Octopus Future Generations VCT plc

Backing businesses with the power to transform the world for the better

Unaudited half-yearly report for the six months ended 31 December 2022



octopus investments

A brighter way

Octopus Future Generations VCT plc ('Future Generations VCT' or the 'Company') is backing businesses that aim to address society's biggest challenges, providing an opportunity for investors to share in the growth of ambitious, purpose-driven companies.

The Company is managed by Octopus AIFM Management Limited (the 'Manager'), who has delegated investment management to Octopus Investments Limited ('Octopus' or 'Portfolio Manager').

Our investment themes

Building a sustainable planet

Empowering people

Revitalising healthcare



Find it fast

Interim management report

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Octopus awards

Financial Adviser Service Awards 2022

5 Star Winner
Investments
Octopus

MED-TECH WORLD

Unquote BRITISH PRIVATE EQUITY AWARDS 2022
WINNER

Key dates

Annual results for the year ending 30 June 2023	October 2023
Annual General Meeting	December 2023



Chair's statement



Highlights

£39.1m
in total net assets

95.1p
Net Asset Value (NAV) per share

£40.6m
raised in 2022

I am pleased to present the unaudited half-yearly report and accounts for Octopus Future Generations VCT for the six months to 31 December 2022.

I would firstly like to welcome new shareholders to the Company. Octopus Future Generations VCT invests in exciting early-stage companies which we believe may also have a positive impact on society. The NAV per share at 31 December 2022 was 95.1p, and in the reporting period the Company made 12 investments. A further seven have completed since the period end, bringing the total number in the portfolio to 21. Each investee company has the ambition to address current societal issues, ranging from improving healthcare to positively impacting climate change. More information on some of these businesses can be found on pages 8 and 9 in the Portfolio Manager's Review.

In the period to 31 December 2022, we utilised £11.2 million of our cash resources, including £10.5 million which was invested into new investee companies. The cash balance of £26.8 million as at 31 December 2022 represents 69% of net assets at that date. The loss made in the period to 31 December 2022 was £0.4 million, which is expected at this early stage due to the running costs of the Company exceeding returns from investments. We look forward to deploying significant further capital into new investment opportunities over the coming months, and we ultimately intend the profile of the Company to comprise 80% to 90% in VCT qualifying investments and 10% to 20% in permitted non-VCT qualifying investments or cash.

Fundraise

Given the active investment landscape and successful launch of the Company on 31 January 2022, a new offer was launched in January 2023 seeking to raise £30 million, with an over-allotment facility for a further £10 million. The offer will close for new applications on 18 January 2024, or earlier if fully subscribed.

As investors will be aware, the intention is to invest in businesses which meet one of three key themes, and which we believe demonstrate excellent investment prospects as well as having the potential to make a positive societal impact. These three themes are summarised on page 4.

VCT qualification

I am pleased to report that Future Generations VCT has met the 30% investment rule, the first milestone for a new VCT to achieve. This rule states that at least 30% of all new funds raised in an accounting period need to be invested in VCT qualifying businesses within 12 months of the end of that accounting period. The Company had until June 2023 to do this, but has achieved it well ahead of time, in December 2022.

Chair's statement continued

Principal risks and uncertainties

The Board continues to review the risk environment in which the Company operates on a regular basis. There have been no significant changes to the key risks as described in the annual report for the period ended 30 June 2022. The Board does not anticipate there will be significant changes to these risks in the remaining six months of the financial year.

Outlook

We have had an exciting six-month period, with the Company closing its initial fundraise, announcing the intention to raise further funds and making 12 investments spanning its three investment themes. This has been achieved despite the challenging macroeconomic headwinds we have faced with the cost-of-living crisis, rising inflation, the continuation of the Ukraine conflict and uncertainty in the political landscape. Looking ahead, it is unclear what 2023 will bring in this regard, but we hope for greater stability, and I am encouraged by the pipeline of investment opportunities when considering the outlook for the Company. The ingenuity, energy and passion of the entrepreneurs, the technological advancements they are developing and the issues that the businesses are addressing, when combined, could make a meaningful difference to the world, as well as creating profitable investment opportunities for the Company.

We are still seeing good momentum in the UK early-stage market. Even in challenging times, great businesses continue to be founded as there is often a willingness to adopt new technologies or seek new approaches. The Octopus Ventures team, headquartered in London, have scaled their investment and operational team further to support this activity. They have also opened an office in Manchester, to better foster links with university spin-out companies in the North of the country and ensure increased market coverage.

To remind shareholders, as the Company is at the beginning of its investment journey, it will take time to deploy the funds raised into portfolio companies that the investment team consider to be good investment opportunities. While we are in this early investment phase, the portfolio will naturally be more concentrated in fewer companies. This means that performance will be more sensitive to the success and/or failure of these investments than if the portfolio was larger.

As such, over the next couple of years, there may well be a decline in overall value as the Company invests in new businesses, some of which are at the start of their growth journey and will need to build their technology, prove their market, win new contracts, and grow their teams. Their value will take time to grow, and inevitably some of these will ultimately fail.

The long-term intention is to pay an annual dividend of 5% of the NAV. However, given the expected holding period of target portfolio companies and restrictions imposed on VCTs, the Company does not intend to pay dividends before 1 July 2025 at the earliest. During this time, any growth in value will increase the value of the Company. Dividends, when payable, are likely to be generated from successful exits, so the Company is unlikely to pay significant dividends until portfolio companies have time to mature and/or be acquired.

