. Throughout 2008 our strategy was to repay debt which was achieved through asset disposals in a transactional market with limited liquidity.

It became apparent during the latter part of 2008 that asset disposals alone would be insufficient to maintain headroom, in respect of the relatively low level of the loan to value covenant, and as such a proposal to restructure the securitised debt has been presented to Noteholders as detailed later in this report.

The underlying strategy, insofar as the individual assets are concerned, remains relatively unchanged. There is a continual focus on rent collection and, particularly in the current environment, a strong need to understand our tenants' businesses.

Compared with the capital valuation movements, the underlying cash flow remains resilient and we have seen a marginal decrease in the occupancy rate across the portfolio and equally we have seen a number of occupiers fall into administration. This increase has not had any significant adverse effect on the income profile and as at 31 March 2009 reflected 2.5% of rental income. The Group continues to have no development exposure and limited refurbishment exposure, and, combined with a relatively low vacancy rate, means rent collection remains strong.

The Group's income profile is well diversified with exposure to over 250 tenants. The largest tenant accounts for under 9% of the rent roll and the top 10 tenants account for only 31% of the income.

In addition, opportunities are being sought to improve underlying income and income maturity, which in turn will have a positive effect on the assets' underlying valuation. The average unexpired term across the portfolio increased from 8.6 to 9.1 years over the year. Equally, where possible, the Investment Manager seeks to increase the occupancy rate in the portfolio and is flexible in its approach to securing income from vacant accommodation.

UNDERLYING PERFORMANCE

At both a share price and NAV level the performance was impacted by both market sentiment and the effects of gearing.

At an underlying portfolio level, the portfolio performed ahead of the UK market as measured by IPD, both on income and a total return basis. For the year ending 2008, the underlying portfolio delivered a return of -18% against the IPD annual benchmark of -22%. The Group's income return was 7.1% against a benchmark of 5.3%.

The underlying portfolio has now outperformed the wider UK market since inception.

Brief reviews of the three principal sectors are as follows:-

OFFICE

The portfolio retains an office bias, which represents approximately 48% of the portfolio by value, which compares with an IPD weighting of 35%. The exposure to the core central London market is 9% as opposed to an IPD weighting of 22% which reflects investment towards those subsectors with higher income returns and less reliance on rental growth.

Activity over the period included the surrender of the head lease at 401 Grafton Gate, Milton Keynes, where the tenant paid a premium of £1,425,000. The property remains fully let, with the subtenants paying a higher rent than previously. The Group is in discussions with the subtenants to extend leases and settle outstanding rent reviews.

The Group agreed an assignment and new reversionary lease with the subtenant at 171 Bath Road in Slough. The lease term has been extended from June 2013 to June 2023 at the current passing rent of £733,000 per annum.

Essex County Council have completed the renewal of their lease at 200 The Crescent, Colchester Business Park for a term of 10 years, at an initial rent of £420,000 per annum.

In respect of the portfolio's largest void in Watford, this has received strong interest following approval of a planning application during the year. The proposed scheme, which is to be implemented in 2009, reconfigures the access to this headquarters office building.

INDUSTRIAL

The portfolio has a relatively high exposure to the industrial sector which represents approximately 29% of the portfolio relative to the IPD Annual Index weighting at 14%. Again this reflects the income bias nature of the sector.

The Group has five multi-let industrial estates and seven single let distribution units. The principal activity during the period has been focused on the multi-let industrial estates. We have achieved full occupancy at River Way Industrial Estate in Harlow and Easter Court Industrial Estate in Warrington.

In Harlow we have renewed the lease to TNT UK Limited on unit D for a further five years at a rent of £301,500 per annum. At Fleet House, a large cold store, we moved the tenant's break option from 2009 to 2011, securing the passing rent of £475,000 per annum for a further twenty months.

At The Business Centre in Wokingham, unit 2 is occupied by Kaplan Publishing Limited. We have moved the tenant's break option from 23 May 2011 and the lease will now continue to expiry in 2016. At the same time, we agreed the May 2011 rent review at a rent of £227,500 per annum, an increase from the passing rent of £195,000 per annum.

Investment Manager's Report (continued)

RETAIL

The portfolio continues to have a low retail weighting and this was further reduced through sales during the course of the year. Approximately 12.2% of the portfolio represents retail and only 6.6% retail warehousing. This compares with IPD weightings of 30% and 16% respectively.

The combination of the sales programme and low exposure to the retail warehouse sector led to strong relative outperformance over the period.

The principal transactions were the disposals in Balham, Chester and Mitcham which are detailed further below.

At the Group's retail warehouse park in Bury, TK Maxx had a break option in their lease for February 2010. In consideration of a four month rent-free period, the tenant agreed to move the break option to February 2020, securing an income from the unit for an additional 10 years.

ACQUISITIONS AND DISPOSALS

In the year to 31 December 2008, the Group made no acquisitions and disposed of seven properties for a consideration of over £61 million. These disposals were made in line with strategy to reduce the Group's debt and to ensure compliance with debt covenants, through the market cycle.

The principal sales were:

FRODSHAM SQUARE, CHESTER

The Group completed the sale of this supermarket for £32 million (initial yield 4.84%) in April 2008, following the completion of the rent review the previous year. The property was acquired in September 2005 for £20.4 million.

134/152 BALHAM HIGH ROAD, LONDON

The Group completed the sale of this supermarket for £10.5 million (initial yield 3.57%) in September 2008. The property was acquired in September 2005 for £7.2 million.

593-599 FULHAM ROAD, LONDON

The property comprised of an HSBC bank on the ground floor and basement with three storeys of offices above. The Group completed the sale in November 2008 for consideration of £4.7 million. The property was acquired in September 2005 for £4.3 million.

9/17 WESTERN ROAD, MITCHAM

This property comprised of two retail warehouses, one of which was let to Netto and the other was vacant, following the Group surrendering the lease. The sale completed on 29 September 2008 and realised £4.5 million. The property was purchased in September 2005 for £4.2 million.

40 GARSINGTON ROAD, OXFORD

The property was vacated by the tenant, who actioned a break clause in the lease and paid the Group a penalty of £132,000. The property was subsequently sold to an owner occupier in January 2008 for a consideration of £4.85 million. The property was acquired in September 2005 for £3.3 million.

Whilst current market conditions are continuing to make disposals challenging, we are continuing to pursue an active sales program to reduce the net debt position within the Group. During 2009 we have either exchanged or completed on the disposal of a further five assets, for a total consideration of approximately £18 million.

DEBT

The Group has issued a total of £225 million of AAA rated loan notes in 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 had a loan from JP Morgan with a balance outstanding of £82 million at 31 December 2007. This loan was repaid in full during the year, as part of a strategy to reduce the overall level and cost of debt.

