

The background of the cover is a textured, brownish-grey surface, possibly a piece of paper or cardboard, with several overlapping circles in bright yellow, orange, red, and purple. The text is white and positioned in the upper left quadrant.

# Annual Report and Accounts

For the year ended  
31 March 2019

**nesta**

Company Number: 07706036

## About Nesta

Nesta is an innovation foundation. For us, innovation means turning bold ideas into reality and changing lives for the better.

We use our expertise, skills and funding in areas where there are big challenges facing society.

Nesta is based in the UK and supported by a financial endowment. We work with partners around the globe to bring bold ideas to life to change the world for good.

If you'd like this publication in an alternative format such as Braille or large print please contact us at: [information@nesta.org.uk](mailto:information@nesta.org.uk)

Design: Green Doe Graphic Design Ltd



# Annual Report and Accounts

For the year ended 31 March 2019

---

Trustees .....	4
Chair and Chief Executive's introductory statement ...	5
Strategic report .....	6
Financial review .....	22
Principal risks and uncertainties .....	28
Objectives .....	29
Governance and management .....	30
Independent auditor's report .....	33
Financial statements .....	35
Reference and administrative details .....	65

---

# Trustees



**Sir John Gieve**  
Nesta's Chair

Independent Chair of VocaLink and Chair of Homerton NHS Trust



**Anthony Lilley**  
Trustee

Director, Scenario Two Ltd and Professor of Creative Industries, Ulster University



**Christina McComb**  
Trustee

Chair of OneFamily, Chair of Standard Life Private Equity Trust and Senior Independent Director, British Business Bank



**Edward Wray**  
Trustee

Co-founder and the first Chief Executive of Betfair



**Hieder Ridha**  
Trustee

Operating Partner of TDR Capital



**Imran Khan**  
Trustee

Head of Public Engagement at the Wellcome Trust



**Joanna Killian**  
Trustee

Chief Executive of Surrey County Council



**Judy Gibbons**  
Trustee

Chair of Which?, NED on boards of Michael Kors & Hammerson, Deputy Chair, Somerset House



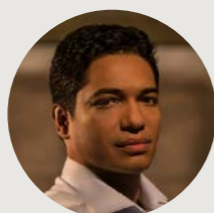
**Moira Wallace**  
Trustee

Visiting Professor, LSE Centre for the Analysis of Social Exclusion and Trustee, Kennedy Memorial Trust



**Natalie Tydeman**  
Trustee

Senior Partner at GMT Communications Partners



**Piers Linney**  
Trustee

Non-Executive Director at British Business Bank



**Simon Linnett**  
Trustee

Vice Chairman, Finance Advisory Rothschild & Co.

# Chair and Chief Executive's introductory statement

**This year marked Nesta's 20th anniversary – a good chance to reflect on what's been achieved, what's changed and where we're heading.**

When we looked back, we were able to celebrate many of the specific ideas and initiatives Nesta has supported: from some of the UK's first driverless cars to new models of theatre; from community action on climate change to technology in education. We were also able to reflect on how our model has evolved, particularly since becoming an independent foundation, as we now work much more in partnership with others and leverage external income to supplement our own.

Taking this longer perspective confirmed that our biggest impact has often come from working on new fields over sustained periods of time – bringing together research, grants, investment and convening to shift systems in alternative finance, people powered health or the sharing economy, and linking very targeted action to a bigger analysis of how the world needs to change.

Much of our activity during the year has very much been in that spirit. For example, having won the status of an Independent Research Organisation we used it to lead a consortium of a dozen universities to create the world's first Policy and Evidence Centre for the creative economy, building on years of research and practical work at Nesta. As this report sets out, we now have comprehensive work underway in education, health, government and innovation policy, as well as applying innovation methods, from challenge prizes to experiments.

More recent ideas we have championed also started moving into action during this period. The idea of anticipatory regulation was taken up by the UK Government, which launched a Regulatory Pioneers Fund, with Nesta closely involved in many of the projects. In late 2018 we also launched the Centre for Collective Intelligence Design, building on several years of work and applying this to practical projects

around jobs, cancer and development as well as new research. We consolidated our work on artificial intelligence (AI), where we have been investor, convenor, proposer and researcher (for example in *Confronting Dr Robot*, a survey on AI in health). And we held the biggest FutureFest yet in the summer of 2018, with four thousand participants. We heard a keynote from Nicola Sturgeon, highlighting a strengthened partnership between Nesta and the Scottish Government, and fantastic presentations by Akala, Imogen Heap and dozens of others.

This was also the year where we pulled some of the threads of our analysis and work together into a more ambitious programmatic overview of what's needed for the knowledge economy. *Imagination unleashed: Democratising the knowledge economy*, co-written with Roberto Mangabeira Unger and developed in sessions with the Organisation for Economic Co-operation and Development and others, offered a diagnosis of why so many people, places and firms haven't yet fully benefited from the knowledge economy. It also provided a prescription as to how education, industrial policy and government could solve these interconnected problems.

Twenty years on, Nesta plays a unique role in linking big picture change to practical projects on the ground. Our mission – to bring bold ideas to life to change the world for good – has become clearer over time. As government and politics experience unsettling times, we believe that it's more important than ever that organisations like Nesta are able to take risks, focus on the long term and stay true to their values.



Sir John Gieve, Chair



Geoff Mulgan, CEO

# Strategic report

2018–2019 marks the second year of Nesta's three-year strategy. The strategy sets out plans for how we bring bold ideas to life to change the world for good in five priority fields: Health, Education, Government Innovation, Innovation Policy, and the Creative Economy, Arts and Culture.

Divided into our five priority fields, plus our work in Explorations and our Communications work, this review shows what we have achieved in the last year and what we'll be looking to achieve going forward.

## The Creative Economy, Arts and Culture

Our vision is for creative businesses and cultural institutions to play a central role in growing the UK's economic, cultural and social wellbeing. We contribute to this by conducting research, developing public policies and making investments. Running across all our research, policy, investment and programme activities, we use Nesta's externally-funded partnerships with organisations such as the British Council and other development institutions to share our expertise globally.

Over the last year we have published six reports (with 2,920 downloads) and 81 blogs (with 79,766 views). A series of acclaimed data visualisations have received over 10,900 unique views. Our first Creative Economy Summit, held in Bristol at the end of March, was attended by nearly 200 guests with over 600 more on the waiting list.

### A reputation for innovative research

**Our goal is to be recognised as the world's most innovative producer of quantitative research on the creative economy.**

In the past year we've used machine learning to analyse millions of job ads. Our July report, *Which digital skills do you really need*, established that only some digital skills are predicted to grow in the future and our November report *Creativity and the future of work* demonstrated that creativity will be a key skill in the future. We also published two studies employing economic valuation techniques in October; one for the Department of Digital, Culture, Media and Sport on regional museums, and one for the Arts and Humanities Research Council (AHRC) on cathedrals and historic cities. Arts Council England has since commissioned us to work with arts and cultural organisations to build their capacity to use these techniques.

Our report, *Creative Nation*, helped the AHRC to adopt innovative big data mapping techniques to shape its £80 million Creative Industries Clusters Programme.

#### Case study: Creativity and the future of work

At a time when all jobs, whether in a coffee shop or bank, can seemingly be described as 'creative', you'd be forgiven for thinking the word had lost all meaning in the labour market. However, in a study of 35 million job adverts between 2013 and 2017, we found that creativity is still listed

in a relatively small number of job adverts (for roles which we would independently judge to be creative) and, importantly, is much more likely to be a requirement in occupations that are predicted to grow.

### Goals going forward

- To have successfully worked with Arts Council England to build capacity in England's arts and cultural organisations to make use of and benefit from economic valuation techniques.
- To publish our findings from the fifth Digital Culture Survey, supported by Arts Council England. This is a longitudinal study investigating how arts and culture organisations in England use digital technologies.

### Policy to promote the creative economy

**Our goal is to prove to policymakers that the creative economy is a crucial point of competitive advantage. We want to place the creative economy at the heart of local and national industrial and skills policy.**

In the last year, we led a winning consortium of ten universities to run the AHRC's Creative Industries Policy and Evidence Centre (PEC). The partnership, which spans the UK, brings together leading thinkers, across multiple disciplines and with wide-ranging expertise, to leverage long-standing relationships with industry and government. The PEC's vision is to provide independent and authoritative insight to aid the development of the UK's creative industries. The PEC's website has had more than 7,000 unique users and 19,764 unique page views since its launch in November 2018.

Nesta's research and policy work also played an instrumental role in securing a Sector Deal for the Creative Industries in the UK Industrial Strategy.

#### Case study: The Creative Industries Sector Deal

2018 saw the Government, as part of its Industrial Strategy, publish its Sector Deal with the creative industries. This was a significant milestone in the UK's creative industries 'story' and Nesta's role within it (see our R&D infographic). A critical part

of this story has been making the case for public investment in creative industries R&D and the AHRC's Creative Industries Clusters Programme, which includes the PEC, is the single largest investment to date.

### Goals going forward

- To complete the first year of the PEC's flagship data initiative to map the UK's creative clusters on a consistent basis across the country and over time.
- For the PEC to become the place to go for policy-relevant research and evidence-based policy advice on creative industries in the UK.
- For the PEC's website to be seen as a hub for research activity and policy work in this area.

### Innovation in arts and cultural organisations

**Our goal is to help hundreds of arts and cultural organisations to innovate by developing new funding tools and by using digital technologies to create new artforms and reach new audiences.**

We continued to invest with Arts Impact Fund, which has now offered nearly £10 million in funding to 29 organisations generating positive impact through artistic and cultural activities. In the past year, two organisations repaid their investments fully and ahead of time, and we completed four new loans to organisations across the UK totalling £1.3 million. We launched our pilot Amplified programme in October and announced the successful cohort in April this year. This comprises 13 cultural and creative organisations who have been awarded small grants of £13,000. We also joined a successful consortium bid, led by the Royal Shakespeare Company, for the Audience of the Future programme by UK Research and Innovation, through the Industrial Strategy Challenge Fund. In summer 2020, there will be a performance aiming to reach an audience of at least 100,000.

### Case study: Cultural Impact Development Fund

We identified the need for a fund making smaller, more risk-tolerant impact loans to creative and cultural organisations through the Arts Impact Fund. We published a market-sizing report in March 2018 and applied successfully for funding from Access – The Foundation for Social Investment through the Growth Fund programme, with finance

provided by The National Lottery Community Fund and Big Society Capital. We launched the Cultural Impact Development Fund in October, which makes loans of £25,000–£150,000 to cultural and creative organisations generating social impact, provides additional impact capacity-building support and is pioneering an impact discount mechanism.

### Case study: British Council partnership

Our partnership with the British Council continues to go from strength to strength. This year the Creative Enterprise Programme inspired more than 650 new creative and social entrepreneurs in 32 workshops across 13 countries. We also carried out a full review of our evaluation process to improve how we measure the economic impact of our programmes. Together with the British

Council, we have also joined forces with Hivos to co-develop Creative Hubs Academy, a brand new learning programme which will be piloted in five countries this year. Designed for hub leaders, the programme responds to common skills gaps and helps hub leaders build more sustainable business models and services that are more impactful and responsive to their community needs.

### Goals going forward

We expect to transform the sector's approach to, and use of, repayable finance, as well as helping to move it towards an enterprise mindset, whilst still recognising the importance of ongoing public and philanthropic support. Our project goals for the next year include:

- Launching the Arts & Culture Impact Fund, a £20–30 million scale-up of the Arts Impact Fund.
- Showcasing the work of our Amplified Cohort in March 2020.
- Developing work in the area of creative immersive tech and wellbeing.

In our British Council partnership, existing learning programmes will be further embedded in regional hubs and we'll continue to grow a network of local workshop facilitators. We'll be rolling out new evaluation tools to help track and measure the impact of skills development and business growth in local creative economies.

## Education

Our work in education uses bold ideas to help all learners make the most of the opportunities presented by our fast-changing future. To achieve this, we are committed to our goals of making education broader, fairer and smarter.

This year we've given out a total of £623,000 in grant money and we've invested £1.5 million into the Emerge Education Seed fund. Our work has reached 2,216 students and 165 schools and colleges. In February 2019 we held our annual Summit for an audience of over 355 industry experts.

### Broader

**Our goal to make education broader means developing skills, knowledge and attitudes so that learners thrive in the future.**

This year our activities have centred on running practical programmes that build on the findings of our *Future of Skills* report, which identified skills such as creativity, collaboration, critical thinking and interpersonal social skills as key for future jobs.

### Case study: Future Ready Fund

In response to our findings, we launched the £500,000 Future Ready Fund in October 2018. In February 2019 we announced the ten grantees we will be supporting to build social and emotional skills in secondary age students, through initiatives

like online tutoring platforms, arts therapy and cognitive behaviour therapy. Initially the fund was for £250,000, but with such high demand (over 300 applications) and a clear need for evidence in the sector, we doubled the fund.

### Case study: Cracking the Code Competition

We've been running Cracking the Code in partnership with Tata since 2016. The first year of the competition gave kids the opportunity to use their maths skills to build an escape room. What we found though was that the children who were engaging with the competition were those who were already good at maths, meaning that the competition wasn't necessarily targeting the students who need the most support. We also found that building something physical, whilst great for the local community, means the reach is limited.



Beth Crockatt

Cracking the Code with Woodroffe School

### Goals going forward

Next year we'll be focusing on the next phase of Future Ready Fund. By September 2020 it will have impacted the lives of 12,550 young people and reached 128 schools. And in the next edition of Cracking the Code, we will be running a digital competition in order to get a bigger reach.

## Fairer

**Our goal to make education fairer has led us to focus on increasing diversity in tech careers and increasing learners' exposure to the workplace.**

In the past year we have been focused on building up a clear picture of the existing interventions and evidence for how to make tech and innovation more accessible to more young people.

### Case study: Women in STEM

In Nesta's report, *Opportunity Lost*, we found that less than 2 per cent of children in the UK have exposure to innovation activities and there is little evidence for how to improve this effectively. It's clear to us that there is a gap in provision. In particular, we were struck by how few women are working in tech, and even fewer in artificial intelligence (AI). To raise awareness of the issues, we partnered with the Telegraph to publish

interviews with 12 key female leaders in AI to find out what inspired them, what barriers they face and what recommendations they have for how to change the status quo. We've also been working to push this issue up the policy agenda; we've presented our findings at the All-Party Parliamentary Group (APPG) for diversity and inclusion in STEM and the UN AI for Good Summit (to 2,800 people).

### Goals going forward

Using lessons from this research, our goal for next year is to run a national campaign that builds AI skills through our Longitude Explorer Prize and grow its impact to a national scale. We'll also host a roundtable focused on improving gender diversity in tech, with stakeholders including the Office for AI, Tech Talent Charter, policymakers from No. 10, corporates like PwC, Bank of America, WISE and the Women's Engineering Society.

## Smarter

**Our goal to make education smarter involves supporting schools and colleges to make effective use of technology and data.**

To support this goal, this year we launched a crucial report, *Educ-AI-tion Rebooted?* We presented the report at our Education Summit in the UK, at an APPG on AI, at the Select Committee for the Fourth Industrial Revolution and at the SXSW EDU event. This is how we've been raising awareness of how AI is currently being used in education and what needs to change in the future to maximise the benefits and minimise the risks.

### Case study: Skills taxonomy

In August 2018 we published the first publicly available, data-driven skills taxonomy for the UK workforce. The accompanying interactive data visualisation was shortlisted in the Kantar Information is Beautiful awards. Since then, Google has used the taxonomy in its platform course finder

and the Economic and Social Research Council is funding the development of indices of regional skills mismatch based on it. Last year, our blog piece on the skills taxonomy was the third most viewed Nesta blog since its launch.

## Goals going forward

Next year we will launch a £4.6 million funding programme in partnership with the Department for Education, using testbeds to stimulate industry innovation, support the development of edtech products and build the evidence base.

We'll also be building on our work on skills taxonomy, through our ongoing participation in the Office for National Statistics' Economic Statistics Centre of Excellence, and conducting new studies that apply machine learning and data visualisation techniques to improve labour market information.

## Government Innovation

We deliver bold ideas to help governments and public sector organisations make smarter use of people, data and technology to improve public services, better engage citizens and tackle big social challenges.

Our work this year has focused on exploring new models for public services, furthering our activities on social action, experimenting with new types of innovation funding and developing a global learning community for public sector innovation. Over the last year we've worked with 25 national governments, 40 local authorities and public sector partners, 80 innovators and disruptors, and more than 20,000 people who are benefitting from the innovations we've supported.

## New models for public services

**By 2020, our goal is to have supported the development of at least eight tangible examples of how smarter use of people, technology and data can reform public services, improve citizen engagement and deliver social impact at scale.**

To date, we have developed and tested seven such examples. This includes our work to pilot Offices of Data Analytics (ODAs) – of which there are now nine in the UK – and our ShareLab programme, which has experimented with using platform operating models to address social needs, such as connecting carers with those in need of care in their communities.

