FINANCIAL REVIEW
FOR THE YEAR ENDED 31 MARCH 2023

FY23 was a milestone year for Foresight, growing revenue by 38% to £119m and exceeding £50m in Core EBITDA pre-SBP for the first time, representing a 58% year-on-year growth.

Gary Fraser
Chief Financial Officer

Highlights during the year

- Completion of two strategic acquisitions, Infrastructure Capital and Downing, generating incremental revenues of £10.1 million and £3.0 million respectively
- Successful exit of the solar portfolio of Foresight Solar & Technology VCT plc, generating £2.8 million of performance fees
- Strongest ever year of fundraising for our ITS product with £262 million raised

£12.2bn
AUM[1]
(31 March 2022: £8.8bn)

86.6%
Recurring revenues[1]
(31 March 2022: 86.9%)

42.1%
Core EBITDA pre-SBP margin[1]
(31 March 2022: 37.0%)

We have delivered another impressive performance in the period, with AUM, revenue and Core EBITDA pre-SBP growing significantly as we continue to overachieve against our ambitious targets.

Key financial metrics

	31 March 2023	31 March 2022
Period-end AUM[1] (£m)	**12,167**	8,839
Retail	**3,790**	3,643
Institutional	**8,378**	5,196
Period-end FUM[1] (£m)	**9,022**	6,675
Retail	**3,747**	3,546
Institutional	**5,275**	3,129
Average AUM[1] (£m)	**11,176**	8,108
Average FUM[1] (£m)	**8,353**	6,015
Total revenue (£000)	**119,155**	86,071
Recurring revenue (£000)	**103,208**	74,825
Recurring revenue/total revenue (%)	**86.6%**	86.9%
Core EBITDA pre share-based payments[1] (£000)	**50,158**	31,825
Core EBITDA pre share-based payments margin[1] (%)	**42.1%**	37.0%
Total comprehensive income (£000)	**20,905**	24,938
Basic earnings per share before non-underlying items[1] (pence)	**34.6**	22.2
Dividend per share (pence)	**20.1**	13.8

1. Alternative performance measures described and explained in the appendices to the financial statements on pages 198 to 205.

FINANCIAL REVIEW CONTINUED

FOR THE YEAR ENDED 31 MARCH 2023

Summary

FY23 was another strong year for the Group with the successful completion of two strategic acquisitions supported by organic growth. In the year, 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.

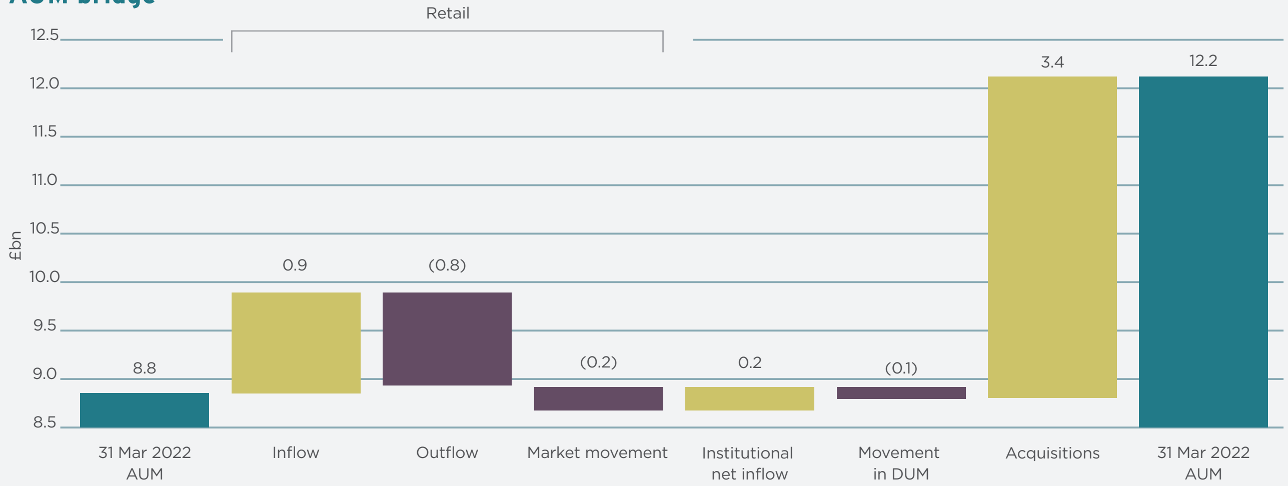
Revenue grew by 38% to £119.2 million (31 March 2022: £86.1 million) as a result of increased FUM, the acquisitions in the period and successful exits from some of our funds. As explained on the next page, the Group has introduced an analysis of the income statement to remove the impact of the IFRS 3 acquisition accounting adjustments, resulting in underlying total comprehensive income for the year of £36.2 million (31 March 2022: £23.9 million).