At 31 December 2008, and following this repayment, the weighted average cost of debt was 4.86%, excluding loan arrangement costs, compared to 5.16% at 31 December 2007.

On 17 April 2009 the Group announced it had breached the loan to value ("LTV") covenant on its securitised loan facility. The covenant states that the LTV of the property portfolio must not exceed 50%. At the reporting date the loan to value was 53.4%.

The loan documents allow for a 30 day remedy period from the date of breach of a covenant. The Board has a number of initiatives in place in an effort to remedy the breach within this period. A number of measures are being taken, as detailed below.

A meeting of Noteholders is scheduled for 12 May, where the following measures have been proposed:

- Increase the LTV covenant from 50% to 60% until January 2012, when it will reduce to 55%, falling back to 50% in July 2012;

- Increase the interest cover ratio from 1.5 times to 1.75 times until maturity of the Securitised Loan Facility in January 2013;

- Reduce the Group's flexibility to make non-core investments, residential investments and undertake developments or major upgrade projects within the Securitised Loan Facility;

- Remove the Group's ability to hold any additional indirect property investments within the Securitised Loan Facility for the purpose of the various financial covenants; and

- Reduce by up to £35 million the principal amount outstanding under the £225 million Facility by January 2010 through one or more tender offers for an equivalent principal amount of related secured notes, with the first tender offer being held in July 2009 for a minimum of £15 million principal amount of notes:

    - the Group intends to offer to purchase up to £35 million of the outstanding notes by way of a 'modified Dutch auction' tender offer, with the first tender offer expected to close in July 2009. If the first tender offer is for less than £35 million of notes, further tender offers will be held on a quarterly basis until the Company has offered to purchase at least £35 million of notes; and

    - the Group intends that only Noteholders that vote in favour of the re-structuring proposals will be eligible to participate in the proposed tender or tenders should the proposals be approved by Noteholders at the meeting to be held on 12 May 2009.

Investment Manager's Report (continued)

If, after 30 days, this breach is not remedied, a Borrower Event of Default will occur under the Facility. This will result in, inter alia, restrictions immediately being imposed on the Group's ability to utilise the cash balances held within the Facility structure from which the Company makes dividend payments and finances some of its ordinary activities. If the breach is remedied at any time, these cash restrictions come to an end. Following a Borrower Event of Default, the Borrower Security Trustee has the right to take such actions necessary to protect the security granted over the assets, on behalf of the lender under the securitised loan facility.

The Group's Investment Manager continues to seek to make further asset sales and several properties are currently under offer. Taken together with the Group's cash balances outside of the Facility structure, should completion of approximately £9 million of such sales occur before the expiry of the 30 day remedy period, the breach of the loan to value covenant would be remedied and no event of default would occur.

Whilst the Group remains in breach of the Facility's LTV covenant or utilises cash resources held outside the Facility structure to remedy the LTV covenant breach, the Board does not expect to pay dividends to shareholders.

The bank accounts of the holding Company would not be affected, therefore all other costs of running the business would be met from cash held in bank accounts outside the securitisation structure. The Investment Manager has prepared forecasts of this eventuality, and the Group has sufficient funds to operate for the foreseeable future on this basis.

We believe that the implementation of the amendments to the Securitised Loan Facility, if approved by the Noteholders, together with the activities already undertaken, will both remedy the breach and strengthen the Group's ability to withstand market conditions. The changes would therefore remove the ability of the Group to purchase any indirect property investments within the securitisation structure, however the Group would retain the ability to acquire these types of assets outside this structure.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 24 to these Financial Statements.

OUTLOOK

The outlook for UK economic growth has deteriorated sharply and, according to ING Financial Markets' forecasts, the UK is set to remain in recession for the whole of 2009, with a return to quarter-on-quarter growth in 2010.

Given the contracting economy, the outlook for occupational markets over the next two years is very weak and we are already witnessing increasing void rates and tenant defaults which are leading to downward pressure on rental values.

Regarding capital markets, the reduced liquidity seen in 2008 is set to continue into 2009; whilst in 2008 capital value growth was primarily yield driven, in 2009 negative rental growth and either void or tenant default will have an increasing impact.

With such a weak economic backdrop, there is unlikely to be any immediate recovery in the real estate market. Yields have, however, risen to levels not seen since September 1997 and as highlighted previously, at present cashflow, albeit under some pressure, remains robust.

The underlying portfolio is well diversified in terms of sector allocation and across tenants. It benefits from higher initial yield, occupancy rate and income maturity compared with the market. As at 31 March 2009, the portfolio offered a net initial yield of 8.17% compared with IPD (7.66%).

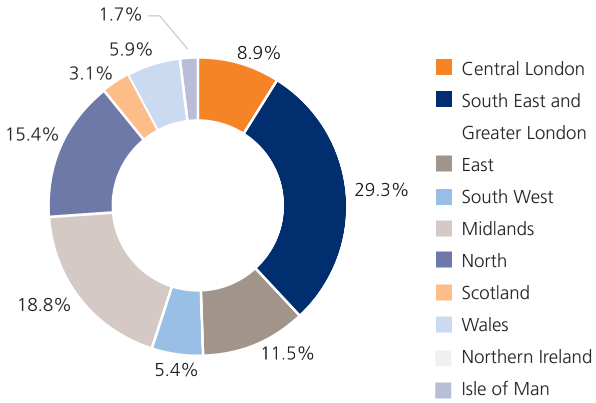
The real estate market remains cyclical, driven by both supply and demand in the capital and occupational markets. Whilst it is too early to call a recovery in 2009, we are starting to see increased investor activity, especially for smaller lot sizes, and the derivatives market is also now implying positive returns from commercial real estate from 2010.

Michael Morris
ING Real Estate Investment Management (UK) Limited
29 April 2009

Portfolio Analysis

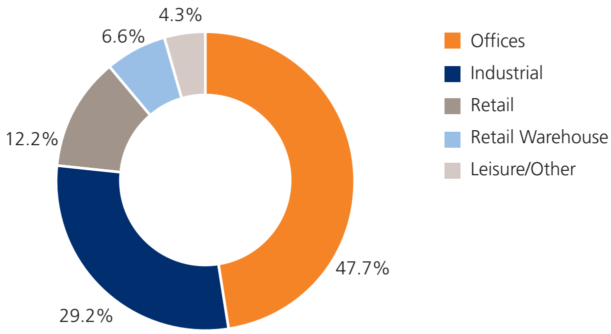
GEOGRAPHICAL

As at 31 December 2008 the regional weightings of the Property Portfolio, as a percentage of current portfolio value, are summarised as follows:



SECTOR

As at 31 December 2008 the sector weightings of the Property Portfolio, as a percentage of current portfolio value, are summarised as follows:

