

Octopus Future Generations VCT plc

Annual report and financial statements 2023

Octopus Future Generations VCT plc today announces the final results for the year ended 30 June 2023.

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.

Chair's statement

I am pleased to present the annual results for Future Generations VCT for the year ended 30 June 2023.

Highlights

£45.4m in net assets

94.3p net asset value (NAV) per share

£15.2m raised to date in current fundraise

I would firstly like to welcome new shareholders to the Company. Future Generations VCT invests in exciting early-stage companies which we believe should also have a positive impact on society. The NAV per share at 30 June 2023 was 94.3p, and in the year the Company made 23 new investments. Each portfolio company has the ambition to succeed as well as to address current societal issues, ranging from improving healthcare to positively impacting climate change. More information on some of these business can be found in the Portfolio Manager's Review.

In the year to 30 June 2023, we utilised £24.4 million of our cash resources, including £23.2 million which was invested in new portfolio companies. The cash and cash equivalents balance of £20.3 million as at 30 June 2023 represents 45% of net assets at that date. The loss made in the year to 30 June 2023 was £0.8 million, which is to be anticipated at this early stage due to the running costs of the Company exceeding returns from investments.

We look forward to deploying further capital into attractive new investment opportunities, 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

On 19 January 2023, the Company launched an initial offer to raise up to £30 million, with an over-allotment facility of up to £10 million, and as of 30 June 2023, the Company has successfully raised £15.2 million. The offer will close for new applications on 31 October 2023.

As investors will be aware, the intention is to invest in businesses which meet one of three key themes, which we believe demonstrate excellent investment prospects as well as having the potential to transform the world we live in for the better.

Annual General Meeting (AGM)

The AGM will take place on 11 December 2023 from 12.00 noon and will be held at 33 Holborn, London EC1N 2HT. Full details of the business to be conducted at the AGM are given in the Notice of the AGM.

Shareholders' views are important, and the Board encourages shareholders to vote on the resolutions within the Notice of the AGM using the proxy form, or electronically at www.investorcentre.co.uk/eproxy. The Board has carefully considered the business to be approved at the AGM and recommends shareholders to vote in favour of all the resolutions being proposed, as the Board will be doing.

In addition to the AGM, this year, we are also pleased to offer shareholders the opportunity to attend an online shareholder webinar on 4 December 2023 at 11.00 a.m., to make sure we can respond to any questions you may have for either the Portfolio Manager or the Company's Board prior to the proxy forms needing to be completed. At this event, Simon King (lead fund manager for Future Generations VCT) and I will be presenting. For details on how to sign up please see bit.ly/octopusfgwebinar. Alternatively, shareholders are also invited to send any questions they may have via email to FGAGM@octopusinvestments.com.

Outlook

This is the Company's first full 12-month report, and my Board colleagues and I are pleased with the progress the Company has made in the period. As of 30 June 2023, the Company comprised 25 portfolio companies spanning all three of its investment themes. Each of these portfolio companies is addressing crucial societal and environmental issues ranging from offering personalised psychological therapy to creating smart nutrition or automating the measurement of biodiversity. More can be read about some of the real differences these companies are making in the world in the Portfolio Manager's review.

We have experienced challenges on many fronts since the Company was launched, with an economic climate that has made things more difficult for both our portfolio companies and shareholders. However, our hope is that we are starting to see some green shoots of recovery with inflation in the UK slowing. We are still seeing good momentum in the UK early-stage market and are regularly impressed by the ingenuity, energy and passion of the entrepreneurs behind our portfolio companies. We are also heartened by the wider European venture capital eco-system as it is now valued at over \$1.15 trillion, and the UK is at the very centre of this. In 2010, there were only two European technology companies, founded after 2000, valued at \$1 billion or more. In 2023, there are 311 companies with over a billion-dollar valuation, and 61 of these are UK-based.

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 target 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, it is very unlikely that the Company will be able to pay dividends before 1 July 2025. During this time, any growth in value will increase the net asset value of the Company. Dividends 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 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 am excited to see what the coming year brings for your Company.

Helen Sinclair

Chair

18 October 2023

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.

Focus on Future Generations VCT's performance

The NAV per share at 30 June 2023 was 94.3p, which represents a decrease in NAV of 1.8p per share versus a NAV of 96.1p per share as at 30 June 2022. The Company invests in three key areas that we believe demonstrate excellent investment prospects and have potential to transform our world for the better.