I would like to conclude by thanking both my Board colleagues and the Octopus team on behalf of all shareholders for their hard work. I would also like to thank shareholders for their continued support. I am excited to see what the coming year brings for your Company.



Helen Sinclair
Chair

22 March 2023

For more information on the VCT, please refer to the financials on pages 13 to 20.

Investment themes

Building a sustainable planet

As society moves to a low carbon economy, the way we produce and consume information, materials and energy is changing. Some of the most exciting early-stage businesses are helping to accelerate this transition. Businesses under this theme might be reducing carbon emissions, protecting ecosystems, or creating a circular economy that removes waste.

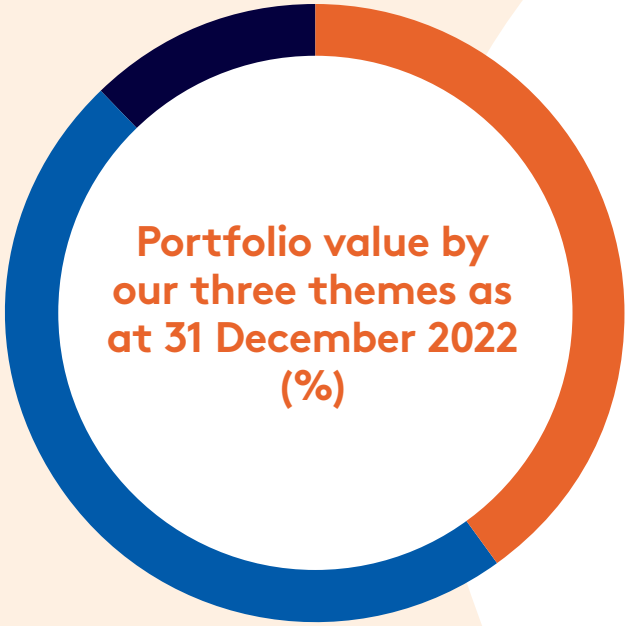
Empowering people

Future Generations VCT is investing in businesses that are reimagining the future of society. These companies could democratise education or financial services, disrupt the food industry to stop people going hungry, or increase connectivity between people and protect their privacy online, driving innovations that will make the world a better and safer place.

Revitalising healthcare

Healthcare is essential. Future Generations VCT is backing businesses moving health and wellbeing forward. That could mean investing in entrepreneurs who are improving lives through digital health solutions. Or it might mean supporting businesses helping people conquer addictions or creating software that will make healthcare services more efficient and accessible.

Building a sustainable planet 12%



Empowering people 40%

Revitalising healthcare 48%

Read more about the investments in each theme on page 8

Operating responsibly

Future Generations VCT has a policy in place, which is set by the Board, to ensure Octopus Ventures considers responsible investment within investment decisions.

The policy ensures Octopus Ventures follows a three-step approach to responsible investment which is aligned with the Octopus Responsible Investment policy.

Please view the Company's policy here
octopusinvestments.com/fg-responsible-investment-policy/

Octopus is an accredited B Corp and signatory to the internationally recognised Principles for Responsible Investment, demonstrating their commitment to responsible investment and to creating a more sustainable financial system.

Signatory of:

PRI Principles for Responsible Investment

Octopus Ventures initiatives:

Female diversity pledge

By 2025, 30% of all new founder pitches to the Octopus Ventures investment team must be businesses led or co-led by a woman and by 2027, this will increase to 50%.

Greenhouse gas emissions

Octopus Ventures will engage with all portfolio companies on their greenhouse gas emissions and give them access to appropriate complimentary tools to support their understanding of their carbon footprint and how to reduce it.

Operating responsibly continued

The Directors consider responsible investment to be important, and believe Future Generations VCT's portfolio companies should implement a framework to support best practices, which in turn can help create long-term value in the business.

This framework considers:

1. **Mission:** the impact of an investment
2. **Materiality:** the materiality of sustainability issues
3. **Responsibility:** a portfolio company's values, culture and behaviour

Octopus Ventures is responsible for implementing the Company's policy. As the nature of responsible investment, our shareholders and the wider business environment evolves, the policy will be reviewed and, if necessary, updated.

Mission

Future Generations VCT is helping to solve some of the world's biggest problems. The team are looking for investments that have the capability to enable the transition to a greener planet, address inequality and rebalance access to healthcare. To see how the portfolio is split by each theme, please refer to page 7.

Materiality

As part of the investment process, the team incorporate a material risk review of sustainability issues. This process includes identification and consideration of material issues which could impact the sector within which the Company operates. These risks and their relevance to sectors is based on guidance from the Sustainability Accounting Standards Board (SASB). Given the nature of the tech-enabled businesses targeted for investment, the most material risks identified include data security, data privacy, and recruiting and managing a diverse and skilled workforce.

Responsibility

Octopus has created an engagement tool to help the investment team understand whether a company considers their wider stakeholders (community, customers, people, planet and shareholders) within decision making and provide tools and guidance to help companies adopt responsible practices. The team will also collect data on diversity within the portfolio and actively work with portfolio companies to support talent management, recruitment and diversity.



Portfolio Manager's review

At Octopus, our focus is on managing your investments and providing shareholders with clear and transparent communication. Our annual and half-yearly updates are designed to keep you informed about the progress of your investment.

