

nesta

Annual report and accounts

For the year ended 31 March 2023



About Nesta

We are Nesta. The UK's innovation agency for social good. We confront challenges that affect millions of people, from inequality and ill-health to the climate crisis.

We believe that innovation offers more potential now than ever before. We see opportunities to mobilise citizens and influence behaviour. Private and public capital that can be used more creatively. A wealth of data to mine.

And so we draw on these rich resources by bringing together diverse teams. Data scientists, designers and behavioural scientists. Practitioners, academics, entrepreneurs and people with lived experience.

Together, we design, test and scale new solutions to society's biggest problems. We partner with frontline organisations, build new businesses and work to change whole systems. Harnessing the rigour of science and the creativity of design, we work relentlessly to put new ideas to the test.

We'll keep going until we change millions of lives, for the better.

Find out more at: www.nesta.org.uk

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Trustees



Ed Richards
Nesta's Chair

Managing Partner
at Flint



Judy Gibbons
Nesta's Deputy Chair

Chairman of Wonderbly Books,
Non-executive Director
of Capri Holdings



**Professor Anthony
Lilley OBE**

Trustee

Director of
Scenario Two Ltd



Christina McComb OBE
Trustee

Senior Independent Director, Big
Society Capital and Non Executive
Director, Seraphim Space
Investment Trust



Heider Ridha
Trustee

Operating Partner
of TDR Capital



Sarah Hunter
Trustee

Technology and Policy Expert and
Non Executive Director at ARIA,
the Advanced Research
and Invention Agency



Ian Gomes
Trustee

Board Advisor and Director to a
portfolio of companies after a career
with KPMG



Catherine Brien
Trustee

Partner and Managing
Director at AlixPartners



Jeremy King
Trustee

CEO and Founder
at Attest



Liz Ditchburn
Trustee

Public sector leader and
a senior policymaker



Seun Akindele
Trustee

Head of Data and Innovation at
Campaign Against Living Miserably
(CALM)

1. Foreword: Ed Richards and Ravi Gurumurthy

In 2021, Nesta set out on a new strategy focused on achieving three missions; a healthy life, a fairer start and a sustainable future. Each has a moonshot goal – halving obesity, eliminating the outcome gap between children growing up in disadvantage and the national average; and decarbonising homes.

Our approach has focused on playing three roles. First, as an **innovation partner**, we've been designing and testing solutions with retailers, energy companies and other frontline organisations. So instead of embarking on policy frameworks and worrying about implementation, we've been starting with the practitioners. Second, as a **venture builder**, we have been building new ventures from scratch by generating new ideas for products and business models, recruiting founders and supporting their growth, as well as investing in early stage companies. Third, as a **system shaper**, we've been influencing the policies and institutional environments that guide innovation in these areas.

Our first major success has been an intriguing one. Innovation is often associated with novel technologies, but small tweaks in human behaviour when done at scale can have dramatic effects. The Money Saving Boiler Challenge saw an estimated 3 million households turn down their boiler temperature, reducing carbon emissions by around 500,000 tonnes and saving households nearly £300M (as well as a further £157m for taxpayers by reducing spending on the Energy Price Guarantee). The lessons from the Challenge

are clear: scour the field for ideas and identify 'positive deviants'; test them in real-world settings to build evidence; make the consumer journey as simple and easy as possible and build a big coalition of partners to drive change, from consumer organisations and government to energy companies.

Our venture-building work has rapidly grown this year. Nesta Impacts Investments awarded over £4 million of financing to five new mission-aligned enterprises, and Mission Studio (a partnership between Nesta and Founders Factory) deployed around £1 million to spin out a number of new tech start-ups, including heat pump installation software company Carno and Freebird Club, a social travel and homestay community for over 50s.

