

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 2023

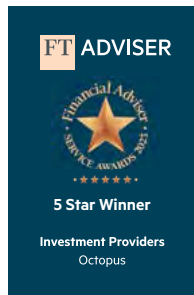
octopusinvestments
A brighter way



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 AIF Management Limited (the 'Manager'), who has delegated investment management to Octopus Investments Limited ('Octopus' or 'Portfolio Manager') via its investment team Octopus Ventures.

Octopus Investments Awards



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Key dates

Annual General Meeting	10:00am on 11 December 2024
Interim results for the period ended June 2024	September 2024



Chair's statement



I am pleased to present the unaudited half-yearly report and accounts for the Company for the six months to 31 December 2023.

Key financials:

£47.0 million

in total net assets

93.7p

Net asset value (NAV) per share

£8.6 million

raised to 31 October 2023 in last
fundraise

I would like to welcome all new shareholders to the Company. Future Generations VCT invests in exciting early-stage companies which aspire to address current environmental and societal issues.

The NAV per share at 31 December 2023 was 93.7p, which represents a net decrease of 0.6p per share from 30 June 2023. In the period to 31 December 2023, we utilised £2.1 million of our cash resources. Of this amount, £2.0 million was invested into six new portfolio companies. The cash balance of £20.1 million as at 31 December 2023 represents 43% of net assets at that date. The loss made in the period to 31 December 2023 was £0.3 million, which is to be expected at this early stage due to the running costs of the Company exceeding returns from investments.

Fundraise

We were pleased to raise £8.6 million in our previous fundraise which closed on 31 October 2023. We have since launched a new offer to raise up to £15.0 million with an over-allotment facility of up to £5.0 million. The offer will close for new applications on 27 January 2025, or earlier if fully subscribed.

As investors will be aware, the intention is to invest in businesses which we believe demonstrate good investment prospects as well as having the potential to transform the world we live in for the better. The three themes are building a sustainable planet, empowering people and revitalising healthcare. We look to invest into companies that align with these three themes.

VCT qualification

I am pleased to report that the Company has met the 30% Investment Rule for the funds raised to June 2023 ahead of the deadline, which was 30 June 2024. Additionally, we have achieved ahead of deadline the requirement for 80% of the Company's funds to be invested in qualifying holdings by 1 July 2024 (for funds raised up to 30 June 2022).

Principal risks and uncertainties

The Board continues to review the risk environment in which the Company operates. We were pleased in the November Autumn Statement that the chancellor announced that the VCT sunset clause will be extended, meaning VCT relief will be available to subscribers for shares issued before April 2035, rather than April 2025. At this time, there have been no significant changes to the key risks which were described on pages 32 to 34 of the Annual Report for the year ended 30 June 2023. The Board does not anticipate significant changes to these risks in the year ahead.

Chair's statement continued

Change to year end

In 2023, the Board reviewed and approved a proposal to move the Company's year end from 30 June to 31 December. This change is mainly being driven by operational efficiency gains that can be achieved by aligning year-end periods with other funds with which the Company co-invests. As a result, shareholders will receive a half-yearly report for periods ending 31 December 2023 and 30 June 2024, followed by an annual report for 31 December 2024 covering an extended 18-month period. After this, the normal cadence of reporting will resume.

Board of Directors

Emma Davies has announced her retirement from the Board of Directors. It has been a pleasure to work with Emma, and I would like to take this opportunity to thank her on behalf of the Board and shareholders for her valuable contribution since the Company launched. Having completed a structured recruitment process, I am pleased to announce the appointment of Ajay Chowdhury as an independent Non-Executive Director. Ajay is a serial entrepreneur, venture capitalist and author, and is currently a senior partner at the Boston Consulting Group. We look forward to benefitting from his wealth of experience in the early-stage venture ecosystem.

Outlook

The Company is at the beginning of its investment journey. The nature of investing into early-stage companies means that the value of our portfolio will take time to grow. We also expect that some of the investments made by the Company fail. Until the Company is fully invested, there is a greater concentration of value in fewer companies, so performance will be more sensitive to valuation movements in the underlying holdings than if the portfolio was larger. Higher interest rates also continue to dampen business and consumer confidence and these conditions are particularly challenging for early-stage companies to navigate and do not look set to ease in the short to mid-term.

