

Interim Financial Report

First World Hybrid Real Estate Plc

For the 6 month period ended 28 February 2022

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First World Hybrid Real Estate Plc

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First World Hybrid Real Estate Plc

Management Report

UK Property Market

During the latter part of 2021 the UK economy gathered considerable momentum as the lockdowns were lifted and there was a return to 'normality', or at the least the prospect of it. This strong rebound then led to concerns around rising inflation and the extent to which it may be transitory, or not. As we entered 2022, these concerns started manifesting in the Bank of England increasing rates to curtail inflation, with the market pricing in further increases as reflected in interest rate swaps.

Despite this economic and fiscal backdrop, the direct property market, especially distribution warehousing and to a lesser extent retail warehousing, benefited from strong investment demand and price appreciation.

The occupational demand for distribution warehousing continues, impacting positively on rental levels in a market where supply levels are shrinking, and construction costs are increasing. There is also good evidence of retail warehouse yields having come in. However, traditional retail remains under pressure and the uncertainty around offices continues.

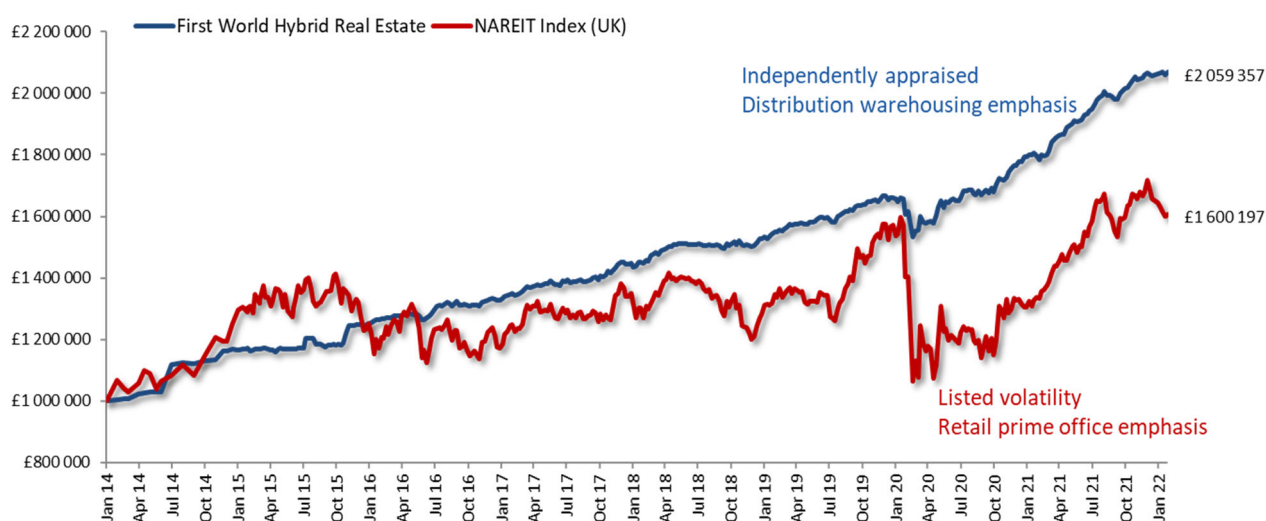
Despite the increasing interest rate environment, these trends continued into 2022 and the weight of investment capital being directed to UK commercial property is well documented.

However, the events in Ukraine have now introduced geopolitical uncertainty, the extent of which has not been seen for many decades. While the humanitarian consequences are tragic and obvious, what is not clear is the end result on global investment markets and the extent to which this may influence commercial property in the UK.

We can however take comfort from the type of property that the Fund invests in, and that the UK is a first world economy, with entrenched property rights and good levels of governance and transparency, making it a desirable place to store wealth.

Investment Objective of the Fund

The **Investment Objective** of the Fund as stated in the Offering document, is to **generate a reliable, predictable, and growing income** by combining direct and listed real estate. A fundamental part of the FWHRE offering is to provide investors with better liquidity and pricing certainty than a direct property investment and with lower volatility than publicly quoted property. This with the benefit of a Regulated structure. This remains intact and the Fund is delivering on these objectives.