This year we have placed particular emphasis on our system-shaper role, translating our emerging research and insights into policy as a key route to achieving impact. Bringing together expertise from Nesta and Behavioural Insight Team (BIT), we established a Rapid Insights Team to provide timely, evidence-based advice to UK policymakers. We created the experimental Minister for the Future, an initiative that brought together world-leading academics, scientists, campaigners and business leaders to pitch new ideas for how to tackle big social challenges, looking beyond election cycles to the long term. Taking our own advice, we established the UK 2040 Options project to bring fresh angles and insights to the defining long-term policy choices and challenges facing the UK.

This review also reflects the work of the Behavioural Insights Team (BIT), acquired by Nesta in 2021. During this second year of partnership, more and more work across the two organisations has drawn on our shared networks, skills and capabilities. Current joint activity includes the SALIENT Food Trials, a consortium designing and evaluating interventions to promote healthy eating and improve food's environmental impact. We are also working together to explore how to reformulate food products, redesign supermarket promotions and improve the choice architecture of online takeaway platforms. Our organisations are also collaborating with the Development Bank of Wales to understand consumer attitudes towards home eco-upgrades and the financial products and services that could incentivise them.

The global span of the BIT's work was one of the key benefits of the bringing together of our two organisations and this year has seen further examples of their international success. Highlights across the team include BIT's work with UNICEF, delivering large trials in seven countries on increasing the uptake of COVID-19, HPV and MMR vaccinations, working with Stanford University to deliver deliberative democracy initiatives for Meta's global user base and partnering with Unilever to run what is –

to our knowledge – the largest ever online randomised-controlled trial on the effects of social media messaging, involving over 6,000 TikTok or Instagram users. BIT also worked on encouraging commuters to switch from cars to public transport in Australia, reducing consumers' vulnerability to online fraud in France, and reducing hotel food waste in the UAE.

In the year ahead, we'll look to accelerate our rate of progress, redoubling our efforts to achieve positive social change. Among many other things, we'll be bringing our expertise and capabilities to exploring the impact of family income on child development, developing the first ever tool to compare the impact of different obesity interventions, working with global food businesses to design and test a series of trials across the food sector, trialling a universal free school meal month in Wales, encouraging householders to consider sustainable heating through the Visit A Heat Pump scheme, and spinning out further tech ventures through Mission Studio. BIT will continue to work closely with partners around the world to deliver applied behavioural science and research programmes to drive positive change. Highlights for the coming year include expanding operations in Latin America, with plans to open a new operation in Colombia next year.

We will stay focused on our vision of improving the lives of millions of people by 2030. We hope our commitment to achieving practical change will ensure that we continue to grow as a vital and innovative force in the public realm, making a lasting contribution to building a future where people and the planet can thrive.



Ed Richards,
Chair of Trustees



Ravi Gurumurthy,
Nesta Chief Executive

2. Strategic overview

We are now two years into our 10-year mission-driven strategy, which focuses all of our activity towards addressing three major societal challenges of a fairer start, a healthier life and a sustainable future.

The way we deliver our three missions is through three main roles. We work as an innovation partner, working with a range of frontline organisations; as a venture builder, investing in early-stage ventures and creating new ones, and as a system shaper, ensuring that the funding, policies and institutions within our mission areas are conducive to innovation. To ensure we use intelligence about the future and new technologies to change

practice in the here-and-now, we also work through a Discovery Hub, which systematically scans for emerging trends, technologies and interventions, embedding strategic foresight at the heart of our organisation.

A fairer start

Our fairer start goal is to eliminate the outcome gap between those born into deprivation and their peers by 2030. We will do this by improving the support for families of disadvantaged children – through reducing pressure on them and by supporting them to provide the best home learning environments. We also work to shape the broader context of systems and services that have an impact on reducing the achievement gap between children from poor backgrounds and their more affluent peers.

For the first three years of our strategy, we are targeting five key pathways for impact, split across two key areas of focus:

- > supporting families to optimise home-learning environments: (optimising parent-child interactions, early detection and signposting for support and income support for families)
- > supporting children and families via the wider system (enabling better use of data and improving measurement; and advocating for evidence-based policy).