Below is a breakdown of the 25 investments held as at 30 June 2023, showing the proportion and value of the portfolio in each investment theme:

Proportion by number of portfolio companies in each theme

- Revitalising healthcare – 48%
- Empowering people – 32%
- Building a sustainable planet – 20%

Value of the portfolio in each theme

- Revitalising healthcare – £15.1m
- Empowering people – £6.7m
- Building a sustainable planet – £3.1m

Overview of investments

Future Generations VCT completed 23 new investments in the reporting period, totalling £23.2 million. The total value of the portfolio as at 30 June 2023 is £24.9 million. A further five investments completed after 30 June 2023.

Below are some examples of new investments made across our three investment themes during the year.

A selection of Future Generations VCT's current portfolio

Building a sustainable planet:

- Puraffinity is a smart materials company which has developed a design platform to create materials which can capture the family of 'forever chemicals' known as PFAS (Per-and polyfluoroalkyl substances).
- Neat is an embedded insurance platform that gives merchants the ability to provide insurance bundles to their customers at a competitive rate.

Empowering people:

- Cobee offers an employee benefits platform
- Correcto is an artificial intelligence (AI) writing and grammar tool for the Spanish language.

Revitalising healthcare:

- Little Journey is a digital eSupport platform that prepares, informs and provides support for families' healthcare procedures and clinical trials.
- HelloSelf is a digital, personalised psychological therapy and coaching platform

Building a sustainable planet

Kita

www.kita.earth

To prevent the worst impacts of climate change, alongside significantly avoiding/reducing emissions, we must remove gigatons of carbon dioxide from the atmosphere annually for the remainder of the 21st century.

Companies face multiple challenges in executing net zero strategies: carbon removal credits are in high demand and short supply, carbon removal takes time, new technologies need time to scale up and nature needs time to grow. To meet future net zero targets, carbon removal credits often need to be purchased in advance. Carbon delivery risk can act as a deterrent to companies that want to build a net zero strategy and Kita offers a solution that reduces this risk and gives a green light to investment.

Kita's flagship product is Carbon Purchase Protection Cover. It protects buyers of forward-purchased carbon removal credits against under-delivery. If the carbon removal credits underperform, Kita covers the loss (via a reinsurance facility). With reduced risk in the carbon transaction, carbon removal solutions can access greater flows of consistent capital to scale their impact faster: helping contribute to a sustainable planet.

Kita bridges the insurance and carbon markets, providing a bespoke portfolio of carbon insurance products that offer security and confidence to carbon projects and buyers of carbon credits.

- £4 million total seed investment secured in February 2023
- Kita is a Lloyd's of London Coverholder and regulated by the FCA

Empowering people

Apheris

www.apheris.com

Apheris enables governed, private and secure computational access to data for machine learning (ML) and analytics.

With a rise in standardised ML models, which businesses can customise for specific use cases, data becomes an organisation's key differentiator. However, businesses need to safeguard their data assets and intellectual property while leveraging it for ML.

The Apheris Compute Gateway ensures only approved computations can be launched on data, allowing ML-powered insights with no need to share data. Compute Gateways can communicate with each other, allowing businesses to work collaboratively across organisational or geographical boundaries, while ensuring compliance with data privacy, security and governance obligations.

- 7 to 3 years – the reduction in time to market for neuroscience treatments using Apheris' software
- €8.7 million raised in November 2022

Revitalising healthcare

Perci Health

www.percihealth.com

The Perci team have built the first comprehensive, digital clinic for cancer patients. The service offers bespoke, convenient healthcare with a focus on holistic recovery, aimed at patients living with cancer, as well as those further along in their survivorship journey.

The Perci platform offers access to a wealth of experts across multi-disciplinary fields, offering a physical, mental, social and emotional evidence-based care, with the aim of delivering better clinical outcomes for survivors.

Cancer survival starts on day one of a cancer diagnosis, but while remission rates are improving, advances in cancer treatment have also introduced a wide range of long-term side effects that require specialist help to manage. Cancer doesn't just impact health, it also has a significant impact on psychological wellbeing, sometimes making survivors feel isolated, as well as carrying practical implications. Perci Health believes that it's time to let go of the last historical taboos surrounding cancer, and instead recognise it for the chronic condition that it is, and address the high physical, mental, emotional, social and financial costs associated with it.

