Audit & Risk Committee report

"The Audit & Risk Committee devoted significant time to the oversight of the acquisition accounting and associated impairment reviews, following the strategic investments made by the Group over the last few years."

Geoffrey Gavey
Chair of the Audit & Risk Committee

Membership	Meetings attended
Geoffrey Gavey (Chair)	4/4
Alison Hutchinson	4/4
Mike Liston	4/4

Purpose

The purpose of the Audit & Risk Committee is to monitor and review:

1. The integrity of the disclosures of the Group (including financial, non-financial and climate-related) within the Annual Report and Accounts, Half-year Report and other documents for publication
2. The adequacy and effectiveness of the system of internal controls across the Group
3. The independence and effectiveness of the External Auditor and consideration of the need for an internal audit function
4. All governance matters with respect to the UK Corporate Governance Code
5. The policies and overall process for identifying and assessing business risks, including sustainability and climate-related risks (and opportunities), and managing their impact on the Group

Audit & Risk Committee report

What the Committee reviewed during FY25

Financial and narrative reporting	Internal control, risk management and compliance	External/internal audit	Governance	Sustainability
• Annual and Half-year Reports to ensure they were fair, balanced and understandable, including APMs and ESG disclosures • Key accounting judgements and estimates • Simplification of the Group's financial reporting metrics • Going concern and viability	• Reports from the Group's Risk Committee ("RC") • Review of the viability statement and the supporting stress test scenarios • Regular reviews of compliance with regulatory rules (including the FRC Minimum Standard) and compliance monitoring findings	• Audit reports from the External Auditor • Confirmation of the External Auditor's independence • Policy and approval for non-audit fees • FY25 audit plan, including significant audit risks • External Auditor performance and effectiveness • Internal audit implementation	• Reports from the Governance team • Annual review of the Company's compliance with the Corporate Governance Code and reporting to Shareholders • Further consideration of the changes to Provision 29 of the Code which applies to financial years beginning on or after 1 January 2026	• Reports from the Group Sustainability team • UK SDR and anti-greenwashing • Data management and reporting • Integrated Group Sustainability Report

Dear Shareholders,

I am pleased to present the Audit & Risk Committee report for the year ended 31 March 2025, which is intended to provide Shareholders with insights into the work we have done as a Committee to provide assurance on the integrity of the Annual Report and Accounts together with the effectiveness of the Group's risk management and internal controls framework during a year of continued market volatility. My report summarises the areas of focus and work conducted by the Committee over the course of the last year.

The Committee supports the Board by setting, reviewing and monitoring the Group's policies and procedures to ensure the independence and effectiveness of the external audits and internal control framework, which support the integrity of our financial and narrative reporting. We also monitor the adequacy of the processes that enable the Board to assess the level of principal risks the Group is prepared to take to achieve its long-term strategic goals.

Key areas of focus

One of the primary responsibilities of the Committee is to consider and report any significant issues that arise in relation to the audit of the financial statements. Further details on the areas of focus are provided later in my report, but I can confirm there were no significant issues to report to Shareholders in respect of the audit of the financial statements for the year ended 31 March 2025.

The Committee has continued to focus on developing the risk management function within the business. The Group's Head of Risk continues to evolve our systems and controls to support the growth and stability of the Group, with a continued focus on our sustainability risk management activities. Our risk framework continues to support our business and functions and ensures a dynamic exchange of information on risks across our regions.

The Committee has again focused this year on the IFRS 3 accounting following our recent strategic acquisitions. Towards the end of the financial year we were appointed as sub-manager of the Liontrust Diversified Real Asset Fund ("DRAF"), which was followed shortly after by the acquisition of the trade and assets of WHEB Asset Management – both of these actions complement and diversify the offering from our FCM division.

We also considered the need for any impairment reviews of the Downing and ICG acquisitions we have made in the recent past – more detail on these reviews can be found later in my report.

Audit & Risk Committee report

Interaction with the Financial Reporting Council ("FRC")

During the year ended 31 March 2025, our only interaction with the FRC was receipt of a follow-up letter on 7 May 2024 confirming that they were satisfied with the responses we had provided to the questions they had raised for the FY23 Annual Report in relation to earnings per share and the fair value of intangible assets – customer contracts. Further details were provided in my report last year and can also be found on the FRC website, as we consented to the FRC publishing the findings of their review on their website in June 2024, following closure of their enquiry.

