

Company Registration Number: 5616128 (England & Wales)

**PICTON UK LISTED REAL ESTATE ISSUER PLC
(Previously ING (UK) Listed Real Estate Issuer Plc)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

MONDAY



L17XFGLM

LD6

30/04/2012

#74

COMPANIES HOUSE

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS	PAGE
Directors and Company Information	1
Directors' Report	2
Statement of Directors' Responsibilities	5
Independent Auditors Report	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	7
Statement of Financial Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 to 24

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

DIRECTORS AND COMPANY INFORMATION

Directors	Mark Filer Jean-Christophe Schroeder Wilmington Trust SP Services (London) Limited
Company secretary	Wilmington Trust SP Services (London) Limited
Registered office	c/o Wilmington Trust SP Services (London) Limited Third Floor, 1 King's Arms Yard, London EC2R 7AF
Auditor	KPMG Channel Islands Limited 20 New Street St Peter Port Guernsey GY1 4AN

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011. The comparative figures are for the year ended 31 December 2010. The company changed its name during the year to Picton UK Listed Real Estate Issuer Plc, it was previously ING (UK) Listed Real Estate Issuer Plc.

PRINCIPAL ACTIVITIES

The principal objects of the company are set out in its memorandum of association and permit the company, among other things, to lend money and give credit, secured or unsecured, to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money. The company is a limited liability company established specifically for its purpose as a special purpose company.

BUSINESS REVIEW

On 20 December 2005 the company issued a primary tranche of notes (the 'Primary Tranche') amounting to £200m and used the proceeds to make an advance (the "Initial Loan") under an Issuer-Borrower Loan Agreement ("IBLA") to Northern Trust Fiduciary Services (Guernsey) Limited as trustee of Picton UK Listed Real Estate (previously ING (UK) Listed Real Estate), a property unit trust established in Guernsey (the 'Borrower'). Picton UK Listed Real Estate is part of the Picton Property Income Ltd (previously ING UK Real Estate Income Trust Limited) Group.

The company also issued a reserve tranche (the "Reserve Tranche") of notes amounting to £25m on 20 December 2005 which would allow the company to grant the Borrower a reserve loan (the "Reserve Loan") should a request be made within certain time limits. On issue the Reserve Tranche was immediately repurchased by the company as no request for a Reserve Loan was received from the Borrower.

In July 2006 the Borrower requested a Reserve Loan and the company re-issued the Reserve Tranche and applied the net proceeds from the sale in funding the Reserve Loan.

Both the Primary Tranche of notes and Reserve Tranche of notes (together the "Notes") are listed on the Irish Stock Exchange.

Principal amounts payable on the Initial Loan and Reserve Loan (together the "Term Loan") are not scheduled to amortise and consequently, subject to any prepayments, principal amounts payable will become due and payable on the loan payment date falling in January 2015. However, the Borrower may prepay all or part of the Term Loan on any loan payment date in accordance with the terms of the IBLA and on the giving of at least five days' prior notice.

The company's key financial performance indicator during the year was as follows:

	2011	2010
Net loan interest margin	102 bps	101bps
Net interest margin	2 bps	1 bps

The net loan interest margin is calculated based on the income received on the loan, together with the swap income/expense, against the interest cost of the floating rate notes. The net interest margin includes the income and costs associated with issue of the floating rate notes and interest received on bank deposits.

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements. The profit on ordinary activities before taxation for the year was £64,440 (2010: £20,536).

The directors expect that the present level of activity will be sustained in the near future.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

PRINCIPAL RISKS

Business risks – These are the risks caused from the occurrence of external events. The company is a special purpose financing entity with no business operations other than the issue of the Notes, the entering into of certain agreements including the IBLA, the Swap Agreements and the Liquidity Facility Agreement, the making of the loans and the transactions ancillary thereto.

The principal business risks of the company are set out in a number of asset and non asset trigger events in the documentation surrounding the issue of the primary and reserve tranches of notes. The occurrence of trigger events would lead to the early redemption of the notes in accordance with the established priorities.

There have been no such trigger events since the issue of the Notes.

Interest rate risk – This is the risk of the rate of interest payable becoming more than the interest receivable. The company has entered into an interest rate swap transaction in order to protect the company against interest rate risk on the notes. The risk arises as a result of the Borrower paying a fixed rate of interest to the company under the IBLA, while the company is required to pay floating rates of interest on the Notes.

Liquidity risk – This is the risk that insufficient funds are available to meet the ongoing obligations of the company. The company has entered into a 364-day committed facility (the "Liquidity Facility") which will allow the company, subject to certain conditions, to make drawings under the Liquidity Facility, to cover shortfalls in the amount of funds available to cover certain expenses which are payable under the terms of the issuance of the Notes. The Liquidity Facility will be renewable with the consent of the Liquidity Facility provider.

Credit risk – The principal credit risk to the company is that the borrower will not be able to meet their obligations as they fall due. The ability of the company to meet its obligations under the notes will be dependent on the receipt by it of principal and interest from the Borrower under the IBLA and the receipt of funds (if due) from the Swap Counterparty under the Swap Agreements. The ability of the Borrower to meet its obligations under the IBLA will depend on the receipt by it of (i) rental income (ii) income generated by indirect property investments and (iii) disposal proceeds following the sale of a property. Other than the foregoing, prior to the enforcement of the Borrower security, the Borrower is not expected to have any other funds available to it to meet its obligations under the IBLA.

