

The background features a vertical rainbow gradient from white on the left to blue on the right. Scattered across this gradient are several overlapping circles in various colors: magenta, red, yellow, orange, purple, and blue. The circles vary in size and are positioned at different points on the page.

Annual report and accounts

For the year ended
31 March 2018

nesta

Company Number: 07706036

About Nesta

Nesta is a global innovation foundation. We back new ideas to tackle the big challenges of our time.

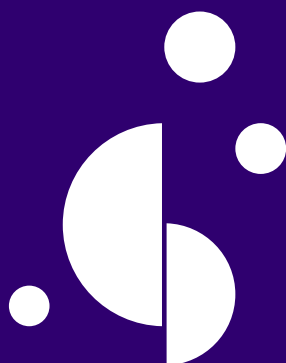
We use our knowledge, networks, funding and skills - working in partnership with others, including governments, businesses and charities. We are a UK charity but work all over the world, supported by a financial endowment.

To find out more visit www.nesta.org.uk

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

Nesta's Green Credentials 2017-2018

- Nesta is located in one of the City of London's newest and greenest buildings.
- Our building has an environmentally friendly and efficient water usage system, it uses about 75 per cent treated rainwater and treated sink waste (via the toilets), with 25 per cent mains water.
- No Nesta waste goes to landfill. All takeaway containers from the café are recyclable. We recycle: food and drink cans, aerosols, foil trays, mixed glass, soup/juice/ milk cartons, paper and cardboard, plastic packaging.
- The building has triple insulation.
- We use solar PV to provide additional electricity for the building. It supplies about 50 per cent of the electricity needed to power one floor per year.
- We use software to measure our carbon footprint. The carbon footprint for the last financial year is relatively low, at 293.7 kgCO₂/m²/year.
- We ensure that we dispose of equipment in accordance with the Waste Electrical and Electronic Equipment Directive (WEEE Directive).



nesta



Annual report and accounts

For the year ended 31 March 2018

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Trustees



Sir John Gieve
Nesta's Chair

Independent director of VocaLink and of CLS. He is also Deputy Chair of Homerton NHS Trust.



Anthony Lilley
Trustee

CEO of Magic Lantern Productions.



David Pitt-Watson
Trustee

Executive Fellow at the London Business School and Chair of the UN Environment Programme's Finance Initiative.



Edward Wray
Trustee

Co-founder and the first Chief Executive of Betfair.



Imran Khan
Trustee

Head of Public Engagement at the Wellcome Trust.



Judy Gibbons
Trustee

Chair of Which? and a Non-Executive Director on the boards of Michael Kors, Hammerson and Virgin Money Giving.



Kersten England
Trustee

Chief Executive of the City of Bradford Metropolitan District Council.



Kim Shillinglaw
Trustee

Director of Factual Programming at Endemol Shine UK.



Moira Wallace
Trustee

Provost of Oriel College, Oxford.



Natalie Tydeman
Trustee

Senior Partner at GMT Communications Partners.



Piers Linney
Trustee

Non-executive Director at British Business Bank.



Simon Linnett
Trustee

Executive Vice Chairman at Rothschild.

Chair and Chief Executive's introductory statement

Many people fear that they won't be able to shape the future, that their lives won't improve and that technologies will be used to destroy their jobs and harm their interests.

At Nesta we show in practical ways that this isn't inevitable. We show how people can take greater control over their lives, and in particular how the combined power of digital technologies and collaboration with others can transform things for the better.

2017-2018 was the first year of a refreshed three-year strategy (and our first year in our new building) that saw Nesta apply this thinking to five main thematic areas: health; education; government innovation; innovation policy; and arts, culture and the creative economy. These now account for 80 per cent of our programme spending and in each of these areas we've built up teams with deep knowledge and effective methods for accelerating promising ideas. These range from our HealthLab working all over England using 'people powered' methods to fix problems, to promoting collaborative problem-solving in maths at school, to running large funds for volunteering in public services, and the world's first big impact investment fund for arts organisations.

The year also saw a further evolution of a shift in shape that started when Nesta stopped being a non-departmental public body some six years ago. Since then we have evolved from being a traditional grant making foundation to growing a family of teams and units, each given freedom to develop new ways of promoting innovation for the common good, all with the aim of making our resources go further and amplifying our impact. The Challenge Prize Centre complemented big prizes like Longitude with new ones that range from helping farmers in South Asia use data, to designing new tools for people suffering from paralysis with the Toyota Mobility Foundation, and pioneering work in banking and with drones. Our Innovation Skills team worked in dozens of countries, with hundreds of thousands using their online resources; and launched States of Change with a group of the world's most innovative governments. The Alliance for Useful Evidence built on its work supporting thousands of members to start incubating a new What Works Centre for children's social care (funded by the Department for Education).

We increasingly work globally with partners to maximise our impact and knowledge, and to ensure that we really are a world-class institution.

The Innovation Growth Lab is now the world's pre-eminent centre using experimental methods in economics. This year it pooled funds from the US and Australia to Denmark and Brazil to find out what works in backing high-growth businesses. Meanwhile as part of our strategy to deepen our European links ahead of Brexit, we launched Nesta Italia in Turin with Fondazione Innovazione Sociale per l'Italia, and started ambitious pan-European programmes like DECODE (funded by the European Commission), whose approaches to personal control of data are gaining lots of attention in the wake of the Cambridge Analytica scandal.

Applying innovation to our own work has also shaped how we use money. Nesta is unique worldwide in the range of financial tools we use to maximise the impact money can achieve, and in 2017-2018 we built on our past work with grants, loans and equity to experiment with matched crowdfunding and the 'Innovate to Save' budget in Wales (with the Welsh Government), a model which we hope other governments will copy.

Not everything worked as we had hoped. We had hoped to create a Museums Innovation Fund but haven't yet persuaded potential partners; and some of our investments didn't thrive. We were disappointed that our D-CENT democracy tools (funded by the European Commission) have spread well in Europe but have hardly been taken up in the UK, whether by parliament or local councils, despite a lot of trying. Dementia Citizens was a very innovative approach to patient empowerment but struggled to recruit enough participants.

In all of this work the connecting thread is our aim to give more people the power, and the tools, to shape their own future. That necessarily means working over extended timescales and the great advantage of being a foundation is that we can hold longer-term views. We did that in the past, helping to grow fields like alternative finance, the sharing economy and impact investment and we're now seeing that long-term commitment paying off.

In many ways the environment for innovation, ideas and evidence remains challenging. But we hope that anyone who visits us or works with us goes away inspired and energised to believe that the future can be shaped in a direction that serves us better.



Sir John Gieve, Chair



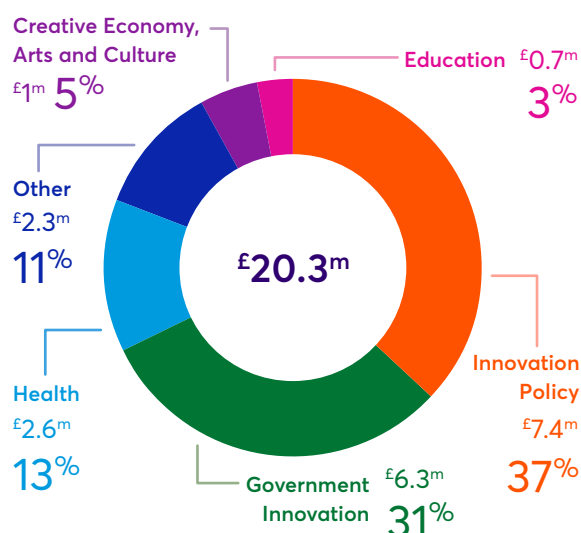
Geoff Mulgan, CEO

Strategic report

1. Achievements in 2017-2018

2017 marked the start of a new three-year strategy for Nesta. The strategy sets out plans for how we back new ideas to tackle the big challenges of our time in five priority fields: Health, Education, Government Innovation, Innovation Policy, and The Creative Economy, Arts and Culture. In each of these fields, we apply our expertise in methods for innovation - bringing together research, funding for practical work, convening and advocacy. The diagrams included throughout the strategic report show how Nesta's programmatic expenditure is split by field of work (and later the departmental view split by field of work). The total balances for the charts will be slightly different from the figures included in the financial statements. They are used for thematic purposes.

Actual programme expenditure 2017-2018



Here is a summary of what we want to achieve between 2017 and 2021 - and some of the highlights from this financial year:

Health

We back new ideas that give people the power to be at the centre of their health, care and wellbeing.

Our work in health has a vision of people remaining healthy, drawing on their own energy

and ideas, as well as the insights of medical science and new digital tools. With increasing pressure on our health and social services, we believe this is the only sustainable solution for the long-term future.

In 2017-2018

Our **100 Day People Powered Results** work engaged 12 local health and care economies in transformational work to test new ways of solving problems that matter to them, like diabetes and caring for older people.

Accelerating Ideas, co-funded with the Big Lottery Fund and supporting eight ageing innovations to scale across the UK, mobilised over 23,000 volunteers and reached more than 91,000 beneficiaries to date.

The **Good Help** project and award launched with OSCA, designed to help people build their confidence and sense of purpose - key ingredients of people powered health.

We published the **We Change the World** report, on the role of social movements in health and how they can create social change, and **Open Innovation in Health**, which examined the ways that companies, governments and researchers around the world are collaborating to improve the innovation process in health.

We launched the \$4 million **Mobility Unlimited Prize** with the Toyota Mobility Foundation to encourage the application of Artificial Intelligence, sensors and robotics to assisted devices for those with paralysis.

Education

We back new ideas that equip people with the skills, knowledge and mindsets they will need to thrive in the future.

Our vision is for all young people to have the skills they need for future work; and an education system making better use of technology and people's time and resources beyond school.

In 2017-2018

We made follow-on investments in **GetMyFirstJob** (which has just helped its millionth young person) and **Arbor Education** (now helping 300 schools learn from their data). Our previous investee, **Third Space Learning** has raised £4.6 million in further funding.

We published *The Future of Skills: Employment in 2030* a groundbreaking report, funded by Pearson and Nesta, with recommendations for job redesign and learning priorities - shifting the public debate from a defensive one about automation, to an active one on the future of work and reskilling.

Maths Mission was launched with Tata, running three promising pilots to test the most effective ways to improve young people's attitudes to maths, and their maths and collaborative problem-solving skills. The pilots involve over 3,000 pupils in over 50 schools.

Acting Now for Future Skills, Nesta's flagship education event, outlined practical steps to prepare young people with the skills they will need for the future. It brought together over 200 attendees and 47 speakers.

Government Innovation

We back new ideas to help governments reform public services, address social needs, and improve citizen engagement through smarter use of people, data and technology.

Nesta's work helps governments respond to rising expectations, shrinking budgets and fragile trust in political systems.

In 2017-2018

Nesta's recommendation for the **London Office of Data Analytics** (LODA) was made permanent. LODA, piloted and co-designed by Nesta and the Greater London Authority (GLA), will radically reform the capital's ability to drive public service improvements through more intelligent use of data and predictive analytics.

Nesta's social action portfolio continued to grow - with the launch of three multi-million pound funds with the Office of Civil Society at the Department for Digital, Culture, Media and Sport (DCMS), all mobilising innovative ideas to

encourage 'people power' volunteering alongside public services. Nesta's social action work in 2017-2018 has supported 42 projects, mobilising over 7,000 people.

Innovate to Save launched in Wales - a groundbreaking £5.5 million fund (for the Welsh Government) providing a mix of R&D support, grant and loan finance to help redesign public services and generate cashable savings.

States of Change was launched - developing a global learning community for government innovators to build skills for innovation.

Innovation Policy

We back new ideas that help governments support innovation that fuels growth and builds a better society.

We gather, analyse and spread the best methods from around the world so governments can make innovation policies that are smarter, more inclusive and more dynamic.

