Interim Financial Report

First World Hybrid Real Estate Plc

For the 6 month period ended 29 February 2024

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Fund Information

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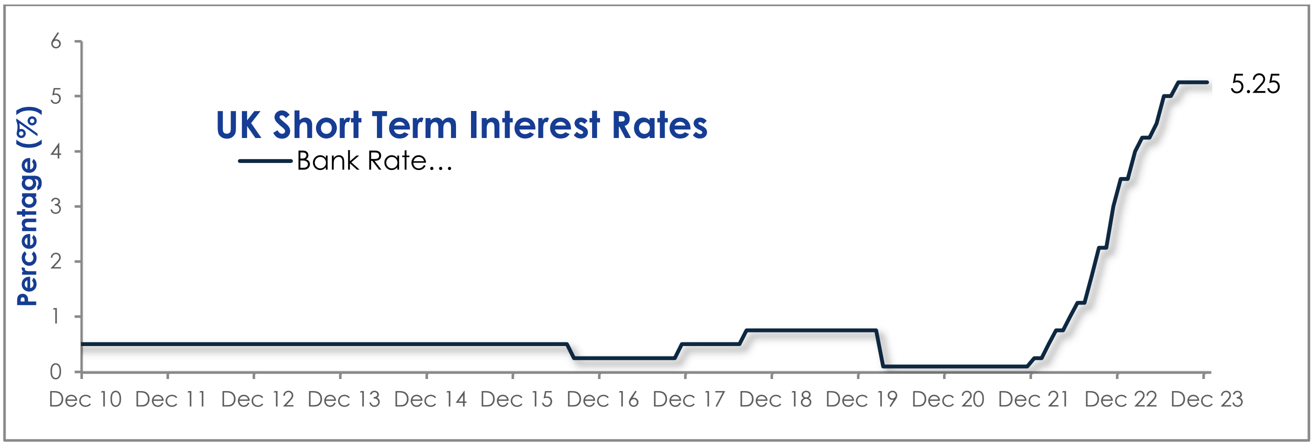
Management Report

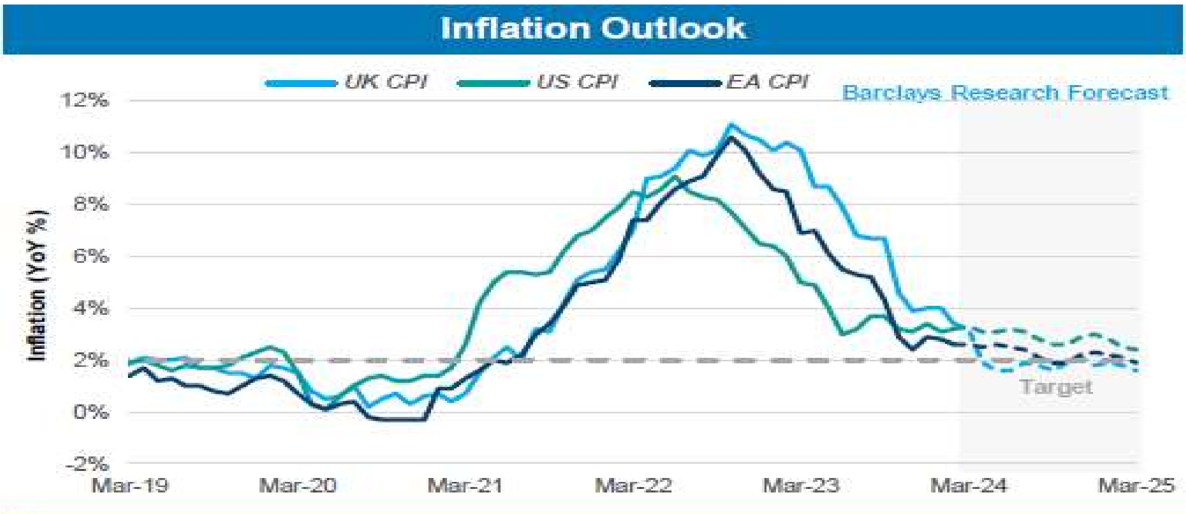
UK Property Market

Within a short period of two years the Bank of England increased interest rates from 0.25% to 5.25% and the base rate has been at the 5.25% level throughout the period under review. Against this backdrop of much higher interest rates property has not been spared and both property valuations and REIT pricing have adjusted downwards.



Source: Bloomberg / Marriott

However, there is now increasing evidence of inflation falling, and sharply, back towards the Bank of England's 2% target range as is evidenced in the graph below and markets are now anticipating a loosening of rates in the near term, with the question no longer being whether rates will be cut, but now, how soon, how rapidly and to what level.



Source: Barclays Research & Bloomberg as of 26th March 2024.

REITs are known to be interest rate sensitive, and it is encouraging that there have been positive spurts of REIT appreciation when data releases have been favourable. Furthermore, there is good evidence of direct property valuations having stabilised following sharp write-downs in the second half of 2022 and the beginning of 2023.

Comfort can also be taken that the occupational demand for distribution warehousing remains, and that rental growth is expected to continue, albeit at more modest levels. Retail warehousing demand, including food, remains robust with successful value chains seeking to roll out further stores. Offices, however, remain under pressure as occupiers review space requirements despite the increasing trend of workers returning to the office. The cost of capex to attain proposed EPC requirements is also a factor and has impacted on office investments. It is noteworthy that while vacancy levels have generally drifted upwards across all sectors, there is a limited supply of speculative development coming to the market, which will assist maintaining a healthy supply / demand equilibrium.

Management Report (continued)

Overall, the outlook seems considerably better than it has been for some time and the type of property that the Fund is invested in can be expected to generate solid net rentals. Rental growth will support valuations. REITs also seem attractively priced and offer value.