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

AUM grew significantly from £8.8 billion at the start of the year to £12.2 billion at 31 March 2023, an increase of c.38%, which is far in excess of our ambitious 20%-25% target range. The majority of this growth was due to the Downing and ICG acquisitions, which added £0.3 billion and £3.0 billion respectively. Regarding organic fundraising, we had modest net retail inflows of £58.0 million for the year, with a strong performance from our ITS inflows being offset by net outflows on our OEIC products, the latter reflecting the wider market performance. Net institutional inflows totalled £147.0 million, with new fund launches being offset by return of capital to investors following successful realisations, which generated significant positive returns for investors and the Group. Further detail on these areas is provided later in my report.

Reflecting the timing profile of inorganic growth, we clarified our target AUM growth rate, which is over a rolling three year average period. We are confident of continuing to deliver this level of growth given the pipeline of organic fundraising over the near term.

AUM bridge



Key: Retail includes OEICs and tax-advantaged products.

Net inflows

Our ITS product went from strength to strength, generating inflows of £262.0 million; a record year for the Group, reflecting the recent investment in our successful Retail Sales team. This was accompanied by a further raise of £65 million from our VCT and EIS products. These inflows were offset by a return of capital to investors in our EI EIS and Solar & Technology VCT funds, the latter of which generated a total tax-free return to investors of 185 pence based on 100 pence invested at inception 12 years ago. Within FCM, our OEIC products experienced net outflows over the year for the first time (£(97) million), reflecting the wider macroeconomic factors resulting from a rapid increase in interest rates impacted by higher rates of inflation in the UK, the conflict in Ukraine and the cost of living crisis.

On the institutional side, we closed four new funds within the Private Equity division, namely the AIB Foresight Impact Fund, Foresight West Yorkshire SME Investment Fund, Foresight Regional Investment Fund IV and Fund V, totalling £172.0 million, in addition to a further share issue in FSFC which raised gross proceeds of £45.0 million.

FINANCIAL REVIEW CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

Alternative performance measures ("APMs")

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 variability in the fair value measurement of the share-based payments charge.

The Group has now also introduced profit before non-underlying items as an APM, which excludes non-underlying items from statutory measures. In particular, this removes the impact of the IFRS 3 acquisition accounting, which is covered in detail in note 33 of these accounts. Consequently, the Group also now calculates earnings per share before non-underlying items.

In addition to these being described below, the APMs are now set out in the appendices to the financial statements on pages 198 to 205 including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant. A full reconciliation of statutory profit, profit before non-underlying items and Core EBITDA pre-SBP is provided in the appendices.

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 in the understanding of the business.

Summary Statement of Comprehensive Income and Core EBITDA pre-SBP reconciliation before non-underlying items

	31 March 2023 Before non-underlying items £000	31 March 2022 Before non-underlying items £000
Revenue	**119,155**	86,071
Cost of sales	**(6,303)**	(5,106)
Gross profit	**112,852**	80,965
Administrative expenses	**(70,630)**	(54,398)
Other operating income	**—**	250
Operating profit	**42,222**	26,817
Other non-operating gains and losses	**378**	40
Profit on ordinary activities before taxation	**42,600**	26,857
Tax on profit on ordinary activities	**(3,696)**	(2,793)
Profit	**38,904**	24,064
Other comprehensive income		
Translation differences on foreign subsidiaries	**(2,720)**	(138)
Total comprehensive income	**36,184**	23,926
Adjustments:		
Non-operational staff costs	**760**	728
Depreciation and amortisation	**5,214**	3,485
(Profit)/loss on disposal of tangible fixed assets	**(10)**	33
Other operating income	**—**	(250)
Finance income and expense (excluding fair value gain on derivatives)	**733**	651
Foreign exchange on acquisitions	**2,436**	—
Tax on profit on ordinary activities	**3,696**	2,793
Core EBITDA	**49,013**	31,366
Share-based payments	**1,145**	459
Core EBITDA pre share-based payments	**50,158**	31,825

FINANCIAL REVIEW CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

Summary Statement of Comprehensive Income and Core EBITDA pre-SBP reconciliation before non-underlying items continued