In 2017-2018

Our **Innovation Growth Lab (IGL)** ran dozens of experiments worldwide and its conference in Barcelona brought together 250+ senior innovation policymakers, practitioners and researchers from over 30 countries to fuel more experimental and evidence-based innovation and growth policies. Our campaign for greater experimentation successfully influenced an important new EU experimentation fund.

Nesta launched the **Arloesiadur** innovation dashboard developed for the Welsh Government - combining new data, new analytics and visualisation techniques to inform better policy decisions, and hailed by the EU as a case study of innovative practice.

We published a study for the Department for Business, Energy & Industrial Strategy (BEIS) on **accelerators and incubators** across the UK and our Startup Europe partnership helped over 300 startups and 50 corporates to collaborate.

Flying High Challenge Prize launched (with support from Innovate UK) - working with UK cities to reimagine the future of drones, building on Nesta's growing expertise in the field of **anticipatory regulation**. Our policy work influenced Budget announcements for a Regulatory Pioneers Fund, and a Centre for Data Ethics and Innovation.

The Creative Economy, Arts and Culture

We back new ideas to grow the creative economy, and help arts and cultural organisations thrive.

In a time of austerity, we want to show the value of the creative economy, influence policy to help it grow and help arts and cultural organisations thrive by making the most of digital technologies and new sources of funding.

In 2017-2018

Nesta's research **mapping creative clusters** and their contribution to local economies proved influential - credited by the Arts and Humanities Research Council (AHRC) with helping make the case for £39 million investment from BEIS, and the *Creative Nation* report was quoted extensively by the Creative Industries Sector Deal.

The Arts Impact Fund (a £7 million pilot social impact fund) set up to prove the case for investing in arts and culture, made its final funding.

Following a programme with the Heritage Lottery Fund and Arts Council England, we published a study quantifying the impact of **matched crowdfunding** as a means of launching new ideas

and projects. A number of other bodies have used the findings to develop their own relationships with crowdfunding platforms, including the Greater London Authority (GLA) and Edinburgh Fringe Festival.

We published the fourth **Digital Culture (2017)** report, tracking the perceived importance of technology for 1,400 arts and culture organisations in England. As a result Arts Council England has a new requirement for funded organisations to hold digital policies.

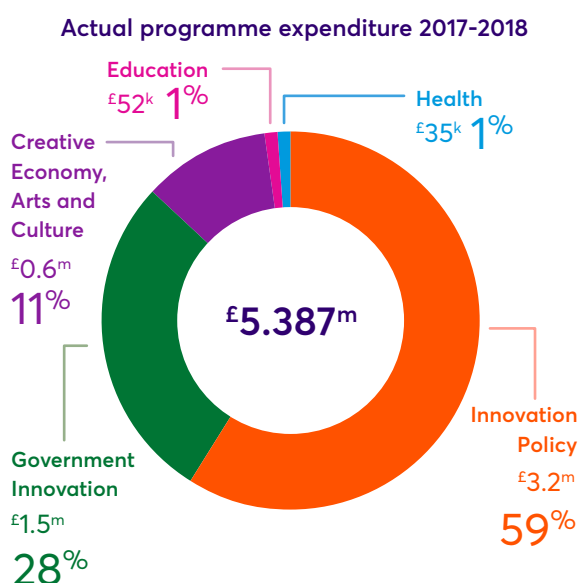
2. Performance and impact

Nesta's main activities are organised across functional teams, supported by the Communications and Corporate Services teams. The Nesta departments are as follows:

- Research, Analysis and Policy
- Innovation Skills
- Innovation Programmes including:
 - Health Lab
 - The Challenge Prize Centre
- Nesta Impact Investments
- Communications

Research, Analysis and Policy

Working across Nesta's themes, we create knowledge, influence policy and shape more effective and equitable innovation systems in the economy, government and civil society. We collaborate with partners around the world and our range of funding models has grown. We were awarded Independent Research Organisation status by BEIS and Research Councils UK in July 2017, which permits us access to Research Council funding and the range of new future partnerships that entails.



Research, Analysis and Policy programme expenditure by field of work:

Innovation Policy

Current impact - in addition to the highlights set out on pages 6 to 8

We help governments support innovation that fuels growth and wellbeing via:

Smarter innovation policy through better evidence, experimentation and data:

We produced the **2017 Corporate Startup Stars**, pan-European awards to celebrate good corporate collaboration with startups, which launched in December 2017 in Brussels with Carlos Moedas.

Readie hosted its first 'policy masterclass' on lifelong learning and digital skills policies with 19 policymakers and experts from five countries, and published a range of reports which received coverage in over 40 national and European media outlets.

More inclusive innovation policy that engages, involves and benefits everyone:

We organised a series of webinars and seminars with Harvard Professor Roberto Mangabeira Unger, the Organisation for Economic Co-Operation and Development (OECD) New Approaches to Economic Challenges (NAEC) unit and the OECD Secretary General on **options for radical economic reform** - a knowledge economy that works for everyone.

Global Innovation Policy Accelerator, an innovative professional development programme (in conjunction with Innovate UK and academic, public and private organisations), influenced a new partnership between the innovation agencies of Mexico, Chile, Colombia and Peru. This helped secure a 4x (£1.8 million) expansion of the programme from the Newton Fund in 2017-2018 to South East Asia, India and beyond.

We launched **Everyone Makes Innovation Policy**, a small grants programme looking to test creative ways to involve the public in influencing innovation policy - from driverless cars to smart cities.

Our work on **Frugal Innovation in Europe**, commissioned by the European Commission (EC), shaped a new €5 million inducement prize on 'affordable high-tech for humanitarian aid', being launched as part of the Horizon 2020 work programme for 2018-2020.

More dynamic innovation policy that keeps pace with new technology and draws on ideas from around the world:

We launched a new €700k EU project, **Next Generation Internet (NGI)** that uses novel data sources to identify and guide EC spending towards technologies. The World Bank and the Inter-American Development Bank have used the 2016 Nesta Innovation Agencies framework to shape their work alongside many national innovation agencies, and the new European Innovation Council.

Future impact

Other things to look out for include:

Smarter innovation policy:

- a. Piloting a new approach to mapping innovation in Scotland with the Scottish Government.
- b. A major conference with the OECD on new data for innovation policy.
- c. A report on learnings from the first three years of the Innovation Growth Lab - launched at our annual conference, held in Boston in collaboration with Harvard and Massachusetts Institute of Technology (MIT).
- d. A study quantifying the impact of Accelerators and Incubators, in collaboration with the London School of Economics (LSE), Open University and Beahurst.

More inclusive innovation policy:

- e. A survey of how innovation agencies across the world measure their societal impact.
- f. A public dialogue on AI to test how the public can be better involved in decisions about innovation policy.
- g. A research project investigating how early educational interventions can increase participation in innovation in later life.

More dynamic innovation policy:

- h. We will build our portfolio of work on 'anticipatory regulation', with research on regulatory testbeds.
- i. We will develop an approach for more systematic horizon scanning of new innovation methods.

Creative Economy, Arts and Culture

Current impact - in addition to the highlights set out on pages 6 to 8

We published an analysis of gender balance in film with the British Film Institute.

Nesta contributed to *The Mendoza Review*, outlining key recommendations for how government can support the museums sector in England.

Nesta was part of the core CIC team that drafted the Creative Industries Sector Deal. Nesta was the architect of the R&D Working Group, announced in the Deal.

Future impact

We aim to show how the creative economy contributes to UK prosperity:

- a. Ensuring that R&D policy better recognises and meets the needs of the creative industries.
- b. Becoming the world's leading centre for quantitative research on the creative economy.

Government Innovation

Current impact - in addition to the highlights set out on pages 6 to 8

As part of our **DECODE programme** (funded by the European Commission), we published a report on the future of the personal data economy. It received over 3,000 page views and was covered by the *Financial Times*, *The Guardian* and *The Times*, at over 40 events across Europe.

Working with the Local Government Authority, we created an online tool, enabling councils to assess their capacity for data innovation. 180 people attended our **local government data** conference in May.

Nesta continued to establish itself as a leading authority on **Digital Social Innovation** and 'tech for good', building a pan-European network of practitioners and publishing well-received research.

We were invited by the *Financial Times* to support the curation of a series on **People's Technology**, published in October 2017.

The Alliance for Useful Evidence has increased the capability of government policymakers and civil society leaders to find and use evidence

in decision-making, through the delivery of 20 practical one-day Evidence Masterclass workshops. The Alliance also convened the leaders of more than 20 UK professional bodies, and obtained their commitment to the use of evidence in their organisations, by signing a 'Declaration on Evidence'. It continued to champion the What Works movement - holding a What Works Network open day with the Cabinet Office.

Nesta in Scotland has now concluded a Memorandum of Understanding with the Scottish Government, outlining shared activities and programmes. This has added to continuing activities through the Alliance for Useful Evidence with new programmes of work with the Scottish NHS, on applications of collective intelligence to the labour market as part of the Edinburgh City Region Deal, and work with the Scottish Government on both a grants programme promoting the collaborative economy for good, and an economic mapping project using novel data sources.

Future impact

Our future government innovation research work will focus on generating new ideas and spreading best practice in three core areas:

Data and AI

- a. Exploring the possibilities around government use of AI, we will launch a self-assessment tool to help public sector practitioners.
- b. We will publish guides on running public sector data analytics projects and digital public service transformation.

New operating models for public services

- c. We will publish a report that explores the use and potential effectiveness of radically different operating models for delivering public services and addressing social needs.
- d. We will conduct research and help design a pilot with the Greater London Authority to test the viability of new community investment models to support local services and infrastructure.

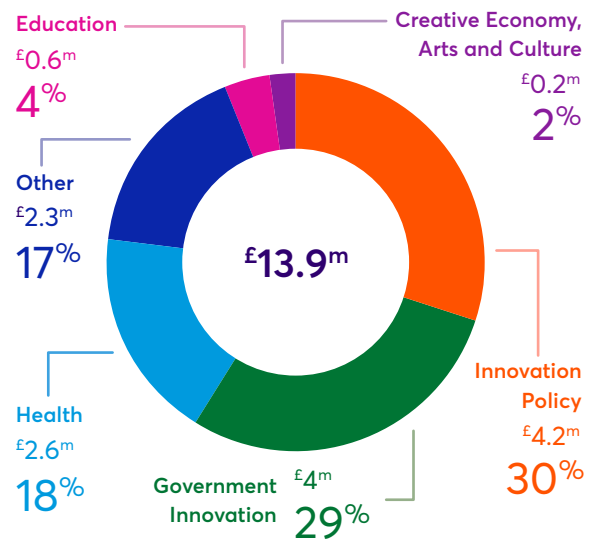
Tech for good

- e. Furthering our work on Digital Social Innovation (DSI), we will provide insight into the factors that create ecosystems conducive to the growth of DSI.
- f. The Alliance for Useful Evidence will continue to incubate the What Works Centre for Children's Social Care. The Centre will launch in summer 2018 as a hub for up-to-date, robust evidence on effective practice for social care professionals, with the aim of improving outcomes for children and families in England.
- g. The Alliance for Useful Evidence will publish its report mapping the 18 standards of evidence in use in UK Social Policy, with a view to reaching one unified framework.

Innovation Programmes

With a combination of finance and support we have worked with over 70 organisations throughout the year. We use a range of financial instruments and incentives to stimulate ideas or grow promising solutions - loans, prizes, match crowdfunding and grants, combining this with non-financial support in the form of R&D, expertise on evidence and evaluation, networks and potential partners. We partner with businesses, government departments and civil society to achieve our goals.

Actual programme expenditure 2017-2018



Innovation Programmes programme expenditure by field of work:

Education

Current impact - in addition to the highlights set out on pages 6 to 8

We incubated **Rocket Fund** (part funded by BEIS), a crowdfunding platform for schools, benefitting 26,700 school children by enabling 100 schools to raise £131,000 from 3,200 donors.