14

investments as at 31 December 2022

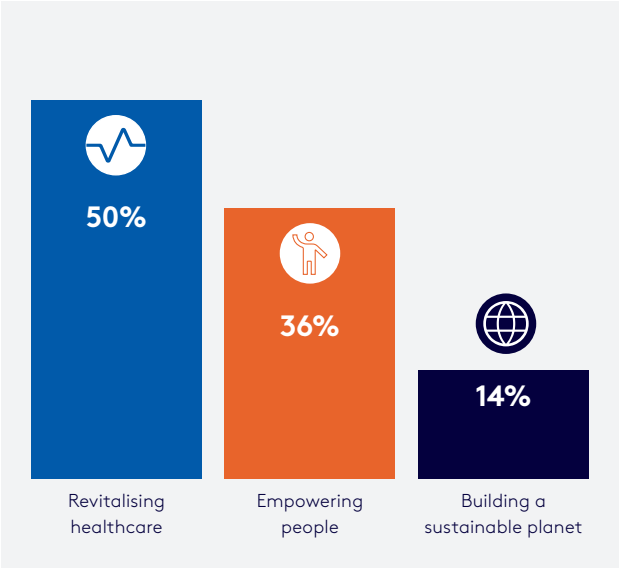
£12.3m

total portfolio companies value as at 31 December 2022

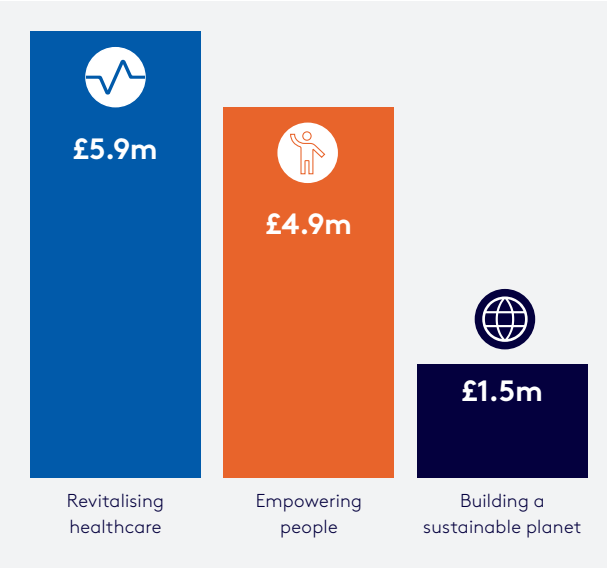
Focus on Future Generations VCT's performance

The NAV per share at 31 December 2022 was 95.1p. The Company invests in three key areas that we believe demonstrate excellent investment prospects and have potential to transform outdated industries for the better. Below is a breakdown of the 14 investments held as at 31 December 2022, showing the proportion and value of the portfolio in each investment theme:

Proportion by number of portfolio companies in each theme



Value of the portfolio in each theme



Portfolio Manager's review continued

Overview of investments

The Company completed 12 new investments in the reporting period (comprising a total of £10.5 million) and seven further investments after 31 December 2022 totalling £9.5 million of investment). More information on three of these businesses, which span our three investment themes, can be found below:

A selection of our completed investments

Building a sustainable planet

Kita

To prevent the worst impacts of climate change, we must remove gigatons of carbon dioxide from the atmosphere annually for the remainder of the 21st century. Kita's first product is Carbon Purchase Protection Insurance. It protects buyers of carbon removal credits against the risk that the carbon isn't delivered. If the carbon removal credits underperform, Kita cover the loss (via a reinsurance facility).



Empowering people

cobee

Cobee is a fully digital solution that simplifies employee benefits management. Using the app and Cobee Visa card, employees have access to a range of benefits such as health insurance, childcare, mental health, food, transport and much more. They're able to create a completely flexible compensation package, and the platform allows complete control over all employee benefits in a single place, with no intermediaries or external suppliers required to be involved in the purchasing decision.



Revitalising healthcare

INFINITOPES

Infinitopes is on a mission to cure cancer using their immunopeptidomics platform and novel vectors to develop cancer vaccines. As a Cancer Research UK (CRUK) supported team of expert doctors and scientists spinning out of Oxford University, Infinitopes is pushing the boundaries of science and medicine to identify hidden tumour targets and create high efficiency vaccines to be affordable to healthcare systems and patients, and aspires to save many lives in the future.



Portfolio Manager's review continued

Top ten investments

	Portfolio company	Cost	Valuation at 31 December 2022	Investment theme
1	Cobee	£1.9m	£2.0m	Empowering people
2	Infinitopes	£1.6m	£1.6m	Revitalising healthcare
3	Apheris	£1.2m	£1.3m	Revitalising healthcare
4	Inflow	£1.0m	£1.0m	Revitalising healthcare
5	Skin + Me	£1.0m	£1.0m	Revitalising healthcare
6	Intrinsic Semiconductor	£0.9m	£0.9m	Empowering people
7	Living Optics	£0.9m	£0.9m	Empowering people
8	Neat	£0.8m	£0.8m	Building a sustainable planet
9	Kita	£0.7m	£0.7m	Building a sustainable planet
10	Bloom	£0.6m	£0.6m	Empowering people

Key:

- Building a sustainable planet
- Empowering people
- Revitalising healthcare



Portfolio Manager's review continued

Portfolio engagement

As part of our strategy, we require portfolio companies to put in place a Diversity and Inclusion policy (D&I) and an Anti-Harassment policy. We also engage with each company to help them understand their greenhouse gas emissions and support them to take action to minimise them. You can see how we are progressing with these goals below, as at the date of this report:



D&I policy status

Policy in place	13
In progress	1



Engaged on monitoring greenhouse gas emissions

Signed up	6
Introduced	6
In progress	2

Portfolio Manager's review continued

Outlook

Following the launch of the Company at the start of 2022, the economy immediately encountered headwinds with the war in Ukraine, energy supply issues and a cost-of-living crisis. However, when we look back over the past 12 months, we are pleased with the Company's progress despite these significant challenges. We have:

- completed 14 new investments across all three investment themes in 2022;
- raised £40 million into the Company; and
- in light of continued attractive opportunities to invest, launched a new fundraise in 2023.