Revenue

	31 March 2023 £000	31 March 2022 £000
Management fees	**97,373**	70,906
Secretarial fees	**2,719**	1,413
Directors' fees	**3,116**	2,506
Recurring fees	**103,208**	74,825
Marketing fees	**6,129**	5,046
Arrangement fees	**4,054**	2,964
Performance and other fees	**5,764**	3,236
Total revenue	**119,155**	86,071

Total revenue increased by 38% year-on-year to £119.2 million (31 March 2022: £86.1 million) with high-quality recurring revenue also increasing by 38% to £103.2 million (31 March 2022: £74.8 million). The Group has continued to focus on recurring revenue, which remained within our 85% – 90% target range. Recurring revenue increased due to both organic and inorganic growth, with organic growth contributing £15.3 million and inorganic growth £13.1 million of the additional recurring revenue (of which ICG totalled £10.1 million and Downing £3.0 million). The year finished with 86.6% (31 March 2022: 86.9%) of our revenue being classified as recurring despite recognition of further performance fee income, which is covered in more detail below.

The largest increase year-on-year came from management fees, which grew by £26.5 million (of which £14.5 million was organic and £12.0 million inorganic). The organic increase was driven by FUM growth in our ITS, VCT and EIS products, driving an additional £7.7 million of revenue, whilst additional revenue of £3.2 million arose from our Private Equity regional funds alongside £3.2 million from our listed Infrastructure funds as a result of NAV growth. Despite more challenging market conditions for our Foresight Capital Management division, its revenue contribution increased c.£0.9 million year-on-year. Our FEIP fund contributed an additional £0.7 million following further deployment, plus there was £0.5 million of additional revenue reflecting the first full year of being sole manager of ForVei II. This was offset by a £1.7 million decrease as a result of a non-strategic mandate moving to a different fund manager, as previously reported.

Secretarial fees roughly doubled year-on-year, mainly due to the acquisitions, with growth from these new funds of £0.8 million.

Directors' fees increased year-on-year as a result of the larger number of companies within the Private Equity portfolio as a result of continued deployment and the Downing acquisition.

Marketing fees increased year-on-year as a result of strong fundraising in relation to our ITS product.

Performance fees were generated in the period following further successful realisations from two of our Private Equity regional funds and two of our Infrastructure portfolios. This included a performance fee of £2.8 million from the successful sale of the solar portfolio of Foresight Solar & Technology VCT plc, generating an exceptional return for investors.

Cost of sales

Cost of sales comprises insurance costs associated with our Accelerated ITS ("AITS") product, authorised corporate director costs payable to a third party in relation to our OEIC products and asset management costs. The increase year-on-year is due to the continued growth of the AITS product and a full year of managing FORVEI II following the FV Solar Lab S.R.L. acquisition in the prior year.

FINANCIAL REVIEW CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

Summary Statement of Comprehensive Income and Core EBITDA pre-SBP reconciliation before non-underlying items continued
Administrative expenses before non-underlying items

	31 March 2023 before non-underlying items £000	31 March 2022 before non-underlying items £000
Staff costs	**48,144**	35,395
Depreciation and amortisation	**5,214**	3,485
Legal and professional	**5,288**	6,067
Other administration costs	**11,984**	9,451
Total	**70,630**	54,398

Year-on-year, underlying administrative expenses increased by c.30%. However, after excluding ongoing administrative expenses arising from the acquisitions in the year of c.£7.5 million and the amortisation associated with the intangible assets arising from the acquisitions, comparable ongoing administrative expenses increased by 12.9%.

Core staff costs increased by c.£12.7 million due to the annual pay review process, which was in line with previous years; the increased cost of the PSP scheme as it entered its second year following implementation post-IPO; and an increase in FTE of 100.6 over the last 12 months. This increase in FTE is predominantly a result of the acquisitions (contributing 56% of the increase), plus expansion in our Private Equity division to support the launch of the new regional UK and Ireland funds.

Legal and professional costs decreased by c.13% – mainly as a result of larger one-off items in FY22 such as the costs associated with the launch of our forestry fund, FSFC, in November 2021.

The increase in other administration costs principally relates to increases associated with the growth in the FUM and associated headcount (e.g. FCA fees and IT-related costs) plus increased travel and entertainment costs following the first full year without the impact of COVID-19 restrictions.

Core EBITDA pre share-based payments (“SBP”)

The Group uses Core EBITDA pre-SBP as one of its key metrics to measure performance 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). In addition to the adjustments for the acquisitions as explained previously, the other principal items adjusted for in calculating Core EBITDA pre-SBP relate to retention payments made to key members of staff and the SIP, PSP and overseas phantom share plan schemes implemented post-IPO. See the appendices to the financial statements on pages 198 to 205 for further explanation of the adjustments made when calculating Core EBITDA.

