

# The X-Leisure Unit Trust

## Quarterly update - 31 March 2008

### Overview

The property industry continues to be affected by the uncertainty in the financial markets. Following negative performance of property in 2007, valuations have continued to decrease during Q1 2008. The capital markets continue to show a slow down, with investors allocating cash to other investment classes such as commodities, equities and bonds.

The X-Leisure Unit Trust (X-Leisure) provided a negative quarterly return of -5.0% for the three months to 31 March 2008 and -9.7% for the twelve months to 31 March 2008. Although X-Leisure has returned negative performance for the quarter, compared to the market, the performance is upper quartile on both a one and three year basis.

	Q1 2008	2008 YTD	1 year	3 years
The X-Leisure Unit Trust	-5.0%	-5.0%	-9.7%	15.3%
IPD All pooled fund index	-4.9%	-4.9%	-13.4%	7.9%

Note: Total returns net of all fees. Source: IPD UK PPF1 March 2008

### Acquisitions and disposals

#### West Central, Bournemouth

Following the exchange of the forward funding agreement in early January 2008, building work is due to commence in Q3 2008. The current programme anticipates practical completion in 2010.

#### Asset management

Asset management achievements over the quarter include completing thirteen new leases (including four external seating licences), adding £561,000 of rental income. Nine rent reviews were also settled over the quarter, all at or above estimated rental value.

**Riverside Norwich** - The nightclub floor remediation continued during the quarter. The works for the preferred remedial option are currently being tendered. It is planned that the nightclub will rebrand as Oceana and reopen along with the bowl in Q2 2009.

**O2 Centre** - Work has now started on the upgrade and refurbishment of the internal common areas of the O2 Centre, with completion in September 2008. Following the exchange of unconditional letting agreements with Apostrophe for the new atrium coffee shop and Zizzi's for a new restaurant, works to create these two new units have commenced.

#### Planning

We continue to progress a number of planning applications across the portfolio. The current status is as follows:

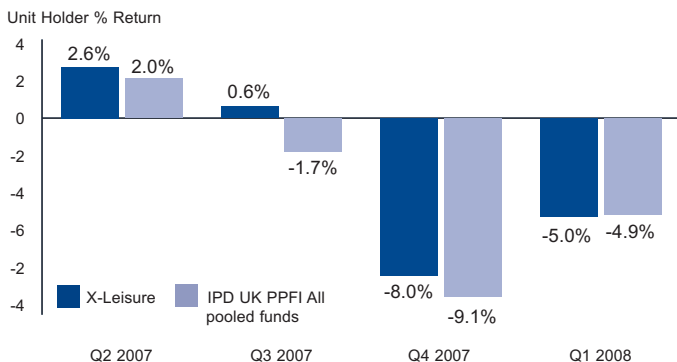
- **Brighton Marina** – Proposed residential development. We currently anticipate this planning application going to committee in the Q3 2008.
- **Xscape, Milton Keynes** – Planned extension. We are now anticipating going to committee in May 2008.
- **Fountain Park, Edinburgh** – Hotel and three new restaurants. We anticipate going to a planning committee in May 2008.

#### Current leisure research

Capital Economics reported on the leisure investment sector in April 2008 and their key conclusions are as follows:

#### Unitholder performance

As at 31 March 2008



Note: Total returns net of all fees. Source: IPD UK PPF1 March 2008.



The O2 Centre, Finchley Road, London.

"The leisure property sector will not undergo the same investment driven correction as traditional commercial property sectors. As rising yields and falling values pervaded the commercial sector at the end of last year, leisure property remained relatively resilient. We think there are good reasons to expect the leisure property sub-sector to escape the worst of the downturn. The leisure property sector has been characterised by low volatility, rental value growth, and we see good prospects for steady rental growth to continue.

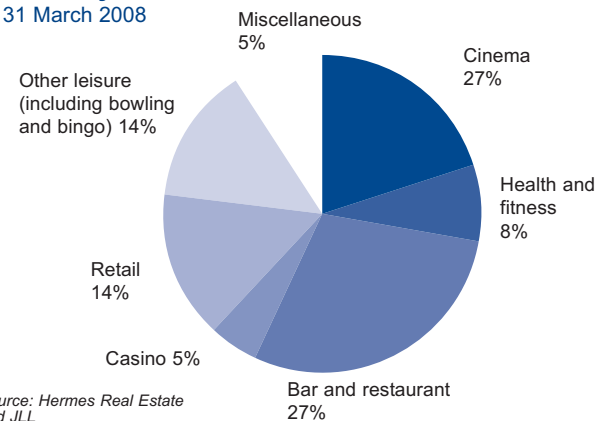
The major attractions to investment in leisure property have been long leases, typically 20-25 years, together with the fact that a significant proportion of leases have fixed uplifts. This provides more certainty over future income for landlords and amortisation of expensive fit-out costs more affordable for occupiers.