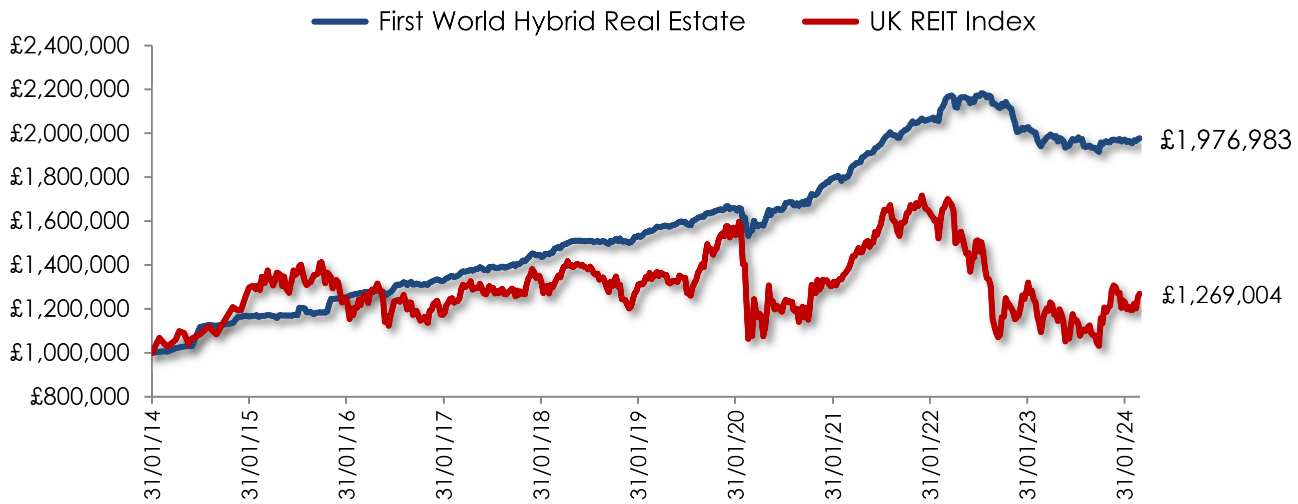
That said, valuers rely on comparable evidence to inform their valuations and this in turn implies a lag before firmer transactional activity flows through to higher valuations generally. On the positive side, it is a widely held view that there is a 'weight of capital' waiting to be invested in UK commercial property.

Comfort can be taken from the type of property that the Fund invests in, the length of the leases and the strength of the underlying tenants, which has allowed the direct portfolio to be resilient to the strong headwinds brought about by higher interest rates.

Investment Objective of the Fund

The **Investment Objectives** 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 although the increase in interest costs is understandably constraining income growth.

The graph below is compelling and demonstrates the performance of the Fund since inception relative to UK REITs. The Fund now has a 10-year track record and has produced solid growth with low volatility, whereas the volatility and weaker return of the UK REIT index is clear. No doubt the type of property that the Fund has chosen to invest in has contributed to this favourable return outcome.



Source data: Bloomberg and Marriott

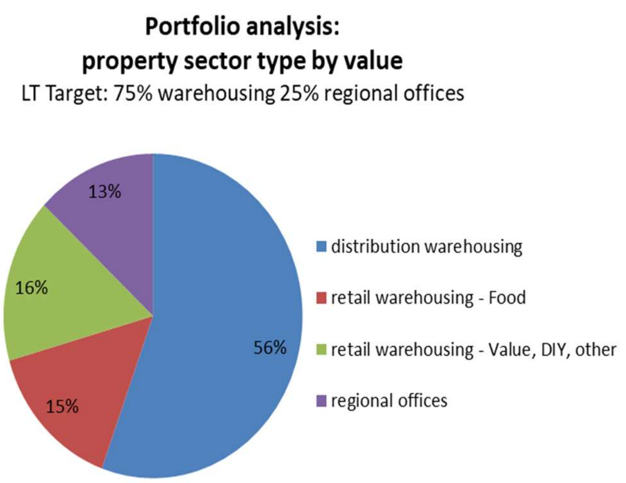
While the spike in inflation and consequent higher interest rates have impacted on the pricing of REITs and direct property, the Fund has held up comparatively well (see table at the end of this report), and it is thought that the offering to investors will remain relevant in the foreseeable future and that investors will be especially well served as inflation and interest rates fall.

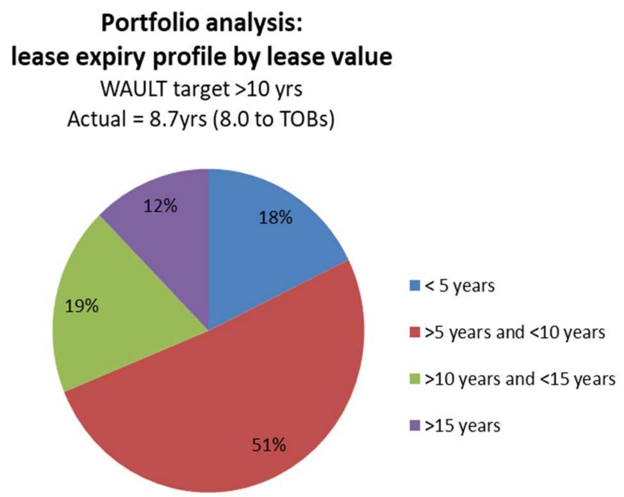
Management Report (continued)

The Direct Property Portfolio

The value of the direct property portfolio at 29 February 2024 was £192.1m During the period under review the B&M Leek property was sold for £4.3m, slightly below its valuation of £4.45m.

The sector weighting and lease expiry profile of the property portfolio at 29 February 2024 is set out below.





The sale of the Leek property has seen minor changes to the portfolio weighting, which remains distribution warehousing dominant at 56%, with 15% and 16% weightings to food stores and retail warehousing respectively, and with a relatively low exposure to offices at 13%.

During the past six months there were 25 property valuations - 3 of which had already been adjusted on 31 August 2023 to comply with financial year end IFRS requirements. The net downward adjustment for the six months under review was £0.75m[1] (£12.26m down in comparable 6 months last year). This equates to approximately 0.4% of opening portfolio value (2023: 5.8%), providing some comfort that valuations are stabilising. It is widely expected that transactional activity will pick up considerably during 2024 and pricing levels of these transactions will flow through into valuations.