- 800 – the number of people living with and beyond cancer who have benefitted from Perci Health's digital clinics.
- £3.4 million raised in April 2023

Top ten investments

Valuations

Future Generations VCT's portfolio companies are valued in accordance with the International Private Equity and Venture Capital valuation guidelines, as updated in December 2022. This means we value the portfolio at fair value, which is the price we expect people would be willing to

buy or sell an asset for, assuming they had all the information we have available; are knowledgeable parties with no pre-existing relationship; and that the transaction is carried out under the normal course of business. As a result, valuations have been re-appraised in line with all these factors.

	Portfolio company	Cost	Valuation at 30 June 2023	Investment theme
1	Tympa Health	£2.7m	£2.7m	Revitalising healthcare
2	HelloSelf	£2.6m	£2.6m	Revitalising healthcare
3	Cobee	£2.6m	£2.5m	Empowering people
4	Pear Bio	£2.0m	£2.0m	Revitalising healthcare
5	Infinitopes	£1.6m	£1.6m	Revitalising healthcare
6	Skin + Me	£1.0m	£1.3m	Revitalising healthcare
7	Apheris	£1.2m	£1.2m	Revitalising healthcare
8	Elo Health	£1.3m	£1.1m	Revitalising healthcare
9	Inflow	£1.0m	£1.0m	Revitalising healthcare
10	Intrinsic	£0.9m	£0.9m	Empowering people

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 (GHG) 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 of portfolio companies

D&I policy status

Policy in place – 100%

Engagement status of portfolio companies with carbon accounting tool

Engaged on monitoring GHG emissions

Signed up – 16

Introduced – 8

In progress – 1

Outlook

Since Future Generations VCT was launched in January 2022, we have experienced a period of immense global change and economic complexity. Whilst this has brought greater challenges and hurdles for the Company to overcome and work through, we are impressed with how both the entrepreneurs we have invested in, and the Octopus Ventures team, have navigated this in the Company's first full year of deployment.

The entrepreneurs we meet are intent on solving some of the biggest challenges we have ever faced as a society and planet by building successful companies which could have a material and positive impact on people's lives. 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. The portfolio as at 30 June 2023 comprises of 25 companies spanning all three of our investment themes which address these challenges. We believe the entrepreneurs behind these businesses have created some best-in-class solutions that we are delighted to back.

The decline in NAV that we have seen in the year to 30 June 2023 is not unexpected in an early stage fund, and has been driven by the running costs.

The wide-ranging scope of Future Generations VCT's investment policy across its three investment themes, some examples of which can be seen in the Portfolio Manager's review, allows us to build a diverse portfolio for the Company. This diversity of stage, focus and offering gives us greater confidence in the Company's ability to succeed in more turbulent economic times.

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

Simon King

Partner and Lead Fund Manager for Future Generations VCT

18 October 2023

Risks and risk management

The Board assesses the risks faced by Future Generations VCT, reviews the mitigating controls and monitors the effectiveness of these controls.

Principal risks, emerging risks and risk management

Detailed below are the principal risks of Future Generations VCT, and the mitigating actions in relation to those risks.

In addition to the principal risks, emerging risks including adverse changes in the global macroeconomic environment, climate change, high market

valuations and geopolitical protectionism are monitored by the Board.

The Board seeks to mitigate risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies the principles detailed in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Risk	Mitigation	Change
<i>Investment performance:</i>		
The focus of Future Generations VCT investments is into early-stage, unquoted, small and medium-sized VCT qualifying companies which, by their nature, entail a higher level of risk and shorter cash runway than investments in larger quoted companies.	Octopus has significant experience and a strong track record of investing in early-stage unquoted and challenging trading conditions for some companies, and appropriate due diligence is undertaken on every new investment. A member of the Octopus Ventures team is typically appointed to the board of a portfolio company, and regular board reports are prepared by the portfolio company's management and examined by the Portfolio Manager. This arrangement, in conjunction with its portfolio talent team's active involvement, allows Future Generations VCT to play a prominent role in a portfolio company's ongoing development and strategy.	Increased due to the difficult macro environment

Risk	Mitigation	Change
<i>VCT qualifying status:</i>		
Future Generations VCT is required at all times to observe the conditions for the maintenance of qualifying status throughout the period, and approved VCT status. The loss of such approval could lead to Future Generations VCT and its investors losing access to the various tax benefits associated with VCT status and investment.	Octopus tracks Future Generations VCT's qualifying status throughout the period, and reviews this at key points, including at the point of investment and realisation. This status is reported to the Board at each Board meeting. The Future Generations VCT Board has also engaged external independent advisers to undertake an independent VCT status monitoring role.	Given the level of independent verification, a systemic issue which would result in loss of VCT status is considered less likely and therefore a decreased risk.