While successful in showing the potential of such models, the ShareLab programme has highlighted that our grant funds can sometimes create challenges for our grantees; some have struggled to find follow-on funding to take their work to the next level.

### Case study: Offices of Data Analytics

ODAs enable multiple public sector bodies to share, analyse and act upon their collective data to improve public services. When we began our ODA programme in 2016, none existed in the UK. Following Nesta's pilot for a London ODA in 2016–17, London has established the London

Office of Technology and Innovation and the City Data Analytics Programme. Our pilot in Essex has supported the creation of the Essex Centre for Data Analytics. The work of nine UK-based ODAs is covered in our recent report, *State of Offices of Data Analytics in the UK*.

### Goals going forward

Our priority is to ensure that each example is sufficiently well explained as to be replicable by a typical local authority. We are additionally launching a new network for local government leaders backing new operating models for services, called the Upstream Collaborative, to help surface and share alternatives to traditional public services.

## People power

A major strand of our work focuses on plugging the power of citizens back into places, institutions, services and democracies.

We want to make social action easy to commission at a local level by growing the supply of innovations that can work with governments. Our goal by 2020 is to see at least five integrated into everyday public services nationwide.

This year, through a £10 million partnership with the Office of Civil Society, we continued to support 58 innovations, including Volunteer It Yourself (VIY), with grant funding and advice from across civil society organisations, social enterprise and public institutions. These approaches have mobilised an additional 22,000 people helping over 200,000 beneficiaries.

### Case study: Centre for Social Action Innovation Fund: Volunteer It Yourself

VIY combines DIY and volunteering by challenging young people aged 14–24 to help repair and refurbish youth and community buildings and facilities, whilst learning vocational trade skills on the job. Young people are mentored by professional tradespeople and gain Entry Level City & Guilds trade skills accreditations at the same time as developing broader employability skills.

Since 2011, VIY has run 360 projects with 7,178 young people. Of those, 4,105 have gained a City and Guilds accreditation with the support of 943 volunteer mentors. Of those who have taken part, 77 per cent feel more confident and 72 per cent of mentors rate their experience 10/10. Progression for young people post-VIY takes many forms, with 1,007 young people having gone on to further employment, education, training or volunteering.



Young people repairing the Selby Centre in Tottenham as part of the Volunteer It Yourself project

### Goals going forward

We will publish a review of our learning from six years of supporting the scaling of people powered approaches, including how public services can better design to enable this to achieve better outcomes, and key implications for policy areas such as in early years or ageing well. We will also be sharing evidence of which models of scaling have worked in different circumstances, so that social innovations and public services can use this evidence in their own practice.

## Innovation funds

Our goal is to make the case for the use of dedicated innovation funds, programmes and new financial instruments by governments.

Our intention is to help governments use money as effectively as possible to bring bold ideas to life.

We've made progress against this goal in two main ways. The first is by publishing guides that offer practical advice on how to make money work harder. These include *Funding Innovation: A practice guide* and *Repayable Finance for Innovation in Public Services*. The second is through our Innovate to Save (I2S) programme, which supports innovators to move from idea to loan funding for projects that can deliver cashable savings. Our team in Wales has taken eight projects through a grant-funded research and development phase, with three going on to have more substantial loan funding approved. Our investment of £120,000 of grant funding led to loan requests of £4.5 million – a ratio of £37.50:£1.

### Case study: Innovate to Save: Leonard Cheshire

Our largest I2S loan is £1 million to Leonard Cheshire, a charity that supports individuals to live, learn and work as independently as they choose, whatever their ability. The loan is being used to deliver new forms of support for people

in receipt of personal payments. With savings of approximately £200 per person per month, we anticipate the new model will generate savings of £10 million by the end of year three on this project.

### Goals going forward

We will publish an updated version of the *Innovate to Save playbook* early next year, with more evidence and insight from our second cohort of projects. We will complete a further £2–3 million in 2019/2020, giving us the evidence and data we need to make a more compelling case for the use of innovation funds.

## A learning community

Our goal is to establish the pre-eminent global learning community for public sector innovation so we can spread good ideas around the world and improve the lives of citizens.

In 2018 we launched States of Change, an initiative to bring together the world's best public innovation practitioners and experts to enhance the quality, coherence and reach of public innovation learning. We have delivered learning programmes in Australia, Canada and Colombia. Last year we worked directly with 152 public servants, delivering 37.5 days of face-to-face training as well as remote mentoring. We reached an additional 222 public servants through workshops on innovation approaches in Sri Lanka, Turkey, Australia, Uruguay and Dubai.

### Case study: States of Change Australia

As part of our nine-month learning programme with the States of Victoria Government in Australia, The Policy Lab at the University of Melbourne carried out an external impact evaluation. A key hypothesis of the programme was whether we could cultivate an innovation mindset in the 43 public servant participants, moving away from just method-based approaches. The evaluation

found that over the duration of the programme the participants did indeed develop an innovation mindset, which included confidence in questioning the status quo, creatively processing different perspectives and deliberating on multiple options. Crucially, 100 per cent of participants and sponsors who were interviewed recommended that the programme should run again.

### Goals going forward

We have launched a second iteration of the programme in Australia, expanding to four jurisdictions in Australia and New Zealand. We'll also be continuing to explore our partnership models with a mix of governments to test which are the most impactful.

## Health

Our work in health uses bold ideas to create a health and care system that empowers people to lead healthier and more independent lives. Over the last year we have worked with 94 innovators to test and scale their ideas, who together reached 2.4 million people. We gave out £600,000 in grants and prizes, including £250,000 to support seven emerging social movements to grow their influence and impact on health and care. We also received over £1 million of external income to support our work, including £500,000 from the Scottish Government to support innovative digital technologies that make data available and useful to citizens. In May 2018 we held our annual Future of People Powered Health event with an audience of over 490 leaders from across and beyond the health system.

### People power

**Our goal is to support neighbourhoods, communities and the health and care system to develop and spread new networks, relationships and support that empower people to improve their health and wellbeing.**

This year we advised NHS England in the run up to the publication of the Long Term Plan and Universal Personalised Care, a significant breakthrough that will see people powered approaches reach millions of people through mainstream adoption.

Through our Accelerating Ideas programme, a £5.5 million partnership with the National Lottery Community Fund, we continued to support eight ageing innovations to grow their reach and impact across the UK. We have also been running the Good Help project with OSCA, exploring the value of help that supports people to feel hopeful, identify their health goals and take action. And we launched a new programme, Social Movements for Health, in partnership with Dunhill Medical Trust, supporting emerging social movements fighting to improve care, equality and justice to improve health and wellbeing.

#### Case study: Accelerating Ideas: GoodSAM

Through Accelerating Ideas, we supported GoodSAM, a smartphone-activated community of verified, first-aid trained professionals willing to volunteer their skills during a life-threatening emergency. There are now over 8,000 volunteer responders and the GoodSAM system is integrated

with 11 ambulance service systems across the UK, who can trigger a volunteer response in the critical minutes before the ambulance service arrives, increasing the chances of basic life support being administered.

### Goals going forward

We will continue to explore new ways to support citizens, communities and frontline staff to develop and spread innovative approaches. This includes learning about what it takes to incubate new social movements and developing our Good Help work so that building motivation and confidence becomes part of mainstream practice.

### Smarter use of technology and data

**Our goal is to use new technologies and find ways to create and use data that empower people to improve their health and wellbeing. We want to see more citizen-facing data-driven technologies that improve day-to-day management of health, inform clinical decision-making and drive new research.**

This year our *Confronting Dr Robot* report called for a simpler, more accessible, responsive and sustainable approach to artificial intelligence (AI). We have also launched a new programme with the Scottish Government, the Healthier Lives Data Fund, to support innovative digital technologies that make data available and useful to citizens.

#### Case study: Collective Intelligence Cancer

Working with human-centred design agency Humanly, Nesta ran a pilot project to explore how digital technology, data and collective intelligence design might reduce the number of people presenting with late-stage bowel cancer. Humanly's researchers reviewed and synthesised over 60 research documents, interviewed fourteen people with lived experience, five clinicians and

seven experts from cancer charities. At a workshop in May 2019, people with lived experience of bowel cancer came together with healthcare professionals, technologists and cancer charities to re-imagine the diagnosis journey and consider how collective intelligence tools might help. We published our learning and will build this into future work.

### Goals going forward

We will continue to explore new sources, models and methods of data and knowledge that support people to lead healthier lives, and that are ethical, inclusive and accessible to everyone. This will include research and practical work to create opportunities to build public trust and value in the use of data.

### New innovation methods

Our goal is to encourage the health and care system to use new innovation methods that are smarter, faster, more collaborative and more inclusive of citizens and frontline professionals. This year, we have worked with 12 local health and care economies to run 100 Day Challenges, in which multi-disciplinary frontline teams have 100 days to address a specific problem.

We also ran a number of prizes. The Smart Ageing Prize awarded €35,000 to KOMP, a one-button computer for sharing photos and videos, designed with and for older people. And the Inventor Prize awarded £50,000 to Neuroball, a stroke rehabilitation device that has been co-created with survivors, their families and physiotherapists.

#### Case study: 100 Day Challenge in Essex

Our 100 Day Challenge in Essex tested new ways of supporting people with learning disabilities and/or autism to live meaningful and fulfilling lives. People with learning disabilities were in the leadership group and leading challenge teams, co-producing new ideas and initiatives at both a team and strategic level. For example, one team developed new rules, guidance and an assessment tool that will make sure the voice of people with learning disabilities is present in any decision that is made around commissioning.



100 Day Challenge in Canvey, Essex

Beth Crockatt



## Goals going forward

We will continue to use open innovation methods to achieve our overall goal of empowering people to improve their health. We will publish an online, interactive, openly accessible database, search and mapping tool to support global scans for health innovation, in partnership with the Robert Wood Johnson Foundation. We will also launch new challenge prizes on social isolation and chronic pain. And we will build up a portfolio of health impact investments that reduce health inequalities and improve health outcomes whilst delivering commercial returns.

## Innovation Policy

Our work in Innovation Policy develops bold new ideas and better ways of understanding and supporting innovation in the economy for the greatest public benefit. We help governments to develop more effective, socially-beneficial innovation policies through making them smarter, more inclusive and fit for the future.

This year we've seen our research, development, advisory and capability development work gain traction in more than 40 countries. Across our work, we count over 15,000 report downloads, over 100 speaking engagements and over 148,000 blog views. We're also leveraging more external funding each year. We expect over £5.5 million in 2019–20, compared to £3.4 million in 2018–19 and £2.3 million in 2017–18. Additionally, we achieved £4.4 million income through Challenge Prizes in 2018–19, up from £3.8 million in 2017–18.

### Smarter

**We're making innovation policy smarter through developing better evidence on what works, encouraging rigorous policy experimentation and pioneering new ways of measuring and visualising innovation in the economy.**

As a result of our work in the Innovation Growth Lab (IGL), over 15 governments in ten countries (including the European Commission and the UK Government) are running or actively considering policy experiments. We've positioned our organisation as a leading source of thought leadership and practice on using big data for innovation policy with the launch of *Innovation Mapping Now* at an international conference with the Organisation for Economic Co-operation and Development and European Commission in London.

### Case study: Business Basics Fund

In June 2018, in partnership with Nesta, the Department for Business, Energy, Industry and Strategy and Innovate UK launched the Business Basics Fund to rigorously test innovative ways of encouraging small and medium-sized enterprises

to take up productivity-boosting ways of working and technology. In the first round, we supported the development and delivery of 15 experiments and are now preparing the second round.

## Goals going forward

- Secure funding for new pilots and experimental trials on priority challenges in innovation policy.
- Improve the quality and rigour of data on local and emerging innovation through extending the innovation mapping practices to the whole of the UK.
- Maximise the reach and impact of our annual IGL conference.

## More inclusive

**We aim to demonstrate how to achieve better social outcomes from innovation policy through making it more inclusive – in terms of who benefits, who participates and who decides.**

This year we carried out an international comparison of innovation policy strategies for social impact, proposing a new framework for more inclusive innovation policy, which led to an opportunity to influence over 40 global innovation agencies. Our ideas on the makeup of a fairer future economy in *Imagination Unleashed* (in collaboration with Roberto Unger) were launched at events with Parliamentarians, think tanks and the public in the UK, Berlin and Paris. We also ran a public dialogue on artificial intelligence (AI) and health in partnership with Involve and introduced by Matt Hancock MP, then Secretary of State for the Department for Digital, Culture, Media and Sport. In addition, through our £60,000 grant programme Everyone Makes Innovation Policy, we funded five creative new approaches to engaging the public in innovation policy.

### Case study: The Biomedical Bubble

We challenged the distribution of research funding in health R&D with *The Biomedical Bubble*, a report that called for a greater emphasis on the social, environmental, digital and behavioural determinants of health. Downloaded over 3,500

times and viewed many thousands more, the report resulted in an invitation to present evidence to a Parliamentary enquiry and significant press coverage, including the front cover of *The Lancet*.

## Goals going forward

- Create a new workstream on smart data for inclusive innovation that will shape measurement practices and improve policy decision-making in the UK and internationally.
- Re-launch Nesta's voice in the debate on the regional, 'place-based' dimensions of innovation funding and support.
- Develop clear policy options for more inclusive outcomes.

## Fit for the future

**We aim to make innovation policy fit for the future by uncovering and analysing new global trends in tech and innovation, and then developing and testing new policy and programme methods to exploit these trends for growth and good.**

This year we published *A Compendium of Innovation Methods*, showcasing a decade of Nesta's work across the organisation. This new resource for a broad audience is one of Nesta's most downloaded publications this year. Following our proposals on anticipatory regulation, the UK Government launched a new Regulators' Pioneer Fund in July 2018 to test new approaches that can rapidly exploit the potential of new technologies while protecting the public interest.

### Case study: Challenge Prize: Flying High

The Flying High programme has worked with cities, public services and citizens to understand their demand for drones. The result has been to design a Challenge Prize to fast track the development of the technology and put the UK ahead of the rest of the world, in a way which puts cities and citizens at the centre of this new technology. The

first phase of the programme concluded with our report, *Flying High: The future of drone technology in UK cities*, published in July 2018 that generated wide media coverage (56 mentions, including major news outlets Express, CityAM, Evening Standard and Yahoo.com).

#### Goals going forward

- Build the next generation of innovation methods, launching the results of an initial horizon scan, new research on innovation testbeds and a report on technologies supporting more productive collaborations for innovation.
- Shape investments in AI with a new report that makes the case for the adoption of novel data and methods for measuring AI.

## Explorations

Our work in Explorations supports Nesta to explore new fields and incubate novel ideas. Our analysis of emerging technologies supports decision-makers to better anticipate change and we use foresight methods to give the public a greater sense of agency about the future.

### Exploring new fields

**We support Nesta to explore new fields and incubate novel ideas. Examples of our work in this capacity include incubating a new Centre for Collective Intelligence Design (CCID).**

We have also conducted explorations into new fields for Nesta, such as a horizon scan with Nesta's Education team (*Educ-AI-tion rebooted?*). This analysis, combining data mapping, future scenarios, expert interviews and parental polling, has helped to establish Nesta's profile in the field, paving the way for new funds and programmes on edtech (see Education).

### Case study: Centre for Collective Intelligence Design

In September 2018, we launched our new CCID at a conference attracting over 200 attendees. Through our small grants we are now supporting 12 practical experiments that will advance knowledge on how to design collective intelligence to improve human rights, digital democracy and education. In December we launched a crowd forecasting

challenge with the Good Judgement Project and BBC Futures, engaging over 5,000 people to make predictions throughout 2019 on issues from Brexit to SpaceX. We're also working with the United Nations Development Programme (UNDP) to apply collective intelligence methods to the work of their 60 innovation labs around the world.

### Goals going forward

We will continue advancing the field of collective intelligence through programmes, practical experiments and research, continue our partnership with UNDP and publish a toolkit for a wider range of innovators on collective intelligence design. Through our research programme we will explore how artificial intelligence (AI) can augment collective intelligence, how best to design for crowd and institution collaboration, and what this means for cities and local authorities. Our second round of grants funding will launch in the autumn of 2019.

### Emerging technologies

**Our analysis of emerging technologies supports decision-makers to better anticipate change. Over the past year we worked with colleagues across Nesta to equip regulators with tools to be more proactive in the face of disruption created by new technologies such as AI and blockchain.**

We influenced the creation of the UK Government's Regulators' Pioneer Fund and published a report in March (*Renewing Regulation: 'anticipatory regulation' in an age of disruption*). We have been commissioned to do further mapping work with The Department for Business, Energy and Industrial Strategy.

