

Nesta...

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

Nesta...

Nesta is an innovation charity with a mission to help people and organisations bring great ideas to life.

We are dedicated to supporting ideas that can help improve all our lives, with activities ranging from early-stage investment to in-depth research and practical programmes.

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: 1 Plough Place, London, EC4A 1DE.

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Sir John Gieve

Nesta's Chair.
Independent Director of CLS, a Director of the Homerton Hospital Trust and Chair of Trustees for the Clore Social Leadership Programme.

Madeleine Atkins

Chief Executive, Higher Education Funding Council for England.

Kersten England

Chief Executive of the City of Bradford Metropolitan District Council.

David Pitt-Watson

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

Dr Michelle Harrison

CEO of WPP Government and Public Sector Practice, and CEO of TNS, BMRB.

Kim Shillinglaw

Controller BBC 2 and BBC 4.

Dame Julie Mellor, DBE

Parliamentary & Health Service Ombudsman.

Ed Wray

Directorships at Funding Circle LMAX Limited, Property Partner and Prodigy Finance. He is a Trustee of The Mix.

Simon Linnett

Executive Vice Chairman at Rothschild.

Piers Linney

Co-CEO of Outsourcery plc.

Natalie Tydeman

Private equity investor with a focus on growth-stage tech-enabled businesses.



Sir John Gieve
Chairman

This is an exciting time for Nesta. Continuing pressure on resources, particularly in the public sector, is sharpening the search for new ways of doing things. At the same time, the growing power and sophistication of digital technology is both enabling innovation in all parts of society and making available new sources of evidence on what works best. Nesta brings together innovative thinkers and decision-makers to identify and promote new ideas, it tests and demonstrates what works through its practical programmes and then supports and invests in the growth of the best innovation.

Last year was a very productive year for us as this report shows. From our work on people powered health, to the uses of big data and challenge prizes to develop the best solutions to economic and social problems, and our promotion of digital innovation in the arts, local government and in citizen engagement.

As the UK prepares to leave the EU, we are convinced it is as important as ever that we stay alive to and engage with new thinking and innovation in Europe and elsewhere. In 2015 Nesta increased the work we do internationally, forming new partnerships with organisations in the UK, Europe and around the world.

For example, our Innovation Growth Lab is growing fast in its first year and has the support of over ten innovation agencies and government bodies across the world, supporting its vision of more experimental and evidence-led policymaking. Our Challenge Prize Centre has gone from strength to strength, running challenges to solve social issues in the UK and globally. And the Alliance for Useful Evidence has grown its network of supporters across government departments, charities

and universities and has set the standard for use of evidence - not gut instinct - when it comes to making policy decisions that affect all our lives.

We also staged three major events that helped spread new ideas to a wider audience. In the summer of 2015 we hosted Labworks which brought together hundreds of practitioners from all over the world to grapple with the opportunities and challenges of public service reform. In February 2016 we convened our first big Health Lab event with a large specialist health audience, passionate about what a new healthcare system for the 21st century should look like. And in March 2016 we held a two-day research summit for Readie, the research alliance for a digital economy, looking at how the UK and Europe can take advantage of the transformation made possible by the ever-increasing power of digital products and services.

I became chair only in March this year, so this report is for the last year of Sir John Chisholm's tenure and Nesta's achievements reflect his skillful leadership. He took Nesta from a quango in 2009 to an independent charity in 2012 and established its reputation and impact in its new role. I thank John and Rob Woodward, who stepped down as trustee in May 2016, for their huge contribution in the past and for their continuing support in future.

I thank also the staff under Geoff Mulgan. This is a people business and our success reflects the imagination, energy and persuasiveness of people in all parts of the organisation, as well as the many hundreds more with whom we work in partnership and the thousands who support our projects.

Chief Executive's Statement



Geoff Mulgan
Chief Executive

Nesta is a unique organisation with a rare freedom and capacity to promote innovations that serve the common good.

2015/16 was the middle year of the three-year strategy we published at the beginning of 2014. That strategy committed Nesta to a series of new approaches designed to increase our impact, and the public benefit achieved, for every pound we were able to draw down from our endowment.

It committed us to deepening our involvement in a few key fields; to evolving as a network of linked units and organisations; growing our international work; and promoting access to new methods for innovation.

There were too many highlights to list, but here are a few. The first was a key milestone in our goal of deepening engagement in key fields. This was the launch of Health Lab in July 2015, which brings together a series of practical programmes in achieving systems change with the National Health Service (NHS), better use of technologies and more systematic approaches to peer-to-peer models of healthcare. The team also published an imaginative overview of how the NHS might look by 2030 with much more use of these different tools. We're convinced that their methods need to grow substantially if health systems are to avoid being trapped between rising demands and constrained resources.

A second was the continued growth of our investment work. Our Impact Investment team was in a very active phase of investing in a range of educational technology companies, such as Get My First Job, Arbor and Third Space Learning. The year also brought the launch of the world's first Arts Impact Fund, bringing together public, philanthropic and commercial money.

Our practical programmes also had a fantastic year. The Innovation Lab ran several ambitious and large programmes, including the Centre for Social Action Innovation Fund with the Cabinet Office, which backed dozens of organisations that mobilise public time and energy to improve schools, hospitals and fields like criminal justice. The fund run with Heritage Lottery Fund and Big Lottery Fund, to help public parks innovate ways of working that could mitigate a period of shrinking funding, was another great example of relatively modest sums of money that could have a big strategic impact.

The year was also a very productive one for our research team, which in the beginning of 2016 published, jointly with Tech City UK, the *Tech Nation 2016* report which is probably the world's most systematic analysis of the digital economy, using a mix of open data, commercial data, web scraping and machine learning to map in real time the state of the digital economy, its profitability, productivity and patterns of job creation.

Our strategy also committed Nesta to growing a series of teams and units that could develop their own identity, generate resources from new sources and amplify the ways in which we can achieve innovation for the common good. One of those teams was The Centre for Challenge Prizes which during the year scoured the world for potential winners of the Longitude Prize, ran a series of European level prizes on, for example, new approaches to job creation, and ran prizes for inclusive technologies to help people with disabilities, amongst many others. Our Alliance for Useful Evidence grew its work helping several thousand people involved in the creation, use and spread of evidence, and contributed to what is now a network of ten What Works Centres in the UK and the beginnings of a global network of similar centres in North America and across Europe. The Behavioural Insights Teams (BIT) - which we now own jointly with the UK government and the staff - had a strong year of growth and international expansion too.

Nesta continued to build its presence around the UK with the launch of the Y Lab in Cardiff, and around the world with activities in five continents and in countries ranging from the US and Malaysia to Brazil, Chile and the United Arab Emirates. Much of that work was led by our Skills team which works to make innovation skills widely available with the minimum of jargon, and has reached hundreds of thousands of users as a result.

Nesta benefits hugely from having an extremely committed and talented team. Although we have an endowment at our core, the truth is that we are primarily dependent on the people who come to work for us. In that sense we are steadily becoming a more knowledge-based organisation, founded on deep knowledge of how to do innovation well and what methods are emerging around the world, as well as specific expertise in fields like education, the arts and health.

Our hope is that, even more than in the past, we are making the most of our scarce resources to direct not just our own brainpower, but also the brainpower of our many hundreds of partner organisations and the many thousands of individuals who work with us, to grow innovations to meet our big common challenges.

STRATEGIC REPORT

We have a clear strategy to meet our charitable objects, which are set out on page 35 below.

Our mission is to increase the creation and growth of new ideas in the following key areas:

- Health and ageing
- Opportunities for young people
- Digital arts and media
- Citizen engagement in public services
- Innovation policy
- Government innovation
- New models for inclusive economic growth

- Impact investment
- Future thinking

We encourage innovation in these areas by:

- Backing promising ideas to achieve the greatest possible impact.
- Designing policies that can improve the environment for innovation.
- Conducting original research to improve our understanding of how innovation works.
- Developing new tools and promoting skills to turn ideas into impact.

1. Achievements in 2015-2016

We have increased the scale and pace of our work over the past year, increasing our core work on innovation policy, the arts and education, as well as creating new units designed to take on specific challenges in health and evidence in policymaking.

In July 2015 we set up our Health Lab, a unit dedicated to finding new ways to help solve the complex problems facing our healthcare system.

It has focused on three main areas of activity;

1. Pioneering a new people-powered approach to transforming complex systems by working with front-line health professionals to drive change.
2. Developing a portfolio of digital health projects including a digital research programme into better dementia care.
3. Building the case for people to take a more active role in their own health and care.

In February 2016 the Health Lab held its first major event. It brought together senior practitioners and policymakers from the world of health to explore ways for our healthcare system to overcome the challenges it faces, and to put the concept of people-powered change firmly on the map.

The Health Lab has achieved much in a year, and has been able to make progress thanks to Nesta's credibility as a convener and catalyst for change. It has formed a number of key partnerships to help create powerful new coalitions, without which these projects would not be able to happen. These include the Department

for Health, The Health Foundation, King's Fund, NHS England, Rapid Results Institute, Alzheimer's Research UK and Alzheimer's Society, and many more.

This year we have also set up a global collaboration of organisations to champion a more evidence-led approach to entrepreneurship and growth. Our Innovation Growth Lab is a partnership of ten international research institutes and academic organisations whose aim is to promote more experimentalism and better evidence in innovation policy.

Many sectors such as health and education are far more systematic in testing and learning what works, but so far there is no rigorous evidence centre for enterprise and growth. Innovation Growth Lab aims to fill this gap and will focus on encouraging a test and learn culture for innovation policy approaches around the world, and then, crucially, sharing the results and urging governments to adopt them.

After three successful years our Digital R&D Fund for the Arts, run in partnership with Arts Council England and Arts and Humanities Research Council, came to an end. Since its launch in 2012, the Fund has supported 52 individual projects, bringing together arts and cultural organisations with technology providers and researchers. Each project used digital technology to enhance audience reach and/or develop new business models for the arts.

The variety and quality of the projects has been inspirational. Projects ranged from delivering remote music tuition digitally in North Yorkshire to designing an app-based clapping game to teach rhythm.

During 2015 a series of toolkits were designed to help the arts and cultural sector make use of new technologies. The toolkits are focused on four strong themes that emerged from the fund - data, mobile, accessibility and business models - and will help arts organisations make use of these in the future.

It was clear that many of the projects would benefit from further support and investment beyond their R&D phase, and we're pleased to say that ten projects were selected as part of a new Accelerator Fund, set up by Nesta and Arts Council England. These projects will receive further funding to help develop their idea and turn it into a full product or service.

We have been arguing for some time that the digital tech industries needs to be defined and measured rigorously. This year, thanks to partnerships with Tech UK and Tech City UK, we successfully mapped the size and distribution of this influential and high-growth sector. Starting with *Dynamic Mapping of the Information Economy* and culminating in *Tech Nation 2016*, we have been able to measure with more accuracy than ever before the scale, geography and rate of growth of the digital tech economy in the UK, showing how it has contributed a disproportionate share of GDP to the UK economy.

Continuing our mapping work, we launched two major analyses of innovation in cities - CITIE and the European Digital City Index. CITIE, a partnership with Accenture and Digital Cities Catapult, looked at key innovation policy markers in 40 cities across the world to see how favourable their policy frameworks were for supporting entrepreneurship and growth. The European Digital City Index is the first study of its kind to look at the digital ecosystems of Europe's major cities and provide information about the strengths and weaknesses of each. The tool has helped startups target the most appropriate cities for their needs and also helped policymakers identify the highest performing cities so they can learn from their practices and adopt the relevant policies. Our mapping and data research work continues to grow and we intend to use our expertise in this area to produce more insights for policymakers and tools for innovators over the coming years.

We have strengthened our relationships with corporates this year, helping them to work with smaller enterprises and to use innovative models that can help catalyse growth for startups. We have published two key reports about how startups and corporates can work more effectively together for their mutual benefit - *Winning Together* and *Scaling Together*. Earlier in the year we produced a short report offering businesses a selection of insights into the forthcoming year - *Business Insights 2016*. We have hosted a number of roundtable events on topics ranging from alternative finance to the future of education, bringing together diverse organisations that share our goals, including Tata, CBI, the Institute of Directors, Pearson and Santander.

Digital R&D Fund for the Arts in numbers

52
PROJECTS

154
GRANT
RECIPIENTS

10
TOOLKITS



Europe has been at the forefront of innovation in democracy for several years now, with citizen-led parties like Podemos in Spain and the Pirate Party in Sweden challenging established political structures. At Nesta we have been running D-CENT, a project funded by the European Commission, to create the digital tools to help people take part more directly in their democracy. The tools have been developed and tested in several sites across Europe, including Iceland, Spain and Finland, and have enabled communities to get more engaged in - and help influence - the democratic process. As of today, both the city of Madrid and the city of Barcelona are using these digital tools to engage citizens in determining policy priorities, in the allocation of budgets and in the decision-making process of the city.

Too often the debate around innovation is dominated either by those who think new ideas will deliver us into a utopian future or doom us altogether. Our digital magazine *The Long+Short* publishes stories about innovation that aim to strike a balance between these two extremes. This year over 40 original essays were commissioned, ranging from *The Art of Mind-wandering* (an antidote to the current obsession with mindfulness) to imagining the school of the future. The magazine has grown significantly in this, its second year, reaching over 100,000 new readers.

We also tapped into the hive mind of Nesta and produced ten new predictions for 2016 as part of our popular annual series. The predictions all looked beyond the short-term, consumer-led trends that tend to make up these New Year lists and predicted more interesting breakthroughs that are set to reshape society, from the rise of the sharing economy beyond Uber and Airbnb to computer games that can treat mental illness.



CASE STUDY

Inclusive Technology Prize

In 2014 we launched a challenge prize to inspire innovations from individuals, charities and small businesses to improve or develop assistive living aids, adaptations, products and systems that will make a real difference to the everyday lives of disabled people and those close to them.

There are over 12 million people in Britain living with a long-term illness or impairment, and many disabled people rely on tech to support them. However, the development and manufacture of aids, and adaptations of products, has not kept pace with new innovations in tech, materials, or design and manufacturing processes seen in other areas.

The Inclusive Technology Prize was run by Nesta in partnership with Leonard Cheshire Disability and

supported by the Department for Work and Pensions, Innovate UK, the Department for Business Innovation and Skills and legal firm Irwin Mitchell.

Increasing public interest in the creation of accessible technologies and their ability to make life easier for people living with a disability was one of the prize's key aims. We also wanted to encourage the co-creation of products and services, making sure the technology was designed with, and by, the users themselves. It was therefore a requirement that all prize entrants should involve disabled people in the design, prototyping and refining of the tech. All our prize entrants were also required to demonstrate a willingness to share their ideas and experiences so we could help grow the culture and market for inclusive technologies.

An initial call for ideas generated over 200 entries which were all showcased via the Inclusive Technology Prize website. Our panel of judges included a range of experts on accessibility, campaigners and users of accessible technology. The judges selected 25 semi-finalists who were given funding and non-financial support. Ten finalists were then selected and supported to prototype and carry out extensive user-testing. Our ten finalists were at very different stages in the development process when they entered the prize. Some already had working prototypes, while others developed ideas specifically for the challenge prize.

A final award of £50,000 was given to AzuleJoe for its open source assistive communication software that gives a voice to people with communication difficulties. The software runs on a variety of platforms, from iPads to laptops to Kindles, without a complex setup or installation. It displays a set of personalised icons representing words, which a user can look through to find the word they want to express and, once selected, their device will say it for them. All the code is hosted online via GitHub and volunteers from around the world contribute to its development.

In addition to the top prize, we also awarded £35,000 to Evolvable Walking Aid, a modular device that can be adapted when a user's mobility condition changes, and £15,000 to the How Do I? team to develop an NFC-enabled app offering instructional life skills videos to young people with learning difficulties.

Finalist Nimble, a portable tool to allow packaging to be opened with a single finger, also went on to raise £35,000

via Kickstarter. Nimble's crowdfunding campaign, which launched with an original fundraising target of just £5,000, provided the team with the extra funds needed to finish R&D and take the product to market, which it hopes to do by the end of 2016.

The products and ideas rewarded via the Inclusive Technology Prize received national media coverage including pieces in *The Guardian*, *The Huffington Post* and a number of trade titles. The prize was also shared on social media by nearly 2,000 Twitter users, giving it a total social media reach of 1.5 million people.

All ten of our finalists reported improvements in their ability to negotiate commercial partnerships as a direct result of taking part in the competition - nine out of ten have now finalised at least one partnership. Our finalists also commented on the benefits of the prize as an effective tool to support and encourage the co-creation of products with disabled users.

KEY AREAS OF IMPACT

A total of £250,000 was given directly to prize semi-finalists and finalists to develop and test their products and devices with the disabled people they were designed for.

Details of the ten Inclusive Technology Prize finalists were shared by nearly 2,000 Twitter users, reaching 1.5 million people.