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 remains well spread. While the WAULT at 8.7 years is under target this can be expected with the passing of time and pending the regear of leases, especially when there is no acquisition activity to offset this.

Several rental reviews have been finalised or are in play, including Eviosys Newcastle, SIG Cardiff, and a handful of smaller units at Marina Quay, resulting in an increase in the passing rental from the portfolio. Several regear and removal of break opportunities are also being pursued. A 5-year extension to the current SIG Cardiff lease, which currently has 4.5 years remaining, has now been agreed and legals are being completed.

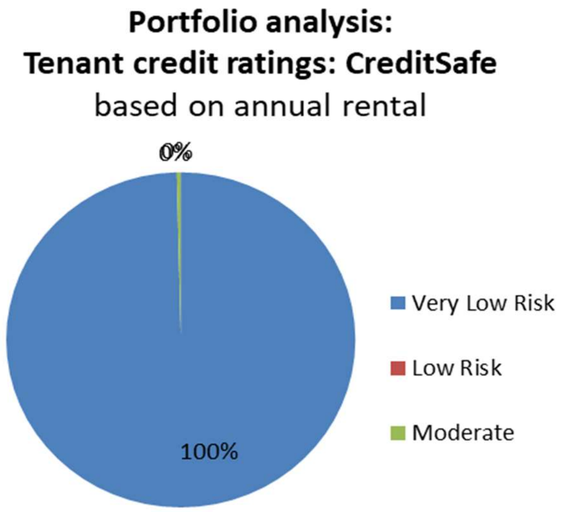
The portfolio is currently fully let. However, Great Bear have confirmed that they will not be renewing their lease, and the Deeside property is now being actively marketed by our appointed leasing agents – a decent upliftment in rental is expected upon reletting.

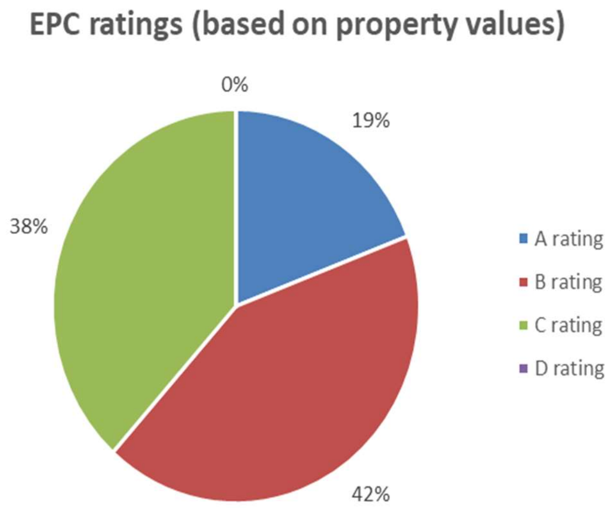
[1] Net loss on investment properties per the financial statements of £938,000 (31 August 2023: £18,383,000, 28 February 2023: £12,291,000) comprises of £746,000 fair value loss on investment properties (31 August 2023: £17,214,000, 28 February 2023: £12,264,000), £201,000 realised loss on investment properties (31 August 2023: £123,000, 28 February 2023: nil), IFRS adjustments of (£9,000) write off of rent free debtors (31 August 2023: £351,000, 28 February 2023: (£26,000)) and write off of acquisition costs of nil (31 August 2023: £694,000, 28 February 2023: £683,000).

Management Report (continued)

All the portfolio leases are FRI (meaning the tenant pays all operating costs) with upwards only rent reviews and 37% 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 6% inherent rental upside across the portfolio and with encouraging signs of continuing market rental growth, especially in the distribution warehousing sector, this augurs well for future rental upliftment when leases are negotiated.

Rental collections have been most satisfying with all rental due being received.





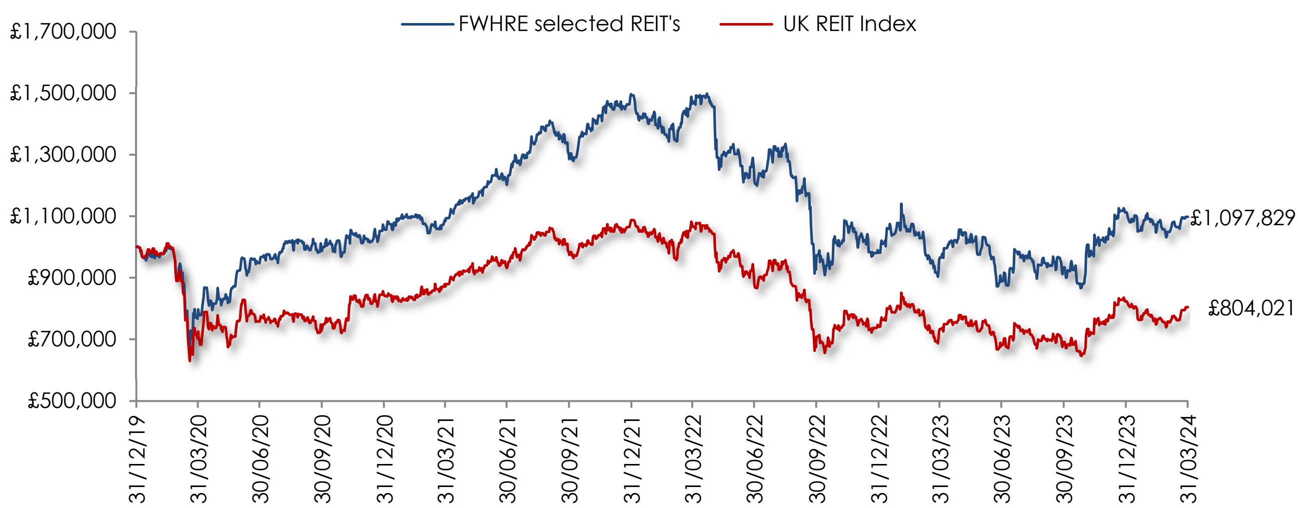
The credit rating of the portfolio remains exceptionally strong. Updates from CreditSafe on in-situ tenants are obtained routinely. Careful consideration has been given to the credit rating of tenants when an acquisition is considered. A minimum CreditSafe rating score of 60 is required (midway point in the Low-Risk category) and in addition it is a requirement that the tenant has tangible net assets on its balance sheet of £20m, giving comfort to the financial substance of the business. The nature of a tenant's operations is also considered as part of sensible acquisition filter risk but also in line with ESG considerations.

