

# The X-Leisure Unit Trust

## Quarterly update - 30 September 2008

### Overview

The lack of confidence in financial markets has contributed to the significant falls in capital values within all property sectors. The global financial markets have been chaotic with the UK government introducing monetary and fiscal initiatives to seek to resolve the banking sector and stabilise the economy. On a relative basis for 2008 YTD equities have performed worse than property for 2008 with a -22% return. Investor uncertainty has increased in the property market with limited investment transactions and the slowing economy is now impacting occupier demand.

The X-Leisure Unit Trust (X-Leisure) provided a negative return of -18.5% for the three months to 30 September 2008 and -34.1% for the twelve months. The poor performance is due to a capital value fall of 7.3% for the quarter coupled with the negative effect of gearing.

	Q3 2008	2008 YTD	1 year	3 years
The X-Leisure Unit Trust	-18.5%	-28.4%	-34.1%	0.2%
IPD All pooled fund index	-6.8%	-16.4%	-24.1%	0.3%

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

### Acquisitions and disposals

**Fiveways, Birmingham** The property remains on the market with limited interest. The managers are constantly monitoring all properties within the portfolio for disposal and is actively working on identifying the transactions with the greatest chance of execution. To that end, we have decided to market the O2 Centre, Finchley Road, London as this asset has a large element of retail including a supermarket, which is non-core to X-Leisure, but which we believe may have some traction in the market.

**West Central, Bournemouth** The Forward Funding Agreement remains conditional subject to securing £75,000 of lettings. Solicitors are instructed in respect of three units, so satisfaction of this final condition precedent should be imminent. We are actively reviewing the appraisal and all options for this development.

### Asset management

**Tower Park, Poole** Over the quarter the regear of the cinema lease was completed. The original lease was for a term of 25 years from 1988 with a current passing rent of £419,449 pa. A new lease has been completed for 25 years at a rent of £496,989 pa subject to five yearly rent reviews with minimum 3% pa compound uplifts. The cinema had old fashioned seating and needed a refit, the transaction included a three months rent free during the refit period and a capital contribution of £1.3m.

**Cambridge Leisure** The vacant Choices Video unit was taken back from the receivers and a surrender taken of the lease of the neighbouring Newsagent unit for a premium of £25,000 paid. Simultaneously a new 25 year lease was granted to Tesco for the reconfigured units to be used for a 'Tesco Express' with a premium of £75,000 received.

**Xscape, Castleford** Four new leases were exchanged over the quarter. A revised strategy on lettings for the retail units has been adopted, a low or zero base rent is offered plus turnover rent. The focus is to secure a critical mass of retail units in an effort to position the destination as both retail and leisure and secure its longer term success.

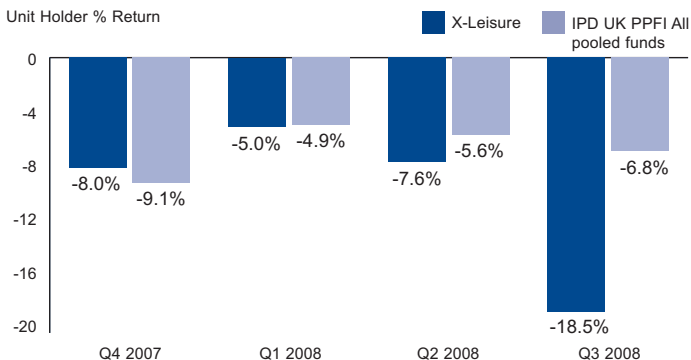
**Riverside, Norwich** Remedial works are due to commence Q1 2009 following additional detailed engineering work. Further discussions continue with the two occupational tenants to facilitate the works/redesign/compensation required. The contractor, developer and employers agent have agreed to mediation in an effort to settle the dispute ahead of court action.

### Planning

**Brighton Marina** Despite the current economic climate the residential developer remains committed to the scheme. They have incurred £9.1m costs to date in

### Unitholder performance

As at 30 September 2008



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

respect of the planning application. A special Committee date has been set by Brighton & Hove Council for 12th December. There is continued political objection from the Conservative party in respect of the height of one residential tower and the density of the scheme. It is likely that the current application will go forward to this Committee with Planning Officer recommendation for approval, but will not receive consent due to the Conservative majority on the Committee. The developer will proceed straight to appeal

### Bentley Bridge

Planning was obtained for change of use from D2 to A3 for a 3,500 sq ft unit at Bentley Bridge. This is a unit that we have carved out from the new bowl unit.

### Leisure market

**Investment** There have been no leisure transactions over the quarter. A number of properties remain on the market as buyer and seller prices remain unmatched.

**Occupier** The cinema market remains buoyant with the continued release of block busters from Hollywood. Although the operators report reduced revenue in secondary spend, this does not impact the attendances, which remain the primary driver for the success of the leisure parks. The bowling market had a better than anticipated summer due to the poor weather and people staying at home rather than holidaying abroad. The bowl operators are highly leveraged however and the current debt market is problematic for them. The fast casual dining sector, that the portfolio is in the main exposed to, appears to date to have continued to trade well.

