FINANCIAL REVIEW

FOR THE YEAR ENDED 31 MARCH 2022

We had a successful first full year since IPO, continuing our recent growth trajectory and hitting our ambitious targets.

Gary Fraser
Chief Financial Officer

Building on the Group's enhanced profile following our IPO in February 2021, the business increased AUM, revenue and Core EBITDA year-on-year, in line with our expectations.

Key financial metrics

	31 March 2022	31 March 2021
Year-end AUM (£m)	**8,839**	7,193
Year-end FUM (£m)	**6,675**	5,132
Average AUM (£m)	**8,108**	6,547
Average FUM (£m)	**6,015**	4,691
Total revenue (£000)	**86,071**	69,098
Recurring revenue (£000)	**74,825**	62,379
Recurring revenue/total revenue (%)	**86.9%**	90.3%
Core EBITDA pre share-based payments (£000)	**31,825**	23,910
Core EBITDA pre share-based payments margin (%)	**37.0%**	34.6%

Highlights during the year

- May 2021 – Achieved first close on Foresight Regional Fund III at £66 million
- September 2021 – Reached final close on FEIP at €851.4 million, exceeding target by 70%
- November 2021 – Successful IPO of Foresight Sustainable Forestry Company
- December 2021 – Performance fee generated following successful first three exits from FRIF
- March 2022 – £0.6 billion of net retail inflows achieved, in line with prior year

Summary

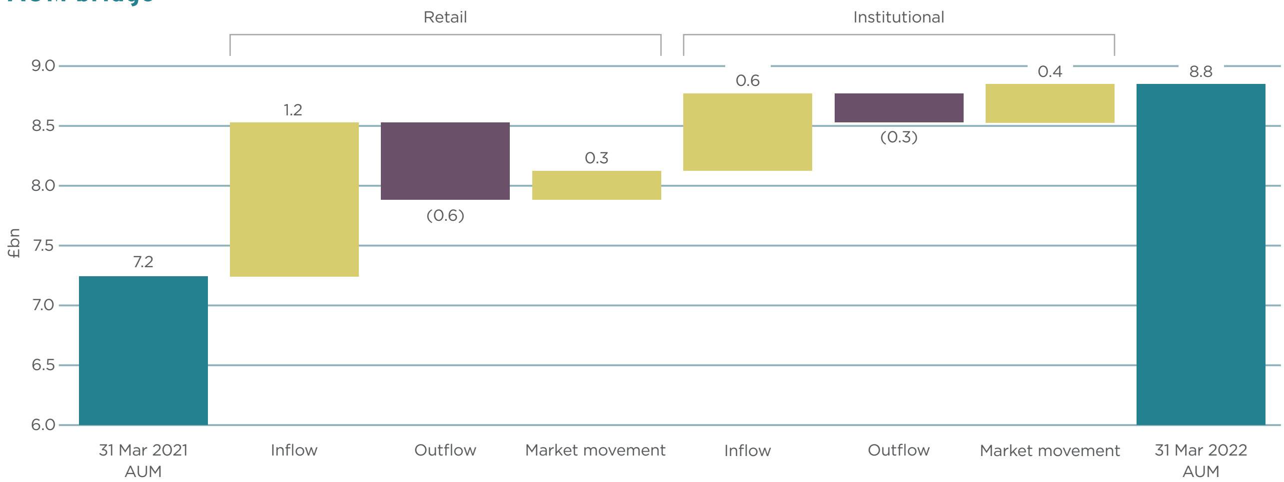
The year ended 31 March 2022 was another successful period for the Group. We achieved the AUM and recurring revenue targets we outlined at IPO; continued our progression towards our medium-term Core EBITDA pre share-based payment ("SBP") margin target; and, subject to Shareholder approval at the forthcoming AGM, will continue with the 60% dividend payout ratio established in last year's Annual Report.

Revenue for the year was £86.1 million (31 March 2021: £69.1 million) with total comprehensive income of £24.9 million (31 March 2021: £14.9 million), an increase of 68%. Further details on the key areas that have driven this financial performance are outlined on the following page.