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. During the period under review the rating of the Keepmoat property improved from a D to a B rating. The property portfolio is very well positioned from an EPC perspective in terms of its overall ratings but also importantly in terms of the regulatory targets which are purported to become effective in April 2027. Ongoing attention is being given to early reviews of ratings and ways in which EPCs can be cost effectively improved.

<u>The REIT portfolio</u>

The Fund held five UK REITS during the reporting period, namely London Metric, Segro, LXI, Tritax Big Box and Urban Logistics, with an emphasis to distribution warehousing. The value of these REITs at 29 February 2024 was £26.6m (28 February 2023: £31.0m). The mark to market unrealised gain during the six months ended 29 February 2024 is of £1.1m (28 February 2023: £5.2m loss).

REITs continue to be volatile and being interest rate sensitive respond positively and negatively on inflation data releases and interest rate sentiment. While the strong price appreciation at the end of 2023 has partly unwound during 2024, it does show that the potential for upside remains. We can also take comfort that the REITs selected for the Fund have performed well relatively (see graph overleaf).



Source data: Bloomberg and Marriott

Debt Funding

Historically each property acquisition was funded with 50% debt finance but given increasing interest rates the Fund's policy is to target an LTV ratio of 35% to 45% and to hedge between 50% and 75% of the debt by way of a spread of interest rate swaps, with a weighted average term exceeding 5 years. On 29 February 2024, the portfolio LTV rate was 41%; 36% on a Fund basis when including the REITs. Some 54% of the debt has been hedged by way of three interest rate swaps with a weighted average remaining term of 5.2 years. The earliest hedge has approximately 12 months to expiry. The existing fixes remain well in the money with a FV asset value on 29 February 2024 of circa £5.9m (31 August 2023: £7.4m, 28 February 2023: £6.7m). During the period under review, the value of the swap has decreased and given rise to a fair value adjustment of £1.5m.

During the period under review the remaining 1-year extension with HSBC was finalised and this term now has just under 3 years remaining. The remaining 1-year extension on the Barclays term is currently being finalised and this will see the remaining term on the debt with Barclays extended to 2 ½ years.

It is almost inconceivable that within a period of 24 months the UK base interest rate increased by 5%, from 0.25% to 5.25%. Longer term 5-year interest swaps are suggesting that rates will reduce in the near term. Twelve months ago, the 5-year swap rate was 404 bps, increasing to 478 bps at the beginning of September 2023, dropping sharply to 337 bps at the end of Dec 2023, and at the end of the period under review, on 29 February 2024, it was 403 bps, demonstrating the volatility of rates and interest rate cutting expectations.

Despite the increase in the base rate in recent years, given the hedges in place the average cost of the Fund's debt is circa 4.8% (inclusive of reserving costs on the £5m Revolving Credit Facility (RCF) which at 29 February 2024 was unutilised and fully available to be drawn down as required).

The Interest cover ratio is 3.3 times, and there is good headroom on both IC and LTV from a banking covenant perspective.

Subscription, redemptions, and liquidity

New subscriptions for the six-month interim period ending Feb 2024 were £3.5m (31 August 2023: £15.1m, 29 February 2023: £10.5m). Redemptions for the six months total £10.3m (31 August 2023: £17.2m, 28 February 2023: £7.6m). Redemptions for the six months under review were 6.8% of average NAV over the period, (31 August 2023: 10.3%, 28 February 2023: 4.4%).

Management Report (continued)

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. To this end, a Liquidity Level of 35% (of net asset value) is targeted with a red-line Minimum Liquidity level of 15%. The liquidity level at 29 February 2024 was 19%[2] (31 August 2023: 20%, 28 February 2023: 21%). These percentages exclude the RCF which is available should the need arise.

Fund Performance

The Fund's total return for the 6 months ending 29 February 2024 is negative 1.6% (31 August 2023: negative 9.2%, 28 February 2023: negative 7.8%). The 2.6p distribution for six months represents an annualised 4.5% on the opening share price of 116.03p. The income return is in line with expectation.

The longer-term performance of the Fund is set out in the table below.

Annualised returns – periods ending Feb 2024	1 Year	3 Years	5 Years
Total Return	-2.3%	2.9%	4.9%
Income	4.3%	4.3%	4.5%
Capital growth	-6.6%	-1.4%	0.4%

Note: The annualised returns are based on the last pricing available at the end of the respective periods and will differ to the IFRS interim financial statements.

The above returns, while disappointing in absolute terms, have fared comparatively well relative to both the UK REIT and UK Equity index returns over similar timeframes, as demonstrated below.

Annualised returns – periods ending Feb 2024	1 Year	3 Years	5 Years
FWHRE	-2.3%	2.9%	4.9%
UK REITs (UK REIT index)	-6.7%	-4.3%	-2.7%
UK Equity index	-0.9%	-0.3%	2.5%

Outlook

REITs yields remain well above their historic levels and as inflation falls and interest rates trend downwards, there is potential for decent pricing upside.

Similarly, the recalibration of property yields resulting in softer property valuations seems to have largely settled. Lower long term interest rates should also be supportive of firmer property transaction pricing which in turn will underpin valuation upside as and when these property transactions become comparable evidence for valuers.

Positively, the occupational demand and broader fundamentals for the type of property that the Fund has invested in remains encouraging and supports the view that the 4% to 6.5% total return guidance is a reasonable expectation over the longer term.