Risk	Mitigation	Change
<i>Loss of key people:</i>		
The loss of key investment staff by the Portfolio Manager could lead to poor fund management and/or performance due to lack of continuity or understanding of Future Generations VCT.	The Portfolio Manager has a broad team experienced in and focused on early-stage investing. This mitigates the risk of any one individual with the required skill set and knowledge of venture capital investing, and the portfolio specifically, leaving. Key investment staff are also incentivised via the performance incentive fee.	No overall change in risk exposure on balance.

Risk	Mitigation	Change
<i>Operational:</i>		
The Future Generations VCT Board is reliant on the Portfolio Manager to manage investments effectively, and manage the services of a number of third parties, in particular the registrar, depositary and tax advisers. A failure of the systems or controls at Octopus or third-party providers could lead to an inability to provide accurate reporting and accounting and to ensure adherence to VCT rules.	The Future Generations VCT Board reviews the system of internal controls, both financial and non-financial, operated by Octopus (to the extent the latter are relevant to Future Generations VCT internal controls). These include controls designed to make sure that Future Generations VCT assets are safeguarded and that proper accounting records are maintained.	No overall change in risk exposure on balance.

Risk	Mitigation	Change
<i>Information security:</i>		
A loss of key data could result in a data breach and fines. The Future Generations VCT Board is reliant on Octopus and third parties to take appropriate measures to prevent a loss of	Annual due diligence is conducted on third parties which includes a review of their controls for information security. Octopus has a dedicated information security team and a third	No overall change on balance, although cyber threat remains a significant risk area faced by all providers.

confidential customer information.

party is engaged to provide continual protection in this area. A security framework is in place to help prevent malicious events.

Risk	Mitigation	Change
<i>Economic:</i>	<p>Events such as an economic recession, movement in interest rates, inflation and rising living costs could adversely affect some smaller companies' valuations, as they may be more vulnerable to changes in trading conditions or the sectors in which they operate. This could result in a reduction in the value of Future Generations VCT assets.</p>	<p>Future Generations VCT aims to invest in a diverse portfolio of companies, across a range of sectors, which helps to mitigate against the impact on any one sector. Future Generations VCT also maintains adequate liquidity to make sure that it can continue to provide follow-on investment to those portfolio companies which require it and which is supported by the individual investment case.</p>

Risk	Mitigation	Change
<i>Legislative:</i>	<p>A change to the VCT regulations could adversely impact Future Generations VCT by restricting the companies Future Generations VCT can invest in under its current strategy. Similarly, changes to VCT tax reliefs for investors could make VCTs less attractive and impact Future Generations VCT's ability to raise further funds.</p>	<p>The Portfolio Manager engages with HM Treasury and industry bodies to demonstrate the uncertainty around removal of the sunset clause. positive benefits of VCTs in terms of growing early-stage companies, creating jobs and increasing tax revenue, and to help shape any change to VCT legislation. The 'sunset clause' meant that in 2025 the government would need to renew the legislation to allow VCTs to continue to operate under the current legislation. However, recent government announcements have been supportive of legislation renewal in support of VCTs.</p>

Risk	Mitigation	Change
<i>Liquidity:</i>	<p>The risk that Future Generations VCT's available cash will not be sufficient to meet its financial obligations. Future Generations VCT invests into smaller unquoted companies, which are inherently illiquid as there is no readily available market for these shares. Therefore, these may be difficult to realise for their fair market value at short notice.</p>	<p>Future Generations VCT's liquidity risk is managed on a continuing basis by Octopus in accordance with policies and procedures agreed by the Board. Future Generations VCT's overall liquidity risks are monitored on a quarterly basis by the Board, with frequent budgeting and close monitoring of available cash resources. Future Generations VCT maintains sufficient investments in cash and readily realisable securities to meet its financial obligations. At 30 June 2023, these resources were valued at £20,292,000.</p>