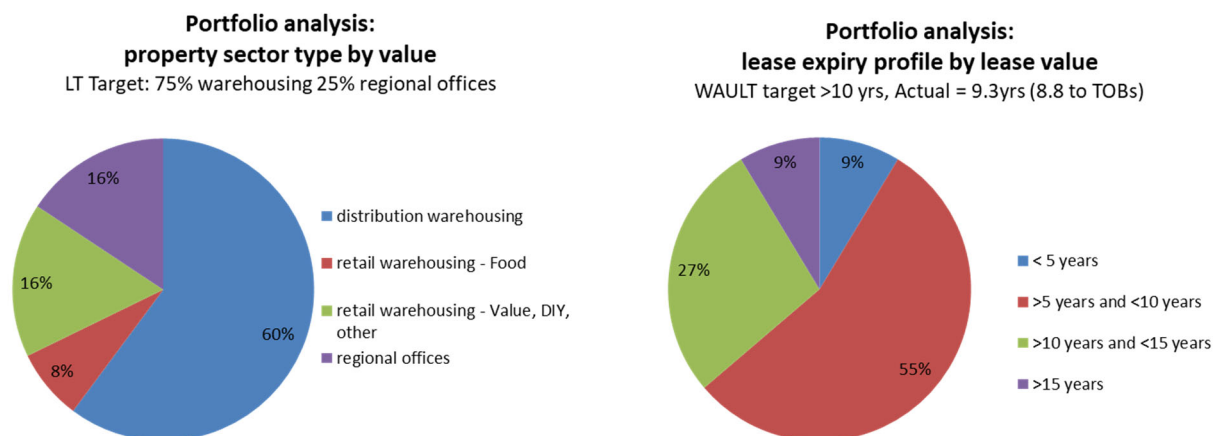


The graph above is compelling and demonstrates the performance of the Fund since inception relative to UK REITs. The Fund has produced solid growth with low volatility, whereas the higher volatility and weaker return of the NAREIT index is clear, with the retail component in the index no doubt contributing to the lower return outcome.

Management Report (continued)

The Direct Property Portfolio

The sector weighting and lease expiry profile of the property portfolio at 28 February 2022 are set out below.



During the six months under review there were two additions to the property portfolio. A retail park situated in Rhyl, North Wales was acquired in Oct 2021 for £17.7m at an initial yield of 6.0%. This property comprises 12 units tenanted by the likes of Aldi, B&M, Farm Foods, The Range, Greggs and Costa, with food comprising about one third of the rental income. In Dec 2021, the Fund acquired a property in the affluent suburb of Milngavie, Glasgow, which is tenanted by Aldi and Home Bargains. The acquisition price was £11.7m proving an initial yield of 4.9%. The remaining lease terms for Aldi and Home Bargains are more than 17 and 12 years respectively.

The portfolio now has an 8% weighting to food stores which brings further diversification and is considered positive. The distribution warehousing emphasis remains, being 60% of portfolio value.

Each property is independently valued twice per annum, on the acquisition of the property and in six monthly intervals thereafter. Sixteen valuation updates were received for the six-month period ending 28 February 2022. The net upward adjustment is £2.345m (8 up, 2 down, 6 flat). Seven of the eight upward adjustments are in respect of distribution warehouse properties, the other being a retail warehouse (total up £2.44m). The two other retail warehouses were retained at previous levels. The two downward adjustments (total £95k) were office properties with two other office properties being retained at previous levels.

Unexpired lease lengths, lease terms and underlying market rental levels are all important considerations in assessing the predictability of rental income. The lease expiry profile is well spread. While the WAULT at 9.3 years is slightly under target, the regears and additions to the portfolio have been WAULT enhancing.

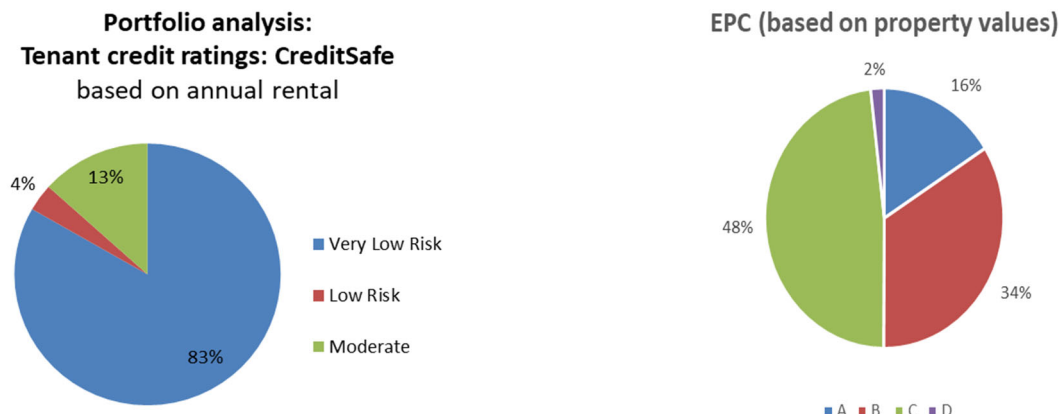
Three leases, comprising 9% of lease value, expire within 5 years and there is no reason to suggest that these tenants will not seek to extend their occupation of these properties. All of the leases are FRI (meaning tenant pays all operating costs) with upwards only rent reviews and 41% of the leases (based on current rental) have fixed or RPI linked increases on review, underpinning rental growth in the portfolio. Significantly, it is estimated that there is currently more than 3% inherent rental upside across the portfolio with encouraging signs of continuing market rental growth in the distribution warehousing sector.

On 14 February 2022 the lease with Aviva was assigned to Marsh, and together with a 2-year and 9-month reversionary lease, the lease term was extended to Sept 2032. Furthermore, Marsh is investing substantially in fitting out the building to accommodate their needs which demonstrates their commitment. This is a positive outcome in an office market which is still settling in a post COVID, more flexible working environment. There are several regear opportunities with existing tenants that are being pursued.

First World Hybrid Real Estate Plc

Management Report (continued)

Rental collections have been most satisfying, with all rental due having been received. This can be attributed in no small part to the stringent investment criteria regarding tenants' financial standing when considering a property for acquisition.