[2] Liquidity is calculated as liquid assets (cash and equities) as a percentage of net assets.

Interim Consolidated Statement of Comprehensive Income for the 6 month period ended 29 February 2024

	Note	6 months ended 29 Feb 2024 (Unaudited) £000	Year ended 31 Aug 2023 (Audited) £000	6 months ended 28 Feb 2023 (Unaudited) £000
Revenue				
Rental income	5	6,224	12,517	6,248
Other income	6	-	5	5
Net loss on financial assets and liabilities at fair value through profit or loss	4	(499)	(6,894)	(4,062)
Net fair value loss on investment properties	5	(938)	(18,383)	(12,921)
Dividend income		695	1,756	746
		5,482	(10,999)	(9,984)
Expenses				
Finance expense	7	(2,088)	(3,628)	(1,727)
Property expenses		(529)	(1,238)	(693)
Management expenses	11	(374)	(792)	(404)
Custodian fees		(88)	(190)	(98)
Other expenses		(131)	(253)	(139)
		(3,210)	(6,101)	(3,061)
Profit/(loss) before tax		**2,272**	**(17,100)**	**(13,045)**
Taxation		(1,177)	(1,791)	(998)
Profit/(loss) for the period/year		1,095	(18,891)	**(14,043)**
Total comprehensive profit/(loss) for the period/year		**1,095**	**(18,891)**	**(14,043)**

The Directors consider that all results derive from continuing activities.

The accompanying notes on pages 12 to 19 form an integral part of these interim financial statements.

Interim Consolidated Statement of Financial Position
as at 29 February 2024

	Note	As at 29 Feb 2024 (Unaudited) £000	As at 31 Aug 2023 (Audited) £000	As at 28 Feb 2023 (Unaudited) £000
Non-current assets				
Investment property	5	192,147	197,315	201,797
Financial assets at fair value through profit or loss - swap	4,7	5,853	7,398	6,702
		198,000	204,713	208,499
Current assets				
Investment property	5	-	-	8,000
Financial assets at fair value through profit or loss - equities		28,085	30,934	33,531
Trade and other receivables		857	809	1,074
Cash and cash equivalents		278	139	1,551
Financial assets at fair value through profit or loss - swap	4,7	199	195	-
Tax asset		581	615	
		30,000	32,692	44,156
Total assets		**228,000**	**237,405**	**252,655**
Liabilities				
Non-current liabilities				
Borrowings	7	78,205	80,204	84,099
		78,205	80,204	84,099
Current liabilities				
Trade and other payables		496	719	548
Redemptions payable		-	-	544
Interest payable		609	618	362
Deferred income	5	1,065	1,221	1,276
Current tax liability		-	-	23
		2,170	2,558	2,753
Total liabilities		**80,375**	**82,762**	**86,852**
Net assets		**147,625**	**154,643**	**165,803**
Equity				
Participating Share capital	8	1,200	1,251	1,286
Share premium	8	137,397	144,171	149,123
Retained earnings		9,028	9,221	15,394
Total Equity		**147,625**	**154,643**	**165,803**
NAV per Share	9	**£1.23**	**£1.23**	**£1.29**

These interim financial statements on pages 12 to 19 were approved and authorised for issue by the Board of Directors on 22 April 2024 and signed on its behalf by:

Philip Scales
Director

Craig Ewin
Director

Interim Consolidated Statement of Changes in Equity for the 6 month period ended 29 February 2024

	Participating Share capital	Share premium	Retained earnings	Total Equity
	£000	£000	£000	£000
Balance at 1 September 2022	**1,267**	**146,237**	**30,733**	**178,237**
Loss for the period	-	-	(14,043)	(14,043)
Total comprehensive loss for the period	**-**	**-**	**(14,043)**	**(14,043)**
Transactions with Shareholders				
Distributions to Shareholders	-	-	(1,296)	(1,296)
Participating Share issuances	74	10,469	-	10,543
Participating Share redemptions	(55)	(7,583)	-	(7,638)
Total transactions with Shareholders	19	2,886	(1,296)	1,609
Balance at 28 February 2023 (Unaudited)	**1,286**	**149,123**	**15,394**	**165,803**
Balance at 1 September 2022	**1,267**	**146,237**	**30,733**	**178,237**
Loss for the year	-	-	(18,891)	(18,891)
Total comprehensive profit for the year	**-**	**-**	**18,891**	**18,891**
Distributions to Shareholders	-	-	(2,621)	(2,621)
Participating Share issuances	**111**	**15,019**	**-**	**15,130**
Participating Share redemptions	**(127)**	**(17,085)**	**-**	**(17,212)**
Total transactions with Shareholders	**(16)**	**(2,066)**	**(2,621)**	**(4,703)**
Balance at 31 August 2023 (Audited)	**1,251**	**144,171**	**9,221**	**154,643**
Balance at 1 September 2023	**1,251**	**144,171**	**9,221**	**154,643**
Profit for the period	-	-	1,095	1,095
Total comprehensive gain for the period	**-**	**-**	**1,095**	**1,095**
Transactions with Shareholders				
Distributions to Shareholders	-	-	(1,288)	(1,288)
Participating Share issuances	28	3,449	-	3,477
Participating Share redemptions	(79)	(10,223)	-	(10,302)
Total transactions with Shareholders	(51)	(6,774)	(1,288)	(8,113)
Balance at 29 February 2024 (Unaudited)	**1,200**	**137,397**	**9,028**	**147,625**

The accompanying notes on pages 12 to 19 form an integral part of these interim financial statements.