We partnered on **EDUCATE** a collaboration with University College London’s Institute of Education, British Education Suppliers Association (BESA) and F6S, and match funded by the European Regional Development Fund, which connects edtech companies with leading education researchers. Companies use research evidence to inform the design of their products and test

their impact. To date, six cohorts, engaging 70 businesses have participated.

Click Connect Learn supported three tutoring charities to pilot online volunteer tutoring models for disadvantaged students in more than 40 new schools. Such models have demonstrated huge potential, although challenges remain with the use of technology in schools and the pipeline of suitable volunteers.

Not everything worked as we’d hoped as Rocket Fund is still exploring sustainable business models.

Future impact

We will:

- a. Influence policy and practice on key skills needed for the future workplace, such as creativity, problem-solving, resilience, innovation ability and collaboration.
- b. Work with educators and businesses, to help build the evidence base on what works, identify and support interventions that develop and assess skills.
- c. Share best practices around what good help in education looks like, and funding practical interventions.
- d. Map interventions aimed at encouraging school-age children to become innovators and reviewing the evidence base. Run a programme to increase the participation of under-represented groups in innovation.
- e. Improve outcomes for young people through better access to evidence-driven education technology, including scaling Rocket Fund to over 200 schools.
- f. Explore artificial intelligence in education and how education can be personalised and made relevant for young people.

Government Innovation

Current impact - in addition to the highlights set out on pages 6 to 8

The **ShareLab Fund** supported eight projects that use collaborative digital platforms to help communities address social issues together. These included Hearts Milkbank, an award-winning app that enables the sharing of surplus breastmilk; and Beam, a crowdfunding site that enables donors to fund back-to-work training for homeless individuals.

A £2 million **Rethinking Parks** grant programme (funded by the Big Lottery Fund and the Heritage Lottery Fund) was launched, receiving high quality ideas for trialling new business models and technologies to make public parks more financially sustainable.

We launched our **Early Years Social Action Fund** and **Savers Support Fund** (funded by DCMS), awarding over £2 million to scale ten great ideas. We also launched the £3 million **Connected Communities Innovation Fund** (funded by DCMS) to mobilise the time and talents of people, particularly those aged 50+, alongside public services.

The **Inclusive Economy Partnership** (for DCMS and the Cabinet Office) - a model of cross-sector collaboration designed to reduce inequality and improve the lives of low- and middle-income families - now involves 100 businesses, and has awarded grants to 18 social innovators in financial inclusion, mental health in the workplace and transitions to work for young people.

Future impact

We will:

- a. Make social action easy to commission at a local level.
- b. Double the number of Offices of Data Analytics operating in the UK (from the current five) to help city-wide data analytics initiatives.
- c. Establish a public sector innovation test bed in at least one new city region to enable place-based interventions.
- d. Issue loans to the first Innovate to Save cohort and support them to scale and implement their interventions. A second cycle will run from September 2018, generating a further eight projects to improve Welsh public services and generate cashable savings.

Creative Economy, Arts and Culture

Current impact - in addition to the highlights set out on pages 6 to 8

We published **Experimental Culture**, serving as a prompt for Arts Council England's consultation activity, provoking a conversation with arts and cultural organisations about the changing context for their work.

We continued work on our **Digital Arts & Culture Accelerator** with Arts Council England, commissioning research on the potential investment landscape for ventures within arts and culture organisations.

Future impact

By 2021 we want to help hundreds of arts and cultural organisations to innovate and grow by developing and testing new funding models, and to use emerging digital technologies to create new artforms and reach new audiences.

We will work with Arts Council Wales to develop a programme focusing on arts organisations delivering health benefits, with a view to

catalysing social prescribing of arts and culture interventions to effect positive health outcomes, likely focused around mental health.

We will continue developing a programme to boost the impact of digital arts organisations and explore potential new business models, whilst connecting them to appropriate capital to scale.

Health Lab

Nesta's Health work has continued to seek better ways for people to be healthier and happier - by becoming more involved in, motivated and knowledgeable about their health, and by using new digital tools that generate new data. Our

work combines direct change on the ground with thought leadership and new innovation techniques. Together it helps to create a more people-powered and knowledge-driven future for health, care and wellbeing.

Current impact - in addition to the highlights set out on pages 6 to 8

In digital health, our focus this year has been exploring the potential impact of artificial intelligence on health from the perspective of citizens and health professionals.

We continued to advocate for people-powered and knowledge-driven approaches to health and wellbeing - advising NHS England on personalisation and the WISH Foundation on design and health.

We built on our convening work to make the case for people-powered health. The second of our annual Future of People Powered Health events had 370 delegates and over 300 livestreams; and we spoke at the Transform Conference hosted by The Mayo Clinic in the United States.

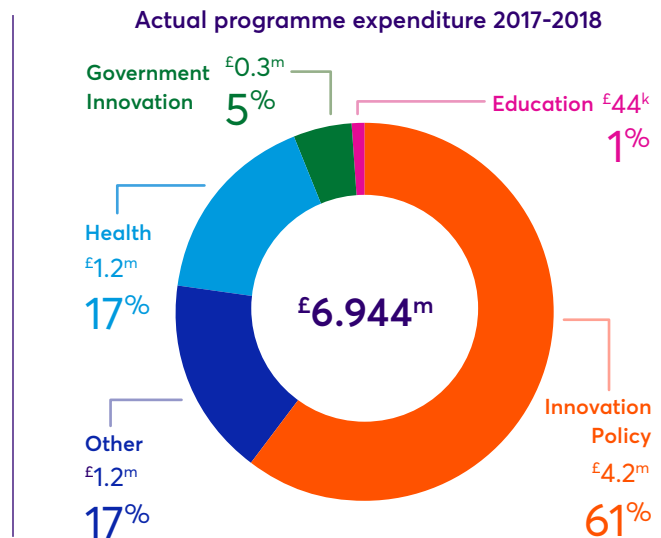
Future impact

By 2021 we will have:

- a. Nurtured and grown effective sources of support to improve people's health and wellbeing, such as peer support, and contributed to these approaches reaching millions of people through mainstream adoption.
- b. Created new pools of data collected by people, with many millions of data points, that improve day-to-day management of health, inform clinical decision-making and drive new research.
- c. Used the 100-day innovation method to transform at least 40 local health and care systems at pace.

Challenge Prizes

The Challenge Prize Centre continued to expand its world-leading status in challenge-driven innovation.



Challenge Prize Centre programme expenditure by field of work:

Current impact - in addition to the highlights set out on pages 6 to 8

The **Longitude Prize**, which tackles the devastating rise of drug resistant infection, switched its focus from recruiting new teams to identifying high-potential teams and supporting them to speed up their projects so that they are ready to apply to win the prize.

Marking the introduction of open banking in the UK, the **Open Up Challenge** backed 20 financial technology companies, providing access to a groundbreaking business banking data sandbox. Teams developed innovative products and services that use open banking to transform how the UK's 5.7 million SMEs manage their finances and to increase competition in key banking products.

The **Inventor Prize** yielded 180 applicants and ten finalists were selected to develop their inventions which ranged from carbon neutral building materials to infant prosthetics and ergonomic door handles.

The **Data Driven Farming** prize, developed with Feed the Future and USAID, supported 13 promising prototype solutions to improve the decision-making of farmers in Nepal.

The **Longitude Explorer Prize**, in conjunction with IBM, engaged young people as digital social entrepreneurs. The winner was a prototype that helps people with Autistic Spectrum Disorder to communicate.

The **EU Social Innovation Competition** attracted 788 social entrepreneurs from across Europe in tackling inequality.

We ended the financial year with the **Challenges of our Era Summit** in Milan. In partnership with the United Nations Development Programme (UNDP), we brought a community of problem-solvers together to brainstorm future prizes around health, data and food security.

Future impact

We will move closer to a solution to the Longitude Prize. A further ambition is to focus attention on another major killer with the development of prizes to improve access to safe surgery in low-income settings.

We continue prizes work in community and international development – in tackling the rise of crop killing pests in Africa and a new European Social Innovation Competition for place-based innovation for young people. We are looking forward

to working with the Canadian Government on challenge prizes to find innovation that can improve infrastructure for indigenous peoples, limit the opioid epidemic and enable whale conservation.

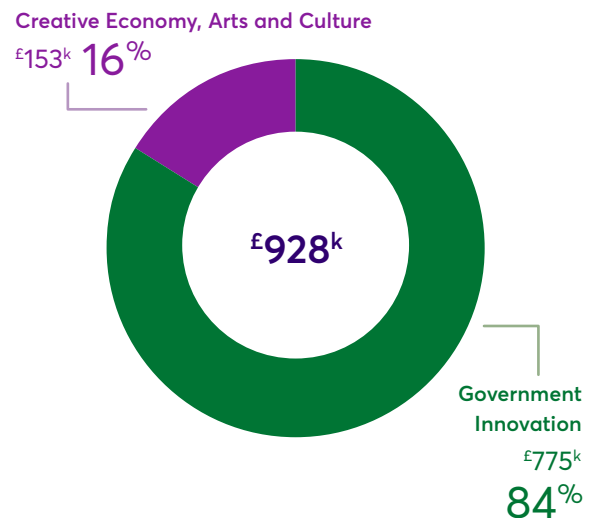
Flying High will further establish the role of prizes in shaping and enabling the introduction of new frontier technologies. In this case, it encourages cities to shape the introduction of drones to urban environments, by identifying challenges that can be solved by drones.

Innovation Skills

We support people to develop their innovation knowledge and skills. We do this through three different stages:

- a. Raising awareness: understanding the benefits of innovation.
- b. Making it happen: learning how to adopt new methods and approaches.
- c. Spreading skills: building innovation skills more widely across teams, organisations, sectors or regions.

Actual programme expenditure 2017-2018



Innovation Skills programme expenditure by field of work:

Creative Economy, Arts and Culture

Current impact - in addition to the highlights set out on pages 6 to 8

Nesta's **Creative Enterprise Programme**, a three-day capacity-building workshop for creative entrepreneurs run in partnership with the British Council, continued to grow during 2017-2018. We ran 27 programmes across four continents in countries including Chile, Vietnam, Jordan, Ukraine and Nigeria, helping around 550 creative entrepreneurs to develop their businesses.

We entered into a new partnership with the British Council and Hivos to explore a learning offer specifically for creative hubs. Nesta kicked this off by running workshops and carrying out interviews with over 60 creative hubs from across South East Asia and Africa, to understand their learning needs.

Future impact

In 2018-2019 the Creative Enterprise Programme will begin working in new countries including Turkey, Colombia, Sri Lanka and Kazakhstan.

For the creative hubs specific work, we'll be co-developing learning offers with the hubs community and piloting them during 2018-2019 before rolling them out in 2019-2020.

Government Innovation

Current impact - in addition to the highlights set out on pages 6 to 8

The Innovation Skills team continued to help governments develop their innovation skills and improve outcomes for citizens.

We supported the **Portuguese** national innovation lab, Lab X, with its strategy and approach. We collaborated with **Colombia's** innovation team in the National Department of Planning to build their innovation capacity and develop a new public innovation strategy. Once again, we worked with **Chile's** national lab, Laboratorio de Gobierno, to evaluate its capacity building programme for civil servants and shared lessons learned.

We developed a **competency framework** which is being used by innovation teams across the

world, demonstrating the key skills, attitudes and behaviours that public sector innovators combine in order to successfully solve public problems.

One project that didn't achieve the impact we were hoping for was DIY Learn, our online learning programme in innovation, developed in partnership with the Open University. After 20 months, we had enrolled 1,109 learners and had 24,000 hits on the website. This is short of our target of reaching 50,000 learners within two years. We attribute this to low audience awareness. However, 96 per cent of the learners surveyed said that the module(s) they'd completed had met or exceeded their expectations.

Future impact

Through the States of Change learning programme, we will be continuing our work with the Victoria State and Canadian governments and will launch new chapters with other governments.

We will create collaborative R&D projects that explore and test what works in public

innovation. This will include topics such as impact assessment, organisational readiness and experimental culture.

We'll launch an online hub for States of Change to raise awareness and inspire action by sharing stories and practical experiences from public innovators across the world.