Enforcement under the Borrower security may not result in immediate realisation of the properties or indirect property investments which are the subject of the Borrower security. There can be no assurance that the Borrower security trustee would recover all amounts secured upon enforcement of the Borrower security and, accordingly, sufficient funds may not be realised or available to make all required payments to the company and, accordingly, the company (or the Issuer Security Trustee if it has taken enforcement action against the company or the Issuer Security) may not have sufficient funds available to make all required payments to the noteholders.

FINANCIAL INSTRUMENTS

The company's financial instruments, other than derivatives, comprise of a loan to the Borrower, cash and liquid resources, interest-bearing borrowings i.e. the loan notes and various receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Borrower.

The company also enters into derivative transactions (interest rate swaps). The purpose of such transactions is to manage the interest rate risks arising from the company's operations and its sources of finance. It is, and has been throughout the period under review, the company's policy that no trading in financial instruments is undertaken.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS

The results for the year are set out on page 7

THE DIRECTORS OF THE COMPANY

The directors who served the company during the year are set out on page 1

The directors do not have any service contracts nor material contracts with the company

CREDITOR PAYMENT POLICY

The company's policy concerning the payment of its creditors is to pay in accordance with its contractual and other legal obligations. Payments are made quarterly on the interest payment dates falling due in January, April, July and October. The company does not follow any other code or standard on payment practice.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2011 (2010: £nil)

GOING CONCERN

The financial statements have been prepared on a going concern basis as, in the opinion of the directors, the loans provided to the company will remain available for the foreseeable future and interest received from the Term Loan and interest rate swaps will be sufficient to meet future operating expenses.

The company's principal activities, together with the factors likely to affect its future development, performance and position and its principal risks and uncertainties are set out above. The directors have undertaken a review and concluded that the company has adequate resources and suitable arrangements in place for it to be able to continue in operational existence for the foreseeable future. Therefore the directors consider it appropriate for the financial statements to be prepared on a going concern basis. The Directors continue to monitor the balance of the overall capital structure.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who is a director at the date of approval of this report confirm that there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

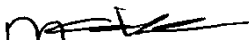
This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

AUDITOR

The Board appointed KPMG Channel Islands Limited ("the Auditor") as Auditor of the company for the year.

A resolution to re-appoint KPMG Channel Islands Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 5418 of the Companies Act 2006.

By order of the Board



Ms. Mignon Clarke

On behalf of Wilmington Trust SP Services (London) Limited

Director

Date: 19 April 2012

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

We have audited the financial statements of Picton UK Listed Real Estate Issuer Plc (previously ING (UK) Listed Real Estate Issuer Plc), for the year ended 31 December 2011 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private/cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Ewan McGill (Senior Statutory Auditor)

for and on behalf of KPMG Channel Islands Limited, Statutory Auditor

Chartered Accountants

20 New Street

St Peter Port

Guernsey

GY1 4AN

26 April 2012

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

		31 Dec 2011 £	31 Dec 2010 £
Continuing activities	Note		
Interest receivable and similar income	3	8,836,844	8,843,784
Interest payable and similar charges	4	<u>(8,659,264)</u>	<u>(8,747,040)</u>
Net interest income		177,580	96,744
Realised gain on cancellation of loan notes	12	-	974,000
Loan receivable write off	8	<u>-</u>	<u>(974,000)</u>
		-	-
Other income		217,637	268,368
Operating expenses	5	<u>(330,777)</u>	<u>(344,576)</u>
Profit before tax for the year	6	64,440	20,536
Income tax charge	7	<u>(12,888)</u>	<u>(4,107)</u>
Total comprehensive income for the year		<u><u>51,552</u></u>	<u><u>16,429</u></u>
Attributable to:			
Equity holders		<u><u>51,552</u></u>	<u><u>16,429</u></u>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2011**

	Share Capital £	Hedge Reserve £	Retained Earnings £	Total £
Balance at 31 December 2009	12,501	(11,576,612)	160,610	(11,403,501)
Fair value adjustment	-	239,434	-	239,434
Comprehensive income for the year	-	-	16,429	16,429
Balance at 31 December 2010	<u>12,501</u>	<u>(11,337,178)</u>	<u>177,039</u>	<u>(11,147,638)</u>
Balance at 31 December 2010	12,501	(11,337,178)	177,039	(11,147,638)
Fair value adjustment	-	4,961,161	-	4,961,161
Comprehensive income for the year	-	-	51,552	51,552
Balance at 31 December 2011	<u><u>12,501</u></u>	<u><u>(6,376,017)</u></u>	<u><u>228,591</u></u>	<u><u>(6,134,925)</u></u>