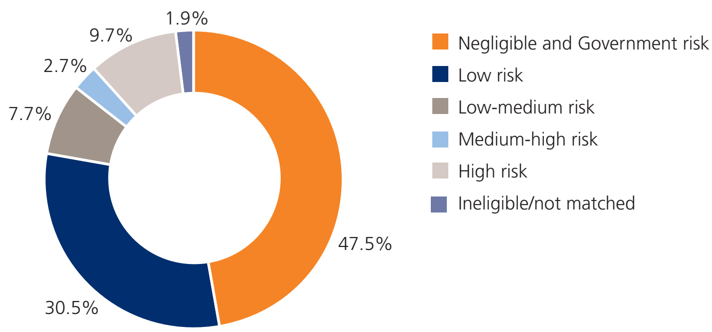


COVENANT STRENGTH

The covenant strength, based as a percentage of current passing rent by risk rating, as at 31 December 2008 is summarised as follows:

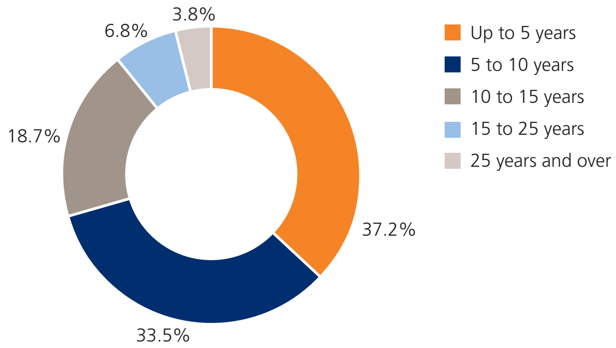
Covenant strength data is produced by Investment Property Databank (IPD).

The Group held a total of £1.43 million of rental deposits at 31 December 2008.



LONGEVITY OF INCOME

As at 31 December 2008, based as a percentage of current net annual rent, the length of the leases to the first termination is summarised as follows:



TOP TEN TENANTS

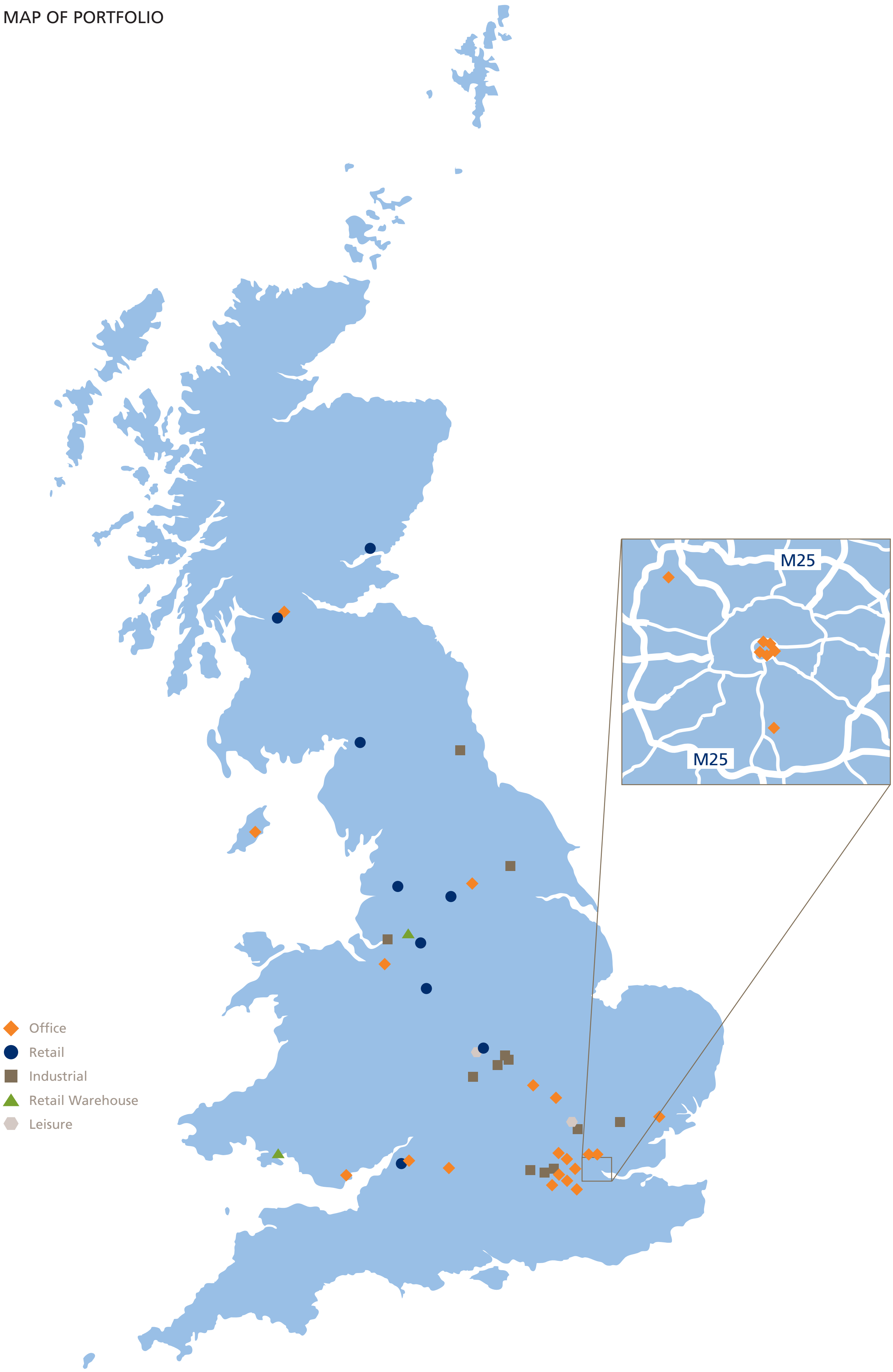
The top ten tenants, based as a percentage of current passing rent, as at 31 December 2008 is summarised as follows:

	% of Passing Rent
TNT UK Limited	8.7
Merrill Lynch Europe Plc	3.4
Cadence Design Systems Limited	2.8
Sybase (UK) Limited	2.5
Tanfield Group Plc	2.5
Exel UK Limited	2.5
Menzies Hotels Property No.20 Limited	2.3
BT Telecommunications Plc	2.2
Chiltern International Limited	2.1
S P Group Limited	2.0
	31.0

