

**Annual Report and Consolidated
Financial Statements**

First World Hybrid Real Estate Plc

For the year ended 31 August 2025

First World Hybrid Real Estate Plc

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First World Hybrid Real Estate Plc

Fund Information

Directors

Craig Ewin
David Elliott
Duggan Matthews
Elizabeth Greenhalgh
Mark Grace
Philip Scales
Russell Collister

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First World Hybrid Real Estate Plc

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 August 2025.

Activity

First World Hybrid Real Estate plc (the "Fund") was incorporated in the Isle of Man as a public company limited by shares 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 has three classes of Participating Shares, being the A (Income) Class, the B (Accumulation) Class and the C (Accumulation) Class. These are listed on The International Stock Exchange (TISE) and is subject to the Exchange's listing rules.

The Fund invests primarily in UK commercial real estate. The Fund wholly owns the following subsidiaries (collectively, the "Group"), all incorporated in the Isle of Man:

Name	Company description	Immediate parent	Date of incorporation
FWRE Holdings Limited	Holding company	First World Hybrid Real Estate Plc	26 September 2013
FWRE Limited	Property investment company	FWRE Holdings Limited	22 August 2013
FWRE Holdings Two Limited	Holding company	First World Hybrid Real Estate Plc	24 August 2021
FWRE Two Limited	Property investment company	FWRE Holdings Two Limited	24 August 2021

In September 2024 FWRE Two Limited exchanged contracts with Burger King UK for the development of a drive-thru restaurant unit at Marina Quay Retail Park, Rhyl. FWRE Two Limited will contribute a capital sum of £1,400,000 towards the construction costs (note 23).

On 30 September 2024, FWRE Limited completed the disposal of Unit 2, Tenth Avenue, Deeside. The property was partly funded by debt; this was repaid upon the sale. FWRE Limited signed a discharge agreement with the tenant to discharge it from its lease liabilities upon vacating the property. A fee, net of legal costs of £130,000 was received from the tenant. (notes 9, 10 & 13).

During the year both the HSBC and Barclays loan facilities were refinanced for three-year terms with two additional one-year extensions (note 13).

Following the maturity of the Barclays £15,000,000 swap on 22 April 2025, the Group entered three new swaps (one and two years) totalling £24,500,000 (note 4).

During the year, £24,000 was spent on capital expenditure of a property (note 9).

On 24 March 2025, the FWRE Two Limited entered into an agreement for lease of six electric vehicle charging bays at North Durham Retail Park. The lease will commence when planning approval is received to build the bays (note 9).

Results

The consolidated results of the Group for the year ended 31 August 2025 are set out in the Consolidated Statement of Comprehensive Income on page 21.

A review of the Group's activities is contained in the Management Report on pages 4 to 14.

The proposed transfers to and from reserves are as set out in the Consolidated Statement of Changes in Equity on page 23.

Details of the authorised and issued share capital of the Fund are set out in note 6 to the financial statements.

First World Hybrid Real Estate Plc

Directors' Report (continued)

Dividends

The following dividends were paid during the financial year (note 7):

Date paid	£000	Pence per share
21 October 2024	559	1.15
21 January 2025	541	1.15
21 April 2025	482	1.15
21 July 2025	468	1.15

Directors

The Directors who held office during the financial year and to date are shown below:

Craig Ewin
David Elliott
Duggan Matthews
Elizabeth Greenhalgh
Mark Grace
Philip Scales
Russell Collister

Details of Directors holdings of shares in the Group are disclosed in note 21 of the financial statements.

Post balance sheet events

For a summary of significant events after 31 August 2025, see note 24 of the financial statements.

Auditors

Subsequent to completing the audit of these financial statement, KPMG Audit LLC will resign as auditor and be replaced by KPMG Audit Limited. KPMG Audit Limited, being eligible, have expressed their willingness to continue in office.

Approval

This report was approved by the Board of Directors on 31 October 2025 and signed on its behalf by:

P P Scales
Director

R J Collister
Director

Executive summary

UK property, and the Fund, has weathered a storm of unusually high interest rates and the return outlook for the Fund now looks considerably more encouraging.

- **Returns** – based on last published prices, the Fund has produced a Total Return of 4.7% for the 12 months ending 31 August 2025 (2024: 0.8%), comprising a 4.3% income return and 0.4% price appreciation. The income return is in line with expectations. Positive valuation upside contributed to the capital return, but this was offset by REIT losses and a reduction in the fair value of the debt swaps.
- **Investment flows** – the Fund experienced net outflows during the year of £20.4m, comprising new subscriptions of £4.7m and redemptions of £25.1m (2024: £14.9m net outflows comprising new subscriptions of £7.6m and redemptions of £22.5m) (note 6).
- **Fund pricing Net Asset Value (NAV)** - the NAV of the Fund as at 31 August 2025 was £132m, 11% down on prior year £148m (due primarily to net outflows).
- **Property acquisitions and disposals** – there were no acquisitions during the year. The disposal of the Deeside (ex-Great Bear) property, which was classified as ‘Held for Sale’ on 31 August 2024 at the agreed net selling price, was completed on 30 September 2024.
- **Property valuations** – the valuation policy is for each property to be valued twice per annum on a rolling basis, on the anniversary of its acquisition and every six months thereafter. In addition, at financial year end all property valuations are reviewed by the independent valuers and adjustments are made where deemed necessary for IFRS purposes. Overall, the portfolio increased in value by a net £6.6m¹ over the year, 3.5% up on the opening portfolio value (2024: down by net £1.1m, 0.5%) (note 9).
- **Debt arrangements** – as at 31 August 2025, the Loan to Value ratio (LTV) was 45% (August 2024: 44%), at the upper limit of 35% to 45% target range set by the Board. The Fund LTV, based on total assets of the Fund pricing NAV, is 38% (August 2024: 35%). Some 70% of term debt was hedged (August 2024: 53%), at favourable rates, for a weighted average remaining term of 3.7 years (August 2024: 4.7 years). The Interest Cover ratio is circa 3.1 times (August 2024: 3.0 times). The swaps are well in the money with a fair value of £4.2m (August 2024: £5.0m).
- **REITs** - the REITs held by the Fund contributed negatively to Fund returns during the year, with £3.9m of realised/unrealised loss, being 13% on the opening REIT portfolio value, (2024: £3.2m gain, 10% of opening portfolio value). Notwithstanding, the REITs held by the Fund have meaningfully outperformed UK REITs and it is significant that REITs are trading at what appear to be attractive yields and meaningful discounts to their underlying NAVs.
- **Liquidity** - liquidity as at 31 August 2025 stood at 15%² (2024: 22%). When including the available and undrawn RCF at 31 August 2025 this increases to 19%, which is between the 25% Liquidity target and the Minimum Liquidity level of 15% set by the Board.

Markets and business environment

The global and economic backdrop

The global sociopolitical environment has continued to be highly volatile with the Ukraine and Gaza conflicts ongoing. Furthermore, USA trade policies and tariff uncertainty has seen Central banks concerned about the inflationary impacts and monetary policy has generally been more restrictive than it may otherwise have been. Notwithstanding, the UK base rate has been cut 4 times since 1 August 2024 and has fallen from 5.0% to 4.00%.

Against this backdrop of lower interest rates, the commercial property market is starting to show early signs of yield compression and investment values are benefitting from an occupational market where the supply demand equilibrium is resulting in rental growth, especially in the distribution warehousing sector.

¹ Net gain on investment properties per the financial statements of £5,226,000 (2024: £1,160,000 loss) comprises of £6,586,000 fair value gain on investment properties (2024: £1,052,000 loss), £20,000 realised gain on investment properties (2024: £148,000 realised loss), IFRS adjustments of £1,380,000 write-off of rent-free debtors (2024: £40,000 write back).

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

First World Hybrid Real Estate Plc

Management Report (continued)

The outlook is far more positive with the expectation that UK inflation will continue to move down towards target levels and that further interest rate cuts will follow. Should rates move down to the low threes as the neutral base, which seems probable, then there is every reason to expect decent yield compression, and this will bring tailwinds and boost property returns. Accordingly, the widespread view is that the UK property market has turned, and we are now at the beginning of an upward phase in the property cycle which is likely gather momentum over the coming years.

Investment capital and debt markets

Investment equity is not attracted to property in isolation but in the context of the offering of alternative asset classes and perhaps in the case of property, and the Fund specifically, income yielding alternatives are particularly relevant.

UK 10-year bond yields now yield around 4.7%, higher than around 4.0% a year ago. However, whereas bonds offer no income growth, property values are influenced and underpinned by rental growth.

It is worth noting that international investors are significant investors in UK commercial property, consistently making up more than half of transactional activity and accordingly the perceived relative strength, or otherwise, of Sterling is likely to bear influence in their decision making.

Investors in the Fund are mainly South African and accordingly, apart from the investment merits of the Fund, investment flows into the Fund are influenced by the South African domestic environment and the desirability of South Africans to externalise their wealth. For many high net-worth South Africans, this is an ongoing objective. That said, the past year has seen greater optimism in South Africa, with a Government of National Unity, lower inflation and a general uptick in confidence.

On the debt front, the 125-bps reduction in the base interest rate is clearly positive from a cost of debt funding perspective for the Fund. The extent to which interest rates reduce further is likely to be a significant driver for investor confidence and property investment.

Direct property market

There has been good evidence of property yields having stabilised, with many property consultancies forecasting downward yields, i.e. yield compression. However, the expected increase in transactional activity has not emerged as expected, although market commentators remain of the view that there is pent up demand for property investment. It is possible that this may still be seen before the 2025 calendar year closes.

From an occupational perspective, the distribution warehousing and logistics market has continued to benefit from robust occupational demand and, with relatively low new supply coming to the market, the outlook for rental growth remains positive. This rental growth is evidenced in the rent review outcomes achieved by the Fund when leases have reverted to open market levels.

Retail warehouses, let to strong value and DIY tenants on long leases, seem to offer good yields and are set to produce good returns over the short to medium term.

Food stores are not dissimilar, offering good long-term income from strong 'recession proof' tenants on long term leases.

The office sector has settled, and while working from home and a generally more flexible approach to working remains a factor, there seems to be an increasing drive for corporates to encourage their staff back to the office. One of the concerns in the office sector is the capex required to meet EPCs targets. Single-tenanted, low-rise offices, in suburban decentralised office parks, let to strong tenants on long leases seem the most desirable investments in this sector. This is the type of office that the Fund has targeted. While office yields may have stabilised, they have settled at levels close to double digits and it seems feasible to expect some firming off these yields over time.

Overall, the type of property which the Fund has targeted (single tenanted distribution warehousing, regional decentralised single tenanted offices and out of town retail warehousing let to food, value and DIY retailers) has by and large served the Fund well and seems well placed looking forward.

First World Hybrid Real Estate Plc

Management Report (continued)

Listed property market (REITs)

As expected of publicly quoted and traded investments, REIT prices tend to be more volatile than directly appraised property, and this has certainly been the case over the last 12 months and more. REIT yields seem attractively priced and primed to react positively to lower bonds yields and interest rates.