The notes on pages 10 to 24 form part of these financial statements

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 £	2010 £
Non-current assets			
Loan receivable	8	<u>171,600,000</u>	<u>171,600,000</u>
Total non-current assets			
Current assets			
Other receivables	9	1,677,758	1,626,809
Cash and cash equivalents	10	<u>10,816,330</u>	<u>10,776,701</u>
Total current assets		<u>12,494,088</u>	<u>12,403,510</u>
Total assets		<u>184,094,088</u>	<u>184,003,510</u>
Equity			
Issued capital	11	12,501	12,501
Hedge reserve	11	(6,376,017)	(11,337,178)
Retained earnings	11	<u>228,591</u>	<u>177,039</u>
Total equity	11	<u>(6,134,925)</u>	<u>(11,147,638)</u>
Non-current liabilities			
Interest bearing loans and borrowings	12	<u>171,334,776</u>	<u>171,090,315</u>
Total non-current liabilities		<u>171,334,776</u>	<u>171,090,315</u>
Current liabilities			
Other payables	13	1,478,887	1,752,820
Derivative liability	14	6,376,017	11,337,178
Interest payable	12	362,000	293,502
Liquidity drawdown	12	<u>10,677,333</u>	<u>10,677,333</u>
Total current liabilities		<u>18,894,237</u>	<u>24,060,833</u>
Total liabilities		<u>190,229,013</u>	<u>195,151,148</u>
Total equity and liabilities		<u>184,094,088</u>	<u>184,003,510</u>

These financial statements of Picton UK Listed Real Estate Issuer Plc, company registration number 05616128, were approved by the board of directors on 19 April 2012 and are signed on their behalf by



Ms. Mignon Clarke
On behalf of Wilmington Trust SP Services (London) Limited
Director

The notes on pages 10 to 24 form part of these financial statements

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
Cash flows used in operating activities			
Profit before tax for the year		64,440	20,536
<i>Adjustments for</i>			
Amortisation of issue costs	4	244,461	244,461
Amortisation of facility fees	3	(204,235)	(204,235)
Amortisation of premium	3	(41,317)	(41,317)
Interest income	3	(8,591,292)	(8,598,232)
Interest expense	4	1,868,548	1,631,894
Increase in other receivables	9	(7,277)	(3,147)
Decrease in other payables	13	(41,269)	(188,598)
Net cash used in operating activities		(6,707,941)	(7,138,638)
Cash flows from investing activities			
Interest received		8,547,620	8,757,642
Loan repayments during the year	8	-	18,450,000
Net cash from investing activities		8,547,620	27,207,642
Cash flows used in financing activities			
Liquidity drawdown	12	-	(3,322,667)
Loan note repayments	12	-	(18,450,000)
Interest paid on loan notes		(1,800,050)	(1,606,996)
Net cash used in financing activities		(1,800,050)	(23,379,663)
Net increase/(decrease) in cash and cash equivalents		39,629	(3,310,659)
Cash and cash equivalents at 1 January	10	10,776,701	14,087,360
Cash and cash equivalent at 31 December	10	<u>10,816,330</u>	<u>10,776,701</u>

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes

The notes on pages 10 to 24 form part of these financial statements

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. COMPANY INFORMATION

ING (UK) Listed Real Estate Issuer Plc was incorporated under the United Kingdom laws with registered number 5616128 on 8 November 2005. The Company name changed to Picton UK Listed Real Estate Issuer Plc on 17 June 2011. The Company has issued loan notes amounting to £225,000,000 (2010 £225,000,000) which are listed on the Irish Stock Exchange (the "ISE"). At the year end the loan Notes remaining amounted to £171,600,000. The proceeds were used to make an advance to Northern Trust Fiduciary Services (Guernsey) Limited as trustee of Picton UK Listed Real Estate (previously ING (UK) Listed Real Estate), a Guernsey property unit trust set up to hold properties, on behalf of Picton Property Income Limited (previously ING (UK) Real Estate Income Trust Limited), a Guernsey investment company listed on the London Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies set out below have been applied for the year ended 31 December 2011.

Statement of compliance

The financial statements for the year ended 31 December 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as endorsed by the European Union ("EU") and effective at 31 December 2011 and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC"), that remain in effect, together with applicable legal and regulatory requirements.

Standards issued but not adopted

The directors are considering the following standards which are currently in issue but are not yet effective and have not been adopted in the current financial period:

IFRS 9 – Financial Instruments, Classification and Measurement

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurements

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of preparation

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2011

The financial statements have been prepared on the historical cost basis except that derivative financial instruments and the interest rate element of the fixed rate loan are stated at their fair value, and on a going concern basis. The company's functional and presentation currency is Pounds Sterling.

The most significantly affected components of the financial statements and associated critical judgements are as follows:

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and 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 result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

For the purpose of the effective yield calculation, it has been assumed that the average expected life of the notes in issue will end at the date of the first step-up in interest rates, based on the payment experience to date. This may not be the case in practice.

Going concern

The financial statements have been prepared on a going concern basis as, in the opinion of the directors, the loans provided to the Picton Property Income Limited (the "Group") will remain available for the foreseeable future and interest received from the Term Loan and interest rate swaps will be sufficient to meet future operating expenses. The Company's principal activities, together with the factors likely to affect its future development, performance and position and its principal risks and uncertainties are set out above. The directors have undertaken a review and concluded that the Company has adequate resources and suitable arrangements in place for it to be able to continue in operational existence for the foreseeable future. Therefore the directors consider it appropriate for the financial statements to be prepared on a going concern basis. The Directors continue to monitor the balance of the overall capital structure. The negative position of the hedge reserve in the statement of financial position is due to the fair valuation of the hedge which can increase or decrease over time, and is not expected to crystallise to the detriment of the company.