Core EBITDA pre share-based payments increased 57.6% year-on-year to £50.2 million (31 March 2022: £31.8 million) with the margin percentage improving to 42.1% (31 March 2022: 37.0%) in line with expectations set out at half year. As per FY22, the margin reduced slightly in H2 (H1: 42.4%) as a result of a full six months of higher salary costs following the annual pay rise in August 2022.

Organic Core EBITDA pre-SBP was £44.2 million with the acquisitions contributing £6.0 million.

Segmental Core EBITDA pre-SBP is set out below:

	31 March 2023 £000	31 March 2022 £000
Infrastructure	**30,320**	17,805
Private Equity	**15,936**	11,376
Foresight Capital Management	**3,902**	2,644
	50,158	31,825

FINANCIAL REVIEW CONTINUED

FOR THE YEAR ENDED 31 MARCH 2023

Summary Statement of Comprehensive Income and Core EBITDA pre-SBP reconciliation before non-underlying items continued

Non-underlying items

Items which are not considered part of the normal operations of the business, are non-recurring or are considered exceptional because of their size, nature or incidence, are treated as non-underlying items and disclosed separately. Further detail can be found in note 8 of these accounts.

	31 March 2023 £000	31 March 2022 £000
Administrative expenses		
Staff costs – acquisitions excluding SBP	**3,153**	—
Staff costs – acquisitions SBP	**9,514**	—
Other administration costs – foreign exchange	**(782)**	—
	11,885	—
Acquisition-related costs	**3,721**	—
Fair value gains on contingent consideration (incl. finance expense)	**(327)**	—
Gain on business combination	**—**	(1,012)
Total non-underlying items	**15,279**	(1,012)

Administrative expenses and taxation

Staff costs – acquisitions relate to the acquisitions during the year, of which c.£12.0 million reflects the IFRS 3 accounting treatment of the contingent consideration from the ICG acquisition. This is being treated as remuneration for post-combination services and will continue to accumulate over the vesting period (see note 33). The remainder reflects one-off bonuses awarded to staff who worked on the acquisitions.

Acquisition-related costs

A charge of £3.7 million for the year related to legal and professional costs incurred on the two acquisitions completed in the year.

Fair value gains on contingent consideration (incl. finance expense)

A fair value gain on contingent consideration of £0.3 million has arisen as the Group has reassessed the fair value of the contingent consideration arising from the Downing acquisition at 31 March 2023 (see Acquisition-related liabilities) later in my report.

Gain on business combination

In 2022, the Group made a gain on the business combination on the acquisition of the remaining 50% holding in FV Solar Lab S.R.L. where the fair value of assets and liabilities acquired were greater than the consideration paid. This resulted in a credit being recognised in the Statement of Comprehensive Income. There were no gains on business combinations arising from the acquisitions made in the current period.

Reconciliation of Total Comprehensive Income before non-underlying items to Total Comprehensive Income

	31 March 2023 £000	31 March 2022 £000
Total comprehensive income before non-underlying items	**36,184**	23,926
Non-underlying items	**(15,279)**	1,012
Total comprehensive income	**20,905**	24,938

FINANCIAL REVIEW CONTINUED

FOR THE YEAR ENDED 31 MARCH 2023

Summary Statement of Financial Position

	31 March 2023 £000	31 March 2022 £000
Assets		
Property, plant and equipment	**2,522**	2,656
Right-of-use assets	**7,281**	8,260
Intangible assets	**62,911**	4,431
Investments	**3,967**	2,781
Deferred tax asset	**1,742**	615
Derivative asset	**648**	—
Contract costs	**3,965**	4,555
Trade and other receivables	**21,742**	21,207
Cash and cash equivalents	**39,761**	54,289
Net assets of disposal group classified as held for sale	**64**	64
Total assets	**144,603**	98,858
Liabilities		
Trade and other payables	**(35,382)**	(24,042)
Loans and borrowings	**(3,131)**	(3,690)
Lease liabilities	**(9,251)**	(10,408)
Acquisition-related liabilities	**(5,973)**	—
Deferred tax liability	**(12,827)**	(1,198)
Provisions	**(800)**	(933)
Total liabilities	**(67,364)**	(40,271)
Net assets	**77,239**	58,587

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

Intangible assets and deferred tax liability

The increase of £58.5 million year-on-year was due to additions of £44.8 million of intangible assets in respect of customer contracts related to the Downing and ICG acquisitions and £19.4 million of goodwill as detailed further in note 16 of the accounts (offset by amortisation charges and foreign exchange). The Group has now concluded its purchase price allocation for both acquisitions having presented provisional valuations at half year. These intangible assets in respect of customer contracts are in addition to those recognised in prior years for the PiP and FV Solar Lab S.R.L. acquisitions. No contracts required impairment at year end. Deferred tax liabilities have been accounted for in line with the intangible assets in respect of customer contracts recognised during the year.