VALUATION SCHEDULE AS AT 31 DECEMBER 2008

	Sector
Properties valued in excess of £20 million	
Unit 5320, Magna Park, Lutterworth, Leics.	Industrial
Units A-G2 River Way Industrial Estate, Harlow, Essex	Industrial
Properties valued between £15 million and £20 million	
Phase II, Parc Tawe, Link Road, Swansea	Retail Warehouse
Colchester Business Park, The Crescent, Colchester, Essex	Office
Properties valued between £10 million and £15 million	
56 Castle Street, 2/12 English Street and 12-21 St Cuthberts Lane, Carlisle, Cumbria	Retail
Boundary House, Jewry Street, London EC3	Office
Lincoln Place (Block 2), Farringdon Road, London EC1	Office
Angel Gate Office Village, City Road, London EC1	Office
Arena Court, Crown Lane, Maidenhead, Berks.	Office
City Link House & Tolley House, Addiscombe Road, Croydon	Office
401 Grafton Gate East, Milton Keynes, Bucks.	Office
Angouleme Way Retail Park, Bury, Greater Manchester	Retail Warehouse
Regency Wharf, Broad Street, Birmingham	Leisure
Westlea Campus, Chelmsford Road, Swindon, Wilts.	Office
Unit 3220, Magna Park, Lutterworth, Leics.	Industrial
Properties valued between £5 million and £10 million	
L'Avenir, Opladen Way, Westwick, Bracknell, Berks.	Office
Vigo 250, Birtley Road, Washington, Tyne and Wear	Industrial
1-3 Chancery Lane, London WC2	Office
Strathmore Hotel, Arndale Centre, Luton, Beds.	Leisure
Scots Corner, High Street/Institute Road, Birmingham	Retail
The Business Centre, Molly Millars Lane, Wokingham, Berks.	Industrial
Units 1-13 Dencora Way, Sundon Park, Luton, Beds.	Industrial
17/19 Fishergate, Preston	Retail
Unit 2, Ravensbank Business Park, Redditch, Worcs.	Industrial
171 Bath Road, Slough, Berks.	Office
Sentinel House, Ancells Business Park, Fleet, Hants.	Office
Queens House, 17/29 St Vincent Place, Glasgow	Office
Provident House, Ballacottier Business Park, Isle Of Man	Office
Waterside Park, Longshot Lane, Bracknell, Berks.	Office
Longcross Court, Newport Road, Cardiff	Office
53/55/57 Broadmead, Bristol	Retail
3 The Boulevard, Croxley Green, Watford, Herts.	Office
Lawson Mardon Buildings, Kettlestring Lane, York	Industrial
9/12 St James Parade, Bristol	Office
Northampton Business Park, 800 Pavilion Drive, Northampton	Office
1 The Boulevard, Shire Park, Welwyn Garden City, Herts.	Office
Haynes Way, Swift Valley Industrial Estate, Rugby, Warwickshire	Industrial
Easter Court, Gemini Park, Warrington	Industrial
Properties valued under £5 million	
Notcutt House, 36 Southwark Bridge Road, London SE1	Office
Atlas House, Third Avenue, Globe Park, Marlow, Bucks.	Office
Trident House, 42/48 Victoria Street, St Albans, Herts.	Office
Leys House, 86/88 Woodbridge Road, Guildford, Surrey	Office
Zenith, Downmill Road, Bracknell, Berks.	Industrial
Waterside House, Kirkstall Road, Leeds	Office
Merchants House, Crook Street, Chester	Office
7&9 Warren Street, Stockport	Retail
72/78 Murraygate, Dundee	Retail
Units 1- 3, 18/28 Victoria Lane, Huddersfield, West Yorks.	Retail
Heron Industrial Estate, Spencers Wood, Reading	Industrial
6/12 Parliament Row, Hanley, Worcs.	Retail
477 Alexandra Parade, Glasgow	Retail

MAP OF PORTFOLIO



City Link and Tolley House, Addiscome Road, Croydon

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 2008 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 separate Remuneration Committee and a Nominations Committee have not been established. These duties are performed by the Board for practical reasons. Board members are nominated by a quorum of the Board, being a minimum of two Directors. The number of Directors shall be not less than two or more than ten. At no time shall a majority of Directors be resident in the United Kingdom. In addition a Senior Independent Director has not been appointed given that the majority of the Directors are considered to be 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 at the end of the Directors' Report. John Gibbon resigned from the Board after the year end, on 30 March 2009.

The Company is led and controlled by a Board comprising non-executive Directors, all of whom have wide experience and four of whom were considered to be independent during the year. 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 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.

Corporate Governance Report (continued)

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 performance of the Board is evaluated on an annual basis. The last evaluation, for 2008, has recently been completed. A Director's Performance Evaluation questionnaire was circulated to the Board for completion by the individual Board members. The Secretary collated these questionnaires and the results were discussed by the Board.

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 2008 £	Year ended 31 December 2007 £
Nicholas Thompson	40,000	28,750
Robert Sinclair	28,000	22,000
Trevor Ash	23,000	17,000
John Gibbon	23,000	17,000
Tjeerd Borstlap	-	-

The figures above represent emoluments earned as Directors during the financial year. The annual emoluments for each Director were independently reviewed during 2007 by New Bridge Street Consultants, with the effect of increasing the annual emoluments of each of the Directors in line with market rates with effect from 1 October 2007.

As a result of difficult market conditions a significant amount of additional work has been performed by the Directors both during the year and since the financial year end. Consequently, any compensation appropriate for these additional time commitments is expected to take place during 2009.

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.

ATTENDANCE AT BOARD MEETINGS

	Attendance (5 meetings)
Nicholas Thompson	5
Robert Sinclair	5
Trevor Ash	5
John Gibbon	5
Tjeerd Borstlap	4

AUDIT COMMITTEE

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.

The members of the Committee are all the Directors of the Company other than Tjeerd Borstlap.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

	Attendance (3 meetings)
Nicholas Thompson	3
Robert Sinclair	3
Trevor Ash	3
John Gibbon	2

MANAGEMENT ENGAGEMENT COMMITTEE

In addition, the Board has established a Management Engagement Committee (Chairman: Trevor Ash) to monitor the Investment Manager’s compliance with the Investment Management Agreement.

The members of the Committee are all the Directors of the Company other than Tjeerd Borstlap.

PROPERTY VALUATION COMMITTEE

A Property Valuation Committee (Chairman: Nicholas Thompson) exists to oversee the valuation process.

The members of the Committee are all the Directors of the Company.

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 these Committees.

Corporate Governance Report (continued)

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. Investors are able to direct any questions for the Board via the Secretary.

The Chairman regularly attends analyst meetings and road shows to meet investors. The outcome of these meetings is communicated to the rest of the Board at Board meetings.

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 2009.

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.

The Company has prepared these Financial Statements in compliance with The Companies (Guernsey) Law 1994 as permitted by The Companies (Transitional Provisions) (No. 2) Regulations, 2008.

STATEMENT OF GOING CONCERN

Current market conditions have led to the Group breaching its loan to value covenant following the year end.

After due consideration, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on these considerations are detailed in the Debt section of the Investment Manager's Report and note 2 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.