Careful consideration is given to the credit rating of tenants when an acquisition is considered. A minimum Credit safe rating score of 60 is required which is the midway point in the low-risk category. In addition, it is a requirement that the tenant has tangible net assets on its balance sheet of at least £20m giving comfort to the financial substance of the business. The nature of the tenant's operations is also considered as part of sensible acquisition filter risk but also in line with ESG considerations. Credit updates on in-situ tenants are obtained routinely and by default whenever a change in rating of the tenant occurs.

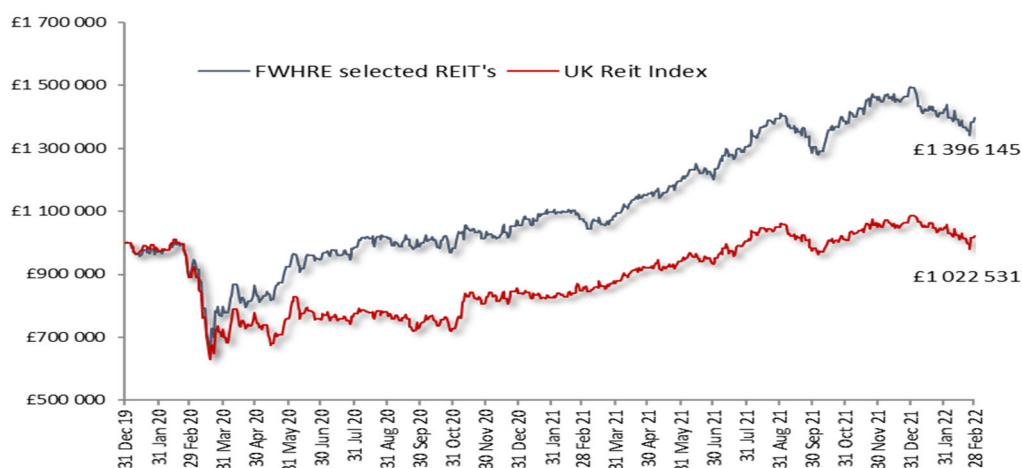
EPC ratings is a particular aspect where environmental considerations can be measured and tracked. The Fund's property portfolio rating is depicted in the pie chart above. Only 2% by property value lies in the D category. Attention is being given to early reviews of ratings and ways in which they can be cost effectively improved.

The REIT portfolio

The value of these REITs at 28 February 2022 was £29.7m.

During the period under review the Fund held four UK REITs, namely London Metric, Segro, Lxi and Tritax Big Box. These REITs have performed very well, outperforming the REIT sector and making a strong contribution to the Fund's returns. That said, after a strong run, there was some price weakness in the first two months of 2022, as can be seen in the graph below.

All the REITs held by the Fund have a distribution warehouse emphasis and their relative performance as demonstrated in the graph below also provides good comfort of the property selection within the Fund's direct property portfolio itself.



Source: Bloomberg & Marriott

First World Hybrid Real Estate Plc

Management Report (continued)

Debt Funding

During the period under review, the Fund transitioned to SONIA RFR based terms loans and refinanced its debt with Barclays for a new 3-year term at a reduced bank margin. In addition, it concluded debt funding arrangements with HSBC as an alternative and second debt provider and accordingly, at 28 February 2022, the Fund had borrowings of £16.2m and £68.4m from HSBC and Barclays respectively. Furthermore, there is a £5m Revolving Credit Facility (RCF) with Barclays which had been paid down and is fully available to be drawn as required.

It has been the Fund's strategy to incorporate debt funding on each property acquisition up to a maximum 50% Loan to Value (LTV) level, as provided for in the Fund's Investment Policy. While the inclusion of prudent debt funding is appropriate, given that the current cost of debt is considerably lower than the yield generated by the property portfolio, due to rising interest rates it has been agreed that the maximum LTV level on new acquisitions will be reduced to 45%. The actual property portfolio LTV at 28 February 2022 was 43%.

On 2 December 2021, a £25m interest swap, which had a maturity in December 2025 and a swap rate of 113 bps, was extended to mature in December 2031 (10-year duration) and at a reduced rate of 105 bps. As a result, at 28 February 2022, 50% of the debt advanced is hedged by way of interest rates swaps, with an average weighted maturity of 7.1 years and at a weighted average rate of 89 bps. By comparison, interest swaps on 28 February for 5-year and 10-year durations were circa 132 bps and 117 bps respectively.

The all-in average cost of debt (including RCF reserving costs) at 28 February 2022 was 2.37%, with the average interest cover ratio being a meaningful 5.8 times.

While short term interest rates are expected to rise, comfort can be taken that a good level of portfolio debt is hedged, and for a meaningful duration, and that the debt funding cost measured against the portfolio yield continues to offer attractive positive leverage.

The LTVs and ICs are at comfortable levels and well within bank funding covenants.

Liquidity

The Fund seeks to provide investors with known pricing and reasonable liquidity.

Liquidity to meet redemptions is facilitated by the Fund including REITs as part of its investments.

The Board has agreed a Minimum Liquidity Level of 20% (of net asset value), which has particular relevance at the point in time of concluding a property acquisition. The Fund's liquidity level at 28 February 2022 was circa 31%, ahead of target levels and largely as a consequence of strong inflows received by the Fund in recent months.

Inflows for the six months ending 28 February 2022 were £21.7m (comparable period for 2021: £9.9m)

Redemptions for the six months were £3.7m (2021: £3.9m), which equates to 2.4% of average net asset value over the period and were well covered by subscriptions. £0.2m of redemptions remained payable at the period end.