### Case study: Next Generation Internet: Finding Ctrl

Our Next Generation Internet (NGI) project is a multi-year, multi-million pound, EU-funded research and policy programme on the future of the internet. *Finding Ctrl: Visions for the future internet* was a key publication from this programme – it's an online collection of over 30 contributions from over 15 countries, ranging from essays and short stories to poems and short films.

Including radical thinkers, world-leading experts and emerging artists, Finding Ctrl explores the story of the internet's past, present and future, and calls for all levels of society to take part in creating a positive future internet. Within a month of publishing we had 77,000 page views and 45,000 visits.

#### Goals going forward

We have secured additional funding from the European Commission to work on the NGI initiative for a further three years. The NGI Forward project will go further than our previous work, developing policy recommendations and directly targeting EU policymakers and national governments and cities across Europe.

We are also seeking to build partnerships with other governments across the world on similar initiatives to the UK government's Regulators' Pioneer Fund. We will also continue to support the action of regulators through our practical programmes and the development of an anticipatory regulation toolkit.

### Public engagement with futures

**We use foresight methods to give the public a greater sense of agency about the future. This year we've done this primarily through our public-facing events, Nesta's Predictions series and our flagship festival FutureFest.**

In September, we ran a public event, Futures 101, which offered a primer on approaches such as speculative design and 'participatory futures' methods for local communities or governments.

### Case study: FutureFest 2018

Since 2013, FutureFest has hosted over 11,000 attendees and had over 975,000 direct engagements online. In July 2018, we held the fourth and largest edition of FutureFest at London's Tobacco Dock, with 150 speakers (including Nicola Sturgeon, Akala, Annie Mac, Sir

Nick Clegg and Imogen Heap) and over 70 hours of content across five stages. Despite coinciding with a heatwave, audience satisfaction measures were high, with 90 per cent of those surveyed saying they would recommend the festival.

### Goals going forward

As well as running FutureFest in March 2020, we are enhancing the FutureFest profile with a year-round programme of events. Our FutureFest Lates series will reach new audiences with exciting venues, installations and high-profile speakers. The FutureFest Feast series extends the FutureFest experience to Nesta's most senior stakeholders, with the aim of advancing our agenda in our priority fields.

We will also be publishing research into participatory futures techniques, aimed at leaders of local government, public institutions and civil society organisations, including funders, to encourage more sustainable, inclusive futures.

## Communications

### The Nesta purpose

We've recently developed a sharper articulation of Nesta's purpose that will help staff and audiences grasp what we do and why. After extensive staff engagement we arrived at an articulation that places greater emphasis on innovation for social benefit and feels brave and bold. Our goal is to now embed this articulation in our internal communications and core channels going forward.

### Nesta brand campaigns

This year we've been focusing on Nesta brand campaigns, stitching together our different activities to tell a story about Nesta and reach a wider audience. In September, we launched the fourth New Radicals campaign in partnership with the *Observer*, championing radical social entrepreneurs. This campaign clocked up 38,000 unique views, alongside the *Observer* feature and several other newspaper and radio pieces. The Predictions campaign, launched at an event in December, showcased Nesta's expertise through 10 'predictions' for the future. Across media, social media and digital we got engagement of 65,000 views.

Our brand campaigns have much bigger reach than our more everyday content, so our goal is to maximise their impact and find other engaging ways of telling a story about our work.

### Improving our channels

We've been working to improve our channels, across media, events and digital, looking at how we can not only increase the reach of our work but also the level of engagement with our content.

### Media

Nesta's total media mentions last year were 2,728; representing a 26 per cent increase on the previous year. Last year we generated most coverage from FutureFest, our flagship festival, and Predictions, but some of the Challenge Prizes also generated lots of coverage, especially Flying High (see Innovation Policy). We benefited from some valuable media partnerships; we worked closely with the *Observer* and *Financial Times* on key pieces, produced a series of videos with BBC Ideas, delivered a media partnership with BBC Future and placed a radio programme about FutureFest on BBC Radio 5.

### Digital

In 2018 we redeveloped the Nesta website to accommodate a wider range of content formats such as data visualisations. We had 1.6 million website views last year, a 1 per cent increase on the previous year. Although this is only a slight increase, we have seen a sharp rise in engagement; people are spending more time on the site reading content, shown by the fact that session duration has gone up by 39 per cent and our bounce rate has fallen by 54 per cent. We are looking at ways of increasing this further next year.

Our weekly e-newsletter goes out to a list of around 36,000 subscribers. It has a healthy open rate of 25 per cent. We lost 5,607 subscribers when the newsletter list was cleaned to be GDPR compliant in May 2018, but have regained 2,518 since then.

Twitter is our most active social media platform by some margin; we sent 1,302 tweets last year to 99.3k followers, an increase of 11.3 per cent on the previous year. Our Facebook audience is also strong and gradually increasing (we have 19.1k followers currently). We are working to increase our presence on LinkedIn where we have 20.1k followers, an increase of 31.1 per cent on the previous year. We are also active on Instagram (3,476 followers) but building our presence has been quite slow. We have to work harder to make Nesta's content work well on this visually-led platform.

In February we launched a new Nesta podcast, Future Curious. So far, we've seen 20,432 unique downloads and the podcast ranks at number five in the government and organisations/nonprofit chart in iTunes. Exploring a range of Nesta-related topics, episodes have featured guests including Jim Al-Khalili, Roberto Unger, Tanja Aitamurto, Audrey Tang and Professor Chris Lintott.

### Events

Last year we ran 137 events, attended by just over 6,961 people. As well as running events to accompany our brand campaigns like Predictions and New Radicals, we ran three Summit events, our all-day conferences that bring together experts, leaders and practitioners in a specific sector or theme. We also ran a range of workshops, roundtables, partnership events, report launches, and In Conversation events throughout the year. FutureFest 2018 saw a 32 per cent increase in ticket sales from the previous year. Videos from the festival were watched over 260,000 times and we had over 10,000 mentions on Twitter.



FutureFest

Beth Crockatt

Next year we will be testing a variety of ticket prices for our events to measure the impact on attendance and sales. We've also been reviewing the audience journey and will be launching new branding for our events, breaking up our offering into three strands: Summits, Insights and Futures. This branding work involves visual rebranding, a new strategy for our tone of voice and creating engaging content for our audiences.

## Financial review

The Group is comprised of Nesta (the main operating charity through which all charitable activity is undertaken), the Nesta Trust (a charitable trust which holds all the investment assets invested to fund the charitable activities of Nesta in advancing the objects of the Trust), six companies, four limited liability partnerships and one entity registered in the United States.

A number of subsidiaries have been set up to manage Nesta's investing and fund management related activities. It enables Nesta to manage and invest funds on behalf of its investment partners in compliance with the Financial Conduct Authority's (FCA) requirements. This structure is made up of Nesta GP Limited, Nesta GP2 Limited, Nesta PRI Limited, Cultural Impact Development Loans Limited, Nesta Partners Limited, Nesta Investment Management LLP, NII2 Special Partner LLP, Nesta Arts Impact LLP, Nesta Arts and Culture Impact LLP and Nesta US Inc. The Group also includes Nesta Enterprises Limited, incorporated as a trading subsidiary for non-primary purpose trading. The results of the Group consolidate all subsidiary undertakings as well as the Trust. It also includes our share of Behavioural Insights Limited, a joint venture in which Nesta has a 30 per cent holding.

The current year represents year two of Nesta's three-year strategic plan which allows £42-45 million to be drawn from Nesta Trust for operating activities. In addition, during the year trustees approved a commitment of £10 million to new programme related investments,

aligned with priority fields. This is in addition to a previous contingent commitment to invest up to £6 million in a second Arts Impact Fund.

Nesta Trust provided funding to Nesta of £16.5 million (2018: £9.1 million) to carry out the Trust's charitable objectives, which was significantly higher than in 2018 because of high unrestricted cash balances held at the beginning of that year. Of this, £16 million (2018: £7 million) was applied to charitable operating activities and £0.5 million (2018: £2.1 million) against Nesta's commitment to the Impact Investment Fund and other programme-related investments. In total, £7.0 million has been committed to the Nesta Impact Investment Fund.

Funding made available by Nesta Trust does not constitute a commitment until a drawdown is made. The assets of the Trust are held as an expendable endowment and the Trust is therefore able to fund charitable activity beyond the returns it generates during the year.

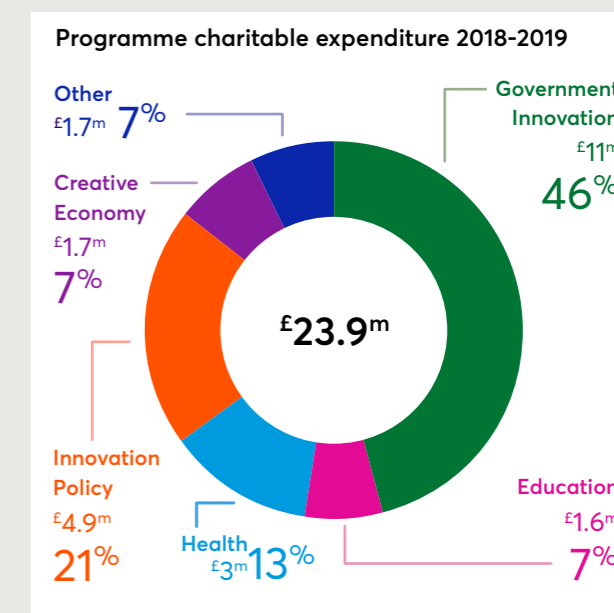
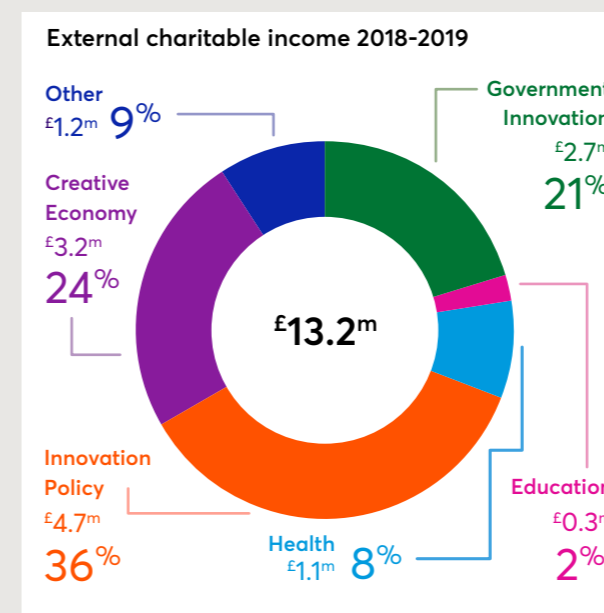
Income of £13.2 million (2018: £16.6 million) was recognised in addition to the £6.7 million (2018: £2.8 million) of investment income. This income is predominantly in the form of partnership funding where Nesta's expertise in programme design and project management is combined with the funding capacity of other typically larger organisations. Nesta is the lead partner in a number of European funded grant programmes or service contracts which generated income of £3.3 million (2018: £3.6 million).

## Income and expenditure for Nesta's strategic themes

Total Group expenditure for the year was £42.4 million (2018: £32.2 million). Expenditure on charitable activities was £36.5 million (2018: £25.3 million) and £1.3 million (2018: £1.7 million) was spent on managing the endowment assets held by the Trust and impact investment funds held by Nesta. Charitable expenditure of £36.5 million includes investments spend of £1.5 million and allocated support costs of £11.1 million, giving

programme charitable expenditure of £23.9 million as shown below. In addition, £4.5 million (2018 £5.2 million) was spent on Nesta Enterprises trading activities. Grant commitment expenditure for the year was £7.9 million (2018: £3.6 million). Grant recipients of over £50,000 are detailed in Note 7b.

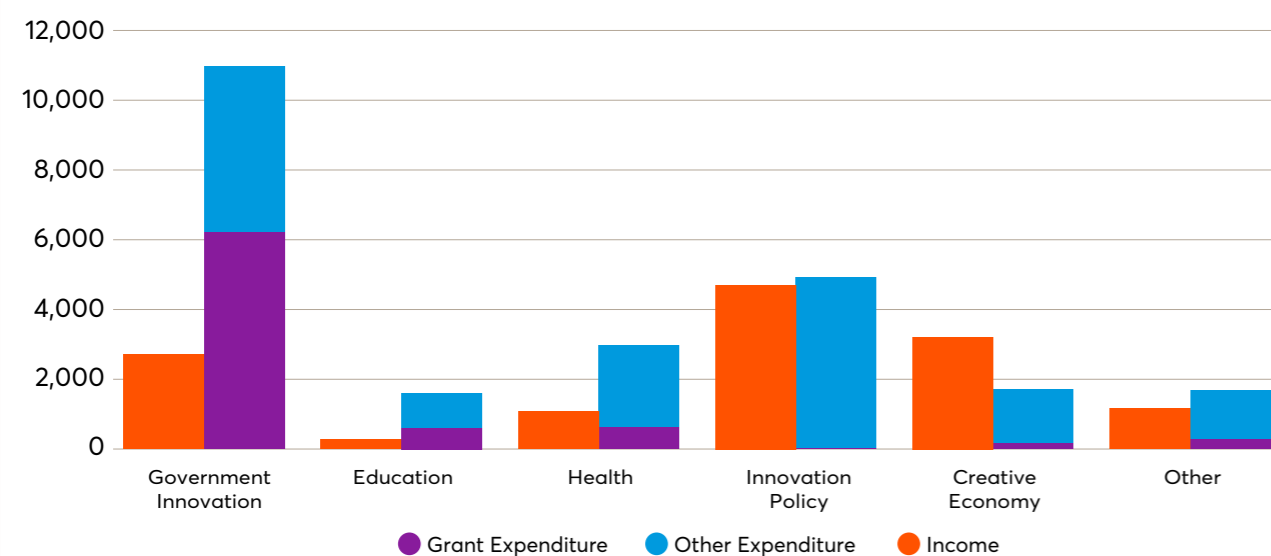
Support costs of £11 million (2018: £9 million) relate to Communications and Corporate Services activities and are allocated to programme areas as shown in Note 7a.



Unrestricted funds generated £1.1 million (2018: deficit of £2.6 million) during the year increased the carried forward amount to £6.8 million at 31st March 2019 (31 March 2018: £5.7 million) as shown in the Statement of Financial Activities. On 31 March 2019 the reserves of the expendable endowment stood at £431.4 million (2018: £420.8 million).

As Nesta is able to draw down cash from Nesta Trust as required within the approved three-year funding envelope, the trustees have concluded that there is a reasonable expectation that the Group has adequate resources to continue activities for the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

Programme income and expenditure for Nesta's strategic themes 2018-2019



Charitable Activities Strategic Theme	Income £000's	Grant Expenditure £000's	Other Expenditure £000's
Government Innovation	2,719	6,270	4,733
Education	258	579	1,001
Health	1,080	623	2,374
Innovation Policy	4,727	9	4,916
Creative Economy	3,225	169	1,552
Other	1,173	272	1,411
Investments	-	-	1,521*
Allocated Support Costs	-	-	11,076*
<b>Total</b>	<b>13,182</b>	<b>7,922</b>	<b>28,584</b>

\*Programme charitable expenditure of £23.9 million excludes investment and allocated support costs.

## Investment review

The assets of the Trust provide income and capital to be applied by Nesta as sole Trustee to further the objects of Nesta the Charity. The investment strategy balances the desire to maintain the real value of the endowment and its ability to generate the income which Nesta will require, while at the same time maximising total return to fund activities to advance the charitable objectives of the Nesta Trust. The strategy aims to balance risk, return and capital preservation.

At 31 March 2019 the value of Trust investments and cash increased by £13.6million to £434.2 million (2018: £420.6 million), after annual transfers to Nesta to carry out the objectives of the Trust in line with the Trust Deed. £9 million cash awaiting investment at the year end has now been invested in an investment property fund. Further breakdown of the total £13.6 million increase can be seen in the table below.

Asset class	Market value of investment assets 31 March 2019 £'000	Proportion of total endowment assets 31 March 2019 %	Market value of investment assets 31 March 2018 £'000	Proportion of total endowment assets 31 March 2018 %
<b>Current assets:</b>				
Cash	7,676	2	6,507	2
<b>Fixed asset investments:</b>				
Private equity funds	8,510	2	9,699	2
Global equities	237,893	55	228,405	54
Bonds (fixed income)	83,989	19	99,672	24
Early-stage venture portfolio*	19,130	4	19,866	5
Investment properties**	68,000	16	56,500	13
Cash awaiting investment	9,000	2	-	-
<b>Total</b>	<b>434,198</b>	<b>100</b>	<b>420,649</b>	<b>100</b>

\*Mixed motive investments – see Note 10 of the accounts for further breakdown. \*\*Investment properties shown above is the value held by the Trust before consolidation adjustments and includes a valuation of £60 million for 58 Victoria Embankment and a property fund with a market value of £8 million at the year end.

## Strategic review

During the year, Nesta's trustees continued to review the investment portfolio including the asset allocation policy. A risk register is used in order to proactively manage key risks.