Assets Under Management/Funds Under Management ("AUM/FUM")

AUM again grew significantly, from £7.2 billion at the start of the year to £8.8 billion at 31 March 2022, an increase of c.23% in the middle of our ambitious 20%-25% target range. We achieved this substantially through organic growth driven by net retail inflows of £0.6 billion, net institutional inflows of £0.3 billion and favourable fund performance of £0.7 billion.

AUM bridge



Key: Retail includes OEICs and tax-advantaged products.

Net inflows

Our Retail Sales Team, which distributes our VCT, EIS, Business Relief and OEIC products, had another successful year of fundraising, with total net inflows of £0.6 billion, of which £0.4 billion related to our OEIC products. Net inflows from our OEIC products were impacted in the final quarter of the year by wider macroeconomic factors resulting from the conflict in Ukraine, but our tax-based products mitigated this by performing strongly in the run-up to the tax year end, again demonstrating the advantage of managing a diverse pool of funds.

On the institutional side, we benefited from closes from our FEIP and FRIF III institutional funds in H1, as highlighted in our Half-year Report, as well as the IPO of our new Forestry fund in October 2021 (£0.1 billion) and the acquisition of the other 50% of our JV in Italy (£0.1 billion). This was offset by a non-strategic mandate moving to a different fund manager towards the end of the year (£0.2 billion).

Post year end, we announced the launch of the AIB Foresight Impact Fund, broadening our regional Private Equity strategy into a new geography, Ireland. This fund will provide equity investments of between €2 million and €5 million, supporting Irish businesses to contribute to a more sustainable, low carbon future. We also announced the first close of two further UK regional funds in the North East and Yorkshire regions, totalling £58 million.

Summary Statement of Comprehensive Income

	31 March 2022 £000	31 March 2021 £000
Revenue	**86,071**	69,098
Cost of sales	**(5,106)**	(4,639)
Gross profit	**80,965**	64,459
Administrative expenses	**(54,398)**	(48,883)
Other operating income	**250**	394
Operating profit	**26,817**	15,970
Finance income and expense	**(651)**	(707)
Fair value gains on investments	**638**	192
Share of post-tax profits of equity accounted joint venture	**53**	26
Gain on business combination	**1,012**	174
Profit on ordinary activities before taxation	**27,869**	15,655
Tax on profit on ordinary activities	**(2,793)**	(481)
Profit	**25,076**	15,174
Other comprehensive income		
Translation differences on foreign subsidiaries	**(138)**	(293)
Total comprehensive income	**24,938**	14,881
Core EBITDA calculation		
Total comprehensive income	**24,938**	14,881
Adjustments:		
Non-operational staff costs	**728**	3,186
Non-operational legal costs	**—**	2,744
Profit on disposal of tangible fixed assets and gain on business combination	**(979)**	(344)
Other operating income	**(250)**	(394)
Finance income and expense	**651**	707
Tax on profit on ordinary activities	**2,793**	481
Depreciation and amortisation	**3,485**	2,649
Core EBITDA	**31,366**	23,910
Share-based payments	**459**	—
Core EBITDA pre share-based payments[1]	**31,825**	23,910

1. In line with previous periods, and for comparability, we continue to quote Core EBITDA pre-SBP to assess the financial performance of the business. This measure was introduced as our key performance measure because the Group believes this reflects the trading performance of the underlying business, without distortion from the uncontrollable nature of the share-based payments charge. This measure is a non-IFRS measure because it excludes amounts that are included in the most directly comparable measure calculated and presented in accordance with IFRS. The specific items excluded are non-underlying items, which are defined as non-trading or one-off items where the quantum, nature or volatility of such items are considered by the Directors to otherwise distort the Group's underlying performance. While the Group appreciates that APMs are not considered to be a substitute for or superior to IFRS measures, we believe the selected use of these provides stakeholders with additional information which will assist their understanding of the business.

