

The X-Leisure Unit Trust

Quarterly update - 30 June 2009

Overview

The ongoing global recession and financial market turmoil have taken a substantial toll on the property values and the investment market in the UK. Property values have continued to fall during H1 2009. Several listed property companies and unlisted vehicles have undertaken equity raises to stabilise balance sheets and reduce gearing.

The X-Leisure Unit Trust (X-Leisure or the Fund) provided a negative quarterly return of -13.2% for the three months to 30 June 2009 and -72.2% for the 12 months to 30 June 2009. The negative performance is due to the valuation falls coupled with high levels of gearing.

	Q2 2009	2009 YTD	1 year	3 years
The X-Leisure Unit Trust	-13.2%	-51.5%	-72.2%	-35.7%
IPD All pooled fund index	-5.2%	-15.7%	-36.1%	-16.5%

Note: Total returns net of all fees. Source: IPD UK PPF1 June 2009

Equity raise proceeds

The equity raise of £50m was successfully completed on Friday 31st July 2009.

Transactions

O2 Centre, Finchley Road, London Terms were agreed with Matterhorn Capital Limited in late December 2008 at a sale price of £95m. However, following a price renegotiation (immediately prior to the planned exchange) the sale exchanged at £92.5m on 27th February 2009. The sale completed on 7 April 2009.

£2.172m of the £92.5m sale price has been paid by the purchaser into an escrow account and will be released subject to achieving the target ERVs on the outstanding rent reviews. All the outstanding rent reviews are currently proceeding to third party which is being managed by X-Leisure.

The sale of the O2 Centre, Finchley Road, London, allowed for the repayment of £86.6m to the syndicated banks.

Fiveways, Birmingham The investment remains on the market. Numerous offers were received during Q1 & Q2, many of which have been at acceptable levels. Unfortunately there have been a number of abortive sales when on each occasion it has become apparent that the proposed purchaser does not have access to funding to progress the transaction.

Shaw Road, Wolverhampton was sold in February 2009 for £1.1m. The property was acquired from AMF as part of the deal to let AMF the bowling alley at Bentley Bridge, Wolverhampton. The premises were not income producing therefore, there was a liability for void business rates and security costs. There was also limited opportunity to let the building quickly due to a restrictive use covenant limiting the use of the premises to a bowling alley. This prompted the Fund to accept an offer from a local investor/developer. Overall, the reletting of the bowling alley added value to the asset.

Bournemouth

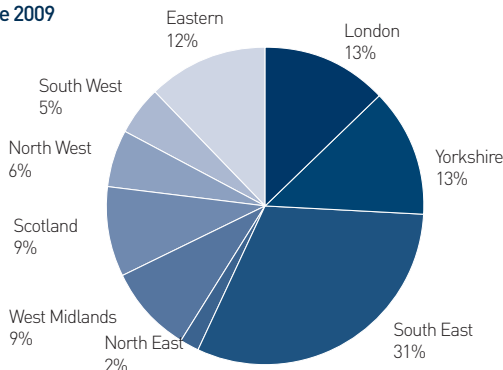
A deed of variation to exit the forward funding of West Central Bournemouth was executed on 3 July 2009 at a cost of £10m. The responsibility to terminate the agreements for lease is with the developer and there is no liability for X-Leisure subsequent to the £10m payment.

Investment

During 2009 the only leisure transaction has been the fund's sale of O2 Centre Finchley Road London.

Various properties have come to the market / been quietly marketed with out success. Including the Fund's Fiveways Birmingham scheme, British Land's Valley

Regional location by capital value at 30 June 2009



Plaza scheme, Capital & Regional's Great Northern Warehouse, Britannic's Knights Park scheme Tunbridge Wells, and The Rotunda Kingston.

More recently Aviva brought their parks in Stevenage and Basildon to the market, but despite a lot of interest in these two prime parks with drew them. The Prudential have instructed a marketing report in preparation for a sale of their Cardinal Park in Ipswich. Until a good quality park comes to the market it will be difficult to ascertain the exact pricing of leisure assets. The interest shown in Stevenage and Basildon by institutions is, however, encouraging.

Asset Management

Overview

Asset management activity has been focused on maximising rental income through lettings, settling rent reviews and wherever possible maintaining income from existing tenants.

During the first half year (excluding the O2 Centre Finchley Road, London and Shaw Road Wolverhampton), net income has grown by £512,755 per annum (plus 1.2%), ERVs have fallen by £740,768 (minus 1.5%) and the value of the Fund has fallen from £614.35m to £524.55m, a fall of £89.8m (minus 14.6%).

14 new lettings were completed in the half year, with a combined rent of £440,650 per annum. 17 rent reviews were settled during the half year at an average of 3% above ERV.

Eight tenants went into administration in Q1 and Q2 2009, totalling £1.1m of passing rent. Of these units, £442,599 pa (39.5%) are now under offer or in the process of being assigned to new occupiers.

The voids on the Fund by ERV has risen during the H1 2009 from 3.7% in to 4.2%. This is well within the projections in the financial model which assumed 7.7% by the end of 2009.

Xscape, Milton Keynes The re-letting of the former Mood Bar to Harlequin Leisure, trading as 21CC, at £160,000 per annum (£25.04 per sq/ft) has secured a new tenant for the prominent front corner unit at Xscape Milton Keynes. The unit is now open and trading.