Corporate Governance Report (continued)

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 summarised 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 and experienced 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.	Cash flows 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.
Credit risk	The risk of default by tenants.	The Investment Manager has a policy of only dealing with creditworthy counterparties. Counterparty limits are regularly reviewed. Trade debtors consist of a large number of tenants spread across diverse industries and geographical areas.
Cash flow risk	The risk of a shortfall in funds to operate the Group.	The Investment Manager monitors cash flows and assesses all capital and operational expenditure. The Board are regularly updated on major cash flows.

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 in 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.

Corporate Governance Report (continued)

Additional investment restrictions set by the Board 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.

Waterside Park, Longshot Lane, Bracknell

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 2008.

The Company is a closed ended investment company and is authorised 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.

With effect from 29 October 2008, the Company became regulated under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended). Under this regulation, the Company was deemed to be authorised with an option to elect to be treated as a registered collective investment scheme by writing to the Guernsey Financial Services Commission (GFSC) on or before 15 April 2009. The Directors have elected for the Company not to become registered.

RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Income Statement. 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 2008 was 330,401,300 (31 December 2007: 330,401,300) 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 current year no shares were bought, however in the prior year 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 2 April 2009.

	% of issued share capital
ING Group	18.6%
Lloyds Banking Group	7.4%
Legal & General Investment Management Limited	5.9%
Reech CBRE Alternative Real Estate LLP	5.2%
Rensburg Sheppards Investment Management Limited	4.2%
BlackRock Investment Management Limited	3.9%
Schroder Investment Management Limited	3.5%
Gerrard Investment Management Limited	3.1%

DIRECTORS AND DIRECTORS' INTERESTS

The current Directors of the Company are set out in this report. All Directors served throughout the year. John Gibbon resigned from the Board after the year end, on 30 March 2009.

The Directors' interests in the shares of the Company as at 31 December 2008 are set out below:

	Ordinary Shares	% of issued share capital
Nicholas Thompson	11,993	0.004%
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 Company has prepared these Financial Statements in compliance with The Companies (Guernsey) Law 1994 as permitted by The Companies (Transitional Provisions) (No. 2) Regulations, 2008.

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

The Directors reappointed Deloitte & Touche LLP ("the Auditors") as auditors of the Company for the year on 19 May 2008. On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP and accordingly the audit report is signed under the new name. A resolution for the reappointment of Deloitte LLP will be proposed at the next Annual General Meeting.

By Order of the Board

Robert Sinclair **Trevor Ash**
29 April 2009

Company Information

DIRECTORS

Nicholas Thompson (Chairman) - Age 60, was formerly Director and Head of Fund and Investment Management at Prudential Property Investment Management until his retirement in 2004. 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 62, 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 (resigned 30 March 2009) - Age 63, was formerly Managing Director of BAE SYSTEMS Pension Funds Investment Management (until 2001). John is 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 a member of the Investors' Committee of the Property Income Trust for Charities. He is also an advisor to a number of pension funds and to Seven Investment Management's Asset Allocation Committee.

Robert Sinclair (Chairman of the Audit Committee) - Age 59, 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 - Age 54, is Chief Financial Officer of ING Real Estate Investment Management located in The Hague. In this capacity he is responsible for Finance, Risk and Treasury. 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.

MANAGERS AND ADVISERS

DIRECTORS

Nicholas Thompson (Chairman)
Trevor Ash
Tjeerd Borstlap
John Gibbon (resigned 30 March 2009)
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 3QL

RECEIVING AGENT AND UK TRANSFER/PAYING AGENT

Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS13 8AE

BROKERS

JP Morgan Cazenove
20 Moorgate
London EC2R 6DA

TAX ADVISERS

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

COMPANY WEBSITE

www.ingreit.co.uk

REGISTERED OFFICE

Trafalgar Court
Les Banques
St Peter Port
Guernsey

AUDITOR

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

PROPERTY VALUERS

King Sturge LLP
30 Warwick Street
London W1B 5NH

SOLICITORS TO THE GROUP:

As to English Law
Norton Rose LLP
3 More London Riverside
London SE1 2AQ

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

As to Guernsey Law
Carey Olsen
PO Box 98
7 New Street
St Peter Port
Guernsey GY1 4BZ

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 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow 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 2008 and of the Group's result for the year ended 31 December 2008 and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw your attention to the disclosures in the Investment Manager's Report and in notes 2 and 16 to the Group's Financial Statements which detail the covenant breach which has occurred post year end on 17 April 2009 in respect of the securitised loan.

The proposed methods by which the Directors are seeking to remedy this breach and to further strengthen the Group's financial position going forward are also detailed in the Investment Manager's Report.

The outcome of the proposed remedies and the likelihood of their success is an area of material uncertainty which may cast significant doubt over the ability of the Group to continue as a going concern.

It is not possible to quantify the effect of this uncertainty.

Deloitte LLP
Chartered Accountants
St Peter Port
Guernsey, Channel Islands
29 April 2009

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

23 January 2009

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, 31 December 2008. 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 31 December 2008 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 **£434,250,000 (Four Hundred and Thirty Four Million Two Hundred and Fifty 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.

The recent issues in the sub-prime mortgage market in North America have had a significant effect on equity and debt markets across the globe. This, combined with a weakening of sentiment towards UK real estate, has precipitated a reappraisal of UK commercial property prices. During this period of uncertainty, liquidity in the market has been reduced and there is a significant reduction in transactional evidence as well as a lack of clarity as to the market drivers. In this environment, it is possible that prices and values could go through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions.

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

St James Court, 9/12 St James Parade, Bristol

Consolidated Income Statement

For the year ended 31 December 2008

In thousands of pounds	Notes	Income	Capital	2008 Total	2007 Total
Income					
Rental income	3,12	35,812	-	35,812	40,902
Service charges recharged to tenants		4,284	-	4,284	3,999
Other operating income		5,522	-	5,522	2,795
Total operating income		**45,618**	**-**	**45,618**	**47,696**
Gains and losses on investments					
Realised gains arising on disposal of investment properties	12	-	2,524	2,524	4,085
Unrealised losses on revaluation of investment properties	12	-	(140,757)	(140,757)	(46,775)
Unrealised losses on revaluation of assets held under finance leases	12	-	(404)	(404)	-
Total gains and losses on investments		**-**	**(138,637)**	**(138,637)**	**(42,690)**
Expenses					
Property operating expenses	12	(4,027)	-	(4,027)	(2,935)
Service charge costs		(4,284)	-	(4,284)	(3,999)
Management expenses	5	(5,345)	-	(5,345)	(6,496)
Other operating expenses	6	(2,667)	-	(2,667)	(1,669)
Total operating expenses		**(16,323)**	**-**	**(16,323)**	**(15,099)**
Profit/(loss) before finance costs and tax		**29,295**	**(138,637)**	**(109,342)**	**(10,093)**
Financing					
Interest receivable	7	2,663	-	2,663	1,914
Interest payable	7	(14,059)	-	(14,059)	(16,470)
Unrealised losses on revaluation of interest rate swaps	7	-	(19,677)	(19,677)	(3,079)
Total finance costs		**(11,396)**	**(19,677)**	**(31,073)**	**(17,635)**
Profit/(loss) before tax		**17,899**	**(158,314)**	**(140,415)**	**(27,728)**
Tax	8	-	-	-	460
Profit/(loss) for the year		**17,899**	**(158,314)**	**(140,415)**	**(27,268)**
Loss per share	10				
Basic and diluted		5.4p	(47.9)p	(42.5)p	(8.2)p