## Global equities performance

Strategic allocation to global equities increased to 55 per cent (2018: 54 per cent) during the year which, together with market conditions, resulted in an increase in year end valuation to £238 million as at 31 March 2019 (£228 million as at 31 March 2018). Trustees continue to monitor investments in all asset classes in line with the tactical allocation policy agreed in March 2019.

## Managing holdings of alternative asset classes

There were capital returns received amounting to £2.9 million (2018: £5.6 million) from the Trust's two private equity secondary funds and no drawdowns against the commitments to these funds (2018: £0.2 million additions). A £5.9 million financial commitment outstanding for this asset class is disclosed in Note 19 to these Financial Statements.

## Maximising value from our self-managed venture portfolio

The early-stage venture portfolio includes equity and loan investments in nineteen (2018: nineteen)

early-stage companies, and commitments to five (2018: five) early-stage investment funds. The Trust's investment strategy is to maximise the returns from the current portfolio but not to invest in any new early-stage companies or funds in the near future. A net realised gain of £0.5 million (2018: £0.2 million) was recognised in the year, due to a combination of distributions, drawdowns and sales, including full disposal of one investment in the fund of funds portfolio. A net unrealised loss of £0.6 million (2018: £2.5 million) was also recognised, applying the valuation methodology which remains unchanged from previous years and is detailed in Note 1h to the Accounts.

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £1.3 million (2018: £1.4 million) across the Trust and include external fund manager fees and custodian fees. Where fund manager fees are offset against the relevant fund's value, these are grossed up and shown as fund manager fee expenditure, in the Statement of Financial Activities in accordance with normal practice, along with those fund manager fees that are invoiced and paid for in cash. The full cost of investment goes beyond the fees we are charged by managers and include, for example, transaction costs, advisory costs and in-house staff costs. We estimate that the full costs were about 0.6 per cent of the average asset value over the year.

## Investment policy

The Nesta Trust was established by a Trust Deed dated 22 September 2011. As the sole Trustee of the Nesta Trust ('the Trust'), Nesta is responsible for the Trust's investment policy. The investment strategy advice is delegated to the Trust Investment Committee of the Board which is also responsible for strategic and tactical asset allocation, rebalancing and weighting within asset classes, as well as monitoring manager, consultancy and custodial arrangements. The Board approved a new strategic allocation in March 2019.

Investment assets are held on a total return basis in furtherance of the Trust's objects, albeit maximising cash distributions where possible to fund Nesta's drawdown requirements. These investment assets are held as an expendable endowment.

Trust assets are invested under the wide investment powers set out in the Trust Deed, which requires that Nesta must set the investment and spending policy for the Trust with a view to preventing the value of the Trust assets and any returns generated by the Trust assets falling below £260 million.

Nesta's investment objective for the Trust is to balance the current and future needs of the Group by producing a consistent and sustainable level of return, within acceptable levels of risk, to support the work of Nesta in advancing the charitable objects of the Trust. To meet these objectives Nesta invests globally and diversifies across a range of asset classes, maintaining the majority in higher returning instruments whilst ensuring enough liquidity to avoid sales at distressed prices.

## Responsible Investing

Nesta believes that responsible investment can enhance long-term portfolio performance. The process of incorporating a more responsible approach to investment involves:

- Some limited exclusion of stocks where Nesta objects on moral grounds to the activity of the company in question;
- An explicit programme to monitor fund managers' incorporation of environmental, social and governance (ESG) factors and their practice of active ownership and stewardship;
- Adoption of the Hermes Equity Ownership Service for our index investments;
- Continuing support for impact and venture capital investments;
- Research and advocacy to ensure company managers are rewarded for promoting positive innovation.

These policies have informed Nesta's actions, oversight and asset allocation decisions. However, it should be noted that such initiatives take time to fully implement and Nesta may have some holdings that do not fully accord with its responsible investment policies. These will be run down over time. The Responsible Investment Policy remains under constant review.

## Programme-related investments and grantmaking policy

Nesta achieves its charitable objects, and the objects of the Nesta Trust, in several ways, which include providing investment, grant making, providing non-financial support and carrying out research. It also provides support in a range of different ways, depending on the nature and objectives of each programme.

In line with Charity Commission guidelines, programme-related investments are made primarily to further the objects of the charity for public benefit but are also expected to make a financial return and are managed in line with programme objectives. Consequently, they are, as permitted by *Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102) applicable in the UK and Republic of Ireland (effective 1 January 2015)*, issued by the Charity Commission and included in the Balance Sheet at cost less any provision for impairment where there is no evidence for fair value.

There is no set allocation of the annual budget for overall grant expenditure. Rather, Nesta sets programme deliverables and determines the appropriate method of delivery within that programme's budget. Where grants are appropriate as a funding mechanism, Nesta sets out specific entitlement criteria for each programme at its launch. These criteria vary from programme to programme and are made available on Nesta's website. Applications are assessed against these criteria and awards are made taking into account the availability of funds, Nesta's ability to deliver the objectives of the programme and the quality of applications. The period for which grants are awarded depends upon the programme but typically lasts between one and three years. Grants are monitored regularly and appropriate progress reports are required from recipients. A list of grants over £50,000 can be found on pages 47 to 48, and a comprehensive list of all grants made during the year can be found on the Nesta website.

## Free reserves policy

In accordance with the Trust Deed of the Nesta Trust, Nesta's reserves policy is to provide sustainable funding to advance the charitable aims of the Nesta Trust whilst holding reserves at sufficient levels with a view to maintaining the underlying assets above a market value of £260 million.

On 31 March 2019 the reserves of the Group stood at £454.7 million (2018: £445.2 million). Nesta Trust provided funding to fulfil its charitable objectives, through activities carried out by Nesta, totalling £16.5 million (2018: £9.1 million).

Nesta, as the parent charity, has no requirement to maintain its own reserves, provided that expenditure remains within the approved amount of drawdown from the Trust. The policy for drawdown was established in line with the Trust Deed and subject to the powers of the Protector of the Trust, and allows drawdowns at any time during the year as long as the approved drawdown total is not exceeded.

Cash received that is restricted in use of specific programme expenditure is held on Nesta's own Balance Sheet.

This Reserves Policy will only be reviewed when there is a change in the funding relationship between the Trust and Nesta; such a change is currently not foreseen.

## Principal risks and uncertainties

The trustees are responsible for the management of risks within the Nesta Group. These are considered both organisationally and by activity.

### i. Organisational risk:

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Finance and Audit Committee. A high-level risk register is presented at each Finance and Audit Committee meeting and is reviewed by the Board annually. Broader strategic risks, including those affecting Nesta's reputation, are considered by the Executive Team quarterly.

The key controls in place include:

- An established organisational and governance structure and lines of reporting;
- Detailed terms of reference for the Board and all Board committees;
- Comprehensive financial planning, budgeting, management reporting and monitoring;
- Formal written policies and hierarchical authorisation and approval levels;
- Internal audit services engagement with programmes selected for review which are informed by the risk register.

One of the Group's main financial risks is the investment activity of Nesta Trust. Investment risk is managed with the support of our investment advisors, through regular review of the Nesta Trust investment policy, management of the strategic asset allocation, regular performance reporting, diversification across a broad range of asset classes, investment managers and investment strategies, and ongoing manager reviews.

The majority of Nesta's Trust investments are externally managed by investment managers in pooled fund vehicles.

### ii. Activity risk:

Nesta's mission to change the world for good by bringing bold ideas to life requires experimentation and an element of risk-taking in its activities if it is to succeed. Accordingly the

risk appetite is for 'managed risk-taking' rather than simple 'risk aversion'. The Trustees recognise that some activities or projects may fail to a greater or lesser extent and that such failure can be an important source of learning.

The risk management of individual programmes is the responsibility of the relevant Executive Director. Risks identified in the normal course of business and performance dashboards for each programme with relevant risk ratings are discussed by the Executive Team in their monthly meetings.

Trustees are satisfied that the major risks identified through risk management processes are being adequately managed, whilst recognising that any framework can provide reasonable but not absolute assurance. There were no material control weaknesses identified by trustees or management during the year.

Nesta has identified the following major organisational risks and uncertainties.

- Failure to achieve demonstrable impact in our projects (while recognising that some failure is inevitable in innovation) leading to an adverse impact on Nesta's reputation as a catalyst for innovation.
- Inability to attract or retain staff with the skills we need to carry out the range of work we do, leading to lower quality management of projects and diminishing outputs.
- Threat of a serious breach from a cyber attack.
- Non-compliance with GDPR.
- Lack of strategic clarity that leads to fragmentation of effort and loss of influence.
- One or more projects or partners that attract public criticism, which diminishes Nesta's reputation and its ability to advance its objects.
- Failure to attract sufficient match-funding to enable us to grow our activities and leverage our own resources, in line with our three-year strategy.
- Risk that poor investment returns over an extended period put pressure on income available to fund our activities and achieve our objectives.

## Objectives

### Nesta works to advance the following charitable aims for the public benefit:

1. To advance education, and in particular the study of innovation, by the promotion of research and the publication of the useful results thereof, in:
  - Science and technology
  - The arts
  - The efficiency of public services
  - The voluntary sector and social enterprise
  - Industry and commerce
2. To advance:
  - Science and technology
  - The arts
  - The efficiency of public services
  - The voluntary sector
  - Industry and commerce and social enterprise which:
    - Relieves poverty
    - Relieves unemployment
    - Advances health
    - Advances environmental protection or improvement and sustainable development

- Advances citizenship or community development through or by encouraging and supporting innovation.

The 'voluntary sector' means charities and voluntary organisations. Charities are organisations, which are established for exclusively charitable purposes in accordance with the law of England and Wales.

Voluntary organisations are independent organisations, which are established for purposes that add value to the community as a whole, or a significant section of the community and which are not permitted by their constitution to make a profit for private distribution. Voluntary organisations do not include local government or other statutory authorities.

Sustainable development means 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'

3. To advance any other purpose which is recognised as exclusively charitable under the laws of England and Wales and Scotland.

### Fundraising statement

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities. Nesta does not undertake any fundraising activities and does not use any professional fundraisers or 'commercial participators' or any third parties to

solicit donations. We are therefore not subject to any regulatory scheme or relevant codes of practice. We have not received any complaints in relation to fundraising activities, nor do we consider it necessary to design specific procedures to monitor such activities.

### Public benefit statement

The trustees confirm that, in exercising their powers and duties in relation to both Nesta and the Nesta Trust, they have had due regard to the Charity Commission's statutory guidance on public benefit.

A copy of the Charity Commission's guidance on public benefit is provided to each trustee. Every proposal brought to the Board for approval outlines how it will advance Nesta's charitable objects for public benefit.

This report sets out some of the activities and achievements of Nesta in carrying out its charitable purposes, and the purposes of the Nesta Trust, for the public benefit over the year. These range from major grant programmes to challenge prizes to other projects looking for ways to improve public services, education, healthcare and the arts. Nesta undertakes and disseminates research to improve public understanding of innovation through its reports, events and digital

media, and provides training and tools to teach innovation skills to a variety of audiences.

Support is provided to private and for-profit companies only where this will further Nesta's charitable purposes for public benefit and where personal benefit is incidental to furthering those purposes. The potential for personal benefit is assessed on a case-by-case basis, through due diligence on potential investments, for example, and appropriate conditions are imposed to ensure this is incidental to furthering Nesta's charitable purposes. Grants and investments are closely monitored to ensure they continue to further Nesta's charitable purposes throughout the project.

The details of Nesta's purposes and objectives, and its strategies and achievements in pursuing these purposes and objectives, are set out on pages 6 to 28.

# Governance and management

Nesta was established and registered as a charity in 2011 to act as successor body to the National Endowment for Science, Technology and the Arts ("NESTA"). NESTA was a non-departmental public body with a statutory remit to promote talent, creativity and innovation in science, technology and the arts, with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta and the Nesta Trust, registered charity no. 1144091. The Trust holds the expendable endowment and Nesta, its sole trustee, uses returns from the Trust to pursue the charitable objects of the Trust.

Nesta is a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator. Its trustees are both directors and members of the company. For more information on the group structure and subsidiaries please see page 57.

Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. Trustees on the date this annual report is published are listed on page 66. Sir John Gieve is Chair of the Board, which met six times during the year with members of the Executive team present. The Nesta Trust also has a protector appointed by the Secretary of State for Business, Energy and Industrial Strategy with a fiduciary duty to ensure the integrity of administration of the Trust. The current Protector is James Sinclair Taylor.

Trustees receive no remuneration for acting as trustees and are appointed for an initial term of three years, renewable for another three years with Board approval. All new trustees receive a tailored induction and information about structure and governance, and their responsibilities as charity trustees, in accordance with the Charity Governance Code. The Board observes all seven principles of the Charity Governance Code and provides appropriate control, challenge and support to the Executive team.

The Board has adopted a conflicts of interest policy and processes for both staff and trustees to ensure that conflicts of interests are declared and managed appropriately, and maintains a Register of Interests. Trustees are reminded to declare relevant interests at the start of every Board and committee meeting.

The Board has appointed a Chief Executive to lead and manage Nesta by implementing the policy and strategy adopted by the trustees within the plan and budget approved by the Board. Approval for decisions up to certain financial thresholds have been delegated to the Chief Executive and other executive directors under a Scheme of Delegation. All decisions above this threshold must be approved by the Board or its committees. The Board has also reserved to itself certain important decisions, such as changes to the Articles, appointment of the Chief Executive, and approval of the long-term objectives and strategy.

Nesta's Executive team comprises the Chief Executive, Deputy Chief Executive, Chief Investment Officer, Chief Finance Officer, General Counsel and executive directors of each of the main areas of activity, all of which report to the Chief Executive. A full list is given on page 66. After eight years as Chief Executive, Geoff Mulgan is leaving Nesta at the end of 2019. His successor, Ravi Gurumurthy, will start work in December 2019.

The Board has established a number of committees to oversee aspects of Nesta's activities. Each of the Board committees have delegated authority in respect of certain functions and activities and has written terms of reference approved by the Board, and reports to the Board at each Board meeting. A list of trustee members for each of the Board committees is provided on page 65.

Here is a list of the main Board committees.

**Finance and Audit Committee** which reviews management reporting and financial performance against budget, and recommends to the Board the annual budget; as well as reviewing audit and financial reporting, internal financial controls, risk management and compliance. Grant Thornton are engaged to provide internal audit services to assist the Committee to monitor the effectiveness of internal control arrangements. The Committee met four times during the year.

**Trust Investment Committee** whose key responsibilities are to draw up the policies and objectives governing the investment of Nesta Trust's assets, to approve investments

within ranges set by the Board, to oversee their implementation and to monitor financial performance of the Nesta Trust. The Committee met four times during the year.

**Venture Investment Committee** which manages the Trust's portfolio of interests in early-stage companies and funds transferred from NESTA, manages programme-related and mixed-motive investments, and oversees any other Nesta Investment. The Committee met four times during the year.

**People Committee** whose key responsibilities are staff terms and conditions, ensuring fair and appropriate remuneration and benefit policies. The Committee also manages the recruitment of new trustees and overseas appointments to other committees. The Committee met twice in relation to the year.

## Governance review

In May 2017, the Board commissioned an independent Board Effectiveness Review. The review concluded that the Board provided appropriate control, challenge and support to the Executive team and that the relationship between the Board and Executive was good. Having transitioned towards a greater focus on the thematic areas of Health, Government Innovation, Innovation Policy Education and Arts & Creative Economy during the previous financial year, the main recommendation was to seek greater clarity on what success looks like and how impact is measured in each of the priority

## Remuneration policy

### Nesta and its people

Nesta's Executive team are responsible for strategic and day-to-day operational management of the charity and meets formally as the Executive team at least once a month.

Nesta has continued to expand in 2018/19 and had an average of 242 FTE over the year to 31 March 2019 (2018: 193, 2017: 186).

### Pay at Nesta

At Nesta we understand the importance of transparency in all aspects of our work. In line with recommendations from the National Council for Voluntary Organisations inquiry into executive pay,

**Thematic Committees** Nesta has five thematic committees – Health, Government Innovation, Innovation Policy, Education and Arts & Creative Economy – whose main purpose is to help Nesta to set clear objectives and impact measures in each field, to monitor progress and support executive teams to use their resources in the most effective way. Trustee members of these committees also have delegated authority for certain income and expenditure decisions, on behalf of the Board in respect their relevant thematic areas. Each of the Innovation Policy, Arts & Creative Economy and Challenge Prizes committees met twice during the year, the Government Innovation and Education committees met once, and the Health Committee met three times.

fields. This led to the creation of the five thematic committees, aligning Nesta governance with its strategic focus.