Nesta Impact Investments

Nesta has used investment to support innovation for nearly 20 years. We seek positive financial and social returns by investing in innovative

approaches and technologies that tackle major challenges across Nesta's priority themes.

Impact investments

Current impact - in addition to the highlights set out on pages 6 to 8

We made our approach to understanding and optimising social impact more rigorous. We published our first *Impact Investments Annual Report*, recording how we are delivering against our new Theory of Change. This work has led us to refine and extend our social impact evaluation framework.

We opened up our fund to external scrutiny for the first time by commissioning ITAD to undertake an impact strategy audit of the fund. While there were many positive messages from the report, including our responsive Theory of Change-based approach, there were also many lessons for us. In particular developing an exit strategy for impact, considering the unintended impacts of our investments and making the application and updating of our tools more systematic will be our priorities for the next year.

Education

In July 2017 we invested £850k in Sumdog, as part of a £1.4 million round. Sumdog is an adaptive platform that uses 'gamified learning' to improve students' results in Maths and English.

Health

The Reconnections Social Impact Bond saw the benefits of its revised operational model, with improvements in loneliness scores and improving financial performance.

Communities

We invested £150k in HR platform Applied alongside behavioural science and recruitment experts, and Public.io. This has enabled the business to further develop its product offering and grow its revenues.

A follow-on investment was made into Crowdfunder, as well as a new investment into Citymart Inc, a company offering an innovative public commissioning platform to local government bodies.

Future impact

- a. We will increase our focus on the potential for profitable exits from our impact investments.
- b. We will support our portfolio with follow-on investment, impact measurement, strategy assistance and governance.
- c. We will publish the first publicly-available impact audit of an impact investment fund.

Venture investments

Current impact - in addition to the highlights set out on pages 6 to 8

Prior to 2012 our investment focus was on supporting early-stage technology businesses, many of which we continue to work with in our venture portfolio. Highlights from this activity include:

- a. Follow-on investments were made into Featurespace and Probe Scientific.
- b. Realisations were made from Cobalt Light Systems, Plaxica, Haemostatix and Quotient from our venture portfolio, as well as Seedcamp, Pentech II and IP Group Venture Fund from our venture funds portfolio.

Future impact

- a. We will continue to manage Nesta's technology venture investment portfolio with increasing focus upon profitable exits, enabling reinvestment into charitable activities.

The Creative Economy, Arts and Culture

Current impact - in addition to the highlights set out on pages 6 to 8

The Arts Impact Fund (AIF) is a £7 million pilot social impact fund, set up to prove the case for investing in arts and culture to achieve social and artistic outcomes. 2018 saw the close of the fund and full commitment of the loan facility across different artforms in a varied portfolio of enterprising arts and culture organisations.

- a. Ninety per cent of the portfolio has used the loan to **improve revenues** – either through income diversification or profitability – and in 50 per cent of cases, it has been used to **expand the balance sheet**.
- b. Investment from Nesta has been used to **achieve a wide range of social outcomes** – from helping young people to develop their literacy through encouraging creative writing skills, to reducing falls amongst the over 65s.
- c. We launched a report quantifying growing **demand for repayable finance** in the arts and cultural sector, which we believe is the first of its kind.

Future impact

- a. Nesta is currently working with stakeholders to open two additional funds, offering flexible impact loans of between £25k-£1.5 million respectively.
- b. We continue to manage the Arts Impact Fund portfolio and are convening a portfolio day to encourage learning and knowledge-sharing across portfolio organisations.
- c. We are also investigating ways to encourage more investment from high-net-worth individuals and institutions into financial resilience and innovative business models within arts and culture organisations.

Communications

Achieving communications impact for Nesta involves reaching the right target audience, and using the most effective content and messaging. Delivering on both of these elements ensures that

we create the desired outcomes, which might vary from changing attitudes or behaviours, to spreading innovation methods or pushing an issue up the policy agenda.

Current impact - in addition to the highlights set out on pages 6 to 8

We re-launched Nesta's **website** on a new open source CMS platform. The website was completely redesigned to showcase our new brand, and the new information architecture was developed in response to user feedback requesting a more explicit focus on Nesta's key priorities. We also introduced new and improved formats for interactive features such as data visualisations and long-form research output.

Nesta's website received 1.6 million visits (sessions) in 2017-2018, and our Nesta Twitter following grew by 10,000 people.

We published the seventh in our series of **annual predictions**, with thoughts on the trends set to shape our world over the coming months. A key theme of this year's predictions was the potential impact of artificial intelligence on everything from healthcare to artistic practice. This year's list was read by 34,000 people on our website, and media coverage included BBC World Service, the *New Statesman*, *The Independent*, *The*

Sun, *The Huffington Post* and a range of regional BBC radio broadcasts.

We ran 87 **events** and saw a 25 per cent increase in the number of people attending a Nesta event compared to the previous year. Particular highlights were big hitter events that showcased our health and education work respectively, the Innovation Growth Lab conference in Barcelona, the Challenges of our Era event in Milan and a series of events at Ouishare Fest in Paris.

We brought greater coherency to Nesta's outward facing messaging, publishing a **series of brochures** setting out Nesta's work in each of our priority fields.

Finally, we generated 2,163 items of media coverage across the year, across national broadcast and print, specialist media and trades. This was an increase on our 2016-2017 figure of 1,770. We also started working with **BBC Ideas**, a new platform for short-form content with inspiring videos for the incurably curious.

Future impact

- a. The fourth edition of **FutureFest 2018** took place in July 2018 - a two-day festival designed to engage the public in shaping a better future.
- b. We'll run our fourth **New Radicals** campaign with *The Observer*, which champions the UK's unsung social entrepreneurs and innovators who are using their technical expertise, community influence, scientific prowess and artistic bravery for social good.
- c. We'll be piloting new ways of engaging audiences through a new series of **podcasts** and we'll also increase our production of **videos**.
- d. We'll continue to develop our new **website**, focusing on new and better ways to showcase our research and programmes output.
- e. We'll celebrate **20 years of Nesta** through a series of internal and external events and campaigns.

3. 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), five companies and three limited liability partnerships.

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, Nesta Partners Limited, Nesta Investment Management LLP, NII2 Special Partner LLP, and Nesta Arts Impact LLP. 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 and the joint venture in Behavioural Insights Limited.

Nesta's Trustees have agreed funding for the three years to 31 March 2020, allowing Nesta to draw down £42-45 million for operating expenditure (adjusted in part for inflation) in support of its strategic plan plus an amount of £12 million for programme related investments. An amount up to £10 million may be drawn for strategically aligned impact investments, to be funded beyond 31 March 2020 to the extent not drawn down by that date.

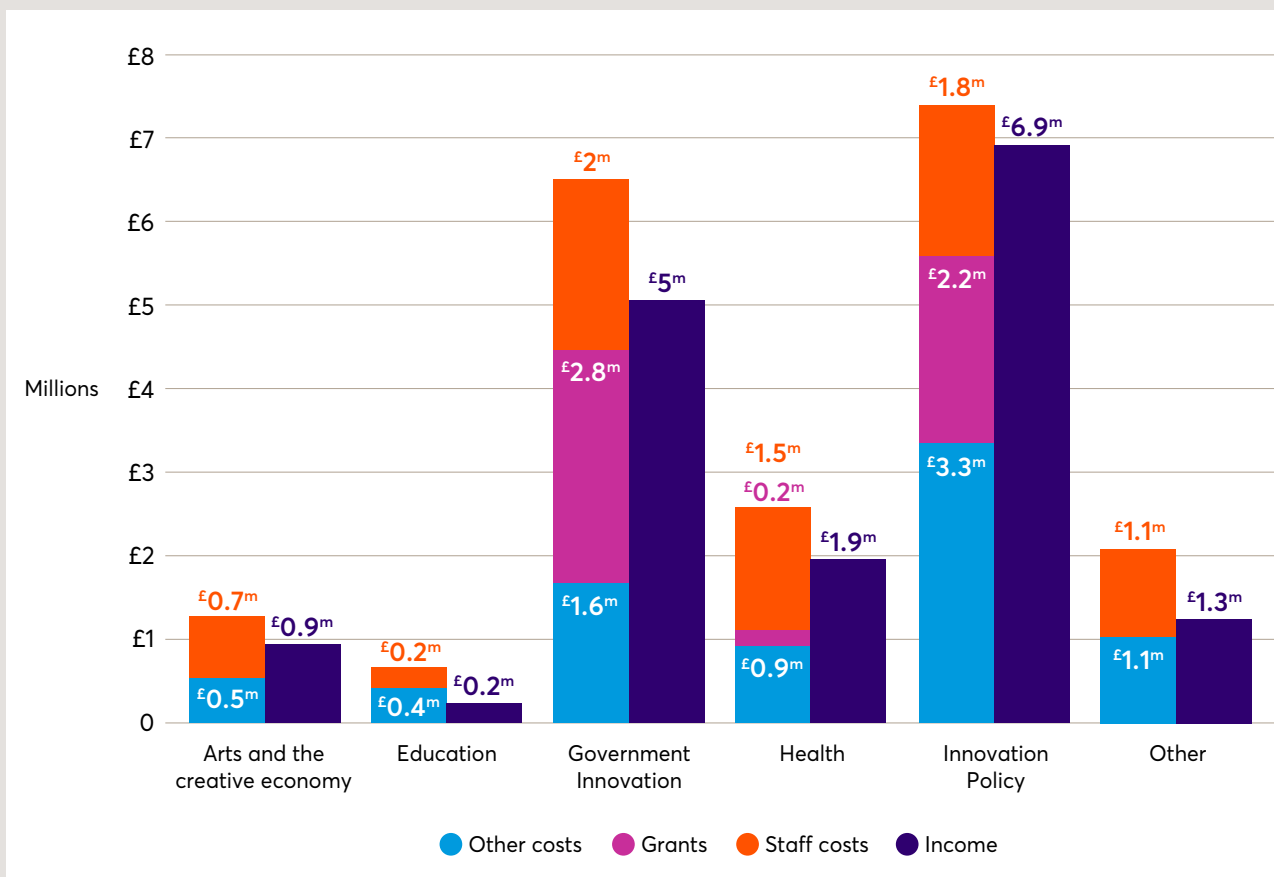
Nesta Trust provided funding to Nesta of £9.1 million (2017: £19.4 million) to carry out the Trust's charitable objectives which was significantly lower than last year due to the availability of unrestricted cash held at 31 March 2017. Of this, £7 million (2017: £17.2 million) was applied to charitable operating activities and £2.1 million (2017: £2.2 million) against Nesta's commitment to the Impact Investment Fund and other programme-related investments. £6.7 million (2017: £4.6 million) has already 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 income it generates during the year.

In addition to funding from the Nesta Trust, the Nesta Board of Trustees set income targets for Nesta's Executive team. Income of £16.6 million (2017: £20.5 million) was recognised in addition to the £0.4 million (2017: £0.5 million) of investment income from Nesta Trust. 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 £2.9 million (2017: £1.4 million).

Programme expenditure was £14.3 million for the year (2017: £21.7 million) which is shown by strategic theme below, together with associated external income:

Programme income and expenditure for Nesta's strategic themes



Total Group expenditure for the year was £32.2 million (2017: £33.4 million). Expenditure on charitable activities was £25.3 million (2017: £30.9 million) and £1.7 million (2017: £1.6 million) was spent on managing the endowment assets held by the Trust and impact investment funds held by Nesta. In addition £5.2 million (2017: £0.8 million) was spent on Nesta Enterprises trading activities. Grant commitment expenditure for the year was £3.6 million (2017: £11.1 million). Grant recipients of over £50,000 are detailed in Note 7b.

Support costs of £9 million (2017: £9 million) relate to Communications and Corporate Services activities and are allocated to programme areas as shown in Note 7a.