Interim Consolidated Cash Flow Statement for the 6 month period ended 29 February 2024

	Note	6 months ended 29 Feb 2024 (Unaudited) £000	Year ended 31 Aug 2023 (Audited) £000	6 months ended 29 Feb 2023 (Unaudited) £000
Cash flows from operating activities				
Profit/(loss) before tax		2,272	(17,100)	(13,045)
Adjustments to reconcile profit before tax to net cash flows				
Interest expense	7	1,963	3,435	1,584
Amortisation of borrowing arrangement fees	7	125	193	143
Net unrealised losses on investment property	5	737	18,259	12,921
Realised loss on investment property		201	123	-
Net loss in financial assets and liabilities at fair value through profit or loss	4	499	6,894	4,062
Movement in concession rent debtor adjustment	5	9	(351)	26
Working capital adjustments:				
Increase in trade and other receivables		(17)	(213)	(459)
Decrease in trade and other payables		(379)	(54)	(191)
		5,410	28,286	5,041
Dividends paid		(695)	(1,756)	-
Interest paid		(1,976)	(3,299)	(1,508)
Tax paid		(1,143)	(2,663)	(1,232)
Net cash inflow from operating activities		**1,596**	**3,468**	**2,301**
Cash flows from financing activities				
Issue of redeemable participating preference Shares		3,476	15,130	10,543
Redemption of redeemable participating preference Shares		(10,301)	(17,476)	(7,358)
Utilisation of borrowings		(2,092)	(3,752)	-
Borrowing arrangement fees		(32)	(193)	-
Distributions paid to shareholders	10	(1,288)	(2,621)	(1,296)
Net cash (outflow)/inflow from financing activities		**(10,237)**	**(8,912)**	**1,889**
Cash flows from investing activities				
Purchase of investment properties	5	(27)	(10,579)	(10,099)
Sale of investment properties	5	4,248	7,877	-
Purchase of investments at fair value		(4,600)	(21,004)	(10,704)
Sale of investments at fair value		8,495	23,369	14,000
Dividend received		664	1,756	1,191
Net cash inflow/(outflow) from investing activities		**8,780**	**1,419**	**(6,803)**
Net increase/(decrease) in cash and cash equivalents		139	(4,025)	(2,613)
Cash and cash equivalents at the beginning of the year		139	4,164	4,164
Cash and cash equivalents at the end of the year		**278**	**139**	**1,551**

The accompanying notes on pages 12 to 19 form an integral part of these interim financial statements.

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 2023. They do not include all 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 2023. 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 2023

The following new principal accounting policies applied in the preparation of these financial statements:

Description	**Effective date**
Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures	1 January 2024

c) New standards, amendments and interpretations issued but not yet effective and not early adopted

Several new standards, amendments and interpretations are effective for annual periods beginning after 1 September 2023 and earlier application is permitted; however, the Fund has not early adopted the amended standards in preparing these financial statements. IFRS S1 and IFRS S2 will come into effect for the year ended 31 August 2025, and will increase the disclosures on sustainability and climate change in the financial statements.

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")

	6 months ended 29 Feb 2024 (Unaudited) £000	Year ended 31 Aug 2023 (Audited) £000	6 months ended 28 Feb 2023 (Unaudited) £000
Net gain/(loss) on investments	1,046	(8,765)	(5,237)
Net unrealised (loss)/gain on swaps	(1,545)	1,871	1,175
Net (loss) on financial assets at FVTPL	**(499)**	**(6,894)**	**(4,062)**

5) Investment property

	As at 29 Feb 2024 (Unaudited) £000	As at 31 Aug 2023 (Audited) £000	As at 28 Feb 2023 (Unaudited) £000
Investment property	191,603	196,611	209,480
Concession rent debtor adjustment	544	704	317
Closing balance	**192,147**	**197,315**	**209,797**
Comprised of:			
Non-current assets	**192,147**	197,315	201,797
Current assets	-	-	8,000*
	192,147	**197,315**	**209,797**

*On 8 March 2023, the Group completed the sale of Prima House, Leeds for £8,000,000. The property was partly funded by debt, which was repaid upon the sale.

Investment property fair value movement	6 months ended 29 Feb 2024 (Unaudited) £000	Year ended 31 Aug 2023 (Audited) £000	6 months ended 28 Feb 2023 (Unaudited) £000
Unrealised (loss) on investment property	(737)	(18,259)	(12,921)
Realised (loss) on investment property	(201)	(124)	-
Net fair value (loss) on investment properties	**(938)**	**(18,383)**	**(12,921)**

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, valuations are performed by externally accredited independent valuers every 6 months based on the acquisition date of that property into the portfolio.

On 5 February 2024, the Group completed the disposal of the property known as B&M Retail Warehouse, Newcastle Road, Leek ("B&M Leek"). The property was purchased for £5,050,000 and sold for £4,300,000. The property was partly funded by debt of £2,092,000, which was repaid upon the sale. The most recent valuation prior to the disposal was £4,450,000.

During the period, £27,000 was spent on capital expenditure for the fit-out of vacant units in Marina Quays, Rhyl.

Rental income earned and received from the investment properties during the period was £6,224,000 (31 August 2023: £12,517,000 and 28 February 2023: £6,248,000). As at 29 February 2024 there was £1,065,000 deferred rental income (31 August 2023: £1,221,000 and 28 February 2023: £1,276,000) that had been received by the Fund which relates to the next financial period.

6) Other income

On 8 October 2021, the Fund completed the acquisition of a retail park known as Marina Quay Retail Park, Rhyl. Under the terms of the sale agreement the purchase price was reduced for £53,000 guaranteed income in respect to vacant units. £5,000 was recognised in the year ended 31 August 2023.

7) Borrowings

	As at 29 Feb 2024 (Unaudited)	As at 31 Aug 2023 (Audited)	As at 28 Feb 2023 (Unaudited)
Non-current borrowings	**£000**	**£000**	**£000**
Total loans before amortisation	78,759	80,851	84,603
Less: amortised borrowing arrangement fees	(554)	(647)	(504)
Total	**78,205**	**80,204**	**84,099**

On 24 January 2024, the HSBC UK Bank Plc loan facilities were extended by one year to 11 February 2027. A borrowing arrangement fee of £32,000 was charged.

On 5 February 2024, the Group completed the sale of B&M Leek (note 5). The property was partly funded by debt of £2,092,000, which was repaid upon the sale.