£250,0000
AWARDED



Shaping Agendas

At Nesta we seek to connect the development of specific and concrete innovation to wider ideas that shape the agendas of governments, large organisations and movements. From high-growth firms, to crowdfunding, to the sharing economy and people-powered public services, Nesta has been at the heart of some of the big ideas in innovation in recent years. Our influence on thinking is not always direct. We shine a light on new ideas and inform the terms of a debate through our research; we support the pathbreaking individuals and organisations who are making these shifts happen, and connect them together; and we influence at the highest level to advocate for change, and provide evidence of progress.

In the last year, we have shaped agendas in a range of different contexts, where digital change and social change are combining to create new frontiers.

The increasing importance of digital and creative businesses has been a focus across a range of different projects. *Tech Nation*, a report on the UK's digital businesses, put together in partnership with Tech City UK, was hugely influential in government and beyond, providing support and evidence for discussions on digital skills and entrepreneurship. We have led the way in promoting a data and knowledge-driven approach to innovation policy, digital strategy and creative industries policies. From the work of Readie, bringing together researchers and policymakers on the digital economy; to the European Digital City Index, providing data on cities as locations for startups, we have been part of a significant European movement to encourage startups and scale ups. We are the main source of information on the alternative finance sector through our reports and history of research in this area.

With the CITIE index, we are working with regional and local governments to study their support for digital businesses, and helping them understand the impact they have through data.

Our close links with policymakers and innovation agencies around the world have been important in promoting the importance of evidence and experiments in policymaking. The Alliance for Useful Evidence has worked right across government and the devolved administrations, delivering, evidence masterclasses to senior figures, and building practical guides to evidence in areas such as alcohol policy. The Innovation Growth Lab's work with the UK government on a controlled trial of growth vouchers is inspiring other agencies around the world to adopt these tools.

Our work on healthcare continues to have far-reaching effects. In 2015, Nesta published *The NHS in 2030*, a report that describes broad changes that will be necessary for the health system to shift to more people- and knowledge-powered ways of working. The launch of Nesta's Health Lab has seen an acceleration in people-powered health activity in the NHS, through transformative programmes like People Powered Results, demonstrating the value of these approaches on the ground.

We have also been extending our ability to shape agendas around the world through our international work, as well as bringing the best of global innovation to bear on the issues of the UK. Our work on innovation agencies around the world has been influencing the government's forthcoming innovation plan and discussions on the structure of UKRI.

Our perspective on the use of innovation methods as a way to tackle big challenges is also proving valuable in areas that are newer to Nesta. This year we convened over 20 leading practitioners in international development to share their experiences in supporting innovation, creating a unique publication and opening up a range of future collaboration opportunities with philanthropies, aid agencies and others working in the development space.

CASE STUDY

Tech Nation

Launched in February, *Tech Nation 2016* was a large-scale research project designed to track the size and growth of UK digital tech clusters. Working in partnership with Tech City UK, Nesta led on the collection and analysis of data from a variety of sources, including Government reporting, job advertisements and official ONS statistics. The result was a comprehensive picture of the role played by digital technology and skills on wider business and economic trends in the UK.



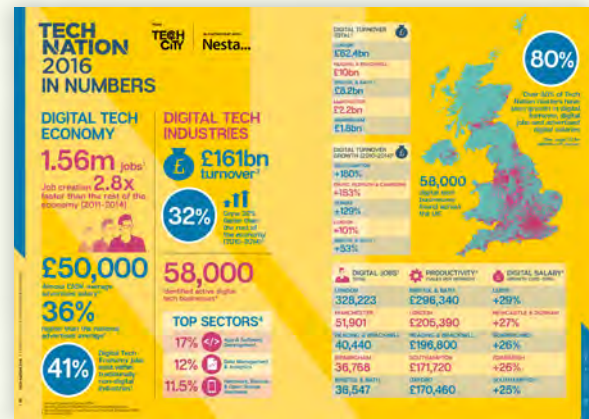
This was the second iteration of the Tech Nation report, and measured the impact of digital business and digital technology on areas including productivity, employment and growth. The report also highlighted the increased digital disruption of other sectors, with data on the growing number of employees with tech skills now employed in traditionally non-digital industries, like financial services and manufacturing.

The centrepiece of the report was a set of 27 regional profiles – detailed overviews of clusters across the UK, from Belfast to Birmingham. Each one of the profiles contained relevant statistics about the number of tech jobs and average tech salary in the region, as well as case studies highlighting each cluster’s sectoral specialisms and specific challenges.

Although the report crunched a huge amount of data, there were also a number of compelling stories to come out of *Tech Nation 2016*. For example, the CEO who indicated that the growth of Belfast’s tech sector being driven by the recent return to Northern Ireland of digital workers from the United States and Europe with ‘decades of experience’, and the startup which established itself in Liverpool because of the ‘phenomenal technical skill’ of the talent pool generated by the city’s three universities.

Key findings of Tech Nation 2016:

- **Digital employment is fast-growing and high-paying:** The number of jobs in the digital tech economy grew by more than 11 per cent between 2011 and 2014, nearly three times faster than the rest of the economy. And employees in digital positions are being paid more, with the median advertised salary for a digital role 36 per cent higher than the national average.



- **Digital industries are outpacing the rest of the economy:** The UK’s digital tech industries are growing 32 per cent faster than the rest of the economy. The digital tech industry in the UK has a total combined turnover of £161 billion.
- **Digital clusters are hives of productivity:** Productivity in the digital economy outperforms that in other areas, with digital tech employees found to be around 90 per cent more productive than workers in the economy overall – based on Gross Value Added per worker.
- **London does not own the tech boom – digital is powering growth throughout the UK:** 75 per cent of tech businesses in the UK are now based outside of London. And tech is playing a key role in supporting growth across UK cities, with digital salaries growing faster than the local average in 80 per cent of clusters.

Key areas of impact:

- **Tech business networks:** Tech Nation 2016 combined data analytics with community-led research, with 40 tech cluster stakeholders being engaged directly through qualitative interviews.
- **Media coverage:** Over 100 pieces of national and regional media coverage focusing on the report and its findings – with highlights including features in the *Financial Times* and *The Guardian*, and interviews with BBC Radio 4’s *Today* programme and *WIRED*.
- **Government engagement:** Since its publication, *Tech Nation 2016* has been cited a number of times in evidence at House of Commons and House of Lords select committee sessions on tech skills and the digital economy. Culture Minister Ed Vaizey also highlighted findings from the report in his address to the Sprint 16 government technology conference.

Growing our international presence

Over the past few years our work beyond the UK's borders has increased in both scale and scope, and the last 12 months have been no exception. Across the organisation we've collaborated with a wide mix of international partners on research, skills and advisory projects, keeping connected to emerging innovation practice across the globe.

The Innovation Skills team has continued to support government innovation teams from across the world, working directly with over 15 teams from Jakarta to Santiago to Dubai. Alongside working directly with individual labs, we ran a two-day intensive coaching retreat as part of Nesta's LabWorks event, an international gathering of public and social innovation labs in London.

Within the international development sector, we've continued our work helping global agencies and international non-government organisations such as UNDP, UN Women, USAID, Oxfam and the Red Cross to develop their innovation and capacity-building programmes. With support from the Rockefeller Foundation, we partnered with the Open University to expand our offer to practitioners anywhere in the world by launching DIY Learn, a free online learning programme in innovation. Based on the *DIY Toolkit*, our collection of practical tools for innovation, we developed ten interactive, bite-sized modules to help development practitioners start using new tools in their everyday work.

Nesta's international work in Policy and Research has also expanded in 2015-16. We continue to work on broad EU-wide projects such as the Startup Europe Partnership and the European Digital Forum - as well as winning new EU work on Frugal Innovation policy across Europe. The Innovation Growth Lab continues to strengthen its international reach through a new round of grants and preparation for a major international conference focused on randomised control trial (RCT) methods in innovation policy.

Following the strategy of building on earlier UK-focused work, this year we published on specific aspects of international innovation including social enterprise incubation in India, smart cities development in China, and UK-China small business collaborations. Expanding our work on innovation institutions internationally, in February this year we launched a world-first major comparison study of government innovation agencies. We also put into practice our broad expertise in international innovation policy – demonstrated partly through the launch of our online Innovation Policy Toolkit – through the design of the new Global Innovation Policy Accelerator, a

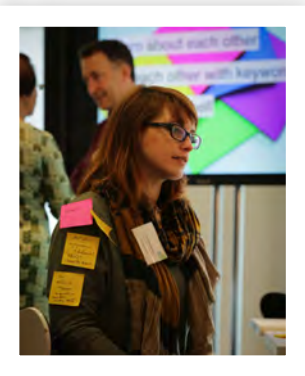
development programme which will be piloted with the Pacific Alliance group of countries. Our *Innovation for International Development* report also offered insights and practical advice from more than 20 leading practitioners for others working in the sector.

Over in the Challenge Prize Centre, Nesta continued to deliver the European Social Innovation Competition for the European Commission on innovations to support the reception and integration of refugees and migrants in Europe. The Centre is now also working on the development of a prize for small-scale fish farmers in the Indian sub-continent to boost productivity, local livelihoods and the development of a more environmentally sustainable source of local protein. The Longitude Prize maintained its profile as a global campaign with teams from 34 countries now registered.



CASE STUDY

Digital R&D Fund for the Arts: Making Digital Work



In 2015 Nesta, Arts Council England and the Arts and Humanities Research Council, published a series of guides and toolkits from the Digital R&D Fund for the Arts.

The £7 million Digital R&D Fund for the Arts, which launched in 2012 following a successful pilot in 2011, brought together arts

organisations, technology providers and researchers to work in collaboration to test how digital technology could be used to enhance audience reach and develop new business models for the arts.

The Fund supported 52 projects, with a total of 154 grant recipients, and published research findings and insights from each one on the dedicated website: artsdigitalrnd.org.uk. Projects funded ranged from delivering remote music tuition digitally in North Yorkshire to designing an app-based clapping game to teach rhythm based around the music of Steve Reich.

Focusing on the four emerging themes from the project portfolio: data, mobile, accessibility and business models, in 2015 the Fund partners published *Making Digital Work*, a series of toolkits designed to help the arts and cultural sector utilise technologies.

The toolkit series was supported by theme-specific blogs, which were published exclusively on trade media website Arts Professional, videos and a social media campaign. The series culminated in a Making Digital Work event in Birmingham in October, which featured presentations and demonstrations from the projects and was attended by around 300 delegates.

As well as publishing full evaluations of the Fund in 2016, Nesta is working with Arts Council England to provide a further stage of support for nine of the 52 projects in the form of an accelerator, designed to help selected projects develop their R&D propositions to become 'investment ready'.



Key areas of impact:

- The Digital R&D Fund for the Arts website received over 200,000 visits over the three-year period - disseminating information on R&D processes, digital project development in the arts and cultural sector and in-depth research on the collaborations across arts, technology and academia.
- The Fund ran the first ever longitudinal survey of the perception, uptake and impact of digital technology amongst arts organisations - leading to the creation of a body of evidence previously unknown within the sector.
- Individual projects reported their most sustained impact on audience development through digital technology - the percentage of R&D Fund participants that saw digital as important to 'distribution and exhibition' of arts and culture rose from 70 per cent to 83 per cent over the period of their project, whereas for other organisations in the sector this figure dropped from 61 per cent to 50 per cent.
- The impact of projects at an individual level has been diverse. For example, Quality Metrics has turned its R&D programme into a large-scale pilot for Arts Council England, testing quantitative approaches to measuring artistic and cultural output. Meanwhile the app Clapping Music, produced by London Sinfonietta, has been downloaded over 100,000 times since launch, receiving global media attention.

Digital R&D Fund for the Arts in numbers

52 PROJECTS

154 GRANT RECIPIENTS

100,000 DOWNLOADS FOR FUNDED APP

Becoming a hub for a wider network

Our strategy to grow Nesta as a hub for a network of connected units and organisations has picked up pace this year. We have created a number of units within Nesta as well as continuing to support our existing network and hosting events that bring together new and interesting organisations aligned with our values.

The new units we have created include the Nesta Health Lab and the Innovation Growth Lab. The Nesta Health Lab is a team dedicated to bringing our innovation expertise to help our healthcare system cope with the problems of an ageing population. The Innovation Growth Lab has been formed to bring a test and learn culture to innovation and growth policy, and encourage the same level of evidence-based rigour that education and health systems enjoy.

The Behavioural Insights Team (BIT), our joint venture with the Cabinet Office and its employees, continues to be a great success. Now in its third year as an independent organisation, the team has built on its achievements, and this year it has helped tackle challenges in almost every area of domestic policy. Two recent interventions made by the team have helped to increase attendance at further education colleges and

reduce the over-prescription of antibiotics. It has also opened a number of offices overseas during this period - in Australia, the USA and Singapore - where the team works with governments and city administrations.

Nesta's role as a hub for innovation has grown significantly. Over 8,000 experts, practitioners, policymakers and grassroots activists have gathered at Nesta this year to meet and exchange ideas. We have opened up our incubator space for The Centre for London, an independent think tank focused on ideas for making London a more inclusive and sustainable city. We held a global gathering of innovation labs - Labworks - which brought together over 400 leaders in their field to share their insights about how they are tackling public service reform in their country. Our Nesta Health Lab convened 400 experts from the world of health to discuss how to help our healthcare system cope with an ageing population. And our Alliance for Useful Evidence, in partnership with Big Lottery Fund and the Economic and Social Research Council, grew its membership to over 3,000 and has run masterclasses on the use of evidence with a huge variety of stakeholders, from MPs to charity leaders.

CASE STUDY

Health Lab



In July 2015, Nesta launched Health Lab to focus on innovations that could significantly improve health and ageing – from working with front-line health and care professionals to achieve change in 100 days to backing digital health initiatives. Health Lab builds on Nesta's six years of work in this area and reflects the organisation's long-term commitment to improving people's health and wellbeing, in the context of an ageing population.

To mark the occasion, a new report - *The NHS in 2030* – was published. The report takes a positive perspective on what a health system would look like in 15 years' time, if new knowledge is used differently and more people play an active role in managing health. In particular, it looks at how emerging trends – such as precision medicines, new uses of health data and behavioural insights – might radically transform and improve care.

Health Lab argues that the existing relationship between citizen and health professional needs to change – from a passive user being ‘done to’ by a professional, to a partnership focused on what is important to the individual, in which each has relevant knowledge to contribute.

On 9 February 2016, Health Lab held its first major public-facing event – The Future of People Powered Health. With keynote speakers, practical presentations and audience interaction, the event was designed to engage people from across the health and care spectrum in a discussion about how we can create a UK health and care system that is people-powered and knowledge-powered.

Exploring some of the most exciting digital and social innovations happening in health and care, the day was hosted by Geoff Mulgan, Chief Executive of Nesta, and Halima Khan, Executive Director of Health Lab. Eminent speakers included Simon Stevens, Chief Executive of NHS England, Martin Hirsch, Chief Executive, Assistance Publique Hopitaux Paris, and Dr. Edwin B. Fisher, Health Behavior, Gillings School of Global Public Health - University of North Carolina.

Key areas of impact

- **Audience engagement:** some 450 people attended The Future of People Powered Health event; the event brought together senior decision-makers, top industry leaders and policy commentators, entrepreneurs and future-thinking practitioners from across the UK.
- **Social media engagement:** the event was a great success on social media, with lots of delegates live-tweeting commentary, questions and pictures from the event floor. This activity resulted in the hashtag - #NestaHealthLab – trending in London on Twitter.
- **Media engagement:** to engage the media in the topic and event, we carried out a survey with Censuswide, which created a news angle on health professionals’ attitudes to people-powered health. It revealed that nine out of ten GPs find health data - generated by wearables, apps or from peer support groups - useful to their work, yet only 15 per cent of people are choosing to share this information with their doctor. Fourteen journalists from national, trade and specialist publications registered to attend – including the *Financial Times*, the BBC, the *MJ (Municipal Journal)* and *New Scientist*.
- **Strengthening partner relationships:** Dr. Jennifer Dixon CBE, Chief Executive of The Health Foundation, Dr. David Halpern, Chief Executive, The Behavioural Insights Team and Dr. Stephen Friend, Director of Sage Bionetworks attended. In addition to providing valuable contributions to the day, their involvement attests to Nesta’s strong relationships with these organisations and our wider collaborations.
- **Media coverage:** since launching in July, print and online media coverage has had an estimated reach of nearly 14 million (13,960,543) people. Highlights include coverage in *The Guardian*, *Huffington Post* and *Health Service Journal*.



Growing our audience

This year we have deepened our engagement with existing audiences and connected to new audiences across Nesta's work.

We have worked in a more integrated way to help Nesta raise its profile and grow its reach across the year, generating over 1.4 million visits to our website, over 8,000 event attendees, and over 2,800 pieces of media coverage, nationally and internationally.