Unrestricted funds reduced by £2.6 million (2017: surplus of £5.3 million) during the year to £5.7 million at 31 March 2018 (31 March 2017 £8.3 million) as shown in the Statement of Financial Activities. At 31 March 2018 the reserves of the expendable endowment stood at £420.8 million (2017: £418.5 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.

Investment review

The assets of the Trust provide income and capital to be applied by Nesta as sole Trustee to further the objects of the Nesta Trust. 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 invest responsibly and to balance risk, return and capital preservation.

At 31 March 2018 the value of Trust investments and cash increased by £4 million to £421 million (2017: £417 million), after annual transfers to Nesta to carry out the objectives of the Trust in line with the Trust Deed. The increase included the sale of global equities of £9 million and purchase of bonds of £12 million. The asset values and relative allocation at 31 March 2018 compared with the previous year are as follows:

Asset class	Market value of investment assets 31 March 2018 £'000	Proportion of total endowment assets 31 March 2018 %	Market value of investment assets 31 March 2017 £'000	Proportion of total endowment assets 31 March 2017 %
Current assets:				
Cash	6,507	2	12,132	3
Fixed asset investments:				
Private equity funds	9,699	2	14,484	3
Global equities	228,405	54	226,073	54
High yield bonds (fixed income)	99,672	24	85,562	21
Early-stage venture portfolio*	19,866	5	24,973	6
Deferred investment and loans in early-stage companies*	-	-	2	-
Investment property**	56,500	13	54,103	13
Total	420,649	100	417,329	100

*Mixed motive investments – see Note 10 of the accounts for further breakdown

** Investment property value shown in the table above is the value held by the Trust before consolidation adjustments.

Strategic review.

During the year, the Trustees of Nesta 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.

Global equities represent 54 per cent of endowment assets. At the start of the year the holding stood at £226 million, however, due to market conditions this only increased to £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 January 2016.

Managing holdings of alternative asset classes.

Drawdowns against the Trust's commitment to two private equity secondary funds continued during the year, with additions of £0.2 million (2017: £0.9 million) and capital returns received of £5.6 million (2017: £5.4 million). It is expected that these two funds will continue to be drawn down over the next two years. £5.9 million of financial commitments were outstanding for this asset class is disclosed at Note 10 to these financial statements.

Maximising value from our self-managed venture portfolio.

The early-stage venture portfolio includes equity and loan investments in nineteen (2017: nineteen) early-stage companies, and commitments to five (2017: 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 £0.2 million (2017: £0.6 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 £2.5 million (2017: £1.5 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 £1.4 million (2017: £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, in accordance with normal practice these fees are grossed up and shown as fund manager fee expenditure in the Statement of Financial Activities, along with those fund manager fees that are invoiced and paid for in cash.

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 is delegated to the Trust Investment Committee of the Board which is responsible for strategic and tactical asset allocation, rebalancing and weighting within asset classes, as well as monitoring manager, consultancy and custodial arrangements.

Nesta holds the investment assets of the Trust without distinction between capital and income, applying them in furtherance of the Trust's objects. These investment assets are held as an expendable endowment.

Trust assets are invested in accordance with the wide investment powers set out in the Trust Deed, which places specific conditions on Nesta's power to invest:

- 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 income to support the work of Nesta in advancing the charitable objects of the Trust;
- Ensuring sufficient liquidity to avoid the forced sale of Trust assets at distressed prices, while ensuring that the majority of the assets are invested in higher returning investment instruments;
- Maintaining if possible the value of investments in real terms;
- Delivering these objectives within acceptable levels of risk.

To meet these objectives Nesta invests globally and maintains diversification across a range of asset classes in order to produce an appropriate balance between risk and return, believing that diversification can limit the impact of any single risk.

Nesta believes that responsible investment is important and can enhance long-term portfolio performance.

During the year an explicit process began of incorporating a more responsible approach to investment. This has involved:

- a. Some limited exclusion of stocks where Nesta objects on moral grounds to the activity of the company in question.
- b. An explicit programme to monitor fund managers' incorporation of environmental, social and governance (ESG) factors and their practice of active ownership.
- c. Adoption of the Hermes Equity Ownership Service for our index investments.
- d. Continuing support for impact and venture capital investments.
- e. 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. So for example, it is possible that Nesta has private equity holdings that do not fully accord with its responsible investment policies. These will be run down over time.

Programme-related investments and grantmaking policy

Nesta achieves its charitable objects, and the objects of the Nesta Trust, in a number of ways which include providing investment, grant making, providing non-financial support, and carrying out research. Support is provided 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 also aspire 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, 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 the appropriate method of delivery will be determined 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 where open calls are invited. Applications are then assessed against these criteria and awards made taking into account availability of funds, 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 44 to 45, 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.

At 31 March 2018 the reserves of the Group stood at £445.2 million (2017: £439.6 million). Nesta Trust provided funding to fulfil its charitable objectives, through activities carried out by Nesta, totalling £9.1 million (2017: £19.4 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.

Restricted cash reserves are not used to fund Nesta's general operating costs and are held on its balance sheet until required to fund specific programme expenditure.

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

Principal risks and uncertainties

The Trustees are responsible for the management of risks within the Nesta Group and consider risk in two areas – organisational risk and activity risk.

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. The top-level organisational risk register is presented bi-annually to the Finance and Audit Committee and reviewed by the Board annually. Broader strategic risks including reputational risks are considered by the Executive Team collectively when they meet each quarter to review the top-level register for the organisation as a whole.

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 help people and organisations bring great ideas to life requires it to have an element of risk-taking in its activities if it is to succeed, as the mission requires experimentation.

Accordingly the risk appetite is for 'managed risk-taking' rather than simple 'risk aversion'. This includes the recognition 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. Significant risks identified in the normal course of business are discussed by the Executive Team in their monthly meetings.

Trustees are satisfied that the major risks identified through the risk management processes are being adequately managed where necessary while 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 leads to fragmentation of effort and loss of influence.
- One or more projects or partners 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 a number of 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 Nesta 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 private benefit is incidental to the furtherance of those purposes. The potential for private 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 the furtherance of 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 20.

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 and with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta and to 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 (OSCR). Its Trustees are both directors and members of the company. For more information on the group structure and subsidiaries please see page 54.

Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. Trustees at the date of this Annual Report are listed on page 63. Sir John Gieve is Chair of the Board, which met six times in the year with members of the Executive Team also 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 including previously in accordance with the *Good Governance - A Code for the Voluntary and Community Sector* and from July 2017 in accordance with the *Charity Governance Code*. The Board observes all seven principle 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 the Executive Director of each of its main areas of activity, each of whom report to the Chief Executive. A full list is given on page 64.

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. Each Board Committee has written Terms of Reference approved by the Board and reports to the Board at each Board meeting. A list of Trustee members of each of the Board Committees is provided on page 63.

The main Board Committees are as follows:

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 with monitoring 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 the assets of the Nesta Trust, to approve the making of 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 six times during the year.

People Committee (created in this financial year, formerly the Remuneration and Nomination Committees) 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 appointments to other committees. As a new Committee created at the end of 2017, the Committee met once during the year in early 2018, determining an annual pay review.

Thematic Committees (created in this financial year) 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 to support the executive teams in using their resources in the most effective way. The Trustee members of these committees also have delegated authority for certain income and expenditure decisions on behalf of the Board in respect of their relevant thematic areas. As the new committees were created at the end of 2017, each of these committees met once during 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 from the review was to seek greater clarity on what success looks like and how

impact is measured in each of the priority fields. This led to the creation of the five new 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.

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 2017-2018 and has 193 FTE as at 31 March 2018 (March 2017: 186 FTE, March 2016: 177 FTE).

During 2017 the People team focused on four key areas: Pay and Reward, Organisational Development, Internal Communication and ensuring that HR provide a service that is 'valued and value for money'. We are proud to have pledged commitment for 'time to change' and invested in training over 30 Mental Health First Aiders along with wider health and wellbeing initiatives.

In 2017-2018 the People team successfully delivered on a number of transformational projects, from introducing a People system; radically changing our recruitment methods and utilising blind shortlisting for all roles; gaining external accreditations to demonstrate our commitment to diversity and inclusion; undertaking a full review of our financial and non-financial employee benefits and launching a new benefits platform, and agreed proposals for a new pay and reward system. The ongoing aim of these and other projects is to bring innovation to the way in which we recruit, retain, reward and develop our people; making Nesta a truly great place to work.

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, we are once again detailing our approach to pay; explaining how our pay levels are defined, publishing the ratio of pay dispersion; 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 will meet at least twice a year.

Nesta is proud to be an Accredited Living Wage employer. The ratio between our highest and mean based salaries in 2018 is 3.14:1 (2017 is 3.16:1, 2015: 3.25:1). The Executive salaries are disclosed in Note 8c of these financial statements. 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 1.75 per cent was made in April 2017 (April 2016: 2 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, the Annual Report and the 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

Insofar as the Trustees are aware, as 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 the Strategic Report are approved by the Board of Trustees and authorised for issue on 20th September 2018, 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 2018 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 2018 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; and
- 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 twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report and Accounts, 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 Trustees' 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; or
- The Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities, 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:

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: 2 October 2018

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 2018

	Notes to the accounts	Unrestricted funds 2018 £'000	Restricted funds 2018 £'000	Expendable endowment 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
Income and endowments from:						
Investment income	2	175	-	180	355	540
Charitable activities	3	3,197	13,410	-	16,607	20,501
Other trading activities	4	3,518	3,569	-	7,087	3,282
Other income	5	4,828	-	-	4,828	3,742
Total income		11,718	16,979	180	28,877	28,065
Less share of joint ventures' turnover		(4,221)	-	-	(4,221)	(3,157)
Total group income		7,497	16,979	180	24,656	24,908
Expenditure on:						
Raising funds						
Trading operations		1,676	3,569	-	5,245	807
Investment management costs	6	256	-	1,403	1,659	1,594
Total expenditure on raising funds		1,932	3,569	1,403	6,904	2,401
Charitable activities						
Policy and Research	7	5,163	2,698	96	7,957	6,203
Programmes	7	7,545	6,577	172	14,294	21,722
Investment (early-stage and social impact) management	7	1,542	-	19	1,561	1,064
Skills	7	1,412	62	18	1,492	1,220
FutureFest	7	21	-	-	21	755
Total expenditure on charitable activities		15,683	9,337	305	25,325	30,964
Total expenditure		17,615	12,906	1,708	32,229	33,365
Net gains on investments	10	-	-	13,540	13,540	62,378
Net income/(expenditure)		(10,118)	4,073	12,012	5,967	53,921
Net interest in joint venture		262	-	-	262	145
Transfers between funds		7,258	1,832	(9,090)	-	-
Net income/(expenditure) before other recognised gains and losses		(2,598)	5,905	2,922	6,229	54,066
Other recognised gains/(losses)						
Foreign exchange (losses)/gains		-	-	(624)	(624)	632
Net movement in funds for the year		(2,598)	5,905	2,298	5,605	54,698
Reconciliation of funds						
Total funds brought forward		8,269	12,838	418,476	439,583	384,885
Total funds carried forward		5,671	18,743	420,774	445,188	439,583

A summary income and expenditure account is presented in Note 17 in compliance with the Companies Act 2006.

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 36 to 62 form parts of these financial statements.