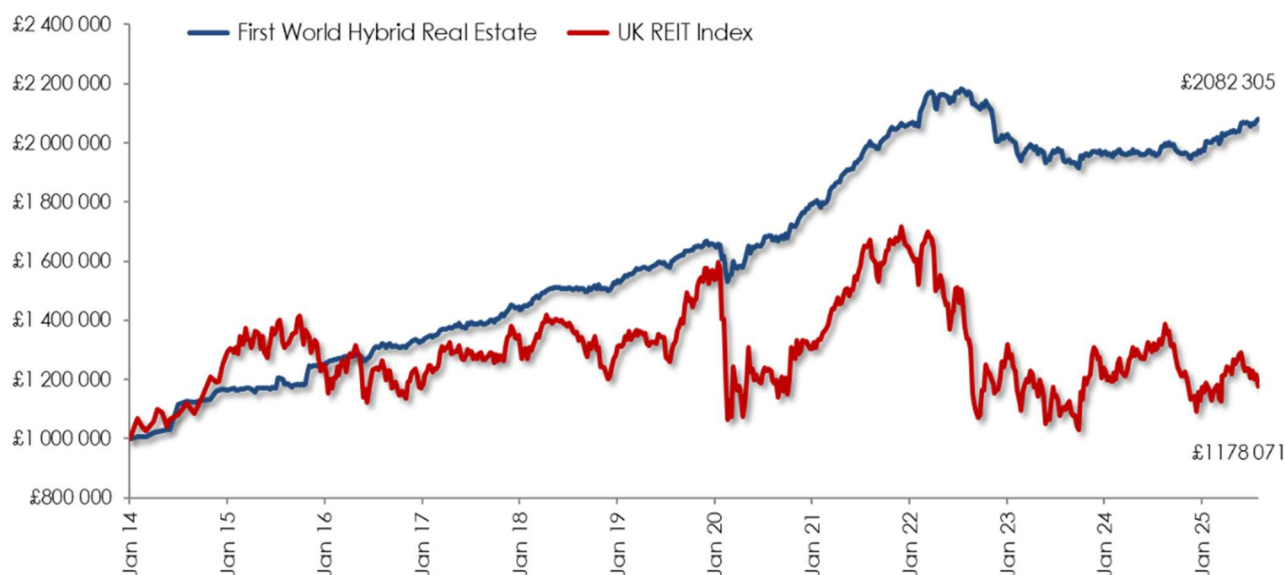
Fund Investment strategy

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, although it needs to be said that positive rental growth has not reflected in dividend growth as rental growth has been offset by the higher cost of funding in recent years due to the sharp increase in interest rates and then in the past year, although interest rates have been cut, the maturity of a 50-bps interest rate swap has needed to be absorbed. It has also been necessary to dispose of properties from the portfolio to satisfy the Fund's liquidity offering.

The Fund now has a credible 10-year plus track record, and the graph below is compelling and demonstrates the performance of the Fund since inception relative to UK REITs. While there have been difficult years, over the longer-term (and measured from inception) the Fund has produced solid returns with low volatility, whereas the volatility and weaker return of the NAREIT index is clear, as seen in the graph below. This volatility in REITs is not unexpected, given the liquidity of publicly quoted and traded counters, and is especially evidenced at trigger events such as the Brexit Referendum in 2016, the start of the pandemic in 2020, the significant increase in interest rates, and more recently the impact of tariff and geopolitical uncertainty together with the UK's fiscal concerns, all of which have impacted on bond yields.

2025 has been a positive year for the Fund and the outlook also looks encouraging. No doubt the type of property that the Fund has chosen to invest in has contributed to this favourable outcome.

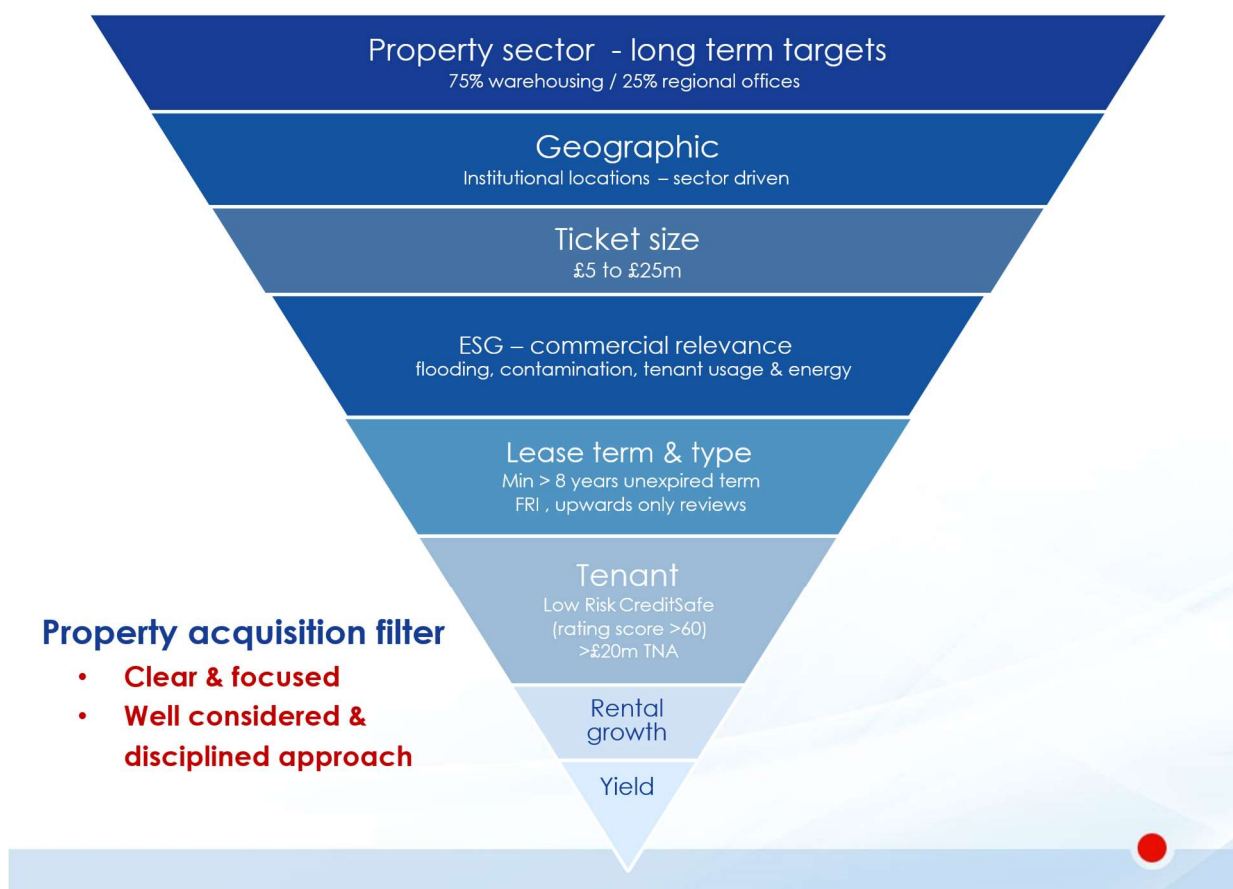


Source: FIM Capital Limited. Based on last traded price and before Management fees.

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Management Report (continued)

The Fund's investment strategy is reflected in the acquisition filter below and which has informed decision-making in the composition of the property portfolio.



No major changes are recommended to the positioning of the direct property portfolio although it should be noted that the weighting to offices as at 31 August 2025 is 13% of the portfolio value and there is no intention to increase this in the short term. A dominance to distribution warehousing is to be maintained, with a meaningful weighting to retail warehousing (DIY, value and food retailers). A weighting to Scottish property of between 10% and 20% is considered appropriate. Careful consideration has been given to the location and age of the properties and the extent to which improvements are generic in nature.

Special attention is also given to the nature of the business operations of tenants, their financial strength and resilience. Accordingly, when acquisitions are considered, tenants are to have a minimum CreditSafe rating of 60 and tangible net assets of not less than £20m. Leases are to be Fully Repairing and Insuring (FRI) and with rental reviews midterm in leases to be upwards only. A portfolio WAULT (weighted average unexpired lease term) of 10 years is targeted, with a maximum exposure to any single tenant set at 15% of rental income.

ESG considerations are integral to not only the investment decisions made by the Fund but its ongoing operations. With respect to environmental issues, careful consideration is given to flood risk, ground gas or contamination, energy ratings, and material use. With specific reference to EPC ratings (Energy Performance Certificate), a program is in place to address and improve the ratings of specific properties and the overall rating of the portfolio recognising that environmental issues are not only increasingly relevant in the ESG agenda, but fundamentally important in making good, long term, property investment decisions. Governance related issues are also not only front of mind to ensure the interests of investors and other stakeholders are well served but are a fundamental cornerstone of the Fund given its regulated and listed nature.

The construct of the Fund, while primarily a direct property portfolio, envisages the ability to hold REITs (the Hybrid in its name) and to vary the weighting between direct property and listed depending on their relative investment merits. REITs are seen to offer relatively good value and a weighting above the 15% Minimum Liquidity Level (measured as % of Fund NAV) set by the Board is targeted.

First World Hybrid Real Estate Plc

Management Report (continued)

No property acquisitions are being considered in the short term given the Fund's current liquidity although income yielding and property enhancing asset management considerations, which require capex, continue to be considered. Property disposals are made to meet liquidity requirements, to enhance the overall quality of the property portfolio and to fund income generating capex.

Investor profile, inflows and redemptions, and liquidity

The Fund offers both distributing and accumulating classes. As at 31 August 2025, Class A (distributing) shareholders, the only class at listing, represent 34% of the share capital by value. Class C (accumulating non-retail) make up 19%, with the Class B (accumulating retail) being the largest category at 47%, all similar to the previous year.

The biggest shareholder category remains advisor linked investors. The largest influence under a single IFA is around 13% of the Fund equity. The largest direct investor has circa 2% of the Fund. There are several investors in the direct client category with holdings between 1% and 2% of the Fund. There are circa 1,400 investors in the Fund.

The fund experienced net outflows for the year of £20.4m (2024: £14.9m). Inflows for 2025 were £4.7m (2024: £7.6m) while redemptions were £25.1m, circa 18% of opening NAV, (2024: £22.5m) (note 6). On the positive side, the outlook for property and the Fund is significantly better and redemptions in recent weeks have slowed and the prospect of net inflows is encouraging.

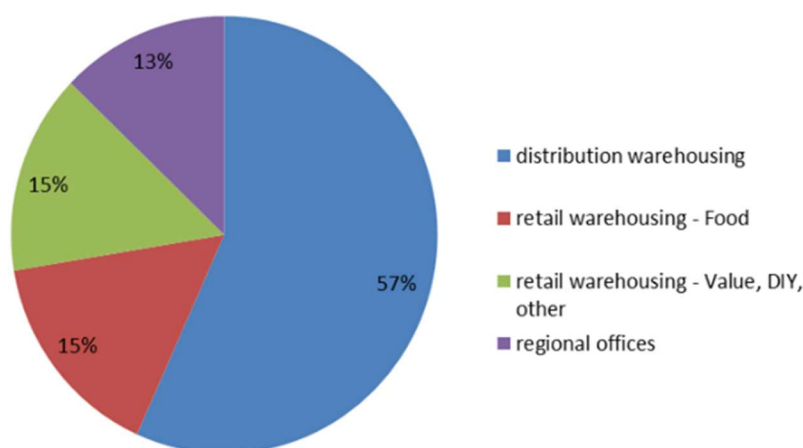
A key feature and offering of the Fund is its liquidity, to meet reasonable redemptions, and hence the REIT holdings in the Fund. The Board has set a Minimum Liquidity Level of 15% and a target liquidity level of 25%. This liquidity is held in the REITs and cash being liquid assets. In addition, any unutilised RCF would be available and collectively the liquidity level at the financial year end is 19% (2024: 22%).

Investments: Transactional activity, Property portfolio and REITs

There were no property acquisitions during the year. The Great Bear Deeside disposal, which was classified as Held for Sale at the end of 2024 financial year, was completed on 30 September 2024.

The sector weighting of the property portfolio as of 31 August 2025 is set out below. The portfolio remains dominant in distribution warehouse property at 57% (August 2024: 55%). There is a total 30% weighting to retail warehousing, with 'recession proof' value food retailers, such as Aldi and Tesco, comprising half of this. This food property type offers good portfolio diversification, from strong tenants on long lease terms. The offices comprise 13% (August 2024: 13%) of the entire portfolio, well below the long term 'target' referred to in the Offering Document. This underweight position is considered prudent and appropriate for the time being. The Fund has no investment in high street retail or traditional shopping centres, leisure or student accommodation.