Valuation of derivatives

The swap which has been purchased to hedge interest rate risks arising on the Notes has been valued by discounting future cash flows. The valuation method is consistent with commonly used market techniques. All inputs into valuation models adopted by the entity are obtained from observable market data.

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.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Loan receivable and Impairment

Loans receivable are initially measured at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest on the loan to the borrower is calculated with reference to the interest earned on the loans.

The loans are subject to impairment reviews in accordance with International Accounting Standard 36 'Impairment of Assets'. A charge for impairment would be recognised where there is a risk that the income on the loan will be significantly reduced.

Cash and cash equivalents

The bank accounts are held in the company's name and meet the definition of cash and cash equivalents but their use is restricted by a detailed priority of payments set out in the securitisation transaction agreements. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

Interest receivable and interest payable

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability using the effective interest rate, and allocating the resulting interest income or interest expense over the relevant duration of the financial instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Under special rules issued by the HM Revenue & Customs for securitisation companies, the company's charge for taxation for 2011 is based on the taxable profits calculated on an un-modified United Kingdom Generally Accepted Accounting Practice ("UK GAAP") basis but disclosed in accordance with International Accounting Standard 12 'Income Taxes'.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Statement of cash flows

The Statement of Cash Flows 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 Statement of Comprehensive Income and movements in the Statement of Financial Position which have not resulted in cash income or expenditure in the year.

The cash amounts in the Statement of Cash Flows 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.

Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational, financing and investment activities. In accordance with its policy, the company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

International Accounting Standard 39 'Financial Instruments Recognition and Measurements' requires all derivative financial instruments to be recognised initially at cost on the statement of financial position. Subsequent to initial recognition, derivatives are remeasured to fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Where a fair value hedge is documented, the fair value movements of the swap may be offset in the statement of comprehensive income against the fair value movements for the risk being hedged on the hedged item.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, gains or losses previously recognised in equity are reclassified to statement of changes in equity in the same period as the asset or liability affects the statement of changes in equity. Where the forecasted transaction or commitment results in a non-financial asset or liability, gains or losses previously deferred in equity are included in the carrying amount of the related asset or liability. If the forecasted transaction or commitment results in a future income or expenditure, gains or losses deferred in equity are transferred to the income statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are not recognised in equity, rather they are recognised immediately in the statement of comprehensive income.

In order to qualify for hedge accounting, the company is required to document in advance the relationship between the item being hedged and the hedging instrument. The company is also required to demonstrate that the hedge will be highly effective on an ongoing basis.

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the statement of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

3. INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable and similar income represents the interest receivable on the loans receivable, other associated income and interest on bank deposits

	31 Dec 2011	31 Dec 2010
	£	£
Interest receivable on loans receivable	8,503,209	8,501,562
Bank interest receivable	88,083	96,670
Amortisation of facility fees	204,235	204,235
Amortisation of premium	41,317	41,317
	<u>8,836,844</u>	<u>8,843,784</u>
Geographic		
United Kingdom	<u>8,836,844</u>	<u>8,843,784</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	31 Dec 2011	31 Dec 2010
	£	£
Interest payable on floating rate notes	1,868,548	1,631,894
Amortisation of issue costs	244,461	244,461
Swap payable	6,546,255	6,870,685
	<u>8,659,264</u>	<u>8,747,040</u>

5. OPERATING EXPENSES

The profit on ordinary activities before taxation is stated after charging

	31 Dec 2011	31 Dec 2010
	£	£
Fees payable to the company's auditors for the audit of the company's annual accounts	16,560	16,060
Fees payable to the company's tax agent		
- tax services	25,953	26,834
ISE fees FX differences	1,666	(60)
Rating agency fees	62,327	82,915
Liquidity fees	132,249	119,252
Management administration fees	15,256	14,285
Management accounting fees (Note 13)	6,437	7,014
Servicing fees	42,900	43,711
Cash manager fees	8,000	8,000
Trustee fees	8,429	8,225
Other professional fees	11,000	18,340
	<u>330,777</u>	<u>344,576</u>

Under the terms of the Corporate Services Agreement, Wilmington Trust SP Services (London) Limited receives remuneration for administration and accounting services. The fees are payable quarterly in arrears in accordance with the priority of payments set out in the securitisation documents.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

6. PROFIT BEFORE TAX FOR THE YEAR

The profit before tax for the year is stated after charging

	31 Dec 2011 £	31 Dec 2010 £
Auditors' remuneration for audit work		
paid to current auditor	16,560	16,060
Taxation services	<u>25,953</u>	<u>26,834</u>

The company has no employees Other than the fees paid to Wilmington Trust SP Services (London) Limited for Corporate administration and accountancy fees of £21,693 (2010 £21,299), the directors received no remuneration during the year (2010 Nil)