The Group holds the following borrowings at 29 February 2024:

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	62,536	-	16,223
Agreement date	22 October 2021	22 October 2021	11 February 2022
Termination date	22 October 2025	22 October 2025	11 February 2027
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 29 February 2024:

	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 29 Feb 2024 (Unaudited)	Year ended 31 Aug 2023 (Audited)	6 months ended 28 Feb 2023 (Unaudited)
Finance expense	**£000**	**£000**	**£000**
Interest expense	1,963	3,435	1,584
Borrowing arrangement fees amortisation	125	193	143
Total	**2,088**	**3,628**	**1,727**

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	Number of Participating Shares			
29 February 2024 (Unaudited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	50,489,208	50,931,011	23,839,088	**125,259,307**
Subscriptions for the period	1,053,208	711,000	931,658	**2,695,866**
Redemptions for the period	(2,944,893)	(3,696,103)	(1,284,911)	**(7,925,907)**
Share Class transfers for the period	(27,670)	(23,243)	46,628	**(4,285)**
At 29 February 2024	**48,569,853**	**47,922,665**	**23,532,463**	**120,024,981**

Year ended	Number of Participating Shares			
31 August 2023 (Audited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	50,361,803	53,057,407	23,435,895	**126,855,105**
Subscriptions for the period	4,078,473	3,745,234	3,092,288	**10,915,995**
Redemptions for the period	(4,929,106)	(5,062,070)	(2,689,095)	**(12,680,271)**
Share Class transfers for the period	978,038	(809,560)	-	**168,478**
At 31 August 2023	**50,489,208**	**50,931,011**	**23,839,088**	**125,259,307**

6 month period ended	Number of Participating Shares			
28 February 2023 (Unaudited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	50,361,803	53,057,407	23,435,895	**126,855,105**
Subscriptions for the period	2,644,963	2,650,521	2,116,137	**7,411,621**
Redemptions for the period	(2,347,854)	(1,953,319)	(1,161,004)	**(5,462,177)**
Share Class transfers for the period	(73,915)	60,130	-	**(13,785)**
At 28 February 2023	**50,584,997**	**53,814,739**	**24,391,028**	**128,790,764**

6 month period ended	Participating Share capital £000			
29 February 2024 (Unaudited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	505	508	238	**1,251**
Subscriptions for the period	11	8	9	**28**
Redemptions for the period	(30)	(37)	(12)	**(79)**
At 29 February 2024	**486**	**479**	**235**	**1,200**

Year ended	Participating Share capital £000			
31 August 2023 (Audited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	504	529	234	**1,267**
Subscriptions for the period	41	37	31	**109**
Redemptions for the period	(50)	(50)	(27)	**(127)**
Share Class transfers for the period	10	(8)	-	**2**
At 31 August 2023	**505**	**508**	**238**	**1,251**

6 month period ended	Participating Share capital £000			
28 February 2023 (Unaudited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	**504**	**529**	**234**	**1,267**
Subscriptions for the period	26	27	21	**74**
Redemptions for the period	(23)	(20)	(12)	**(55)**
Share Class transfers for the period	(1)	1	**-**	-
At 28 February 2023	**506**	**537**	**243**	**1,286**

6 month period ended		Share premium £000		
29 February 2024 (Unaudited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	52,863	60,514	30,794	144,171
Subscriptions for the period	1,180	999	1,270	**3,449**
Redemptions for the period	(3,302)	(5,162)	(1,759)	**(10,223)**
Share Class transfers for the period	(31)	(33)	64	**-**
At 29 February 2024	**50,710**	**56,318**	**30,369**	**137,397**

Year ended		Share premium £000		
31 August 2023 (Audited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	52,777	63,355	30,105	**146,237**
Subscriptions for the period	4,968	5,580	4,473	**15,021**
Redemptions for the period	(6,018)	(7,283)	(3,784)	**(17,085)**
Share Class transfers for the period	1,136	(1,138)	-	**(2)**
At 31 August 2023	**52,863**	**60,514**	**30,794**	**144,171**

6 month period ended		Share premium £000		
28 February 2023 (Unaudited)	**A Shares**	**B Shares**	**C Shares**	**Total**
Opening balance	**52,777**	**63,355**	**30,105**	**146,237**
Subscriptions for the period	3,306	4,034	3,129	**10,469**
Redemptions for the period	(3,019)	(2,885)	(1,679)	**(7,583)**
Share Class transfers for the period	(85)	85	-	**-**
At 28 February 2023	**52,979**	**64,589**	**31,555**	**149,123**

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:

	As at 29 February 2024 (Unaudited)			
	A Shares	**B Shares**	**C Shares**	**Total**
IFRS NAV £000	51,998	64,719	30,908	147,625
Plus: Amortised property acquisition cost pricing adjustment £000	2,259	2,811	1,342	6,412
Plus: Concession rent adjustment £000	192	239	114	545
Trading NAV £000	54,449	67,769	32,364	154,582
Participating Shares in issue (number)	48,569,853	47,922,665	23,532,463	120,024,981
Trading NAV per Participating Share (£)	**1.1210**	**1.4141**	**1.3753**	**1.2879**
IFRS NAV per share (£)	**1.0705**	**1.3504**	**1.3134**	**1.2299**

	As at 31 August 2023 (Audited)			
	A Shares	**B Shares**	**C Shares**	**Total**
NAV per financial statements £000	55,009	68,413	31,221	154,643
Plus: Amortised property acquisition cost pricing adjustment £000	2,546	3,167	1,445	7,158
Concession rent adjustment	250	312	142	704
Pricing NAV £000	57,805	71,892	32,808	162,505
Participating Shares in issue (number)	50,489,208	50,931,011	23,839,088	125,259,307
Trading net asset value per Participating Share (£)	**1.1449**	**1.4115**	**1.3762**	**1.2974**
IFRS NAV per share (£)	**1.0895**	**1.3432**	**1.3096**	**1.2345**