Viability statement

In accordance with the FRC UK Corporate Governance Code published in 2018 and provision 36 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of Future Generations VCT over a period of five years, consistent with the expected investment holding period of an investor. A fundraising was launched on 19 January 2023 and is due to close for new applications on 31 October 2023, proposing to raise £30 million with an over-allotment of up to £10 million. Under VCT rules, subscribing investors are required to hold their investment for a five-year period in order to benefit from the associated tax reliefs. The Board regularly considers strategy, including investor demand for Future Generations VCT's shares, and a five-year period is considered to be a reasonable time horizon for this.

The Board carried out a robust assessment of the emerging and principal risks facing Future Generations VCT and its current position. This included the cost of living crisis, rising interest rates, the war in Ukraine and any other risks which may adversely impact its business model, future performance, solvency or liquidity, and focused on the major factors which affect the economic, regulatory and political environment.

Particular consideration was given to Future Generations VCT's reliance on, and close working relationship with, the Portfolio Manager. The principal risks faced by Future Generations VCT and the procedures in place to monitor and mitigate them are set out above.

The Board has carried out robust stress testing of cash flows, which included assessing the resilience of portfolio companies, including the

requirement for any future financial support.

The Board has additionally considered the ability of Future Generations VCT to comply with the ongoing conditions to make sure it maintains its VCT qualifying status under its current investment policy.

Based on this assessment, the Board confirms that it has a reasonable expectation that Future Generations VCT will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 30 June 2028. The Board is mindful of the ongoing risks and will continue to make sure that appropriate safeguards are in place, in addition to monitoring the cash flow forecasts to make sure Future Generations VCT has sufficient liquidity.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report and financial statements include information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (GAAP), including Financial Reporting Standard 102 – The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS 102), United Kingdom accounting standards and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Strategic Report, Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors are of the opinion that this report as a whole provides the necessary information to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report and financial statements (including the Strategic Report), give a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Helen Sinclair

Chair

18 October 2023

Income Statement

Year to 30 June 2023

Period to 30 June 2022

	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (loss)/gain on valuation of fixed asset investments	—	(6)	(6)	—	9	9
Investment management fee	(174)	(522)	(696)	(39)	(118)	(157)
Investment income	424	—	424	—	—	—
Other expenses	(500)	—	(500)	(165)	—	(165)
Loss before tax	(250)	(528)	(778)	(204)	(109)	(313)
Tax	—	—	—	—	—	—
Loss after tax	(250)	(528)	(778)	(204)	(109)	(313)
Loss per share – basic and diluted	(0.6)p	(1.3)p	(1.9)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.
- 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

	As at 30 June 2023		As at 30 June 2022	
	£'000	£'000	£'000	£'000
Fixed asset investments			24,895	1,663
Current assets:				
Debtors	379		54	
Applications cash ¹	370		1,915	
Cash at bank	152		29,826	
Money market funds	20,140		—	
		21,041		31,795
Creditors: amounts falling due within one year	(518)		(2,166)	
Net current assets	20,523		29,629	
Net assets	45,418		31,292	
Share capital	48		33	
Share premium	46,461		31,572	
Capital reserve realised	(640)		(118)	
Capital reserve unrealised	3		9	
Revenue reserve	(454)		(204)	
Total equity shareholders' funds	45,418		31,292	
NAV per share	94.3p		96.1p	

1. 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 18 October 2023 and are signed on their behalf by:

Helen Sinclair

Chair

Company No: 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
			Share capital £'000	Share premium £'000	Capital reserve realised ¹ £'000	Capital reserve unrealised £'000
As at 30 June 2022	33	31,572	(118)	9	(204)	31,292

Comprehensive income for the period:

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 loss for the period	—	—	(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

1. Reserves are available for distribution, subject to restrictions.

	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						
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 are available for distribution, subject to restrictions.