The Fund has circa £30m available to invest in property and various investment opportunities which meet the Fund's investment criteria are being considered.

Management Report (continued)

Fund Performance

During the six months ending 28 February 2022 the Fund declared and paid dividends totalling 2.70 pence per share, up 3.8% on the 2021 comparable 2.60 pence per share. This represents a dividend yield of 2.1% on the 128.0 pence price of the A class shares at the beginning of the period, 1 September 2021.

The trading price of the A Class share at 28 February 2022 was 130.4 pence, 1.8% up on that of six months prior. Accordingly, the total trading return for the 6 months ending 28 February 2022 is 3.9%.

The longer-term return expectation from the Fund should be centred on a robust and predictable income return in the order of 4.5% pa, with modest price appreciation underpinned by rental growth from a portfolio of well selected property investments let to substantial and financially sound tenants, on long leases.

First World Hybrid Real Estate Plc

Interim Consolidated Statement of Comprehensive Income for the 6 month period ended 28 February 2022

	Note	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Income				
Rental income	5	5,433	8,863	4,061
Other income	6	21	188	95
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	4	1,406	10,435	1,909
Net fair value gain/(loss) on investment properties	5	279	4,073	3,140
Dividend income		459	1,093	411
		7,598	24,652	9,616
Expenses				
Finance expense	7	(1,109)	(1,818)	(835)
Property expenses		(576)	(965)	(453)
Management expenses	11	(352)	(547)	(247)
Custodian fees		(83)	(137)	(63)
Other expenses		(103)	(176)	(91)
		(2,223)	(3,643)	(1,689)
Profit before tax		5,375	21,009	7,927
Taxation		(839)	(1,067)	(497)
Total comprehensive income for the period/year		4,536	19,942	7,430

The Directors consider that all results derive from continuing activities.

The accompanying notes on pages 11 to 17 form an integral part of these interim financial statements.

First World Hybrid Real Estate Plc

Interim Consolidated Statement of Financial Position

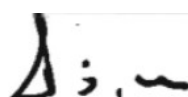
as at 28 February 2022

	Note	As at 28 Feb 2022 (Unaudited) £000	As at 31 Aug 2021 (Audited) £000	As at 28 Feb 2021 (Unaudited) £000
Non-current assets				
Investment property	5,6	195,226	163,500	130,955
		195,226	163,500	130,955
Current assets				
Financial assets at fair value through profit or loss	4	29,687	37,914	38,218
Trade and other receivables		884	423	411
Financial assets at fair value through profit or loss - swap	4,7	1,604	-	-
Cash and cash equivalents		17,551	5,778	4,058
		49,726	44,115	42,687
Total assets		244,952	207,615	173,642
Liabilities				
Non-current liabilities				
Borrowings	7	83,815	68,217	56,832
Financial liabilities at fair value through profit or loss - swap	4,7	25	599	791
		83,840	68,816	57,623
Current liabilities				
Trade and other payables		919	345	272
Interest payable		185	187	112
Deferred income	5	811	755	514
Current tax liability		721	414	882
		2,706	1,701	1,780
Total liabilities		86,546	70,517	59,403
Net assets		158,406	137,098	114,239
Equity				
Participating Share capital	8	1,170	1,044	958
Share premium	8	131,724	113,827	102,388
Retained earnings		25,512	22,227	10,893
Total Equity		158,406	137,098	114,239

These interim financial statements on pages 11 to 17 were approved and authorised for issue by the Board of Directors on 5 May 2022 and signed on its behalf by:



Philip Scales
Director



Russell Collister
Director

First World Hybrid Real Estate Plc

Interim Consolidated Statement of Changes in Equity for the 6 month period ended 28 February 2022

	Participating Share capital	Share premium	Retained earnings	Total Equity
	£000	£000	£000	£000
Balance at 1 September 2020	910	96,377	4,621	101,908
Profit for the period	-	-	7,430	7,430
Total comprehensive profit for the period	-	-	7,430	7,430
Distributions to Shareholders	-	-	(1,158)	(1,158)
Participating Share issuances	82	9,850	-	9,932
Participating Share redemptions	(34)	(3,839)	-	(3,873)
Total transactions with Shareholders	48	6,011	(1,158)	4,901
Balance at 28 February 2021 (Unaudited)	958	102,388	10,893	114,239
Balance at 1 September 2020	910	96,377	4,621	101,908
Profit for the year	-	-	19,942	19,942
Total comprehensive profit for the year	-	-	19,942	19,942
Distributions to Shareholders	-	-	(2,336)	(2,336)
Participating Share issuances	192	24,201	-	24,393
Participating Share redemptions	(58)	(6,751)	-	(6,809)
Total transactions with Shareholders	134	17,450	(2,336)	15,248
Balance at 31 August 2021 (Audited)	1,044	113,827	22,227	137,098
Balance at 1 September 2021	1,044	113,827	22,227	137,098
Profit for the period	-	-	4,536	4,536
Total comprehensive profit for the period	-	-	4,536	4,536
Transactions with Shareholders				
Distributions to Shareholders	-	-	(1,251)	(1,251)
Participating Share issuances	153	21,542	-	21,695
Participating Share redemptions	(27)	(3,645)	-	(3,672)
Total transactions with Shareholders	126	17,897	(1,251)	16,772
Balance at 28 February 2022 (Unaudited)	1,170	131,724	25,512	158,406

The accompanying notes on pages 11 to 17 form an integral part of these interim financial statements.