However, despite these challenges there is reason to be optimistic as these conditions present opportunities to invest into, and build, new early-stage companies at attractive valuations. Our Manager continues to see interesting business opportunities, as passionate entrepreneurs seek new ways to solve fundamental environmental and societal issues. Our long-term view of early-stage venture capital remains positive.

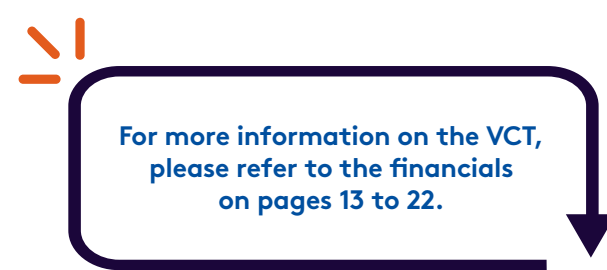
The long-term target of the Company is to pay an annual dividend of 5% of the NAV generated by exits from investments. However, given the expected holding period of target portfolio companies and restrictions imposed on VCTs, it is very unlikely that the Company will be able to pay dividends before the end of 2025. During this time, any growth in the portfolio value should be reflected in the Company's share price.

I would like to conclude by thanking my Board colleagues and the Octopus team on behalf of all shareholders for their hard work. I am looking forward to seeing what the coming year brings for the Company.



Helen Sinclair
Chair

28 March 2024



**For more information on the VCT,
please refer to the financials
on pages 13 to 22.**

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 wishes to empower people to create a fairer and more equitable society so invests 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. This could drive 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.

Portfolio value by the three investment themes as at 31 December 2023 (%)



Building a sustainable planet

12%



Empowering people

28%



Revitalising healthcare

60%



Read more about
our investments
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.

Octopus Ventures is responsible for implementing the Company's Responsible Investment policy. As the nature of responsible investment, and the wider business environment evolves, the policy will be reviewed and, if necessary, updated. The policy ensures Octopus Ventures follows a three-step approach to responsible investment.



Please view the Responsible Investment 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:



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 believe responsible investment can help create long-term value so companies should implement a framework to support best practices.

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

Mission

Future Generations VCT is helping to solve some of the world's biggest problems. The team look 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 investors with clear and transparent communication. Our annual and half-yearly updates are designed to keep you informed about the progress of your investment.