Our recently completed perceptions audit - analysing what people think of Nesta - helped us target new and existing audiences more forensically this year. We used these insights to start to build up our profile in the health and corporate sectors, and to consolidate relationships with key audiences in the arts, education and social investment sectors.

We developed new formats for promoting our content and making it more accessible, including data visualisations, such as the map of Antibiotic Resistance, and interactive tests, such as Will a Robot take my Job?

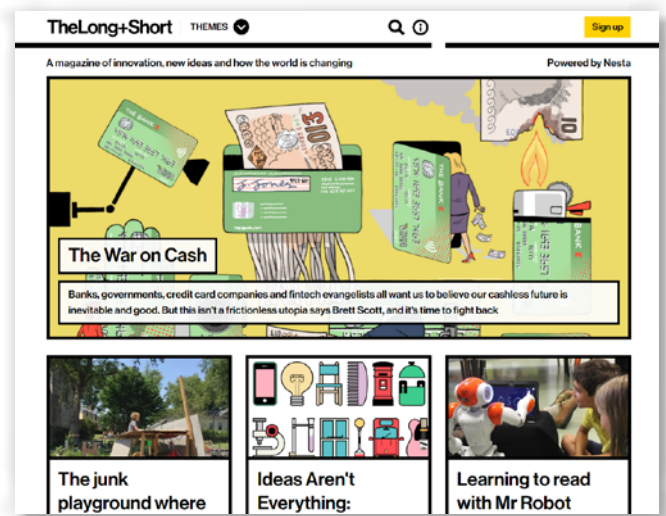
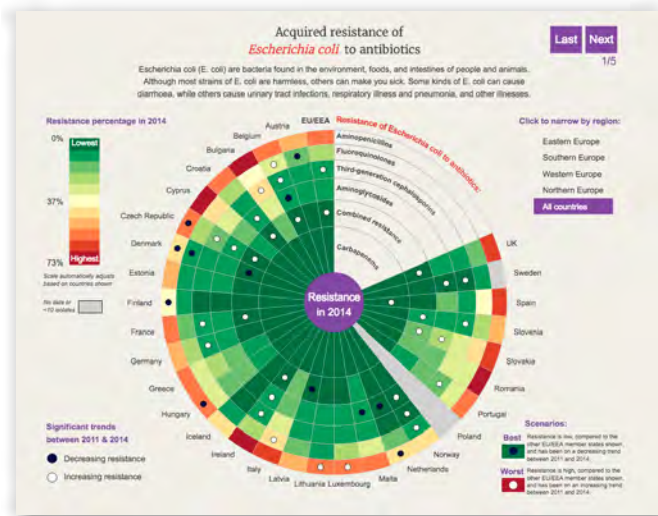
During the year our online skills offer was rebuilt to provide practitioners in the field with a simple, free toolkit to help them solve problems. This new approach resulted in a traffic increase of over 30 per cent to our skills section.

A series of major events across the year brought together people across the policy spectrum, from specific sectors such as health to broad impact areas that cut across sectors, such as better evidence in

policymaking. In the summer of 2015 we held Labworks, a global gathering of people working at the cutting edge of public service reform. Our Health Lab conference the following February marked our first major event in this sector and engaged senior policymakers, commissioners and practitioners to confront the challenges faced by our creaking healthcare system.

Developing wider connections with corporates was a key goal this year, and we started a programme to raise our profile with a targeted number of companies. We staged five business breakfast events with high level guests including senior stakeholders from the Institute of Directors, CBI, KPMG, Unilever, John Lewis, Boots, Canary Wharf Group, Tata, Santander, Microsoft, Fujitsu and CISCO. We also launched our first ever *Business Insights Report*, providing advice on the trends that will affect corporates for the year ahead.

We redesigned our online magazine *The Long+Short* to make it easier to pick up, read and share for a digital-first audience. The new approach was a big success, resulting in monthly readership leaping from 1,000 to over 10,000, and increasing our reach significantly in Europe and North America. New sharing functionality meant that magazine content could be shared and republished more easily on social media and on magazine aggregator sites, and as a result following across all key social channels increased and content was regularly featured on *Digg*, *The Hacker News*, and *The Huffington Post*.



CASE STUDY

Connected Councils



Nesta's Policy and Research team published *Connected Councils: a digital vision of local government in 2025* in March 2016.

Building on Nesta's work on digital public services, the report examined how technologies could help councils save money, foster local economic growth and deliver better outcomes for local residents and

communities. A partnership with the Public Service Transformation Network, it set out a vision of where councils might be in 2025 to better understand opportunities they can seize now.

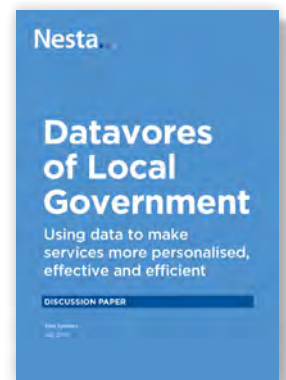
Using global working practices from countries including the United States and Germany, the report featured four case study examples of how citizens might engage with their local authority in the future. Examples included Martin, a retiree in his 70s, whose GP is automatically alerted if his bins are not put out for a predetermined period of time via sensors, and Lizzy who suffers from depression and is matched with a peer mentor online.

The predicted annual saving of £14.7 billion, if all of the UK's councils became 'digital by default', was widely reported in the national and trade press, including *The Daily Telegraph*, *Mail Online* and *Sky News*.

Illustrations were commissioned to sit alongside the case studies on the Nesta website and were viewed by 2,700 people and downloaded as a PDF by another 2,400. The research was also shared by 700 accounts on Twitter – including the *Daily Mirror's* and *Daily Telegraph's* - reaching 3.7 million.

The research generated significant interest from a number of local authorities with the team presenting and discussing the findings at industry events and workshops and with Waltham Forest Council, the Mid-Kent Partnership, and the Local Government Authority.

New research exploring how councils can use data to inform better decision-making and support innovation programmes is set to follow. A discussion paper outlining the project – *Datavores of Local Government* – was published on the Nesta website in July 2016.



£14.7 billion

POTENTIAL SAVING IF ALL UK'S COUNCILS WENT DIGITAL



2. Performance and impact

Nesta's main activities are organised in functional teams, supported by the Communications and Corporate Services teams.

- **Policy and Research:** This team carries out and finances research and uses the findings to encourage debate and develop policy, in particular to improve the conditions for innovation.
- **Innovation Lab:** Nesta supports people and organisations who are developing ideas to solve big social challenges through the Innovation Lab team, who provide practical and financial support across a range of sectors, including health, education, volunteering, civil society and the creative industries.
- **Health Lab:** A team focused exclusively on developing and sharing innovative methods and tools to help tackle the challenges faced by the UK's healthcare system.

- **Investment management:** Nesta invests primarily for a positive social impact, but also for a financial return, through a range of funds. Helped by research, funding and our own investments, we have helped the UK's impact investment sector become a world leader.
- **Communications:** This team works to develop and deliver coherent and impactful communications to a wide variety of audiences. They are responsible for Nesta's events programme, digital marketing, multi-channel media and stakeholder relations.
- **Innovation Skills:** Nesta's ambition is for more people to understand and use techniques to increase their own, and their organisations' innovative capacity. This team is dedicated to doing this, using a combination of free practical guides and toolkits, customised workshops and programmes for teams and organisations all over the world.

Department: Policy and Research

Current Impact

The work of Policy and Research seeks to achieve impact primarily through generating new knowledge and influencing policy and systems change. Over the last year, we have started to expand our capabilities to work directly with policymakers to improve their skills and capabilities.

We published 41 reports and 178 blog posts. Nesta researchers spoke at more than 130 events across the year, addressing everyone from the Department of Work and Pensions to the European SME Summit.

Some key themes of our work this year:

Data, mapping and evidence

Tech Nation 2016 - The report was extensively covered in national and regional media. It also reached policy audiences with a foreword by the Prime Minister, David Cameron, and it is being used to promote digital tech clusters in the UK to overseas investors.

Evidence to the Bean review - Nesta was referenced extensively in the *Independent Review of UK Economic Statistics* by Sir Charles Bean, including a detailed case study on *A Map of the UK Games Industry*. Subsequently, we have been involved in discussions with the ONS on data science and digital economy.

The Alliance for Useful Evidence has delivered an impressive array of outputs (fully described in their Progress Report 2014-2016) and has secured a further three years of funding from its partners.

Future Impact

Data, mapping and evidence

Arloesiadur - putting big data into practice with policymakers: With Arloesiadur, we want to use cutting-edge 'big data' and analytics to put better information at the fingertips of innovation policymakers in Wales. We hope this will have a transformational effect on their ability to support innovation and growth. We are already discussing opportunities to apply this approach in other countries, and have been invited to high-profile academic conferences to talk about it.

International reach

Capacity building for innovation policymakers in the Pacific Alliance: We are designing and delivering a £1 million innovation policy capacity building programme (matched by partner governments) for Innovate UK. We're leading a consortium of Manchester, Oxford and Cambridge Universities, 100%Open and two excellent South American think tanks. The pilot focus is on Mexico, Chile, Colombia and Peru, and Innovate UK's ambition is to scale the programme globally following this 12-month pilot that will run from April 2016 to April 2017.

The Readie policy summit in Germany in September 2016 will convene Digital Economy units from governments across Europe to address ways to grow digital businesses and requirements for research.

Current Impact

International reach

The Innovation Growth Lab has now funded seven trials through two rounds of grants with the Kauffman Foundation. Membership is now eight organisations.

The **European Digital City Index** has been cited by Andrus Ansip and Ed Vaizey, and has influenced European Commission thinking on entrepreneurship. It has also been welcomed by the startup and accelerator communities across Europe, with organisations such as Techstars using it to help shape their expansion plans.

The **Startup Europe Partnership** has also been well received. Our *Scaling Together* and *Winning Together* reports continue to be used and cited by numerous corporates and intermediaries (inc. Seed Stars, Wayra Open Future UK, Virgin Startups and Sky), and *Winning Together* was cited by Neelie Kroes in a speech at Wayra.

Cities and Government

Rethinking Smart Cities from the Ground Up was one of our most-read reports of last year, and has led to further conversations with UNDP, LSE and ICA.

In March, we published **Connected Councils**, a look at how digital technologies will have transformed local authorities by 2025. The report has had wide readership and has generated speaking invitations and contacts in many councils and organisations we weren't previously connected to.

Policy influence

The Alliance for Useful Evidence has worked with policymakers across government, from DWP to all the devolved administrations. The Evidence Transparency Framework was developed by the Institute for Government in partnership with the Alliance for Useful Evidence and Sense about Science in October 2015. The framework is the basis of an exercise to benchmark government departments in Spring 2016.

We gave evidence to committees of the Westminster and Scottish Governments on the future of the Treasury, the future of Innovate UK, the role of innovation in productivity, prevention in public services and on education and skills.

Our report on global Innovation agencies has been instrumental in our conversations with government about the UK Innovation Plan, and has fed directly into conversations on the future of Innovate UK and the proposed new UK Research and Innovation body.

Generating new knowledge

We published *New Frontiers in Social Innovation Research*, an open-access academic publication summarising the research presented at our conference a couple of years ago. It has been cited in a range of Social Innovation projects funded by the EC.

Future Impact

The European Digital City Index is being updated and expanded in 2016 from 35 to 60 cities.

We have started a new project funded by UK government's Prosperity Fund, to work with the state government of São Paulo in Brazil on new models of health policy and delivery through open innovation. The project will connect with work by Nesta's Health Lab, and will work with Nesta Open Innovation spin-off 100%Open.

We will continue to follow up our report on Innovation Agencies with global partners.

Cities and government

Digital Democracy Pioneers

We are carrying out research to identify the most pioneering examples of digital democracy from around the world to better understand how digital tools can be used to improve the quality and legitimacy of decision-making. This research is being carried out as part of our membership of the MacArthur Foundation Research Network on Opening Governance. This project builds on the D-CENT project which has recently finished, and our continuing work on Digital Social Innovation.

We are aiming to feed into the Parliamentary Restoration and Renewal Programme with lessons from Digital Democracy report and work on Select Committees.

Policy influence

The Innovation Growth Lab held its first global conference in May 2016, with attendees from across the world and demonstrated a large and growing interest in the use of randomised controlled trials for innovation and entrepreneurship policy across the world. Many of the conversations started at the conference will continue throughout the year.

STEAM/STEM skills - Despite growing support for STEAM (Science, Technology, Engineering, Art, and Maths), there is a lack of evidence around the take-up of STEAM within UK secondary schools. Our aim is to inform the STEAM debate to enable more effective education policymaking. We are engaged with the Department for Education and the Science and Technology Select Committee, as well as a number of STEAM supporters to feed the findings from this research into policy.

The intended impact from this work will be a shift in government focus from STEM to incorporate STEAM.

Current Impact

Tech Nation included a range of novel measurements and methodologies for studying the digital economy.

Readie, Europe's Research Alliance for a Digital Economy, held a summit with their network of 50 leading policy and research organisations to look at what drives Europe's digital economy.

In February we published *Pushing Boundaries: the 2015 Alternative Finance Report*, which examined the state of the UK's P2P lending and crowdfunding market. The report received wide coverage in national media. As a result, we are now in discussions with policymakers and regulators such as the EU Commission, Cabinet Office and FCA.

Futures

In May 2015 we published *The NHS in 2030: a people-powered and knowledge-powered health system*. This optimistic take on what a health system would look like in 2030, represented a collaboration between futures and public services researchers in Policy and Research with Health Lab colleagues.

By bridging the gap between disruptive digital health tech and the workings of the health service, the report caught the interest of senior Department of Health and NHS England officials. The Nesta team is working with senior managers in both organisations on follow-on projects.

We published *Machines that Learn in the Wild* alongside a machine learning event in 2015. The report explores the current capabilities and limitations of machine learning algorithms and looks at future challenges. It led to a workshop exploring the regulation and ethics of machine learning in government bringing together high level regulators, policymakers, industry representatives and academics, including those from UK Foresight and the Cabinet Office.

Future Impact

Generating new knowledge

The Geography of Culture - The geography of culture project is trying to understand the factors that determine the distribution of cultural venues (such as museums, galleries and clubs) in the UK and the relationship with cultural participation more generally.

Impact would look like influencing practice in cultural venues, and shifting thinking of cultural policymakers to consider place-specific factors that determine the location and type of cultural offering and tailored measures to support this.

Futures

We are developing new projects on the future of skills and employment, as well as following up our existing work on machine intelligence in public services and expanding our projects supporting other themes of Nesta work.

Department: Innovation Lab

Current Impact

In 2015/16 Nesta's Innovation Lab ran seven grant funds, nine challenge prize competitions and five practical programmes. We also led six projects that involved us acting directly to create and test new ideas. Some of the impact highlights are listed below.

Our interventions addressed the priorities set out in Nesta's strategy including health and ageing, government innovation, citizen engagement in public services, opportunities for young people and digital arts and media.

During the year we awarded 89 new grants with a total value of £1,160,000 and a median value of £5,000 and an average value of £13,000.

Future Impact

The Lab continues to work in its key priority areas throughout 2016/17, delivering funds, prizes and programmes.

Key impact targets for 2016/17 will be:

Government Innovation

Evidencing the value of Offices of Data Analytics to deliver better public services and outcomes, with a target of five offices open across the UK by 2018.