Within the Octopus Ventures team, we saw the headcount in the investment and operations team grow by 31% in 2022 to support the activity we are seeing in the early-stage market.

Looking ahead in 2023, it is unclear when the difficult conditions will start to ease, and the International Monetary Fund (IMF) has stated it expects the UK economy to contract by 0.6%[1] this year. In mid-March, we unfortunately saw the largest failure of a US bank since 2008, with the collapse of Silicon Valley Bank (SVB) in the US, and the risk that the UK arm would also fail. SVB has been a major specialised lender and banking provider in the tech industry, and as such some of the Future Generations VCT portfolio bank with them. The Octopus Ventures team reacted quickly to the news and undertook a full risk assessment on the portfolio, then worked to support those companies affected wherever possible to try to ensure assets would be secure and that they would have access to banking facilities. While around half the portfolio had some kind of exposure to SVB (mostly SVB UK), the number of companies which would have been impacted acutely was very limited.

We were very pleased when it was announced that HSBC would purchase the UK arm of SVB, meaning funds have been secured and are not at risk. Early-stage markets, within which the Company operates, will inevitably be impacted by the financial outlook, but history has shown us that great businesses are and will continue to be founded at times of economic turmoil. The entrepreneurs we meet are intent on solving some of society's biggest problems and on building successful companies which could have a material and positive impact on people's lives as well as delivering good returns to shareholders in the future.

We have further expanded our dedicated in-house people and talent team to support the portfolio companies on their growth journeys, which is particularly important during more challenging times. They offer a range of services, including recruitment support, coaching, establishing company policies and best practice frameworks, pairing the portfolio company management teams with consultants who can offer the best support, and running targeted events to offer tangible and actionable advice, such as webinars on employee equity grants at different stages of growth and interview training for leadership teams.

We believe that Octopus is very well placed to source and secure some of the best investment opportunities, generated by our extensive network and reputation in the early-stage market. We continue to be extremely excited by the opportunities presented to the Company and support its ambition to make the world a better place, and to deliver attractive returns to shareholders.



1. Latest data as at 1 February 2023.

Financials

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Directors' responsibilities statement

The Directors confirm that to the best of their knowledge:

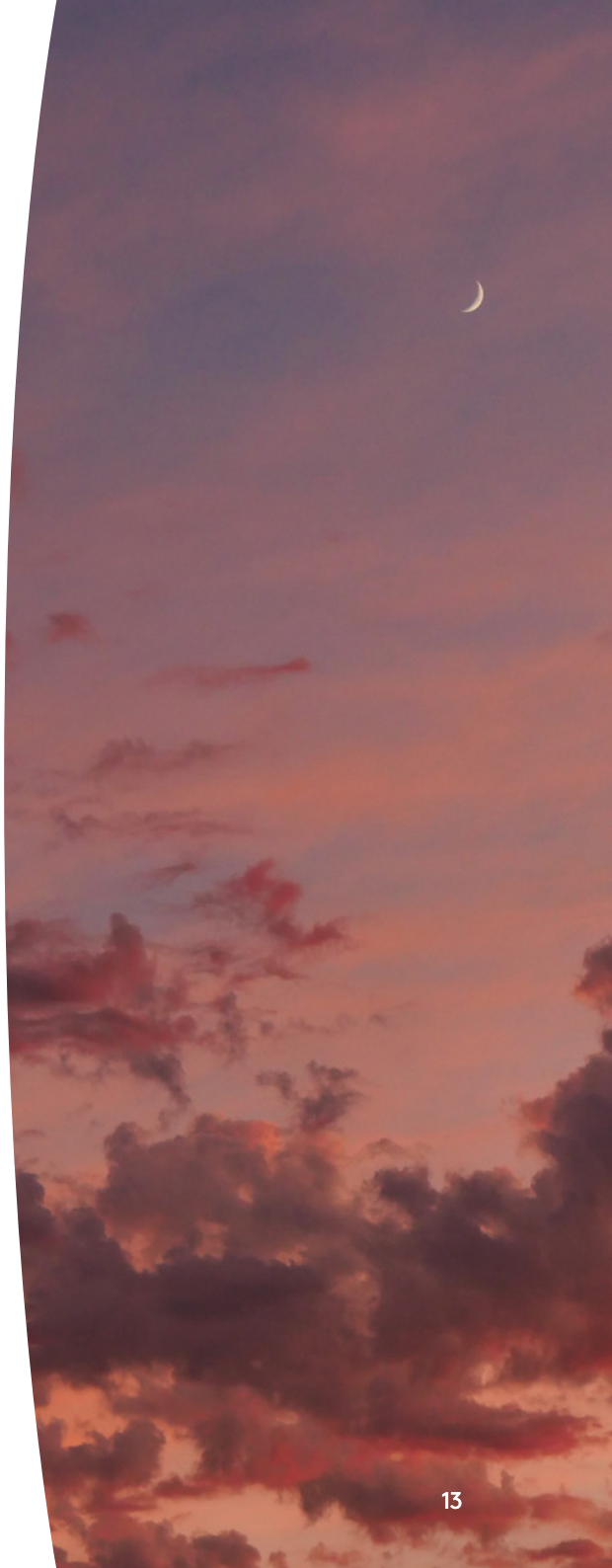
- the half-yearly financial statements have been prepared in accordance with 'Financial Reporting Standard 104: Interim Financial Reporting' issued by the Financial Reporting Council;
- the half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the half-yearly report includes a fair review of the information required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules, being:
  - we have disclosed an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
  - we have disclosed a description of the principal risks and uncertainties for the remaining six months of the year; and
  - we have disclosed a description of related party transactions that have taken place in the first six months of the current financial year, that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board