Nesta's Board is committed to adopting the principles set out in the *Charity Governance Code*. Accordingly, alongside the independent Board Effectiveness Review, an internal review was undertaken against the *Charity Governance Code*. The review found that all seven principles of the *Charity Governance Code* were observed. In accordance with good practice, Nesta will look to undertake another review between May 2020 and May 2022, or earlier should circumstances change.

we are once again detailing our approach to pay; explaining how our pay levels are defined, and listing the roles and salaries of our Executive team.

Our People Committee is responsible for agreeing salary levels of all executive posts and annual pay awards for all staff. The Committee meets at least twice a year.

Nesta is proud to be an Accredited Living Wage employer. Executive salaries are disclosed in Note 8c of the accounts. These salaries are appropriate to ensure we attract and retain an Executive team that can successfully run a complex organisation recognised as a leader in innovation in the UK and beyond.



Nesta's annual salary review takes place each year with any changes taking effect from 1 April. A general award to salaries may be made to reflect changes in the wider labour market and levels of inflation. A general award of two per cent was made in April 2019 (April 2018: 1.75 per cent)

Individual pay awards are available and decided with reference to individual achievement against objectives, demonstrating Nesta values or where there have been substantial changes to a role.

Individual pay awards are in the form of a salary increase within the range and are approved by Executive directors who meet to review and agree any proposed increases. All increases fall within the budget set aside for salaries which is signed off by the People Committee.

Nesta provides a mixed portfolio of financial and non-financial rewards for our employees to ensure we remain attractive and competitive and are able to attract and retain the most talented people to deliver our strategy.

### Statement of Trustees' responsibilities

The Trustees are responsible for preparing the strategic report, annual report and financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and charity and of the net income of the Group for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable 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 Group will continue in business.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and charity's transactions, and disclose with reasonable accuracy, at any time, the financial position of the Group and charity, 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 Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Disclosure to our auditors

As far as the trustees are aware, at the date of this report, they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information of which the company's auditor is unaware.

The trustees' report and strategic report are approved by the Board of Trustees and authorised for issue on 17 September 2019, and signed on its behalf by:

**Sir John Gieve,**  
Chair of the Board of Trustees of Nesta

## Independent auditor's report to the members and Trustees of Nesta

### Opinion

We have audited the financial statements of Nesta ('the Parent Charitable Company') and its subsidiaries ('the Group') for the year ended 31 March 2019 which comprise the (consolidated) statement of financial activities, the (consolidated) balance sheet, the (consolidated) cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2019 and of the Group's incoming resources and application of resources for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to

provide a basis for our opinion.

### Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in this annual report, other than the financial statements and our auditor's report thereon. The other information comprises: strategic report. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report, which are included in the trustees' report, have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the strategic report or the trustee's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

- Proper and adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us;
- The Parent Charitable Company financial statements are not in agreement with the accounting records and returns;
- Certain disclosures of directors' remuneration specified by law are not made;
- We have not received all the information and explanations we require for our audit.

## Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to

going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's trustees, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charitable Company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company, the Charitable Company's members as a body and the Charitable Company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Fiona Condron (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Gatwick, United Kingdom  
Date: 19 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Financial statements

## Consolidated statement of financial activities for the year ended 31 March 2019

	Notes to the accounts	Unrestricted funds 2019 £'000	Restricted funds 2019 £'000	Expendable endowment 2019 £'000	Total funds 2019 £'000	Total funds 2018 £'000
<b>Income and endowments from:</b>						
Investment income	2	369	-	6,299	6,668	2,839
Charitable activities	3	4,950	8,232	-	13,182	16,607
Other trading activities	4	4,913	4,017	-	8,930	7,087
Other income	5	5,646	-	-	5,646	4,828
<b>Total income</b>		<b>15,878</b>	<b>12,249</b>	<b>6,299</b>	<b>34,426</b>	<b>31,361</b>
Less share of joint venture's turnover		(5,130)	-	-	(5,130)	(4,221)
<b>Total group income</b>		<b>10,748</b>	<b>12,249</b>	<b>6,299</b>	<b>29,296</b>	<b>27,140</b>
<b>Expenditure on:</b>						
<b>Raising funds</b>						
Trading operations		1,125	3,395	-	4,520	5,245
Investment management costs	6	71	-	1,255	1,326	1,659
<b>Total expenditure on raising funds</b>		<b>1,196</b>	<b>3,395</b>	<b>1,255</b>	<b>5,846</b>	<b>6,904</b>
<b>Charitable activities</b>						
Research, analysis and policy	7	6,967	2,781	77	9,825	7,957
Programmes	7	11,561	10,157	173	21,891	14,294
Investment (early-stage and social impact) management	7	2,005	-	16	2,021	1,561
Skills	7	1,744	237	16	1,997	1,492
FutureFest	7	766	-	6	772	21
<b>Total expenditure on charitable activities</b>		<b>23,043</b>	<b>13,175</b>	<b>288</b>	<b>36,506</b>	<b>25,325</b>
<b>Total expenditure</b>		<b>24,239</b>	<b>16,570</b>	<b>1,543</b>	<b>42,352</b>	<b>32,229</b>
Net gains on investments	10			22,051	22,051	11,056
<b>Net (expenditure)/income</b>		<b>(13,491)</b>	<b>(4,321)</b>	<b>26,807</b>	<b>8,995</b>	<b>5,967</b>
<b>Net interest in joint venture</b>		<b>206</b>	<b>-</b>	<b>-</b>	<b>206</b>	<b>262</b>
Transfers between funds		14,375	2,105	(16,480)	-	-
<b>Net income/(expenditure) before other recognised gains and losses</b>		<b>1,090</b>	<b>(2,216)</b>	<b>10,327</b>	<b>9,201</b>	<b>6,229</b>
<b>Other recognised gains/(losses)</b>						
Foreign exchange (losses)/gains		-	-	288	288	(624)
<b>Net movement in funds for the year</b>		<b>1,090</b>	<b>(2,216)</b>	<b>10,615</b>	<b>9,489</b>	<b>5,605</b>
<b>Reconciliation of funds</b>						
<b>Total funds brought forward</b>		<b>5,671</b>	<b>18,743</b>	<b>420,774</b>	<b>445,188</b>	<b>439,583</b>
<b>Total funds carried forward</b>		<b>6,761</b>	<b>16,527</b>	<b>431,389</b>	<b>454,677</b>	<b>445,188</b>

A summary income and expenditure account is presented in Note 17 in compliance with the Companies Act 2016.

The Group has no recognised gains or losses other than those included in the Consolidated Statement of Financial Activities. All activities are continuing.

The notes on pages 38 to 64 form parts of these accounts.

No separate Statement of Financial Activities has been presented for Nesta as permitted by section 408 of the Companies Act 2006.

## Consolidated balance sheet as at 31 March 2019

Company Number: 07706036

	Notes to the accounts	Group 2019 £'000	Parent Charity 2019 £'000	Group 2018 £'000	Parent Charity 2018 £'000
<b>Fixed assets</b>					
Tangible assets	9	26,231	763	26,608	743
Investments:					
Investments – quoted and unquoted	10	397,303	-	386,628	-
Programme-related investments	11a	6,401	7,401	6,690	7,690
Programme-related investment in joint venture – share of gross assets/costs	11b	1,386	3,000	1,181	30
Arts Impact Investments	11c	3,800	-	3,199	-
<b>Total Fixed assets</b>		<b>435,121</b>	<b>11,164</b>	<b>424,306</b>	<b>8,463</b>
<b>Current assets</b>					
Debtors	12	13,640	14,236	13,830	13,777
Bank and cash		27,349	13,664	23,812	14,487
<b>Total current assets</b>		<b>40,989</b>	<b>27,900</b>	<b>37,642</b>	<b>28,264</b>
<b>Current liabilities</b>					
Creditors: amounts due within one year	13	(10,363)	(12,837)	(10,491)	(12,184)
<b>Net current assets/(liabilities)</b>		<b>30,626</b>	<b>15,063</b>	<b>27,151</b>	<b>16,080</b>
<b>Total assets less current liabilities</b>		<b>465,747</b>	<b>26,227</b>	<b>451,457</b>	<b>24,543</b>
Creditors: amounts due after one year	13	(11,070)	(5,121)	(6,269)	(2,960)
<b>Net Assets</b>		<b>454,677</b>	<b>21,106</b>	<b>445,188</b>	<b>21,583</b>
<b>Charitable funds</b>					
Expendable endowment funds	15a	431,389	-	420,774	-
General funds	15a	5,374	4,963	4,490	2,961
<b>Total charitable unrestricted funds</b>		<b>436,763</b>	<b>4,963</b>	<b>425,264</b>	<b>2,961</b>
Restricted funds	15b	16,527	16,143	18,743	18,622
<b>Total charitable funds</b>		<b>453,290</b>	<b>21,106</b>	<b>444,007</b>	<b>21,583</b>
Funds retained within non-charitable subsidiaries	15a	1,387	-	1,181	-
<b>Total funds</b>		<b>454,677</b>	<b>21,106</b>	<b>445,188</b>	<b>21,583</b>

Total income for the year of Nesta, the parent charity, was £34,353k (2018:£28,006k); total expenditure was £34,830k (2018:£27,098k); total net surplus was £477k (2018:£908k).

The notes on pages 38 to 64 form a part of these accounts.

Approved by the Board of Trustees and authorised for issue on 17 September 2019, and signed on its behalf by Sir John Gieve, Chair of the Board of Trustees.

Sir John Gieve

## Consolidated cash flow for the year ended 31 March 2019

	Note	Group 2019 £'000	Group 2018 £'000
<b>Cash flows from operating activities</b>			
Net cash generated (used in) operating activities	(a)	(11,803)	(12,162)
<b>Cash flows from investing activities</b>			
Net cash (outflows) from investing activities	(b)	6,322	2,150
<b>Cash flows from financing activities</b>			
Net cash (outflows)/inflows from financing activities	(c)	8,730	(928)
<b>Change in cash and cash equivalents in the reporting period</b>		<b>3,249</b>	<b>(10,940)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>23,812</b>	<b>35,376</b>
<b>Change in cash and cash equivalents due to exchange rate movements</b>		<b>288</b>	<b>(624)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>27,349</b>	<b>23,812</b>
<b>Cash flow statement notes</b>			
<b>(a) Reconciliation of net income to net cash flow from operating activities</b>			
Net income for the reporting period (as per consolidated statement of financial activities)		8,995	5,967
Depreciation charges		647	570
Loss on disposal of fixed assets		11	-
Net gains from investments		(21,891)	(13,540)
Impairments		900	1,003
Dividends, interest and rents from investments		(6,465)	(2,685)
Interest from investments		(203)	(81)
Interest paid and bank charges		14	19
Investment fees		1,326	1,659
(Increase)/decrease in debtors		190	(6,525)
Increase in creditors		4,673	1,451
		<b>(11,803)</b>	<b>(12,162)</b>
<b>(b) Cash flows from investing activities</b>			
Dividends, interest and rents from investments		6,465	2,685
Interest from investments		203	81
Investment fees		(65)	(89)
Purchase of property, plant and equipment		(281)	(527)
		<b>6,322</b>	<b>2,150</b>
<b>(c) Cash flows from financing activities</b>			
Interest paid and bank charges		(14)	(19)
Purchase of quoted investments		(228,893)	(12,439)
Purchase of unquoted investments		(17,210)	(1,166)
Purchase of programme-related investments		(522)	(1,597)
Purchase of Arts Impact Fund investments		(1,350)	(3,310)
Investment fees		(1,261)	(1,570)
Proceeds from sale or maturity of quoted investments		255,956	9,200
Proceeds from sale or maturity of unquoted investments		1,091	9,121
Proceeds from sale of programme-related investments		259	60
Proceeds from sale of Arts Impact Fund investments		674	792
		<b>8,730</b>	<b>(928)</b>

Included in cash and cash equivalents of £27,349k (2018: £23,812k) is a balance of £9,738k (2018: £11,985k) which is restricted in use for specific projects.

## 1. Accounting policies

### a. Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the revaluation of financial assets. They have been prepared on a going concern basis and in accordance and compliance with: (i) FRS 102, the Financial Reporting Standard applicable in the United Kingdom; (ii) *Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) 'Charities SORP (FRS 102)'* issued by the Charity Commission, (iii) Companies Act 2006.

### b. Basis of consolidation

The consolidated financial statements incorporate the results of Nesta and all its subsidiary undertakings including Nesta Trust, 'the Trust', from the date that control commences to the date that it ceases.

Subsidiary undertakings are consolidated on a line-by-line basis using the acquisition method of accounting in accordance with Section 9 '*Consolidated and Separate Financial Statements*' of FRS 102.

Details of Nesta's subsidiary undertakings can be found in Note 14.

Joint ventures that are not held as part of an investment portfolio are consolidated using the Gross Equity method of accounting in accordance with Section 15 '*Investments in Joint Ventures*' of FRS 102. Details of Nesta's joint ventures can be found in Note 11b.

The group applies the exemption contained in Section 15 '*Investments in Joint Ventures*' of FRS 102 so that where joint ventures and associates are held as part of an investment portfolio, they are included within investment assets.

No separate Statement of Financial Activities has been presented for Nesta as permitted by section 408 of the Companies Act 2006.

### c. Fund accounting

The General fund consists of unrestricted funds that are available for the furtherance of the objects of the charity at the discretion of the Trustees.

Restricted funds are subject to specific restrictions as applied by programme funders.

Where Nesta provides match-funding or programme support on projects, total expenditure is shown in the restricted fund and a transfer from the general fund to the restricted fund is made to account for Nesta's share of expenditure.

The expendable endowment fund relates to the funds of the Trust. These funds are held without distinction as to capital and income and can be applied in furtherance of the objects of the Trust. The Trust makes an annual transfer to Nesta to deliver its charitable aims as detailed in the reserves policy.

### d. Income

Income is recognised in the Consolidated Statement of Financial Activities in the period in which Nesta is entitled to receipt and where the amount can be measured with reasonable accuracy, and where receipt is probable.

Grant income is recognised in the Consolidated Statement of Financial Activities when the charity has entitlement to the funds, it is probable the income will be received, the amount can be measured reliably and any performance conditions attached to the grants have been fully met. Where performance related conditions have only been partially met, income is recognised to that extent with the balance deferred until conditions have been satisfied.

Investment income includes interest and dividends from investment assets and deposits, with any associated tax credits or recoverable taxation included in the Consolidated Statement of Financial Activities on an accruals basis.

Income from trading activities represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, income represents the value of the service provided to date based on proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within the year.

### e. Expenditure

Expenditure is accounted for on an accruals basis.

Expenditure on raising funds is incurred on non-primary purpose trading activities of the trading subsidiary Nesta Enterprises Limited as well as investment management costs which include investment fund manager fees paid in cash as well as those that have been grossed up where they are offset against the fund's value rather than payable in cash, dilution levies, investment consultancy and custodian fees.

Expenditure on charitable activities is incurred in pursuit of the group's charitable objects and is reported as a functional analysis of the work undertaken. The categories defined by the Trustees for the purposes of organisational management are Programmes; Investment (early-stage and social impact) management; Research, Analysis & Policy; Skills, and FutureFest. Expenditure includes direct expenditure and allocated support costs.

Grants payable are recognised as expenditure in the Consolidated Statement of Financial Activities on the date when a grant agreement is signed or equivalent obligation created less any awards cancelled or refunded. Grants awarded but not yet paid are recorded as a liability in the Consolidated Balance Sheet. Where grants paid are selected to be converted to an equity holding in the grantee organisation by virtue of grant conditions being met, on the date where there is a binding contract with investment terms agreed by both parties, grant expenditure is reversed and an investment asset is recognised and the asset valued in accordance with Nesta's investment valuation policies.

Commitments or approvals to fund specific projects not yet signed by Nesta are disclosed by way of note (see note 19).

Non-grant direct costs include staffing, programme delivery partner costs, workshop event costs, commissioned research and evaluation, and any other direct costs attributable to a specific activity.

Support costs include costs shared by all activities. They include the costs of the office of the CEO, communications, front of house, facilities, finance, legal, information technology, and human resources. Support costs also include the costs related to governance which are costs attributable to maintaining the public accountability of the charitable group and ensuring compliance with regulation and good practice. Costs incurred by Trustees, internal and external audit costs and legal fees are included within governance costs.

Irrecoverable VAT incurred is allocated to the expenditure category to which it relates.

### f. Support costs – allocation

Support costs are allocated to each area of programme activity bases appropriate to the activity concerned. These include drivers such as percentage of total cost, headcount or floor space.

### g. Tangible fixed assets and depreciation

Property, plant and equipment are capitalised at their historic cost and stated at cost less depreciation. Assets costing less than £500 are expensed in the year of purchase.

Depreciation is calculated on a straight-line basis over the expected useful life of the assets as follows:

• Leasehold assets	over the life of the lease
• Office equipment, fixtures and fittings	three to five years
• Computer hardware	three years
• Computer software	three to five years or the life of the licence

**h. Investment assets – quoted and unquoted**

Investment assets include quoted and unquoted investments. Nesta holds its investment assets on trust without distinction between capital and income, applying them in furtherance of its objects. Assets held by Nesta Trust are classed as an expendable endowment.