First World Hybrid Real Estate Plc

Interim Consolidated Cash Flow Statement for the 6 month period ended 28 February 2022

	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Cash flows from operating activities			
Profit before tax	5,375	21,009	7,927
Adjustments to reconcile profit before tax to net cash flows			
Interest expense	874	1,610	738
Amortisation of borrowing arrangement fees	236	208	97
Net unrealised gains on investment property (note 5)	(279)	(4,073)	(3,140)
Net increase in financial assets and liabilities at fair value through profit or loss	(1,406)	(10,435)	(1,909)
Movement in concession rent debtor	29	(186)	(170)
<i>Working capital adjustments:</i>			
(Decrease)/increase in other receivables	(461)	287	299
Decrease in other payables	549	257	(93)
	4,917	8,677	3,749
Interest paid	(876)	(1,583)	(749)
Tax paid	(532)	(1,160)	(123)
Net cash inflow from operating activities	3,509	5,934	2,877
Cash flows from financing activities			
Net proceeds from issue of Participating Shares	18,174	17,584	6,059
Repayment of borrowings	16,223	11,325	-
Borrowing arrangement fees	(861)	(51)	-
Distributions paid to shareholders	(1,251)	(2,336)	(1,158)
Net cash inflow from financing activities	32,285	26,522	4,901
Cash flows from investing activities			
Purchase of investment properties	(31,476)	(31,596)	-
Net sale/(purchase) of investments at fair value	7,455	2,122	(6,516)
Net cash outflow from investing activities	(24,021)	(29,474)	(6,516)
Net increase in cash and cash equivalents	11,773	2,982	1,262
Cash and cash equivalents at the beginning of the year	5,778	2,796	2,796
Cash and cash equivalents at the end of the year	17,551	5,778	4,058

The accompanying notes on pages 11 to 17 form an integral part of these interim financial statements.

First World Hybrid Real Estate Plc

Notes to the Consolidated Financial Statements for the period ended 28 February 2022

1) General Information

First World Hybrid Real Estate plc (the "Fund") was incorporated in the Isle of Man on 1 August 2013 under the Isle of Man Companies Act 2006. The Fund became a Regulated Fund in the Isle of Man on 26 February 2015 and it is subject to the Isle of Man Collective Investment Schemes Regulations.

The Fund invests primarily in UK commercial real estate. The Fund has two wholly owned subsidiaries FWRE Holdings Limited and FWRE Holdings Two Limited, which in turn hold wholly owned operating subsidiaries FWRE Limited and FWRE Two Limited respectively (collectively the "Group").

2) Summary of significant accounting policies

a) Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Fund's last annual consolidated financial statements for the year ended 31 August 2021. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The principal accounting policies applied in the preparation of these financial statements are unchanged from those applicable to the annual financial report as at 31 August 2021. Where applicable, comparatives have been changed to accord with the presentation in the current period. There were no significant presentational changes arising from this.

b) Standards and amendments which are first effective for the period beginning 1 September 2021

Several new standards, amendments and interpretations are effective for annual periods beginning after 1 September 2021 and earlier application is permitted; however, the Fund has not early adopted the amended standards in preparing these financial statements. None of these are expected to have a significant impact on the Fund's financial statements when they become effective.

3) Significant accounting judgements, estimates and assumptions

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those described in the last annual financial statements.

4) Financial assets and liabilities at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Opening balance	37,914	30,485	30,485
Net (disposal)/purchase of REITs at cost	(7,582)	(916)	6,516
Investment in umbrella fund	-	-	3,500
Unrealised (loss)/gain on REITs	(645)	8,345	1,217
Closing balance	29,687	37,914	38,218

Financial assets at FVTPL- swap	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Unrealised gain/(loss) on swaps	1,604	-	-
Closing balance	1,604	-	-

First World Hybrid Real Estate Plc

Notes to the Consolidated Financial Statements for the period ended 28 February 2022 (continued)

Financial liabilities at FVTPL- swap	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Opening balance	(599)	(1,483)	(1,483)
Unrealised gain/(loss) on swaps	574	884	692
Closing balance	(25)	(599)	(791)

	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Unrealised (loss)/gain on investments	(645)	8,345	1,217
Realised (loss)/gain on REITs	(127)	1,206	-
Net unrealised gain on swaps	2,178	884	692
Net gain on financial assets at FVTPL	1,406	10,435	1,909

5) Investment property

	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Investment property	195,050	163,314	130,785
Movement in concession rent debtor	176	186	170
Closing balance	195,226	163,500	130,955

Investment property fair value movement	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Unrealised gain on investment property	279	4,073	3,140

Properties are initially valued at cost which comprises their purchase price and directly attributable expenditure. Directly attributable expenditure includes professional fees for legal services and stamp duty land tax. Subsequently they are valued based valuations performed at least bi-annually, in line with the investment policy. Valuations are performed by an external accredited independent valuer with recognised professional qualifications and with recent experience in the location and category of the investment properties being valued.

