

The X-Leisure Unit Trust

Quarterly update - 30 June 2008

Overview

The property industry continues to be affected by the uncertainty in the financial markets. Valuations continued to decrease during Q2 2008 and within the IPD UK PPF index only one fund has a positive year to date total return. The economy and capital markets continue to show a slow down with banks substantially withdrawing from the lending market, property companies coming under pressure from the stockmarket, property yields continuing to drift outwards and highly leveraged properties potentially breaching bank covenants.

The X-Leisure Unit Trust (X-Leisure) provided a negative quarterly return of -7.6% for the three months to 30 June 2008 and -18.7% for the twelve months to 30 June 2008. Although X-Leisure has returned negative performance for the quarter, compared to the market, the performance is upper quartile on a three year basis.

	Q2 2008	2008 YTD	1 year	3 years
The X-Leisure Unit Trust	-7.6%	-12.2%	-18.7%	9.3%
IPD All pooled fund index	-5.6%	-10.3%	-19.9%	4.3%

Note: Total returns net of all fees. Source: IPD UK PPF June 2008

Acquisitions and disposals

Fiveways, Birmingham The property has been extensively marketed and heads of terms were agreed in mid July. However the purchaser had failed to secure financing ahead of agreeing terms so we were unable to progress with this offer. Currently detailed discussions are on going with two other interested parties.

West Central, Bournemouth The Development Agreement is conditional upon 65% preletting and satisfactory build contract price. The scheme is now 62% pre let. With strong interest in the scheme the 65% precondition is anticipated to be met within Q3 to facilitate start on site.

Asset management

Asset management achievements over the quarter include completing seven new leases adding, £356,000 of rental income. Seven rent reviews were settled at a total of 6% above rental values.

Tower Park, Poole The final phase of the refurbishment of the park has progressed well over the quarter. Planning for a 91 bedroom hotel and cafe was obtained during Q1 2008. Subsequently we have exchanged a conditional agreement for surrender with the existing tenant, Green King and an agreement for lease to Travelodge. Detailed discussions are progressing with a Costa Coffee franchisee for the café unit. The development costs are currently being tendered.

Fountain Park, Edinburgh Planning was received for 161 bedroom hotel and three new restaurants. Agreements for lease are progressing with Premier Inn, Chiquitos and Frankie and Bennys. Costs and design are being reappraised to assess viability.

Riverside, Norwich Remedial works have still not started as delays have occurred following the detailed engineering work. Further discussions continue with the two occupational tenants to facilitate the works/redesign required. We anticipate works to commence Q3.

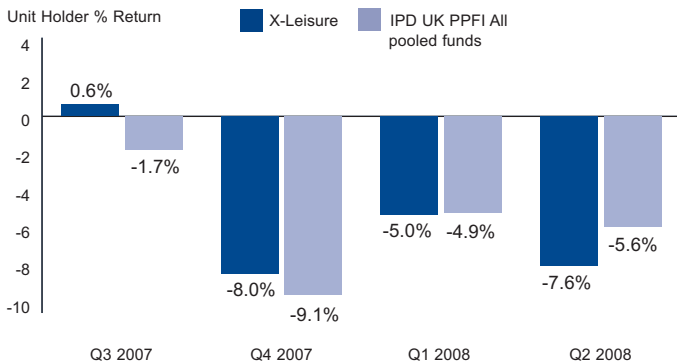
The three new restaurants, following the Brannigan unit reconfiguration, are all fitting out and due to open during Q3.

Planning

Xscape, Milton Keynes We agreed with Milton Keynes Council to a deferral from the May 2008 committee of our proposed extension due to some objections in

Unitholder performance

As at 30 June 2008



Note: Total returns net of all fees. Source: IPD UK PPF June 2008.



Bowling at Tower Park, Poole.

relation to retail capacity and local concerns. We have had various meetings in relation to these objections and are now planning to submit the proposal to the September 2008 committee.

Brighton Marina, Brighton The substitution application has been submitted and we are due to go to committee during Q3. Despite the current economic climate the residential developer remains committed to the scheme.