Helen Sinclair
Chair

22 March 2023



Income statement

	Unaudited six months to 31 December 2022			Audited period to 30 June 2022		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Net gain on valuation of fixed asset investments	**—**	**97**	**97**	—	9	9
Investment management fee	**(95)**	**(285)**	**(380)**	(39)	(118)	(157)
Investment income	**56**	**—**	**56**	—	—	—
Foreign exchange translation	**27**	**—**	**27**	—	—	—
Other expenses	**(225)**	**—**	**(225)**	(165)	—	(165)
Loss before tax	**(237)**	**(188)**	**(425)**	(204)	(109)	(313)
Tax	**—**	**—**	**—**	—	—	—
Loss after tax	**(237)**	**(188)**	**(425)**	(204)	(109)	(313)
Loss per share – basic and diluted	**(0.6)p**	**(0.5)p**	**(1.1)p**	(1.6)p	(0.8)p	(2.4)p

- The 'Total' column of this statement is the profit and loss account of Future Generations VCT; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies (AIC).
- All revenue and capital items in the above statement derive from continuing operations.
- Future Generations VCT has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

Future Generations VCT has no other comprehensive income for the period.

The accompanying notes form an integral part of the financial statements.

Balance sheet

	Unaudited As at 31 December 2022		Audited As at 30 June 2022	
	£'000	**£'000**	£'000	£'000
Fixed asset investments		**12,287**		1,663
Current assets:				
Debtors	**86**		54	
Applications cash[1]	**100**		1,915	
Cash at bank	**9,432**		29,826	
Money market funds	**17,411**		—	
		27,029		31,795
Creditors: amounts falling due within one year	**(222)**		(2,166)	
Net current assets		**26,807**		29,629
Net assets		**39,094**		31,292
Share capital		**41**		33
Share premium		**39,792**		31,572
Capital reserve realised		**(403)**		(118)
Capital reserve unrealised		**106**		9
Revenue reserve		**(442)**		(204)
Total equity shareholders' funds		**39,094**		31,292
NAV per share		**95.1p**		96.1p

1. Cash received from shareholders but not yet allotted.

The accompanying notes form an integral part of the financial statements.

The statements were approved by the Directors and authorised for issue on 22 March 2023 and are signed on their behalf by:



Helen Sinclair
Chair

Company Number: 13750143

Statement of changes in equity

	Share capital £'000	Share premium £'000	Capital reserve realised[1] £'000	Capital reserve unrealised £'000	Revenue reserve[1] £'000	Total £'000
As at 1 July 2022	**33**	**31,572**	**(118)**	**9**	**(204)**	**31,292**
Comprehensive income for the period:						
Management fees allocated as capital expenditure	—	—	(285)	—	—	(285)
Net gain on fair value of fixed asset investments	—	—	—	97	—	97
Loss after tax	—	—	—	—	(265)	(265)
Total comprehensive loss for the period	**—**	**—**	**(285)**	**97**	**(265)**	**(453)**
Contributions by and distributions to owners:						
Shares issued	8	8,421	—	—	—	8,429
Share issue costs	—	(201)	—	—	—	(201)
Total contributions by and distributions to owners	**8**	**8,220**	**—**	**—**	**—**	**8,228**
Other movements:						
Foreign exchange translation	—	—	—	—	27	27
Total other movements	**—**	**—**	**—**	**—**	**27**	**27**
Balance as at 31 December 2022	**41**	**39,792**	**(403)**	**106**	**(442)**	**39,094**

1. Reserves available for distribution.

The accompanying notes form an integral part of the financial statements.

Statement of changes in equity continued

	Share capital £'000	Share premium £'000	Capital reserve realised[1] £'000	Capital reserve unrealised £'000	Revenue reserve[1] £'000	Total £'000
As at 17 November 2021[2]	**—**	**—**	**—**	**—**	**—**	**—**
Comprehensive income for the period:						
Management fees allocated as capital expenditure	—	—	(118)	—	—	(118)
Net gain on fair value of fixed asset investments	—	—	—	9	—	9
Loss after tax	—	—	—	—	(204)	(204)
Total comprehensive loss for the period	**—**	**—**	**(118)**	**9**	**(204)**	**(313)**
Contributions by and distributions to owners:						
Shares issued	33	32,111	—	—	—	32,144
Share issue costs	—	(539)	—	—	—	(539)
Total contributions by and distributions to owners	**33**	**31,572**	**—**	**—**	**—**	**31,605**
Balance as at 30 June 2022	**33**	**31,572**	**(118)**	**9**	**(204)**	**31,292**

1. Reserves available for distribution.
2. Incorporation date.

The accompanying notes form an integral part of the financial statements.