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

Cash flow statement

	Year to 30 June 2023 £'000	Period to 30 June 2022 £'000
Cash flows from operating activities		
Loss before tax	(778)	(313)
Increase in debtors	(325)	(54)
(Decrease)/increase in creditors	(103)	251
Loss/(gain) on valuation of fixed asset investments	6	(9)
Outflow from operating activities	(1,200)	(125)
Cash flows from investing activities		
Purchase of fixed asset investments	(23,238)	(1,654)
Outflow from investing activities	(23,238)	(1,654)
Cash flows from financing activities		
Applications account inflow	13,634	34,059
Applications account outflow	(15,179)	(32,144)
Proceed from share issues	15,179	32,144
Share issue costs	(275)	(539)
Inflow from financing activities	13,360	33,520
(Decrease)/Increase in cash and cash equivalents	(11,079)	31,741
Opening cash and cash equivalents	31,741	—
Closing cash and cash equivalents	20,662	31,741
Cash and cash equivalents comprise		

Cash at bank	152	29,826
Money market funds	20,140	—
Applications cash	370	1,915
Closing cash and cash equivalents	20,662	31,741

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

Notes to the financial statements

1. Principal accounting policies

Octopus Future Generations VCT plc ('Future Generations VCT') is a Public Limited Company (plc) incorporated in England and Wales and its registered office is at 6th Floor, 33 Holborn, London EC1N 2HT.

Future Generations VCT has been approved as a Venture Capital Trust by HMRC under Section 259 of the Income Taxes Act 2007. The shares of Future Generations VCT were first admitted to the Official List of the UK Listing Authority and trading on the London Stock Exchange on 5 April 2022 and can be found under the TIDM code OFG. Future Generations VCT is premium listed.

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.

The financial statements are presented in GBP (£) to the nearest £'000. The functional currency is also GBP (£).

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (GAAP), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), the Companies Act 2006 and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (July 2022)'.

2. Investment income

Accounting policy

Investment income comprises interest earned on money market funds.

	30 June 2023	30 June 2022
	£'000	£'000
Money market funds	424	—
Total	424	—

3. Investment management fees

Accounting policy

For the purposes of the revenue and capital columns in the Income Statement, the management fee has been allocated 25% to revenue and 75% to capital, in line with the Board's expected long-term return in the form of income and capital gains respectively from Future Generations VCT's investment portfolio.

Disclosure

	Year to 30 June 2023			Period to 30 June 2022		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	174	522	696	39	118	157
Total	174	522	696	39	118	157

The Portfolio Manager provides investment management services through agreements with Octopus AIF Management Limited and Future Generations VCT. It also provides accounting and administration services to Future Generations VCT under a Non-Investment Services Agreement (NISA). No compensation is payable if the agreement is terminated by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given.

4. Other expenses

Accounting Policy

Other expenses are accounted for on an accruals basis and are charged wholly to revenue.

The transaction costs incurred when purchasing or selling assets are written off to the Income Statement in the period that they occur.

	Year to 30 June 2023	Period to 30 June 2022
	£'000	£'000
NISA fees	122	24
Director's remuneration ¹	77	29
Audit fees ²	63	38
Listing fees	58	17
Depository fees	57	13
Report and account fees	38	17
Registrar fees	21	12
Other fees	64	15
Total	500	165

(1) Includes employers' NI.

(2) Includes VAT.

Total ongoing charges are capped at 3.0% of net assets. For the year to 30 June 2023 the ongoing charges were 3.0% (2022: 2.2%) of net assets. This is calculated by summing the annualised expenses incurred in the period (excluding non-recurring expenses) divided by the average NAV throughout the period.

5. Directors' remuneration

Total Directors' fees paid during the period were £70,000 (2022: £28,000). Employers' National Insurance contributions paid during the period were £7,000 (2022: £1,000). The highest paid Director received £35,000 (2022: £16,000). None of the Directors received any other remuneration or benefit from Future Generations VCT during the period. Future Generations VCT has no employees other than Non-Executive Directors. The average number of Non-Executive Directors in the period was three.

6. Tax on ordinary activities

Accounting policy

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the 'marginal' basis as recommended in the SORP.

Deferred tax is recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Disclosure

The corporation tax charge for the period was £nil.

	Year to 30 June 2023	Period to 30 June 2022
	£'000	£'000
Loss on ordinary activities before tax	(778)	(313)
Current tax at 20.5%	(159)	(60)
Effects of:		
Non taxable income	—	—
Non taxable capital gains	1	(2)
Non deductible expenses	—	—
Excess management expenses on which deferred tax not recognised	193	81
Tax rate differences ¹	(35)	(19)
Total current tax charge	—	—

1. Tax rate difference due to tax charge for the period being calculated at 20.5% and excess management expenses on which deferred tax is not recognised being calculated at 25%.