6

investments completed in
six months to 31 December 2023

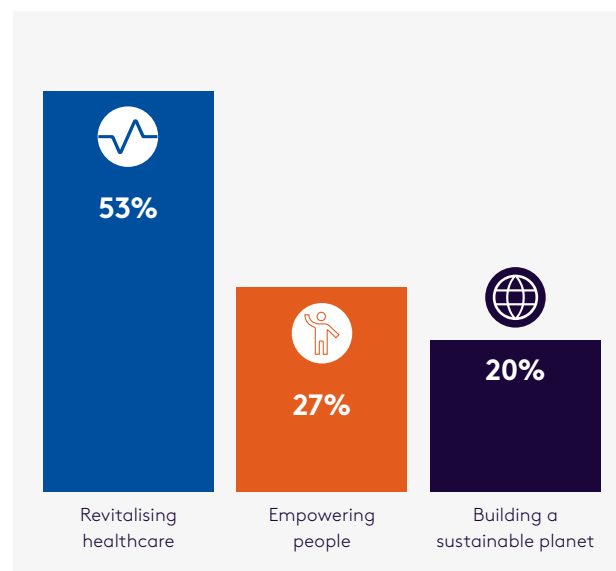
£26.7 million

total value of the portfolio as at
31 December 2023

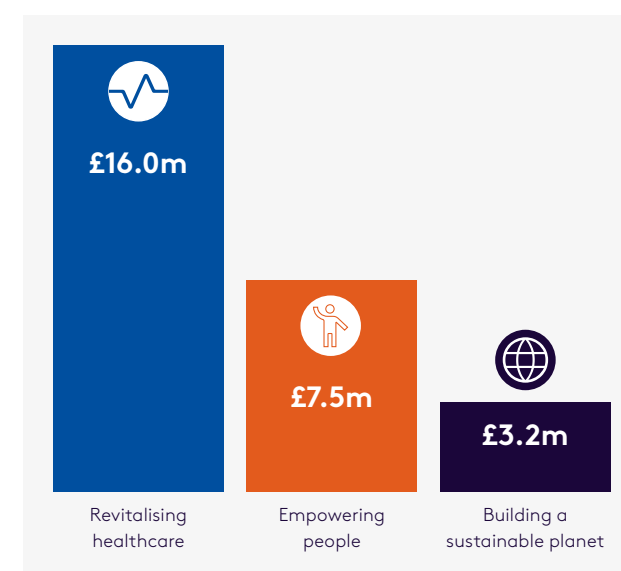
Focus on Future Generations VCT's investments

Below is a breakdown of the 30 investments held as at 31 December 2023, 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 six new investments in the reporting period (comprising a total of £2.0 million) and three further investments after 31 December 2023 totalling £2.8 million of investment. More information on three of these businesses can be found below. For a full list, please see the Appendix on page 22.

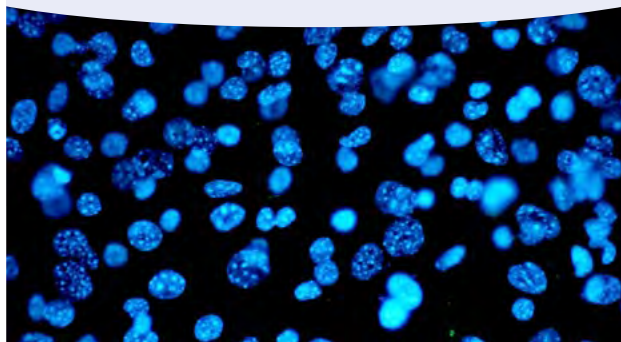
A selection of our completed investments



Revitalising healthcare

CellVoyant

An artificial intelligence (AI) first biotechnology company creating novel stem cell-based therapies for chronic diseases. Its technology uses AI-first live cell imaging to predict and optimise stem cell differentiation, to controllably manufacture any cell and tissue in the body at scale. It is working at the exciting intersection of cell biology, computer vision, engineering, and machine learning to industrialise next-generation science from research into the real world.



Building a sustainable planet



METRIS

A platform that allows landlords of multi-unit buildings to monetise modular renewable energy projects through a single billing platform to charge tenants. Its innovative technology and guidance makes navigating the path to solar energy quick and easy allowing commercial property owners to play a part in securing a greener, more prosperous future for their portfolio and the planet.



Revitalising healthcare

awell

Automates routine clinical tasks, synchronising data between systems and driving seamless coordination between care teams and patients. Despite significant technological advances, healthcare delivery remains sub-optimal and Awell wants to change this to give care teams more time for the human aspects of care.



Portfolio Manager's review continued

Top ten investments

	Portfolio company	Cost	Valuation at 31 December 2023	Investment theme
1	Perk Finance, S.L. (t/a* Cobee)	£2.6m	£3.5m	
2	HelloSelf Limited	£2.6m	£2.6m	
3	Tympa Health Technologies Ltd	£2.7m	£2.4m	
4	Ourotech Ltd (t/a Pear Bio)	£2.0m	£2.0m	
5	Infinitopes Ltd	£1.6m	£1.6m	
6	Mr & Mrs Oliver Ltd (t/a Skin + Me)	£1.0m	£1.5m	
7	Apheris AI GmbH	£1.2m	£1.2m	
8	Intrinsic Semiconductor Technologies Ltd	£0.9m	£1.0m	
9	Inflow Holdings Inc.	£1.0m	£1.0m	
10	Living Optics	£0.9m	£0.9m	

Key:



Empowering people



Revitalising healthcare

* Trading as



Portfolio Manager's review continued

Portfolio engagement – D&I and Greenhouse gases

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:



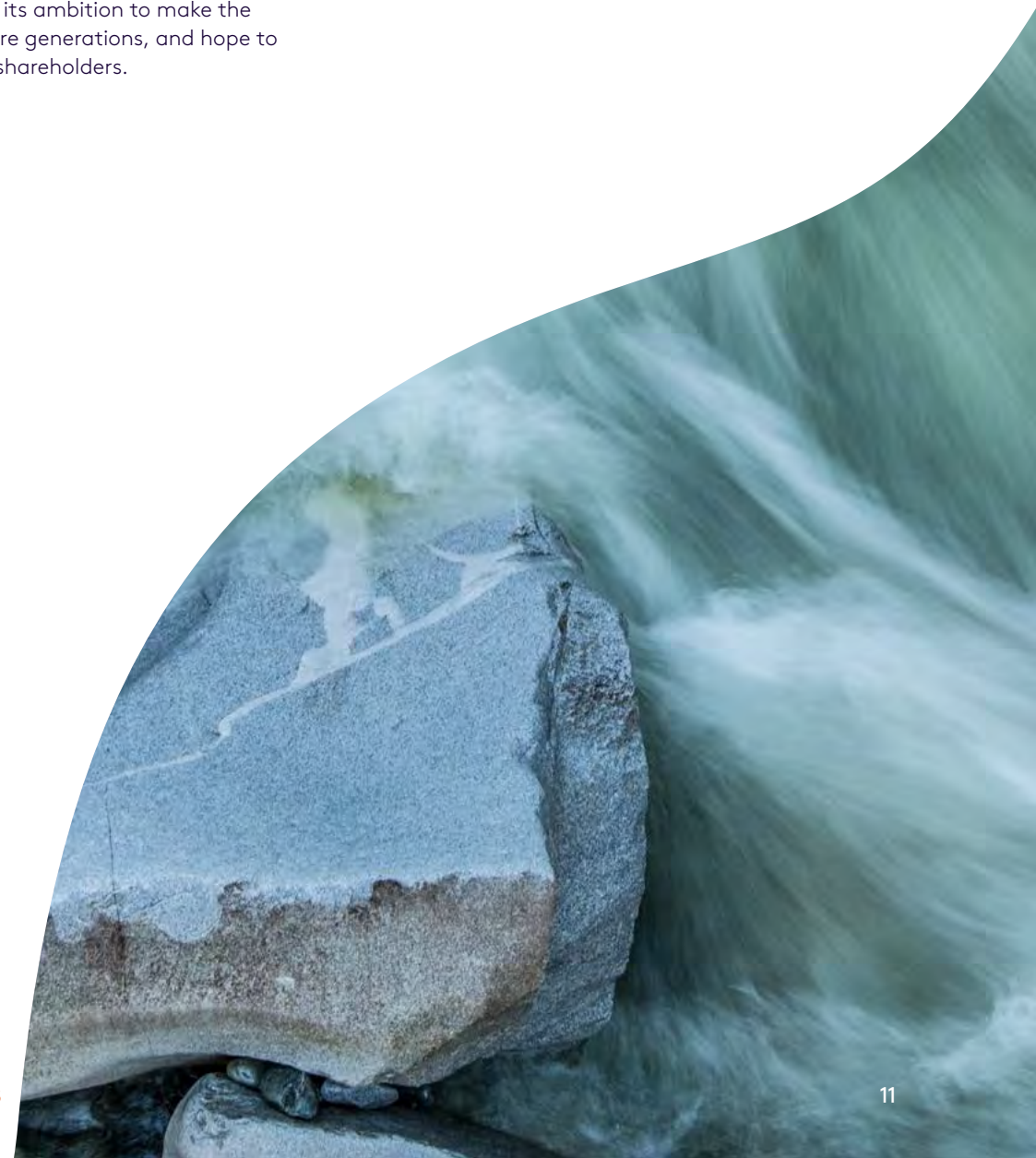
Portfolio Manager's review continued

Outlook

We continue to grow the portfolio with a further six investments completing in the six-month reporting period and an additional three to 28 March 2024. These investments span the Company's three investment themes, with each of the founding teams looking to solve a different issue they have identified. These problems range from looking to redefine how the brain is measured and treated, to building a platform to allow landlords to monetise renewable energy projects. Looking ahead at the pipeline of new investments, we are excited to see this diversity of opportunity continues, with each sharing the goal of trying to transform the world for the better, addressing fundamental issues in our society and planet.