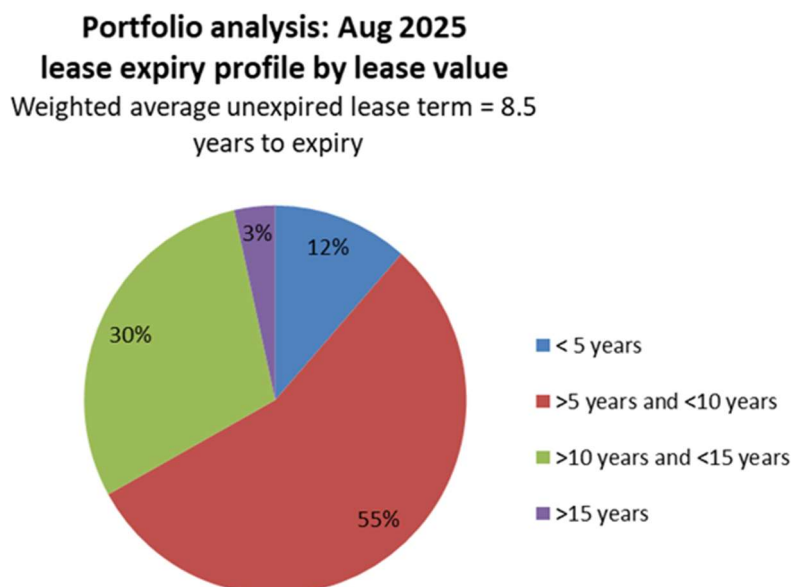
Portfolio analysis: Aug 2025
property sector type by value



First World Hybrid Real Estate Plc

Management Report (continued)

The pie chart below reflects the lease expiry profile. It is well spread with a good long-dated tail. It is also noteworthy that despite the lapsing of time, the WAULT has been maintained at 8.5 years (Aug 2024: 8.6) due to various lease extensions and break removals concluded.



There are 5 leases which make up the 12% expiries in the next 5 years, the largest by far (8%) being the Spectrum Brands property in Wombourne which is over 4 years out. Discussions around a regear of this lease have commenced.

The earliest expiry is Barratt Gateshead (2%), which expires in July 2027. Discussions are ongoing with the tenant, and they have indicated that they wish to occupy half the space going forward. Once finalised, the remaining space will be actively marketed to secure another tenant.

Although not included in the 12% expiries, Vanquis Bank (with a 4% lease weighting) has a tenant break option at the Chatham property in Sept 2026, and Wickes (2% weighting) has a tenant break option at the Grimsby property in May 2030. Discussions are ongoing with Vanquis Bank to secure their continued tenure while agreement has been reached with Wickes to remove their break which will extend the certain term of the lease to just under 10 years; legals are being concluded.

The Fund's lease structures and long lease profile, together with a strong tenant base, has served the Fund very well. This has been reflected in the comparatively good trading by tenants within the portfolio and the excellent rental collections from the portfolio (all rent due since inception of the Fund has been received (no write-offs).

The table below shows the top 10 tenants as at 31 August 2025, many of which are well known and substantial businesses. Furthermore, in the case of 5 of the top 10 tenants, their occupancy is spread over more than a single property, further mitigating risk.

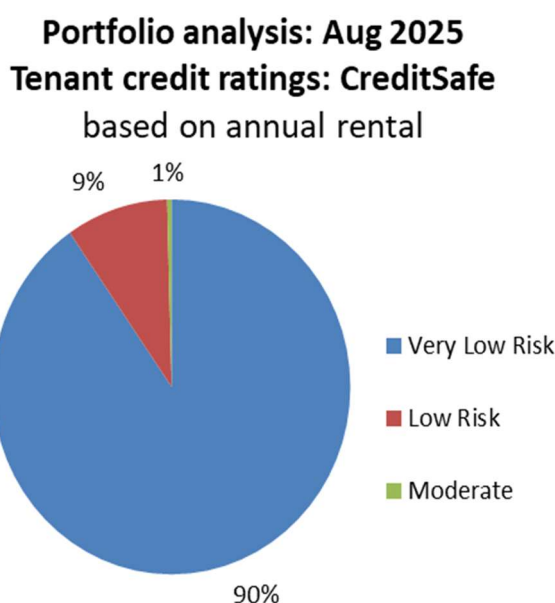
Top 10 tenants	lease value	business
Sonoco (2 properties)	13%	Leading packaging manufacturer
DHL	10%	Global leading parcel delivery
Spectrum Brands	8%	distributor of household brands
Marsh	7%	Global general insurer
SIG (2 properties)	6%	Leading supplier of specialist building products
Aldi (2 properties)	5%	Leading discount food retailer
Tesco	5%	UK's largest food retailer
B&M (2 properties)	5%	UK's leading variety goods value retailer
Home Bargains (2 props)	4%	British discount store chain
Vanquis Bank, Chatham	4%	Credit card services, part of Provident Group
	67%	

First World Hybrid Real Estate Plc

Management Report (continued)

The pie chart below shows the portfolio rating of the tenants (based on annual lease value), using CreditSafe ratings as at 31 August 2025. A high 90% of tenants by rental income are rated Very Low-risk; with SIG, The Range and Costa falling into the Low-Risk category. Two small tenants at Marina Quay fall into the Moderate Risk category (<1% of annual rental value).

The acquisition filter requirement that when considering an acquisition, the in-situ tenant must have a minimum CreditSafe score of 60 and tangible net assets of not less than £20m has undoubtedly stood the Fund in good stead. (A 60 score is the midpoint in CreditSafe's Low-risk category).



There has been ongoing, proactive engagement with tenants generally and specifically regarding lease regear opportunities. Significant outcomes during the year have been the 10-year lease extension with Sonoco at the Leicester distribution warehouse (lease now expires in Sept 2037) and the removal of the tenant break in favour of Keepmoat at the Doncaster office building thereby extending the certain term of that lease to December 2030.

Planning approval has now been received for the development of a Burger King drive thru at Marina Quay with a 25-year lease term agreed. The Fund expects an 8% initial investment return on its £1.4m capital commitment. An Agreement for Lease (20-year lease term) has also been agreed for six EV charging points at North Durham, adding circa 3% income to that property's rental once planning approval is received and the lease commences.

Furthermore, there have been some meaningful rent review outcomes during the year. The rent with Matthew Clark at the Runcorn distribution warehouse was concluded, effective December 2024, at a 42% increase on the previous passing rent. The rent with Tesco at Tavistock was concluded, also effective December 2024, at an 18% increase on the previous passing rent. The rent with Spectrum Brands at the Wolverhampton distribution warehouse was concluded, effective January 2025, at a 28% increase on the previous passing rent. These positive leasing and rent review outcomes have enhanced the portfolio rental and resulted in valuation upside.

It is also significant that 38% (2024: 40%) of the portfolio by lease value have RPI (17%) or fixed (21%) rental increases at review, which underpins the certainty of future rental upside.

It is conservatively estimated that there is currently at least 7% inherent rent upside at the next rent resets (review or expiry), after providing for tenant incentives, across the portfolio. During the next financial year, there are nine leases (35% of annual lease value) where the rent is to be reset. These comprise a mix of open market rent reviews and fixed increases. The expected rental upside is estimated to be 8% on average.

First World Hybrid Real Estate Plc

Management Report (continued)

During the year, each property was routinely independently valued, every 6 months following its acquisition date, with the entire portfolio being reviewed at 31 August 2025 being the Fund's financial year end. The Fund's appointed independent valuers are Colliers, Knight Frank and Newmark, with Newmark being introduced as a 3rd independent valuer during the year, bringing a further professional opinion and source of information and comparable data.

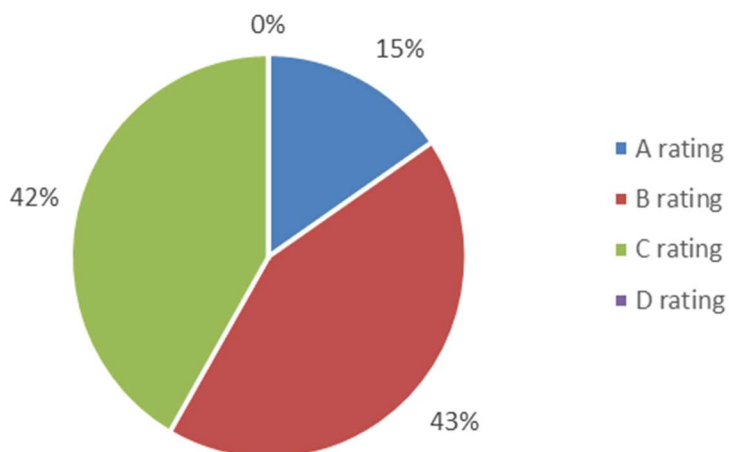
In summary, 47 valuation reports were received during the year, of which 19 gave rise to increases in the valuations, 22 were flat and 6 were lower. The net uplift in the valuations was £6.6m, a 3.5% increase on opening portfolio value and adding 4.5% to the Fund's Net Asset Value.

It is evident that property valuation yields have stabilised. However, positive leasing and asset management outcomes and market rental growth have underpinned valuation growth, with some meaningful increases being noted. There was a £2.675m (13%) increase at Leicester distribution warehouse (due to lease extension and increase in market rentals), a £1.3m (10%) increase at Wolverhampton distribution warehouse (due to the rent review outcome), a £1.245m (22%) increase at Runcorn distribution warehouse (due to the lease extension and rent review outcome), a £1.125m (5%) increase at Doncaster distribution warehouse (rental being driver again) and a £270k (10%) increase at Doncaster office (due to the removal of tenant break and extended certain term).

It is significant that these valuation increases have been off stable yields and not driven by yield compression. This is significant as should interest rates continue to fall over the next 12 to 24 months as expected, and the property cycle gathers upward momentum, yield compression is likely, and this will bring tailwinds to valuations and total returns.

The EPC ratings of the property portfolio are reflected in the pie chart below. While the overall rating of the portfolio is well positioned regarding the proposed regulatory targets, ongoing consideration is being given to how these ratings can be improved with emphasis on the larger properties and those where the EPCs expire in the short to near term.

EPC ratings : Aug 2025
(based on property values)

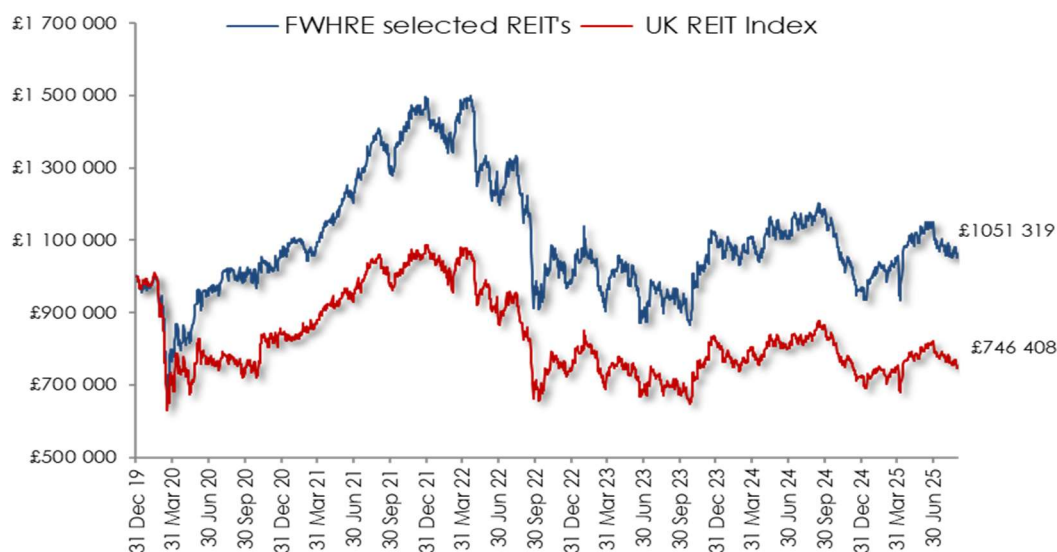


The REITs held by the Fund have given rise to realised and unrealised losses of £3.9m (13% of REIT portfolio value at the beginning of the year), and a negative total return of circa 8% over the year after taking into account dividend income. While this is disappointing from a Fund perspective, the volatility in the pricing of REITs over the year has been significant, with periods of good price appreciation and sharp downward corrections. Also noteworthy is that despite the negative performance of the REITs held by the Fund, this has been very much better than that of UK REITs generally.

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Management Report (continued)

The graph below shows the relative performance of the Fund's REITs compared to the UK REIT sector since Jan 2020, just prior to the pandemic.



Source: Bloomberg and FIM Capital Limited.

The current pricing of REITs, and the significant discounts to underlying asset values that they are currently trading at, suggests that they offer value. In the interim, we can take comfort that the management teams continue to report sound operating fundamentals in the way of occupancy levels, rental growth and collections, all underpinning robust income and dividends.

Debt funding arrangements

During the year, the debt arrangements with both Barclays and HSBC (the Fund's two debt providers) were refinanced for new 3-year terms and with 2 x 1-year extensions. A £9m Revolving Credit Facility (RCF) was added to the HSBC debt arrangements. Lower bank funding margins (now 175 bps, previously 200 bps and 190 bps) and lower RCF reserving costs (now 70 bps, previously 75 bps) were agreed with both providers.