Current Impact	Future Impact
<p>We provided practical support to 197 innovators including 130 grantees from previous years that we continued to work with.</p> <p>The Innovation Lab held or participated in over 64 events, reaching over 5,000 delegates, the majority of which were focused on providing practical support to people and organisations trying new ideas to solve complex challenges.</p>	<p>Meeting the future skills need</p> <p>Through our research and practical work, our longer-term impact targets for The Lab's education work include:</p> <ul style="list-style-type: none"> • Increasing the UK PISA scoring for collaborative problem solving. • Generating new, useful evidence and insights for how to improve maths attainment through peer learning and collaborative problem solving. <p>Centre for Challenge Prizes</p> <ul style="list-style-type: none"> • Over the next year we aim to show evidence of impact of challenge prizes to support innovation. • Work towards the Centre being fully self-sustaining by 2018. <p>Social Action and Citizen Engagement</p> <p>Over the next three years we aim to:</p> <ul style="list-style-type: none"> • Expand our social action innovation portfolio to 100+, with at least a handful going on to become household names. • Mobilise more than 50,000 volunteers supporting more than 100,000 beneficiaries through impact volunteering. • Leverage at least £1 additional investment for every £1 of investment we make in scaling innovations.
<p>The Centre for Challenge Prizes ran nine prizes, including our ground-breaking Longitude Prize and the Inclusive Technology Prize which focused on the design and development of new products to enable disabled people, their families, friends and carers equal access to life's opportunities. New products included affordable, 3D-printed artificial limbs and an Evolvable Walking Aid, saving users from having to buy a whole new walking aid when their mobility condition changes.</p>	<p>In 2016/17, the Centre for Challenge Prizes will be extending its impact through working with a wider range of global and multinational partners and growing the challenges.org platform. This new platform provides an affordable hub for other organisations wanting to deliver challenge prizes to achieve social impact.</p>
<p>The Centre for Social Action Innovation Fund - a partnership with the Cabinet Office - delivered its third and final year of the £14 million innovation fund. In total it has backed more than 50 innovators to mobilise more than 70,000 volunteers to support more than 175,000 people to achieve better grades at school, return to work, age well, live more independently at home, and more. The fund has also leveraged more than £18 million in additional funding and helped all to improve their evidence of impact.</p> <p>The focus of the work has been innovations that bring volunteers alongside public services, such as:</p> <ul style="list-style-type: none"> • GoodSAM - an app that mobilises first aiders to respond in a crisis, alongside an ambulance, which we backed London Ambulance Service to adopt. The first life has already been saved by a volunteer giving CPR ahead of an ambulance arriving. 	<p>We expect our portfolio of Centre for Social Action Innovation Fund innovations to continue to grow - reaching more people and using the work they have done with us to put their business models on a more sustainable footing.</p> <p>We'll also be announcing a raft of organisations that are now validated at a higher Standard of Evidence, after the work they have done to demonstrate their evidence of impact.</p> <p>We also hope to launch a new series of social action programmes in the autumn.</p>

Current Impact	Future Impact
<ul style="list-style-type: none"> • Code Club which we backed to scale their brilliant model of volunteers teaching kids to code at lunchtime and afterschool. There's now a Code Club in 5,000 UK primary schools. • And our Cities of Service programme which has mobilised more than 12,000 local people in city clean-up days, food growing initiatives and teaching kids to read. 	
<p>The Digital Arts R&D Fund - a partnership with the Arts and Humanities Research Council and the Arts Councils in England, Wales and Scotland completed its final year, supporting 68 partnerships between technologists, arts organisations and researchers to apply R&D methods to innovating new artforms, new revenue streams and extending audience participation. The Lab also delivered a Digital Transformation for the Arts in Wales, in partnership with Arts Council Wales. <i>The Digital Culture Survey</i> in 2015 reported that 72 per cent of arts sector survey respondents said digital technology was now having a major positive impact on their organisation. Building on this work, we have pioneered a Digital Arts and Culture Accelerator, funded by Arts Council England to provide intensive additional support to nine of organisations to help them scale their ideas from the original R&D Fund.</p> <p>In our continued efforts to support innovation and financial resilience in arts organisations, in 2015 we launched the Arts Impact Fund, a partnership between Arts Council England, Bank of America Merrill Lynch, Esmée Fairbairn and Nesta. The fund made its first tranche of awards in 2015 to arts organisations that can evidence artistic ambition, resilience and doing good in society.</p>	<p>With experiments in match-crowdfunding and the Arts Impact Fund continuing into 2016, we will continue to generate evidence how new financial instruments can be used to bring more money into the arts and heritage sectors - scaling proven models in partnership with others.</p>
<p>In partnership with the Behavioural Insights Team, The Lab has been focused on supporting the development of products that integrate behavioural insights to achieve better social outcomes. The first product was launched - an online platform for recruiters which is proven to eliminate bias in recruitment processes.</p>	<p>We expect Applied to grow substantially in the next 12 months, securing new customers to support more organisations to increase inclusion, diversity and equality within their workforce.</p> <p>A small number of other behavioural insights products will be prototyped, and where proven to address a social need, with market demand we will invest further resources.</p>
<p>In partnership with Cardiff University, we were pleased to launch Y Lab, our public service innovation lab in Wales to run programmes, open challenges and policy trials to improve Welsh public services. In its first year, Y Lab focused on the delivery of a Digital Transformation Fund supporting blended learning in further education, seeking to predict deliberate grassland fires, using data more effectively to engage with audiences at cultural events, supporting a housing association shift towards a 'digital tenancy', and working with Cardiff Council to create and test the start of a city internet of things infrastructure, using sensors to help predict and prevent flooding.</p>	<p>We expect Y Lab's work to expand significantly over the coming year, with a focus on tackling cause and effects of poverty in Wales and demonstrating how government funding can be used differently to deliver more efficient, more impactful public services.</p>

Current Impact	Future Impact
<p>The Innovation Lab produced or jointly contributed to 16 publications in 2015/16, including nine reports focused on our priority area of government innovation. It also authored or co-authored over 125 blog pieces during the year.</p>	
<p>Department: Health Lab</p>	
Current Impact	Future Impact
<p>For six years, Nesta has been developing what we call People Powered Health which means an approach to health and wellbeing which is 'for people, by people and with people'.</p> <p>Our work is based on two main premises. Firstly, that the health and care system will be neither affordable, nor effective, unless a range of new methods are adopted at scale, including greater self-management, peer support, use of digital tools and whole systems change. Secondly that the existing health innovation system, focused primarily on pharmaceuticals, medical instruments and clinical procedures, has not sufficiently addressed many contemporary challenges, including public health, behaviour change and long-term conditions.</p> <p>Nesta's health and ageing work responds to this challenge by focusing on the following three areas:</p> <ul style="list-style-type: none"> • Social health: putting people at the centre of health decision-making and creating behaviours and social contexts that improve health and reduce demand on services, including better self-management and peer-support networks, including through the Realising the Value programme, Centre for Social Action Innovation Fund and Health as a Social Movement programme. • Digital health: low-cost ubiquitous digital technologies that generate data and deliver knowledge; smart analytics that turn rich and complex data into usable signals; and structures and communities that pool data, democratise knowledge, and accelerate learning ethically and at scale, including through the Dementia Citizens programme. • Systems change: through People Powered Results which is a structured innovation method that helps unlock the expertise and passion of leaders, front-line professionals and service users, to accelerate change and innovation in complex systems. <p>To develop Nesta's contribution to this agenda further, Health Lab was launched in July 2015 to bring together Nesta's work on health and ageing.</p> <p>In 2015/16, Health Lab directly managed a portfolio of work with a lifetime value of £11 million. We have reached tens of thousands of citizens directly: for example, 42,000 beneficiaries through the health and ageing work of the Centre for Social Action Innovation Fund.</p>	<p>Health Lab will continue to develop practical responses to the strategic challenges facing the health and care system, focused on social health, digital health and systems change.</p> <p>We will combine scaling of existing, proven innovations along with promoting the uptake of new and underused innovation methods and in thought-leadership on emerging trends such as algorithmic medicine.</p> <p>We will support more established innovations such as peer support to be built into national policymaking and delivery, and work with organisations well-placed to lead large-scale implementation. We will also advocate for R&D investment to advance the evidence base of the field and to help facilitate mainstream scaling.</p> <p>We will deepen Health Lab's work more comprehensively across the UK. We will source ideas globally but continue to prioritise practical work in the UK.</p> <p>We will continually improve how we work including how we co-produce our work directly with citizens, how we nurture our networks, and how we produce compelling content that continues to reach audiences of millions.</p> <p>We will continue to develop the People Powered Results method to achieve social impact at scale, working with partners across health and care. We will also seek out other agile and participatory methods of change.</p>

Current Impact	Future Impact
<p>We also build in leverage requirements to many of our grants to secure further funding; for example, over £9.8 million of third party income was leveraged from the £5.8 million health and ageing portfolio in the Centre for Social Action Innovation Fund.</p> <p>We have reached an estimated audience of 14 million with our media activity this year and the readership of Nesta's blogs and reports on health and ageing in 2015/16 has more than doubled compared to the previous year. We also held the first major conference on the People Powered Health agenda in February 2016 with almost 400 attendees and speakers including Simon Stevens of NHS England.</p> <p>Some examples of the impact of our work in 2015/16 include:</p> <ul style="list-style-type: none"> • British Lung Foundation: Health Lab has supported the British Lung Foundation to upgrade their peer support network for people with chronic lung disease. The enhanced peer groups have led to a 42 per cent reduction in unplanned GP visits and a 57 per cent reduction in unplanned hospital admissions compared to the standard peer support groups. • GoodSAM: A Nesta-supported app to mobilise first aiders to attend cardiac arrests. The GoodSAM system is integrated with the London Ambulance Service and is being triggered 20-30 times each day. It has over 8,000 responders in the UK and the platform is rolling out to other regional ambulance services. GoodSAM has had its first two survivors, so the system is already saving lives. • Mid Essex CCG: Mid Essex CCG's 100-day work led to a 10-12 per cent reduction in unplanned admissions for the frail population with a cohort of c.7,000 patients. The results were analysed and validated locally by the CCG Business Insights team and recognised as the "only scheme to show a real reduction in unplanned activity" in the CCG. The work in Mid Essex was shortlisted for a <i>Health Services Journal</i> award in 2015. 	

Department: Investments	
Current Impact	Future Impact
<p>Our £17.6 million FCA-regulated impact investment fund continues to actively invest in high impact, early-stage innovations with two new investments into Arbor Education and Third Space Learning and a follow on investment into GetMyFirstJob alongside strategic investor City & Guilds. The fund has now made a total of 11 investments over the last four years. Particular achievements in the last year include:</p> <ul style="list-style-type: none"> • Successful exit from Ai Media (loan plus interest repaid in full and UK organisation sustainable and moving forwards). • Progress on financial and impact performance across the portfolio e.g. Oomph trebled the number of care homes in which it is active to over 350 while maintaining quality as reported through customer satisfaction surveys; data on use of Cogbooks in the largest deployment to date on campus at Arizona State University has been very 	<p>We plan to raise a second fund (Fund II), generating investment from a broad range of professional investors. Our Fund II strategy will learn from and build on lessons learnt from Fund I.</p> <p>Make final investments from Fund I, continue strong portfolio management to ensure companies are moving in the right direction for both financial and impact returns.</p> <p>Increase influence of the fund through publications, learning events and partnerships.</p> <p>Continued management and growth of the venture investment portfolio with profitable exits, enabling reinvestment into charitable activities.</p>

Current Impact	Future Impact
<p>strong showing improved academic performance and higher course completion rates (on one course, dropout rates fell by 20 per cent after introduction of Cogbooks); GetMyFirstJob won the Apprenticeship Clearing House for the Automotive Sector worth c.£250k with a speculative opportunity for extension into other sectors, allowing it to grow its revenues and impact for young people.</p> <ul style="list-style-type: none"> • Worked with others to share lessons from our impact investing framework (e.g. ‘top tips’ blog series) and continued to build sector expertise and networks in our thematic areas with e.g. Big Society Capital, Education Endowment Foundation and NHS Choices. • Built a strong team which is now at full complement and recruited a new chair to the Investment Committee, Vince O’Brien, who brings 30 years of private equity experience. <p>Strong performance from our portfolio of Programme Related Investments, including amongst others Behavioural Insights Team (which grew revenues by 60 per cent and is expanding internationally), Crowdfunder, Resonance, Bethnal Green Ventures, Abundance and ClearlySo.</p> <p>Continued management of our early-stage venture portfolio of investments, including £2.8 million of proceeds during the year, and further investment commitments of £1.6 million.</p>	

Department: **Communications**

Current Impact	Future Impact
<p>Our strategy for 2015/16 was to raise Nesta’s overall profile with a wider audience and to target existing audiences more forensically. We achieved this by running more integrated communications campaigns, such as Predictions, while concentrating efforts on programmes with more targeted audiences, such as Rethinking Parks and the Arts Impact Fund.</p> <p>Our perceptions audit conducted by YouGov at the end of the last financial year gave us a good platform to develop well-informed communications activity for the next two years.</p> <p>Using this information, we intensified our corporate affairs strategy, with the aim of developing relationships with key corporates in a number of sectors relating to our work. We ran over 100 face-to-face meetings and staged five business breakfast events with high level guests including senior stakeholders from the Institute of Directors, CBI, KPMG, Unilever, John Lewis, Boots, Canary Wharf Group, Tata, Santander, Microsoft, Fujitsu and CISCO. We also launched our first ever Business Insights Report, providing advice on the trends that will affect corporates for the year ahead.</p> <p>We redesigned our online magazine <i>The Long+Short</i> to broaden and increase its readership. The new design made it easier to share content for a more digitally savvy audience and resulted in a surge in monthly readers. Subscriptions to the newsletter doubled and monthly readers leapt from 1,000 to over 10,000, and increased our reach in Europe and North America.</p>	<p>We will take advantage of a renewed corporate strategy and move to a new building to rearticulate Nesta’s vision and communicate the value that we offer. We will develop a new brand, launching in early 2017, to help refresh and add more focus to our position.</p> <p>As well as a new look for the brand we will produce updated content and design more integrated campaigns to help tell the brand story. As part of this rebrand we will start to look at upgrading our core website.</p> <p>Our communications reach is growing and diversifying and next year we aim to consolidate our UK reach and also build on our reach in Europe and internationally, using more targeted digital marketing and media outreach activity.</p> <p>We intend to increase our work with other organisations, including building relationships with key corporates to help extend our influence in these sectors and provide new opportunities to work alongside them.</p> <p>Our events ambition is to focus on fewer, bigger, higher quality events that are more closely aligned with our strategic priority areas and which attract more targeted audiences.</p>

Current Impact	Future Impact
<p>All our key channels continued to perform well. Our website attracted over 1.4 million visits, 20 per cent up from last year, and visitors stayed for longer thanks to new content formats like data visualisations. We had over 8,000 people attend our events, with drop-out rates lower than they've ever been. And we secured over 2,800 pieces of media coverage, nationally and internationally.</p>	<p>We will deliver our third FutureFest event. This is Nesta's biggest public facing paid event and is designed to broaden Nesta's appeal, raise our brand profile, and attract a more diverse audience to the work that we do.</p> <p>Our third New Radicals awards with media partner <i>The Observer</i>, will be designed and delivered, raising the profile of 50 grassroots organisations who are changing the world for the better.</p>

Department: Innovation Skills

Current Impact	Future Impact
<p>Nesta's Innovation Skills team supports Nesta's mission to help people and organisations bring great ideas to life. Innovation can often seem inaccessible and mysterious, but we believe that innovation can and should be demystified, and that there are practical skills that people can learn to become more successful innovators.</p> <p>We believe that everybody has the capacity to innovate, and our aim is to improve skills and build innovation capacity in the public and social sector by encouraging the take up of innovation methods. We do this by providing content, learning experiences and strategic support to improve skills and embed innovation methods in everyday practice.</p> <p>Throughout 2015/16, we partnered with organisations such as UNDP, OECD, USAID, British Council, Oxfam and the Red Cross. As part of this work, we ran 30 workshops in 14 different countries, reaching over 1,000 attendees and covering themes ranging from lab setup and design, horizon scanning, opportunity mapping, through to designing and prototyping new solutions.</p> <p>We also continued our work supporting government innovation labs, collaborating with 15 labs from around the world and running a two-day coaching retreat in conjunction with Nesta's LabWork's event.</p> <p>Our DIY toolkit continued to be a key resource for those wanting to innovate their practice, both in our target international development audience and many more besides. As well as reaching almost 700,000 views and 90,000+ tool downloads since its launch in 2014, we joined forces with the Open University to create DIY Learn - a free online learning programme in innovation. Developed with support from the Rockefeller Foundation, DIY Learn features ten interactive modules to help people start using the DIY tools in their own work.</p> <p>We also supported a range of other Nesta teams to develop their own toolkits and learning materials, including the Innovation Growth Lab's guide to RCTs, and the D-CENT project's introduction to its digital toolbox. We also worked with the Alliance for Useful Evidence to develop its Evidence Masterclass series as well as its <i>Using Research Evidence Practice Guide</i> - which has been downloaded over 4,000 times.</p>	<p>Looking to the future, we will maintain and grow our partnerships with national government innovation teams such as the UAE and Chile, and are looking forward to helping other existing and emerging labs to develop and implement change. Our work supporting the international development community in developing its innovation practice will also continue, and our goal is to reach 50,000 learners with the online modules in DIY Learn. We will also look to expand our reach by developing a network of associates who are familiar with our key resources, such as the DIY Toolkit and Creative Enterprise Toolkit, and able to deliver high quality engagements around the world on our behalf.</p> <p>More broadly, we are developing an inventory of the skills and competencies needed for successful public sector innovation in partnership with the OECD that we hope will help inform the future of innovation skills training within the public sector. And in addition to this, we are currently building an alliance of organisations to develop the world's first dedicated innovation curriculum for the public sector.</p>

3. Plans for the future

We're convinced that the world faces an innovation gap. We face many big challenges – from ageing to integrating refugees, adapting education to the realities of the 21st century, to overhauling our democracy. Yet the world directs the great majority of its brainpower to other problems - like those of the military or finance. We have no shortage of innovation but too much of it is the wrong kind of innovation, directed to the wrong priorities.