7. INCOME TAX EXPENSE

(a) Analysis of charge in the year

	31 Dec 2011 £	31 Dec 2010 £
Current tax:		
Corporation tax charge for the year	<u>(12,888)</u>	<u>(4,107)</u>
Total current tax	<u>(12,888)</u>	<u>(4,107)</u>

(b) Reconciliation of effective tax rate

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK for small companies of 20%

	31 Dec 2011 £	31 Dec 2010 £
Profit before tax	<u>64,440</u>	<u>20,536</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK for small companies of 20% (2010 20%)	<u>(12,888)</u>	<u>(4,107)</u>
Total tax in income statement	<u>(12,888)</u>	<u>(4,107)</u>

(c) Current tax liability

	2011 £	2010 £
Current tax liability	<u>13,409</u>	<u>521</u>

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

8. LOAN RECEIVABLE

	2011 £	2010 £
Loan balance as at 31 December 2010	171,600,000	190,050,000
Repayments during the year	-	(18,450,000)
At 31 December 2011	<u>171,600,000</u>	<u>171,600,000</u>

Subject to any prepayments, principal amounts payable on the loan will become due and payable on the loan payment date falling due in January 2015. The loan has a fixed interest rate of 4.798% on the Initial Loan and 5.390% on the Reserve Loan. The loan has been made to Northern Trust Fiduciary Services (Guernsey) Limited as trustee of Picton UK Listed Real Estate (previously ING (UK) Listed Real Estate), a property unit trust established in Guernsey. The loan is secured against the assets of the unit trust. In 2010 as part of the loan notes were redeemed at a discount, as detailed in note 12, the corresponding amount of the loan receivable was written off to the statement of comprehensive income.

9. OTHER RECEIVABLES

	2011 £	2010 £
Interest receivable on the loans	1,559,728	1,516,056
Accrued fees receivable	100,186	95,938
Prepayments and accrued income	<u>17,844</u>	<u>14,815</u>
	<u>1,677,758</u>	<u>1,626,809</u>

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

10. CASH AND CASH EQUIVALENTS

All withdrawals from the Picton UK Listed Real Estate Issuer Plc bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

	2011 £	2010 £
Cash and bank current accounts	4,587	4,587
Bank deposit accounts	134,410	94,781
Liquidity account	<u>10,677,333</u>	<u>10,677,333</u>
	<u>10,816,330</u>	<u>10,776,701</u>

Bank deposit accounts earn 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 Company, and earn interest at the respective short-term deposit rates.

The carrying amounts of these assets approximate their fair value.

During the year no draw downs were made under the liquidity drawdown facility (2010: nil) and no repayments were made (2010: £3,312,179). £10,677,333 (2010: £10,677,333) was outstanding at the year end (note 12).

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

11. TOTAL EQUITY

Reconciliation of movement in capital and reserves

	Share Capital £	Hedge Reserve £	Retained Earnings £	Total £
Balance at 31 December 2009	12,501	(11,576,612)	160,610	(11,403,501)
Fair value adjustment	-	239,434	-	239,434
Comprehensive income for the year	-	-	16,429	16,429
Balance at 31 December 2010	<u>12,501</u>	<u>(11,337,178)</u>	<u>177,039</u>	<u>(11,147,638)</u>
Fair value adjustment	-	4,961,161	-	4,961,161
Comprehensive income for the year	-	-	51,552	51,552
Balance at 31 December 2011	<u>12,501</u>	<u>(6,376,017)</u>	<u>228,591</u>	<u>(6,134,925)</u>

The company only has one class of share. The shares have no rights to any fixed dividend and entitle the holder to one vote per share at meetings of the company.

There are 50,000 authorised ordinary shares of £1 each. Two shares of £1 each have been issued and fully paid and a further 49,998 £1 shares have been 25p called up and paid.

The hedge reserve is the fair value of the interest rate swap. Interest payable on the loan notes has been fixed using interest rate swaps, as described in note 14. The interest rate swaps mature on the same dates as the associated borrowings.

12. INTEREST BEARING LOANS AND BORROWINGS

The floating rate notes fall due for repayment in full on 30 January 2015 and comprised, at issue, £200m AAA rated seven year loan notes issued on 20 December 2005. The interest payable on these notes is fixed at 4.795% by means of an interest rate swap. On 6 July 2006 a further £25m of loan notes were issued on the same terms, with the interest payable fixed at 5.3804% by means of a further swap. In July 2009 a partial loan note repayment was made for £34,950,000. In 2010 two further redemptions were made totalling £18,450,000 at a discount of £974,000. It is anticipated that, based on certain assumptions, the Notes will be fully redeemed on or before the note payment date falling due on 30 January 2015. The Notes bear interest at a rate equal to LIBOR for three month sterling deposits plus 25 basis points. Interest on the Notes is paid quarterly in arrears on 30 January, 30 April, 30 July and 30 October. The Notes are secured by means of a fixed and floating charge over the group's assets.