Composition

The Committee was formed on 3 February 2021 as part of the preparation for the Company's Admission to the Main Market of the London Stock Exchange. Its members are myself as Chair, alongside fellow independent NEDs Alison Hutchinson and Mike Liston.

The UK Corporate Governance Code recommends that all members of the Audit & Risk Committee be independent Non-Executive Directors, that one such member has recent and relevant financial experience, and that the Committee as a whole shall have competence relevant to the sector in which the Company operates.

Whilst no member of the Audit & Risk Committee has an accounting or audit qualification, the Board considers that the Company complies with the requirements of the UK Corporate Governance Code, as I have recent and relevant financial experience, having recently been a member of the Audit & Risk Committee at other companies. The absence of a member of the Audit & Risk Committee with an accounting and/or audit qualification is kept under periodic review by the Board.

Committee meetings

The Committee meets at least three times per year and at such other times as required. The Company's External Auditor or Chief Risk Officer ("CRO") may also request a meeting if they consider it necessary.

The Committee met on four occasions during the financial year under review and reviewed and discussed a number of topics, as outlined in the table earlier in the report.

Responsibilities

As part of the IPO in February 2021, Terms of Reference ("ToR") were defined and documented for the Committee. These were reviewed and updated in the prior year to reflect the latest statutory requirements and best practice appropriate to a group of Foresight's size, including extending the remit of the Committee to include Governance and Sustainability.

The Group complies with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. BDO are engaged as the External Auditor for the Group and have audited the principal trading business within the Group (Foresight Group LLP) since the year ended 31 March 2019 when the external audit was last tendered. The Committee continues to monitor audit quality and governance best practice; it intends to initiate a new tender process by 2029 in line with the ten-year requirement.

The current ToR were adopted on 8 March 2024 and can be found on the Group's website at https://foresight.group/corporate-governance or obtained from the Company Secretary.

The Committee is principally responsible for the following:

i. Considering and reporting any significant issues that arise in relation to the audit of the financial statements
ii. Reviewing the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems
iii. Considering the need for an internal audit function
iv. Reviewing the independence and effectiveness of the external audit process, including the provision of any non-audit services
v. Reviewing the Group's position with respect to the Code and corporate governance practice
vi. Sustainability reporting, including the support of any audit undertaken regarding such reporting

(i) Significant financial reporting areas

The key areas of risk identified and considered by the Committee in relation to the business activities and financial statements of the Group for the year ended 31 March 2025 were as follows:

Audit & Risk Committee report

Responsibilities | (i) Significant financial reporting areas

Area of focus – Revenue recognition

Management and Secretarial fees; Marketing fees; Directors' fees; Arrangement fees; and Performance fees

Comments and conclusions

Management fees

Revenue is recognised in line with the investment management or advisory agreements in place with the appropriate funds. These are typically based on the Net Asset Value ("NAV") or committed capital of Limited Partnership funds managed or advised by the Group. Where NAV is used, it is typically the last audited or publicly available NAV approved by the independent boards of the relevant companies.

Secretarial fees

Relate to services provided to funds Foresight manages (such as company secretarial, accounts preparation, administration, etc.) and are generally driven by Funds Under Management ("FUM") and calculated as a percentage of NAV or as a fixed fee depending on the terms of the individual contract agreements.

Marketing fees

These are fees recognised as a percentage of initial funds raised from the tax-based retail products.

Area of focus – Revenue recognition

Directors' and monitoring fees

Relate to services provided by Foresight staff where they are appointed as Directors on the boards of portfolio companies in which the Foresight funds invest. The fees are recognised in line with the contractual agreements between Foresight and the portfolio companies.

Arrangement fees

Earned by Foresight for its role in arranging certain deals (including capital deployments, fundraisings and refinancings), based on a percentage of the capital raised/deployed/refinanced.

Performance fees

Usually one-off in nature and earned from carried interest arrangements. Performance fees are recognised only at the point in time when the Group has certainty as to the receipt of such revenue, such that it is highly probable that a significant reversal in the amount of revenue recognised will not occur. Performance fees were recognised during the year following successful exits from the Foresight Regional Investment Fund LP ("FRIF"), Foresight Nottingham Fund LP ("FNF"), NI Opportunities I and II LP ("NIOPPS"), Foresight VCT plc and Foresight Enterprise VCT plc.