Segmental Core EBITDA pre share-based payments is set out below:

	31 March 2022 £000	31 March 2021 £000
Infrastructure	**17,805**	15,854
Private Equity	**11,376**	6,940
Foresight Capital Management	**2,644**	1,116
	31,825	23,910

Revenue

	31 March 2022 £000	31 March 2021 £000
Management fees	**70,906**	50,245
Secretarial fees	**1,413**	9,828
Directors' fees	**2,506**	2,306
Recurring fees	**74,825**	62,379
Marketing fees	**5,046**	2,841
Arrangement fees	**2,964**	3,858
Performance and other fees	**3,236**	20
Total	**86,071**	69,098

Total revenue increased by 25% year-on-year to £86.1 million (31 March 2021: £69.1 million) with recurring revenue increasing by 20% to £74.8 million (31 March 2021: £62.4 million). The Group has continued to focus on recurring revenue and remained within our 85%-95% target range, despite recognising some one-off performance fee income, which is covered in more detail below. The year finished with 86.9% of our revenue being classified as recurring.

As a result of FUM growth, the largest increase year-on-year was again from management fees. The growth in Foresight Capital Management ("FCM") FUM to £1.6 billion at year end (31 March 2021: £1.1 billion) generated an additional c.£4 million of gross revenue. NAV growth across our ITS, VCT, EIS and infrastructure investment trusts resulted in c.£11 million of additional management fees. The increase in ITS management fees was partly offset by lower secretarial fees as a result of the fee for that fund being restructured towards the end of FY21, as disclosed in last year's Annual Report. The further closes on our FEIP fund resulted in catch-up management fees of c.£1.7 million, while the annualised impact of the PiP acquisition in August 2020 contributed c.£1.1 million to the increase.

Marketing fees are the initial fees recognised as a percentage of funds raised on our tax-based retail products. The increase year-on-year reflects a return to business-as-usual for meetings between our Retail Sales Team, financial intermediaries and their clients.

Other fees in FY22 principally consisted of a performance fee generated from our first North West regional fund, following a successful exit from that portfolio during H2. As our Private Equity regional strategy begins to mature, we expect to generate further performance fees from successful exits in the medium term, whilst still maintaining our 85%-90% recurring revenue target.

Summary Statement of Comprehensive Income continued

Cost of sales

Cost of sales comprises insurance costs associated with our Accelerated ITS product and authorised corporate director costs payable to a third party in relation to our OEIC products. The increase reflects the continuing growth in FCM.

Administrative expenses

	31 March 2022 £000	31 March 2021 £000
Staff costs	**35,395**	33,751
Depreciation and amortisation	**3,485**	2,648
Legal & professional	**6,067**	5,984
Other administration costs	**9,451**	6,500[1]
	54,398	48,883

1. Adjusted for gain on business combination from PiP acquisition (now disclosed on a separate line in the primary statements).

Year-on-year, the overall cost base increased by c.11%. Our largest expense, staff costs, increased by c.£1.6 million, due to the annual pay review process, the implementation of the staff PSP scheme and an increase in FTE of 26.1. This increase in FTE was predominantly in the high-growth areas across the business: FCM as our net inflows continue to increase and we launch new funds; Infrastructure in line with our increase in AUM and the number of assets in the portfolio; and Retail Sales, where we have expanded the team to drive further inflows.

Legal & professional costs were in line with the prior year. While the comparative figure included c.£2.3 m of one-off IPO costs, this year included one-off costs of c.£2 million associated with developing and launching new funds, such as our listed Forestry fund which launched in November and the further closes on FEIP.

The largest increase year-on-year was in Other administration costs, which rose by c.£2.9 million primarily due to an increased irrecoverable VAT charge. As with most financial services businesses, we cannot recover all the VAT on our purchases because some of our revenue streams are VAT exempt. The management fees from FCM's OEIC funds are VAT exempt and their continued strong growth has driven the increase in the irrecoverable VAT charge. Also within Other administration costs, travel and entertainment costs rose by c.£0.5 million as the UK COVID-19 restrictions were relaxed, enabling our staff to return to face-to-face meetings with investors and portfolio companies.