We recognise that 2023 has been a difficult year for our portfolio companies and shareholders, with much geo-political unrest and economic uncertainty. These challenges have meant that we have been working more closely with our portfolio companies, offering support through our dedicated people and talent team and with non-executive directors on company Boards. The portfolio is diversified across sector, product and stage, providing some resilience to the tougher macro-economic environment and offering potential for future growth. We believe recovery in 2024 is likely to be slow and fragile, with the expectation from the Bank of England that the rate of inflation should continue to slow and return to average historic levels in 2025. It is also generally true that early-stage companies are agile and well-positioned to leverage changes in attitudes that typically occur during times of economic downturn. They are more open to adopting new technologies and innovative approaches.

We are excited to have the opportunity to continue to scale the Company, support its ambition to make the world a better place for future generations, and hope to deliver attractive returns to shareholders.



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 twelve months of the period; and
 - we have disclosed a description of related party transactions that have taken place in the first six months of the current financial period, 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

28 March 2024

Income statement

	Unaudited Six months to 31 December 2023			Audited Year to 30 June 2023			Unaudited Six months to 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (loss)/gain on valuation of fixed asset investments	–	(136)	(136)	–	(6)	(6)	–	97	97
Investment management fees	(117)	(350)	(467)	(174)	(522)	(696)	(95)	(285)	(380)
Investment income	515	–	515	424	–	424	56	–	56
Foreign exchange translation	–	–	–	–	–	–	27	–	27
Other expenses	(246)	–	(246)	(500)	–	(500)	(225)	–	(225)
Loss before tax	152	(486)	(334)	(250)	(528)	(778)	(237)	(188)	(425)
Tax	–	–	–	–	–	–	–	–	–
Loss after tax	152	(486)	(334)	(250)	(528)	(778)	(237)	(188)	(425)
Earnings per share – basic and diluted	0.3p	(1.0)p	(0.7)p	(0.6)p	(1.3)p	(1.9)p	(0.6)p	(0.5)p	(1.1)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.
- 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 half-yearly report.

Balance sheet

	Unaudited As at 31 December 2023		Audited As at 30 June 2023		Unaudited As at 31 December 2022	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments		26,729		24,895		12,287
Current assets:						
Debtors	240		379		86	
Applications cash*	100		370		100	
Cash at bank	107		152		9,432	
Money market funds	19,998		20,140		17,411	
		20,445		21,041		27,029
Creditors: amounts falling due within one year	(177)		(518)		(222)	
Net current assets		20,268		20,523		26,807
Net assets		46,997		45,418		39,094
Share capital		50		48		41
Share premium		48,372		46,461		39,792
Capital reserve realised		(990)		(640)		(403)
Capital reserve unrealised		(133)		3		106
Revenue reserve		(302)		(454)		(442)
Total equity shareholders' funds		46,997		45,418		39,094
Net asset value per share		93.7p		94.3p		95.1p

* Cash received from investors 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 28 March 2024 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 £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
As at 1 July 2023	48	46,461	(640)	3	(454)	45,418
Comprehensive income for the year:						
Management fees allocated as capital expenditure	–	–	(350)	–	–	(350)
Net loss on fair value of fixed asset investments	–	–	–	(136)	–	(136)
Profit after tax	–	–	–	–	152	152
Total comprehensive income for the year	–	–	(350)	(136)	152	(334)
Contributions by and distributions to owners:						
Shares issued	2	1,971	–	–	–	1,973
Share issue costs	–	(60)	–	–	–	(60)
Total comprehensive income for the year	2	1,911	–	–	–	1,913
Balance as at 31 December 2023	50	48,372	(990)	(133)	(302)	46,997