The property portfolio LTV at 31 August 2025 was 45%, (2024: 44%), at the upper end of the Board approved range of 35% to 45%. Based on the Fund's total assets the LTV is 39%. The undrawn RCF as at 31 August 2025 was £4m (2024: fully drawn down).

The Board targets 50% to 75% of debt being hedged by way of a spread of interest rates swaps. During the year a £15m interest swap, which had a very low fixed rate of 50 bps, expired in April 2025 and three short term swaps (1- and 2-year) totalling £24.5m were entered into at rates of around 3.8%. As at 31 August 2025, 70% of the term debt (62% of total debt including the RCF drawn down) was hedged through 5 swaps, with a weighted average 3.7 years remaining (2024: 53%, through 3 swaps, 4.7 years remaining). The weighted average fixed rate of the swaps was 239bps on 31 August 2025, considerably lower than the current base rate of 400bps, but meaningfully higher than the 89bps on 31 August 2024. Accordingly, the Fund's swaps are 'in the money' with a fair value asset of circa £4.2m as at 31 August 2025 (31 August 2024: £4.9m).

Overall cost of debt (including RCF reserving) as at 31 August 2025 was 4.8% (31 August 2024: 4.7%), lower than the 6.1% property portfolio yield and hence there is positive leverage. While the base rate has fallen by 1.25% over the year, the maturity of the swap at an effective rate of 2.25% rate (including margin) has clearly had an impact.

There have been no breaches or concerns with banking covenants.

First World Hybrid Real Estate Plc

Management Report (continued)

UK interest rates have now seen 4 x 25bps cuts since 1 August 2025, with the current base rate being 4.00%. However, longer term swap rates remain volatile due to the UK inflation and fiscal outlook and general ongoing global uncertainty. The 5-year swap rate was 383 bps at the end of August 2025, (August 2024: 374 bps). It is encouraging that market commentators are generally forecasting further base rate cuts working towards a neutral rate in the low 3%.

Governance and risk

During the year the Risk Audit and Compliance Committee ('RACC') and Investment Committee ('IC') met routinely in terms of their mandates and there have been several further ad hoc IC meetings. The risks which the Fund faces are reviewed and discussed at the quarterly IC meetings and considered by the RACC and approved by the Board. It is significant that several of the risks have recently been down weighted which reflects the improving outlook.

Fund investment performance and guidance

The Fund's annualised returns (distributing A class) are as follows.

Annualised returns – periods ending 31 Aug 2025	1 Year	5 Years	10 Years
Total Return	4.7%	4.3%	5.6%
Income	4.3%	4.4%	4.7%
Capital growth	0.4%	-0.1%	0.9%

Source: Bloomberg and FIM Capital Limited. Based on last traded price and before Management fees.

The 31 August 2025 4.3% income return (2024: 4.6%) arises from 4 quarterly dividends of 1.15p, totalling 4.60p, (2024: 5.20p), distributed and paid during the financial year. This 4.60p is 11.5% down on the prior year, necessitated by the impact of higher interest rates over the year despite positive rental growth.

The long lease profile of the direct property portfolio together with the FRI nature of the leases and the strength of tenant base all contribute to the robustness of the net rental streams and the income return, as does the selection of REITs held by the Fund.

The A class trading share price as at 31 August 2025 (last price calculated as at 29 Aug) was £1.1212, 0.4% up (2024: 3.8% down) on the £1.1167 price twelve months ago. This is due to the increase in the valuation of the direct property portfolio but largely offset by lower REIT prices and a mark to market loss in the fair value of the interest rate swaps.

The comparative performance of the Fund is further demonstrated in the table below. UK REIT pricing has weakened over the 12 months ended 31 August 2025. FWHRE has performed comparatively well.

Annualised returns – periods ended 31 Aug 2025	1 Year	5 Years	10 Years
FWHRE	4.7%	4.3%	5.6%
UK REITs	-10.7%	-0.9%	-1.2%
UK Equities	6.0%	7.0%	5.2%

Source Bloomberg and FIM Capital Limited. Based on last traded price and before Management fees.

First World Hybrid Real Estate Plc

Management Report (continued)

What is particularly encouraging is the more recent performance of the Fund. The return for the 8 months to 31 August 2025, is 6.1%, and with the price appreciation being 4.0%. This demonstrates the improvement in the Fund's performance and augurs well in terms of guidance.

The Fund's properties continue to perform as expected, with good rental growth being evidenced in the distribution warehousing properties. Added to this the portfolio has a good level of rental underpinned by either fixed or RPI linked increases. The Fund's REITs have also continued to produce robust and attractive income. However, this rental income growth has been countered by the increased cost of debt funding over the year. Positively, interest rates have been cut and further cuts are expected, and this impacts positively on the Fund's income outlook.

Property valuation yields have stabilised, and valuations have benefitted from rental growth and favourable leasing and asset management outcomes. There is the likelihood of yield compression should interest rates be cut further in the months and years ahead. Certainly, should rates fall to a neutral level in the low 3%s, it is hard to not see yield compression materialise and the property cycle gather strong momentum. This will provide good tail winds to total returns.

REITs have proven to be exceptionally volatile and have been a drag on the Fund's returns in recent years, but they do look attractive at current pricing and could also provide tailwinds to returns with an improvement in investor sentiment.

Property cycle corrections are often sharp, followed by extended periods of an upward cycle. The Fund is well positioned as the property cycle firms and gathers momentum, and investors in the Fund can expect to be rewarded with good, predictable returns.

First World Hybrid Real Estate Plc

Statement of Directors' Responsibilities in respect of the Directors' Report and the consolidated financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and regulations.

The Directors have resolved to prepare Group financial statements for each financial year. The Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards and applicable law.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the situation of the Group and of its profit or loss for that period. In preparing each of the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Isle of Man Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Fund's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

P P Scales

Director

31 October 2025

First World Hybrid Real Estate Plc

Independent Auditor’s Report to the Members of First World Hybrid Real Estate Plc

Our opinion is unmodified

We have audited the consolidated financial statements of First World Hybrid Real Estate Plc (the “Fund”) and its subsidiaries (together, the “Group”), which comprise the consolidated statement of financial position as at 31 August 2025, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the state of the Group's and of the Fund's affairs as at 31 August 2025 and of the Group's and of the Fund's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund and Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2024):

	The risk	Our response
Valuation of investment property	Subjective valuation	Our procedures included:
£186,575,000; (2024: £188,165,000)	The Group’s investment property portfolio consists of UK commercial properties, with a combined fair value of £186,575,000, comprising 87% of total assets (2024: 83%).	Control design
Refer to notes 2(o), 3, 4 and 9 (accounting policies, significant accounting judgements, estimates and assumptions, and notes relating to fair value and investment properties).	The fair value of investment properties at 31 August 2025 was assessed by the Board of Directors based on the latest available independent valuations prepared by the Group’s external valuers for each property (the “Valuers”) together with an update from each firm of valuers with regard to any change in value from the date of the last valuation to 31 August 2025.	Documenting and assessing the design and implementation of the investment property valuation processes and controls.
		Assessing the Valuers’ credentials
		Assessing the independence and competence of the Valuers as required by auditing standards by inspecting the engagement letter with the Valuers and evaluating the Valuers’ professional qualifications.
		Comparing valuations
		Agreeing the value of all properties held at 31 August 2025 to the open market valuations included in the latest available valuation reports provided by Valuers together with the update from each firm of valuers with regard to any change in value from the date of the last valuation to 31 August 2025;

First World Hybrid Real Estate Plc

Independent Auditor's Report to the members of First World Hybrid Real Estate Plc (continued)

The risk	Our response
<p>The valuation of the Group's investment property portfolio is a significant area of our audit given that it represents the majority of the Group's total assets and requires the use of significant judgements and subjective assumptions.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment properties has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 4) disclose the sensitivity estimated by the Group.</p>	<p>Benchmarking assumptions</p> <p>For a risk-based selection of property valuations, we engaged our own property valuation specialist to evaluate and challenge the key valuation assumptions, including forward yields and market comparables. The audit team tested the accuracy of the underlying data provided to the specialist, such as rental income and lease terms, by agreeing these to the Group's lease agreements and supporting documentation.</p> <p>Our specialist then assessed whether the assumptions adopted were reasonable by comparing yields and other market inputs to observable market data and investigating any contrary evidence. This included benchmarking forward yields against published market sources and recent comparable transactions.</p> <p>Methodology choice - Assessing the appropriateness of the valuation methodologies used against generally accepted industry valuation models, including using our own property valuation specialist to assess the appropriateness of the valuation methodology used for a risk-based selection of properties.</p> <p>Assessing transparency - Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of the valuation of investment property.</p>

Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at £2,100,000, determined with reference to a benchmark of group total assets of £213,639,000, of which it represents approximately 0.98% (2024: 0.97%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the consolidated financial statements as a whole. Performance materiality for the Group was set at 75% (2024: 75%) of materiality for the consolidated financial statements as a whole, which equates to £1,575,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £105,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total group revenue, total group profit before tax, and total group assets and liabilities.

First World Hybrid Real Estate Plc

Independent Auditor's Report to the members of First World Hybrid Real Estate Plc (continued)

Going concern

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Fund or to cease their operations, and as they have concluded that the Group and the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Fund's business model and analysed how those risks might affect the Group and the Fund's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Group and the Fund's financial resources or ability to continue operations over this period were:

- Availability of capital to meet operating costs and other financial commitments;
- Availability of capital to meet investor redemption requests; and
- The ability of the Group to comply with debt covenants.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Fund's financial forecasts.

We considered whether the going concern disclosure in note 2(c) to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Fund's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the consolidated financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Fund will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

First World Hybrid Real Estate Plc

Independent Auditor's Report to the members of First World Hybrid Real Estate Plc (continued)

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Fund's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We have nothing to report on other matters on which we are required to report by exception

First World Hybrid Real Estate Plc

Independent Auditor's Report to the members of First World Hybrid Real Estate Plc (continued)

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 15, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Fund's members, as a body

This report is made solely to the Fund's members, as a body, in accordance with section 80(C) of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Audit LLC

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man IM1 1LA

31 October 2025

First World Hybrid Real Estate Plc

Consolidated Statement of Comprehensive Income for the year ended 31 August 2025

	Note	2025 £000	2024 £000
Revenue			
Rental income	9	11,912	12,309
Other income	10	130	-
Net (loss)/gain on financial assets at fair value through profit or loss	5	(4,606)	680
Net fair value gain/(loss) on investment properties	9	5,226	(1,160)
Dividend income from equities		1,319	1,714
		<u>13,981</u>	<u>13,543</u>
Expenses			
Finance expense	13	(4,269)	(4,212)
Property expenses	16, 20	(1,037)	(1,115)
Management expenses	20	(679)	(741)
Custodian fees	22	(162)	(176)
Other expenses	17	(240)	(276)
		<u>(6,387)</u>	<u>(6,520)</u>
Profit before tax		7,594	7,023
Taxation	18	(1,951)	(2,001)
Profit for the year		<u>5,643</u>	<u>5,022</u>
Total comprehensive income for the year		<u><u>5,643</u></u>	<u><u>5,022</u></u>

The Directors consider that all results derive from continuing activities.

The accompanying notes on pages 25 to 45 form an integral part of the financial statements.

First World Hybrid Real Estate Plc

Consolidated Statement of Financial Position as at 31 August 2025

	Note	2025 £000	2024 £000
Assets			
Non-current assets			
Investment property	9	186,575	179,965
Financial assets at fair value through profit or loss - swap	4, 5	4,189	4,473
		<u>190,764</u>	<u>184,438</u>
Current assets			
Investment property	9	-	8,200
Financial assets at fair value through profit or loss - swap	4, 5	7	477
Financial assets at fair value through profit or loss – equities	4	19,063	30,297
Trade and other receivables	11	3,242	813
Cash and cash equivalents	15	148	307
Interest receivable	13	104	204
Tax asset	18	311	1,144
		<u>22,875</u>	<u>41,442</u>
Total assets		<u>213,639</u>	<u>225,880</u>
Liabilities			
Non-current liabilities			
Borrowings	13	83,467	78,541
		<u>83,467</u>	<u>78,541</u>
Current liabilities			
Borrowings	13	-	2,913
Trade and other payables	14	863	502
Interest payable	13	560	644
Deferred income	9	3,301	1,045
		<u>4,724</u>	<u>5,104</u>
Total liabilities		<u>88,191</u>	<u>83,645</u>
Net assets		<u>125,448</u>	<u>142,235</u>
Equity			
Participating Share capital	6	981	1,143
Share premium	6	109,182	129,400
Retained earnings		15,285	11,692
Total equity		<u>125,448</u>	<u>142,235</u>
NAV per Share £	8	1.28	1.24

The accompanying notes on pages 25 to 46 form an integral part of the financial statements.