Many of our projects this year have focused on childcare affordability – as part of our evidence-based policy work – and the scalability of reading programmes to help optimise parent-child interactions. In September 2022, we ran the biggest poll of parents since the pandemic, which was covered by the BBC and made the case

for increased support for parents across multiple fronts. In March 2023, our novel work on childcare affordability made the front page of *The Guardian*. It highlighted how the ratio between childcare costs and wages varies across England and how much more expensive the cost of childcare is compared to other OECD countries. We also started identifying routes to scale via the Playtime with Books service, a digital book-sharing programme that has been shown to improve parenting behaviour and child outcomes in language and communication. Finally, our Discovery Hub mapped emerging digital technologies and studied venture capital trends in products relating to parenting and child development, assessing their potential applications, benefits and risks.

Not all of our work progressed as we had planned, of course. For example, we worked with Thrive at Five to jointly test an approach based on the idea of an inclusive and whole-community network of parents. We recruited and trained a first cohort of volunteer community champions to run a series of activities for other parents over the Summer of 2022 and then assess what made for successful co-creation. While the pilot provided useful lessons for future similar initiatives and the value of co-creation, the experience also revealed some of the challenges inherent in scaling these types of approaches.

A healthy life

Our healthy life goal is that, by 2030, the UK will have halved the prevalence of obesity across the population from the rate in 2020. We will do this by focusing on adapting the food environment, following evidence that systemic or structural approaches are more effective and equitable than focusing on individual responsibility or agency.

For the first three years of our strategy, we are targeting five key aspects of the food environment:

1. reducing the amount of calories in food and drink
2. reducing unhealthy food and drink promotion
3. improving access to healthy food and drink
4. improving evidence on diets
5. shaping attitudes of decision makers.

This year, our focus has been on reducing energy content of food and drink through our reformulation research, and reducing unhealthy food and drink promotion by leading trials on food delivery apps.

Our reformulation research, published in January 2023, found that removing around 216 calories from the daily intake of people who are overweight or obese would set England on a path to halve obesity by 2030. The analysis found that we could make meaningful steps towards the mission goal using measures such as reformulation. The story ran exclusively in the news and opinion pages of *The Times*. Our

takeaway research found various ways that delivery platforms could change their interface which could help people to make healthier choices.

Using novel methodology, our Discovery Hub analysed the impact of food technology in creating healthier food environments. Presented as Innovation Sweet Spots, the resulting report was shared extensively by key sector organisations.

This year, Nesta Impact Investments deployed two new ventures aligned to the healthy life mission: Habitual Health – a digital-first programme to reverse Type 2 diabetes – and WeWalk – manufacturers of a smart white cane to improve mobility and independence of visually impaired people. Mission Studio also spun out a new healthy life venture; FreeBird Club is a peer-to-peer social travel and homestay club for the over 50s aimed at creating social connections and tackling loneliness.

We learned a lot this year about how best to promote a view among opinion formers on obesity that focuses away from individual responsibility towards the role of the food environment. For example, we led a partnership with games technology industry leaders to develop a tool – The Nesta Playbox – to help simplify and communicate the potential impact of different policies on a local food environment. While it was valuable in testing an innovative approach to engage policymakers on a contentious issue, it ultimately wasn't able to drive policy change at the scale we needed.

A sustainable future

Our sustainable future mission goal is to reduce UK household emissions by 20 million tonnes of carbon dioxide per year by 2030. We are focussing on how to speed up adoption of heat pumps, as well as looking at opportunities to increase productivity in the transition to a net-zero economy.

For the first three years of our strategy, we are targeting five areas of focus, split between heat pump adoption and efficiency of the existing heating systems:

1. making heat pumps more affordable
2. increasing the appeal of heat pumps
3. increasing skills and capacity in the heat pump supply sector
4. helping households use their heating systems more efficiently
5. enabling and incentivising households to use electricity flexible.

