

# The X-Leisure Unit Trust

## Quarterly update - 31 December 2007

### Overview

The property industry has reacted to changes in market and investor sentiment with valuations down by up to 20% during Q4. For 2007, property has returned negative performance for the first time since 1993. The capital markets have shown a slow down due to the credit crunch and investors reallocating funds to overseas property and equities.

The X-Leisure Unit Trust (X-Leisure) provided its first negative quarterly return since the funds inception in 2004. For Q4 2007, X-Leisure returned -8.0% and for the 12 months to 31 December, the return was -2.4%. Although X-Leisure has returned negative performance for Q4 and 2007, compared to the market, the performance is upper quartile on both a one and three year basis.

	Q4 2007	2007 YTD	1 year	3 years
The X-Leisure Unit Trust	-8.0%	-2.4%	-2.4%	17.4%
IPD All pooled fund index	-9.1%	-6.7%	-6.7%	10.7%

Note: Total returns net of all fees. Source: IPD UK PPF December 2007

### Acquisitions and disposals

#### West Central, Bournemouth

The legal documentation to fund this town centre development was exchanged early in January 2008. Anticipated start on site is Easter 2008 with an opening for Christmas 2009. Pre-lettings are progressing well with the cinema and eleven out of thirteen restaurants under offer. The price to be paid by X-Leisure was reduced in the wake of market conditions.

#### Asset management

Asset management achievements over the quarter include six new leases adding £320,000 of rental income, as well as the settlement of six rent reviews at or above the estimated rental value.

#### Riverside Norwich

The nightclub floor remediation continued during the quarter. The bowl and nightclub both remain closed. The quickest and most cost-effective solution will be to strengthen the underside of the floor, from the bowl unit. The current programme would see the bowl and nightclub reopening in Q4 2008.

#### Eureka Park, Ashford

After a protracted planning and consultation process, planning consent was granted for a three screen cinema extension and two new restaurants. Terms are agreed, and solicitors have been instructed to deal with Cine UK, Chiquito and Nando's lettings. It is anticipated that construction will commence by the beginning of Q2 2008.

The lease of Unit 5 to Strawberry Moons was completed during the quarter. This unit had previously been vacant following the demise of the previous night club in early 2006.

#### Planning

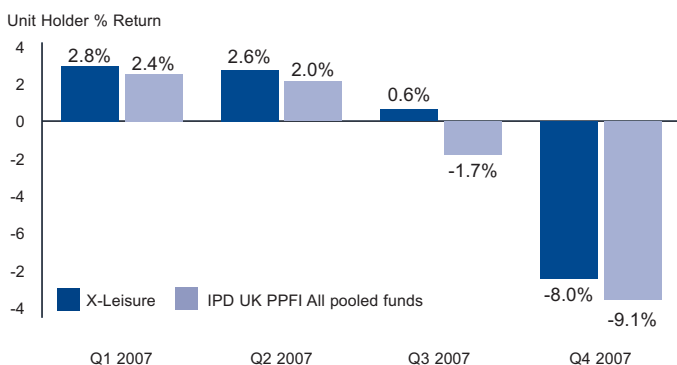
As reported last quarter the planning application has been submitted at Brighton Marina. A timetable for determination has been agreed with Brighton & Hove County Council that sees a target committee hearing date in May 2008.

Various objections have been received in relation to the planning application for the extension at Xscape, Milton Keynes. These are being dealt with, and a target council committee date is set for March 2008.

A planning application has been submitted at Fountain Park, Edinburgh for 196 bedroom hotel and three new restaurants.

### Unitholder performance

As at 31 December 2007



Note: Total returns net of all fees. Source: IPD PPF December 2007.



Xscape, Milton Keynes.