The consolidated financial statements on pages 21 to 46 were approved and authorised for issue by the Board of Directors on 31 October 2025 and signed on its behalf by:

P P Scales
Director

R J Collister
Director

First World Hybrid Real Estate Plc

Consolidated Statement of Changes in Equity for the year ended 31 August 2025

	Note	Participating Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 September 2023		1,251	144,171	9,221	154,643
Profit for the year		-	-	5,022	5,022
Total comprehensive gain for the year		-	-	5,022	5,022
Transactions with Shareholders					
Distributions to Shareholders	7	-	-	(2,551)	(2,551)
Participating Share issuances	6	61	7,538	-	7,599
Participating Share redemptions	6	(169)	(22,309)	-	(22,478)
Total transactions with Shareholders		(108)	(14,771)	(2,551)	(17,430)
Balance at 31 August 2024		1,143	129,400	11,692	142,235
Balance at 1 September 2024		1,143	129,400	11,692	142,235
Profit for the year		-	-	5,643	5,643
Total comprehensive gain for the year		-	-	5,643	5,643
Transactions with Shareholders					
Distributions to Shareholders	7	-	-	(2,050)	(2,050)
Participating Share issuances	6	36	4,659	-	4,695
Participating Share redemptions	6	(198)	(24,877)	-	(25,075)
Total transactions with Shareholders		(162)	(20,218)	(2,050)	(22,430)
Balance at 31 August 2025		981	109,182	15,285	125,448

The accompanying notes on pages 25 to 46 form an integral part of the financial statements.

First World Hybrid Real Estate Plc

Consolidated Cash Flow Statement for the year ended 31 August 2025

		2025 £000	2024 £000
Cash flows from operating activities	Note		
Profit before tax		7,594	7,023
Adjustments to reconcile profit before tax to net cash flows			
Interest expense	13	3,643	3,920
Revolving Credit Facility commitment fees	13	23	26
Amortisation of borrowing arrangement fees	13	603	266
Net fair value (gain)/loss on investment properties	9	(5,206)	1,012
Realised (gain)/loss on investment property	9	(20)	148
Net loss/(gain) on financial assets at fair value	5	4,606	(680)
Dividends income		(1,319)	(1,714)
<i>Working capital adjustments:</i>			
Movement in concession rent debtor	9	(1,380)	40
(Increase)/decrease in trade and other receivables		(2,468)	116
Increase/(decrease) in trade and other payables		2,617	(393)
		<u>8,693</u>	<u>9,764</u>
Interest paid		(3,650)	(3,930)
Tax paid		(1,117)	(2,531)
Net cash inflow from operating activities		<u>3,926</u>	<u>3,303</u>
Cash flows from financing activities			
Issue of redeemable participating preference Shares	6	4,695	7,599
Redemption of redeemable participating preference Shares	6	(25,075)	(22,478)
Repayment of borrowings	9, 13	(7,934)	(3,848)
Utilisation of the Revolving Credit Facility	13	10,000	5,000
Borrowing arrangement fees	13	(656)	(168)
Distributions paid to Shareholders	7	(2,050)	(2,551)
Net cash outflow from financing activities		<u>(21,020)</u>	<u>(16,446)</u>
Cash flows from investing activities			
Purchase of investment properties and capital expenditure	9	(24)	(27)
Sale of investment properties	9	8,220	7,977
Purchase of investments at fair value		(12,969)	(20,862)
Sale of investments at fair value		20,350	24,627
Dividend received		1,358	1,596
Net cash inflow from investing activities		<u>16,935</u>	<u>13,311</u>
Net (decrease)/increase in cash and cash equivalents		(159)	168
Cash and cash equivalents at the beginning of the year	15	307	139
Cash and cash equivalents at the end of the year	15	<u>148</u>	<u>307</u>

The accompanying notes on pages 25 to 46 form an integral part of the financial statements.

First World Hybrid Real Estate Plc

Notes to the Consolidated Financial Statements (continued)

1) General information

First World Hybrid Real Estate plc (the "Fund") was incorporated in the Isle of Man as a public company limited by shares 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 has three classes of Participating Shares, being the A (Income) Class, the B (Accumulation) Class and the C (Accumulation) Class. These are listed on The International Stock Exchange (TISE) and is subject to the Exchange's listing rules.

The Fund invests primarily in UK commercial real estate. The Fund has four wholly owned subsidiaries shown in note 19 (collectively the "Group").

2) Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

The financial statements are presented in GBP thousands (£000).

a) Standards and amendments which are first effective for the period beginning 1 September 2024

The following new standards, amendments and interpretations have been applied in the preparation of these financial statements. Application of the below have not had a significant impact on the Group:

Description	Effective date
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 <i>Leases</i>	1 January 2024
Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1 <i>Presentation of Financial Statements</i>	1 January 2024
Amendments to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> – <i>Supplier Finance Arrangements</i>	1 January 2024

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

The following new standards, amendments and interpretations are effective for annual periods beginning after 1 September 2024. Early application is permitted; but not elected by the Group. The Directors are assessing the impact on the Group's financial statements, and this assessment will be completed before the standards/amendments are effective.

Description	Effective date
Lack of Exchangeability – Amendments to IAS 21	1 January 2025
Annual Improvements to IFRS Accounting Standards	1 January 2026
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2026
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new accounting standard introduces the following new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely operating, investing, financing, discontinued operations, and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required use the operating profit subtotal as the starting point for the statement of cash flows when presenting the operating cash flows under the indirect method.

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Notes to the Consolidated Financial Statements (continued)

The Group is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required by the MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

c) Going concern

The Directors have assessed the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

d) Consolidation

The financial statements comprise the results of the Fund and its subsidiaries as set out in note 19. Subsidiaries in which the Fund can exercise control are fully consolidated. Control is defined as having exposure, or rights, to variable returns due to involvement in an investee and the ability to affect those returns.

Inter-company transactions, balances, realised and unrealised gains and losses on transactions between group companies are eliminated.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The accounting policies of the subsidiaries are consistent with those of the Group.

e) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and in accordance with the Isle of Man Companies Act 2006.

f) Functional and presentational currency

The Group's functional and presentational currency is Sterling ("£" or "GBP") being the primary economic environment in which the Fund operates. The functional and presentational currency reflects the fact that the Participating Shares of the Group are issued in Sterling, and the primary activity of the Group is to invest in British properties and property funds. The performance of the Group is measured and reported to the Directors and Shareholders in Sterling. The functional and presentational currency of the Group's subsidiaries is also Sterling.

g) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

h) Interest

Interest income and expense presented in the Consolidated Statement of Comprehensive Income comprise interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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Notes to the Consolidated Financial Statements (continued)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

i) Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive the payment is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Consolidated Statement of Comprehensive Income.

j) Distributions to Shareholders

Dividends are paid quarterly to holders of A Income Shares at the discretion and after the approval of the Board after they have considered the solvency and cash requirements of the Group. A dividend to the Fund's Shareholders is accounted for as a deduction from equity.

k) Net gain/loss on financial assets at fair value through profit or loss

Net gain on financial assets at fair value through profit or loss ("FVTPL") includes unrealised fair value changes and realised (losses)/gains on disposal of investments, net of fees and commission expenses.

l) Taxation

In line with current Isle of Man taxation legislation, the Group is liable to income tax at 0%.

Net rental income received by the Group which has a UK source is subject to UK corporation tax at a current rate of 25%.

Gains made on disposals of UK land and property are subject to UK corporation tax. The Group holds an exemption which exempts it from paying capital gains tax on the disposal of investment property.

The Fund is not required to withhold tax from the payments of dividends to Shareholders.

Withholding tax for property income distributions may be deducted on dividend income received.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then the future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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Notes to the Consolidated Financial Statements (continued)

m) Financial assets and liabilities

i) Recognition and initial measurement

The Group initially recognises financial assets and financial liabilities at FVTPL on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii) Classification and subsequent measurement

Classification of financial assets

On initial recognition, the Group classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest ("SPPI").

All other financial assets of the Fund are measured at FVTPL.

The Fund has determined that it has two business models.

- *Held-to-collect business model*: this includes cash and cash equivalents and receivables. These financial assets are held to collect contractual cash flow.
- *Other business model*: this includes equity investments and derivative financial instruments. These financial assets are managed, and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Subsequent measurement of financial assets

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including foreign exchange gains and losses, are recognised in the Consolidated Statement of Comprehensive Income.

Equity investments and swaps are included in this category.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in 'interest income calculated using the effective interest method' and impairment is recognised in 'impairment losses on financial instruments' in the Consolidated Statement of Comprehensive Income. Any gain or loss on derecognition is also recognised in profit or loss.

Cash and cash equivalents, receivables, and balances due from brokers are included in this category.

iii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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Notes to the Consolidated Financial Statements (continued)

When available, the Group measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group measures instruments quoted in an active market at mid-price because this price provides a reasonable approximation of the exit price. Investments in daily traded open-ended funds are stated at net asset value as reported by the Manager.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in a pricing transaction.

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

iv) *Amortised cost measurement*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

v) *Impairment*

The Group recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e., the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

vi) *Derecognition*

The Group derecognises regular-way sales of financial assets using trade date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Group enters transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets or a portion of them. If all or substantially all the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all the risks and rewards include sale and repurchase transactions.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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Notes to the Consolidated Financial Statements (continued)

The Group derecognises a derivative only when it meets the derecognition criteria for both financial assets and financial liabilities. Where the payment or receipt of variation margin represents settlement of a derivative, the derivative, or the settled portion, is derecognised.

vii) Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

n) Cash and cash equivalents

Cash and cash equivalents are defined as demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

o) Investment property

Investment property is held for long-term rental yields or for capital appreciation or both and is not occupied by the Group.

The acquisition cost of investment property includes transaction costs. Transaction costs include professional fees for legal services.

After initial recognition, investment property is stated at fair value. The Directors initially measure investment property at the valuation undertaken at the date of acquisition (which excludes transaction costs, which are therefore expensed immediately). Gains or losses arising from changes in the fair values are included in the Consolidated Statement of Comprehensive Income in the period in which they arise. Investment properties are subsequently measured at fair value as set out in further detail in note 9.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the Consolidated Statement of Comprehensive Income in the year of retirement or disposal.

p) Share capital

The Fund has two types of shares, Management Shares and Participating Shares, both of which are classified as equity. There are three classes of Participating Shares, being the A (Income) Class, the B (Accumulation) Class and the C (Accumulation) Class. Shareholders acquire Participating Shares through subscription to the Fund, see note 6 for further details.

The issuance, acquisition and cancellation of Participating Shares are accounted for as equity transactions. No gain or loss is recognised in the Consolidated Statement of Comprehensive Income on the purchase, sale, issuance, or cancellation of the Fund's own equity instruments. Class A Participating Shares are entitled to dividends paid by the Fund.

Upon the issuance of shares, the consideration received is included in equity. Transaction costs incurred by the Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on subscriptions to the Fund and repurchases by the Fund.

q) Rental income

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

Rental income from the investment properties is recognised on a straight-line basis, over the lease period; all are determined as operating leases in accordance with *IFRS 16 - Leases*. Tenant lease incentives are recognised as a reduction of gross rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

r) Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in the Consolidated Statement of Comprehensive Income over the term of the borrowing facility using the effective interest rate. Transaction costs directly associated with obtaining borrowings are initially capitalised and then recognised in the Consolidated Statement of Comprehensive Income over the term of the borrowing facility.

3) Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in Investment Properties (note 9).

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in Investment Properties (note 9) and relates to the determination of fair value.

4) Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Group is exposed and seeks to minimise potential adverse effects on the Group's financial performance.