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 2018

Company Number: 07706036

	Notes to the accounts	Group 2018 £'000	Parent Charity 2018 £'000	Group 2017 £'000	Parent Charity 2017 £'000
Fixed assets					
Tangible assets	9	26,608	743	26,651	546
Investments:					
Investments – quoted and unquoted	10	386,628	-	378,851	-
Programme-related investments	11a	6,690	7,690	4,960	5,460
Programme-related investment in joint venture – share of gross assets/costs	11b	1,181	30	919	30
Arts Impact Investments	11c	3,199	-	831	-
Total Fixed assets		424,306	8,463	412,212	6,036
Current assets					
Debtors	12	13,830	13,777	7,305	6,960
Bank and cash		23,812	14,487	35,376	21,099
Total current assets		37,642	28,264	42,681	28,059
Current liabilities					
Creditors: amounts due within one year	13	(10,491)	(12,184)	(9,919)	(9,449)
Net current assets/(liabilities)		27,151	16,080	32,762	18,610
Total assets less current liabilities		451,457	24,543	444,974	24,646
Creditors: amounts due after one year	13	(6,269)	(2,960)	(5,391)	(3,971)
Net Assets		445,188	21,583	439,583	20,675
Charitable funds					
Expendable endowment funds	15a	420,774	-	418,476	-
General funds	15a	4,490	2,961	4,224	7,837
Total charitable unrestricted funds		425,264	2,961	422,700	7,837
Restricted funds	15b	18,743	18,622	12,838	12,838
Total charitable funds		444,007	21,583	435,538	20,675
Funds retained within non-charitable subsidiaries	15a	1,181	-	4,045	-
Total funds		445,188	21,583	439,583	20,675

The parent charity's net surplus for the year was £908k (2017: surplus of £11.6 million).

Total income for the year of Nesta, the parent charity, was £28,006k (2017:£41,868k); total expenditure was £27,098k (2017:£30,223k).

The notes on pages 36 to 62 form a part of these financial statements.

Approved by the Board of Trustees and authorised for issue on 20th September 2018, 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 2018

	Note	Group 2018 £'000	Group 2017 £'000
Cash flows from operating activities			
Net cash generated (used in) operating activities	(a)	(12,162)	33,685
Cash flows from investing activities			
Net cash (outflows) from investing activities	(b)	2,150	(25,643)
Cash flows from financing activities			
Net cash (outflows)/inflows from financing activities	(c)	(928)	(24,575)
Change in cash and cash equivalents in the reporting period		(10,940)	(16,533)
Cash and cash equivalents at the beginning of the reporting period		35,376	51,277
Change in cash and cash equivalents due to exchange rate movements		(624)	632
Cash and cash equivalents at the end of the reporting period		23,812	35,376
Cash flow statement notes			
a) Reconciliation of net income to net cash flow from operating activities			
Net income for the reporting period (as per consolidated statement of financial activities)		5,967	53,921
Depreciation charges		570	582
Loss on disposal of fixed assets		-	426
Net gains from investments		(13,540)	(62,378)
Impairments		1,003	1,060
Dividends, interest and rents from investments		(2,685)	(1,265)
Interest from investments		(81)	(174)
Interest paid and bank charges		19	11
Investment fees		1,659	1,594
(Increase)/decrease in debtors		(6,525)	32,073
Increase in creditors		1,451	7,835
		(12,162)	33,685
b) Cash flows from investing activities			
Dividends, interest and rents from investments		2,685	1,298
Interest from investments		81	174
Investment fees		(89)	(63)
Purchase of property, plant and equipment		(527)	(27,052)
		2,150	(25,643)
c) Cash flows from financing activities			
Interest paid and bank charges		(19)	(11)
Purchase of quoted investments		(12,439)	(70,178)
Purchase of unquoted investments		(1,166)	(29,969)
Purchase of programme-related investments		(1,597)	(1,664)
Purchase of Arts Impact Fund investments		(3,310)	(730)
Investment fees		(1,570)	(1,531)
Proceeds from sale or maturity of quoted investments		9,200	72,103
Proceeds from sale or maturity of unquoted investments		9,121	7,271
Proceeds from sale of programme-related investments		60	102
Proceeds from sale of Arts Impact Fund investments		792	32
		(928)	(24,575)

Included in cash and cash equivalents of £23,812k is a balance of £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 transfers throughout the year 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; Policy and Research; 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 by the receipt 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 annually 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.

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.

Nesta Enterprises Limited made 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 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 of fixed asset investments measured at fair value through profit or loss along with other financial assets which comprise of 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 2018 £'000	Group 2017 £'000
<i>Quoted investments:</i>		
Interest and dividends receivable	-	207
Total income from quoted investments	-	207
<i>Unquoted investments:</i>		
Interest and dividends receivable	274	159
Total income from unquoted investments	274	159
Bank interest	81	174
Total investment income	355	540

3. Income from charitable activities

	Funding from Government bodies 2018 £'000	Funding from Non-Government bodies 2018 £'000	Other charitable activity income 2018 £'000	Group total 2018 £'000	Funding from Government bodies 2017 £'000	Funding from Non-Government bodies 2017 £'000	Other charitable activity income 2017 £'000	Group total 2017 £'000
Policy and Research Programmes	886 6,332	3,755 2,945	1,413 809	6,054 10,086	216 9,885	1,076 7,796	781 291	2,073 17,972
Investment (early-stage and social impact) management	-	-	26	26	-	-	-	-
Skills	(78)	15	388	325	-	248	169	417
FutureFest	-	-	(3)	(3)	-	-	-	-
Other	-	-	119	119	-	-	39	39
Total income from charitable activities	7,140	6,715	2,752	16,607	10,101	9,120	1,280	20,501

Other charitable activity income includes income from consultancy services, monitoring and other 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 2017 is as follows: Unrestricted funds £1,648k, Restricted funds £18,826k of which £10,101k was from Government bodies shown in Note 3a.

3a. Funding from Government bodies

	Restricted Funding from Government bodies 2018 £'000	Restricted Funding from Government bodies 2017 £'000
Arts Council England	-	77
Cabinet Office	4,971	4,495
Department of Premier and Cabinet, Australia	219	-
Department for Business, Energy & Industrial Strategy	410	-
Department for Digital, Culture, Media and Sport	380	-
Department for International Development, India	(6)	-
Department of Health	-	35
Dutch Ministry of Economic Affairs	(12)	-
Foreign & Commonwealth Office	6	125
Innovate UK	500	50
Local Government Association	16	-
NHS England	-	400
The Welsh Government	656	4,919
Total restricted funding from Government bodies	7,140	10,101

4. Income from other trading activities

	Group 2018 £'000	Group 2017 £'000
Rental income	1,433	419
Income from trading	5,654	2,863
Total other income	7,087	3,282

5. Other income

	Group 2018 £'000	Group 2017 £'000
Impact fund management fees	407	440
Events and workshops fees	107	145
Returns on legacy investments	93	-
Share of income from joint ventures	4,221	3,157
Total other income	4,828	3,742

6. Investment management costs

	Group 2018 £'000	Group 2017 £'000
Investment manager fees	1,570	1,531
Custodian fees	89	19
Dilution fees	-	44
Total investment management costs	1,659	1,594

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 2018 £'000	Non-grant direct cost 2018 £'000	Allocated support costs 2018 £'000	Group total 2018 £'000	Grant- making 2017 £'000	Non-grant direct cost 2017 £'000	Allocated support costs 2017 £'000	Group total 2017 £'000
Research, Analysis and Policy Programmes	247	4,961	2,749	7,957	60	3,575	2,568	6,203
Investment (early-stage and social impact) management	3,341	5,988	4,965	14,294	11,076	5,362	5,284	21,722
Skills	9	910	642	1,561	-	616	448	1,064
FutureFest	-	835	657	1,492	-	673	547	1,220
	-	14	7	21	-	533	222	755
Total charitable activities	3,597	12,708	9,020	25,325	11,136	10,759	9,069	30,964

The 2017 breakdown between funds is shown in the following table.

	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment £'000	Total £'000
Research, Analysis and Policy Programmes	5,151	1,052	-	6,203
Investment	7,939	13,755	28	21,722
Skills	995	-	69	1,064
FutureFest	1,033	183	4	1,220
	749	-	6	755
	15,867	14,990	107	30,964

7a. Support costs

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

	Support staff costs 2018 £'000	Premises, technology and other costs 2018 £'000	Governance 2018 £'000	Group total 2018 £'000	Support staff costs 2017 £'000	Premises, technology and other costs 2017 £'000	Governance 2017 £'000	Group total 2017 £'000
Research, Analysis and Policy Programmes	1,201	1,396	152	2,749	857	1,669	42	2,568
Investment (early-stage and social impact) management	2,237	2,461	267	4,965	2,471	2,738	75	5,284
Skills	278	325	39	642	173	264	11	448
FutureFest	292	326	39	657	202	334	11	547
	3	4	-	7	93	126	3	222
Total support costs	4,011	4,512	497	9,020	3,796	5,131	142	9,069

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 2018 £'000	Charitable activity area	Programme
In2ScienceUK	250	Programmes	Connected Communities
Family Lives	250	Programmes	Early Years Social Action Innovation Fund
South London and Maudsley NHS Foundation Trust	250	Programmes	Early Years Social Action Innovation Fund
Toynbee Hall	240	Programmes	Savers Support Fund
NCT	225	Programmes	Early Years Social Action Innovation Fund
Home-Start UK	215	Programmes	Early Years Social Action Innovation Fund
Christians Against Poverty	213	Programmes	Savers Support Fund
Citizen's UK	205	Programmes	Early Years Social Action Innovation Fund
OnSide Youth Zones	201	Programmes	Savers Support Fund
Church Action on Poverty	175	Programmes	Connected Communities
Purple Shoots Business Lending Ltd	173	Programmes	Savers Support Fund
Your Own Place CIC	168	Programmes	Savers Support Fund
City Year	150	Programmes	Growth and Sustaining Fund
Smart Works Charity	135	Programmes	Growth and Sustaining Fund
Bocconi University	70	Research, Analysis and Policy	Innovation Growth Lab
Universität Kassel	70	Research, Analysis and Policy	Innovation Growth Lab
University of Bologna	50	Research, Analysis and Policy	Innovation Growth Lab
Grants below £50,000 (number of grants to institutions 72)	1,193		
Grants to individuals (1)	5		
Grants cancelled in the year	(641)		
Total grants to institutions	3,597		

Grants committed in 2017

Recipient	Grants to institutions 2017 £'000	Charitable activity area	Programme
British Lung Foundation	958	Programme	Accelerating Ideas
The Stroke Association	832	Programme	Accelerating Ideas
British Red Cross	825	Programme	Accelerating Ideas
GoodGym	819	Programme	Accelerating Ideas
NL Cares (T/A North London Cares)	733	Programme	Accelerating Ideas
Shared Lives Plus Limited	509	Programme	Accelerating Ideas
GoodSAM	430	Programme	Accelerating Ideas
Carers UK	420	Programme	Accelerating Ideas
Home-Start Greater Manchester	285	Programme	Second Half Fund
The Reader Organisation	270	Programme	Second Half Fund
Crowdfunder Ltd	250	Programme	Arts and Heritage
St John Ambulance	250	Programme	Second Half Fund
Family Action	250	Programme	Second Half Fund
Spice Innovations	247	Programme	Second Half Fund
Aesop Arts and Society Limited	247	Programme	Second Half Fund
St Joseph's Hospice	244	Programme	Second Half Fund
Volunteering Matters	225	Programme	Second Half Fund
Volunteer It Yourself	201	Programme	Second Half Fund
Fareshare	178	Programme	Second Half Fund
Tutorfair Foundation	150	Programme	Click Connect Learn
TLG	142	Programme	Growth and Sustaining Fund
Eden Project	137	Programme	Second Half Fund
Action Tutoring Ltd	130	Programme	Growth and Sustaining Fund
BuddyHub Ltd	115	Programme	Second Half Fund
Whole Education	113	Programme	Click Connect Learn
The Access Project	113	Programme	Click Connect Learn
Forum for the Future	102	Programme	Aquaculture Prize Design
Genesis Housing Association	100	Programme	Give More Get More
Behavioural Insights	100	Programme	Behavioural Insights
Beanstalk	100	Programme	Give More Get More
King's College NHS Foundation Trust	100	Programme	Give More Get More
Volunteering Matters	99	Programme	Give More Get More
North Tyneside VODA	98	Programme	Give More Get More
Behavioural Insights	90	Programme	Behavioural Insights
The Access Project	84	Programme	Second Half Fund
Bombastic Dance	73	Programme	Digital Innovation Fund for the Arts in Wales
G39	63	Programme	Digital Innovation Fund for the Arts in Wales
Behavioural Insights	55	Programme	Behavioural Insights
Artis Community	54	Programme	Digital Innovation Fund for the Arts in Wales
The Marine Conservation Society	50	Programme	Join In Stay In
Barnardo's	50	Programme	Join In Stay In
CSW Group Limited	50	Programme	Join In Stay In
Leicester City Council	50	Programme	Join In Stay In
Grants below £50,000 (number of grants to institutions 45)	812		
Grants cancelled in the year	(66)		
Total grants to institutions	11,137		

There were no grants made to individuals in the year ended 31 March 2017.