	2011 £	2010 £
Non-current liabilities		
Floating rate notes	171,600,000	171,600,000
Unamortised issue costs	<u>(265,224)</u>	<u>(509,685)</u>
	<u>171,334,776</u>	<u>171,090,315</u>
Current liabilities		
Interest payable	362,000	293,502
Liquidity facility	<u>10,677,333</u>	<u>10,677,333</u>
Total	<u>182,374,109</u>	<u>182,061,150</u>

The loan agreement for the floating rate notes states that for the securitised pool of assets owned by Picton Property Income Limited (previously ING Real Estate Income Trust) the Loan to Value ratio should not exceed 60% and the Interest Cover Ratio should be a minimum of 1.75.

Picton Property Income Limited (previously ING UK Real Estate Income Trust Limited) is currently in compliance with all loan covenants at the date of these financial statements.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

12. INTEREST BEARING LOANS AND BORROWINGS (continued)

Liquidity facility

On 27 February 2009 the Company drew down the full amount on the liquidity facility agreement as the liquidity facility provider had breached the required rating requirement. This is further explained under liquidity risk in note 14.

13 OTHER PAYABLES

	2011	2010
	£	£
Current liabilities		
Accruals	1,160,490	1,201,759
Other creditors	38,581	38,581
Tax liability	13,409	521
Deferred income	266,407	511,959
	<u>1,478,887</u>	<u>1,752,820</u>

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

14. FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties are set out in the Directors' Report on page 3. The Board reviews and agrees policies for managing each of these risks.

The loans and financial instruments comprise a loan receivable, cash and liquid resources, derivatives, interest-bearing loans and borrowings and various receivables and payables that arise directly from its operations. The main risk arising from the company's financial instruments are interest rate risk, liquidity risk and credit risk.

Credit risk

Credit risk is the risk that a counterparty will be unable or unwilling to meet a commitment that it has entered into with the company. The company 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 company'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.

The carrying amount of the financial assets, best represent the maximum credit risk exposure at the statement of financial position date. As at 31 December 2011, the Company's financial assets and liabilities exposed to credit risk amounted to the following:

31 December 2011	Note	Derivative investments in designated hedge accounting relationships	Financial assets and liabilities at amortised cost	Total
		£	£	£
Financial assets				
Loan receivables	8	-	171,600,000	171,600,000
Other receivables	9	-	1,677,758	1,677,758
Liquidity account		-	10,677,333	10,677,333
Cash at bank	10	-	138,997	138,997
Total		<u>-</u>	<u>184,094,088</u>	<u>184,094,088</u>

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

14 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

31 December 2011	Note	Derivative investments in designated hedge accounting relationships £	Financial assets and liabilities at amortised cost £	Total £
Financial liabilities				
Loans and borrowings	12	-	182,374,109	182,374,109
Other payables and taxation	7(c), 13	-	1,478,887	1,478,887
Derivative liabilities	11	<u>6,376,017</u>	-	<u>6,376,017</u>
Total		<u>6,376,017</u>	<u>183,852,996</u>	<u>190,229,013</u>

31 December 2010	Note	Derivative investments in designated hedge accounting relationships £	Financial assets and liabilities at amortised cost £	Total £
Financial assets				
Loan receivables	8	-	171,600,000	171,600,000
Other receivables	9	-	1,626,809	1,626,809
Liquidity account		-	10,677,333	10,677,333
Cash at bank	10	-	<u>99,368</u>	<u>99,368</u>
Total		<u>-</u>	<u>184,003,510</u>	<u>184,003,510</u>
Financial liabilities				
Loans and borrowings	12	-	182,061,150	182,061,150
Other payables and taxation	7(c), 13	-	1,752,820	1,752,820
Derivative liabilities	11	<u>11,337,178</u>	-	<u>11,337,178</u>
Total		<u>11,337,178</u>	<u>183,813,970</u>	<u>195,151,148</u>

Loan receivables comprise amounts due from Picton UK Listed Real Estate (previously ING (UK) Listed Real Estate) (the "GPUR"), a Guernsey property unit trust which is part of the Picton Property Income Limited (previously ING UK Real Estate Income Trust Ltd) Group. Bankruptcy or insolvency of the GPUR and / or Picton Property Income Limited, on whose behalf the properties are held, may result in non-recovery of the loan. Picton Property Income Limited has entered into a securitisation agreement with JP Morgan Chase Bank.

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

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

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

The Company is exposed to credit risk from counterparties of the interest rate swaps which are financial assets as at 31 December 2011. The risk is mitigated by the Company only engaging with creditworthy counterparties. The counterparty for the interest rate swap is JP Morgan Chase Bank, who have a credit rating of AA- as noted above.

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

14. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The Company's overall strategy remains unchanged since the prior year

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

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 12, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings. The Directors continue to monitor the balance of the overall capital structure by ensuring that the borrowing restrictions are adhered to and that the debt is serviced promptly to ensure that it continues to be available for the foreseeable future

The Company is not subject to any external capital requirements

Interest rate risk

All of the company's financial liabilities are floating rate and carry interest rates based on the relevant three-month LIBOR rate. At the year end, the three month LIBOR rate was 1.08% (2010: 0.30%)

Interest rate risk management

Interest risk arises on interest payable on the floating rate loans and borrowings. The Directors manage this risk by use of interest rate swaps. The risk arises as a result of the GPUT paying a fixed rate of interest, while the Company is required to pay floating rates of interest on the notes issued. The Company's exposure to interest rate risk with respect to the interest rate swap is monitored and reviewed by the Directors on a regular basis.