Following discussions with management and review of the Group's controls and procedures as part of the meetings held throughout the year, the Committee is comfortable that revenue has been properly recognised in the financial statements in line with the Group's accounting policies.

Area of focus – Judgement as to whether an acquisition constitutes the acquisition of a business

Comments and conclusions

The Group was involved with the following transactions and events during FY25:

- Acquisition of the Healthcare share class of Thames Ventures VCT 2 plc and appointment as sub-manager to Downing Healthcare Impact EIS Fund and Downing Healthcare Impact EIS Knowledge Intensive Fund on 20 September 2024
- Acquisition of the trade and assets of WHEB Asset Management LLP ("WHEB") on 27 January 2025
- Appointment as sub-investment manager and sub-distributor for the Liontrust Diversified Real Assets Fund on 27 January 2025

When the Group purchases customer contracts through acquisitions but not the share capital of the selling entity, a judgement is made as to whether the transaction should be accounted for as a business combination or as a separate purchase of intangible assets. In making this judgement, the Group assesses the assets, liabilities, operations and processes that were the subject of the transaction against the definition of a business combination in IFRS 3.

Audit & Risk Committee report

Responsibilities | (i) Significant financial reporting areas

Area of focus – Judgement as to whether an acquisition constitutes the acquisition of a business

Comments and conclusions

Management have concluded that the WHEB acquisition constitutes the acquisition of a business and is therefore accounted for as a business combination. The management contracts of WHEB are therefore required to be valued at acquisition as intangible assets – customer contracts (see below) and management also estimate the fair value of contingent consideration. For the Healthcare share class of Thames Ventures VCT 2 plc, management have concluded that this is not the acquisition of a business so is a separate purchase of intangible assets.

Area of focus – Initial valuation of intangible assets (customer contracts)

Comments and conclusions

There is a considerable amount of subjectivity used in valuing intangible assets of this nature and, therefore, management engaged a third-party professional services firm to conduct a purchase price allocation for the WHEB acquisition, including the identification and valuation of these separately identified intangible assets.

The intangible assets (customer contracts) have been valued using a discounted cash flow model, with assumptions regarding length of contract, appropriate costs and appropriate discount rates applied. Contributory asset charges have also been applied to determine the fair value of the management contract. Following discussions with management and review of the third-party report, the Committee is satisfied with the valuations conducted and the assessment of the useful lives of the contracts.

Area of focus – Impairment of goodwill and intangible assets (customer contracts)

Comments and conclusions

In addition to intangible assets (customer contracts), goodwill arising on acquisitions is capitalised and carried at cost less provision for impairment. An assessment is made at each year end for both intangible assets as to whether there is any indication that the assets may be impaired.

Goodwill is allocated to cash-generating units ("CGUs") and the valuation of these CGUs is then compared to the carrying value of goodwill to identify whether any impairment is required. Management have conducted valuations of these CGUs, which the Committee has reviewed and is satisfied that no impairment is required.

Management have also reviewed each intangible asset (customer contracts) for indicators of impairment. In FY24, indicators were identified for the two contracts acquired from Downing, Thames Ventures VCT 1 plc and Thames Ventures VCT 2 plc (now merged as Foresight Ventures plc). This was due to the reduction in AUM seen in these VCTs since acquisition. The Committee is satisfied that no further indicators of impairment for Downing have arisen in FY25 and the carrying value recorded is appropriate.

Audit & Risk Committee report

Responsibilities | (i) Significant financial reporting areas

Area of focus – Impairment of goodwill and intangible assets (customer contracts)

Comments and conclusions

As discussed in the Financial review, for two of the contracts obtained from the Infrastructure Capital acquisition, actual or expected redemptions are an indicator of impairment identified during the year. Management have therefore conducted an impairment review for these contracts to update the value in use calculation which also included a reassessment of the remaining useful life of the contracts. The Committee is satisfied that following the impairment charge accounted for, the carrying values recorded and the disclosures in the year-end accounts are appropriate.

Area of focus – IFRS 2 – Performance Share Plan

Comments and conclusions

The Group continues to operate an IFRS 2 Performance Share Plan ("PSP") scheme and there was a further grant of options in August 2024. The operation of this plan involves management judgement and complex accounting, in particular around the grant and vesting start date and the fair value of the options including appropriate retention rates.