Cash flow statement

	Unaudited six months to 31 December 2022 £'000	Audited period to 30 June 2022 £'000
Cash flows from operating activities:		
Loss before tax	**(425)**	(313)
Increase in debtors	**(32)**	(54)
(Decrease)/increase in creditors	**(129)**	251
Gain on valuation of fixed asset investments	**(97)**	(9)
Outflow from operating activities	**(683)**	(125)
Cash flows from investing activities:		
Purchase of fixed asset investments	**(10,528)**	(1,654)
Outflow from investing activities	**(10,528)**	(1,654)
Cash flows from financing activities:		
Applications account inflow	**6,614**	34,059
Applications account outflow	**(8,429)**	(32,144)
Proceeds from share issues	**8,429**	32,144
Share issue costs	**(201)**	(539)
Inflow from financing activities	**6,413**	33,520
(Decrease)/increase in cash and cash equivalents	**(4,798)**	31,741
Opening cash and cash equivalents	**31,741**	—
Closing cash and cash equivalents	**26,943**	31,741
Cash and cash equivalents comprise:		
Applications cash	**100**	1,915
Cash at bank	**9,432**	29,826
Money market funds	**17,411**	—
Closing cash and cash equivalents	**26,943**	31,741

The accompanying notes form an integral part of the financial statements.

Condensed notes to the half-yearly report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 December 2022 have been prepared in accordance with the Financial Reporting Council's (FRC) Financial Reporting Standard 104 Interim Financial Reporting (January 2022) and the Statement of Recommended Practice (SORP) for Investment Companies, re-issued by the Association of Investment Companies in July 2022.

The Directors consider it appropriate to adopt the going concern basis of accounting. The Directors have not identified any material uncertainties to Future Generations VCT's ability to continue to adopt the going concern basis over a period of at least 12 months from the date of approval of the financial statements. In reaching this conclusion, the Directors have taken into account the potential impact of the economy including inflation and the recession.

The principal accounting policies have remained unchanged from those set out in Future Generations VCT's 2022 annual report and accounts.

2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 December 2022 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The comparative figures for the period ended 30 June 2022 have been extracted from the audited financial statements for that period, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3, part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. Earnings per share

The loss per share is based on 37,304,813 Ordinary shares (30 June 2022: 13,205,218), being the weighted average number of shares in issue during the period. There are no potentially dilutive capital instruments in issue and so no diluted returns per share figures are relevant. The basic and diluted earnings per share are therefore identical.

4. Net asset value per share

	31 December 2022	30 June 2022
Net assets (£)	**39,094,495**	31,291,144
Shares in issue	**41,127,110**	32,569,178
NAV per share	**95.1p**	96.1p

5. Allotments

During the six months to 31 December 2022, 8,557,932 shares were issued at a weighted average price of 99.1p per share (period ended 30 June 2022: 32,569,178 shares at a weighted average price of 100.0p per share).

6. Transactions with the Manager and Portfolio Manager

Future Generations VCT is classified as a full-scope Alternative Investment Fund under the Alternative Investment Fund Management Directive (the 'AIFM Directive'). Future Generations VCT has appointed the Manager to provide the services of an AIFM of a full-scope AIF. In accordance with its power to do so under AIFMD, the Manager has delegated investment management to Octopus, whilst retaining the obligations of a risk manager.

Future Generations VCT paid the Manager £380,000 in the period as a management fee. The annual management charge (AMC) is based on 2% of Future Generations VCT's NAV. The AMC is payable quarterly in advance and calculated using the latest published NAV of Future Generations VCT and the number of shares in issue at each quarter end. Once the quarter has ended, an adjustment will be made if the NAV at the end of the current quarter is calculated and which differs from the NAV as at the end of the previous quarter.

Future Generations VCT also has a Non-Investment Services Agreement (NISA) with Octopus, with fees payable quarterly in advance. The fee is 0.3% of Future Generations VCT's NAV, calculated at quarterly intervals. The NISA fee is calculated using the latest published NAV of Future Generations VCT and the number of shares in issue at each quarter end. As with the AMC, an adjustment will be made once the quarter has ended if the NAV at the end of the current quarter is calculated and which differs from the NAV as at the end of the previous quarter. During the period £57,000 was paid to Octopus under the NISA.

Condensed notes to the half-yearly report continued

6. Transactions with the Manager and Portfolio Manager continued

In addition, Octopus is entitled to performance-related incentive fees, subject to Future Generations VCT's total return at year end exceeding the total return at the previous year end when an incentive fee was paid, or 97p if the first incentive fee has not yet been paid (the 'Excess'), equal to 20% of the Excess. No performance fee will be paid prior to the financial year ending on 30 June 2025, dividends (paid or declared) being equal to or greater than 10p per Ordinary share and the total return exceeding 120p.

The cap relating to Future Generations VCT's total expense ratio, that is the regular, recurring costs of Future Generations VCT expressed as a percentage of its NAV, above which Octopus has agreed to pay, is 3.0%, and is calculated in accordance with the AIC guidelines.

7. Related party transactions

Several members of the Octopus investment team hold non-executive directorships as part of their monitoring roles in Future Generations VCT's portfolio companies, but they have no controlling interests in those companies.

Emma Davies, a Non-Executive Director of the Company, is also Managing Director of Octopus Ventures and owns shares in Octopus Group Holdings Ltd. No dividends have been paid to the Directors of the Company.