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 2008

In thousands of pounds	Notes	Share Capital	Share Premium Account	Distributable Reserve	Retained Earnings	Total
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**
Net loss for the year		-	-	-	(140,415)	(140,415)
Dividends paid	9	-	-	(893)	(17,899)	(18,792)
Balance as at 31 December 2008		**-**	**31,389**	**296,883**	**(117,962)**	**210,310**

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

Consolidated Balance Sheet

As at 31 December 2008

In thousands of pounds	Notes	2008	2007
Non-current assets			
Investment properties	12	436,005	633,206
Total non-current assets		**436,005**	**633,206**
Current assets			
Accounts receivable	13	8,488	6,018
Cash and cash equivalents	14	20,084	51,150
Total current assets		**28,572**	**57,168**
Total assets		**464,577**	**690,374**
Current liabilities			
Accounts payable and accruals	15	(13,210)	(17,496)
Total current liabilities		**(13,210)**	**(17,496)**
Non-current liabilities			
Loans and borrowings	16	(241,057)	(303,361)
Total non-current liabilities		**(241,057)**	**(303,361)**
Total liabilities		**(254,267)**	**(320,857)**
Net assets		**210,310**	**369,517**
Equity			
Ordinary share capital	18	-	-
Share premium account	19	31,389	31,389
Distributable reserve	19	296,883	297,776
Retained earnings		(117,962)	40,352
Total equity		**210,310**	**369,517**
Net asset value per share	21	**0.64**	**1.12**

These Consolidated Financial Statements were approved by the Board of Directors on 29 April 2009 and signed on its behalf by:

Robert Sinclair
Director

Trevor Ash
Director

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

Consolidated Cash Flow Statement

For the year ended 31 December 2008

In thousands of pounds	Notes	2008	2007
Loss before tax		**(140,415)**	**(27,728)**
Adjusted for			
Interest receivable	7	(2,663)	(1,914)
Interest payable	7	14,059	16,470
Realised and unrealised gains and losses on investments		158,313	45,712
Amortisation of finance costs	13	705	544
Cash flows from operating profit before working capital changes		**29,999**	**33,084**
(Increase)/decrease in trade and other receivables		(2,470)	1,419
Decrease in trade and other payables		(4,990)	(7,188)
Net cash flows from operating activities		**22,539**	**27,315**
Cash flows from investing activities			
Purchase of investment properties	12	(2,806)	(5,913)
Disposal of investment properties	12	61,370	34,343
Interest received	7	2,663	1,847
Net cash flows from investing activities		**61,227**	**30,277**
Cash flows from financing activities			
Repurchase of ordinary shares	19	-	(834)
Repayment of long-term borrowings	16	(81,981)	(6,469)
Interest paid on loans	7	(14,059)	(16,305)
Dividends paid	9	**(18,792)**	(20,707)
Net cash flows from financing activities		**(114,832)**	**(44,315)**
Net (decrease)/increase in cash and cash equivalents		**(31,066)**	**13,277**
Cash and cash equivalents at beginning of year		51,150	37,873
Cash and cash equivalents at end of year	14	**20,084**	**51,150**

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

Notes to the Financial Statements

For the year ended 31 December 2008

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 2008 with comparatives for the year ended 31 December 2007.

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.

All amounts are stated in thousands of pounds unless stated otherwise.

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.

IAS 23 (Revised) Borrowing Costs

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.

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 January 2009 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The external valuers have pointed out that the recent issues in the sub-prime mortgage market in North America have had a significant effect on equity and debt markets across the globe. This, combined with a weakening of sentiment towards UK real estate, has precipitated a reappraisal of UK commercial property prices. During this period of uncertainty, liquidity in the market has been reduced and there is a significant reduction in transactional evidence as well as a lack of clarity as to the market drivers. In this environment, it is possible that prices and values could go through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions.

GOING CONCERN

As detailed in note 16 the Group is exposed to external debt via securitised notes issued by ING (UK) Listed Real Estate Issuer PLC. The terms of the securitisation documentation include a loan to value covenant test of 50%.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Throughout the year ended 31 December 2008 there were significant falls in the values of commercial real estate assets in the UK. This is reflected in the decrease in the value of the Group's investment properties. The loan to value covenant test was in compliance during the year ended 31 December 2008, however following further falls in real estate values subsequent to the year end, the test was not satisfied on 17 April 2009. The loan documents allow for a 30 day remedy period, after which, if the covenant test is not in compliance, a Borrower Event of Default will occur. As a result cash will be required to be held within the securitisation structure and applied towards the loan to value covenant test. Following a Borrower Event of Default, the Borrower Security Trustee has the right to take such actions necessary to protect the security granted over the assets, on behalf of the lender under the securitised loan facility.

The Group has not breached its income cover test and based on its current projections will be able to meet its interest payments in addition to its other expenses for the foreseeable future.

As discussed in the Investment Manager's Report, the Group is pursuing a number of options, including asset sales and amendments to the terms of the securitisation documents, in order to ensure that a Borrower Event of Default does not take place. However there is material uncertainty regarding the outcome of these actions, including the forthcoming note holder meeting relating to the proposed amendments to the securitisation documents, which may cast significant doubt about the ability of the Group to continue as a going concern such that the Group could be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Group is in discussions with the Trustee of the securitised notes and the securitised note holders, and these conversations are progressing in a satisfactory manner.

The Financial Statements have therefore been prepared on a going concern basis on the assumption that the Group will continue in operation for the foreseeable future. The financial information does not include the adjustments that would be required if the Group was unable to continue as a going concern.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 at purchase cost plus directly attributable acquisition expenses. Investment properties are carried at a revalued 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.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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, 'Financial Instruments: Recognition and Measurement' 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2008.

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.

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 51 commercial properties, which are in the office, retail, retail warehouse, industrial and leisure sectors.