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 £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
As at 1 July 2022	33	31,572	(118)	9	(204)	31,292
Comprehensive income for the year:						
Management fees allocated as capital expenditure	–	–	(522)	–	–	(522)
Net loss on fair value of fixed asset investments	–	–	–	(6)	–	(6)
Loss after tax	–	–	–	–	(250)	(250)
Total comprehensive income for the year	–	–	(522)	(6)	(250)	(778)
Contributions by and distributions to owners:						
Shares issued	15	15,164	–	–	–	15,179
Share issue costs	–	(275)	–	–	–	(275)
Total contributions by and distributions to owners	15	14,889	–	–	–	14,904
Balance as at 30 June 2023	48	46,461	(640)	3	(454)	45,418

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 £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
As at 1 July 2022	33	31,572	(118)	9	(204)	31,292
Comprehensive income for the year:						
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 income for the year	–	–	(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

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

Cash flow statement

	Unaudited Six months to 31 December 2023 £'000	Audited Year to 30 June 2023 £'000	Unaudited Six months to 31 December 2022 £'000
Cash flows from operating activities			
Loss before tax	(334)	(778)	(425)
Decrease/(increase) in debtors	139	(325)	(32)
Decrease in creditors	(72)	(103)	(129)
Loss/(gain) on valuation of fixed asset investments	136	6	(97)
Outflow from operating activities	(131)	(1,200)	(683)
Cash flows from investing activities			
Purchase of fixed asset investments	(1,970)	(23,238)	(10,528)
Outflow from investing activities	(1,970)	(23,238)	(10,528)
Cash flows from financing activities			
Application account inflow	1,687	13,634	6,614
Application account outflow	(1,957)	(15,179)	(8,429)
Proceed from share issues	1,957	15,179	8,429
Share issue costs	(43)	(275)	(201)
Inflow from financing activities	1,644	13,359	6,413
Decrease in cash and cash equivalents	(457)	(11,079)	(4,798)
Opening cash and cash equivalents	20,662	31,741	31,741
Closing cash and cash equivalents	20,205	20,662	26,943
Cash and cash equivalents comprise			
Cash at Bank	107	152	9,432
Applications cash	100	370	100
Money Market Funds	19,998	20,140	17,411
	20,205	20,662	26,943

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 2023 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 the Company's ability to continue to adopt the going concern basis over a period of at least twelve months from the date of approval of the financial statements. In reaching this conclusion, the Directors have taken into account the potential impact on the economy including inflation and the recession.

The principal accounting policies have remained unchanged from those set out in the Company's 2023 Annual Report and Accounts.

2. Publication of non-statutory accounts

The unaudited half-yearly report for the six months ended 31 December 2023 does not constitute Statutory Accounts within the meaning of s.415 of the Companies Act 2006 and has not been delivered to the Registrar of Companies. The comparative figures for the year ended 30 June 2023 have been extracted from the audited financial statements for that year, 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 48,725,532 Ordinary shares (31 December 2022: 37,304,813, 30 June 2023: 40,987,788) 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 2023	30 June 2023	31 December 2022
Net assets (£'000)	46,997	45,418	39,094
Shares in issue	50,165,822	48,138,337	41,127,110
Net asset value per share (p)	93.7	94.3	95.1

5. Allotments

During the six months to 31 December 2023, 2,027,485 shares were issued at a weighted average price of 97.3p per share (period ended 31 December 2022: 8,557,932 shares at a weighted average price of 99.1p, 30 June 2023: 15,569,159 shares at a weighted average price of 98.6p per share).

6. Transactions with the Manager and Portfolio Manager

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

Future Generations VCT paid Octopus AIF Management Limited £467,000 in the period as a management fee (31 December 2022: £380,000, 12 months to 30 June 2023: £696,000). 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.

Condensed notes to the half-yearly report continued

6. Transactions with the Manager and Portfolio Manager continued

Octopus also provides Non-Investment Services to Future Generations VCT, payable quarterly in advance. The fee is 0.3% of Future Generations VCT's NAV, calculated at quarterly intervals. The Non-Investment Services Agreement (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 £70,000 was paid to Octopus for Non-Investment Services (31 December 2022: £57,000, 12 months to 30 June 2023: £122,000).

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 period ending 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 have 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 Future Generations VCT, previously held the role of co-CEO of Octopus Ventures.

On 24 March 2023, Emma Davies ceased to be employed by Octopus Capital Limited and therefore she is no longer considered a related party. Emma is retiring as a Non-Executive Director of Future Generations VCT on 31 March 2024.