Over the next few years Nesta will continue to deepen the strategic approach we've been following since 2014 which aims, in a small way, to fill that innovation gap. That will include growing many of our teams and units including potential new impact investment funds, our Innovation Growth Lab which already brings together funding from a dozen countries, our Health Lab and it's work on People Powered Results, The Alliance for Useful Evidence work with What Works Centres, new initiatives like Readie and the work of our Skills Team in spreading methods all over the world.

Increasingly we will become ever more of a networked organisation combining units, teams and organisations with distinct approaches and identities, through sharing Nesta's support systems, our convening capability and our knowledge. We will be helped by our move into our new building on the banks of the river Thames in 2017 which will provide an increasingly magnetic base for

many of our activities and events. We will continue to reach an ever wider audience in ways which help people do their own work, building on the millions of visitors who use our website each year, the tens of thousands of people who come to our events and the many organisations we support both directly and indirectly.

Our aspiration is to become ever more widely recognised as an organisation with deep expertise in how innovation is done and organised whether in the private sector, the public sector or in civil society. We want to become ever more the partner of choice for other funders and governments that wish to explore new approaches to innovation and tying this all together with an increasingly rigorous approach to tracking impacts which we achieve.

This is an exciting time to be working in the way that we are. Nesta is uniquely placed to bring together data and research, practical projects, investment and convening power to make a difference, functions which are in many other countries separated into different organisations. We will never be as big as mainstream public funders or the world's largest foundations. But our aspiration is to be uniquely effective at leveraging our resources of people and money and translating them into useful impact for the public benefit.

4. Financial review

The Group has adopted FRS 102 for the first time when preparing these accounts. The transition to FRS 102 has not resulted in a restatement of results, the date of transition was 1 April 2014.

The Group currently comprises 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 two limited liability partnerships.

A number of subsidiaries have been set up to manage investing and fund management activities undertaken by Nesta's investment and programme teams and expanded to manage Nesta's social impact investment activity. 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 PRI Limited, Nesta Partners Limited, Nesta Investment Management 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.

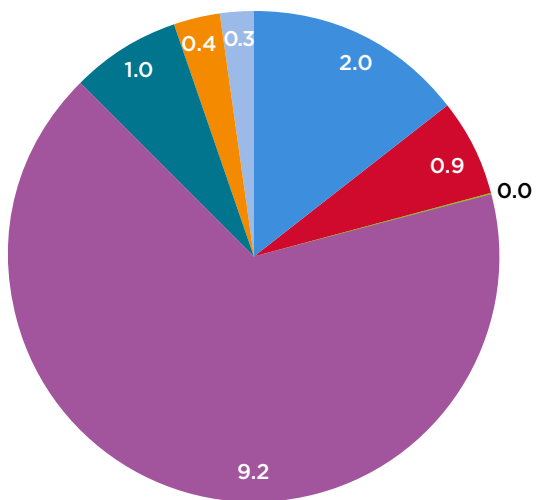
Nesta Trust entered into an agreement on 16 July 2015 to purchase a long leasehold interest in a property located in London for £50.95 million. The lease will run until November 2162. Practical completion took place on 16 September 2016.

Nesta Trust provides funding to Nesta to carry out the Trust's charitable objectives and this year provided £16.1 million (2015: £18 million) of which £13.6 million (2015: £16.2 million) was applied to charitable operating activity and £2.5 million (2015: £1.8 million) was applied against Nesta's commitment to the Impact Investment Fund and other programme-related investments held on Nesta's Balance Sheet. 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 received of £1.9 million (2015: £4.6 million) during the year.

In order to support longer-term planning, the Trustees agreed an ‘in-principle’ funding rule covering the three years to 31 March 2017 allowing Nesta to draw down up to £45 million for operating expenditure in addition to any unspent drawdown agreed for prior years. A further £12 million may be drawn down for Nesta programme-related investments over the same three year period, of which £4.0 million (2015: £4.9 million) has already been committed to the Nesta Impact Investments Fund, as yet undrawn, and a further £0.6 million (2015: £0.6 million) for other programme-related investment commitments – as disclosed in Note 11.

In addition to funding from the Nesta Trust, the Nesta Board of Trustees set income targets for Nesta’s Executive team. Income of £10.6 million (2015: £12.5 million) was recognised in addition to £1.9 million (2015: £4.6 million) of investment income from Nesta Trust.

2015/16 Income (£ million)



- Investment income
- Other trading activities
- Other income
- Charitable activities - Programmes
- Charitable activities - Policy and Research
- Charitable activities - Investment Management (early-stage and social impact)
- Charitable activities - Skills

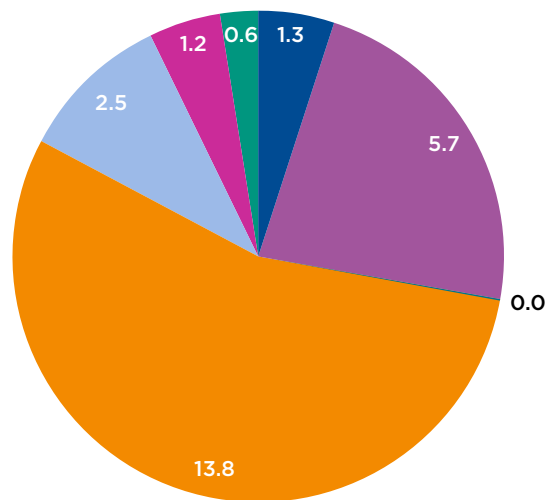
Expenditure on practical programmes was £13.8 million for the year (2015: £22.2 million). A large proportion of this is funded by external income.

Expenditure on investment (early-stage and social impact) management of £2.5 million (2015: £1.8 million) includes the cost of the investment team who look after the early-stage venture portfolio held by the Trust, and the programme related investments held by Nesta. A

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 generates income of £0.6 million (2015: £0.6 million).

Total Group expenditure for the year was £25.7 million (2015: £32.0 million). Expenditure on charitable activities was £23.8 million (2015: £30.6 million) and £1.3 million (2015: £1.3 million) was spent on managing the endowment assets held by the Trust and impact investment funds held by Nesta. In addition £0.6 million (2015: £0.1 million) was spent on Nesta Enterprises trading activities. Grant commitment expenditure for the year was £2.1 million (2015: £12.5 million). Grant recipients of over £50,000 are detailed in Note 7b.

2015/16 Expenditure (£ million)



- Raising funds
- Charitable activities - Programmes
- Charitable activities - Policy and Research
- Charitable activities - Investment Management (early-stage and social impact)
- Charitable activities - Skills
- Charitable activities - FutureFest
- Charitable activities - Other

£1.1 million (2015: £0.6 million) charge for impairment of Nesta’s portfolio of programme related investments is included in these investment costs.

Nesta has continued to build capability in Policy and Research and its Skills offering expenditure was £5.7 million (2014: £5.2 million) and £1.2 million (2015: £0.7 million) respectively.

FutureFest expenditure was £0.6 million (2015: £0.7 million) and this event showcases some of the work of Nesta with the aim of engaging a larger and more diverse audience.

Support costs of £9.7 million (£7.1 million) relate to Communications and Corporate Service activities and are allocated to programme areas as shown in Note 7a. This increase is as planned and reflects the continued growth in the scale of Nesta's activities.

At 31 March 2016, the Group had an unrestricted deficit of £0.3 million (2015: surplus of £1.8 million) as shown in the Statement of Financial Activities and reserves (restricted and unrestricted) of £9.8 million (2015: £5.0 million). At 31

March 2016 the reserves of the expendable endowment stood at £375.1 million (2015: £388.8 million).

The Trustees consider the level of expendable endowment reserves to be appropriate to sustain the future underlying value of the assets and funding plans for the Group. Investment assets include gilts which mature on a timetable to match the operating cash requirements over the next five years. 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 balance risk, return and capital preservation.

At 31 March 2016 the value of Trust investments and cash has reduced to £343.1 million (2015: £388.6 million), after annual transfers to Nesta to carry out the objectives of the Trust in line with the Trust Deed. The reduction of £45.5 million includes the sale of global

equities of £28 million, the proceeds of which were received post year end and a deposit in relation to the purchase of a new head office building £5.1 million, both of which have been included in debtors at the year end. The value of Investment Assets, excluding cash at the year-end was £297 million compared to an opening position of £298 million. In 2016 the combined gain was £1.8 million compared to a £45 million gain in 2015. This is primarily due to the shift in the value of global equities. In 2016 they generated a loss of £10.2 million, compared to a gain in 2015 of £25.1 million, this was due to the slowdown of global markets. The asset values and relative allocation at 31 March 2016 compared with the previous year are as follows:

Asset class	Market value of investment assets 31 March 2016 £'000	Proportion of total endowment assets 31 March 2016 %	Market value of investment assets 31 March 2015 £'000	Proportion of total endowment assets 31 March 2015 %
Cash	**46,415	14	**90,703	23
Fixed asset investments:				
Gilts	**11,686	3	23,905	6
Property trust funds	2,528	1	4,654	1
Private equity funds	15,800	5	13,436	4
Global equities	164,990	48	198,244	51
High yield bonds (fixed income)	75,183	22	33,809	9
Early-stage venture portfolio*	25,856	7	23,880	6
Deferred investment and loans in early-stage companies*	664	-	11	-
	296,707	86	297,939	77
Total	343,122	100	388,642	100

*Mixed motive investments

**Current assets

i. Strategic review.

During the year, the Trustees of Nesta undertook a strategic review of the investment portfolio including the asset allocation policy. A risk register has been introduced in order to proactively manage key risks such as the impact of currency hedges on the value of the investment portfolio.

ii. The gilt position.

In 2015-16, the value of the holding in gilts reduced to £11.7 million (2015: £23.9 million) due to gilts maturing to term with the remaining tranche due to mature in September 2016. This is in line with the decision to reduce the Trust's exposure to gilts.

iii. Global equities performance.

Global equities represent 48 per cent of endowment assets. At the start of the year the holding stood at £198.2 million, however due to market conditions this reduced to £165.0 million as at 31 March 2016. Trustees continue to monitor investments in all asset classes in line with the tactical allocation policy agreed in January 2015.

During the year £28 million (2015: £17 million) of assets under active management were realised and the proceeds were invested after the year end in UK equity funds with passive management. This reallocation supports the Trustees' decision to reduce the fee burden by reducing investments in actively managed funds.

iv. 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 £2.7 million (2015: £2.0 million) and capital returns received of £1.4 million (2015: £2.3 million). It is expected that these two funds will continue

to be drawn down over the next two years. The £6.1 million financial commitment outstanding for this asset class is disclosed Note 19 to these Financial Statements.

v. Maximising value from our self-managed venture portfolio.

The early-stage venture portfolio includes equity and loan investments in nineteen (2015: nineteen) early-stage companies, and commitments to six (2015: 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. Follow-on funding invested in 2015-16 in accordance with this strategy totalled £1.0 million (2015: £1.6 million). A net realised gain of £1.7 million (2015: £1.2 million) was recognised in the year, due in part to earn-outs from realised investments in early-stage companies and in part due to disposals of holdings in various companies held by two early-stage fund of funds. A net unrealised gain of £2.0 million (2015: £2.3 million) was also recognised, applying the valuation methodology which remains unchanged from previous years and is detailed in Note 1e to the Accounts.

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £1.2 million (2015: £1.3 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.

All asset classes generated a positive total return over the year – the portfolio as a whole achieved 0.7 per cent (2015: 12.7 per cent).

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, styles 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 two specific conditions on Nesta's power to invest:

- a. UK Government Gilts may only be sold to fund the activities of Nesta in advancing the charitable objects of the Trust, to purchase other UK Government Gilts, or with the consent of the Secretary of State for the Department of Business, Innovation and Skills;
- b. 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.

The cash policy is to allocate cash holdings across banking institutions in order to manage counter-party risk, and in order to further manage risk there is an express preference for banking institutions with significant United Kingdom government ownership.

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, grantmaking, 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 are also expected to make a financial return and are managed in line with programme objectives. Consequently they are, as permitted by *Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102) applicable in the UK and Republic of Ireland (effective 1 January 2015)* issued by the Charity Commission, included in the balance sheet at cost less any provision for impairment, where there is no evidence for fair value available.

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 funds available, 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 page 52, 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 2016 the reserves of the Group stood at £384.9 million (2015: £393.8 million). Nesta Trust provided funding to fulfil its charitable objectives, through activities carried out by Nesta, totalling £16.1 million (2015: £18.0 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.

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.

5. 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 regularly 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.

A strategic review has been undertaken during the year with resulting actions to be progressed during 2016.

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. Risks identified in the normal course of business and performance dashboards for each programme with relevant risk ratings are discussed by the Executive Team in their monthly meetings.

Trustees are satisfied that the major risks identified through 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;
- 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;
- Risk that passive management of cash flow leads to investment assets not being sold advantageously thereby not maximising investment returns.
- Lack of internal event space management expertise leading to inability to secure tenants for the new property and therefore increased reliance on the endowment.

OBJECTIVES

Nesta's 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.

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 and programme related investments in education, healthcare and the arts, to challenge prizes and other projects looking for ways to improve public services. Nesta undertakes and disseminates research to improve public understanding of innovation through its reports, events and digital media, and provides training and tools to teach innovation skills to a variety of audiences.

Support is provided to private and for-profit companies only where this will further Nesta's charitable purposes for public benefit and where personal benefit is incidental to the furtherance of those purposes. The potential for personal benefit is assessed on a case by case basis, through due diligence on potential investments, for example, and appropriate conditions are imposed to ensure this is incidental to 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 8 to 29.

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 63.

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 73. Sir John Chisholm was Chair of the Board, until his resignation on 29 February 2016, when Sir John Gieve was appointed as Chair of the Board. The Board 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, Innovation and Skills 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 *Good Governance - A Code for the Voluntary and Community Sector*. The Board observes all six principle of the Good 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, Chief Finance Officer, Chief Operating Officer 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 74.

The Board has established a number of Committees to oversee aspects of Nesta's activities. These include main Board Committees with delegated authority in respect of certain functions and activities, and Advisory Committees which advise and support the Board but do not make decisions for Nesta. Each Board Committee has written Terms of Reference approved by the Board and reports to the Board at each Board meeting. A list of Trustees and members of main Board Committees is provided on page 73.

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 and certain programme-related and mixed-motive investments. The Committee met seven times during the year.

Innovation Lab Committee which has delegated authority to approve up to a certain threshold, and oversee, programmes in Nesta's Innovation Lab. The Committee met four times during the year.

Remuneration Committee whose key responsibilities are staff terms and conditions, ensuring fair and appropriate remuneration and benefit policies. The Committee met twice during the year, determined an annual pay review and agreed annual remuneration of the CEO and other Executives.

Nominations Committee which manages the recruitment of new Trustees and oversees appointments to other Committees. The Committee met four times during the year.

Advisory Committees The Board has also established the following Advisory Committees to provide advice and scrutiny in particular areas:

- Policy and Research Advisory Committee
- Creative Economy Advisory Committee

Remuneration policy

Nesta aims to offer a competitive mix of rewards, which attract and retain highly effective people with a diverse range of experience and expertise from all sectors of business. We aim to be an employer of choice and are committed to paying a fair salary and competitive benefits for the jobs undertaken by our employees. To ensure transparency, we are detailing our approach to remunerations in line with recommendations from the National Council for Voluntary Organisations inquiry into charity senior executive pay.

The Board of Trustees at Nesta have established a Remuneration Committee with responsibility for agreeing salary levels for all Executive posts and annual awards for all staff. Each role at Nesta has a salary range which is determined by benchmarking against the appropriate external market and monitoring recruitment and retention experience. Individual salaries are set on appointment and reviewed annually. Nesta is an Accredited Living Wage employer. The ratio between the Chief Executive and mean based salary is 3.25 : 1.

Nesta's Executive team are responsible for the strategic and operational running of the organisation. The Executive salaries are disclosed in Note 8d of the accounts. The Board of Trustees have agreed that 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 2 per cent was made in April 2015 (April 2014 : 2 per cent). In addition 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 must fall within the budget set aside for salaries which is signed off by the Remuneration Committee. The budget for April 2015 individual pay awards was 1.1 per cent (April 2014 : 1.6 per cent).

Nesta has a competitive flexible benefits system, Nestaflex that all employees are entitled to. Nestaflex enables employees to choose a mix of pay and benefits best suited to their own personal circumstances, and offers them the opportunity to buy a wider range of benefits that support our aspirations for health and wellbeing at Nesta. Nesta offers a defined contribution pension scheme with the contribution from Nesta ranging from a minimum of 8 per cent and up to 12 per cent of salary depending on the level of contributions made by the employee.

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.

- 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.

Sir John Gieve

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Nesta for the year ended 31 March 2016 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's trustees and members 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 charity and the charity's trustees and members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

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.