Notes to the Financial Statements (continued)

5. MANAGEMENT EXPENSES

	2008	2007
Investment Manager's fees	5,345	6,496

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

	2008	2007
Valuation expenses	169	201
Audit fees	100	85
Amortisation of finance costs (note 13)	705	544
Swap break fee and prepayment fee	841	-
Other expenses	852	839
	2,667	**1,669**

During the year £2,500 was paid to the auditors, Deloitte LLP Guernsey in respect of non-audit services (year ended 31 December 2007: £14,500).

£97,000 was paid during the year to the Group's tax advisors, Deloitte LLP London (year ended 31 December 2007: £75,600).

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

7. FINANCE COSTS

	2008	2007
Interest receivable from financial assets that are not at fair value through profit or loss	2,663	1,914
Interest payable on loans at amortised cost	(14,059)	(16,470)
Unrealised losses on revaluation of interest rate swaps at fair value through profit or loss (note 23)	(19,677)	(3,079)
	(31,073)	**(17,635)**

8. TAX

The (credit)/charge for the year is:

	2008	2007
UK income tax at 22% on UK rental income	-	(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

Declared and paid	2008	2007
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
Interim dividend for the period ended 30 December 2007: 1.5625 pence	5,163	-
Interim dividend for the period ended 31 March 2008: 1.5625 pence	5,163	-
Interim dividend for the period ended 30 June 2008: 1.5625 pence	5,163	-
Interim dividend for the period ended 30 September 2008: 1 pence	3,303	-
	18,792	**20,707**

The dividend was reduced for the 30 September 2008 payment from 6.25 pence per annum to 4 pence per annum, and this policy continues to be in place. The interim dividend of 1 pence per ordinary share in respect of the period ended 31 December 2008 has not been recognised as a liability in accordance with IFRS as it was declared after the year end. A dividend of £3,304,000 was paid on 27 February 2009.

Under Guernsey law, companies can pay dividends in excess of accounting profit provided they satisfy the solvency test prescribed under The Companies (Guernsey) Law, 2008. The solvency test considers whether a company is able to pay its debts when they fall due; and whether the value of a company's assets is greater than its liabilities. The Company passed the solvency test for each dividend payment in 2008.

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The following reflects the loss and share data used in the basic and diluted loss per share calculations:

	2008	2007
Net loss attributable to ordinary shareholders of the Company from continuing operations (£000)	(140,415)	(27,268)
Weighted average number of ordinary shares for basic and diluted loss per share	330,401,300	331,350,393

Notes to the Financial Statements (continued)

11. INVESTMENTS

The Company had the following principal subsidiaries and sub-subsidiaries as at 31 December 2008 and as at 31 December 2007.

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%
ING (UK) Listed Real Estate 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").

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 Merbrook Bristol Property Unit Trust and Merbrook Prime Retail Property Unit Trust to ING (UK) Listed Real Estate and ING (UK) Listed Real Estate Limited respectively. On 20 October 2008 ING UK Real Estate Trust (Property) No 2 Limited and ING (UK) REIT (SPV No 2) Limited sold their units in Merbrook Business Property Unit Trust to ING (UK) Listed Real Estate and ING (UK) Listed Real Estate Limited respectively. On transfer of these JPUTs security was granted over these assets in relation to the debt held by the GPUT, see note 16.

Therefore, at the year end the GPUT owned the majority of the units in Merbrook Swindon Property Unit Trust, Merbrook Business Property Unit Trust, Merbrook Prime Retail Property Unit Trust and Merbrook Bristol Property Unit Trust ("the JPUTs"), which are each registered as Jersey unit trusts. 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 of the GPUT.

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.

12. INVESTMENT PROPERTIES

	2008	2007
Opening valuation	631,047	702,167
Additions	2,806	5,913
Disposals	(61,370)	(34,343)
	572,483	**673,737**
Gains and losses on investments held at fair value through profit or loss:		
Gains on disposals	2,524	4,085
Deficit on revaluation	(140,757)	(46,775)
Closing valuation	**434,250**	**631,047**
Valuations of assets held under finance leases	1,755	2,159
Total investment properties	**436,005**	**633,206**
Historic cost	570,334	611,384

The investment properties were valued by King Sturge LLP, Chartered Surveyors, as at 31 December 2008, on the basis of Market Value in accordance with RICS Valuation Standards.

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

	2008	2007
Tenant debtors	7,186	4,011
Capitalised finance costs	1,302	2,007
	8,488	**6,018**

The loan arrangement costs as at 31 December 2008 are £2,296,000 (31 December 2007: £2,882,000). These are amortised over the lives of the loans. For the year ended 31 December 2008 £705,000 (31 December 2007: £544,000) of these costs were written off to the Income Statement, including all the remaining costs relating to the JP Morgan loan which was repaid during the year.

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

14. CASH AND CASH EQUIVALENTS

	2008	2007
Cash at bank and in hand	9,882	10,564
Short-term deposits	10,202	40,586
	20,084	**51,150**

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.

Notes to the Financial Statements (continued)

15. ACCOUNTS PAYABLE AND ACCRUALS

	2008	2007
Accruals	3,445	5,867
Deferred rental income	6,892	8,209
VAT liability	1,027	1,510
Trade creditors	53	639
Other creditors	1,662	1,140
Obligations under finance leases (note 20)	131	131
	13,210	**17,496**

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

16. LOANS AND BORROWINGS

	Maturity	2008	2007
Floating rate notes	31 January 2013	225,000	225,000
Bank loan		-	81,981
		225,000	**306,981**
Interest rate swaps (note 23)		14,029	(5,648)
Obligations under finance leases (note 20)		2,028	2,028
		241,057	**303,361**

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 the JPUTs, 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 3 year term loan with J P Morgan for £93 million. Repayments of approximately £11 million were made in previous periods, with the remaining £82 million of this loan being repaid during the current year.

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 4.86% (31 December 2007: 5.1645%).

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.

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 Group has not breached any of the loan covenants either in the current year or in the previous accounting periods. The interest cover ratio was 2.58 as at 31 March 2009. However the loan to value covenant was breached on 17 April 2009.

See the Investment Manager's Report and note 2 for further discussion on the debt position of the Group.

17. CONTINGENCIES AND CAPITAL COMMITMENTS

The Group has entered into contracts at Longcross Court, Cardiff with commitments outstanding at 31 December 2008 of approximately £0.1m (31 December 2007: £1.0m). There are no other contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements as at 31 December 2008.

18. ORDINARY SHARE CAPITAL

	2008	2007
Authorised:		
Unlimited number of ordinary shares of no par value	-	-
Issued and fully paid:		
330,401,300 ordinary shares of no par value (31 December 2007: 330,401,300)	-	-

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 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. There were no share buy backs during the current financial year.