Dividends paid in period	**Period to 31 December 2022 £**	Period to 30 June 2022 £
Helen Sinclair	**—**	—
Joanna Santinon	**—**	—
Emma Davies	**—**	—

8. Voting rights and equity management

The following table shows the percentage voting rights held by Future Generations VCT in each of the top ten investments, on a fully diluted basis. Future Generations VCT has no other substantial interests that require separate disclosure.

Investments	**% voting rights held by Future Generations VCT**
Perk Finance t/a Cobee	2.5%
Infinitopes Limited	4.9%
Apheris AI GmbH	3.2%
Inflow Holdings Inc.	1.9%
Mr & Mrs Oliver Limited t/a Skin + Me	0.6%
Intrinsic Semiconductor Technologies Limited	5.1%
Living Optics Limited	3.8%
Neat SAS	3.2%
Kita Earth Limited	3.5%
Bloom App Limited	1.9%

9. Post balance sheet events

The following events occurred between the balance sheet date and the signing of this half-yearly report:

- Seven new investments completed totalling £9.5 million.
- On 19 January 2023, Future Generations VCT announced a new Offer for Subscription for Ordinary shares of 0.1p each, to raise up to £30 million in aggregate with an over-allotment facility of up to a further £10 million.
- 3.4 million shares were allotted at a price of 98.1p per share on 10 March 2023.

Appendix

Investment portfolio

The table below sets out the investment cost and the amount invested in the period for the portfolio as at 31 December 2022.

Fixed asset investments	Investment theme	Investment cost as at 31 December 2022 £'000	Amount invested for the period ending 31 December 2022 £'000
Perk Finance S.L. t/a Cobee	Empowering people	**1,943**	**1,943**
Infinitopes Limited	Revitalising healthcare	**1,611**	**1,611**
Apheris AI GmbH	Revitalising healthcare	**1,246**	**1,246**
Inflow Holdings Inc.	Revitalising healthcare	**1,012**	**—**
Mr & Mrs Oliver Limited t/a Skin + Me	Revitalising healthcare	**991**	**991**
Intrinsic Semiconductor Technologies Limited	Empowering people	**880**	**880**
Living Optics Limited	Empowering people	**858**	**858**
Neat SAS	Building a sustainable planet	**765**	**765**
Kita Earth Limited	Building a sustainable planet	**691**	**691**
Bloom App Limited	Empowering people	**642**	**—**
Phlux Technology Limited	Empowering people	**503**	**503**
Little Journey Limited	Revitalising healthcare	**377**	**377**
Ufonia Limited	Revitalising healthcare	**374**	**374**
Oto Health Inc.	Revitalising healthcare	**289**	**289**
Total fixed asset investments		**12,182**	**10,528**

Shareholder information

Future Generations VCT was incorporated on 17 November 2021. An Offer for Subscription was launched on 31 January 2022, raising over £40.6 million in aggregate (£39.8 million net of expenses). The Offer was closed on 31 October 2022. On 19 January 2023, a new fundraise of £30 million was launched with an over-allotment facility of up to a further £10 million. The Offer is due to close on 18 January 2024, or earlier if fully subscribed.

Further details of Future Generations VCT's progress are discussed in the Chair's Statement and Portfolio Manager's Review on pages 2 and 3 and 7 to 11 respectively.

Venture Capital Trusts (VCTs)

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in unquoted companies in the UK. Subsequent Finance Acts have introduced changes to VCT legislation. The tax benefits currently available to eligible new investors in VCTs include:

- up to 30% upfront income tax relief;
- exemption from income tax on dividends paid; and
- exemption from capital gains tax on disposals of shares in VCTs.

The principal activity of Future Generations VCT is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long term as well as an attractive tax-free dividend stream. Future Generations VCT has been granted full approval as a VCT by HM Revenue & Customs (HMRC).

In order to maintain their approval, Future Generations VCT must comply with certain requirements on a continuing basis including the provisions of Chapter 3 of the Income Tax Act 2007, in particular s280A:

- no single investment made can exceed 15% of Future Generations VCT's total value; and
- a minimum of 10% of each qualifying investment must be in Ordinary shares with no preferential rights.

The below requirements will apply when Future Generations VCT has passed through three accounting periods:

- at least 80% of their investments must comprise 'qualifying holdings'[1] (as defined in the legislation); and
- at least 70% of the 80% of qualifying holdings must be invested in Ordinary shares with no preferential rights.

Share price

Future Generations VCT's share price can be found on various financial websites including **www.londonstockexchange.com,** with the following TIDM/EPIC code:

	Ordinary shares
TIDM code	OFG
Latest share price (21 March 2023)	93.0p

Buying and selling shares

Future Generations VCT's Ordinary shares can be bought and sold via a stockbroker in the same way as any other company quoted on the London Stock Exchange. There may be tax implications in respect of selling all or part of your holdings, so shareholders should contact their independent financial adviser if they have any queries.

Buyback of shares

Future Generations VCT operates a policy of buying its own shares for cancellation as they become available, and envisage that purchases will be made at no greater than a 5% discount to the prevailing NAV. Future Generations VCT is, however, unable to buy back shares directly from shareholders. If you are considering selling your shares, please contact Octopus who can talk to you about the options available. They will also be able to provide details of closed periods (when Future Generations VCT is prohibited from buying shares) and details of the price at which it has been bought, and can be contacted as follows:

Octopus Client Relations Team	0800 316 2295 **investorsupport@octopusinvestments.com**

If you are considering trading on the secondary market or would like to talk directly to Future Generations VCT's Corporate Broker, Panmure Gordon (UK) Limited ('Panmure'), they can be contacted as follows:

Chris Lloyd	020 7886 2716	**chris.lloyd@panmure.com**
Paul Nolan	020 7886 2717	**paul.nolan@panmure.com**

1. A 'qualifying holding' consists of up to £5 million (£10 million for knowledge-intensive companies) invested in any one year in new shares or securities in an unquoted company (or companies quoted on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed a prescribed limit at the time of investment. The definition of a 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing.