Highlights of the year include the October 2022 launch of the Money Saving Boiler Challenge, aligned to our work on helping households use their existing heating systems more efficiently. We launched a national consumer-facing campaign to encourage people to turn down their boiler flow temperature. We estimate that approximately ~3.1m households turned down their boiler over the course of the campaign, saving around 500,000 tonnes in CO₂, nearly £300m for households and £157m for HM Treasury (through reduced spending on the Energy Price Guarantee). Our research and modelling on reducing heat pump costs, growing the heat pump workforce and capturing productivity gains from the net-

zero transition have also been cited widely in the press and quoted in influential policy documents, such as Chris Skidmore MP's independent review of net zero.

When it comes to green upgrades to homes, for many homeowners, affordability is a barrier. In partnership with the Development Bank of Wales, we conducted a randomised control trial involving 8,000 homeowners across the UK to explore some possible solutions to the financing challenges to help encourage and support people to make green home improvements. We shared our findings with the Welsh Government to demonstrate the essential role it will play in delivering support such as advice and quality assurance, to complement the finance product.

Nesta Impact Investments deployed three new ventures aligned to our sustainable future mission: Mixergy, which makes energy-efficient smart hot water tanks; Naked Energy, which develops solar thermal technology and AirEx, which designs and manufactures the UK's first smart air brick technology to improve energy efficiency. Our Mission Studio spun out a new venture, Carno, which offers process automation for heat pump installers, saving 1-2 days per installation.

We have run into some roadblocks in researching how small businesses could adopt net zero measures to drive decarbonisation while also improving their productivity. We found potential measures had limited alignment with our mission of decarbonisation, and there were fewer potential routes to impact than we might have anticipated following the rapid evidence review.

Activities in Scotland

The reporting period in Scotland saw a significant development of our healthy life mission, including building strong links with the Scottish Government, Public Health Scotland (PHS), Food Standards Scotland and others. We worked with the Behavioural Insights Team to research calorie labelling in takeaway apps in response to proposals to introduce labelling in Scotland. The research was subsequently quoted in the Scottish Parliament. We also began research in partnership with Public Health Scotland on the challenges out-of-home food businesses face when improving the healthiness of their menus. We ran the second phase of the Virtual Healthy Neighbourhoods project, creating a digital twin of Glasgow that models the impact of policies on population

BMI. The team also hosted a showcase event in Edinburgh attended by key stakeholders, including an address by the Public Health Minister. Our growing profile led the team to be commissioned by the Health Foundation to support its inquiry into health inequalities in Scotland. The sustainable future mission published research modelling potential heat pump market growth in Scotland and the likely shape of the installation industry. Our profile was further developed with strong coverage across Scottish media for polling on the public's perception of calories in popular foods, polling of parents centred on the cost of living pressures for a fairer start and launching the Money Saving Boiler Challenge on BBC Scotland news.

BIT

This year, BIT launched, ran and delivered projects delivering social-impact outcomes across six continents. As well as its established centres in the UK, North America and Australia, BIT expanded its teams and behavioural science expertise in France and Latin America. Landmark BIT publications included *A Manifesto for Applying Behavioral Science*, a guide for the future of the field over the next decade, and *How to Build a Net Zero Society*. Projects and achievements in the UK this year included publishing detailed evidence of what works to reduce gambling harms and launching BIT's new Ending Youth Violence Lab in partnership with the Youth Endowment Fund and Stuart Roden

In the US and Canada, BIT partnered with UNICEF for large trials in seven countries on increasing the uptake of COVID-19, HPV and

MMR vaccinations, delivered deliberative democracy initiatives for Meta's global user base with partners including other BIT teams and Stanford University and partnered with Unilever to run what is to our knowledge the largest online randomised-controlled trial with over 6,000 TikTok or Instagram users on the effects of social media messaging.

Around the world, projects included encouraging commuters to switch from cars to public transport in Australia, reducing consumers' vulnerability to online fraud in France, reducing hotel food waste in the UAE, and the culmination of a five-year partnership with the Global Innovation Fund in Bangladesh, Guatemala and Indonesia across a variety of policy challenges including tax compliance, birth registration and school enrollment to improve the lives of millions of people.