Investments

Investments contain the Group's co-investment positions across our LP funds. The main movement in the year was from a £1 million increase in the co-investment into the Foresight Energy Infrastructure Partners fund plus investments and repayments from our UK private equity regional funds.

Derivative asset

In order to mitigate the risk associated with the increase in Group cash flows arising in a foreign currency following the acquisition of ICG, the Group entered into a number of forward foreign currency contracts in September 2022. The Group originally had eight forward foreign currency contracts, of which the first matured on 30 March 2023 and thereafter at quarterly intervals. Therefore, at 31 March 2023, the Group had seven contracts with a notional amount of A$17.5 million to sell for £10.2 million and the fair value of these contracts gave rise to a gain of £0.6 million, recognised as a derivative asset.

FINANCIAL REVIEW CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

Summary Statement of Financial Position continued

Cash and cash equivalents

As seen in the cash flow statement on page 142, cash from operating activities was strong in the year at £51.4 million. This was principally the result of a strong trading performance, but was also bolstered by the collection of some large debtors from our EI EIS and Williams EIS funds as a result of successful exits from those funds (enabling them to settle historic management fees) plus an increase in deferred income as explained in the next section.

This strong cash generation enabled us to complete the two acquisitions during the year from our own cash resources, with no requirement for third-party debt. These outflows (£44.8 million), combined with the dividends paid to Shareholders of £16.0 million explains the reduction in the cash balance year-on-year.

Trade and other payables

Trade and other payables increased by £11.3 million as result of the following: £5.6 million of early cash collection for the June 2023 quarterly management fees giving rise to deferred income; £1.2 million of the performance fee from the Solar VCT exit payable to staff in the Infrastructure Team; with the remainder being an increase in the bonus accrual due to increased headcount in the year. Of this increase in the bonus accrual, £2.5 million arose in entities now included in the Group following the ICG acquisition.

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 annual payment made under that agreement in July 2022. In the Statement of Financial Position at 31 March 2023, four out of the five loans were fully disclosed as current liabilities as these were fully repaid in May 2023.

Acquisition-related liabilities

Acquisition-related liabilities include the contingent consideration arising from the Downing acquisition and liabilities related to the remuneration for post-combination services arising from the ICG acquisition.

The Downing acquisition included deferred contingent consideration of £4.2 million, conditional on the valuation of the AUM acquired being maintained at future dates. On acquisition, the discounted fair value of the consideration was £3.8 million. The fair value of the consideration was reviewed at year end, resulting in a net reduction of £0.3 million due to a reduction in value of the AUM acquired less unwinding of the discount.

As explained already, certain components of the consideration for the ICG acquisition are to be accounted for as remuneration for post-combination services. Where this remuneration will be paid in cash, the remuneration is accounted for under IAS 19 with the discounted expense accounted for over the vesting period. This gives rise to a liability in the Statement of Financial Position which is included in acquisition-related liabilities and amounted to £2.5 million at 31 March 2023.

FINANCIAL REVIEW CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

Dividends

The Board has decided to maintain the dividend payout ratio at 60% based on profit after tax before non-underlying items of £38.9 million.

An interim dividend of 4.6 pence per share was paid on 27 January 2023 and, as noted in the Executive Chairman's statement on page 4, the Board has recommended a final dividend payment of 15.5 pence per share be approved by Shareholders at the upcoming AGM. If approved, the dividend will be paid on 20 October 2023 based on an ex-dividend date of 28 September 2023, with a record date of 29 September 2023.

We will calculate the interim dividend as 33% of the total dividend from the prior year. This was increased by the Board from the 30% as originally planned at IPO due to the strong performance of the business. These interim dividends will be paid in January of each year. The balance of the 60% annual target will then be recommended to Shareholders each year at the AGM as a final dividend, with payment planned for each October.

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 22 to 44, and the principal risks and uncertainties disclosed within this report on pages 81 to 84 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

As we enter FY24, the business is well positioned to continue along our strong growth trajectory. Our recent acquisitions and strong pipeline of both fundraising and deployment opportunities gives me confidence that we will be able to deliver against our key targets moving forward.

Gary Fraser

Chief Financial Officer

3 July 2023