According to OECD, the UK spends more per household on leisure activities than any other developed country. According to National Statistics data, the three main components of consumer expenditure that relate to spending on leisure services accounted for 16% of disposable income last year. Capital Economics does expect slower growth in leisure spending over the next year or two but do not think the slowdown will be deep enough or protracted enough to seriously undermine growth in leisure property rental values over the next few years."

#### Regional location by capital value at 31 March 2008



#### Covenant by sector at 31 March 2008



Source: Hermes Real Estate and JLL

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### Key statistics

As at 31 March 2008

#### Fund value

Gross asset value:	£922.7m
Net asset value:	£424.9m
Number of assets:	19

#### Unitholder returns

Twelve month return to Unitholders:	-9.7%
Quarterly return to Unitholders:	-5.0%
Net asset value per unit:	158.5511p
Number of Unitholders:	22

#### Property portfolio

Portfolio net initial yield:	5.18%
Portfolio true equivalent yield:	6.18%
Portfolio reversionary yield:	6.09%
Portfolio void (based on ERV):	3.31%

Weighted unexpired lease term (net income):	16.4 years
Secure net income with fixed uplifts:	38.1%
ERV growth (twelve months - portfolio standing investments only)	2.9%
Gearing (based on gross asset value):	52.3%

#### Total expense ratio (TER)

	GAV	NAV
Management fees	0.57%	1.19%
Fund costs	0.11%	0.24%
TER	0.68%	1.43%
Property costs	0.73%	1.54%
Real estate expense ratio	1.41%	2.96%
Performance fees	0.43%	0.91%

Source: Hermes Real Estate - March 2008.

### Unit prices

Period	Unit price	Quarterly change
31 March 2007	179.5968p	2.1%
30 June 2007	183.1374p	2.0%
30 September 2007	183.4369p	0.2%
31 December 2007	167.7455p	-8.6%
31 March 2008	158.5511p	-5.5%

#### Distribution

Distribution per unit (Quarter to March 2008):	0.8303p
Distribution per unit (Year to March 2008):	3.8865p
Distribution yield (Year to March 2008):	2.5%

#### Top five holdings by value

As at 31 March 2008

Asset	Lot size range
O2 Centre, Finchley Road, London	Greater than £100m
Xscape, Milton Keynes	Greater than £100m
Brighton Marina, Brighton	£75m - £100m
Xscape, Castleford	£50m - £75m
Riverside, Norwich	£50m - £75m

#### Income expiry profile

As at 31 March 2008

Lease expiry	% net income
0-5 years	7.8%
5-10 years	4.8%
10-15 years	15.0%
15-20 years	51.7%
20+ years	20.7%

Source: Hermes Real Estate - March 2008.

### About Hermes (Fund Manager)

Hermes Real Estate is the dedicated real estate subsidiary of Hermes Fund Managers Limited. With assets of over £11 billion (as at 31 March 2008), Hermes is wholly owned by the largest pension scheme in the UK, the BT Pension Scheme, giving its real estate investment perspective a unique alignment with other long-term investors.

Lead by Alasdair Evans and Russell Black, Hermes Real Estate has been the Fund Manager since inception in 2004. As Fund Manager Hermes Real Estate oversees all aspects of the fund including: reporting, corporate governance, debt and investor relations.

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### About Capital & Regional (Property Manager)

Capital & Regional (C&R) are a well established property company currently listed on the London Stock Exchange. C&R's business is acquiring and asset managing properties within specific property sectors. C&R have focused on creating funds which they have co-invested in. C&R currently have over £6 billion (as at 31 March 2008) assets under management within the leisure, retail, trade park and German property markets.

X-Leisure has unique expertise in the leisure market. The specialist team, lead by PY Gerbeau, combines leisure destination management, marketing and events in addition to the strong property team lead by Polly Farrell.

statements regarding future prospects may not be realised. No action should be taken or omitted to be taken in reliance upon information in this document.

The opportunities described in this document have unique risks that may make them unsuitable for certain investors and past performance may not be indicative of future results. Also, certain returns shown in this document are compared against returns for the relevant benchmark index during similar periods. It is important to note that the underlying volatility and risk of the funds' portfolios and that of their benchmark indices vary materially. Property is an illiquid investment. The value of the property is a matter of a valuer's opinion rather than fact.

The X-Leisure Unit Trust is regulated by the Jersey Financial Services Commission as an Expert Fund. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law.

The information contained in this Factsheet does not constitute an offer to acquire any interests in the X-Leisure Unit Trust. It is suitable only for those who fall in the definition of 'expert investors' published by the Jersey Financial Services Commission.

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# X-LEISURE

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