Challenge Works – A Nesta Enterprise

For more than a decade, Challenge Works has established itself as a global leader in the design and delivery of high-impact challenge prizes that incentivise cutting-edge innovation for social good. In the last 10 years, the team has run 87 prizes, distributed £156 million in funding and engaged with over 13,000 innovators. Prizes launched this year include the Mombasa Plastics Prize for young entrepreneurs in Kenya to tackle marine plastic waste. Three winning teams were awarded KSh 7.2 million (\$60,000) which prevented 14,565kg of plastic waste from entering the ocean. Nine winners of the Afri-Plastics Challenge were awarded a total of £4.1m to innovate around plastic waste management.

We also launched the £3.42m Longitude Prize on Dementia for breakthrough technology that learns from a person living with dementia to enable longer periods of independent living. 24 international teams have now received a total of £1.9m (£80,000 each) to support the development of their solutions.

Also this year were the £25m Water Breakthrough Challenge, tackling issues such as reducing waste, preventing pollution and reducing carbon emissions; the Water Discovery Challenge, for promising innovations in the water sector, and a programme with Toyota Mobility Foundation and World Resources Institute to launch a \$9m challenge enabling safe, inclusive and sustainable mobility solutions fit for the future.

3. Financial review

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

A number of subsidiaries have been set up to manage Nesta's investing and fund management related activities. It enables Nesta to manage and invest funds on behalf of its investment partners in compliance with the Financial Conduct Authority's (FCA) requirements. This structure is made up of Nesta GP Limited, Nesta GP2 Limited, Nesta PRI Limited, Cultural Impact Development Loans Limited, Nesta Partners Limited, Nesta Investment Management LLP, NII2 Special Partner LLP, Nesta Arts Impact LLP, Nesta Arts and Culture Impact LLP and Nesta US Inc. The Group also includes Nesta Enterprises Limited, incorporated as a trading subsidiary for non-primary purpose trading and Behavioural Insights Limited ('BIT'), having become a 100% owned subsidiary on 10 December 2021 (previously Nesta owned 30% and held as a joint venture). The results of the Group consolidate all subsidiary undertakings as well as the Trust and the joint venture in Mission Studio (FFN JV Limited).

Nesta Trust provided funding to Nesta of £27.1 million (2022: £39.0 million) during the year of which £20 million (2022: £36.0 million) was applied to charitable operating activities and £7.1 million (2022: £3.0 million) committed in relation to the Impact Investment Fund and other programme-related investments.

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

The categories defined by the trustees for the purposes of organisational management are – a fairer start, a healthy life, a sustainable future, central programmes and devolved nations, committed programme delivery, enterprises, investments and practices.

Total group income for the year was £46.1 million (2022: £21.6 million). Charitable income of £9.4 million (2022: £4.3 million) was recognised in addition to the £9.5 million (2022: £7.3 million) of investment income and £27.2 million (2022: £10.0 million) of other income. Charitable 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. Other income consists of rental income, trading income and fund management receipts. The large increase in other income is driven by BIT trading income, of which a full year was included to 31 March 2023 but only a portion of the year from 10 December 2021 was included for the previous year.

Total Group expenditure was £60.9 million (2022: £41.6 million) of which £34.9 million (2022: £33.2 million) was spent on charitable activities, £25.1 million (2022: £7.5 million) on trading activities and £0.9 million (2022: £0.9 million) on managing endowment assets held by the Trust and impact investment funds held by Nesta. The increase in trading expenditure is in line with the increase in trading income, due to a full year of BIT results being included for this financial year. Grant expenditure commitments totalled £5.4 million (2022: £4.5 million) with recipients over £50,000 detailed in Note 7b.

Support costs of £14.1 million (2022: £12.2 million) relate to Communications and Corporate Services activities and are allocated to programme areas as shown in Note 7a.

Net gains on Investments for financial return decreased by £49.9m to a net loss of (£23.9 million) (2022: gain of £26.0m). This is due to losses being made in nearly all asset classes resulting from market conditions, with £11.5m specifically relating to property assets.