The management of these risks is carried out by the Asset Manager in conjunction with the Property Manager. The exposures are managed on an individual security level. The Group has specific guidelines, outlined in the Offering Document, covering the investment instruments to manage the overall potential exposure. The Group does not undertake short-selling.

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Notes to the Consolidated Financial Statements (continued)

The Group uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained overleaf.

Credit risk

The Group takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. Credit risk relates to the Group's holdings in cash and cash equivalents and trade and other receivables, as disclosed in the Consolidated Statement of Financial Position.

All transactions to acquire financial asset equities are in listed well-established securities and are settled/paid for upon delivery using regulated brokers. The risk of default is considered minimal since the delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the broker has received the securities. If either party fails to meet their obligation, the trade will fail.

The Group's policy to manage this risk is to deal with banks and brokers that are regulated entities. Cash balances are held with financial institutions which are rated A3 and above based on Moody's Global Long Term Rating Scale.

The Group seeks to ensure that rental contracts are entered into only with reputable, financially stable lessees with an appropriate credit history.

Derivatives

Derivative transactions are entered into under International Swaps and Derivatives Association (ISDA) master agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g., when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The derivatives are entered into with bank and financial institution counterparties, which are rated A3 and above based on Moody's Global Long Term Rating Scale.

The £15,000,000 Barclays swap matured on 22 April 2025. The Group entered three new swaps during the financial year (see table below).

The Fund holds five interest rate swaps as part of its investment strategy:

Barclays Bank Plc

Notional amount £'000	25,000	5,000	9,500
Effective date	22 October 2021	7 April 2025	2 May 2025
Termination date	2 December 2031	7 April 2027	2 May 2026
Interest paid on notional % per annum	1.049	3.795	3.829
Interest received on notional % per annum	Compounded daily SONIA + 0.109% per annum spread	Compounded daily SONIA	Compounded daily SONIA

HSBC UK Bank Plc

Notional amount £'000	2,300	10,000
Effective date	February 2022	7 April 2025
Termination date	February 2027	7 April 2027
Interest paid on notional % per annum	1.75	3.8154
Interest received on notional % per annum	Compounded daily SONIA	Compounded daily SONIA

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Notes to the Consolidated Financial Statements (continued)

Amounts arising from ECL

Cash

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that these exposures have low credit risk based on the external credit ratings of counterparties.

The Group monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties.

The amount of impairment allowance on cash and cash equivalents at 31 August 2025 is nil (2024: nil) as the ECL provision is immaterial.

Trade receivables

Impairment on trade receivables has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that these exposures have low credit risk based on the external credit ratings of counterparties.

The Group monitors changes in credit risk on these exposures by tracking published external credit ratings, published financial performance figures, and reviewing internal management accounts where applicable.

The amount of impairment allowance on trade receivables as at 31 August 2025 is nil (2024: nil) as the ECL provision is immaterial.

Market price risk

The Group is exposed to equity securities price risk. This arises from financial assets at fair value through profit or loss held by the Group for which prices in the future are uncertain. All the Fund's equity investments are publicly traded on recognised exchanges. The Fund's overall market position is monitored on a regular basis by the Manager and the Investment Committee. The Investment Committee is appointed by the Board and contains a minimum of two Board members. All investment related recommendations made to the Board will pass through and be approved by the Investment Committee, who meet at least quarterly.

The Fund's primary risk management process is at the individual security level. Stock selection is primarily focused among well-established real estate investment trusts ("REITs") concentrating on those with proven reserves, cash-flow, and fundamentally attractive relative asset valuation. Not more than 10% of the assets can be invested in open-ended collective investment undertakings, including liquidity funds. Liquidity risk is only acceptable if it is reflected in the price of the security.

The fair value of financial assets is detailed below; all are listed in the UK:

Investments	2025	Percentage	2024	Percentage
	£000		£000	
London Metric Property PLC	6,331	33%	7,077	23%
British Land Co	3,235	17%	-	0%
Segro Plc	3,821	20%	6,491	21%
Tritax Big Box REIT PLC	3,749	20%	7,143	24%
Urban Logistics REIT PLC	-	0%	6,920	23%
Big Yellow Group	1,927	10%	2,666	9%
	19,063	100%	30,297	100%

The Group is also exposed to price risk other than in respect of financial instruments such as property price risk on the investment properties. The Investment Manager has appointed the Property Manager to assist with the procurement and management of property for the Group. When investing in real estate strong emphasis is placed on the quality of the lease covenant, the financial strength of the tenant, the length of lease, the type of lease and market relatedness of passing rent in terms of that lease. Reasonable care is taken to determine that the title to the property is a good marketable property.

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Notes to the Consolidated Financial Statements (continued)

The Investment Manager must have received a report from an appropriate valuer which contains a valuation of the property and which states that in the appropriate valuer's opinion the property would, if acquired by the Group, be capable of being disposed of in an orderly transaction between market participants at that valuer's valuation.

The Group intends to invest as follows:

- primarily UK commercial real estate, although the Fund may also invest in US or Continental European real estate;
- sector target weighting: distribution warehousing and stand-alone retail of 75% of its assets; offices of 25% of its assets;
- no single property must be valued at greater than 25% of the Gross Asset Value of the Group;
- target a portfolio unexpired lease term of greater than 10 years;
- debt funding will be at a maximum of 50% loan to acquisition value for each property, with the Manager to determine the level of debt to be fixed for the term of the loan;
- transferable securities, with an emphasis on property-related securities. The Group may hold up to 100% of its assets in transferable securities, REITs and property investment companies up to 100% of its assets; and
- not more than 10% of the assets will be invested in units of other open-ended collective investment undertakings, including UCITS.

If market values for the Fund's investment portfolio (excluding money market fund investments, which are expected to experience very low volatility in market price) had been 10% higher/lower at the year-end, total comprehensive income/equity for the period would increase/decrease by £1,906,000 (2024: £3,030,000).

Interest rate risk

The Group holds cash, and cash equivalents and has bank borrowings and interest derivatives, as a result the Group's interest income, interest expense and cash flows are subject to changes in market interest rates.

During the year interest income from cash was nil (2024: nil).

The interest rate charged on the Fund's bank borrowings is a variable rate of SONIA plus a margin. The Group uses derivative products to mitigate interest rate risk, see note 4. As at 31 August 2025 £51,800,000 of the £84,069,000 loan balance was hedged (2024: £42,300,000 of the £82,003,000 loan balance was hedged).

During the financial year interest expense on borrowings was £3,643,000 (2024: £3,920,000), see note 13. If interest rates had been on average 0.25% higher/lower, with all other variables held constant, total comprehensive income/equity for the period would decrease/increase by £83,000 (2024: £97,000). If interest rates had been on average 1% higher/lower, with all other variables held constant, total comprehensive income/equity for the period would decrease/increase by £334,000 (2024: £388,000).

Currency risk

As at 31 August 2025 the Group's assets and liabilities were all denominated in GBP (2024: all denominated in GBP).

Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to possible cash redemptions of Participating Shares. The Fund's policy is therefore to invest a proportion of its assets in financial assets at fair value through profit or loss that are traded in an active market and can be readily disposed. The minimum Liquidity Level is 15%. As at 31 August 2025 the liquidity level was 15% (2024: 22%).

The Directors may declare a suspension of the determination of the Net Asset Value in certain circumstances as set out in the Offering Document. To manage the Group's overall liquidity, the Fund can withhold redemption requests. The Manager monitors the Group's liquidity position on a regular basis, and the Board of Directors reviews it on a quarterly basis.

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Notes to the Consolidated Financial Statements (continued)

The analysis below shows the remaining contractual maturities of borrowings at the financial reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

As at 31 August 2025	Carrying value £000	2 months or less £000	2 – 12 months £000	1 – 2 years £000	2 – 5 years £000	Over 5 years £000	Total £000
Trade and other payables	863	392	471	-	-	-	863
Interest payable	560	1,046	3,138	4,184	3,378	-	11,746
Borrowings	83,467	-	-	-	84,069	-	84,069
Total	84,890	1,438	3,609	4,184	87,447	-	96,678

As at 31 August 2024	Carrying value £000	2 months or less £000	2 – 12 months £000	1 – 2 years £000	2 – 5 years £000	Over 5 years £000	Total £000
Trade and other payables	502	477	25	-	-	-	502
Interest payable	644	843	2,530	3,374	1,107	-	7,854
Borrowings	81,454	7,934	-	-	74,069	-	82,003
Total	82,600	9,254	2,555	3,374	75,176	-	90,359

Capital risk management

The capital of the Fund is represented by the total equity. The amount of total equity could change significantly on a regular basis as the Fund is subject to subscriptions and redemptions of Participating Shares at the discretion of Shareholders. The Fund's objectives when managing capital is to safeguard the Group's ability to continue as a going concern to provide returns for Shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

To maintain or adjust the capital structure, the Fund monitors the level of monthly subscriptions and redemptions relative to the liquid assets and redeems, and issues shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions. The Group is subject to covenants on its borrowings and its own loan to value limits. The Fund's policy regarding debt funding is set out in the Fund's Investment Policy.

The Manager monitors capital based on the total equity.

Fair value estimation

The Group is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined based on the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Directors. The Directors consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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Notes to the Consolidated Financial Statements (continued)

The following table analyses within the fair value hierarchy the Group's financial assets recognised at fair value through profit or loss.

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3	Total
As at 31 August 2025	£000	£000	£000	£000
Financial assets at fair value through profit or loss: equities	19,063	-	-	19,063
Financial assets at fair value through profit or loss: swaps*	-	4,196	-	4,196
Total	19,063	4,196	-	23,259

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3	Total
As at 31 August 2024	£000	£000	£000	£000
Financial assets at fair value through profit or loss: equities	30,297	-	-	30,297
Financial assets at fair value through profit or loss: swaps*	-	4,950	-	4,950
Total	30,297	4,950	-	35,247

*Financial assets at fair value through profit or loss: swaps	Current asset	Non-current asset	Total
	£000	£000	£000
As at 31 August 2025	7	4,189	4,196
As at 31 August 2024	477	4,473	4,950

Financial assets at fair value through profit or loss whose values are based on quoted market prices in active markets and therefore classified within level 1 are the REIT holdings of the Fund. The Fund does not adjust the quoted price for these instruments. The Invesco Sterling Liquidity Fund is also classified as level 1 as it is daily traded and therefore its reported net asset value is akin to a quoted price in an active market, no investment was held at the financial year end. For all financial assets and financial liabilities not measured at fair value, the carrying amount is a reasonable approximation of fair value.

Investment property valuations

Investment property valuations are classified at Level 3 in the fair value hierarchy as they are not based on observable market data. See note 9 for the valuation basis of investment property and movements in investment property.

The fair value of investment property is determined by using recognised valuation techniques. The main technique used is market comparison to similar properties.

Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations may be subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. The performance of the Group would be adversely affected by a downturn in the property market in terms of higher valuation forward yields or a weakening of rent levels. Rental income assumptions are not such a significant risk factor as the average unexpired lease period is approximately 10 years, and the rental can be reviewed upwards but not lower than the current passing rental during the contractual leases. The most significant assumption relates to the forward yields at which the properties are independently valued. These yields range from 5.12% to 13.0% (2024: 5.0% to 11.5%). If the yields were to increase/decrease by 0.25% then the valuation would decrease/increase by approximately by £6,805,000 or 4% (2024: increase/decrease by 0.25% would decrease/increase the valuation by £7,186,000 or 4%).

5) Financial assets and liabilities at fair value through profit or loss

The swaps are marked to market by the respective bank counterparty, being Barclays Bank plc or HSBC UK Bank plc on a weekly basis. Any movement in the fair value of the swap is taken to net gain or loss on financial assets at fair value through profit or loss in the Consolidated Statement of Comprehensive Income.

	2025	2024
Net (loss)/gain on financial assets at fair value through profit or loss	£000	£000
(Loss)/gain on REITs	(3,853)	3,128
(Loss) on swaps	(753)	(2,448)
Total	(4,606)	680

First World Hybrid Real Estate Plc

Notes to the Consolidated Financial Statements (continued)

6) Share capital and share premium

Management Shares

The Fund is authorised to allot and issue up to 200 Management Shares of £1.00 each to the Investment Manager or its nominee. As at 31 August 2025, 200 Management Shares were fully issued and unpaid (31 August 2024: 200 Management Shares were fully issued and unpaid).