No dividends have been paid to the Directors of Future Generations VCT.

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.

Investments	31 December 2023 % voting rights held by Future Generations VCT
Perk Finance, S.L. (t/a Cobee)	2.8%
HelloSelf Limited	4.1%
Tympa Health Technologies Ltd	3.7%
Ourotech Ltd (t/a Pear Bio)	5.1%
Infinitopes Ltd	4.6%
Mr & Mrs Oliver Ltd (t/a Skin + Me)	0.6%
Apheris AI GmbH	3.2%
Intrinsic Semiconductor Technologies Ltd	5.1%
Inflow Holdings Inc.	1.9%
Living Optics Ltd	1.7%

9. Post balance sheet events

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

- Three new investments completed totalling £2.8 million.
- On 31 January 2024, the Company announced a new Offer for Subscription for Ordinary shares of 0.1p each in the Company, to raise up to £15.0 million in aggregate with an over-allotment facility of up to a further £5.0 million.

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 2023.

		Investment cost as at 31 December 2023 £'000	Amount invested in the year ending 31 December 2023 £'000
Fixed asset investments	Investment theme		
Tympa Health Technologies Ltd	Revitalising healthcare	2,685	–
Perk Finance, S.L. (t/a Cobee)	Empowering people	2,568	–
HelloSelf Limited	Revitalising healthcare	2,551	–
Ourotech Ltd (t/a Pear Bio)	Revitalising healthcare	2,014	–
Infinitopes Ltd	Revitalising healthcare	1,611	–
Elo Health, Inc.	Revitalising healthcare	1,257	–
Apheris AI GmbH	Revitalising healthcare	1,246	–
Inflow Holdings Inc.	Revitalising healthcare	1,012	–
Mr & Mrs Oliver Ltd (t/a Skin + Me)	Revitalising healthcare	991	–
Intrinsic Semiconductor Technologies Ltd	Empowering people	880	–
Living Optics Ltd	Empowering people	858	–
CoMind Technologies Ltd	Revitalising healthcare	796	796
Pivotal Future Ltd	Building a sustainable planet	767	–
Neat SAS	Building a sustainable planet	765	–
Kita Earth Ltd	Building a sustainable planet	691	–
Bloom! Meemo Media, Inc.	Empowering people	642	–
CellVoyant Technology Ltd	Revitalising healthcare	581	581
Perci Health Ltd	Revitalising healthcare	578	–
Secfix GmbH	Empowering people	543	–
Purrafinity Ltd	Building a sustainable planet	507	32
Phlux Technology Ltd	Empowering people	503	–
TYTN Ltd (t/a TitanML)	Building a sustainable planet	451	–
Correcto ESP, S.L.	Empowering people	387	–
Vypercore Ltd	Empowering people	377	–
Little Journey Ltd	Revitalising healthcare	377	–
Ufonia Ltd	Revitalising healthcare	374	–
Oto Health Inc.	Revitalising healthcare	289	–
Awell Health BV	Revitalising healthcare	242	242
Pencil Biosciences Ltd	Revitalising healthcare	218	218
Metris Energy, Inc.	Building a sustainable planet	102	102
Total fixed asset investments		26,863	1,971

Shareholder information

Future Generations VCT was incorporated on 17 November 2021 and raised £32.1 million in aggregate (£31.6 million net of expenses). Since then, further funds have been raised through fundraises as follows:

- £15.2 million (£14.9 million net of expenses) during the year to 31 June 2023.

On 31 January 2024, a new fundraise of £15.0 million was launched with an over-allotment facility of up to a further £5.0 million. The Offer is due to close on 27 January 2025, 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 (28 March 2024)	91.00p

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, 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 £5.0 million (£10.0 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 26.

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.

Money Market Fund (MMF)

A mutual fund that invests in highly liquid, short-term investments. These instruments include cash, cash equivalent securities, and high credit rating debt based securities with a short-term maturity. They are intended to offer investors high liquidity with a low level of risk.

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
Ajay Chowdhury

Company Number

Registered in England and Wales
No. 13750143

Secretary and Registered Office

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(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.)

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