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 regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure, 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).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report, which includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- The parent charitable company has not kept proper and adequate accounting records 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 or returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Fiona Condron
Senior Statutory Auditor

for and on behalf of BDO LLP,
Statutory Auditor
Gatwick
United Kingdom

Date: 13 October 2016

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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

Consolidated Statement of Financial Activities for the year ended 31 March 2016

FINANCIAL STATEMENTS

	Notes to the accounts	Unrestricted funds 2016 £'000	Restricted funds 2016 £'000	Expendable endowment 2016 £'000	Total funds 2016 £'000	Total funds 2015 £'000 restated
Income and endowments from:						
Investment income	2	35	-	1,976	2,011	4,598
Charitable activities	3	1,943	8,970	-	10,913	12,561
Other trading activities	4	1,452	-	-	1,452	505
Other income	5	2,425	-	-	2,425	1,572
Total income		5,855	8,970	1,976	16,801	19,236
Less share of joint ventures' turnover		(2,309)	-	-	(2,309)	(1,320)
Total group income		3,546	8,970	1,976	14,492	17,916
Expenditure on:						
Raising funds						
Trading operations		565	-	-	565	111
Investment management costs	6	19	-	1,257	1,276	1,322
Total expenditure on raising funds		584	-	1,257	1,841	1,433
Charitable activities						
Policy and Research	7	4,438	1,199	64	5,701	5,198
Programmes	7	8,651	5,041	134	13,826	22,230
Investment (early-stage and social impact) management	7	2,504	-	26	2,530	1,766
Skills	7	808	358	16	1,182	697
FutureFest	7	587	-	6	593	691
Total expenditure on charitable activities	7	16,988	6,598	246	23,832	30,582
Total expenditure		17,572	6,598	1,503	25,673	32,015
Net gains on investments	10	-	-	1,799	1,799	43,557
Net income/(expenditure)		(14,026)	2,372	2,272	(9,382)	29,458
Net interest in joint venture		335	-	-	335	357
Transfers between funds		13,430	2,690	(16,120)	-	-
Net income/(expenditure) before other recognised gains and losses		(261)	5,062	(13,848)	(9,047)	29,815
Other recognised gains/(losses)						
Foreign exchange gains		-	-	143	143	260
Net movement in funds for the year		(261)	5,062	(13,705)	(8,904)	30,075
Reconciliation of funds						
Total funds brought forward		3,187	1,830	388,772	393,789	363,714
Total funds carried forward		2,926	6,892	375,067	384,885	393,789

A summary income and expenditure account is presented in Note 17 in compliance with the Companies Act 2006. Total income for the year of Nesta, the parent charity, was £27,810k (2015 restated: £31,293k); total expenditure was £23,533k (2015: £30,546k); and total net income was £4,277k (2015 restated: £747k).

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 43 to 72 form part of these accounts.

Balance Sheet as at 31 March 2016. Company Number: 07706036

	Notes to the accounts	Group 2016 £'000	Parent Charity 2016 £'000	Group 2015 £'000 restated	Parent Charity 2015 £'000 restated
Fixed assets					
Tangible assets	9	607	257	552	552
Investments:					
Investments – quoted and unquoted	10	285,021	-	297,939	-
Programme-related investments	11a	3,450	3,450	3,925	3,925
Programme-related investment in joint venture – share of gross assets/costs	11b	808	30	456	30
Arts Impact Investments	11c	133	-	-	-
Total Fixed assets		290,019	3,737	302,872	4,507
Current assets					
Investments – quoted and unquoted	10	11,686	-	-	-
Debtors	12	39,378	8,278	2,474	2,750
Bank and cash		51,277	3,082	101,745	10,612
Total current assets		102,341	11,360	104,219	13,362
Current liabilities					
Creditors: amounts due within one year	13	(6,434)	(5,946)	(13,064)	(12,878)
Net current assets/(liabilities)		95,907	5,414	91,155	483
Total assets less current liabilities		385,926	9,151	394,027	4,991
Creditors: amounts due after one year	13	(1,041)	(121)	(238)	(238)
Net Assets		384,885	9,030	393,789	4,753
Charitable funds					
Expendable endowment funds	15a	375,067	-	388,772	-
General funds	15a	2,138	2,138	2,923	2,923
Total charitable unrestricted funds		377,205	2,138	391,695	2,923
Restricted funds	15b	6,892	6,892	1,830	1,830
Total charitable funds		384,097	9,030	393,525	4,753
Funds retained within non-charitable subsidiaries	15a	788	-	264	-
Total funds		384,885	9,030	393,789	4,753

The notes on pages 43 to 72 form part of these accounts.

Approved by the Board of Trustees and authorised for issue on 13 October 2016, 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 2016

	Note	Group 2016 £'000	Group 2015 £'000 restated
Cash flows from operating activities			
Net cash used in operating activities	(a)	(52,002)	(13,742)
Cash flows from investing activities			
Net cash provided by investing activities	(b)	(439)	(59)
Cash flows from financing activities			
Net cash provided by financing activities	(c)	1,830	90,873
Change in cash and cash equivalents in the reporting period		(50,611)	77,062
Cash and cash equivalents at the beginning of the reporting period		101,745	24,423
Change in cash and cash equivalents due to exchange rate movements		143	260
Cash and cash equivalents at the end of the reporting period		51,277	101,745
Cash flow statement notes			
a) Reconciliation of net income/(expenditure) to net cash flow from operating activities			
Net income (expenditure) for the reporting period (as per consolidated statement of financial activities)		(9,382)	29,458
Depreciation charges		383	421
Loss on disposal of fixed assets		8	-
Amortisation of premium		(635)	(1,573)
Net (losses) from investments		(1,799)	(43,558)
Impairments		1,146	628
Grossed up investment costs (non-cash)		1,732	2,547
Dividends, interest and rents from investments		(2,011)	(4,596)
Interest paid and bank charges		9	5
Investment fees		1,276	1,322
Foreign exchange gains/(losses)		2	-
(Increase)/decrease in debtors		(36,904)	1,174
Increase/(decrease) in creditors		(5,827)	430
		(52,002)	(13,742)
b) Cash flows from investing activities			
Dividends, interest and rents from investments		35	65
Interest paid and bank charges		(9)	(5)
Investment fees		(19)	(22)
Purchase of property, plant and equipment		(446)	(107)
		(439)	(69)
c) Cash flows from financing activities			
Purchase of quoted investments		(40,802)	(94,769)
Purchase of unquoted investments		(4,667)	(3,592)
Purchase of programme-related investments		(920)	(2,006)
Purchase of arts impact fund investments		(150)	-
Investment fees		(1,257)	(1,300)
Proceeds from sale or maturity of quoted investments		42,000	182,517
Proceeds from sale or maturity of unquoted investments		5,384	4,975
Proceeds from sale of programme-related investments		263	517
Proceeds from sale of arts impact fund investment		3	-
Dividends and interest from investments		1,976	4,531
Net cash provided by (used in) investing activities		1,830	90,873

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 12b.

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

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

c. Fund accounting

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

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

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

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

d. Income

Income is recognised in the 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 met fully. 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 a 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 Statement of Financial Activities on the date when a grant agreement is signed or equivalent obligation created less any awards cancelled or refunded. Grants awarded but not yet paid are recorded as a liability in the 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 20).

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 on 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 improvements	over the remaining 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

Investments 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.

Assets under construction relates to expenditure for the purchase of a new head office building which is due to be completed in the 2017 financial year.

Cash, 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 draw 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.

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. Undrawn commitments are disclosed by way of note.

Unrealised changes in value between accounting periods are reflected in the 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. 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.

j. Investment Assets – Arts Impact investments

Arts impact related investments are held at costs, 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.

k. 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.

l. 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 20).

m. 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.

n. Taxation

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

No tax charge arose in the period.

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

o. Exchange gains and losses

The non-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.

p. 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.

q. Related party transactions

Material 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 Charities SORP (FRS 102).

r. Prior year adjustments

In March 2015, Nesta secured restricted grant funding of £700,000. This was not included in the reported financial statements for 2015 and has therefore resulted in a prior year adjustment. Total funds for 2015 have been restated to include this amount. In the consolidated statement of financial activities, income from charitable activities for 2015 has been increased by £700,000. Total funds carried forward at the end of 2015 has increased from £393,089,000 to £393,789,000. The impact on the Balance sheet has been that debtors for 2015 have been restated to include accrued income of £700,000 in relation to this grant agreement. Debtors have therefore increased from £1,774,000 to £2,474,000, and restricted funds increased to £1,830,000.

2. Investment income

	Group 2016 £'000	Group 2015 £'000 restated
<i>Quoted investments:</i>		
Interest and dividends receivable	1,513	4,254
Total income from quoted investments	1,513	4,254
<i>Unquoted investments:</i>		
Interest and dividends receivable	130	149
Total income from unquoted investments	130	149
Bank interest	368	195
Total investment income	2,011	4,598

The 2015 investment income breakdown between funds is as follows: Unrestricted funds £68,000; Expendable endowment funds £4,530,000.

3. Income from charitable activities

	Funding from Government bodies 2016 £'000	Funding from Non-Government bodies 2016 £'000	Other charitable activity income 2016 £'000	Group total 2016 £'000	Funding from Government bodies 2015 £'000 restated	Funding from Non-Government bodies 2015 £'000 restated	Other charitable activity income 2015 £'000 restated	Group total 2015 £'000 restated
Policy and Research Programmes	166	570	282	1,018	227	668	99	994
Investment (early-stage and social impact) management	1,348	1,943	5,904	9,195	9,761	1,654	53	11,468
Skills	-	-	392	392	-	-	34	34
FutureFest	-	170	115	285	-	41	9	50
Other	-	-	-	-	-	-	-	-
	-	11	12	23	-	-	15	15
Total income from charitable activities	1,514	2,694	6,705	10,913	9,988	2,363	210	12,561

Other charitable activity income includes income from consultancy services, monitoring and product sales.

The breakdown between funds for 2015 is as follows: Unrestricted funds £618,000; Restricted funds £11,943,000 of which £9,988,000 was from government bodies as shown in note 3a.

3a. Funding from Government bodies

	Restricted Funding from Government bodies 2016 £'000	Restricted Funding from Government bodies 2015 £'000 restated
Aberdeen City Council	-	10
Agency for Business Competitiveness - Accio	75	24
Arts Council England	1	1,806
Arts Council Wales	-	194
Australian Department of Industry	5	25
Big Lottery Fund	-	(50)
Cabinet Office	200	6,007
Centre for Economic and Social Inclusion	25	-
Danish Business Authority	-	25
Department for Communities & Local Government	50	-
Department for Education	-	20
Department for International Development India	6	30
Department of Business, Innovation & Skills	525	561
Department of Health	400	-
Dutch Ministry of Economic Affairs	-	26
Foreign & Commonwealth Office	-	10
Heritage Lottery Fund	-	50
NHS England	162	700
NSPCC	-	5
Swedish Agency for Growth Policy Analysis	10	22
Technology Strategy Board	7	21
The Arts & Humanities Research Council	-	518
The Finnish Agency for Innovation	13	-
The Scottish Government	-	(16)
The Welsh Government	35	-
Total restricted funding from Government bodies	1,514	9,988

There were no unfulfilled conditions in respect of the above grants. There are no other forms of government assistance from which the charity has directly benefitted.

4. Income from other trading activities

	Group 2016 £'000	Group 2015 £'000 restated
Rental income	562	6
Income from trading	890	499
Total other income	1,452	505

All income from trading activities are unrestricted funds.

5. Other income

	Group 2016 £'000	Group 2015 £'000
Impact fund management fees	-	7
Events and workshops fees	107	131
Returns on legacy investments	3	67
Share of income from joint ventures	2,309	1,320
Other sundry income	6	47
Total other income	2,425	1,572

Returns on legacy investments relate to investments granted which were expensed to programme expenditure in NESTA and were not transferred as a financial asset on 1 April 2012.

All the income listed here are derived from unrestricted funds.

6. Investment management costs

	Group 2016 £'000	Group 2015 £'000
Investment manager fees	1,170	1,256
Investment consultancy fees	-	22
Custodian fees	56	44
Dilution fees	50	-
Total investment management costs	1,276	1,322

Investment management costs for 2015 are comprised of £1,300,000 against expendable endowment funds and £22,000 from unrestricted funds.

7. Charitable activities

	Grant making 2016 £'000	Non-grant direct cost 2016 £'000	Allocated support costs 2016 £'000	Group total 2016 £'000	Grant making 2015 £'000	Non-grant direct cost 2015 £'000	Allocated support costs 2015 £'000	Group total 2015 £'000
Policy and Research	167	2,855	2,679	5,701	254	3,167	1,777	5,198
Programmes	1,753	6,629	5,444	13,826	12,097	5,674	4,459	22,230
Investment (early-stage and social impact) management	45	1,642	843	2,530	150	1,166	450	1,766
Skills	167	532	483	1,182	-	415	282	697
FutureFest	-	352	241	593	-	531	160	691
Total charitable activities	2,132	12,010	9,690	23,832	12,501	10,953	7,128	30,582

Notes to the Accounts

The 2015 breakdown between funds is shown in the following table.

	Unrestricted funds £'000	Restricted funds £'000	Expendable endowment £'000	Total £'000
Policy and Research	4,351	841	6	5,198
Programmes	6,459	15,754	17	22,230
Investments	1,764	-	2	1,766
Skills	541	155	1	697
FutureFest	690	-	1	691
	13,805	16,750	27	30,582

7a. Support costs

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

	Support staff costs 2016 £'000	Premises, technology and other costs 2016 £'000	Governance 2016 £'000	Group total 2016 £'000	Support staff costs 2015 restated £'000	Premises, technology and other costs 2015 restated £'000	Governance 2015 restated £'000	Group total 2015 restated £'000
Policy and Research	958	1,602	119	2,679	628	1,087	62	1,777
Programmes	2,002	3,225	217	5,444	1,867	2,488	104	4,459
Investment (early-stage and social impact) management	391	414	38	843	228	207	15	450
Skills	238	219	26	483	151	119	12	282
FutureFest	92	139	10	241	66	90	4	160
Total support costs	3,681	5,599	410	9,690	2,940	3,991	197	7,128

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, Governance	Allocated on the basis of headcount

Notes to the Accounts

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 2016 £'000	Charitable activity area	Programme
Open University	167	Programmes	Rockefeller / DIY Toolkit
Behavioural Insights	136	Programmes	Behavioural Insights
Newcastle University	130	Programmes	Realising the Value
Behavioural Insights	100	Programmes	Behavioural Insights
Stockport Metropolitan Borough Council	100	Programmes	Centre for Social Action Innovation Fund
Behavioural Insights	90	Programmes	Behavioural Insights
National Voices	71	Programmes	Realising the Value
Development Bank of Latin America - CAF	60	Programmes	Innovation Growth Lab
The Better with Data Society	50	Programmes	Open Data Challenge Series
PIC - Performance in Context Limited	50	Programmes	Open Data Challenge Series
University Hospital Southampton NHS Trust	50	Programmes	Young People Helping in Hospitals
Western Sussex Hospitals NHS Foundation Trust	50	Programmes	Young People Helping in Hospitals
WikiHouse Foundation	50	Programmes	Collaborative Economy
360Giving	50	Programmes	Open Philanthropy / 360Giving
European School of Management and Technology	50	Programmes	Innovation Growth Lab
Grants below £50,000 (number of grants to institutions 105)	1,323		
Grants cancelled in the year	(401)		
Total grants to institutions	2,126		

There were a total of 11 grants made to individuals in the year ended 31 March 2016, totalling £6k.