The Management Share are not offered to investors. They exist to comply with Isle of Man law, which requires that the Shares have a preference over another class of capital to be redeemable. Management Shares carry no right to a dividend and can only be issued at par.

Participating Shares

Participating Shares only carry the right to vote on a class resolution of the holders of each respective Class of Shares relating to the variation, or deemed variation, of the class rights attaching to Participating Shares of that Class or on a resolution to wind up the Fund. On a winding up, Participating Shares carry the right to repayment of the nominal amounts paid up on them, and, after the nominal amounts have been repaid on the Management Shares, to distribution of the Fund's surplus assets.

The Shares of each Class confer the right upon redemption to a proportionate share of the net assets of the Class of the Participating Shares redeemed.

The Directors may at their discretion permit a Shareholder to convert Shares of one Class into Shares of another Class (subject to any terms of issue of the Shares in question and the provisions of the Articles). Any conversion of Shares would take place at a rate based upon the relative values of the prevailing Redemption Price of the existing Shares and the prevailing Subscription Price of the new Shares in accordance with the Articles. A conversion request, if permitted by the Directors, is subject to broadly the same procedural requirements, and may be deferred or suspended in the same circumstances, as redemption requests.

A (Income) Class ("A Shares")

A (Income) Class Shares are income shares and they are available for subscription on the terms of the Offering Document by Institutional Investors and by Non-Institutional Investors. A Shares entitle the holder to payment of any distribution declared by Directors.

B (Accumulation) Class ("B Shares")

Shares of the B (Accumulation) Class are accumulation shares and they are available for subscription on the terms of the Offering Document by Institutional Investors and by Non-Institutional Investors.

C (Accumulation) Class ("C Shares")

Shares of the C (Accumulation) Class are accumulation shares and they are available for subscription on the terms of the Offering Document by Institutional Investors only.

Participating Shares in the A (Income) retain the right of the Existing Participating Shares to distributions of any dividends declared by the Directors. The Fund will only accept applications to invest in the C (Accumulation) Class from institutional investors, whereas the A (Income) Class and the B (Accumulation) Class will be available to all investors who meet the entry criteria set out in the Offering Document.

For the C (Accumulation) Class only, the Fund will pay an asset management fee of 0.5% of the Net Asset Value attributable to the C (Accumulation) Class, which will be deducted quarterly in arrears. This is the equivalent of the portfolio level fees (IIP Fees) paid by investors in the other Classes.

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Notes to the Consolidated Financial Statements (continued)

The analysis of movements in the number of Participating Shares and the net assets attributable to holders of Participating Shares during the periods is given below.

Year ended 31 August 2025	Number of Participating Shares			
	A Shares	B Shares	C Shares	Total
Opening balance as at 1 September 2024	48,464,563	44,471,347	21,344,719	114,280,629
Subscriptions for the period	1,263,849	809,275	1,510,193	3,583,317
Redemptions for the period	(9,671,739)	(4,609,930)	(5,536,744)	(19,818,413)
Share Class transfers for the period	(380,471)	92,751	203,251	(84,469)
As at 31 August 2025	39,676,202	40,763,443	17,521,419	97,961,064

Year ended 31 August 2024	Number of Participating Shares			
	A Shares	B Shares	C Shares	Total
Opening balance as at 1 September 2023	50,489,208	50,931,011	23,839,088	125,259,307
Subscriptions for the period	3,235,791	1,238,020	1,610,454	6,084,265
Redemptions for the period	(5,232,766)	(7,674,440)	(4,151,452)	(17,058,658)
Share Class transfers for the period	(27,670)	(23,244)	46,629	(4,285)
As at 31 August 2024	48,464,563	44,471,347	21,344,719	114,280,629

Year ended 31 August 2025	Participating Share capital £000			
	A Shares	B Shares	C Shares	Total
Opening balance as at 1 September 2024	485	445	213	1,143
Subscriptions for the period	13	8	15	36
Redemptions for the period	(97)	(46)	(55)	(198)
Share Class transfers for the period	(4)	2	2	0
As at 31 August 2025	397	409	175	981

Year ended 31 August 2024	Participating Share capital £000			
	A Shares	B Shares	C Shares	Total
Opening balance as at 1 September 2023	505	508	238	1,251
Subscriptions for the period	32	13	16	61
Redemptions for the period	(52)	(76)	(41)	(169)
As at 31 August 2024	485	445	213	1,143

Year ended 31 August 2025	Share premium £000			
	A Shares	B Shares	C Shares	Total
Opening balance as at 1 September 2024	50,594	51,442	27,364	129,400
Subscriptions for the period	1,380	1,164	2,115	4,659
Redemptions for the period	(10,511)	(6,657)	(7,709)	(24,877)
Share Class transfers for the period	(412)	127	285	0
As at 31 August 2025	41,051	46,076	22,055	109,182

Year ended 31 August 2024	Share premium £000			
	A Shares	B Shares	C Shares	Total
Opening balance as at 1 September 2023	52,863	60,514	30,794	144,171
Subscriptions for the period	3,590	1,745	2,203	7,538
Redemptions for the period	(5,828)	(10,785)	(5,696)	(22,309)
Share Class transfers for the period	(31)	(32)	63	-
As at 31 August 2024	50,594	51,442	27,364	129,400

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Notes to the Consolidated Financial Statements (continued)

7) Dividends paid

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

Year ended 31 August 2025	£000	Dividend per Shares in issue (pence per share)
Dividend payment date		
21 October 2024	559	1.15
21 January 2025	541	1.15
21 April 2025	482	1.15
21 July 2025	468	1.15
	2,050	4.60

Year ended 31 August 2024	£000	Dividend per Shares in issue (pence per share)
Dividend payment date		
23 October 2023	654	1.30
23 January 2024	634	1.30
23 April 2024	631	1.30
22 July 2024	632	1.30
	2,551	5.20

8) NAV per Share

In accordance with IFRS, the transaction costs related to investment property acquisitions are effectively written off in full upon the acquisition as fair value adjustments, whereas for the determination of the Fund's pricing such costs are amortised so as not to unfairly prejudice existing investors.

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 NAV per share, on an IFRS basis, is calculated by dividing the net assets of the Fund by the number of Participating Shares in issue, and is reconciled to the pricing NAV below:

	Year ended 31 August 2025 £000			
	A Shares	B Shares	C Shares	Total
NAV per financial statements	42,430	58,674	24,344	125,448
Amortised property acquisition cost adjustment	1,541	2,131	884	4,556
Concession rent adjustment	601	831	344	1,776
Pricing NAV	<u>44,572</u>	<u>61,636</u>	<u>25,572</u>	<u>131,780</u>
Participating Shares in issue (number)	39,676,202	40,763,443	17,521,419	97,961,064
Pricing net asset value per Participating Share (£)	1.1213	1.5092	1.4568	1.3427
IFRS NAV per share (£)	1.0673	1.4366	1.3867	1.2781

	Year ended 31 August 2024 £000			
	A Shares	B Shares	C Shares	Total
NAV per financial statements	51,979	61,582	28,674	142,235
Amortised property acquisition cost adjustment	2,115	2,506	1,167	5,788
Concession rent adjustment	145	172	80	397
Pricing NAV	<u>54,239</u>	<u>64,260</u>	<u>29,921</u>	<u>148,420</u>
Participating Shares in issue (number)	48,464,563	44,471,347	21,344,719	114,280,629
Pricing net asset value per Participating Share (£)	1.1191	1.4449	1.4017	1.2987
IFRS NAV per share (£)	1.0725	1.3847	1.3433	1.2446

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Notes to the Consolidated Financial Statements (continued)

9) Investment properties

The valuations of investment properties are performed by external accredited independent valuers with recognised and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. The valuations are prepared in accordance with the RICS Valuation - Global Standards, which incorporate the International Valuation Standards ("IVS") and the RICS UK Valuation standards (the "RICS Red Book"), as set out by the International Valuation Standards Council ("IVSC"), taking into consideration the relevant IFRS 13 requirements. In arriving at their estimates of market values, the valuers have used their market knowledge, professional judgement and historical transaction comparisons.

An initial valuation is carried out on the purchase of each property and thereafter each property is independently valued every 6 months based on the acquisition date of that property into the portfolio. When deemed appropriate, the Board may accelerate the timing of the independent valuations to ensure the property portfolio value, and hence the price of the Fund, is materially stated. A review of the property valuations is also undertaken by the independent valuers at the Fund's financial year end, with adjustments made where necessary to ensure that the portfolio is fairly stated to comply with IFRS requirements. The Board may also seek the opinion of a second independent valuer and agree a value within the range determined by the two valuers where this is considered appropriate.

Investment property by sector	2025 £000	2024 £000
Distribution warehouse	105,825	107,685*
Offices	23,875	23,880
Retail warehouse	56,875	56,600
	186,575	188,165

*£8,200,000 contained within the Distribution warehouse sector was classified as a current asset at 31 August 2024.

Valuation technique

The valuations have been carried out using the Investment method where regard is given to comparable investment transactions (with emphasis on initial yields) and rentals achieved. Specific factors such as size, location, terms, covenant as well as other material factors are considered.

The following table shows the significant unobservable inputs used and the relationship to fair value measurement:

Significant unobservable inputs	Distribution	Retail	Offices
31 August 2025			
Net rental yields %	4.7% - 6.9%	5.5% - 6.9%	7.2% - 12.2%
Estimated rental value (£/square ft/annum)	4.8 - 9.0	11.0 - 21.5	12.5 - 17.0
31 August 2024			
Net rental yields %	5.0% - 6.5%	5.0% - 7.0%	7.2% - 11.4%
Estimated rental value (£/square ft/annum)	4.8 - 9.0	13.0 - 19.0	12.8 - 15.3

The estimated fair value would increase/(decrease) if expected market rental growth were higher/(lower); void periods were shorter/(longer); the occupancy rates were higher/(lower); or the rent-free periods were shorter/(longer).

Investment property movement	2025 £000	2024 £000
As at 1 September	188,165	197,315
Additions at cost	24	27
Net gain/(loss) from fair value adjustment	5,206	(1,012)
Disposal at fair value	(8,200)	(8,125)
Movement in concession rent debtor	1,380	(40)
Closing balance as at 31 August	186,575	188,165

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Notes to the Consolidated Financial Statements (continued)

	2025	2024
	£000	£000
Investment property		
Investment property	184,799	187,769
Concession rent debtor	1,776	396
	186,575	188,165

	2025	2024
	£000	£000
Net fair value gain/(loss) on investment properties		
Unrealised gain/(loss) on investment property	5,206	(1,012)
Realised gain/(loss) on investment property	20	(148)
	5,226	(1,160)

The cost of the investment properties comprises their purchase price and directly attributable expenditure. Directly attributable expenditure includes professional fees for legal services and stamp duty land tax.

All properties operate full repairing and insuring rental agreements whereby all the costs of maintenance, enhancement, repair and insurance are borne by the tenant. All property acquisitions are held as security for the borrowings (note 13).

Rental income earned and received from the investment properties during the financial year was £11,912,000 (31 August 2024: £12,309,000). As at 31 August 2025, there was £3,301,000 deferred rental income (31 August 2024: £1,045,000) that had been received by the Fund which relates to the next financial year.

On 6 September 2024, FWRE Limited exchanged on the disposal of the property known as Unit 2, Tenth Avenue, Deeside ("Unit 2, Deeside"), the sale completed on 30 September 2024. The property was purchased for £6,015,000 and sold for £8,350,000 which was paid on completion. The property was partly funded by debt of £2,934,000, which was repaid upon completion. The property was classified as Held for Sale at 31 August 2024 at a fair value of £8,200,000, to reflect the net selling price after disposal costs, having previously been valued at £5,865,000 on 7 March 2024.

On 24 March 2025, the FWRE Two Limited entered into an agreement for lease with Iduna EVCI Asset Co 1 Limited (Be.EV) for six electric vehicle charging bays at North Durham Retail Park. The lease of £21,000 per annum for a term of 20 years will commence when planning approval is received to build the bays.

During the year FWRE Two Limited spent, £13,000 in relation to the Burger King drive-thru capital contribution agreement (note 23) and £10,000 in relation to North Durham electric vehicle charging bays (above).