The following table details the Company'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 Company 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
31 December 2011					
Loans receivable	4.798	-	171,600,000	-	171,600,000
Cash and cash equivalents	0.00	10,816,330	-	-	10,816,330
Loans and borrowings	4.795	(362,000)	(171,334,776)	-	(171,696,776)
Liquidity drawdown	1.0	(10,677,333)	-	-	(10,677,333)
Total		<u>(223,003)</u>	<u>265,224</u>	<u>-</u>	<u>42,221</u>
	Weighted average effective interest rate (%)	Less than 1 year	1 to 5 years	More than 5 years	Total
31 December 2010					
Loans receivable	4.798	-	171,600,000	-	171,600,000
Cash and cash equivalents	0.00	10,776,701	-	-	10,776,701
Loans and borrowings	4.795	(293,502)	(171,090,315)	-	(171,383,817)
Liquidity drawdown	0.8	(10,677,333)	-	-	(10,677,333)
Total		<u>(194,134)</u>	<u>509,685</u>	<u>-</u>	<u>315,551</u>

The above interest rates take into account the impact of the interest rate swaps

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

14. FINANCIAL RISK MANAGEMENT (continued)

Interest rate swap contracts

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

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	%	%	£'000	£'000	£'000	£'000
Outstanding						
Less than 1 year	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-
2 to 5 years	-	-	-	-	-	-
More than 4 years	4.798	4.798	<u>171,600,000</u>	<u>171,600,000</u>	<u>(6,376,017)</u>	<u>(11,337,178)</u>
			<u>171,600,000</u>	<u>171,600,000</u>	<u>(6,376,017)</u>	<u>(11,337,178)</u>

The actual movement in the valuation of the swaps and the actual impact on the hedge reserve is shown below,

	£
Market value of swaps as at 31 December 2010	(11,337,178)
Movement in valuation through the hedge reserve to 31 December 2011	<u>4,961,161</u>
Market value of swaps as at 31 December 2011	<u>(6,376,017)</u>

Currency risk

The Company has no exposure to foreign currency risk

Concentration risk

The Company has provided financing to Picton Property Income Limited (previously ING (UK) Real Estate Income Trust Limited) whose property investments are in the UK and the Isle of Man. Picton Property Income Limited is exposed to macroeconomic changes in the UK and Isle of Man economies.

Effective interest rates and re-pricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at 31 December 2011 and the periods in which floating rate assets and liabilities re-price

2011	Effective interest rate (%)	Total £	Fixed rate £	Floating rate < 1 month £	Floating rate 1-3 months £	Non interest bearing £
Assets						
Loans receivable	4.798	171,600,000	171,600,000	-	-	-
Other receivables	-	1,677,758	-	-	-	1,677,758
Cash at bank	0.0	138,997	-	138,997	-	-
Liquidity account	-	<u>10,677,333</u>	-	<u>10,677,333</u>	-	-
		<u>184,094,088</u>	<u>171,600,000</u>	<u>10,816,330</u>	<u>-</u>	<u>1,677,758</u>

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

14. FINANCIAL RISK MANAGEMENT (continued)

Effective interest rates and re-pricing analysis (continued)

2011	Effective interest rate (%)	Total £	Fixed rate £	Floating rate < 1 month £	Floating rate 1-3 months £	Non interest bearing £
Liabilities						
Floating rate notes	4.795	171,600,000	-	-	171,600,000	-
Unamortised issue costs	-	(265,224)	-	-	-	(265,224)
Interest payable	-	362,000	-	-	-	362,000
Derivative liabilities	-	6,376,017	-	-	-	6,376,017
Other payables	-	1,478,887	-	-	-	1,478,887
Liquidity drawdown	1.0	<u>10,677,333</u>	-	<u>10,677,333</u>	-	-
		<u>190,229,013</u>	<u>-</u>	<u>10,677,333</u>	<u>171,600,000</u>	<u>7,951,680</u>

2010	Effective interest rate (%)	Total £	Fixed rate £	Floating rate < 1 month £	Floating rate 1-3 months £	Non interest bearing £
Assets						
Loans receivable	4.798	171,600,000	171,600,000	-	-	-
Other receivables	-	1,626,809	-	-	-	1,626,809
Cash at bank	0.0	99,368	-	99,368	-	-
Liquidity account		<u>10,677,333</u>	-	<u>10,677,333</u>	-	-
		<u>184,003,510</u>	<u>171,600,000</u>	<u>10,776,701</u>	<u>-</u>	<u>1,626,809</u>
Liabilities						
Floating rate notes	4.795	171,600,000	-	-	171,600,000	-
Unamortised issue costs	-	(509,685)	-	-	-	(509,685)
Interest payable	-	293,502	-	-	-	293,502
Derivative liabilities	-	11,337,178	-	-	-	11,337,178
Other payables	-	1,752,820	-	-	-	1,752,820
Liquidity drawdown	0.8	<u>10,677,333</u>	-	<u>10,677,333</u>	-	-
		<u>195,151,148</u>	<u>-</u>	<u>10,677,333</u>	<u>171,600,000</u>	<u>12,873,815</u>

Fair values

The fair values of assets and liabilities are considered to equal their carrying amounts shown in the statement of financial position

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

14. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Company's policy is to manage liquidity risk through its use of its start-up loan and excess spread, a reserve fund and an over-collateralisation of mortgage loans underlying the loan to Picton UK Listed Real Estate (previously ING (UK) Listed Real Estate). As the length of the loan notes is designed to match the length of the mortgage loans underlying the loan to Picton UK Listed Real Estate (previously ING (UK) Listed Real Estate), there are deemed to be limited liquidity risks facing the Company.