Riverside, Norwich The remedial works have not yet commenced although, they are now fully designed. The refit of the bowl has also now been designed and costed. The works could start on site on approximately one months notice. The litigation dispute is running through the court process with a trial date set for Spring 2010. There is a nine party mediation set for 26 August 2009 with all parties having a positive outlook towards a settlement

Planning

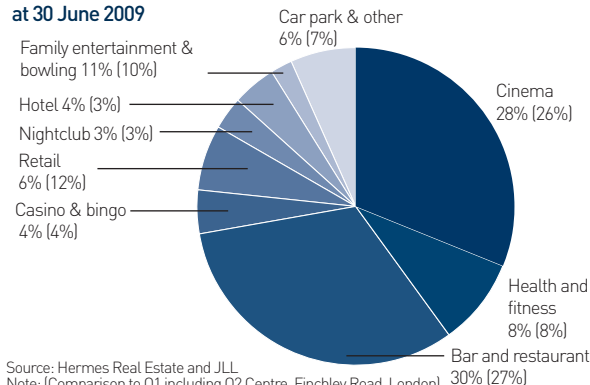
Brighton Marina, Brighton

Following the refusal of the original planning application by the Development Control Committee in December 2008, X-Leisure (at no cost) in conjunction with the developer are pursuing an appeal. The appeal will be the first to be dealt with under the new planning inspectorate's system. Subject to inspector availability the inquiry is due to start on 26 October 2009. Regular meetings with the QC in preparation for the appeal continue.

Xscape Milton Keynes

At the Development Control Committee on 23 April 2009 a 'resolution to grant the planning' was approved. The planning application was then referred to a full meeting of the Milton Keynes Council which voted to refer the application back to Development Control Committee as the planning officer's report was deemed to be insufficient in addressing the issues of retail capacity, building height and car parking. The application is now due to be heard again by the Development Control Committee on 14 September 2009.

Covenant by sector & net income at 30 June 2009



Source: Hermes Real Estate and JLL
Note: (Comparison to Q1 including O2 Centre, Finchley Road, London)

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2008 Annual Report

Pursuant to the equity raise, the 2008 X-Leisure financial statements can now be audited by KPMG without a going concern qualification and will be distributed to investors in early September 2009.

Distributions

Due to exceptional costs (Bournemouth payment, swap write off), the Trust is expected to incur a loss during 2009 and this is the reason that no distributions will be made in 2009 or 2010. As per the Fund model and as stated in the Offering Circular, distributions are not forecast until Q2 2011 due to the cash sweeps of the debt facilities.

Valuations and unit pricing

The fund was valued as at 30 June 2009 at £524.55m. We propose the next Fund valuation at the completion of the new management arrangements with X-Leisure Limited in mid August 2009 and a quarterly valuation for 30 September 2009. Subsequently, the Fund will consider resuming monthly valuations commencing 31 October 2009. The unit price next unit price is due 30 September 2009 and we are also proposing that monthly unit pricing will resume 31 October 2009.

IRIS Report

The X-Leisure IRIS report is due for release mid-August and we will forward to investors on receipt from IPD.

Key statistics

Fund value

Gross asset value:	£524.55m
Net asset value:	£108.0m
Number of assets:	18

Unitholder returns

Net asset value per unit:	46.43p
Number of Unitholders:	22

Property portfolio

Portfolio net initial yield:	7.98%
Portfolio true equivalent yield:	9.57%
Portfolio reversionary yield:	7.47%
Portfolio void (based on ERV):	4.20%

Weighted unexpired lease term (net income):	15.8 years
Secure net income with fixed uplifts:	38.4%
Gearing (Fund based on gross asset value):	75.4%
Gearing (syndicated facility)	77.1%

Total expense ratio (TER)

	GAV	NAV
Management fees	0.59%	2.07%
Fund costs	0.32%	-1.10%
TER	0.91%	3.17%
Property costs	1.08%	3.78%
Real estate expense ratio	1.99%	6.95%
Performance fees	-1.86%	-6.49%

INREV NAV pence per unit (June 2009) 33.9574p

Unless otherwise stated all figures as at 30 June 2009. Source: Hermes Real Estate

Debt

The fund's debt restructuring completed simultaneously with the equity raise. A summary of facilities are listed below:

Facility	LTV pre equity raise	LTV post equity raise	LTV covenant post equity raise	ICR (ICR covenant)	Expiry
Syndicated	77%	69%	90% until December 2010 and then reducing	171% (130%)	31 March 2014
Brighton	n/a	Refinanced by syndicate	n/a	n/a	Refinanced by syndicate
Xscape Milton Keynes	63%	63%	No LTV until November 2010 & then 70%	227% (140%)	15 December 2013
Xscape Castleford	93%	91%	95% until 30 June 2010 & then reducing	130% (140%)	30 June 2013
Fund total	75%	68%	None		

Note: ICR cash deposit of £440k is required for Castleford to remedy the ICR covenant.

Unit prices

Period	Unit price	Quarterly change
30 June 2008	145.6764p	-8.1%
30 September 2008	118.1158p	-18.9%
31 December 2008	83.0280p	-29.7%
31 March 2009	46.4335p	-44.1%
30 June 2009	40.2988p	-13.2%

Distribution

Distribution per unit (Quarter to June 2009):	0.0p
Distribution per unit (Year to June 2009):	0.6442p

Top five holdings by value

Asset

Asset	Lot size range
Xscape, Milton Keynes	£50m - £75m
Brighton Marina, Brighton	£50m - £75m
Xscape, Castleford	£25m - £50m
Riverside, Norwich	£25m - £50m
Fountain Park, Edinburgh	£25m - £50m

Income expiry profile

Lease expiry	% net income
0-5 years	16.1%
5-10 years	11.9%
10-15 years	34.5%
15-20 years	31.9%
20+ years	5.6%

Unless otherwise stated all figures as at 30 June 2009. Source: Hermes Real Estate.

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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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