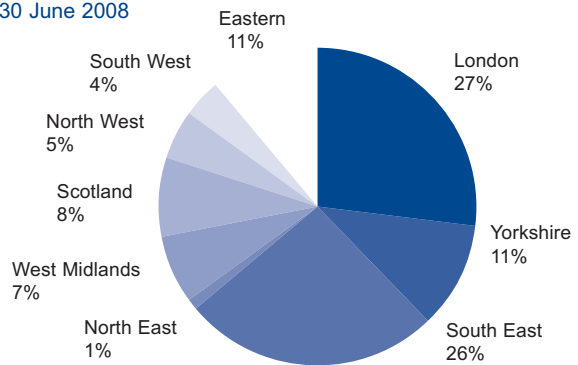
Fountain Park, Edinburgh The planning consent was received for the redevelopment of the former First Leisure unit in a 161 bedroom hotel and three new restaurants.

Leisure market

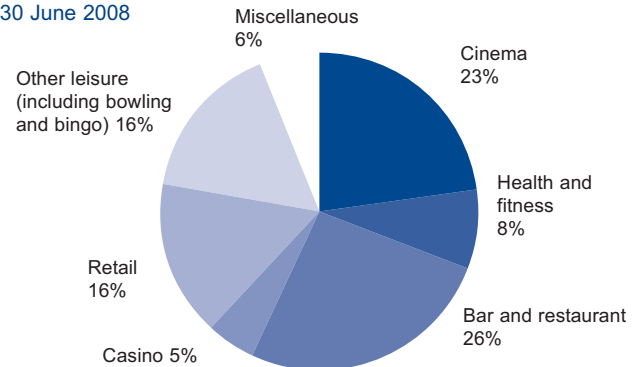
Occupier Reports from the cinema industry, our key footfall driver are that admissions continue to be on target. Some good releases – Sex and The City and Indiana Jones assist in keeping attendances high. The majority of our restaurant tenants are still reporting matched sales compared to 2007 and hence a level of resilience. The night time trade and bingo continues to be more troubled.

Investment Aside from a couple of health and fitness disposals we are not aware of any leisure scheme transactions over the quarter. The Rotunda in Kingston is formally on the market at 6.5%. As with all property sectors there is a divergence between sellers and buyers pricing of assets. Leisure seems to be especially difficult to fund at the moment with banks viewing the sector as “niche” and therefore synonymous with a higher level of risk than the more established property asset classes.

Regional location by capital value at 30 June 2008



Covenant by sector at 30 June 2008



Source: Hermes Real Estate and JLL

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Key statistics

As at 30 June 2008

Fund value

Gross asset value:	£890.2m
Net asset value:	£390.4m
Number of assets:	19

Unitholder returns

Twelve month return to Unitholders:	-18.7%
Quarterly return to Unitholders:	-7.6%
Net asset value per unit:	145.6764p
Number of Unitholders:	22

Property portfolio

Portfolio net initial yield:	5.28%
Portfolio true equivalent yield:	6.42%
Portfolio reversionary yield:	6.18%
Portfolio void (based on ERV):	3.40%

Weighted unexpired lease term (net income):	16.3 years
Secure net income with fixed uplifts:	37.7%
Gearing (based on gross asset value):	54.2%

Total expense ratio (TER)

	GAV	NAV
Management fees	0.57%	1.22%
Fund costs	0.09%	0.20%
TER	0.66%	1.42%
Property costs	0.71%	1.54%
Real estate expense ratio	1.37%	2.97%
Performance fees	-0.57%	-1.24%

INREV NAV pence per unit (June 2008) 150.3398p

Source: Hermes Real Estate - June 2008.

Unit prices

Period	Unit price	Quarterly change
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%
30 June 2008	145.6764p	-8.1%

Distribution

Distribution per unit (Quarter to June 2008):	0.8796p
Distribution per unit (Year to June 2008):	3.6308p
Distribution yield (Year to June 2008):	2.5%

Top five holdings by value

As at 30 June 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 30 June 2008

Lease expiry	% net income
0-5 years	7.9%
5-10 years	3.8%
10-15 years	17.8%
15-20 years	49.6%
20+ years	20.9%

Source: Hermes Real Estate - June 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 30 June 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 £5 billion (as at 30 June 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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