Management continued its engagement with a third-party firm specialising in IFRS 2 valuations to assist with the valuation in this area. Discussions were held between the firm and management who challenged the assumptions used and assessed their appropriateness.

Following discussions with management and review of the output from the third-party firm, the Committee has concluded that the financial statements have been accurately presented in accordance with IFRS 2.

Area of focus – Contract costs

Comments and conclusions

The Group may enter into placement agency agreements with providers who will seek to raise investor monies. Where placement agency fees are incremental to obtaining, extending or modifying a contract with a customer, these fees are capitalised. If not, these are expensed as they are incurred. Capitalised placement fees are included within contract costs.

The Committee has considered management's judgement on placement agency fees incurred during the year, primarily arising from FEIP II, and are satisfied that these have been capitalised correctly.

Area of focus – Transfer pricing

Comments and conclusions

Due to the Group operating in a number of jurisdictions across the globe, there are a number of inter-company pricing policies applicable to both the investment management and asset management value chains.

We continued to work with a third-party professional services firm to review and develop the Group's transfer pricing policies. There were no material changes to the policies during FY25 and the Committee remains satisfied that these were still appropriate. Management will continue to review these policies regularly in light of any changes in tax legislation.

Area of focus – Simplification of financial reporting

Comments and conclusions

Since IPO, the financial statements and alternative performance measures ("APMs") of the Group have evolved as the underlying accounting of the Group has increased in complexity (e.g. accounting for our recent acquisitions). Following engagement with Shareholders and analysts, we have sought to simplify our financial reporting by reducing the number of columns in our income statement and introducing an "adjusted profit" APM, on which the dividend and earnings per share figures are now calculated.

Audit & Risk Committee report

Responsibilities

(ii) Risk management and internal controls

Each business and functional area across the Group is responsible for identifying, monitoring, measuring and managing risks as well as setting controls and assessing their efficacy. Oversight of risks and risk management activity remains with the Group's Risk Committee, with escalation to the Executive Committee and Audit & Risk Committee as required.

The Board of Directors is accountable for the risk management activities of the Group and is responsible for setting the tone for the Group's risk culture. The Board therefore has the ultimate responsibility for the effective management of risk, including determining the Group's risk appetite, identifying key strategic and emerging risks, and reviewing Foresight's risk management and internal control framework. For information on the Group's principal and material risks please refer to pages 36 to 46 of the Strategic Report.

In addition to the Group Risk Committee, the Audit & Risk Committee continues to rely on a number of different sources, including the production of the annual ISAE 3402 report which covers controls around the valuation of the Group's funds, as well as third parties providing additional support in specialist areas such as tax, risk, compliance and governance.

In my role as Chair of the Audit & Risk Committee, I attended a number of management meetings during the year to observe for myself the discussions and challenge provided by Senior Management. These meetings covered Risk, Compliance and Valuations in addition to meetings of the three core business divisions.

The Committee provided its confirmation to the Board that it has reviewed the effectiveness of the systems of internal control, including financial, operational and compliance controls, and risk management for the reporting period, as required under the provisions of the Code.

(iii) Internal audit

Taking account of the nature, scale and complexity of the Group's business, Foresight does not currently have a dedicated internal audit function. In FY25, a strategy for the Group Internal Audit function was set out. The internal audit work will begin in FY26, reflecting the continued growth of the business, and will support the Board ahead of the update of the UK Corporate Governance Code, relating to the effectiveness of material controls for both financial and non-financial activities.

Foresight prepares a controls report in accordance with International Standards on Assurance Engagements ("ISAE") 3402 which is also reviewed by BDO. This report describes the controls in place for processing investment transactions across the Group including the procedures in place to deal with conflicts of interest. The most recent report was produced and audited for the 12-month period to 31 March 2024 with the audit for the 12-month period to 31 March 2025 ongoing. In addition, to ensure CASS rules are followed, an independent review is performed.

(iv) External audit, including non-audit services

The Committee monitors and reviews the independence and objectivity of the External Auditor and reviews the effectiveness of the external audit process. The Committee also considers and makes recommendations to the Board, to be put to Shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the Group's External Auditor.

BDO are engaged as the External Auditor and have been since the year ended 31 March 2019. Elizabeth Hooper is the current audit partner, and this is her second year on the Foresight audit.