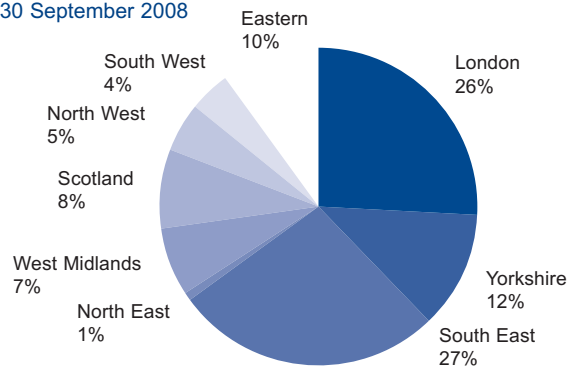
Over the quarter Tragus (Café Rouge, Bella Italia and Strada) released their twelve month results which were positive with like for like sales up year on year by 3.4%. The Restaurant Group (TRG) also reported a 3% increase in like for like sales for the six months to June 2008. TRG are set to open eighteen new Frankie & Benny's restaurants and seven new Chiquito restaurants in 2008 with a strong pipe line going forward.

There are a number of key economic factors which are currently adversely impacting consumer-facing businesses including input cost inflation, increased pressure on disposable income and less job security/consumer confidence. The forth coming months will test this sector's continued growth/stability. The operators in the portfolio remain confident that they have positioned their businesses in a manner which is more resilient than others.

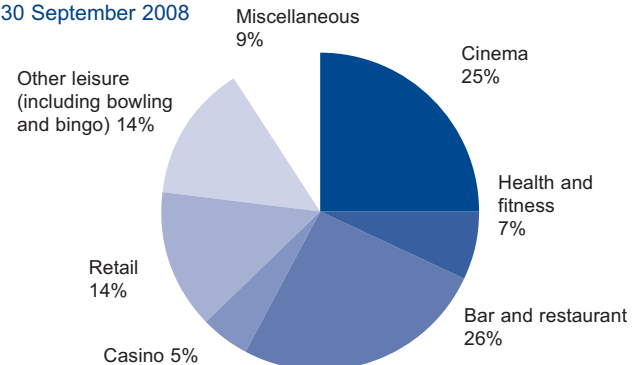
### Debt

Currently our banking facilities are with the HSBC syndicate (HSBC, Allied Irish, Bank of Ireland, RBS and Lloyds), Aquila (Barclays conduit), Possbank and HBOS. Currently the Possbank facility for Xscape Milton Keynes is being refinanced jointly by Possbank and Abbey and due to complete December 2008. All our banking relationships remain positive. We do not have any banking exposure (or tenant exposure) to Lehman Brothers or the Icelandic banks.

### Regional location by capital value at 30 September 2008



### Covenant by sector at 30 September 2008



Source: Hermes Real Estate and JLL

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### Key statistics

As at 30 September 2008

#### Fund value

Gross asset value:	£825.2m
Net asset value:	£316.5m
Number of assets:	19

#### Unitholder returns

Twelve month return to Unitholders:	-34.1%
Quarterly return to Unitholders:	-18.5%
Net asset value per unit:	118.1158p
Number of Unitholders:	22

#### Property portfolio

Portfolio net initial yield:	5.69%
Portfolio true equivalent yield:	6.94%
Portfolio reversionary yield:	6.59%
Portfolio void (based on ERV):	3.70%

Weighted unexpired lease term (net income):	16.4 years
Secure net income with fixed uplifts:	40.5%
Gearing (based on gross asset value):	58.7%

#### Total expense ratio (TER)

	GAV	NAV
Management fees	0.57%	1.29%
Fund costs	0.12%	0.26%
TER	0.68%	1.56%
Property costs	0.91%	2.08%
Real estate expense ratio	1.59%	3.64%
Performance fees	-0.80%	-1.84%

INREV NAV pence per unit (September 2008) 119.4863p

Source: Hermes Real Estate - September 2008.

### Unit prices

Period	Unit price	Quarterly change
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%
30 September 2008	118.1158p	-18.9%

#### Distribution

Distribution per unit (Quarter to September 2008):	0.6443p
Distribution per unit (Year to September 2008):	3.3927p
Distribution yield (Year to September 2008):	2.9%

#### Top five holdings by value

As at 30 September 2008

Asset	Lot size range
O2 Centre, Finchley Road, London	Greater than £100m
Xscape, Milton Keynes	£75m - £100m
Brighton Marina, Brighton	£75m - £100m
Xscape, Castleford	£50m - £75m
Riverside, Norwich	£25m - £50m

#### Income expiry profile

As at 30 September 2008

Lease expiry	% net income
0-5 years	6.5%
5-10 years	4.9%
10-15 years	17.8%
15-20 years	51.5%
20+ years	19.3%

Source: Hermes Real Estate - September 2008.

### About Hermes (Fund Manager)

Hermes Real Estate is the dedicated real estate subsidiary of Hermes Fund Managers Limited. With assets of over £10 billion (as at 30 September 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.

### Important Information

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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 September 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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[www.x-leisureunittrust.com](http://www.x-leisureunittrust.com)



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