On 7 October 2021, the Group completed the acquisition of a retail park property known as Marina Quays, Rhyl. The agreed purchase price is £17,700,000 plus £1,303,000 of acquisition costs. Annual rental income is £1,149,000. The property acquisition was part funded utilising the full £5,000,000 Barclays Facility B loan (note 7).

On 12 December 2021, the Group completed the acquisition of a retail park property known as Milngavie, Glasgow. The agreed purchase price is £11,700,000 plus £773,000 of acquisition costs. Annual rental income is £606,000.

In February 2022, funding was provided by HSBC UK Bank Plc in respect of Milngavie Glasgow, Marina Quays, Rhyl and Eviosys (previously Crown) Packaging, Newcastle (purchased in April 2021) (note 7).

Rental income earned and received from the investment properties during the period was £5,433,000 (31 August 2021: £8,863,000 and 28 February 2021: £4,061,000). As at 28 February 2022 there was £912,000 deferred rental income (31 August 2021: £755,000 and 28 February 2021: £514,000) that had been received by the Fund which relates to the next financial period.

First World Hybrid Real Estate Plc

Notes to the Consolidated Financial Statements for the period ended 28 February 2022 (continued)

6) Other income

On 8 October 2021, the Fund completed the acquisition of a retail park known as Marina Quay Retail Park, Rhyl (note 5). Under the terms of the sale agreement the purchase price was reduced by £72,000 equivalent to £53,000 guaranteed income for the year ended 8 October 2022 in respect to vacant units. An additional £19,000 was provided for future required capital expenditure, which reduced the overall cost of the acquisition.

During the prior financial year, the Fund acquired DHL, Bawtry, Doncaster. Due to a delay in the completion of the sale, under the terms of the sale contract the Fund was entitled to receive Monthly Income Payments that totalled £188,000.

7) Borrowings

	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Non-current borrowings			
Total loans before amortisation	84,603	68,380	57,055
Less: amortised borrowing arrangement fees	(787)	(163)	(223)
Total	83,815	68,217	56,832

The Group holds the following borrowings at 28 February 2022:

Loan Type	Term loan 1	£5,000,000 RCF	Term loan 2
Borrower	FWRE Limited	FWRE Limited	FWRE Two Limited
Counterparty	Barclays Bank Plc	Barclays Bank Plc	HSBC UK Bank Plc
Loan balance at period end £'000	68,380	-	16,223
Agreement date	22 October 2021	22 October 2021	11 February 2022
Termination date	22 October 2024	22 October 2024	11 February 2025
Base interest charged	Compounded daily SONIA	Compounded daily SONIA	Compounded daily SONIA
Interest margin % per annum	1.9	1.9	2.0

Loans are repayable in full upon maturity.

The Fund holds the following interest rate swaps as part of its hedging strategy as at 28 February 2022:

	Swap 1	Swap 2	Swap 3
Counterparty	Barclays Bank Plc	Barclays Bank Plc	HSBC UK Bank Plc
Notional amount £'000	25,000	15,000	2,300
Effective date	22 October 2021	22 October 2021	11 February 2022
Termination date	22 December 2031	22 April 2025	11 February 2027
Interest paid on notional % per annum	1.049	0.5	1.75
Interest received on notional	Compounded daily SONIA + 0.109% per annum spread	Compounded daily SONIA + 0.109% per annum spread	Compounded daily SONIA

Expenses directly attributable to arranging bank borrowings were initially included in the amortised cost of the loans and are being released to the Interim Consolidated Statement of Comprehensive Income over the term of the loans.

	6 months ended 28 Feb 2022 (Unaudited) £000	Year ended 31 Aug 2021 (Audited) £000	6 months ended 28 Feb 2021 (Unaudited) £000
Finance expense			
Interest expense	874	1,610	738
Borrowing arrangement fees amortisation	235	208	97
Total	1,109	1,818	835

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Notes to the Consolidated Financial Statements for the period ended 28 February 2022 (continued)

8) Share Capital and Share Premium

Participating Shares

Details of the subscriptions and redemptions made during the financial period and comparative periods are given below:

6 month period ended 28 February 2022 (Unaudited)	Number of Participating Shares			Total
	A Shares	B Shares	C Shares	
Opening balance	45,778,631	43,947,610	14,729,509	104,455,750
Subscriptions for the period	3,620,150	6,929,095	4,740,129	15,289,374
Redemptions for the period	(1,589,055)	(720,047)	(397,997)	(2,707,099)
Share Class transfers for the period	(43,125)	40,267	-	(2,858)
At 28 February 2022	47,766,601	50,196,925	19,071,641	117,035,167

Year ended 31 August 2021 (Audited)	Number of Participating Shares			Total
	A Shares	B Shares	C Shares	
Opening balance	45,092,388	36,139,269	9,817,204	91,048,861
Subscriptions for the period	5,598,919	8,266,925	5,253,752	19,119,596
Redemptions for the period	(3,211,260)	(1,975,746)	(372,917)	(5,559,923)
Share Class transfers for the period	(1,701,416)	1,517,162	31,470	(152,784)
At 31 August 2021	45,778,631	43,947,610	14,729,509	104,455,750