Notes to the Accounts

Recipient	Grants to institutions 2015 £'000	Charitable activity area	Programme
Code Club World Ltd	525	Programmes	Centre for Social Action Innovation Fund (CSA-IF)
The Conservation Volunteers	475	Programmes	CSA-IF
The Co-Sponsorship Agency Ltd	409	Programmes	CSA-IF
Carers UK	392	Programmes	CSA-IF
The British Red Cross Society	389	Programmes	CSA-IF
Stockport Metropolitan Borough Council	349	Programmes	CSA-IF
Manchester Cathedral	335	Programmes	CSA-IF
Age UK Group	320	Programmes	CSA-IF
HOME - Greater Manchester Arts Centre Ltd	300	Programmes	Digital Arts R & D (R & D)
The Audience Agency	300	Programmes	R & D
FutureEverything	299	Programmes	R & D
Vi-Ability	265	Programmes	CSA-IF
GOODGYM	245	Programmes	CSA-IF
Stroke Association	236	Programmes	CSA-IF
Smart Works Charity	235	Programmes	CSA-IF
My Support Broker Community Interest Company (C.I.C.)	205	Programmes	CSA-IF
Royal National Institute of Blind People	191	Programmes	CSA-IF
Dance City	184	Programmes	R & D
Get Connected	184	Programmes	CSA-IF
Virtual Class Ltd	169	Programmes	Digital Education
Social Innovation Camp	150	Investment Management	Accelerators
uMotif Limited	150	Programmes	CSA-IF
vInspired	150	Programmes	CSA-IF
Chartered Institute of Personnel and Development	142	Programmes	CSA-IF
d2 Digital by Design Ltd	132	Programmes	CSA-IF
NL Cares Ltd	131	Programmes	CSA-IF
Bedfordshire Rural Communities Charity	129	Programmes	CSA-IF
Hijack	125	Programmes	R & D
Ministry of Stories	125	Programmes	R & D
Freewheeling	125	Programmes	R & D
Film London Ltd	125	Programmes	R & D
National Art Collections Fund	125	Programmes	R & D
ArtForms Music + Arts	125	Programmes	R & D
Stagetext	125	Programmes	R & D
Abandon Normal Devices (AND)	125	Programmes	R & D
Bristol Museums, Galleries & Archives	125	Programmes	R & D
Comma Press	125	Programmes	R & D
The Firestation Centre for Arts & Culture	125	Programmes	R & D
The National Holocaust Centre & Museum	125	Programmes	R & D
Leicester City Council	125	Programmes	R & D
Black Radley Limited	125	Programmes	R & D

Notes to the Accounts

Recipient	Grants to institutions 2015 £'000	Charitable activity area	Programme
Sinfonietta Productions Ltd Company	124	Programmes	R & D
NYMAZ	123	Programmes	R & D
London Ambulance Service NHS Trust	120	Programmes	CSA-IF
Orphans of the Storm Limited	119	Programmes	R & D
Metal	119	Programmes	R & D
Performances Birmingham Ltd	112	Programmes	R & D
The Spark Arts For Children	104	Programmes	R & D
Cambridge University Hospital NHS Foundation Trust	100	Programmes	Helping in Hospitals
Great Western Hospitals NHS Foundation Trust	100	Programmes	Helping in Hospitals
Greenspace Scotland	100	Programmes	Innovation Parks
Kingston Hospital NHS Foundation Trust	100	Programmes	Helping in Hospitals
National Trust	100	Programmes	Innovation Parks
Talklife Ltd	99	Programmes	CSA-IF
Bristol City Council	99	Programmes	Innovation Parks
Derbyshire Community Health Services NHS Foundation Trust	99	Programmes	Helping in Hospitals
Burnley Borough Council	99	Programmes	Innovation Parks
Barts Health NHS Trust	99	Programmes	Helping in Hospitals
Heeley Development Trust	98	Programmes	Innovation Parks
London Borough of Camden Council	96	Programmes	Innovation Parks
Sheffield Teaching Hospitals NHS Foundation Trust	93	Programmes	Helping in Hospitals
Groundwork London	90	Programmes	Innovation Parks
Thames Chase Community Forest	85	Programmes	Innovation Parks
Body & Soul	83	Programmes	CSA-IF
Groundwork NE & Cumbria	80	Programmes	Innovation Parks
Bournemouth Borough Council	76	Programmes	Innovation Parks
The Land Trust	67	Programmes	Innovation Parks
The Chartered Institute for IT (BCS)	60	Programmes	Digital Education
Yellow Brick Limited	57	Programmes	R & D, Wales
Community Music Wales	55	Programmes	R & D, Wales
Andrew Sage Arts & Entertainment Ltd	50	Programmes	Make it Local - Scotland
Exergy Devices Ltd	50	Programmes	Dynamic Demand Prize
MIME Consulting Ltd	50	Programmes	Prizes - Open Data Challenge
National Children's Bureau	50	Programmes	Digital Education
Grants below £50,000 (number of grants to institutions 62)	736		
Grants cancelled in the year	(145)		
Total grants to institutions	12,288		

There were a total of 14 grants made to individuals in the year ended 31 March 2015. One of those grants was £59k to Alex Gardener for the programme 'Make it Local - Scotland'. The remaining 13 were each individually less than £50k and totaled £154k.

7c. Auditors fees

Fees payable to auditors for:

	Group 2016 £'000	Group 2015 £'000
External audit	48	41
Internal audit	29	29
Tax advisory services	3	54
Other financial services	9	13
Total auditor fees	89	137

External audit fees incurred for Nesta, the parent charity, were £20,500 (2015: £19,500) excluding VAT.

8. Employees

8a. Staff costs

	Group 2016 £'000	Group 2015 £'000
Salaries and emoluments of directly employed staff	8,037	7,177
Social security costs	899	817
Pension costs	949	811
Agency/temporary staff costs	341	379
Other staff costs	110	20
Total	10,336	9,204

During the year, there were also redundancy payments totalling £109,708 (2015: £19,889) as a result of restructuring.

8b. Staff numbers

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

	Group 2016		Group 2015	
	F.T.E	Headcount	F.T.E	Headcount
Policy and Research	39	51	30	42
Programmes	58	82	56	73
Investment (early-stage and social impact) management	8	18	8	11
Skills	7	9	5	8
Publications, Events and Communications	21	27	17	21
Governance and Corporate Services	34	50	28	49
Total	167	237	144	204

8c. Higher earners

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

	Group 2016	Group 2015
£60,000 - £70,000	8	8
£70,001 - £80,000	7	4
£80,001 - £90,000	5	5
£90,001 - £100,000	4	2
£100,001 - £110,000	1	1
£110,001 - £120,000	1	-
£130,001 - £140,000	-	1
£150,001 - £160,000	1	1
£160,001 - £170,000	-	1

Of staff with remuneration over £60,000, 27 (2015: 23) 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 £255k (2015: £232k).

The annual salaries of the Executive team as at 31 March 2016 are below:

	2016 £	2015 £
Chief Executive	152,128	149,145
Deputy Chief Executive*	-	130,708
Executive Director of Investments****	127,500	159,607
Chief Finance Officer***	102,000	90,000
Chief Operating Officer**	100,000	-
Executive Director, Business Development**	110,000	-
Executive Director of Policy and Research	109,750	107,598
Executive Director of the Innovation Lab	98,594	94,700
Executive Director, Health Lab**	95,000	-
Executive Director of Communications*	-	91,700
	894,972	823,458

* Role discontinued

** New role

*** Role restructured
from Finance Director

**** Previously Chief
Investment Officer

a) A bonus carry payment of £ Nil (2015: £34,028) was made to the Chief Investment Officer.

b) 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.

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 period, for all schemes, totalled £949k (2015: £811k) including outstanding contributions of £86k (2015: £75k).

8e. Trustee Remuneration

None of the Trustees received remuneration for performance of their role as Trustees during the year. Travel expenses of £162 (2015: £636) were reimbursed to two (2015: four) Trustee(s) during the year.

9. Tangible Assets

	Leasehold improvements £'000	Computer hardware £'000	Office equipment £'000	Fixtures and fittings £'000	Parent Charity Total 31 March 2016 £'000	Nesta Trust Asset under construction £'000	Group Total 31 March 2016 £'000
Cost							
At 1 April 2015	2,415	690	17	524	3,646	-	3,646
Additions	-	91	-	5	96	350	446
Disposals	-	(143)	(7)	(31)	(181)	-	(181)
At 31 March 2016	2,415	638	10	498	3,561	350	3,911
Depreciation							
At 1 April 2015	2,150	525	16	403	3,094	-	3,094
Charge for the year	214	125	1	43	383	-	383
Disposals in the year	-	(136)	(7)	(30)	(173)	-	(173)
At 31 March 2016	2,364	514	10	416	3,304	-	3,304
Net book value at 31 March 2016	51	124	-	82	257	350	607
Net book value at 1 April 2015	265	165	1	121	552		552

10. Investments

Category	Market value at 1 April 2015 £'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 value at 31 March 2016 £'000
Investments							
<i>Quoted investments</i>							
Global equities	198,244	802	(28,050)	(913)	5,061	(10,154)	164,990
Gilts - UK Government	23,905	-	(11,545)	(38)	(228)	(408)	*11,686
Property trust funds	4,654	-	(2,404)	(42)	534	(214)	2,528
Fixed income	33,809	-	-	(66)	66	(686)	33,123
Bonds	-	40,000	-	(56)	56	2,060	42,060
Total quoted investments	260,612	40,802	(41,999)	(1,115)	5,489	(9,402)	254,387
<i>Unquoted investments</i>							
Managed Funds							
Private equity funds	13,436	2,718	(2,327)	-	961	1,012	15,800
Mixed Motive Investments							
Investment in early-stage companies	16,644	606	(1,023)	**551	481	(792)	16,467
Loans to early-stage companies	1,270	296	(471)	** (551)	221	-	765
Investment in early-stage funds	5,966	171	(1,342)	-	1,016	2,813	8,624
Deferred investment early-stage companies	-	489	-	-	-	-	489
Deferred loans to early-stage companies	11	385	(221)	-	-	-	175
Total unquoted investments	37,327	4,665	(5,384)	-	2,679	3,033	42,320
Total investments	297,939	45,467	(47,383)	(1,115)	8,168	(6,369)	296,707

As at 31 March 2016, total cash and investment assets held by Nesta Trust totalled £343,112k (2015: £388,642k). Refer also to the Investment Review on pages 31 to 32 of this report.

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 recognised under current liabilities.

* Included as current asset investment at year-end as disposed of in the 2017 financial year.

** Transfer between investment categories is due to loans being converted to equity.

Investment assets consist of the following:

	Market value at 31 March 2016 £'000	Market value at 31 March 2015 £'000	Percentage of 2016 Portfolio %	Percentage of 2015 Portfolio %
UK quoted investments	56,275	28,559	19	9
Overseas quoted investments	198,113	232,053	67	78
UK unquoted investments	24,710	23,229	8	8
Overseas unquoted investments	17,609	14,098	6	5
	296,707	297,939	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 2016 £'000	Unrealised gain/(loss) 31 March 2016 £'000	Group Total gain/(loss) 2016 £'000	Realised gain/(loss) 31 March 2015 £'000 restated	Unrealised gain/(loss) 31 March 2015 £'000 restated	Group Total gain/(loss) 2015 £'000 restated
Quoted investments	5,489	(9,402)	(3,913)	17,505	19,560	37,065
Unquoted investments	2,679	3,033	5,712	2,145	4,347	6,492
	8,168	(6,369)	1,799	19,650	23,907	43,557

11a. Programme-related investments

	Parent Charity and Group total value 1 April 2015 £'000	Additions £'000	Disposals £'000	Impairments £'000	Parent Charity and Group total value 31 March 2016 £'000
<i>Investment type:</i>					
Equity	3,691	905	(263)	(1,015)	3,318
Unsecured loan	234	15	-	(117)	132
Total	3,925	920	(263)	(1,132)	3,450

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 2016 £'000	Group share of gross assets 2015 £'000
Behavioural Insights Ltd	UK	Ordinary	30%	31 March	A social purpose consultancy company	808	456

	Parent Charity total value 1 April 2015 £'000	Additions £'000	Repayments £'000	Parent Charity total value 31 March 2016 £'000
<i>Investment type:</i>				
Equity	30	-	-	30
Unsecured loan	-	-	-	-
Total	30	-	-	30

11c. Arts Impact investments

	Parent Charity total value 1 April 2015 £'000	Additions £'000	Disposals £'000	Impairments £'000	Parent Charity total value 31 March 2016 £'000
<i>Investment type:</i>					
Unsecured loan	-	150	(3)	(14)	133
Total	-	150	(3)	(14)	133

12. Debtors

	Group 2016 £'000	Parent 2016 £'000	Group 2015 £'000 restated	Parent 2015 £'000 restated
<i>Amounts falling due within one year:</i>				
Trade receivables	401	343	320	183
Amounts due from subsidiaries	-	2,630	-	781
Amounts due from joint ventures	-	55	-	16
Accrued income	30,295	2,220	1,543	1,516
Prepayments	5,307	208	217	213
Tax receivable	90	-	32	-
Other debtors	619	156	362	41
Total debtors falling due within one year	36,712	5,612	2,474	2,750
<i>Amounts falling due after more than one year:</i>				
Accrued income	2,666	2,666	-	-
Total debtors falling due after more than one year	2,666	2,666	-	-
Total Debtors	39,378	8,278	2,474	2,750

Included in accrued income at 31 March 2016 is £28 million relating to sale proceeds from sale of an investment asset. Within prepayments is \$5.1 million relating to a deposit for the purchase of 58 Victoria Embankment which is due to be completed in 2017.

13. Creditors

	Group 2016 £'000	Parent 2016 £'000	Group 2015 £'000 restated	Parent 2015 £'000
<i>Amounts falling due within one year:</i>				
Trade creditors	596	537	467	453
Amounts due to subsidiaries	-	491	-	70
Amounts due to joint ventures	-	21	-	-
Accruals	2,047	1,795	985	774
Deferred income	686	686	411	411
Grants payable	1,744	1,744	10,650	10,650
Deferred investments	664	-	11	-
Other tax and social security	427	427	262	262
Other payables	270	245	278	258
Total creditors falling due within one year	6,434	5,946	13,064	12,878
<i>Amounts falling due after more than one year:</i>				
Grants payable	121	121	238	238
Trade and other payables	920	-	-	-
Total creditors falling due after more than one year	1,041	121	238	238
Total creditors	7,475	6,067	13,302	13,116

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 2016 £'000	Parent 2016 £'000	Group 2015 £'000	Parent 2015 £'000
At 1 April	411	411	246	246
Prior year deferred income released during the year	(411)	(411)	(215)	(215)
Income deferred in the year	686	686	380	380
At 31 March	686	686	411	411

14. Subsidiaries

Organisation name	Country of registration	Class of ownership	Parent interest	Share capital held	Year end date	Nature of business
The Nesta Trust	United Kingdom	Sole corporate Trustee			31 March	A charitable Trust that holds investment assets
Nesta Enterprises Limited	United Kingdom	Ordinary	100%	£1	31 March	A charitable trading company
Nesta GP Limited	United Kingdom	Ordinary	100%	£1	31 March	General Partner in the Nesta Impact Investments 1 Limited Partnership Fund
Nesta PRI Limited	United Kingdom	Ordinary	100%	£1	31 March	Limited Partner in the Nesta Impact Investments 1 Limited Partnership Fund
Nesta Partners Limited	United Kingdom	Ordinary	100%	£1	31 March	(Dormant) Partner in Nesta Investment Management LLP and Nesta Arts Impact LLP
Nesta Investment Management LLP	United Kingdom	Limited Liability Partnership			31 March	Investment manager of funds
Nesta Arts Impact LLP	United Kingdom	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 subsidiary entities consolidated are as follows:

	Nesta Trust		Nesta GP Limited		Nesta PRI Limited		Nesta Investment Management LLP	Nesta Investment Management LLP	Nesta Arts Impact LLP	Nesta Arts Impact LLP	Nesta Enterprises Limited	Nesta Enterprises Limited
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	1,976	4,531	440	440	-	-	441	449	362	-	890	499
Expenditure	(17,623)	(19,356)	(440)	(440)	(968)	(533)	(466)	(470)	(145)	-	(565)	(268)
Other gains/(losses)	1,942	43,817	-	-	-	-	-	-	-	-	-	-
Partner share/Profit/(loss) for the period	(13,705)	28,992	-	-	(968)	(533)	(25)	(21)	217	-	325	231
Assets	377,159	388,998	-	-	1,855	1,966	432	432	1,269	-	803	233
Liabilities	(2,092)	(226)	-	-	(3,928)	(3,070)	(32)	(30)	(1,052)	-	(803)	(233)
Net assets	375,067	388,772	-	-	(2,073)	(1,104)	400	402	217	-	-	-
Opening reserves	388,772	359,780	-	-	(1,104)	(571)	402	431	-	-	-	-

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 2015	2,923	388,772	264	391,959
Net income/(expenditure)	(14,215)	616	189	(13,410)
Transfers to restricted funds	(2,690)	-	-	(2,690)
Transfers from endowment to unrestricted funds	16,120	(16,120)	-	-
Gains	-	1,799	-	1,799
Share of operating profit in joint venture	-	-	335	335
Balance at 31 March 2016	2,138	375,067	788	377,993