	As at 28 Feb 2023 (Unaudited)			
	A Shares	**B Shares**	**C Shares**	**Total**
NAV per financial statements £000	58,145	74,572	33,086	165,803
Plus: Amortised property acquisition cost pricing adjustment £000	2,792	3,581	1,537	7,910
Plus: Concession rent adjustment £000	112	143	61	316
Trading NAV £000	61,049	78,296	34,684	174,029
Participating Shares in issue (number)	50,584,997	53,814,739	24,391,028	128,790,764
Trading net asset value per Participating Share (£)	**1.2068**	**1.4549**	**1.4220**	**1.3512**
IFRS NAV per share (£)	**1.1494**	**1.3857**	**1.3564**	**1.2873**

10) Dividends paid

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

Date paid during period ended 29 February 2024 (Unaudited)	**£000**	**Dividend per shares in issue (pence per share)**
23 October 2023	654	1.30
23 January 2024	634	1.30
	1,288	

Date paid during year ended 31 August 2023 (Audited)	**£000**	**Dividend per shares in issue (pence per share)**
24 October 2022	647	1.30
23 January 2023	649	1.30
24 April 2023	662	1.30
24 July 2023	663	1.30
	2,621	

Date paid during period ended 28 February 2023 (Unaudited)	**£000**	**Dividend per shares in issue (pence per share)**
24 October 2022	649	1.30
23 January 2023	650	1.30
	1,296	

11) Related party transactions

Individuals considered related parties are shown below:

Individual	Group Directorships	Related Party Directorships
Craig Ewin	First World Hybrid Real Estate Plc	FIM Holdings Limited
David Elliott and Duggan Matthews	First World Hybrid Real Estate Plc	Marriott Asset Management (Pty) Limited Marriot Isle of Man Limited
Peter Craig	FWRE Holdings Two Limited FWRE Holdings Two Limited FWRE Limited FWRE Two Limited	FIM Capital Limited
Philip Scales	First World Hybrid Real Estate Plc	FIM Holdings Limited
Russell Collister	First World Hybrid Real Estate Plc FWRE Holdings Two Limited FWRE Holdings Two Limited FWRE Limited FWRE Two Limited	FIM Capital Limited FIM Holdings Limited

FIM Capital Limited ("FIM") is the Fund's Asset Manager, FIM Holdings Limited is its ultimate parent. The Management fee is an annual fee of 0.25% of the Gross Asset Value ("GAV") 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 £374,000 (31 August 2023: £792,000 and 28 February 2023: £404,000), of which £125,000 remained outstanding at the period-end (31 August 2023: £130,000 and 28 February 2023: £131,000).

FIM is the Fund's Property Manager. The Property Management fee is an annual fee of 0.25% of the GAV on the following sliding scale: 0.5% on the first £125 million; 0.3% on GAV between £125 million and £250 million; and 0.25% on GAV in excess of £250 million. During the financial period, FIM charged fees for Property Management services of £475,000 (31 August 2023: £792,000 and 28 February 2023: nil), of which £15,000 remained outstanding at the period-end (31 August 2023: £91,000 and 28 February 2023: nil).

FIM receives an annual listing sponsor fee of £5,000. During the financial period £3,000 was expensed (31 August 2023: £5,000 and 28 February 2023: £3,000) and £1,000 remained payable at the financial period end (31 August 2023: £1,000 and 28 February 2023: £1,000).

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. Marriott Asset Management (Pty) Limited ("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.

FIM Nominees Limited which holds 120,024,981 Participating Shares in a nominee capacity at the year-end representing 100% of the total Participating Shares in issue (as at 31 August 2023: 125,259,307 Shares representing 100% and 28 February 2023: 128,790,764 Shares representing 100%).

FIM Nominees Limited also owns 100% (200 shares) of the Management Shares in issue at 29 February 2024, 31 August 2023 and 28 February 2023.

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 29 February 2024 MAM received a Promoter fee from FIM of £41,000 (31 August 2023: £83,000 and 28 February 2023: £46,000).

Related parties had the following interests in the shares of the Fund either directly or indirectly:

Number of shares	As at 29 Feb 2024 (Unaudited)	As at 31 Aug 2023 (Audited)	As at 28 Feb 2023 (Unaudited)
Marriot Isle of Man Limited	A Shares: 955,437	A Shares: 955,437	A Shares: 955,437
	C Shares: 9,218	C Shares: 9,218	C Shares: 9,218

12) Directors' interests

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

Number of shares	As at 29 Feb 2024 (Unaudited)	As at 31 Aug 2023 (Audited)	As at 28 Feb 2023 (Unaudited)
Craig Ewin	A Shares:680,151	A Shares: 665,519	A Shares: 142,128
	B Shares:85,881	B Shares: 85,881	B Shares: 504,189

Directors' fees for the current and comparative periods are shown below:

	6 months ended 29 Feb 2024 (Unaudited) £000	Year ended 31 Aug 2023 (Audited) £000	6 months ended 28 Feb (Unaudited) £000
Craig Ewin	13	25	13
Elizabeth Greenhalgh	8	15	8
Mark Grace (including VAT)	11	23	11
	32	**63**	**32**

13) Subsequent events

Distributions

On 31 March 2024, a dividend of 1.3 pence per share was announced to shareholders with a record date of 31 March 2024 and a payment date of 23 April 2024. As a result of reinvested dividends, at the date these financial statements were signed Craig Ewin's overall interest in the A (Income) Class Shares increased to 687,689.

Share information

The trading NAV prices per share class as at 12 April 2024 were as follows:

- A (Income) Class GBP0.01 - £1.1145 per Share
- B (Accumulation) Class GBP0.01 Shares - £1.4221 per Share
- C (Accumulation) Class GBP0.01 Shares - £1.3823 per Share

Since 29 February 2024, up to the date these financial statements were signed, the Fund has received subscriptions of £1,453,000 and redemptions of £2,417,000 (these figures are gross for all share classes).

Property valuations

After the period end, nine properties were independently revalued in terms of the Fund's valuation policy resulting in the value of the investment properties decreasing by £647,000.