A liquidity facility provided by Barclays Bank, has been established which will be available, subject to certain criteria and circumstances, in the event of the Company being unable, on a temporary basis, to meet its financial commitments. The purpose of the liquidity facility is to provide liquidity, not credit support, and the liquidity facility provider is entitled to receive interest on drawings made which may reduce the amount available for distribution to noteholders.

On 20 December 2005 an agreement was entered into with Barclays Bank for the provision of an amortising liquidity facility of up to £14,000,000 for the Company. The facility is in place to allow the Company to meet its obligations should there be a shortfall in the revenue or principal received from the commercial mortgage loans. A fee is charged on the undrawn balance, currently set out at 0.2% per annum. This fee would increase on any drawn balance. The facility agreement was renewed with Barclays Bank on 08 December 2011 for up to £10,677,333. This facility is renewed annually and is due to expire on 08 December 2012.

In 2009 the credit rating (short term) of Barclays Bank has been downgraded by the Rating Agencies, and is no longer equal to or better than the credit ratings specified in the Liquidity Facility Agreement. As per the terms of the Liquidity Facility Agreement and as a result of this downgrade the company drew down this facility in full on 27 February 2009 and deposited the funds in a separate bank account, the Liquidity Account. These reserve drawings will remain in this account until the Liquidity Facility Provider is ascribed a better credit rating from all of the relevant rating agencies.

During 2011 no repayments were made (2010 £3,322,667). The balance remaining unpaid as at 31 December 2011 is £10,677,333 (2010 £10,677,333).

The table below shows the maturity of financial liabilities

Liquidity risk 2011	Less than 1 year	1 – 5 years	More than 5 years	Total
	£	£	£	£
Liabilities				
Floating rate loan notes	-	171,600,000	-	171,600,000
Unamortised issue costs	-	(265,224)	-	(265,224)
Interest payable	362,000	-	-	362,000
Accruals	1,160,490	-	-	1,160,490
Derivative liabilities	6,376,017	-	-	6,376,017
Liquidity drawdown	10,677,333	-	-	10,677,333
Other creditors	38,581	-	-	38,581
Deferred income	266,407	-	-	266,407
Tax liability	13,409	-	-	13,409
Total liabilities	18,894,237	171,334,776	-	190,229,013

PICTON UK LISTED REAL ESTATE ISSUER PLC (Previously ING (UK) Listed Real Estate Issuer Plc)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

14. FINANCIAL RISK MANAGEMENT (continued)

	Less than 1 year	1 – 5 years	More than 5 years	Total
Liquidity risk 2010				
	£	£	£	£
Liabilities				
Floating rate loan notes	-	171,600,000	-	171,600,000
Unamortised issue costs	-	(509,685)	-	(509,685)
Interest payable	293,502	-	-	293,502
Accruals	1,201,759	-	-	1,201,759
Derivative liabilities	11,337,178	-	-	11,337,178
Liquidity drawdown	10,677,333	-	-	10,677,333
Other creditors	38,581	-	-	38,581
Deferred income	511,959	-	-	511,959
Tax liability	521	-	-	521
Total liabilities	<u>24,060,833</u>	<u>171,090,315</u>	<u>-</u>	<u>195,151,148</u>

Interest rate sensitivity

No sensitivity analysis was performed because it was considered immaterial

15. RELATED PARTY TRANSACTIONS

The company has identified the following transactions which are required to be disclosed under the terms of IAS 24 Related Party Disclosures

During the year administration and accounting fees were provided by Wilmington Trust SP Services (London) Limited, as per the Corporate Services Agreement, for which they received fees of £21,693 (2010 £21,299) At 31 December 2011 £9,040 (2010 £8,834) of these fees were outstanding Wilmington Trust SP Services (London) Limited are also a director of the company

Mr Mark Filer and Mr Jean-Christophe Schroeder who are directors of the company are also directors of Wilmington Trust SP Services (London) Limited

16. ULTIMATE CONTROLLING PARTY

The directors consider Picton UK Real Estate Parent Limited (previously ING (UK) Real Estate Parent Limited), to be the ultimate controlling party The shares of Picton UK Real Estate Parent Limited are held by Wilmington Trust SP Services (London) Limited under a Declaration of Trust for charitable purposes Ultimate control of the company rests with the directors and shareholders

The results of the company have been consolidated into the Financial Statements of Picton Property Income Limited (previously ING UK Real Estate income Trust Limited), in accordance with SIC 12

17. CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 December 2011 the Company had not entered into any capital commitments The Company did not have any contingent liabilities or legal claims outstanding or made against it (2010 nil)