Cash and short-term deposits and investments to be held less than 12 months are presented in the Balance Sheet as current assets. All other financial assets are presented as fixed assets. Deferred investments and loans represent the portion of commitments which remain undrawn but drawn down has been requested at the balance sheet date. The corresponding commitment is recognised under current liabilities.

Loans are recognised as financial assets when repayment of the loan or the option to convert to equity has not expired by the Balance Sheet date. The loans are included in fixed assets except where repayment is expected within 12 months of the Balance Sheet date, when they are included as current assets.

The carrying value of all investments is at market value and unrealised changes between accounting periods are charged or credited to the Statement of Financial Activities. For financial assets for which there is no quoted market, market value is established by using valuation guidelines as detailed below. Investment Property assets are revalued by an independent external property valuer. The proportion of the investment property that is leased to the charity is accounted for as a leasehold asset in the consolidated accounts.

**i. Valuation – quoted investments:**

The market values of quoted investments are based on externally reported bid prices at the Balance Sheet date.

Equity investments, high yield bonds, and property trusts are held in pooled funds and are stated at market value, being the market value of the underlying investments held. These valuations are provided by the relevant fund manager.

**ii. Valuation – unquoted investments:**

Private equity investments are held through funds managed by private equity managers. As there is no identifiable market price for private equity funds, these funds are included at the most recent valuations provided by the private equity managers.

Where a valuation is not available at the Balance Sheet date, the most recent valuation from the private equity manager is used, adjusted for cash flows between the most recent valuation and the balance sheet date. Where a private equity manager does not provide a market value that complies with the above, the group is unable to obtain a reliable market value and therefore these investments are held at cost.

An estimated value of unquoted investments in early-stage companies is established by using valuation guidelines produced by the British Venture Capital Association (BVCA).

- BVCA guidelines provide for investments to be carried at cost unless there is information indicating an impairment or sufficiently clear evidence to support an increase in valuation.
- Where the price of a recent funding round (within previous 12 months) is not available, investments are valued using standard valuation methodologies, as appropriate and in the following order:
  - i. Earnings multiple
  - ii. Net asset value
  - iii. Discounted cash flow
  - iv. Applying BVCA valuation benchmarks
- At the Balance Sheet date, management assesses whether there is objective evidence that a financial asset or a group of financial assets should be revalued. The approach, which is within the principles of the BVCA guidelines, is to review and give a 'health' status:
  - Healthy: value held at cost unless sufficiently clear evidence to support an increase in valuation; company is performing to plan, unlikely to run out of cash within 12 months.

- Sick: value down according to the seriousness of a number of events considered by management; company is performing off-plan, may or may not be recoverable.
- Terminal: value down, company is performing off-plan, likely to run out of cash within six months, recovery not foreseen, no intervention planned.

Valuation of companies at this early stage of development is an inherently volatile and uncertain process. The valuation guidelines used are considered to be the best estimate of market value at the balance sheet date.

Loans to early-stage companies have the same valuation methodology applied as for investments in early-stage companies.

An estimated value of investments in early-stage funds is calculated as the group's share of partnership net asset value as stated in the last audited financial statements of each investment fund. Contributions made by the group in any period between the date of a fund's balance date and the group's own for which there is no audited valuation, are valued at cost unless there is information to determine otherwise.

Transaction costs incurred by the group and management support costs are not included in valuations and are charged to expenditure in the period in which they are incurred.

**iii. Treatment – unquoted investments**

Investments, loans or contributions to funds to date are recognised in full in the Balance Sheet. Un-drawn commitments are disclosed by way of Note 19.

Unrealised changes in value between accounting periods are reflected in the Consolidated Statement of Financial Activities.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred with all risks and rewards of ownership.

**i. a. Investment assets – programme-related investments**

Unquoted equity and similar programme-related investments are held at cost, less any provision for diminution in value, as Nesta is unable to obtain a reliable estimate of fair value. Programme-related investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Any diminution or impairment in value is charged to the Consolidated Statement of Financial Activities under charitable activities.

**b. Investment assets – Arts Impact investments**

Arts impact related investments are held at cost, less any provision for diminution in value, as Nesta is unable to obtain a reliable estimate of fair value. Arts impact related investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Any diminution or impairment in value is charged to the Consolidated Statement of Financial Activities under charitable activities.

**c. Investment assets - mixed motive**

Mixed motive investments are held at cost, less any provision for diminution in value, as Nesta is unable to obtain a reliable estimate of fair value. Any diminution or impairment in value is charged to the Consolidated Statement of Financial Activities under charitable activities.

**j. Significant estimates**

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent liabilities at the balance sheet date. Actual outcomes could differ from those estimates. This is especially the case of the valuation of the group's investment in early-stage companies which is an inherently volatile and uncertain process. However, the valuation guidelines applied are considered to be the best estimate of market value.

**k. Debtors receivable, creditors, provisions and contingent liabilities**

Debtors receivable are recognised at fair value less any provision for bad debt. A provision for bad debt is established when there is objective evidence that the debtor will not be collected according to the original terms.

Creditors are recognised when Nesta has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are significant obligations which do not meet the requirements for recognition as a provision set out in Section 21 'Provisions and Contingencies' of FRS 102 these are disclosed as a note to the accounts (see note 19).

**l. Pension costs**

For defined contribution schemes the amount charged to the Consolidated Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

**m. Taxation**

Nesta and the Nesta Trust are charities within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly they are potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

No tax charge arose in the period.

The subsidiary companies make qualifying donations of all taxable profit to Nesta. No corporation tax liability on the subsidiaries arises in the accounts.

**n. Exchange gains and losses**

The statutory financial statements are presented in pounds sterling, the functional and presentational currency. Foreign currency transactions are translated using the exchange rates prevailing at the date of settlement. Realised and unrealised exchange gains and losses are recognised in the Consolidated Statement of Financial Activities.

**o. Operating leases**

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Financial Activities on a straight-line basis over the period of the lease.

**p. Related party transactions**

Significant transactions with related parties are disclosed in the notes to these financial statements. The group's policy is for all Trustees, non-Trustee Committee members, Executive Directors and senior direct reports to Executive Directors, to declare interests and related party transactions on appointment and at least annually. Declared interests are recorded in the Register of Interests and these are reviewed by the Finance and Audit Committee.

Transactions between all group undertakings (parent charity, subsidiaries, associates and joint ventures) are also disclosed in compliance with 23.4 of The Charities SORP (FRS 102)

**q. Going concern**

The Trustees are not aware of any specific or general event which would change the charity's status as a going concern.

**r. Financial instruments**

The group financial instruments comprise fixed asset investments measured at fair value through profit or loss along with other financial assets which comprise cash, group debtors and other debtors and financial liabilities which comprise of trade creditors and other creditors, measured at amortised cost.

**2. Investment income**

	Group 2019 £'000	Group 2018 £'000
<i>Quoted investments:</i>		
Interest and dividends receivable	6,059	2,484
<b>Total income from quoted investments</b>	<b>6,059</b>	<b>2,484</b>
<i>Unquoted investments:</i>		
Interest and dividends receivable	406	274
<b>Total income from unquoted investments</b>	<b>406</b>	<b>274</b>
Bank interest	203	81
<b>Total investment income</b>	<b>6,668</b>	<b>2,839</b>

**3. Income from charitable activities**

	Funding from Government bodies 2019 £'000	Funding from Non-Government bodies 2019 £'000	Other charitable activity income 2019 £'000	Group total 2019 £'000	Funding from Government bodies 2018 £'000	Funding from Non-Government bodies 2018 £'000	Other charitable activity income 2018 £'000	Group total 2018 £'000
Policy and Research Programmes	96	628	2,888	3,612	886	3,755	1,413	6,054
Investment (early-stage and social impact) management	3,434	4,168	764	8,366	6,332	2,945	809	10,086
Skills	-	-	304	304	-	-	26	26
FutureFest	-	197	462	659	(78)	15	388	325
Other	-	-	-	-	-	-	(3)	(3)
	-	-	241	241	-	-	119	119
<b>Total income from charitable activities</b>	<b>3,530</b>	<b>4,993</b>	<b>4,659</b>	<b>13,182</b>	<b>7,140</b>	<b>6,715</b>	<b>2,752</b>	<b>16,607</b>

Other charitable activity income includes income from consultancy services, monitoring and product sales. Negative income relates to grants Nesta has not been able to fulfil and so have been returned to funder.

The breakdown between funds for 2018 is as follows: Unrestricted funds £3,197k, Restricted funds £13,410k of which £7,140k was from government bodies shown in note 3a.

### 3a. Funding from Government bodies

	Restricted Funding from Government bodies 2019 £'000	Restricted Funding from Government bodies 2018 £'000
Arts Council England	65	-
Cabinet Office	-	4,971
Department of Premier and Cabinet, Australia	1	219
Department for Business, Energy & Industrial Strategy	50	410
Department for Digital, Culture, Media and Sport	(303)	380
Department for International Development, India	-	(6)
Dutch Ministry of Economic Affairs	-	(12)
Foreign & Commonwealth Office	-	6
Innovate UK	268	500
Local Government Association	-	16
The Welsh Government	-	656
The Scottish Government	784	-
The Arts and Humanities Research Council	2,665	-
<b>Total restricted funding from Government bodies</b>	<b>3,530</b>	<b>7,140</b>

### 4. Income from other trading activities

	Group 2019 £'000	Group 2018 £'000
Rental income	1,875	1,433
Income from trading	7,055	5,654
<b>Total income from other trading activities</b>	<b>8,930</b>	<b>7,087</b>

### 5. Other income

	Group 2019 £'000	Group 2018 £'000
Impact fund management fees	368	407
Events and workshops fees	148	107
Returns on legacy investments	-	93
Share of income from joint ventures	5,130	4,221
<b>Total other income</b>	<b>5,646</b>	<b>4,828</b>

### 6. Investment management costs

	Group 2019 £'000	Group 2018 £'000
Investment manager fees	1,261	1,570
Custodian fees	65	89
<b>Total investment management costs</b>	<b>1,326</b>	<b>1,659</b>

The investment management costs are the direct fees paid to intermediaries, the full costs of management are substantially more than this.

### 7. Charitable activities

	Grant-making 2019 £'000	Non-grant direct cost 2019 £'000	Allocated support costs 2019 £'000	Group total 2019 £'000	Grant-making 2018 £'000	Non-grant direct cost 2018 £'000	Allocated support costs 2018 £'000	Group total 2018 £'000
Research, Analysis and Policy	Note 7b 277	6,358	Note 7a 3,190	9,825	247	4,961	2,749	7,957
Programmes	7,645	7,617	6,629	21,891	3,341	5,988	4,965	14,294
Investment (early-stage and social impact) management	-	1,821	200	2,021	9	910	642	1,561
Skills	-	1,200	797	1,997	-	835	657	1,492
FutureFest	-	514	258	772	-	14	7	21
<b>Total charitable activities</b>	<b>7,922</b>	<b>17,510</b>	<b>11,074</b>	<b>36,506</b>	<b>3,597</b>	<b>12,708</b>	<b>9,020</b>	<b>25,325</b>

The 2018 breakdown between funds is shown in the following table.

	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment £'000	Total £'000
Research, Analysis and Policy	5,163	2,698	96	7,957
Programmes	7,545	6,577	172	14,294
Investment	1,542	-	19	1,561
Skills	1,412	62	18	1,492
FutureFest	21	-	-	21
	<b>15,683</b>	<b>9,337</b>	<b>305</b>	<b>25,325</b>

## 7a. Support costs

Support costs have been allocated to charitable activity areas as follows.

	Support staff costs 2019 £'000	Premises, technology and other costs 2019 £'000	Governance 2019 £'000	Group total 2019 £'000	Support staff costs 2018 £'000	Premises, technology and other costs 2018 £'000	Governance 2018 £'000	Group total 2018 £'000
Research, Analysis and Policy Programmes	1,226	1,831	133	3,190	1,201	1,396	152	2,749
Investment (early-stage and social impact) management	2,742	3,625	262	6,629	2,237	2,461	267	4,965
Skills	1	160	39	200	278	325	39	642
FutureFest	331	433	33	797	292	326	39	657
	102	145	11	258	3	4	0	7
<b>Total support costs</b>	<b>4,402</b>	<b>6,194</b>	<b>478</b>	<b>11,074</b>	<b>4,011</b>	<b>4,512</b>	<b>497</b>	<b>9,020</b>

### The basis for allocation of support costs and governance is as follows:

Office of the Chief Executive, Front of House	Allocated equally to each area
Finance, Legal, Publications, Events and Communications, FutureFest	Allocated on the ratio of direct costs of each area or project in case of FutureFest
Facilities	Allocated on the basis of floorspace occupied
Information Technology, Human Resources	Allocated on the basis of headcount

## 7b. Grants

Included in the cost of charitable activities are grants committed. Grants of £50,000 and above are detailed below. A full list of grants committed is available via Nesta's website.

Recipient	Grants to institutions 2019 £'000	Charitable activity area	External/ Nesta funded	Programme
<b>Programmes</b>				
Leonard Cheshire Disability	1,000	Government innovation	External	Y Lab - Innovate to Save
The Behavioural Insights Team	499	Government innovation	Internal	Behavioural Insights
FABRIC	400	Government innovation	External	Y Lab - Innovate to Save
Grandparents Plus	277	Government innovation	External	Connected Communities
One Million Mentors	270	Government innovation	External	Connected Communities
Hull UK City of Culture 2017	250	Government innovation	External	Connected Communities
Equal Arts	244	Government innovation	External	Connected Communities
Cities of Service UK Network	235	Government innovation	External	Connected Communities
Restart Project	204	Government innovation	External	Connected Communities
Par Track Ltd	200	Government innovation	External	Rethinking Parks
Walsall Metropolitan Borough Council	200	Government innovation	External	Rethinking Parks
Redcar & Cleveland Borough Council	194	Government innovation	External	Rethinking Parks
Bristol City Council	194	Government innovation	External	Rethinking Parks
Friends of Hardie Park	184	Government innovation	External	Rethinking Parks
Leeds City Council	171	Government innovation	External	Rethinking Parks
The 10:10 Foundation	170	Government innovation	External	Rethinking Parks
Friends of Lordship Rec	145	Government innovation	External	Rethinking Parks
North Yorkshire County Council	100	Government innovation	External	Connected Communities
Greenspace Scotland	100	Government innovation	External	Rethinking Parks
University of Edinburgh	100	Government innovation	External	Rethinking Parks
Lake District Foundation	100	Government innovation	External	Rethinking Parks
Bournemouth Parks Foundation	93	Government innovation	External	Rethinking Parks
University of Nottingham	89	Government innovation	External	Rethinking Parks
Volunteer Centre Camden	87	Government innovation	External	Connected Communities
Oomph! Wellness	85	Government innovation	External	Connected Communities
Voluntary Action North East Lincolnshire	78	Government innovation	External	Connected Communities
The Southampton Collective	75	Government innovation	External	Connected Communities
British Red Cross	75	Government innovation	External	Connected Communities
Neighbourhood & Home Watch Network	75	Government innovation	External	Connected Communities
Library of Things	75	Government innovation	External	Connected Communities
The Good Gym	70	Health	External	Accelerating Ideas
Neurofenix Limited	50	Health	External	Inventor Prize
Good Help Limited	50	Health	Nesta	Good Help
Children's University (CU Trust)	50	Education	Nesta	Future Ready Fund
Macmillan	50	Education	Nesta	Future Ready Fund
The Foundation for positive Mental Health	50	Education	Nesta	Future Ready Fund
Sidmouth College	50	Education	Nesta	Future Ready Fund
<b>Research, Analysis and Policy</b>				
Social Finance	120	Government innovation	External	What Works Centre for Children's Social Care Incubator
Grants below £50,000 (number of grants to institutions 72)	1,906			
Grants cancelled in the year	(443)			
<b>Total grants to institutions</b>	<b>7,922</b>			

There were no grants made to individuals in the year 2019.