Core EBITDA pre share-based payments

The Group uses Core EBITDA pre share-based payments as one of its key performance metrics, as it views this as the profitability number that is most comparable to the Group's recurring revenue model (i.e. a cash profit number after taking out any one-offs, both positive and negative).

Core EBITDA pre share-based payments increased 33% year-on-year to £31.8 million (31 March 2021: £23.9 million), with the margin percentage improving to 37.0% (31 March 2021: 34.6%) as we continue our progression towards our medium-term target of 43%. The margin percentage for the full year was slightly lower than the 38.3% reported at the half year, due to the timing of the FEIP catch-up fees recognised in H1, one-off costs incurred on the launch of our new Forestry investment trust and preparation of new fund launches in H2, and a full six months of salary costs in H2 for staff who joined us in H1.

The Group has determined that the following are non-underlying items for the purposes of calculating Core EBITDA pre share-based payments:

Non-operational staff costs

The non-operational staff costs in the year relate to retention payments made to key members of staff and a severance package for a leaver.

The equivalent cost in the prior year related to pre-IPO profit share for FY20. These distributions made to members were classified as remuneration expenses under IFRS but were considered to be equity transactions for the purposes of calculating Core EBITDA.

Non-operational legal costs

There were no costs of this nature in the year ended 31 March 2022. The prior year figure included c.£2.3 million of IPO costs, c.£0.2 million of redundancy costs and c.£0.2 million of legal transaction costs.

Profit on disposal of tangible fixed assets and gain on business combination

The Group had a 50% holding in FV Solar Lab SRL before it acquired the remaining 50% in January 2022. The Group fair valued the assets and liabilities of FV Solar Lab SRL on the date of acquisition using the acquisition method, which gave rise to a bargain purchase. This resulted in a credit being recognised in the Statement of Comprehensive Income. In the prior year, there was an equivalent gain on bargain purchase from the acquisition of PiP Manager Ltd.

Other operating income

In the year ended 31 March 2022, the other operating income arose from the final fee received in relation to the development of a reserve power plant in Shirebrook, Derbyshire, on behalf of the Foresight ITS product. This is considered non-core as it was a non-recurring transaction outside the normal course of business.

In the prior year, £46k related to grant income from the Coronavirus Job Retention Scheme, with the remainder relating to the first part of the development fee received from the Shirebrook project described above.

Interest, tax, depreciation and amortisation

The major variance in these line items year-on-year relates to tax. As noted in last year's Annual Report, historically, taxation on the Group's profits was generally the personal liability of the members of Foresight Group LLP, which generates the majority of the Group's profits. Following the IPO, more of the Group's profits are subject to corporation tax, as demonstrated by the charge recognised in the period.

Share-based payments

The share-based payments charge in FY22 relates to the SIP and PSP schemes implemented in the period. Please read more about our SIP and PSP schemes in the remuneration report on pages 126 to 136.

Summary Statement of Financial Position

	31 March 2022 £000	31 March 2021 £000
Assets		
Property, plant and equipment	**2,656**	3,012
Right-of-use assets	**8,260**	9,120
Intangible assets	**4,431**	3,012
Investments	**2,781**	2,326
Deferred tax asset	**615**	977
Contract costs	**4,555**	837
Trade and other receivables	**21,207**	19,881
Cash and cash equivalents	**54,289**	39,431
Net assets of disposal group classified as held for sale	**64**	64
Total assets	**98,858**	78,660
Liabilities		
Trade and other payables	**(24,042)**	(20,939)
Loans and borrowings	**(3,690)**	(4,324)
Lease liabilities	**(10,408)**	(12,019)
Deferred tax liability	**(1,198)**	(1,581)
Provisions	**(933)**	—
Total liabilities	**(40,271)**	(38,863)
Net assets	**58,587**	39,797

FINANCIAL REVIEW CONTINUED

FOR THE YEAR ENDED 31 MARCH 2022

Summary Statement of Financial Position continued

Key balance sheet items and their year-on-year movements are summarised below:

Intangible assets

This comprises capitalised software development costs and other intangibles recognised in relation to the management contract acquired as part of the PiP acquisition in August 2020 and the acquisition of the remainder of our JV with FV Solar Lab SRL in January 2022.