6 month period ended 28 February 2021 (Unaudited)	Number of Participating Shares			Total
	A Shares	B Shares	C Shares	
Opening balance	45,092,388	36,139,269	9,817,204	91,048,861
Subscriptions for the period	2,367,241	3,773,260	2,039,075	8,179,576
Redemptions for the period	(2,303,896)	(892,046)	(118,366)	(3,314,308)
Share Class transfers for the period	(1,574,588)	1,403,487	31,470	(139,631)
At 28 February 2021	43,581,145	40,423,970	11,769,383	95,774,498

6 month period ended 28 February 2022 (Unaudited)	Participating Share capital £000			Total
	A Shares	B Shares	C Shares	
Opening balance	458	439	147	1,044
Subscriptions for the period	36	69	48	153
Redemptions for the period	(16)	(7)	(4)	(27)
Share Class transfers for the period	-	-	-	-
At 28 February 2022	478	501	191	1,170

Year ended 31 August 2021 (Audited)	Participating Share capital £000			Total
	A Shares	B Shares	C Shares	
Opening balance	451	361	98	910
Subscriptions for the period	56	83	53	192
Redemptions for the period	(32)	(20)	(4)	(56)
Share Class transfers for the period	(17)	15	-	(2)
At 31 August 2021	458	439	147	1,044

6 month period ended 28 February 2021 (Unaudited)	Participating Share capital £000			Total
	A Shares	B Shares	C Shares	
Opening balance	451	361	98	910
Subscriptions for the period	24	38	20	82
Redemptions for the period	(24)	(9)	(1)	(34)
Share Class transfers for the period	(16)	16	-	-
At 28 February 2021	436	404	118	958

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Notes to the Consolidated Financial Statements for the period ended 28 February 2022 (continued)

6 month period ended

28 February 2022 (Unaudited)

	A Shares	B Shares	C Shares	Total
Opening balance	46,824	49,756	17,247	113,827
Subscriptions for the period	4,594	10,145	6,803	21,542
Redemptions for the period	(2,016)	(1,054)	(575)	(3,645)
Share Class transfers for the period	(47)	47	-	-
At 28 February 2022	49,355	58,894	23,475	131,724

Year ended

31 August 2021 (Audited)

	A Shares	B Shares	C Shares	Total
Opening balance	45,902	39,624	10,851	96,377
Subscriptions for the period	6,569	10,790	6,840	24,199
Redemptions for the period	(3,700)	(2,567)	(484)	(6,751)
Share Class transfers for the period	(1,947)	1,909	40	2
At 31 August 2021	46,824	49,756	17,247	113,827

6 month period ended

28 February 2021 (Unaudited)

	A Shares	B Shares	C Shares	Total
Opening balance	45,902	39,623	10,851	96,376
Subscriptions for the period	2,670	4,664	2,517	9,851
Redemptions for the period	(2,606)	(1,089)	(144)	(3,839)
Share Class transfers for the period	(1,797)	1,757	40	-
At 28 February 2021	44,168	44,956	13,264	102,388

Share premium represents the difference between the Participating Shares issue price determined on subscription at a relevant dealing date and the par value of £0.01.

9) Net asset value ("NAV") per share

The Fund's Offering Document allows for the amortisation of expenses incurred in acquiring a property, whereas IFRS requires property acquisition costs to be expensed as incurred.

In accordance with IFRS, all rent free periods included within rental agreements are recognised in net fair value gains/(losses) on investment properties. For the determination of the Fund's pricing it is considered more appropriate to apply a rental income adjustment spread evenly over the period of the leases so as not to unfairly prejudice existing investors.

The differences in the treatments of property acquisition costs and rent free periods between IFRS and trading NAV calculations creates a difference between the IFRS NAV and the trading NAV at any point in time.

The following table shows the reconciliation of the Fund's IFRS NAV to its trading net asset value:

	6 months ended 28 February 2022 (Unaudited)			
	A Shares	B Shares	C Shares	Total
NAV per financial statements £000	58,893	72,251	27,262	158,406
Plus: Amortised property acquisition cost pricing adjustment £000	3,306	3,399	977	7,682
Plus: Concession rent adjustment £000	76	78	22	176
Trading NAV £000	62,275	75,728	28,261	166,264
Participating Shares in issue (number)	47,766,601	50,196,925	19,071,641	117,035,167
Trading net asset value per Participating Share (£)	1.3037	1.5085	1.4818	
IFRS NAV per share (£)	1.2329	1.4393	1.4294	

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Notes to the Consolidated Financial Statements for the period ended 28 February 2022 (continued)

	Year ended 31 August 2021 (Audited)			
	A Shares	B Shares	C Shares	Total
NAV per financial statements £000	56,033	60,948	20,117	137,098
Plus: Amortised property acquisition cost pricing adjustment £000	2,506	2,726	899	6,131
Concession rent adjustment	27	83	76	186
Pricing NAV £000	58,615	63,757	21,043	143,415
Participating Shares in issue (number)	45,778,631	43,947,609	14,729,510	104,455,750
Trading net asset value per Participating Share (£)	1.2804	1.4507	1.4286	
IFRS NAV per share (£)	1.2240	1.3868	1.3657	