10) Other income

On 23 December 2024, the FWRE Limited signed a discharge agreement with the tenant of Unit 2, Deeside to discharge it from its lease liabilities upon vacating the property. A fee, net of legal costs of £130,000 was received from the tenant.

11) Trade and other receivables

	2025	2024
	£000	£000
Prepayments	-	5
Trade and other receivables	3,242	808
Total	3,242	813

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Notes to the Consolidated Financial Statements (continued)

12) Operating leases

The Group has entered leases on its investment properties as a lessor. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2025	2024
	£000	£000
Within 1 year	12,322	11,847
After 1 year but less than 5 years	47,706	42,494
5 or more years	44,445	37,907
Total	104,473	92,248

The leases involve tenancy agreements with terms running to end dates between 2027 and 2042.

13) Borrowings

The Group is subject to covenants on its borrowings and its own loan to value limits as set out in the Fund's Investment Policy.

	2025	2024
	£000	£000
Non-current borrowings		
Total loans before amortisation	84,069	82,003
Less: amortised borrowing arrangement fees	(602)	(549)
Total	83,467	81,454

On 6 September 2024, FWRE Limited exchanged on the disposal of the property known as Unit 2, Tenth Avenue, Deeside ("Unit 2, Deeside"), the sale completed on 30 September 2024. The property was purchased for £6,015,000 and sold for £8,350,000 which was paid on completion. The property was partly funded by debt of £2,934,000, which was repaid upon completion. The property was classified as Held for Sale at 31 August 2024 at a fair value of £8,200,000 (note 9).

During the year, the debt arrangements with both Barclays and HSBC have been refinanced for three-year terms with two additional 1-year extensions. A £9,000,000 Revolving Credit facility has been added to the HSBC debt (see table overleaf).

The Group holds the following loans as at 31 August 2025, all with interest charged at compounded daily SONIA with a fixed margin of 1.75% per annum:

	Term loan 1	£5,000,000 RCF	Term loan 2	£9,000,000 RCF
Counterparty	Barclays Bank Plc	Barclays Bank Plc	HSBC UK Bank Plc	HSBC UK Bank Plc
Borrower	FWRE Limited	FWRE Limited	FWRE Two Limited	FWRE Two Limited
Loan balance at period end £'000	57,846	4,000	16,223	6,000
Fair value of investment property held as security by Counterparty £'000*	127,565	5,000	45,010	9,000
Agreement date	16 June 2025	16 June 2025	14 May 2025	14 May 2025
Termination date	16 June 2028	16 June 2028	14 May 2028	14 May 2028

*The Barclays Bank Plc Term loan and Revolving Credit Facilities, including undrawn balances (combined loans of £62,846,000) are secured fully against the property portfolio of FWRE Limited (£132,565,000). The HSBC UK Bank Plc Term loan and Revolving Credit Facilities, including undrawn balances (combined loans of £25,223,000) are secured fully against the property portfolio of FWRE Two Limited (£54,010,000).

Interest is paid quarterly, and the loan capital becomes payable on expiry. Interest payable as at 31 August 2025 was £560,000 (31 August 2024: £644,000). Interest receivable in relation to the swaps as at 31 August 2025 was £104,000 (31 August 2024: £204,000).

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Notes to the Consolidated Financial Statements (continued)

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

	2025	2024
	£000	£000
Finance expense		
Interest expense	3,643	3,920
Revolving Credit Facility commitment fees	23	26
Borrowing arrangement fees amortisation	603	266
Total	4,269	4,212

A reconciliation of the movement in borrowings is given below:

	2025	2024
	£000	£000
As at 1 September	81,454	80,204
Repayment of borrowings	(7,934)	(3,848)
Utilisation of the Revolving Credit Facility	10,000	5,000
Loan arrangement fees paid	(656)	(168)
Loan arrangement fees amortised	603	266
Closing balance as at 31 August	83,467	81,454

14) Trade and other payables – current

	2025	2024
	£000	£000
Trade payables	654	210
Accruals	209	292
Total	863	502

15) Cash and cash equivalents

At 31 August 2025, the Fund had cash of £148,000 (31 August 2024: £307,000). Of this, £145,000 was held with EFG International (31 August 2024: £305,000), which has a credit rating of A3 from Moody's, £3,000 was held by Barclays Bank Plc (31 August 2024: £1,000) and nil was held by HSBC UK Bank Plc (31 August 2024: £1,000). Barclays Bank Plc and HSBC UK Bank Plc both have credit ratings from Moody's of A1.

16) Property expenses

	2025	2024
	£000	£000
Insurance	-	7
Property manager's fees (note 20)	898	950
Other property expenses (note 20)	73	82
Valuation fees	66	76
Total	1,037	1,115

As all tenants are on full repairing and insuring ("FRI") leases, the Fund reclaims the costs of insuring the properties back from the tenants. The insurance reclaim income is not included as part of rental income.

FIM Capital Limited ("FIM") is the property manager and is entitled to an annual fee of:

- 0.5% on the first £125 million of GAV;
- 0.3% on GAV between £125 million and £250 million;
- 0.25% on GAV in excess of £250 million;

The fee is calculated and paid monthly using the last valuation of each month. FIM is also entitled to a property procurement fee of 0.25% of the net acquisition cost of the relevant property; and for the renewal of leases and the letting of property, a letting fee of £2,500 in respect of each lease event.

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Notes to the Consolidated Financial Statements (continued)

As at 31 August 2025 outstanding and accrued property management fees to be paid to FIM were £108,000 (2024: £107,000). The agreement is open-ended and can be terminated with 30 days' written notice under circumstances of a material breach (note 20).

17) Other expenses

	2025	2024
	£000	£000
Audit fees	79	80
Bank charges and safekeeping fees	11	11
Advisory fees	16	22
Regulatory fees	12	10
Directors' fees	53	64
Legal and professional fees	46	76
Sundry expenses	23	13
Total	240	276

18) Taxation

Net rental income received by the Fund, which has a UK source is subject to UK corporation tax at a current rate of 25%. Gains made on disposals of UK land and property are subject to UK corporation tax. The Group applied for an exemption election on 7 May 2021, with the election becoming active on this date. The exemption election exempts the Group from paying capital gains tax on the disposal of investment property.

A reconciliation of the effective tax rate is given below:

		2025		2024
	%	£000	%	£000
Profit/(loss) before tax from continuing operations		7,594		7,023
Tax using the Fund's domestic tax rate	0.00		0.00	
<i>Tax effect of:</i>				
Withholding tax on overseas dividends	2.86	217	4.28	301
Effect of corporation tax on UK property portfolio	22.89	1,738	23.89	1,677
Changes in estimates related to prior years	(0.07)	(5)	0.33	23
Effective tax rate/tax charge	25.68	1,950	28.50	2,001

Corporate tax asset as at 31 August 2025 was £311,000 (as at 31 August 2024 an asset of £1,144,000).

19) Group companies

The Fund wholly owns the following subsidiaries; all incorporated in the Isle of Man:

Name	Company description	Immediate parent	Date of incorporation
FWRE Holdings Limited	Holding company	First World Hybrid Real Estate Plc	26 September 2013
FWRE Limited	Property investment company	FWRE Holdings Limited	22 August 2013
FWRE Holdings Two Limited	Holding company	First World Hybrid Real Estate Plc	24 August 2021
FWRE Two Limited	Property investment company	FWRE Holdings Two Limited	24 August 2021

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Notes to the Consolidated Financial Statements (continued)

20) Related party transactions

Duggan Matthews and David Elliott are both Directors of the Fund and directors of Marriott Asset Management (Pty) Ltd ("MAM"). MAM receive 50% of the gross Class C Management fee paid to FIM Capital Limited ("FIM") for distribution services for the Fund on behalf of FIM. For the year ended 31 August 2025, MAM received a Promoter fee from FIM of £70,000 (31 August 2024: £81,000).

David Elliott and Duggan Matthews are also Directors of Marriott Isle of Man Limited, which holds 955,437 A Shares and 9,218 C Shares in the Fund as at 31 August 2025 and 31 August 2024.

Daniel Cadamy is a director of FWRE Limited and FWRE Two Limited and is also the Chief Financial Officer of FIM, the Fund's Manager.

Philip Scales, Russell Collister and Craig Ewin are Directors of the Fund and FIM Holdings Limited, the ultimate parent company of FIM. They all have a beneficial ownership interest in FIM Holdings Limited. FIM is the Group's Asset and Property 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 year, FIM charged a Management fee of £679,000 (31 August 2024: £741,000), of which £119,000 remained accrued at the year-end (31 August 2024: £125,000). Details of the Property Manager fee can be found in note 16.

FIM receive a listing sponsor fee of £5,000. During the year £5,000 was expensed (31 August 2024: £5,000) and £1,000 remained payable at the financial year end (31 August 2024: £1,000).

Mary Tait was Director of FIM and FIM Nominees Limited, which holds 97,961,064 Participating Shares in a nominee capacity at the year-end representing 100% of the total Participating Shares in issue (31 August 2024: 114,280,628 Shares representing 100%).

FIM Nominees Limited also owns 100% (200 shares) of the Management Shares in issue at the 31 August 2025 and 31 August 2024.

21) Directors' interests

The Directors had the following interest in the shares of the Fund either directly or indirectly at 31 August 2025 and 31 August 2024:

Number of shares	2025	2024
Craig Ewin	A Shares:723,297 B Shares:103,101	A Shares: 695,353 B Shares: 85,881

Directors' fees for the years ended 31 August 2025 and 31 August 2024 are shown below:

	2025 £'000	2024 £'000
Craig Ewin	25	25
Elizabeth Greenhalgh	15	15
Mark Grace (including VAT)	24	24
	<u>64</u>	<u>64</u>

For the year ended 31 August 2025, the Directors fees not billed were not accrued for therefore £53,000 was expensed during the year. For the year ended 31 August 2024, the Directors fees not billed were accrued (£11,000).

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Notes to the Consolidated Financial Statements (continued)

22) Custodian fees

Under the Fiduciary Custodian Agreement EFG Fund Services ("EFG"), receive a fee of 0.075% of the gross asset value of the Group per annum, subject to a minimum annual fee of £20,000.

During the year EFG charged custodian fees of £162,000 (31 August 2024: £176,000), of which £30,000 remained outstanding at the year-end (31 August 2024: £30,000).

23) Capital commitments and contingent assets and liabilities

On 13 September 2024, FWRE Two Limited exchanged contracts with Burger King UK for the development and lease of an 1,800 square foot drive-thru restaurant unit at Marina Quay Retail Park, Rhyl, North Wales. FWRE Two Limited will contribute a capital sum of £1,400,000 towards the construction costs of the shell and the tenant will undertake the building works, including the full fit-out of the unit. The terms of the lease are an unbroken 25-year period, with guaranteed rental uplifts at the first and second review dates (years 6 and 11 respectively). The commencing rental is £115,000 per annum, with the tenant being responsible for business rates and its proportionate share of service charge costs. The lease will commence on practical completion of the development, which is forecast to be early 2026, with the tenant afforded a 3-month rent-free incentive (note 9).

24) Subsequent events

Property Sale

On 17 September 2025, the directors accepted Heads of Terms for the sale of an investment property held by the Group. The transaction is subject to final contract and completion, which is expected to occur after the reporting date. The property is currently subject to a secured loan, which will be repaid in full upon completion of the sale.

As the sale was agreed after the reporting date and does not provide evidence of conditions that existed at the reporting date, it is considered a non-adjusting event under IAS 10 *Events after the Reporting Period*. Accordingly, no adjustments have been made to the carrying amount of the investment property or related liabilities in these financial statements.

Directors' Interests

On 24 September 2025 an interim dividend of £0.0115 was announced to shareholders with a record date of 26 September 2025 and a payment date of 20 October 2025. 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 730,323 and in the B (Accumulation) Class Shares to 103,101.

Share information

The NAV prices per share class as at 24 October 2025 were as follows:

- A (Income) Class GBP0.01 - £1.1309 per Share
- B (Accumulation) Class GBP0.01 Shares - £1.5379 per Share
- C (Accumulation) Class GBP0.01 Shares - £1.4834 per Share

Since 31 August 2025 up to the date these financial statements were signed, the Fund has received subscriptions of £1,000,000 and redemptions of £2,505,000 (these figures are gross for all share classes).

Property valuations

After the year end, four properties were independently revalued in accordance with the terms of the Group's valuation policy.