7c. Auditor's fees

	Group 2018 £'000	Group 2017 £'000
External audit	49	46
Internal audit	18	23
Tax advisory services	18	17
Other financial services	6	-
Total auditor fees	91	86

External audit fees incurred for Nesta, the parent charity, were £26,700 (2017: £21,000) excluding VAT.

8. Employees for Parent and Group

8a. Staff costs

	Group 2018 £'000	Group 2017 £'000
Salaries and emoluments of directly employed staff	9,090	8,706
Social security costs	1,046	1,000
Pension costs	1,125	1,081
Agency/temporary staff costs	275	318
Other staff costs	145	91
Total	11,681	11,196

During the year, there were redundancy payments totalling £145,058 (2017: £90,938) as a result of restructuring.

8b. Staff numbers

The following shows average full-time equivalent and headcount staff numbers during the year.

	Group 2018		Group 2017	
	F.T.E.	Headcount	F.T.E.	Headcount
Research, Analysis and Policy	41	43	45	54
Programmes	71	76	62	79
Investment (early-stage and social impact) management	9	11	7	10
Skills	11	11	9	10
Publications, Events and Communications	18	19	18	23
Governance and Corporate Services	43	45	32	45
Total	193	205	173	221

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 2018	Group 2017
£60,000 - £70,000	15	13
£70,001 - £80,000	6	5
£80,001 - £90,000	6	3
£90,001 - £100,000	3	2
£100,001 - £110,000	1	3
£110,001 - £120,000	2	1
£120,001 - £130,000	1	-
£130,001 - £140,000	1	-
£140,001 - £150,000	-	1
£150,001 - £160,000	1	-

Of staff with remuneration over £60,000, 36 (2017: 28) 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 £332k (2017: £378k).

The annual salaries of the Executive Team as at 31 March 2018 are below:

	2018 £	2017 £
Chief Executive	156,431	148,009
Deputy Chief Executive	110,925	109,994
Executive Director of Investments	130,651	117,573
Chief Finance Officer*	113,831	73,709
Executive Director of Research, Analysis & Policy (Part time)	72,703	66,310
Executive Director of Research, Analysis & Policy, Interim	-	56,244
Executive Director of the Innovation Lab**	63,416	102,814
Executive Director, Health Lab	103,860	97,989
Executive Director, Innovation Programmes ***	87,903	-
Executive Director, Challenge Prize Centre ***	91,714	-
Executive Director, Global Innovation Partnerships****	126,007	-
Executive Director, Creative Economy and Data Analytics***	99,584	-
Executive Director, Business Development*****	-	99,620
Total staff costs of key management personnel	1,157,025	872,262

*Part year (2017), **Role Discontinued part year (2018), ***New Role part year (2018), ****Amount includes a bonus of £28k, *****Role Discontinued

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 £134k for the year (2017: £114k). Employer National Insurance contributions were £142k (2017: £143k).

8d. Pensions

Nesta offers employees an 8 per cent 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 £1,125k (2017: £1,081k) including outstanding contributions of £106k (2017: £188k).

8e. Trustee remuneration

None of the Trustees received remuneration for performance of their role as Trustees during the year. Travel expenses of £892 (2017: £652) was reimbursed to three Trustees during the year (2017: one).

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
Cost						
Opening balance	23,243	3,250	656	-	348	27,497
Additions	-	155	95	123	154	527
Disposals	-	-	-	-	-	-
	23,243	3,405	751	123	502	28,024
Depreciation						
Opening balance	157	231	438	-	20	846
Charge for the year	157	238	93	-	82	570
Disposals in the year	-	-	-	-	-	-
	314	469	531	-	102	1,416
Net book value 2018	22,929	2,936	220	123	400	26,608
Net book value 2017	23,086	3,019	218	-	328	26,651

Parent charity fixed assets

	Computer Hardware £'000	Computer Software £'000	Fixtures and fittings £'000	Parent charity Total £'000
Cost				
Opening balance	656	-	348	1,004
Additions	95	123	154	372
Disposals	-	-	-	-
	751	123	502	1,376
Depreciation				
Opening balance	438	-	20	458
Charge for the year	93	-	82	175
Disposals in the year	-	-	-	-
	531	-	102	633
Net book value 2018	220	123	400	743
Net book value 2017	218	-	328	546

10. Investments

Category	Market / fair value at 1 April 2017 £'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 2018 £'000
Fixed asset investments							
<i>Quoted investments</i>							
Global Equities	226,073	239	(9,200)	(856)	856	11,293	228,405
Property trust funds	-	-	-	(190)	190	1,334	1,334
Fixed income	39,358	12,200	-	-	-	575	52,133
Bonds	46,205	-	-	-	-	-	46,205
Total quoted investments	311,636	12,439	(9,200)	(1,046)	1,046	13,202	328,077
<i>Investment property</i>	27,756	163	-	-	-	1,067	28,986
<i>Unquoted investments</i>							
<i>Managed Funds</i>							
Private equity funds	14,485	187	(5,570)	-	797	(200)	9,699
<i>Mixed Motive Investments</i>							
Investment in early-stage companies	16,464	379	(1,705)	-	312	539	15,989
Loans to early-stage funds	-	-	-	-	-	-	-
Investment in early-stage funds	8,508	100	(1,508)	-	(157)	(3,066)	3,877
Deferred investment early-stage companies	2	337	(339)	-	-	-	-
Total unquoted investments	39,459	1,003	(9,122)	-	952	(2,727)	29,565
Total investments	378,851	13,605	(18,322)	(1,046)	1,998	11,542	386,628

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

As at 31 March 2018, total cash and investment assets held by Nesta Trust totalled £421m (2017: £417.3m). Refer also to the Investment Review on pages 23 and 24 of this report which gives more detail of the investments. The above table has been adjusted for consolidation in relation to the Investment Property.

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

Deferred investments represent the portion of commitments which remain undrawn but for which draw down has been requested at the balance sheet date. The corresponding liability is recognised under current liabilities.

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.

Note 10 - Investments (continued)

Investment assets consist of the following

	Market/fair value at 31 March 2018 £'000	Market/fair value at 31 March 2017 £'000	Percentage of 2018 Portfolio %	Percentage of 2017 Portfolio %
UK quoted investments	58,980	46,205	15	12
Overseas quoted investments	269,097	265,431	70	70
UK unquoted investments	19,627	23,162	5	6
Overseas unquoted investments	9,938	16,297	3	4
Investment property	28,986	27,756	7	8
	386,628	378,851	100	100

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

	Realised gain/(loss) 31 March 2018 £'000	Unrealised gain/(loss) 31 March 2018 £'000	Group Total gain/(loss) 2018 £'000	Realised gain/(loss) 31 March 2017 £'000	Unrealised gain/(loss) 31 March 2017 £'000	Group Total gain/(loss) 2017 £'000
Quoted investments	1,046	13,202	14,248	25,500	34,681	60,181
Unquoted investments	952	(1,660)	(708)	1,690	361	2,051
	1,998	11,542	13,540	27,190	35,042	62,232

11a. Programme-related investments

	Group total value 1 April 2017 £'000	Additions £'000	Disposals £'000	Impairments £'000	Group total value 31 March 2018 £'000
<i>Investment type:</i>					
Equity	4,828	1,597	(60)	193	6,558
Unsecured loan	132	-	-	-	132
Total	4,960	1,597	(60)	193	6,690

	Parent Charity total value 1 April 2017 £'000	Additions £'000	Disposals £'000	Impairments £'000	Parent Charity total value 31 March 2018 £'000
<i>Investment type:</i>					
Equity	4,828	1,597	(60)	193	6,558
Unsecured loan	632	500	-	-	1,132
Total	5,460	2,097	(60)	193	7,690

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 2018 £'000	Group share of gross assets 2017 £'000
Behavioural Insights Ltd	UK	Ordinary	30%	31 March	A social purpose consultancy company	1,181	919

	Parent Charity total value 1 April 2017 £'000	Additions £'000	Repayments £'000	Parent Charity total value 31 March 2018 £'000
<i>Investment type:</i>				
Equity	30	-	-	30
Unsecured loan	-	-	-	-
Total	30	-	-	30

11c. Arts Impact investments

	Group total value 1 April 2017 £'000	Additions £'000	Disposals £'000	Impairments £'000	Group total value 31 March 2018 £'000
<i>Investment type:</i>					
Unsecured loans	831	3,310	(792)	(150)	3,199
Total	831	3,310	(792)	(150)	3,199

12. Debtors

	Group 2018 £'000	Parent 2018 £'000	Group 2017 £'000	Parent 2017 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	1,767	1,245	761	348
Amounts due from subsidiaries	-	776	-	1,295
Amounts due from joint ventures	-	-	20	20
Accrued income	8,053	8,164	3,640	2,596
Prepayments	472	390	359	283
Other debtors	648	312	216	109
Total debtors falling due within one year	10,940	10,887	4,996	4,651
<i>Amounts falling due after more than one year:</i>				
Accrued income	2,890	2,890	2,309	2,309
Total debtors falling due after more than one year	2,890	2,890	2,309	2,309
Total debtors	13,830	13,777	7,305	6,960

13. Creditors

	Group 2018 £'000	Parent 2018 £'000	Group 2017 £'000	Parent 2017 £'000
<i>Amounts falling due within one year:</i>				
Trade creditors	918	723	745	606
Amounts due to subsidiaries	-	1	-	35
Amounts due to joint ventures	20	20	-	-
Accruals	1,192	4,365	1,712	1,505
Deferred income	1,511	267	767	682
Grants creditors	5,962	5,962	5,728	5,728
Deferred investments	-	-	66	-
Other tax and social security	532	546	353	353
Other creditors	356	300	548	540
Total creditors falling due within one year	10,491	12,184	9,919	9,449
<i>Amounts falling due after more than one year:</i>				
Grants creditors	2,960	2,960	3,971	3,971
Trade and other payables	3,309	-	1,420	-
<i>Total creditors falling due after more than one year</i>	<i>6,269</i>	<i>2,960</i>	<i>5,391</i>	<i>3,971</i>
Total creditors	16,760	15,144	15,310	13,420

Deferred investments represent the portion of commitments which remain undrawn but for which draw down has been requested at the balance sheet date.

Analysis of deferred income

	Group 2018 £'000	Parent 2018 £'000	Group 2017 £'000	Parent 2017 £'000
At 1 April	767	682	686	686
Prior year deferred income released during the year	(767)	(682)	(686)	(686)
Income deferred in the year	1,511	267	767	682
At 31 March	1,511	267	767	682

Rental income due in future periods has been deferred.