	6 months ended 28 Feb 2021 (Unaudited)			
	A Shares	B Shares	C Shares	Total
NAV per financial statements £000	49,167	50,544	14,528	114,239
Plus: Amortised property acquisition cost pricing adjustment £000	1,993	2,048	589	4,630
Plus: Concession rent adjustment £000	73	75	22	170
Trading NAV £000	51,233	52,667	15,139	119,039
Participating Shares in issue (number)	43,581,145	40,423,970	11,769,383	95,774,498
Trading net asset value per Participating Share (£)	1.1756	1.3029	1.2863	
IFRS NAV per share (£)	1.1282	1.2503	1.2344	

10) Dividends paid

The following Class A dividends were approved by the Directors and paid during the period/year:

Date paid during period ended 28 February 2022 (Unaudited)	£000	Dividend per shares in issue (pence per share)
18 October 2021	615	1.35
4 January 2022	636	1.35
	1,251	

Date paid during year ended 31 August 2021 (Audited)	£000	Dividend per shares in issue (pence per share)
19 October 2020	585	1.30
25 January 2021	573	1.30
19 April 2021	568	1.30
19 July 2021	610	1.30
	2,336	

Date paid during period ended 28 February 2021 (Unaudited)	£000	Dividend per shares in issue (pence per share)
21 October 2020	585	1.30
25 January 2021	573	1.30
	1,158	

11) Related party transactions

Both Philip Scales and Russell Collister are Directors of the Fund. Philip Scales, Russell Collister and Graham Smith are Directors of FWRE Holdings Limited, FWRE Limited, FWRE Holdings Two Limited and FWRE Two Limited. All are Directors of FIM Capital Limited ("FIM") and have an ownership interest in FIM. FIM is the Fund's Asset Manager. The Management fee is an annual fee of 0.25% of the Gross Asset Value of the Fund subject to an annual minimum of £20,000. The current Maximum Permitted Level of the Management Charge is 1.5% of the Net Asset Value on an annualised basis. During the financial period, FIM charged fees for management services of £352,000 (31 August 2021: £547,000 and 28 February 2021: £247,000), of which £121,000 remained outstanding at the period-end (31 August 2021: £114,000 and 28 February 2021: £82,000).

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Notes to the Consolidated Financial Statements for the period ended 28 February 2022 (continued)

FIM receive an annual responsibility fee of £5,000. During the financial period £3,000 was expensed (31 August 2021: £5,000 and 28 February 2021: £3,000) and £1,000 remained payable at the financial period end (31 August 2021: £1,000 and 28 February 2021: £1,000).

Philip Scales, Russell Collister and Graham Smith are also Directors of FIM Nominees Limited which holds 117,035,167 Participating Shares in a nominee capacity at the year-end representing 100% of the total Participating Shares in issue (as at 31 August 2021: 104,455,750 Shares representing 100% and 29 February 2021: 97,774,498 Shares representing 100%).

FIM Nominees Limited also owns 100% (200 shares) of the Management Shares in issue at 28 February 2022, 31 August 2021 and 28 February 2021.

Craig Ewin is both a Director of the Fund and of Sequel Property Investments (Propriety) Limited, the Fund's Property Manager. Details of his share holdings are given in the table below.

The Directors had the following interest in the shares of the Fund either directly or indirectly:

Number of shares	6 months ended 28 Feb 2022 (Unaudited)	Year ended 31 Aug 2021 (Audited)	6 months ended 28 Feb 2021 (Unaudited)
Craig Ewin	A Shares:142,128 B Shares:504,189	A Shares: 140,817 B Shares: 504,189	A Shares: 136,786 B Shares: 504,188

David Elliott is both a Director of the Fund and Marriott Asset Management (Pty) Limited ("MAM"). MAM receive 50% of the gross Class C Management fee paid to FIM for distribution services for the Fund on behalf of FIM. For the period ending 28 February 2022 MAM received a Promoter fee from FIM of £29,000 (31 August 2021: £42,000 and 28 February 2021: £16,000).

FIM are entitled to charge a portfolio management fee of up to 0.75% per annum on investments made into the Fund via an International Investment Portfolio, as detailed within the International Investment Mandate. MAM will render intermediary and distribution services to FIM in respect of such investments and consequently are paid a maximum of 0.52% per annum, from the 0.75% portfolio management fee paid to FIM.

David Elliott and Graham Smith are also Directors of Marriot Isle of Man Limited, which holds 955,437 A Shares and 9,218 C Shares in the Fund as at 28 February 2022, 31 August 2021 and 28 February 2021.

12) Subsequent events

On 24 March 2022, a dividend of £0.0135 was announced to shareholders with a record date of 25 March 2022 and a payment date of 18 April 2022.

On 28 March 2022, some partial switches were undertaken in the holdings held directly or indirectly by Craig Ewin. As a result, his overall interests at the date these financial statements were signed is 221,444 A shares and 436,333 B shares.

The NAV prices per share class as at 29 April 2022 were as follows:

- A (Income) Class GBP0.01 - £1.3411 per Share
- B (Accumulation) Class GBP0.01 Shares - £1.5677 per Share
- C (Accumulation) Class GBP0.01 Shares - £1.5387 per Share

Since 28 February 2022, up to the date these financial statements were signed, the Fund has received subscriptions of £4,326,000 and redemptions of £1,584,000 (these figures are gross for all share classes).

Subsequent to the period end, eight properties were independently revalued in terms of the Fund's valuation policy resulting in the value of the investment properties increasing by £3,164,000.