Shareholder information continued

Secondary market

UK income tax payers, aged 18 or over, can purchase shares in the secondary market and benefit from:

- tax-free dividends;
- realised gains not being subject to capital gains tax (although any realised losses are not allowable);
- no minimum holding period; and
- no need to include VCT dividends in annual tax returns.

The UK tax treatment of VCTs is on a first in and first out basis and so tax advice should be obtained before shareholders dispose of their shares.

Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year do not exceed £200,000. Qualifying investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their financial advisers.

Notification of change of address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment, this should be notified to Future Generations VCT's Registrar, Computershare, under the signature of the registered holder or via the Computershare Investor Centre at: **www-uk.computershare.com/investor/**. Computershare's contact details are provided on page 25.

Other information for shareholders

Shareholders can obtain a full copy of Future Generations VCT's annual report on the Octopus website at **www.octopusinvestments.com/our-products/venture-capital-trusts/octopus-future-generations-vct/.**

All other statutory information can also be found here.

Electronic communications

All Future Generations VCT's reports, accounts and other correspondence are published electronically. If you opt into receiving paper copies, we would encourage you to consider switching to e-communications as this cuts the cost of printing and reduces the impact on the environment. To do so, please contact Octopus on **0800 316 2295** or Computershare on **0370 707 1003**. Alternatively, you can sign up to receive e-communications via the Computershare Investor Centre at: **www-uk.computershare.com/investor/**.

Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be wary of any unsolicited advice, offer to buy shares at a discount, or offer for free company reports.

Please note that it is very unlikely that either Octopus or Future Generations VCT's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment advice.

If you are in any doubt about the authenticity of an unsolicited phone call, please call Octopus on **0800 316 2295**.

The Financial Conduct Authority has also issued guidelines on how to avoid share fraud and further information can be found on their website: **www.fca.org.uk/scamsmart/share-bond-boiler-room-scams**. You can report any share fraud to them by calling **0800 111 6768**.

Glossary

Alternative performance measure (APM)
A financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. These APMs will help shareholders to understand and assess Future Generations VCT's progress. A number of terms within this glossary have been identified as APMs.

Net asset value or NAV
The value of Future Generations VCT's total assets less liabilities. It is equal to the total shareholders' funds.

Net asset value per share or NAV per share
The NAV per share of Future Generations VCT is the sum of the underlying assets less the liabilities of Future Generations VCT divided by the total number of shares in issue.

Ongoing charges ratio (APM)
The ongoing charges ratio has been calculated using the AIC recommended methodology and excludes irrecoverable VAT, exceptional costs and trail commission. The figure shows the annual percentage reduction in shareholder returns as a result of recurring operational expenses. It informs shareholders of the likely costs that will be incurred in managing Future Generations VCT in the future.

This is calculated by dividing the ongoing expenses, which includes an annualised amount of expenses but excludes irrecoverable VAT, exceptional costs and trail commission, by the average net assets in the period.

Total return (APM)
Total return is calculated as movement in NAV per share in the period plus dividends paid in the period. Total return on the NAV per share enables shareholders to evaluate more clearly the performance of Future Generations VCT, as it reflects the underlying value of the portfolio at the reporting date.

Total return % (APM)
Total return % is calculated as movement in NAV per share in the period plus dividends paid in the period, divided by the NAV per share at the beginning of the period. Total return % on the NAV per share enables shareholders to evaluate more clearly the performance of Future Generations VCT, as it reflects the underlying value of the portfolio at the reporting date.

Directors and advisers

Board of Directors
Helen Sinclair (Chair)
Joanna Santinon
Emma Davies

Company Number
Registered in England and Wales
No. 13750143

Secretary and Registered Office
Octopus Company Secretarial Services Limited
6th Floor
33 Holborn
London
EC1N 2HT

Portfolio Manager
Octopus Investments Limited
33 Holborn
London
EC1N 2HT

Tel: 0800 316 2295

www.octopusinvestments.com

Legal Entity Identifier (LEI)
213800AL71Z7N2O58N66

Manager
Octopus AIF Management Limited
33 Holborn
London
EC1N 2HT

Tel: 0800 316 2295

www.octopusinvestments.com

Corporate Broker
Panmure Gordon (UK) Limited
40 Gracechurch Street
London
EC3V 0BT

Tel: 020 7886 2500

Independent Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Tax Adviser
James Cowper Kreston
Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

VCT Status Adviser
Shoosmiths LLP
1 Bow Churchyard
London
EC4M 9DQ

Bankers
HSBC Bank plc
31 Holborn
London
EC1N 2HR

Depositary
Thompson Taraz Depositary Limited
47 Park Lane
London
W1K 1PR

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Tel: 0370 703 6324

(Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate.)

www.computershare.com/uk

www-uk.computershare.com/investor/

Octopus Investments
33 Holborn
London EC1N 2HT

0800 316 2295
investorsupport@octopusinvestments.com
www.octopusinvestments.com