As well as Ashford, planning has been granted for:

- Parrswood, Manchester - Twenty one room hotel extension
- Riverside, Norwich - split of the Brannigans club into three family restaurants
- Fountain Park, Edinburgh - conversion of McDonald's to Nando's

### The leisure investment market

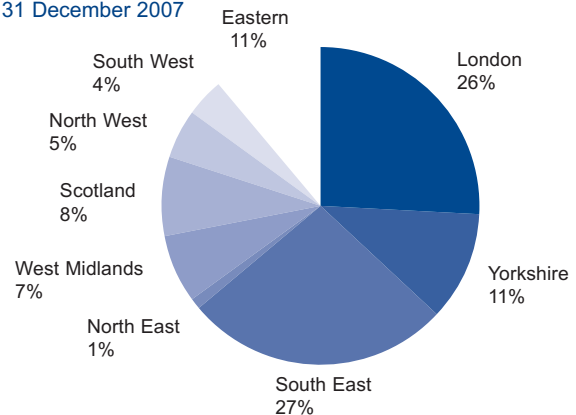
Over the quarter, despite a 0.65% increase in rental value and 1.05% increase in net rental income the capital value of the portfolio decreased by 3.75%. The capital value decrease is attributed to the outward yield shift that the leisure market generally experienced over the quarter. X-Leisure's initial yield and equivalent yield moved 25bp outward each which is a positive compared to the IPD ALL Property monthly index of 50bp and 60bp outward respectively.

The sector, when compared to the core property sectors, has held value and experienced less outward yield shift. The valuers believes that the long lease and fixed uplift characteristics of leisure property, coupled with the current occupational market are defensive qualities in an economic downturn.

The portfolio value has been further supported by good quality stock, low vacancy rate and strong initiatives that are either in the pipeline or have now received planning but to date have not been reflected in the capital value, for example the extension at Eureka Park, Ashford.

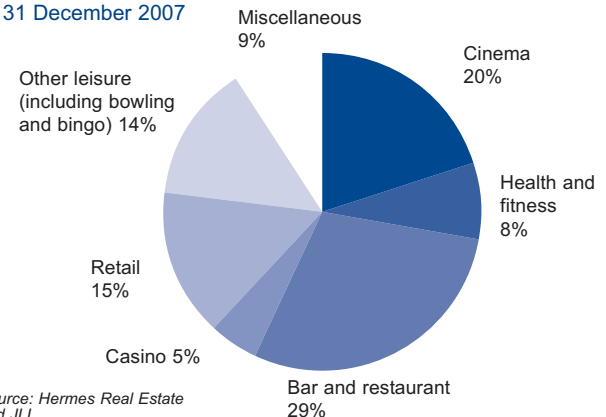
### Regional location by capital value

at 31 December 2007



### Covenant by sector

at 31 December 2007



Source: Hermes Real Estate and JLL

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### Key statistics

As at 31 December 2007

#### Fund value

Gross asset value:	£947.1m
Net asset value:	£449.5m
Number of assets:	19

#### Unitholder returns

Twelve month return to Unitholders:	-2.4%
Quarterly return to Unitholders:	-8.0%
Net asset value per unit:	167.7455p
Number of Unitholders:	22

#### Property portfolio

Portfolio net initial yield:	5.02%
Portfolio true equivalent yield:	5.99%
Portfolio reversionary yield:	5.81%
Portfolio void (based on ERV):	3.05%

Weighted unexpired lease term (net income):	16.6 years
Secure net income with fixed uplifts:	38.6%
ERV growth (12 months - portfolio standing investments only)	2.0%
Gearing (based on gross asset value):	51.2%

#### Total expense ratio (TER)

	GAV	NAV
Management fees	0.59%	1.21%
Fund costs	0.12%	0.24%
TER	0.70%	1.46%
Property costs	0.70%	1.45%
Real Estate expense ratio	1.40%	2.90%
Performance fees	0.70%	1.44%

Source: Hermes Real Estate - December 2007.

### Unit prices

Period	Unit price	Quarterly change
31 December 2006	175.8634p	5.2%
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%

#### Distribution

Distribution per unit (Quarter to December 2007):	1.0384p
Distribution per unit (Year to December 2007):	4.1169p
Distribution yield (Year to December 2007):	2.5%

#### Top five holdings by value

As at 31 December 2007

Asset	Lot size range
O2, 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 December 2007

Lease expiry	% net income
0-5 years	8.2%
5-10 years	4.7%
10-15 years	11.4%
15-20 years	54.8%
20+ years	20.8%

Source: Hermes Real Estate - December 2007.

### About Hermes (Fund Manager)

Hermes Real Estate is the dedicated real estate subsidiary of Hermes Pensions Management Limited. With assets of over £12 billion (as at 31 December 2007), 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 December 2007) 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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