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
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
Nesta Investment Management LLP	United Kingdom company number OC338038	Limited Liability Partnership		-	31 March	Investment manager of funds
Nesta Arts Impact LLP	United Kingdom company number OC396102	Limited Liability Partnership		-	31 March	Financial support for arts organisations
Nesta US Inc	United States	Sole member	100%	Non-stock	31 March	(Dormant) To engage in charitable and educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Code 1986

The results of the consolidated entities are as follows:

	Nesta Trust		Nesta GP Limited		Nesta PRI Limited		Nesta Investment Management LLP		Nesta Arts Impact LLP		Nesta Enterprises Limited		Nesta US Inc	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	2,685	1,298	407	440	-	-	409	441	149	7	6,216	2,878	171	-
Expenditure	(10,798)	(20,902)	(407)	(440)	353	190	(321)	(389)	(332)	(171)	(6,216)	(2,878)	(50)	-
Other gains/ (losses)	13,928	62,865	-	-	-	-	-	-	-	-	-	-	-	-
Partner share/ Profit/(loss) for the period	5,815	43,261	-	-	353	190	88	52	(183)	(164)	-	-	121	-
Assets	424,346	418,510	-	84	5,144	3,466	222	465	4,224	2,022	2,301	985	156	-
Liabilities	(203)	(182)	-	(84)	(6,673)	(5,348)	(34)	(165)	(4,353)	(1,968)	(2,301)	(985)	(35)	-
Net assets	424,143	418,328	-	-	(1,529)	(1,882)	188	300	(129)	54	-	-	121	-
Opening net reserves	418,328	375,067	-	-	(1,882)	(2,072)	300	400	54	217	-	-	-	-
Closing net reserves	424,143	418,328	-	-	(1,529)	(1,882)	188	300	(129)	54	-	-	121	-

15. Funds

15a. Unrestricted funds

	General funds £'000	Endowment funds £'000	Funds retained within non-charitable subsidiaries or joint ventures £'000	Total £'000
Balance at 1 April 2017	7,350	418,476	919	426,745
Net (expenditure)	(10,118)	(2,152)		(12,270)
Transfers to restricted funds	(1,832)	-	-	(1,832)
Transfers from endowment to unrestricted funds	9,090	(9,090)	-	-
Gains	-	13,540	-	13,540
Share of operating profit in joint venture	-	-	262	262
Balance at 31 March 2018	4,490	420,774	1,181	426,445

	General funds £'000	Endowment funds £'000	Funds retained within non-charitable subsidiaries or joint ventures £'000	Total £'000
Balance at 1 April 2016	2,138	375,067	788	377,993
Net (expenditure)/income	(12,041)	394	(14)	(11,661)
Transfers to restricted funds	(2,110)	-	-	(2,110)
Transfers from endowment to unrestricted funds	19,363	(19,363)	-	-
Gains	-	62,378	-	62,378
Share of operating profit in joint venture	-	-	145	145
Balance at 31 March 2017	7,350	418,476	919	426,745

15b.Restricted funds

Funder	Programme	Parent Charity and Group 1 April 2017 £'000	Income* £'000	Expenditure £'000	Transfers from general fund £'000	Parent Charity and Group 31 March 2018 £'000
Agency for Business competitiveness - Accio	Innovation Growth Lab	50	-	(60)	21	11
Arts Council England	Digital Culture 2017	60	-	(76)	16	-
Arts Council of Wales (R&D fund)	Digital Innovation Fund for the Arts in Wales	155	-	(23)	1	133
Australian Department of Industry	Innovation Growth Lab	66	-	(82)	32	16
Austrian Research Promotion Agency (FFG)	Innovation Growth Lab	48	-	(60)	24	12
Big Lottery - Alliance for Useful Evidence	UK Alliance for Useful Evidence	111	178	(193)	90	186
Big Lottery Fund	Accelerating Ideas Fund	56	-	(123)	76	9
Big Lottery Fund	Rethinking Parks	-	1,670	(45)	45	1,670
Cabinet Office	Second Half Fund	144	(275)	107	24	-
Cabinet Office	Join In Stay In	-	(154)	123	31	-
Cabinet Office	Give More Get More	-	(90)	20	70	-
Cabinet Office	Follow On Funding For CSAIF	271	-	(314)	43	-
Cabinet Office	Early Years Social Action Fund	-	1,005	(1,191)	186	-
Cabinet Office	Saver Support Fund	-	995	(1,040)	45	-
Cabinet Office	Connected Communities	-	3,000	(502)	77	2,575
Cabinet Office	Inclusive Economy Partnership	-	490	(288)	-	202
Department for Business, Energy and Industrial Strategy	Rocket Fund	-	100	(199)	199	100
Department for Business, Energy and Industrial Strategy	Inventors' Prize	-	310	(113)	-	197
Department of Culture Media and Sport	Inclusive Economy Partnership 2.0	-	380	(374)	-	6
Department of Culture Media and Sport	Crowdfunding	51	-	(46)	(5)	-
Department of Premier and Cabinet, Victoria (Australia)	States of Change - Australia	-	219	(19)	-	200
ESRC - Alliance for Useful Evidence	UK Alliance for Useful Evidence	113	(2)	(195)	84	-
European Commission	DECODE	318	14	(95)	(27)	210
European Commission	EUICT	57	(2)	-	(55)	-
European Commission	European Digital Forum	-	52	(3)	(41)	8
European Commission	Social Innovation Community	70	96	(78)	(40)	48
European Commission	DSI4EU	-	96	(77)	(19)	-
European Commission	SEP 2.0	-	230	(12)	(2)	216
European Commission	NGI-Engineroom	-	599	(260)	(5)	334
European Commission	Eurito	-	1,302	(607)	(3)	692

15b.Restricted funds (continued)

Funder	Programme	Parent Charity and Group 1 April 2017 £'000	Income £'000	Expenditure £'000	Transfers from general fund £'000	Parent Charity and Group 31 March 2018 £'000
European Commission	EU Design Innovation Platform	-	708	(340)	(6)	362
Global Innovation Fund	Aquaculture Prize Design	119	-	(28)	(91)	-
Guy's and St Thomas' Charity	Health Lab - Big Hitters Event	-	40	(83)	43	-
Heritage Lottery Fund	Rethinking Parks	-	330	-	-	330
Innovate UK	Flying High	-	500	(542)	193	151
Innovate UK (formerly Technology Strategy Board)	Innovation Growth Lab	71	-	(86)	32	17
Innovation Norway	Innovation Growth Lab	48	-	(60)	24	12
Kauffman	Innovation Growth Lab	-	171	(50)	-	121
Lloyd's Registration Foundation	Safety Challenges	86	-	-	(86)	-
Merck Sharp & Dohme Corp	Discovery Awards	250	-	(250)	-	-
NFER (Futurelab)	Digital Education	64	-	(280)	216	-
NHS England	Health as a Social Movement (NHSE)	50	-	(59)	9	-
NHS England	People Powered Results (previously Rapid Results)	280	-	(280)	-	-
Robert Wood Johnson Foundation (RWJF)	Health Innovation Mapping	-	312	(10)	-	302
Santander	Santander CSR	-	50	-	(50)	-
Scottish Enterprise	Innovation Growth Lab	48	-	(60)	24	12
SME Fintech Challenge Prize	Various Banks	-	3,569	(3,569)	-	-
The Tata Group	Tata Maths	-	140	(83)	35	92
The Technology Strategy Board	Longitude	5,000	-	(290)	290	5,000
UCL	Start ups Workstream	-	-	(109)	109	-
Value of Heritage	The Arts Humanities and Research Council (AHRC)	-	88	(18)	-	70
Welsh Government	Y Lab	-	(78)	(208)	286	-
Welsh Government	Innovate to Save	4,820	734	(182)	-	5,372
All values < £50k	Various	432	202	(494)	(63)	77
		12,838	16,979	(12,906)	1,832	18,743

*Negative income relates to grants Nesta has not been able to fulfil and so have been returned to funder.

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 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)
Total net assets	5,671	18,743	420,774	445,188

	Unrestricted funds 2017 £'000	Restricted funds 2017 £'000	Expendable endowment funds 2017 £'000	Group Total funds 2017 £'000
<i>Fund balances are represented by:</i>				
Tangible fixed assets	546	-	26,105	26,651
Investment assets	6,710	-	378,851	385,561
Current and long-term assets	16,141	12,838	13,702	42,681
Current and long-term liabilities and provisions	(15,128)	-	(182)	(15,310)
Total net assets	8,269	12,838	418,476	439,583

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 2018 £'000	Group 2017 £'000
<i>Gross income:</i>		
Income	28,006	41,868
Income of non-charitable subsidiaries	10,037	5,056
	38,043	46,924
Less: share of joint venture turnover	(4,221)	(3,157)
	33,822	43,767
<i>Gross expenditure:</i>		
Expenditure	30,207	32,041
Interest payable	-	-
Depreciation and charges for impairment of fixed assets	570	582
	30,777	32,623
Share of profit in joint ventures	262	145
Net income for the year	3,307	11,289
<i>Reconciliation to Consolidated Statement of Financial Activities:</i>		
Net income for the year	3,307	11,289
Movement on endowment funds	2,298	43,409
Net income/(expenditure)	5,605	54,698

18. Contingent liabilities

There were no contingent liabilities at the balance sheet date.

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 balance date, are shown as commitments below.

	Parent Charity and Group total at 1 April 2017 £'000	Additions £'000	De- committed £'000	Drawn down £'000	Contracted £'000	Parent Charity and Group total 31 March 2018 £'000
<i>Investments, loans, contributions to funds:</i>						
Private equity secondaries	6,136	698	-	(911)	-	5,923
Investments in early-stage funds	168	3	-	(96)	-	75
Investments or loans in early-stage companies	3	337	-	(340)	-	-
Programme-related investments	3,062	-	-	(1,375)	-	1,687
Arts Impact Fund investments	500	-	-	(500)	-	-
<i>Grants:</i>						
Grant agreements not yet signed by Nesta	340	5,731	(15)	-	(4,238)	1,818
Total	10,209	6,769	(15)	(3,222)	(4,238)	9,503

20. Operating lease commitments

At 31 March 2018 the Group was committed to annual 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	-
Total	-	17	-

At 31 March 2018 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	6,834
Total	1,598	6,393	6,834

21. Related party transactions

The Trust holds investment assets previously held by 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.

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. All related party transactions were with organisations not with the individuals who have the association.

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 £125,150.
- Nesta recharged Nesta Enterprises Limited for salary costs totalling £796,000.
- Nesta Enterprises Limited received £270,000 from Nesta as a subsidy for renting event space.
- Nesta Enterprises Limited accrued rental expense to Nesta of £418,373.
- Nesta Enterprises Limited gift aided its profits to Nesta £278,228.
- Nesta charged Nesta Trust £2,089,708 in relation to PRI Investments.
- Nesta Trust has transferred £7,000,000 to its Trustee Nesta in support of its charitable objects.
- Nesta Trust charged Nesta £2,505,533 for rental of 58 Victoria Embankment.
- No amounts were written off in the year, and no guarantees were given in respect of these transactions.

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)

Dame Julie Mellor
 (resigned July 2017)
Madeleine Atkins
 (resigned July 2017)

Finance and Audit Committee

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

Trust Investment Committee

David Pitt-Watson (Chair)
Sir John Gieve
Simon Linnett
Sally Bridgeland (Non-Trustee member)

Venture Investment Committee

Natalie Tydeman (Chair)
Anthony Lilley

People Committee

Edward Wray (Chair)
Sir John Gieve
Kim Shillinglaw

Health Committee

Dame Carol Black (Chair and Non-Trustee member)
Simon Linnett
Imran Khan

Government Innovation Committee

Kersten England (Chair)
Moira Wallace

Innovation Policy Committee

David Pitt Watson (Chair)
Imran Khan
Sir John Gieve

Education Committee

Moira Wallace (Chair)
Natalie Tydeman

Arts and the Creative Economy

Kim Shillinglaw (Chair)
Piers Linney
Anthony Lilley
Rob Woodward (Non-Trustee member)

Protector of the Nesta Trust

James Sinclair Taylor

Executive Team

Geoff Mulgan	Chief Executive Officer
Simon Morrison	Deputy Chief Executive
Trevor Richards	Chief Finance Officer
Nathan Elstub	Chief Investment Officer
Vicki Sellick	Executive Director of Programmes
Halima Khan	Executive Director Health Lab
Kirsten Bound	Executive Director Research Analysis and Policy
Tris Dyson	Executive Director Challenge Prize Centre
Brenton Caffin	Executive Director Global Innovation Partnerships
Hasan Bakhshi	Executive Director Creative Economy and Data Analytics
Corinna Theuma	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

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

 www.facebook.com/nesta.uk

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.