Notes to the Financial Statements (continued)

19. SHARE PREMIUM AND DISTRIBUTABLE RESERVE

	Share Premium	Distributable Reserve
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**
Dividends paid	-	(893)
Balance at 31 December 2008	**31,389**	**296,883**

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. During the current year a proportion of the dividend was paid out of the distributable reserve.

20. OBLIGATIONS UNDER FINANCE LEASES

	2008	2007
Future minimum payments due within one year	139	139
In the second to fifth years inclusive	695	695
After five years	10,998	10,998
	11,832	**11,832**
Less: finance charges allocated to future periods	(9,673)	(9,673)
Present value of minimum lease payments	**2,159**	**2,159**
The present value of minimum lease payments is analysed as follows;		
Within one year	131	131
In the second to fifth years inclusive	653	653
After five years	1,375	1,375
	2,159	**2,159**

20. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

OPERATING LEASES WHERE THE GROUP IS LESSOR

Property rental income earned during the year was £35.8 million. The investment properties are currently generating a net initial yield of 7.39%.

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

	2008	2007
Within one year	33,882	36,435
In the second to fifth years inclusive	90,732	152,659
After five years	276,433	233,448
	401,047	**422,542**

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 2007: 330,401,300) ordinary shares, being the number of ordinary shares in issue at the year end.

At 31 December 2008, the Company had a net asset value per ordinary share of £0.64 (31 December 2007: £1.12).

Notes to the Financial Statements (continued)

22. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

31 December 2008	Notes	Held at fair value through profit or loss	Financial assets and liabilities at amortised cost	Total
Financial assets				
Cash and cash equivalents	14	-	20,084	20,084
Accounts receivable	13	-	8,488	8,488
		-	**28,572**	**28,572**
Financial liabilities				
Loans	16	-	225,000	225,000
Obligations under finance leases	20	-	2,159	2,159
Accounts payable and accruals	15	-	13,079	13,079
Interest rate swaps	16	14,029	-	14,029
		14,029	**240,238**	**254,267**

31 December 2007	Notes	Held at fair value through profit or loss	Financial assets and liabilities at amortised cost	Total
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
Accounts payable and accruals	15	-	17,365	17,365
		-	**326,505**	**326,505**

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 the Investment Manager's section 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 2007.

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.

23. RISK MANAGEMENT (CONTINUED)

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 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.

	Weighted average effective interest rate %	Less than 1 year	1 to 5 years	More than 5 years	Total
2008					
Cash	1.00%	20,084	-	-	20,084
Finance lease liability		(139)	(695)	(1,325)	(2,159)
Fixed interest rate loans	4.86%	(10,935)	(33,200)	-	(44,135)
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)

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.

	Less than 1 year	1 to 5 years	More than 5 years	Total
2008				
Interest rate swaps	(3,783)	(11,664)	-	(15,447)
2007				
Interest rate swaps	1,324	4,819	196	6,339

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.

Notes to the Financial Statements (continued)

23. RISK MANAGEMENT (CONTINUED)

INTEREST RATE SWAP CONTRACTS

Interest rate swap contracts enable the Group to mitigate the risk of changing interest rates and cash flow 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 cash flows 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	
	2008 %	2007 %	2008	2007	2008	2007
Outstanding						
Less than 1 year	-	-	-	-	-	-
1 to 2 years	-	6.00%	-	81,981	-	259
2 to 5 years	4.86%	-	225,000	-	(14,029)	-
More than 5 years	-	4.86%	-	225,000	-	5,389
			225,000	**306,981**	**(14,029)**	**5,648**

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

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**
Movement in valuation through Income Statement to 31 December 2008	(19,677)
Market value of swaps as at 31 December 2008	**(14,029)**

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 100 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 100 basis points higher or lower and all other variables were held constant, the Group's;

- Net profit would increase or decrease by £8,344,000 (2007: increase or decrease by £5,865,000 at 50 basis points higher or lower); and
- Other equity reserves would increase or decrease by £8,344,000 (2007: increase or decrease by £5,865,000 at 50 basis points higher or lower) 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 2008	Notes	Held at fair value through profit or loss	Financial assets and liabilities at amortised cost	Total
Financial assets				
Cash and cash equivalents	14	-	20,084	20,084
Accounts receivable	13	-	8,488	8,488
		-	**28,572**	**28,572**
Financial liabilities				
Loans	16	-	225,000	225,000
Obligations under finance leases	20	-	2,159	2,159
Interest rate swaps	16	14,029	-	14,029
		14,029	**227,159**	**241,188**

31 December 2007	Notes	Held at fair value through profit or loss	Financial assets and liabilities at amortised cost	Total
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**

Notes to the Financial Statements (continued)

23. RISK MANAGEMENT (CONTINUED)

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.

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. See the Investment Manager's Report for further information regarding the current position.

The Group's main cash balances are held with National Westminster Bank plc ("Natwest"). 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 2008. 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 built 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.

23. RISK MANAGEMENT (CONTINUED)

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

31 December 2008	Less than 1 year	1 to 5 years	More than 5 years	Total
Floating				
Cash and cash equivalents	20,084	-	-	20,084
Accounts receivable	8,488	-	-	8,488
Fixed using interest rate swaps				
Floating rate notes	-	(225,000)	-	(225,000)
	28,572	**(225,000)**	**-**	**(196,428)**

31 December 2007	Less than 1 year	1 to 5 years	More than 5 years	Total
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)**

As at 17 April 2009 the loan to value on the securitised debt was 53.4%, exceeding the loan to value covenant of 50%. The Company has now entered a remedy period. See Investment Manager's Report and note 2 for further details.

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.

Notes to the Financial Statements (continued)

23. RISK MANAGEMENT (CONTINUED)

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 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 15% increase or decrease in property values would increase or decrease the Group's net result by £65.1 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.

24. RELATED PARTY TRANSACTIONS

During the year the Investment Manager was paid a total of £5,345,000 (31 December 2007: £6,496,000) in respect of the property management and administration services. As at 31 December 2008 the Group owed £900,000 to the Investment Manager (31 December 2007: £1,300,000).

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 the Group has completed or exchanged on further property sales totalling £18.4 million.

The market value of the property portfolio as at 31 March 2009 was £393.8 million, a fall of £33.2 million (7.8%) excluding property sales since the Balance Sheet date.

The market value of the swaps as at 31 March 2009 was a deficit of £16.7 million, a fall of £2.7 million (19.3%) since the balance sheet date.

A dividend of £3,304,000 (1 pence per share) was approved by the Board on 4 February 2008 and paid on 27 February 2009.

As at 17 April 2009 the loan to value on the securitised debt was 53.4%, exceeding the loan to value covenant of 50%. The Company has now entered a remedy period. See Investment Manager's Report and note 2 for further details.

ING REAL ESTATE GLOBAL NETWORK

AUSTRALIA
BELGIUM
BRAZIL
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