Investments

This contains the Group's co-investment positions across our LP funds, plus investments in joint ventures. The movement in the year has been driven by deployment across our LP funds and is broken down as follows:

	31 March 2022 £000	31 March 2021 £000
Investment in securities		
Foresight Energy Infrastructure Partners	**571**	423
Foresight VCT portfolio companies	**458**	296
Foresight Nottingham Fund	**435**	264
Italian Green Bond Fund	**421**	355
Foresight Regional Investment Fund	**292**	344
Midlands Engine Investment Fund	**274**	223
Foresight Regional Investment Fund II	**118**	76
Northern Ireland Opportunities Fund	**85**	23
Foresight Regional Investment Fund III	**33**	—
Northern Ireland Opportunities Fund II	**30**	—
Other	**64**	71
Investment in joint ventures		
FV Solar Lab JV	**—**	251
Total investments	**2,781**	2,326

Contract costs

The increase of £3.7 million is due to the incremental placement agency fees on the further closes of FEIP in the year (as explained further in note 18 to these accounts).

Cash and cash equivalents

The cash balance has increased due to positive cash generation from a strong trading performance. Operating cash flows generated cash of c.£29.1 million offset by tax payments of c.£3.4 million, interest on lease liabilities of £0.6 million, investing activities of c.£0.8 million and financing activities of c.£9.4 million.

Investing activities included further co-invest payments of c.£0.7 million although this was offset by proceeds of c.£0.7 million. There was an outflow of c.£0.5 million in relation to the acquisition of assets and the net cash outflow on the acquisition of FV Solar Lab SRL was c.£0.3 million.

Financing activities included c.£6.2 million of dividend payments, c.£2.1 million of lease repayments, c.£0.6 million of loan repayments and purchase of own shares of c.£0.5 million.

Loans and borrowings

This balance relates to founder loans taken on as part of the consideration for the PiP acquisition in August 2020. The movement in the year is due to the first annual payment made under that agreement.

Lease liabilities

This relates to the liabilities arising from IFRS 16 lease accounting. The year-on-year decrease is a result of lease repayments offset by an increase in liability in relation to our new office in Luxembourg.

Dividends

As noted in last year's Annual Report, the Board decided to increase and maintain the dividend payout ratio at 60% (versus the target of 50% moving to 60%, as outlined at IPO).

An interim dividend of 4.0 pence per share was paid on 25 March 2022, with an ex-dividend date of 10 March 2022 and a record date of 11 March 2022.

As noted in the Executive Chairman's statement on pages 2 to 4, the Board has recommended a final dividend payment of 9.8 pence per share for approval by Shareholders at the upcoming AGM. If approved, the dividend will be paid on 14 October 2022, based on an ex-dividend date of 18 August 2022, with a record date of 19 August 2022.

Going forward, we intend to link interim dividends to the prior-year profits, paying out 30% of the total dividend from the prior year. These interim dividends will be paid in January each year. The balance of the 60% target will then be recommended to Shareholders each year at the AGM as a final dividend.

Going concern

The financial statements have been prepared on a going concern basis. In adopting this basis, the Directors have reviewed the financial processes and controls embedded across the business and examined the three-year plan. They have considered the business activities as set out on pages 24 to 47, and the principal risks and uncertainties disclosed within this report on pages 102 to 105, and concluded that the adoption of a going concern basis, covering a period of at least 12 months from the date of this report, is appropriate.

Outlook

The Group is well positioned to continue with further AUM, revenue and profit growth, as we progress towards our medium-term Core EBITDA pre-SBP margin target of 43%. Our strong balance sheet puts us in a good position to be able to capitalise on any future M&A opportunities that may arise, to supplement our recent strong organic growth.

Gary Fraser

Chief Financial Officer

11 July 2022