The Committee received reports from BDO in relation to their planning and subsequent audit of the full-year financial results. The Committee reviewed the contents of these reports to help assess the quality and effectiveness of the external audit, including the audit team's demonstrated competence, experience, diligence, objectivity, professional scepticism, current knowledge and its relationship with the Executive Directors and Senior Management. The Committee also reviewed the challenge of management assumptions demonstrated by the External Auditor, and where appropriate, requested that management responded to those challenges and to ensure a satisfactory outcome to the points raised.

In addition to the above, I have held several meetings with Elizabeth and her team (both with and without Foresight present) during the year to review the audit scope and audit findings, provide challenge and assess the depth of review provided by BDO.

Audit & Risk Committee report

Responsibilities | (iv) External audit, including non-audit services

As a result of this, I am satisfied with BDO's processes, capability of their staff and observations about management.

BDO confirmed its independence and objectivity from Foresight during the reporting period and both the Committee and the Board are satisfied that BDO has adequate policies and safeguards in place to ensure its objectivity and independence are maintained.

When assessing the independence of BDO, the Committee considered, amongst other things, the value of non-audit services provided by BDO, and the relationship with them as a whole. The provision of non-audit services is considered by the Committee in the policy they have adopted on the independence and objectivity of external auditors. This policy is aligned to the recommendations of the Financial Reporting Council's ("FRC's") Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2019) (the "Ethical Standard"). An external audit firm will only be appointed to perform a non-audit service when doing so would be consistent with both the requirements and overarching principles of the Ethical Standard, and when its skills and experience make it the most suitable supplier.

Details of the fees paid to BDO for audit and non-audit services are shown in note 6 of these financial statements. The non-audit services provided by BDO for the year ended 31 March 2025 related to an assurance report on the internal control environment of the Group in accordance with ISAE 3402 and the annual CASS audits.

The Group has a number of overseas subsidiaries, some of which require a local statutory audit. BDO has been used as component auditors in Luxembourg, Guernsey and Australia during the year.

As noted above, the Committee is responsible for recommending to the Board the appointment, reappointment and removal of the External Auditor. The Committee has recommended to the Board that, subject to Shareholder approval at the 2025 AGM, BDO be reappointed as External Auditor of the Group for the forthcoming year.

(v) Governance

Compliance with the UK Corporate Governance Code ("Code")

During the year, the Company Secretary has reported on the Company's compliance with the Code in accordance with the Committee's Terms of Reference. Compliance is monitored via the use of a compliance tracker, which is maintained by the Company Secretary and shared with the Committee/Board for review at least annually. Actions to be taken to ensure compliance are spread across the year as appropriate to the Code requirement or guidance. There were three items of non-compliance, each of which is referred to in the Directors' report and an explanation provided.

Governance procedures

Evaluation of the Company's governance procedures is ongoing by the Company Secretary and the Committee. The documented procedures, including terms of reference, are published on the Company's website, making them accessible to all members. The terms of reference for each committee are also tabled at each scheduled committee meeting.

As a result of reviews undertaken during the year, changes were made to the Matters Reserved for the Board and, following the Board Performance Review ("BPR"), recommendations made in regard to governance matters, such as content of materials provided at Board meetings, have been implemented and will therefore be in place for the meetings taking place in FY26 and beyond.

Governance issues

The BPR carried out in Q4 of FY25, highlighted a number of areas for improvement. More information on those as well as the actions being taken to address them is provided in the Governance section on pages 126 to 127. The Nomination Committee report on page 130 to 131 also refers to the BPR and, as noted above, the areas of non-compliance with the Code are noted in the Directors' report and in the Governance section on page 116.

(vi) Sustainability

Sustainability continues to feed into the Audit & Risk Committee. The results of the double materiality analysis, conducted in FY24, have now been integrated into the Enterprise Risk Management ("ERM") system, Decision Focus. Material topics identified through the analysis are reported against within the FY25 Sustainability Report (integrated within this Annual Report and Accounts).

Progress has been made regarding embedding climate risk across the three investment divisions, and this is detailed within the Environmental section of the Sustainability Report.

Foresight Group is currently developing a final set of KRIs for sustainability, and we expect these to be finalised by the end of H1 FY26.

On behalf of the Audit & Risk Committee

Geoffrey Gavey
Chair of the Audit & Risk Committee

25 June 2025