## Grants committed in 2018

Recipient	Grants to institutions 2018 £'000	Charitable activity area	External/Nesta funded	Programme
<b>Programmes</b>				
In2ScienceUK	250	Government innovation	External	Connected Communities
Family Lives	250	Government innovation	External	Early Year Social Action Innovation Fund
South London and Maudsley NHS Foundation Trust	250	Government innovation	External	Early Year Social Action Innovation Fund
Toynbee Hall	240	Government innovation	External	Savers Support Fund
NCT	225	Government innovation	External	Early Year Social Action Innovation Fund
Home-Start UK	215	Government innovation	External	Early Year Social Action Innovation Fund
Christians Against Poverty	213	Government innovation	External	Savers Support Fund
Citizen's UK	205	Government innovation	External	Early Year Social Action Innovation Fund
OnSide Youth Zones	201	Government innovation	External	Savers Support Fund
Church Action on Poverty	175	Government innovation	External	Connected Communities
Purple Shoots Business Lending Ltd	173	Government innovation	External	Savers Support Fund
Your Place CIC	168	Government innovation	External	Savers Support Fund
City Year	150	Government innovation	External	Growth and Sustaining Fund
Smart Works Charity	135	Government innovation	External	Growth and Sustaining Fund
<b>Research, Analysis and Policy</b>				
Bocconi University	70	Innovation policy	External	Innovation Growth Lab
Universität Kassel	70	Innovation policy	External	Innovation Growth Lab
University of Bologna	50	Innovation policy	External	Innovation Growth Lab
Grants below £50,000 (number of grants to 725 institutions)	1,193			
Grants to 1 Individual	5			
Grants cancelled in the year	(641)			
<b>Total grants to institutions</b>	<b>3,597</b>			

There were no grants made to individuals in the year 2018.

## 7c. Auditor's fees

	Group 2019 £'000	Group 2018 £'000
External audit	55	49
Internal audit	48	18
Tax advisory services	18	18
Other financial services	14	6
<b>Total auditor fees</b>	<b>135</b>	<b>91</b>

External audit fees incurred for Nesta, the parent charity, were £30,050 (2018: £26,700) excluding VAT.

## 8. Employees for Parent and Group

### 8a. Staff costs

	Group 2019 £'000	Group 2018 £'000
Salaries and emoluments of directly employed staff	11,245	9,090
Social security costs	1,278	1,046
Pension costs	1,420	1,125
Agency/temporary staff costs	124	275
Other staff costs*	145	145
<b>Total</b>	<b>14,212</b>	<b>11,681</b>

\*During the year, there were redundancy payments totalling £145,335 (2018: £145,058) as a result of restructuring.

### 8b. Staff numbers

The following shows average headcount staff numbers during the year.

	Group 2019	Group 2018
Research, Analysis & Policy	52	43
Programmes	103	76
Investment (early stage and social impact) management	15	11
Skills	13	11
Publications, Events and Communications	23	19
Governance and Corporate Services	47	45
<b>Total</b>	<b>253</b>	<b>205</b>

The average full-time equivalent for 2019 is 242 (2018: 193).

### 8c. Higher earners

The employees who received remuneration (salaries, bonus and benefits in kind) of more than £60,000 in the year was as follows:

	Group 2019	Group 2018
£60,000 - £70,000	21	15
£70,001 - £80,000	9	6
£80,001 - £90,000	7	6
£90,001 - £100,000	7	3
£100,001 - £110,000	1	1
£110,001 - £120,000	1	2
£120,001 - £130,000	1	1
£130,001 - £140,000	1	1
£140,001 - £150,000	-	-
£150,001 - £160,000	-	1
£160,000 - £170,000	1	-

Of staff with remuneration over £60,000, 49 (2018: 36) are members of Nesta's defined contribution pension scheme. Employer contributions to the scheme relating to staff in these salary ranges during the year were £409k (2018: £332k).

The annual salaries of the Executive team as at 31 March 2019 are below:

	2019 £	2018 £
Chief Executive	164,488	156,431
Deputy Chief Executive	121,702	110,925
Executive Director of Investments	134,400	130,651
Chief Finance Officer	116,925	113,831
Executive Director of Research, Analysis & Policy (Part time)	92,352	72,703
Executive Director, Health Lab	98,121	103,860
Executive Director, Innovation Programme	93,141	87,903
Executive Director, Challenge Prize Centre	95,912	91,714
Executive Director, Global Innovation Partnerships	99,500	126,007
Executive Director, Creative Economy and Data Analytics	98,527	99,584
Executive Director of the Innovation Lab*	-	63,416
<b>Total staff costs of key management personnel</b>	<b>1,115,068</b>	<b>1,157,025</b>

\*Role Discontinued in 2018.

The Executives are entitled to the same flexible benefits and pension scheme as all staff. Nesta offers a defined contribution pension scheme with the contribution from Nesta ranging from a minimum of 8 per cent up to 12 per cent of salary, depending on the level of contributions made by the employee. Employer pension contributions for executives amounted to £121k for the year (2018: £134k). Employer National Insurance contributions were £134k (2018: £142k).

## 8d. Pensions

Nesta offers employees an 8 percent up to 12 per cent contribution, on a defined contribution basis, to a personal pension scheme or group stakeholder scheme. Nesta's total contribution made in respect of the year, for all schemes, totalled £1,199k (2018: £1,125k) including outstanding contributions of £135k (2018: £106k).

## 8e. Trustee remuneration

None of the Trustees received remuneration for performance of their role as Trustees during the year. Travel expenses of £946 (2018: £892) were reimbursed to one Trustee during the year (2018: three).

## 9. Tangible fixed assets

### Group fixed assets

	Leasehold asset £'000	Plant and machinery £'000	Computer Hardware £'000	Computer Software £'000	Fixtures and fittings £'000	Group Total £'000
<b>Cost</b>						
Opening balance	23,243	3,405	751	123	502	28,024
Additions	-	-	138	100	43	281
Disposals	-	-	-	-	(12)	(12)
	<b>23,243</b>	<b>3,405</b>	<b>889</b>	<b>223</b>	<b>533</b>	<b>28,293</b>
<b>Depreciation</b>						
Opening balance	314	469	531	-	102	1,416
Charge for the year	157	240	118	33	99	647
Disposals in the year	-	-	-	-	(1)	(1)
	<b>471</b>	<b>709</b>	<b>649</b>	<b>33</b>	<b>200</b>	<b>2,062</b>
<b>Net book value 2019</b>	<b>22,772</b>	<b>2,696</b>	<b>240</b>	<b>190</b>	<b>333</b>	<b>26,231</b>
<b>Net book value 2018</b>	<b>22,929</b>	<b>2,936</b>	<b>220</b>	<b>123</b>	<b>400</b>	<b>26,608</b>

### Parent charity fixed assets

	Computer Hardware £'000	Computer Software £'000	Fixtures and fittings £'000	Parent charity Total £'000
<b>Cost</b>				
Opening balance	751	123	502	1,376
Additions	138	100	43	281
Disposals	-	-	(12)	(12)
	<b>889</b>	<b>223</b>	<b>533</b>	<b>1,645</b>
<b>Depreciation</b>				
Opening balance	531	-	102	633
Charge for the year	118	33	99	250
Disposals in the year	-	-	(1)	(1)
	<b>649</b>	<b>33</b>	<b>200</b>	<b>882</b>
<b>Net book value 2019</b>	<b>240</b>	<b>190</b>	<b>333</b>	<b>763</b>
<b>Net book value 2018</b>	<b>220</b>	<b>123</b>	<b>400</b>	<b>743</b>

## 10. Investments

Category	Market/fair value at 1 April 2018 £'000	Additions at cost £'000	Maturities, proceeds and disposals at market value £'000	Charges £'000	Realised gain/(loss) £'000	Unrealised gain/(loss) £'000	Group Total market/fair value at 31 March 2019 £'000
<b>Fixed asset investments</b>							
<i>Quoted investments</i>							
Global Equities	228,405	220,583	(230,448)	(180)	(2,346)	21,879	237,893
Fixed income	40,692	61	-	(91)	-	(287)	40,375
Bonds	58,980	8,249	(23,133)	-	(29)	(453)	43,614
<b>Total quoted investments</b>	<b>328,077</b>	<b>228,893</b>	<b>(253,581)</b>	<b>(271)</b>	<b>(2,375)</b>	<b>21,139</b>	<b>321,882</b>
<i>Unquoted investments</i>							
Managed Funds							
Private equity funds	9,699	-	(2,936)	-	2,067	(320)	8,510
Mixed Motive Investments							
Investment in early-stage companies	15,989	90	(630)	-	408	(184)	15,673
Investment in early-stage funds	3,877	14	(60)	-	60	(434)	3,457
<b>Total unquoted investments</b>	<b>29,565</b>	<b>104</b>	<b>(3,626)</b>	<b>-</b>	<b>2,535</b>	<b>(938)</b>	<b>27,640</b>
Investment properties	28,986	8,105	-	-	-	1,690	38,781
Cash awaiting investment	-	9,000	-	-	-	-	9,000
<b>Total investments</b>	<b>386,628</b>	<b>246,102</b>	<b>(257,207)</b>	<b>(271)</b>	<b>160</b>	<b>21,891</b>	<b>397,303</b>

Quoted investments are held at market value, unquoted investments and the investment property are at fair value.

As at 31 March 2019, total cash and investment assets held by Nesta Trust totalled £434m (2018: £421m). Refer also to the Investment Review on pages 24 to 27 of this report gives more detail of the investments.

The above table has been adjusted for consolidation in relation to the Investment Property; 51.3 per cent of the property represents Investment Property to the group.

Charges reflect investment management fees grossed up where offset against the value of a fund.

The fair value of the investment property was determined by independent professional property valuers, Allsops LLP. The amount represents the area not occupied by the Charity or its subsidiaries. Investment properties above also includes a fund with a market value of £8 million at the year end.

## 10. Investments (continued)

Investment assets consist of the following

	Market/fair value at 31 March 2019 £'000	Market/fair value at 31 March 2018 £'000	Percentage of 2019 Portfolio %	Percentage of 2018 Portfolio %
UK quoted investments	43,614	58,980	11	15
Overseas quoted investments	278,269	269,097	70	70
UK unquoted investments	19,128	19,627	5	5
Overseas unquoted investments	8,511	9,938	2	3
Investment property	47,781	28,986	12	7
	<b>397,303</b>	<b>386,628</b>	<b>100</b>	<b>100</b>

Total gains and losses on investment assets above impacting the Consolidated Statement of Financial Activities are summarised as follows:

	Realised gain/(loss) 31 March 2019 £'000	Unrealised gain/(loss) 31 March 2019 £'000	Group Total gain/(loss) 2019 £'000	Realised gain/(loss) 31 March 2018 £'000	Unrealised gain/(loss) 31 March 2018 £'000	Group Total gain/(loss) 2018 £'000
Quoted investments	(2,375)	21,139	18,764	1,046	13,202	14,248
Unquoted investments	2,535	752	3,287	952	(1,660)	(708)
	<b>160</b>	<b>21,891</b>	<b>22,051</b>	<b>1,998</b>	<b>11,542</b>	<b>13,540</b>

## 11.

## 11a. Programme-related investments

	Group total value 1 April 2018 £'000	Additions £'000	Disposals £'000	Impairments £'000	Group total value 31 March 2019 £'000
<i>Investment type:</i>					
Equity	6,558	522	(259)	(435)	6,386
Unsecured loan	132	-	-	(117)	15
<b>Total</b>	<b>6,690</b>	<b>522</b>	<b>(259)</b>	<b>(552)</b>	<b>6,401</b>

	Parent Charity total value 1 April 2018 £'000	Additions £'000	Disposals £'000	Impairments £'000	Parent Charity total value 31 March 2019 £'000
<i>Investment type:</i>					
Equity	6,558	522	(259)	(435)	6,386
Unsecured loan	1,132	-	-	(117)	1,015
<b>Total</b>	<b>7,690</b>	<b>522</b>	<b>(259)</b>	<b>(552)</b>	<b>7,401</b>

## 11b. Programme-related investments in joint venture – share of gross assets/cost

Organisation name	Country of registration	Class of ownership	Joint venture interest	Year end date	Nature of business	Group share of gross assets 2019 £'000	Group share of gross assets 2018 £'000
Behavioural Insights Ltd	UK	Ordinary	30%	31 March	A social purpose consultancy company	1,386	1,181

	Parent Charity total value 1 April 2018 £'000	Additions £'000	Repayments £'000	Revaluation £'000	Parent Charity total value 31 March 2019 £'000
<i>Investment type:</i>					
Equity	30	-	-	2,970	3,000
<b>Total</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>2,970</b>	<b>3,000</b>

## 11c. Arts Impact investments

	Group total value 1 April 2018 £'000	Additions £'000	Disposals £'000	Impairments £'000	Group total value 31 March 2019 £'000
<i>Investment type:</i>					
Unsecured loans	3,199	1,350	(674)	(75)	3,800
<b>Total</b>	<b>3,199</b>	<b>1,350</b>	<b>(674)</b>	<b>(75)</b>	<b>3,800</b>

## 12. Debtors

	Group 2019 £'000	Parent 2019 £'000	Group 2018 £'000	Parent 2018 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	2,585	2,143	1,767	1,245
Amounts due from subsidiaries	-	608	-	776
Amounts due from joint ventures	7	7	-	-
Accrued income	5,035	5,656	8,053	8,164
Prepayments	1,229	1,091	472	390
Other debtors	71	18	648	312
<b>Total debtors falling due within one year</b>	<b>8,927</b>	<b>9,523</b>	<b>10,940</b>	<b>10,887</b>
<i>Amounts falling due after more than one year:</i>				
Accrued income	4,713	4,713	2,890	2,890
<b>Total debtors falling due after more than one year</b>	<b>4,713</b>	<b>4,713</b>	<b>2,890</b>	<b>2,890</b>
<b>Total debtors</b>	<b>13,640</b>	<b>14,236</b>	<b>13,830</b>	<b>13,777</b>

### 13. Creditors

	Group 2019 £'000	Parent 2019 £'000	Group 2018 £'000	Parent 2018 £'000
<i>Amounts falling due within one year:</i>				
Trade creditors	1,591	1,343	918	723
Amounts due to subsidiaries	-	-	-	1
Amounts due to joint ventures	56	56	20	20
Accruals	1,123	5,849	1,192	4,365
Deferred income	2,685	1,385	1,511	267
Grants creditors	3,996	3,456	5,962	5,962
Other tax and social security	567	426	532	546
Other creditors	345	322	356	300
<b>Total creditors falling due within one year</b>	<b>10,363</b>	<b>12,837</b>	<b>10,491</b>	<b>12,184</b>
<i>Amounts falling due after more than one year:</i>				
Grants creditors	5,121	5,121	2,960	2,960
Trade and other payables	5,949	-	3,309	-
<i>Total creditors falling due after more than one year</i>	<i>11,070</i>	<i>5,121</i>	<i>6,269</i>	<i>2,960</i>
<b>Total creditors</b>	<b>21,433</b>	<b>17,958</b>	<b>16,760</b>	<b>15,144</b>

### Analysis of deferred income

	Group 2019 £'000	Parent 2019 £'000	Group 2018 £'000	Parent 2018 £'000
At 1 April	1,511	267	767	682
Prior year deferred income released during the year	(1,511)	(267)	(767)	(682)
Income deferred in the year	2,685	1,385	1,511	267
<b>At 31 March</b>	<b>2,685</b>	<b>1,385</b>	<b>1,511</b>	<b>267</b>

### 14. Subsidiaries

Organisation name	Country of registration and registered charity/ company number	Class of ownership	Parent interest	Share capital held	Year end date	Nature of business
The Nesta Trust	United Kingdom charity number 1144683	Sole corporate Trustee	-	-	31 March	A charitable Trust that holds investment assets
Nesta Enterprises Limited	United Kingdom company number 08580327	Ordinary	100%	£1	31 March	A charitable trading company
Nesta GP Limited	United Kingdom company number 08231985	Ordinary	100%	£1	31 March	General Partner in the Nesta Impact Investments 1 Limited Partnership Fund
Nesta PRI Limited	United Kingdom company number 08232090	Ordinary	100%	£1	31 March	Limited Partner in the Nesta Impact Investments 1 Limited Partnership Fund
Cultural Impact Development Loans Limited	United Kingdom company number 11388464	Ordinary	100%	£1	31 March	Financial support for arts organisations
Nesta Partners Limited	United Kingdom company number 06618114	Ordinary	100%	£1	31 March	(Dormant) Partner in Nesta Investment Management LLP and Nesta Arts Impact LLP
NII GP2 Limited	United Kingdom company number 10710378	Ordinary	100%	£1	31 March	(Dormant) General Partner
Nesta Investment Management LLP	United Kingdom company number OC338038	Limited Liability Partnership	-	-	31 March	Investment manager funds
Nesta Arts Impact LLP	United Kingdom company number OC396102	Limited Liability Partnership	-	-	31 March	Financial support for arts organisations
Nesta Arts and Culture Impact LLP	United Kingdom company number OC423779	Limited Liability Partnership	-	-	31 March	(Dormant) Financial support for arts and culture organisations
NII2 Special Partner LLP	United Kingdom company number OC416761	Limited Liability Partnership	-	-	31 March	(Dormant) Special Partner
Nesta US Inc	United States	Sole member	100%	Non-stock	31 March	To engage in charitable and educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Code 1986

## 14. Subsidiaries (continued)

The results of the consolidated entities are as follows:

	Nesta Trust 2019 £'000	Nesta Trust 2018 £'000	Nesta Enterprises Limited 2019 £'000	Nesta Enterprises Limited 2018 £'000	Nesta GP Limited 2019 £'000	Nesta GP Limited 2018 £'000	Nesta PRI Limited 2019 £'000	Nesta PRI Limited 2018 £'000	Cultural Impact Development Loans Limited 2019 £'000	Nesta Investment Management LLP 2019 £'000	Nesta Investment Management LLP 2018 £'000	Nesta Arts Impact LLP 2019 £'000	Nesta Arts Impact LLP 2018 £'000	Nesta US Inc 2019 £'000	Nesta US Inc 2018 £'000
Income	8,893	5,169	7,352	6,216	368	407	-	-	69	369	409	229	149	131	171
Expenditure	(17,901)	(11,422)	(7,352)	(6,216)	(368)	(407)	-	-	(84)	(429)	(321)	(259)	(332)	(18)	(50)
Other gains/ (losses)	23,832	12,068	-	-	-	-	(1,175)	353	-	-	-	-	-	-	-
<b>Partner share/ Profit/(loss) for the period</b>	<b>14,824</b>	<b>5,815</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,175)</b>	<b>353</b>	<b>(15)</b>	<b>(60)</b>	<b>88</b>	<b>(30)</b>	<b>(183)</b>	<b>113</b>	<b>121</b>
Assets	440,036	424,346	2,806	2,301	-	-	4,270	5,144	318	455	222	6,565	4,224	308	156
Liabilities	(1,069)	(203)	(2,806)	(2,301)	-	-	(6,974)	(6,673)	(333)	(327)	(34)	(6,724)	(4,353)	(74)	(35)
<b>Net assets</b>	<b>438,967</b>	<b>424,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,704)</b>	<b>(1,529)</b>	<b>(15)</b>	<b>128</b>	<b>188</b>	<b>(159)</b>	<b>(129)</b>	<b>234</b>	<b>121</b>
Opening net reserves	424,143	418,328	-	-	-	-	(1,529)	(1,882)	-	188	300	(129)	54	121	-
Closing net reserves	438,967	424,143	-	-	-	-	(2,704)	(1,529)	(15)	128	188	(159)	(129)	234	121

## 15. Funds

### 15a. Unrestricted funds

	General funds £'000	Endowment funds £'000	Funds retained within non-charitable subsidiaries or joint ventures £'000	Total £'000
<b>Balance at 1 April 2018</b>	4,490	420,774	1,181	426,445
<b>Net (expenditure)/income</b>	(13,491)	5,044	-	(8,447)
<b>Transfers to restricted funds</b>	(2,105)	-	-	(2,105)
<b>Transfers from endowment to unrestricted funds</b>	16,480	(16,480)	-	-
<b>Unrealised gains on investments</b>	-	22,051	-	22,051
<b>Share of operating profit in joint venture</b>	-	-	206	206
<b>Balance at 31 March 2019</b>	<b>5,374</b>	<b>431,389</b>	<b>1,387</b>	<b>438,150</b>

### 15b. Restricted funds

Funder	Programme	Balance 1 April 2018 £'000	Income £'000	Expenditure £'000	Transfers from (to) general fund £'000	Balance 31 March 2019 £'000
Arts Council of England	Digital Culture 2019	-	65	(32)	-	33
Arts Council of Wales (R&D fund)	Digital Innovation Fund for the Arts in Wales	133	-	-	-	133
Arts Council of Wales (Scaling fund)	Digital Innovation Fund for the Arts in Wales	34	-	-	-	34
Big Lottery Fund	Accelerating Ideas Fund	9	50	(186)	136	9
Big Lottery Fund	Rethinking Parks	1,670	-	(1,732)	112	50
Cabinet Office	Second Half Fund	-	(226)	(52)	278	-
Cabinet Office	Give more Get more	-	(35)	24	11	-
Cabinet Office	Connected Communities	2,575	-	(2,251)	151	475
Cabinet Office	Inclusive Economy Partnership	202	-	(113)	(89)	-
Children's Investment Fund Foundation	Children's Investment Fund Foundation CIFF	-	188	(37)	-	151
Department for Business, Energy & Industrial Strategy	Inventors' Prize	197	-	(122)	(74)	1
Department for Business, Energy & Industrial Strategy	Rocket Fund	100	181	(395)	139	25
Department for Culture Media & Sport	Inclusive Economy Partnership 2.0	6	-	(124)	118	-
Department of Premier and Cabinet, Victoria (Australia)	States of Change - Australia	200	-	(200)	-	-
Dunhill Medical Trust	Health as a Social Movement	-	100	(308)	308	100
European Commission	DECODE	210	-	(66)	(16)	128
European Commission	Social Innovation Community	48	-	(80)	32	-
European Commission	EU Design Innovation Platform	362	-	(115)	(29)	218

## 15b. Restricted funds (continued)

Funder	Programme	Balance 1 April 2018 £'000	Income £'000	Expenditure £'000	Transfers from (to) general fund £'000	Balance 31 March 2019 £'000
European Commission	NGI-Engineroom	334	-	(157)	(39)	138
European Commission	SEP 2.0	216	-	(96)	(24)	96
European Commission	Eurito	692	-	(87)	(22)	583
European Commission	EUSIC 2018	-	371	(372)	1	-
European Commission	NGI Forward	-	2,676	(1,335)	(6)	1,335
European Commission	EUSIC 2019	-	117	(117)	-	-
Heritage Lottery Fund	Rethinking Parks	330	-	(342)	22	10
Innovate UK	Flying High	151	(13)	(213)	75	-
Innovate UK	Flying High II	-	545	(305)	23	263
Kauffman	Innovation Growth Lab	121	131	(18)	-	234
National Lottery Community Fund	UK Alliance for Useful Evidence	186	181	(449)	148	66
NFER (Futurelab)	Digital Education	-	37	(521)	485	1
Power to Change	Health Lab - Big Hitters Event	-	46	(129)	83	-
Robert Wood Johnson Foundation (RWJF)	Health Innovation Mapping	302	-	(155)	(64)	83
Scottish Government	ShareLab Scotland	-	238	(200)	-	38
Scottish Government	Healthier Lives Data Fund	-	500	(221)	221	500
SME Fintech Challenge Prize	Various Banks	-	4,017	(3,395)	(472)	150
The Arts and Humanities Research Council	Creative Industries Policy & Evidence Centre	-	2,665	(154)	27	2,538
The Tata Group	Tata Maths	92	-	(146)	62	8
The Tata Group	Maths Mission	-	140	(57)	24	107
The Technology Strategy Board	Longitude	5,000	-	(316)	316	5,000
Value of Heritage	The Arts Humanities and Research Council (AHRC)	70	-	(60)	(2)	8
Welsh Government	Innovate to Save	5,372	-	(1,600)	-	3,772
All values < £50k	Various	131	275	(336)	170	240
		18,743	12,249	(16,570)	2,105	16,527

In many cases, restricted income is received for programmes for which there is part or match-funding by Nesta (either in cash or in kind). The expenditure shown as restricted is the total expenditure of the programme funded by both Nesta and the external donor. A transfer from the general fund represents the portion of the programme funded by Nesta.

## 16. Analysis of consolidated net assets between funds

	Unrestricted funds 2019 £'000	Restricted funds 2019 £'000	Expendable endowment funds 2019 £'000	Group Total funds 2019 £'000
<i>Fund balances are represented by:</i>				
Tangible fixed assets	763	-	25,468	26,231
Investment assets	11,587	-	397,303	408,890
Current and long-term assets	14,780	16,527	9,682	40,989
Current and long-term liabilities and provisions	(20,369)	-	(1,064)	(21,433)
<b>Total net assets</b>	<b>6,761</b>	<b>16,527</b>	<b>431,389</b>	<b>454,677</b>

	Unrestricted funds 2018 £'000	Restricted funds 2018 £'000	Expendable endowment funds 2018 £'000	Group Total funds 2018 £'000
<i>Fund balances are represented by:</i>				
Tangible fixed assets	743	-	25,865	26,608
Investment assets	11,070	-	386,628	397,698
Current and long-term assets	10,429	18,743	8,470	37,642
Current and long-term liabilities and provisions	(16,571)	-	(189)	(16,760)
<b>Total net assets</b>	<b>5,671</b>	<b>18,743</b>	<b>420,774</b>	<b>445,188</b>

## 17. Summary consolidated income and expenditure account for the year ended 31 March

The summary income and expenditure account is presented in order to ensure compliance with the Companies Act 2006.

The major difference in the figures presented from those in the Consolidated Statement of Financial Activities is that unrealised gains and losses on investment assets are not recognised.

	Group 2019 £'000	Group 2018 £'000
<b>Gross income:</b>		
Income	36,437	28,006
Income of non-charitable subsidiaries	8,170	10,037
	<b>44,607</b>	<b>38,043</b>
Less: share of joint venture turnover	(5,130)	(4,221)
	<b>39,477</b>	<b>33,822</b>
<b>Gross expenditure:</b>		
Expenditure	40,162	30,207
Depreciation and charges for impairment of fixed assets	647	570
	<b>40,809</b>	<b>30,777</b>
Share of profit in joint ventures	206	262
<b>Net income for the year</b>	<b>(1,126)</b>	<b>3,307</b>
<i>Reconciliation to Consolidated Statement of Financial Activities:</i>		
Net income for the year	(1,126)	3,307
Movement on endowment funds	10,615	2,298
<b>Net income</b>	<b>9,489</b>	<b>5,605</b>

## 18. Contingent liabilities

There were no contingent liabilities at the Balance Sheet date (2018: nil).

## 19. Commitments

Investments, loans or contributions to funds that have been contracted but not yet drawn down, and grant agreements not yet signed by Nesta by the Balance Sheet date, are shown as commitments below.

	Parent Charity and Group total at 1 April 2018 £'000	Additions £'000	De- committed £'000	Drawn down £'000	Contracted £'000	Parent Charity and Group total 31 March 2019 £'000
<i>Investments, loans, contributions to funds:</i>						
Private equity secondaries	5,923	-	-	-	-	5,923
Investments in early-stage funds	75	-	-	(14)	-	61
Programme-related investments	1,687	-	-	-	(481)	1,206
<i>Grants:</i>						
Grant agreements not yet signed by Nesta	1,818	8,996	(443)	-	(7,644)	2,727
<b>Total</b>	<b>9,503</b>	<b>8,996</b>	<b>(443)</b>	<b>(14)</b>	<b>(8,125)</b>	<b>9,917</b>

## 20. Operating lease commitments

At 31 March 2019 the Group was committed to total payments during the next year in respect of operating leases which expire within the following periods.

	Expire within one year £'000	Expire within two to five years £'000	Expire in more than five years £'000
Photocopiers	-	17	-
<b>Total</b>	<b>-</b>	<b>17</b>	<b>-</b>

At 31 March 2019 the Nesta parent charity had entered into agreements with organisations to lease part of 58 Victoria Embankment. The rental payments due to the parent charity are:

	Expire within one year £'000	Expire within two to five years £'000	Expire in more than five years £'000
Buildings - 58 Victoria Embankment	1,598	6,393	5,236
<b>Total</b>	<b>1,598</b>	<b>6,393</b>	<b>5,236</b>



## 21. Related party transactions

The Trust holds investment assets previously held by the NESTA which was abolished on 1 April 2012. The Trust is a registered charitable trust which is classified by the Office of National Statistics as within the public sector boundary. The Trust has transferred sums to its Trustee Nesta in furtherance of its charitable objects during the year. Nesta has had transactions with Government Departments and bodies during the year as part of its ordinary course of business. As the Trust is not involved in the operational decisions of Nesta, any transactions between Government Departments/bodies and Nesta are not considered to be related party transactions.

The related party transactions that require disclosure between Nesta and its related companies are as follows:

- Nesta charged Arts Impact Fund LLP management fees totalling £109,944.
- Nesta charged Cultural Impact Development Loans Limited management fees totalling £81,871.
- Nesta recharged Nesta Enterprises Limited for salary costs totalling £542,282.
- Nesta Enterprises Limited received £324,690 from Nesta as a subsidy for renting event space.
- Nesta Enterprises Limited accrued rental expense to Nesta of £692,038.
- Nesta Enterprises Limited gift aided its profits to Nesta £1,916,401,
- Nesta charged Nesta Trust £480,223 in relation to PRI Investments.
- Nesta Trust has transferred £16,000,000 to its Trustee Nesta in support of its charitable objects.
- Nesta Trust charged Nesta £2,611,215 for rental of 58 Victoria Embankment.
- No amounts were written off in the year, and no guarantees were given in respect of these transactions.

Nesta's Trustees are drawn from among its key stakeholders, and staff may at times have links to stakeholder organisations and therefore it is in the nature of Nesta's business to have some transactions which are classified as related. All transactions are entered into the ordinary course of business and on an arm's length basis, consistent with Nesta's policy on potential conflicts of interest. During the year Nesta entered into the following significant transactions with related parties. All transactions were with the organisations not the individuals who are listed as having the association.

Natalie Tydeman is a Trustee of both Nesta and Leonard Cheshire Disability. In the year ended 31 March 2019, Nesta granted £1m to Leonard Cheshire Disability from the £5m received from Y Lab - Innovate to Save programme (see Note 7b).

## Reference and administrative details

### Trustees and Main Board Committee Members

#### Trustees

Sir John Gieve (Chair)  
Kim Shillinglaw  
Kersten England  
David Pitt-Watson  
Edward Wray  
Simon Linnett  
Piers Linney

Natalie Tydeman  
Judy Gibbons  
(appointed November 2017)  
Imran Khan  
(appointed November 2017)  
Anthony Lilley  
(appointed November 2017)

Moira Wallace  
(appointed November 2017)  
Heider Ridha  
(appointed March 2019)  
Christina McComb  
(appointed March 2019)  
Joanna Killian  
(appointed March 2019)

#### Finance and Audit Committee

Simon Linnett (Chair)  
Judy Gibbons  
Edward Wray  
Tony Thomas (Non-Trustee member)

#### Trust Investment Committee

Christina McComb (Chair)  
Sir John Gieve  
Simon Linnett  
Sally Bridgeland (Non-Trustee member)

#### Venture Investment Committee

Natalie Tydeman (Chair)  
Anthony Lilley  
Sir John Gieve

#### People Committee

Edward Wray (Chair)  
Sir John Gieve  
Judy Gibbons

#### Health Committee

Simon Linnett  
Imran Khan  
Sir John Gieve

#### Government Innovation Committee

Joanna Killian (Chair)  
Moira Wallace

#### Innovation Policy Committee

Imran Khan (Chair)  
Sir John Gieve  
Heider Ridha

#### Education Committee

Moira Wallace (Chair)  
Joanna Killian  
Natalie Tydeman  
Sir John Gieve

#### Arts and the Creative Economy

Anthony Lilley (Chair)  
Piers Linney

#### Protector of the Nesta Trust

James Sinclair Taylor

## Executive Team

<b>Geoff Mulgan</b>	Chief Executive Officer
<b>Simon Morrison</b>	Deputy Chief Executive
<b>Trevor Richards</b>	Chief Finance Officer
<b>Nathan Elstub</b>	Chief Investment Officer
<b>Vicki Sellick</b>	Executive Director of Programmes
<b>Halima Khan</b>	Executive Director Health, People and Impact
<b>Kirsten Bound</b>	Executive Director Research Analysis and Policy
<b>Tris Dyson</b>	Executive Director Challenge Prize Centre
<b>Brenton Caffin</b>	Executive Director Global Innovation Partnerships
<b>Hasan Bakhshi</b>	Executive Director Creative Economy and Data Analytics
<b>Corinna Alstromer</b>	General Counsel and Company Secretary

## Administrative details of the Charity

Registered name	Nesta (changed from 'Nesta Operating Company' on 22 July 2013)
Companies House registered number	07706036 (registered 15 July 2011)
Charity Commission registered number	1144091 (registered 30 September 2011)
Office of the Scottish Charity Regulator registered number	SC042833 (registered 30 December 2011)
Registered Office	58 Victoria Embankment London, EC4Y 0DS
Independent Auditor	BDO LLP 2 City Place, Beehive Ring Road Gatwick, West Sussex, RH6 0PA
Internal Auditor	Grant Thornton UK LLP 30 Finsbury Square London, EC2P 2YU
Principal Bankers	Lloyds Bank plc 25 Gresham Street London, EC2V 7HN



**nesta**

58 Victoria Embankment  
London EC4Y 0DS

+44 (0)20 7438 2500

[information@nesta.org.uk](mailto:information@nesta.org.uk)

 [@nesta\\_uk](https://twitter.com/nesta_uk)

 [www.facebook.com/nesta.uk](https://www.facebook.com/nesta.uk)

[www.nesta.org.uk](http://www.nesta.org.uk)

Nesta is a registered charity in England and Wales with company number 7706036 and charity number 1144091.  
Registered as a charity in Scotland number SCO42833. Registered office: 58 Victoria Embankment, London, EC4Y 0DS.