Total Group funds decreased by £39.3 million (2022: increased by £5.9 million) during the year. This resulted in Group funds of £471.7 million carried forward as at 31 March 2023 (31 March 2022: £511.0 million), of which £50.7 million (2022: £42.6 million) was unrestricted, £12.5 million (2022: £16.8 million) was restricted and £408.5 million (2022: £451.6 million) was in relation to the expendable endowment.

Going concern

As Nesta is able to draw down cash from Nesta Trust as required within the approved 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 no material uncertainties have been identified in respect of going concern. They have therefore adopted the going concern basis in preparing the financial statements.

Trust 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 objects of the Nesta Trust. The strategy aims to balance risk, return and capital preservation.

During the year ended 31 March 2023, the value of Trust investments and cash decreased by £42 million to £424 million (2022: £466 million) after annual transfers to Nesta to carry out the objectives of the Trust in line with the Trust Deed. A further breakdown of the £42 million decrease can be seen in the table below:

Asset class (Trust accounts only)	Market value of investment assets 31 March 2023 £'000	Proportion of total endowment assets 31 March 2023 %	Market value of investment assets 31 March 2022 £'000	Proportion of total endowment assets 31 March 2022 %
Current assets:				
Cash	7,700	2	5,385	1
Fixed asset investments				
Equities and private equity:				
Global equities (quoted)	135,216	32	211,846	46
UK small cap (quoted)	32,351	8	37,413	8
Emerging markets (quoted)	26,592	6	28,393	6
Infrastructure equity (unquoted)	19,684	5	-	-
Private equity funds (unquoted)	3,860	1	5,075	1
Fixed income and property:				
Multi-asset credit (unquoted)	62,733	15	-	-
Asset-backed securities (unquoted)	43,047	10	-	-
Private debt (corporate) (unquoted)	2,872	1	-	-
Private debt (infrastructure) (unquoted)	8,639	2	-	-
Property	66,100	15	81,073	17
Fixed income (quoted)	-	-	40,367	9
Bonds (quoted)	23	-	39,244	8
Mixed motive investments (unquoted)	15,087	3	16,921	4
Total cash plus fixed asset investments	423,904	100	465,717	100

Actions taken during the year included the following:

Strategic review

During the year, a new investment strategy was implemented, with a key strategic goal of producing a higher level of predictable cash flows. In practice, this has resulted in a reduced allocation to equities in favour of less liquid, but still high-returning, largely private market asset classes where a significant proportion of the return is derived from income such as infrastructure equity and debt, multi-asset credit and asset backed securities.

Fixed Asset Investment performance

The allocation to Equities and Private Equity decreased to 52% (2022: 61%) with a corresponding increase to Fixed Income and Property to 43% (2022: 34%). This change is driven by a new investment strategic goal to invest more in asset classes that produce predictable cashflows. The long term strategy is to have an allocation of 51% towards Equities and Private Equity, a 48% allocation towards Fixed Income and Property, with the remaining 1% being held in Cash to fund day to day activities. It is not expected that the long term strategy will be met until all investment managers have fully drawn down committed funds which is likely to take a number of years.

The objective of the Trust's investment strategy is to generate a total return sufficient to support the expenditure of Nesta (the Annual Draw) without the assets breaching the floor, and, to maximise the returns (net of fees) subject to meeting the Annual Draw requirement. During the year, Investment Income funded 46% of the annual draw (2022: 25%). Total return (Investment Income plus revaluation movements) was negative for the year due to volatile market conditions and so the Trust did not meet the objective set (2022: total return funded 94% of the annual draw). The Trustees continue to monitor the sustainability of the Trust.

Investment Fund Commitments

During the year, new commitments of £76 million (2022: £nil) were made to investment managers of which £36 million was drawn down. Undrawn commitments of £48 million remain outstanding for investment funds as disclosed in Note 20 to these Financial Statements (2022: £3 million).