15b. Restricted funds

Funder	Programme	Parent Charity and Group 1 April 2016 £'000	Income £'000	Expenditure £'000	Transfers from general fund £'000	Parent Charity and Group 31 March 2016 £'000
Rockefeller Foundation	Innovation Skills	-	130	(273)	143	-
European Commission	EU Design Innovation Platform	-	23	(85)	62	-
Australian Department of Industry	Innovation Growth Lab	10	25	(37)	21	19
Danish Business Authority	Innovation Growth Lab	13	-	(26)	10	(3)
Dutch Ministry of Economic Affairs	Innovation Growth Lab	15	12	(38)	21	10
Technology Strategy Board	Innovation Growth Lab	16	25	(39)	21	23
The Department for Business Innovation and Skills	Innovation Growth Lab	17	25	(39)	21	24
Swedish Agency for Growth Policy Analysis	Innovation Growth Lab	18	25	(39)	21	25
Agency for Business Competitiveness - Accio	Innovation Growth Lab	20	25	(39)	21	27
Tekes	Innovation Growth Lab	-	25	(23)	12	14
Cinnovate	China Phase 2: Smart Cities	-	24	(24)	-	-
Department for International Development India	DfID India	11	31	(57)	15	-
The Arts & Humanities Research Council	Understanding Chinese Demand	3	-	(4)	1	-
Skillset and Royal Statistical Society	Datavores 3	-	-	(12)	12	-
The Arts & Humanities Research Council	Measuring cultural value	45	-	(38)	-	7
The Economic & Social Research Council	UK Alliance for Useful Evidence	68	-	(53)	13	28
Big Lottery Fund	UK Alliance for Useful Evidence	30	83	(88)	21	46
Carnegie UK Trust	UK Alliance for Useful Evidence	15	-	(18)	3	-
Joseph Rowntree Foundation	UK Alliance for Useful Evidence	37	-	(43)	6	-
NSPCC	UK Alliance for Useful Evidence	-	-	-	-	-
European Commission	Caps/ D-CENT	-	101	(108)	7	-
National Philanthropic Trust	iTeams	-	-	-	-	-
Rockefeller Foundation	Social Innovation Research Conference	-	-	(2)	2	-
European Commission	European Digital Forum	-	58	(97)	39	-
European Commission	Startup Europe Partnership	-	78	(83)	5	-
Futurelab Education	Digital Education	151	-	(22)	12	141
The Scottish Government	Digital Education	4	-	(9)	5	-
Education Endowment Foundation	Digital Education	-	80	(169)	89	-
University of Melbourne	Digital Education	-	10	(21)	11	-
BBC	Digital Education	-	8	(20)	12	-
Cabinet Office	Innovation in Giving	-	-	(2)	2	-
The Department for Business Innovation and Skills	Prizes	82	500	(689)	139	32
The Department for Business Innovation and Skills	Prizes - open data challenge	336	-	(390)	54	-
Innovate UK	Prizes - Longitude	-	5,000	(274)	274	5,000
European Commission	Prizes	-	220	(161)	-	59

Notes to the Accounts

Funder	Programme	Parent Charity and Group 31 March 2015/1 April 2016 £'000	Income £'000	Expenditure £'000	Transfers from general fund £'000	Parent Charity and Group 31 March 2016 £'000
Cabinet Office	Centre for Social Action Innovation Fund	-	-	(584)	584	-
Big Lottery Fund	Parks	-	-	(66)	66	-
European Commission	Apps for EU	-	-	(1)	1	-
European Commission	Commons Europe	-	-	(1)	1	-
Heritage Lottery Fund	Parks	-	-	(67)	67	-
National Philanthropic Trust	Bloomberg Mayors challenge	9	-	-	-	9
Indigo Trust	360Giving	-	60	(117)	57	-
Aberdeen City Council	Make it Local Scotland	1	-	(2)	1	-
Clackmannanshire Council	Make it Local Scotland	(9)	-	(2)	11	-
Edinburgh City Council	Make it Local Scotland	16	-	(2)	(14)	-
East Lothian Council	Make it Local Scotland	(9)	-	(2)	11	-
Creative England	Creative Business Mentor Network	-	-	(90)	90	-
Creative England	The Anatomy of Creative Clusters	-	23	(44)	21	-
Arts Council England	Digital Arts R&D Fund (scale)	178	-	(431)	253	-
The Arts & Humanities Research Council	Digital Arts R&D Fund (Wales)	53	-	(58)	5	-
European Commission and European Business & Innovation Centre Network	Accelerators	-	14	(46)	32	-
Arts Council for Wales	Digital Innovation R&D Fund (scale)	-	600	(158)	118	560
Arts Council for Wales	Digital Innovation R&D Fund (scale)	-	100	(29)	32	103
Welcome Trust	A4UE Evidence Exchange	-	52	(6)	-	46
What Works centre for Wellbeing	A4UE Evidence Exchange	-	18	(2)	-	16
Tech City Uk Ltd	Tech Nation 2.0	-	36	(80)	44	-
The Welsh Government	Arloesiadur	-	35	(11)	-	24
The Welsh Government	Options for developing national innovation body	-	8	(8)	-	-
The Welsh Government	Y Lab	-	250	(322)	72	-
NHS England	Health as a social movement	-	162	-	-	162
NHS England	Realising the value	700	-	(423)	-	277
Cabinet Office	Mobilising Communities	-	131	-	-	131
Big Lottery	Accelerating Ideas Fund	-	400	(345)	-	55
Department of Health	Dementia Citizens	-	200	(259)	59	-
Department of Health	Young People helping in hospitals	-	200	(223)	23	-
Department for Communities and Local Government	Digital Public Services	-	50	(54)	35	31
Cabinet Office	People Powered Schools	-	69	(43)	-	26
UCL	Startups Workstream	-	35	(67)	32	-
British Council	Makerspaces China	-	19	(33)	14	-
		1,830	8,970	(6,598)	2,690	6,892

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 net assets between funds

	Unrestricted funds 2016 £'000	Restricted funds 2016 £'000	Expendable endowment funds 2016 £'000	Group Total funds 2016 £'000
<i>Fund balances are represented by:</i>				
Tangible fixed assets	257	-	350	607
Investment assets	4,391	-	296,707	301,098
Current and long-term assets	1,535	9,018	80,102	90,655
Current and long-term liabilities and provisions	(3,257)	(2,126)	(2,092)	(7,475)
Total net assets	2,926	6,892	375,067	384,885

	Unrestricted funds 2015 £'000 restated	Restricted funds 2015 £'000 restated	Expendable endowment funds 2015 £'000 restated	Group Total funds 2015 £'000 restated
<i>Fund balances are represented by:</i>				
Tangible fixed assets	552	-	-	552
Investment assets	4,381	-	297,939	302,320
Current assets	476	12,684	91,059	104,219
Current and long-term liabilities and provisions	(2,222)	(10,854)	(226)	(13,302)
Total net assets	3,187	1,830	388,772	393,789

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

This 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 2016 £'000	Group 2015 £'000 Restated
<i>Gross income:</i>		
Income	27,810	31,293
Income of non-charitable subsidiaries	3,135	1,441
	30,945	32,734
Less: share of joint venture turnover	(2,309)	(1,320)
	28,636	31,414
<i>Gross expenditure:</i>		
Expenditure	23,787	30,268
Interest payable	-	-
Depreciation and charges for impairment of fixed assets	383	420
	24,170	30,688
Share of profit in joint ventures	335	357
Net income for the year	4,801	1,083
<i>Reconciliation to Consolidated Statement of Financial Activities:</i>		
Net income for the year	4,801	1,083
Movement on endowment funds	(13,705)	28,992
Net income/(expenditure)	(8,904)	30,075

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 2015 £'000	Additions £'000	De- committed £'000	Drawn down £'000	Contracted £'000	Parent Charity and Group total 31 March 2016 £'000
<i>Investments, loans, contributions to funds:</i>						
Private equity secondaries	8,336	-	-	(2,200)	-	6,136
Programme-related investments	5,480	-	15	(920)	-	4,575
Investments in early-stage funds	367	-	-	(199)	-	168
Investments or loans in early-stage companies	69	1,493	-	(1,559)	-	3
Arts Impact Fund investments	-	1,000	-	-	-	1,000
<i>Grants:</i>						
Grant agreements not yet signed by Nesta	496	2,722	(495)	-	(2,533)	190
<i>Other:</i>						
Property - 58 Victoria Embankment	-	50,950	-	(5,095)	-	45,855
Total	14,748	56,180	(495)	(9,973)	(2,533)	57,927

20. Operating lease commitments

At 31 March 2016 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
Buildings - 1 Plough Place	709	-	-
Photocopiers	5	-	-
Total	714	-	-

21. Related party transactions

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

Notes to the Accounts

Nesta's Trustees are drawn from among its key stakeholders, and staff may at times have links to stakeholder organisations, and therefore it is in the nature of Nesta's business to have some transactions which are classified as related. All transactions are entered into the ordinary course of business and on an arm's length basis, consistent with Nesta's policy on potential conflicts of interest. During the year Nesta entered into the following material transactions with related parties.

Name	Position at Nesta	Related party	Transaction	Outstanding balance £ 1 April 2015	£ Expense	Payments/ Receipts	Outstanding balance £ 31 March 2016
David Pitt-Watson	Trustee, Nesta	Trustee and Treasurer, Oxfam UK	Facilitating the Asia Impact@scale Accelerator	-	(15,480)	(15,480)	-
David Pitt-Watson	Trustee, Nesta	Trustee, IPPR	Grant for Bright ideas research	4,900	-	4,900	-
Kersten England	Trustee, Nesta	Fellow, Royal Society of Arts	Sponsorship of public event	-	4,800	4,800	-
Prof. Madeleine Atkins	Trustee, Nesta	Fellow, Royal Society of Arts	Sponsorship of public event	-	4,800	4,800	-
Robert Woodward	Trustee, Nesta	Fellow, Royal Society of Arts	Sponsorship of public event	-	4,800	4,800	-
Sir John Gieve	Trustee, Nesta	Visiting Professor, University College London	Payment to UCL relating to Antimicrobial Resistance film shown 18/05/16	-	300	300	-
Simon Linnett	Trustee, Nesta	Trustee, Science Museum Group	Payment for room hire for event held in March 16	3,000	-	3,000	-
James Sinclair Taylor	Protector, Nesta Trust	Partner, Russell-Cooke LLP	Legal Advice re Charity Commission Scheme	-	2,160	2,160	-
Albert Bravo-Biosca	Head, Innovation Growth Lab - Policy and Research	Reviewer, World Bank	Contributing towards the costs for filming for the Nesta LabWorks Conference 2015	-	(11,000)	-	(11,000)
Anna De Pulford	Technology Transformations Lead	Steering Committee and Director 360Giving	Grants for Open Philanthropy/360Giving programme	-	90,000	70,000	20,000
Anna De Pulford	Technology Transformations Lead	Steering Committee, Unleashing Potential	Payments for support and consultancy	1,095	3,369	4,464	-
Anna De Pulford	Technology Transformations Lead	Steering Committee (policy and practice, not decision-making on grants), Big Lottery Fund	Venue related income and expenditure	(10,500)	1,220,482	1,211,239	(1,256)

Notes to the Accounts

Name	Position at Nesta	Related party	Transaction	Outstanding balance £ 1 April 2015	£ Expense	Payments/ (Receipts) £	Outstanding balance £ 31 March 2015
David Altabev	Senior Programme Manager Innovation Lab	Consultant/ contractor for assessment of competition applications, Innovate UK	Newton Fund Activity Services	(59,496)	(149,622)	(59,118)	(150,000)
Geoff Mulgan	Chief Executive Officer	Founder, Chair and Board Member, Social Innovation Exchange	Payments for Unusual Suspects Festival and organisational membership	-	20,000	20,000	-
Giulio Quaggiotto	Senior Programme Officer	Advisory Board Member - Q Step Center, UCL	Payment to UCL relating to Anti-microbial Resistance film shown in May 2015	-	300	300	-
Halima Khan	Executive Director - Health Lab	Trustee, Diabetes UK (British Diabetic Association)	Grants to promote citizen engagement in health and Accelerating Ideas programme	290,452	(25,500)	165,000	99,952
Hasan Bakhshi	Director, Creative Economy - Policy and Research	Panel Member, BIS Expert Peer Review Panel on Evaluation	Provision of innovation resources, and redesigning of toolkit for use on Nesta website and flight reimbursement	(11,520)	(15,480)	(27,000)	-
Hasan Bakhshi	Director, Creative Economy - Policy and Research	Council Member, DCMS Science Advisory Council	Debtor relating to Readie Reserch Summit	-	(78)	-	(78)
Louise Marston	Director of Innovation & Economic Growth - Policy and Research	Sister is Editor of Practical Law magazine, Thomson Reuters	Subscription payments	-	11,198	11,198	-
Nathan Elstub	Executive Director of Investments	0.23% shareholder, Virtual Class Ltd	Grants for Digital Education programme	84,700	-	74,700	10,000
Simon Brindle	Director - Y Lab (Wales)	Employee, Welsh Government	Grant for Wales Public Services 2025. Also organising visit by Welsh Delegation to Basque Country and assisting in developing a National Innovation Body for Wales report	(2,880)	10,400	7,520	-
Stefana Broadbent	Head of Collective Intelligence - Policy and Research	Member of CAF (CONNECT Advisory Forum for ICT Research and Innovation), European Commission	Receipts for various European Commission grant agreements	-	(257,678)	(198,954)	(58,724)

Notes to the Accounts

Name	Position at Nesta	Related party	Transaction	Outstanding balance £ 1 April 2015	£ Expense	Payments/ (Receipts) £	Outstanding balance £ 31 March 2015
Stian Westlake	Executive Director - Policy and Research	Member of Innovation Advisory Council for Wales, Welsh Government	Grant for Wales Public Services 2025.	2,880	10,400	7,520	5,760
Tim Plyming	Director - Digital Arts and Media - Innovation Lab	Board Member, British Council, Shakespeare Lives	FutureFest curation fee and creative Nesta and reimbursement of flights	-	(26,396)	23,710	(50,105)

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 £125,000, this is a fixed quarterly charge.
- Nesta recharged Nesta Enterprises Ltd for salary costs totalling £293,000.
- Nesta Enterprises Ltd gift aided its profits to Nesta £325,000
- Nesta charged Nesta Trust Ltd £217,000 in relation to purchase of the new building and £920,000 in relation to PRI Investments.
- Nesta Trust has transferred £16,000,000 to its Trustee Nesta in support of its charitable objects.
- Nesta charged Nesta Investments Management LLP £352,000 in relation to management charges, this is based on an agreed percentage of the Investment Teams salaries.

No amounts were written off in the year, and no guarantees were given in respect of these transactions.

22. Transition to FRS 102

Nesta has adopted FRS102 for the first time when preparing these accounts. The transition date to FRS102 was 1 April 2014 and the last financial statements prepared under the previous financial reporting framework were prepared for the year ended 31 March 2015. There are no changes to total funds or surplus arising from the transition to FRS102. However, amortisation charges for gilts totalling £1,573,000 in 2014/15 are now shown within other losses.

Trustees and Main Board Committee Members

Trustees

Sir John Gieve (Chair)
– appointed chair 1 March 2016

Sir John Chisholm (Chair)
– resigned 29 February 2016

Madeleine Atkins

Kersten England

Michelle Harrison

Simon Linnett

Piers Linney

Dame Julie Mellor

David Pitt–Watson

Kim Shillinglaw

Natalie Tydeman
– appointed 17 March 2016

Rob Woodward
– resigned 16 April 2016

Ed Wray

Finance and Audit Committee

Simon Linnett (Chair)

Madeleine Atkins

Ed Wray

Tony Thomas (Non-trustee member)

Trust Investment Committee

David Pitt–Watson (Chair)

Sir John Chisholm
– resigned 29 February 2016

Sir John Gieve
– appointed 1 March 2016

Simon Linnett

Sally Bridgeland (Non-trustee member)

Venture Investment Committee

Natalie Tydeman (Chair)
– appointed 17 March 2016

Sir John Gieve

Piers Linney
– resigned 01 January 2016

Rob Woodward
– resigned 31 March 2016

Innovation Lab Committee

Kersten England (Chair)

Madeleine Atkins

Dame Julie Mellor

Alex Craven (Non-trustee member)
– appointed 17 March 2016

Jon Drori (Non-trustee member)

Remuneration Committee

Dame Julie Mellor (Chair)

Simon Linnett

David Pitt–Watson

Nominations Committee

Ed Wray (Chair)

Sir John Chisholm (Chair)
– resigned 29 February 2016

Sir John Gieve

Kim Shillinglaw

Rob Woodward
– resigned 31 March 2016

Protector of the Nesta Trust

James Sinclair Taylor

Reference and Administrative Details

Executive Team

Geoff Mulgan	Chief Executive Officer	
Simon Morrison	Chief Operating Officer	Appointed 1 July 2015
Tom Blathwayt	Executive Director for Business Development	Appointed 4 January 2016
Gillian Coles	Chief Finance Officer	Appointed 30 November 2015 Resigned 13 April 2016
Sharron Costley	Finance Director	Resigned 11 December 2015
Nathan Elstub	Executive Director of Investments	Appointed 17 June 2015
Helen Goulden	Executive Director of the Innovation Lab	
Halima Khan	Executive Director, Health Lab	
Trevor Richards	Chief Finance Officer	Appointed 4 April 2016
Stian Westlake	Executive Director of Policy and Research	

Company Secretary

Clare Goodman	Company Secretary	Resigned 4 April 2016
Corinna Theuma	Company Secretary	Appointed 16 May 2016

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	1 Plough Place London EC4A 1DE
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...

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October 2016

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: 1 Plough Place, London, EC4A 1DE.