Unrelieved tax losses of £1,094,000 (2022: £313,000) are estimated to be carried forward at 30 June 2023 (subject to completion of Future Generations VCT's tax return) and are available for offset against future taxable income, subject to agreement with HMRC.

Future Generations VCT has not recognised the deferred tax asset of £273,000 (2022: £81,000) in respect of these tax losses because there is insufficient forecast taxable income in excess of deductible expenses to utilise these losses carried forward.

The deferred tax asset is based on the future tax rate that has been substantially enacted as at the balance sheet date.

Approved VCTs are exempt from tax on capital gains. As the Directors intend for Future Generations VCT to continue to maintain its approval as a VCT through its affairs, no current deferred tax has been recognised in respect of any capital gains or losses arising on the revaluation or disposal of investment.

7. Loss per share

	Year to 30 June 2023			Period to 30 June 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss attributable to Ordinary shareholders (£'000)	(250)	(528)	(778)	(204)	(109)	(313)
Loss per Ordinary share (p)	(0.6)	(1.3)	(1.9)	(1.6)	(0.8)	(2.4)

The loss per share is based on 40,987,788 (2022: 13,205,218) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

There are no potentially dilutive capital instruments in issue and so no diluted return per share figures are relevant. The basic and diluted earnings per share are therefore identical.

8. Net asset value per share

	30 June 2023	30 June 2022
Net assets (£'000)	45,418	31,292
Shares in issue	48,138,337	32,569,178
NAV per share (p)	94.3	96.1

9. Post balance sheet events

The following events occurred between the balance sheet date and the signing of these financial statements:

- Five new investments completed totalling £0.9 million, two of which were the second tranche of funding agreed previously.

10. 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 Octopus AIF Management Limited to provide the services of an AIFM of a full-scope AIF. In accordance with its power to do so under AIFMD, Octopus AIF Management Limited has delegated investment management to Octopus Investments Limited, whilst retaining the obligations of a risk manager.

Future Generations VCT paid Octopus AIF Management Limited £696,000 (2022: £157,000) 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. The Manager will donate 10% of the management fee to the Octopus Giving Charitable Foundation, which was set up in 2014 to help charities make the world a better place and which, since inception, has donated more than £1 million to such worthy causes.

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 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 £122,000 (2022: £24,000) was paid to Octopus for Non-Investment Services.

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.

Octopus AIF Management Limited remuneration disclosures (unaudited)

Quantitative remuneration disclosures required to be made in this annual report in accordance with the FCA Handbook FUND 3.3.5 are available on the website: <https://www.octopusinvestments.com/remuneration-disclosures/>.

11. 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 and she also holds shares in Octopus Capital Ltd. 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 continues her role as a Non-Executive Director of Future Generations VCT. No dividends have been paid to the Directors of Future Generations VCT in the year (2022: £nil).

12. 2023 financial information

The figures and financial information for the year ended 30 June 2023 are extracted from the Company's annual financial statements for the period and do not constitute statutory accounts. The Auditors' report on the 2023 annual financial statements was unqualified, did not include a reference to any matter to which the auditors drew attention without qualifying the report, and did not contain any statements under Sections 498(2) or 498(3) of the Companies Act 2006.

13. 2022 financial information

The figures and financial information for the period ended 30 June 2022 are compiled from an extract of the published financial statements for the period and do not constitute statutory accounts. Those financial statements have been delivered to the Registrar of Companies and included the Auditors' report which was unqualified, did not include a reference to any matter to which the auditors drew attention without qualifying the report, and did not contain any statements under Sections 498(2) or 498(3) of the Companies Act 2006.

14. Annual Report and financial statements

The Annual Report and financial statements will be available on the Company's website www.octopusinvestments.com/our-products/venture-capital-trusts/octopus-future-generations-vct and the National Storage Mechanism which is located at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>. The Notice of Annual General Meeting is contained within the Annual Report.

15. General information

Registered in England & Wales. Company No. 13750143
LEI: 213800AL71Z7N2O58N66

16. Directors

Helen Sinclair (Chair), Joanna Santinon and Emma Davies.

17. Secretary and registered office

Octopus Company Secretarial Services Limited
33 Holborn, London EC1N 2HT