Maximising value from our self-managed early-stage venture portfolio

The early-stage venture portfolio includes equity investments in 7 (2022: 7) early-stage companies, and 2 (2022: 3) 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 due to these investments being slow to generate income and being typically higher risk than other asset classes.

Costs of managing the assets

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £0.78 million (2022: £0.75 million) across the Trust and include external fund manager fees and custodian fees. In addition, there are other indirect costs associated with fund management activities. Where fund manager fees are offset against the relevant fund's value, these are grossed up and shown as fund manager fee expenditure, in the Statement of Financial Activities in accordance with normal practice, along with those fund manager fees that are invoiced and paid for in cash. The full cost of investment goes beyond the fees we are charged by managers and include, for example, transaction costs, advisory costs and staff costs. We estimate that the full costs were about £2 million (0.5%) of the average asset value over the year (2022: £2 million – 0.5%).

Investment policy

The Nesta Trust was established by a Trust Deed dated 22 September 2011.

As the sole Trustee of the Trust, Nesta is responsible for the Trust's investment policy. The investment strategy is delegated to the Trust Investment Committee 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.

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

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

The Trustee's investment objective is to balance the current and future needs of the Trust 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 the Trustee invests globally and maintains diversification across a range of asset classes to produce an appropriate balance between risk and return, believing that diversification limits the impact of any single risk.

Responsible investing

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

- > some limited exclusion of stocks where Nesta objects on moral grounds to the activity of the company in question
- > an explicit programme to monitor fund managers' incorporation of environmental, social and governance (ESG) factors and their practice of active ownership
- > adoption of the Hermes Equity Ownership Service for our index investments.

These policies have informed the Trustee's actions, oversight and asset allocation decisions and have informed the Trust's policy on Responsible Investment and Corporate Governance. This policy remains under constant review with the last version being approved by the Board in October 2022. As far as the Trustee is aware, the only potential area where the Trust does not fully accord with its policy is in relation to historical private equity holdings which are being run down over time and have a value of £4 million (2022: £5 million).

Programme-related investments and grantmaking policy

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

In line with Charity Commission guidelines, programme-related investments are made primarily to further the objects of the charity for public benefit 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 2019)*, issued by the Charity Commission and included in the balance sheet at cost less any provision for impairment where there is no evidence for fair value.

There is no set allocation of the annual budget for overall grant expenditure. Rather, Nesta sets programme deliverables and determines the appropriate method of delivery within that programme's budget. Nesta sets out specific entitlement criteria for each programme at its launch where grants are appropriate as a funding mechanism. These criteria vary from programme to programme and are made available on Nesta's website. Applications are assessed against these criteria and awards are made taking into account the availability of funds, Nesta's ability to deliver the objectives of the programme and the quality of applications. The period for which grants are awarded depends upon the programme but typically lasts between one and three years. Grants are monitored regularly and appropriate progress reports are required from recipients. A list of grants over £50,000 can be found on [pages 43 and 44](#), 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 to maintain the underlying assets above a market value of £260 million.

On 31 March 2023 the reserves of the Group stood at £471.7 million (2022: £511.0 million). Nesta Trust provided funding to fulfil its charitable objects, through activities carried out by Nesta, totalling £20.0 million (2022: £18.8 million).

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

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

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

Principal risks and uncertainties

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

i. Organisational risk

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Audit & Risk Committee. The organisational risk register is presented at each Audit and Risk Committee meeting and is reviewed by the Board annually. The Executive Team considers both strategic and detailed operational risks on a by-monthly basis.

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 external investment advisors, through regular review of the Nesta Trust investment policy, management of the strategic asset allocation, regular performance reporting, diversification across a broad range of asset classes, investment managers and investment strategies, and ongoing manager reviews.

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

ii. Activity risk

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

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

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

The following organisational risks and uncertainties are considered the most significant:

- > projects are too small in scale or are unable to scale quickly enough, inhibiting our ability to achieve demonstrable impact; the risk is mitigated by mapping our three year strategy against existing projects to understand any gaps to achieve the greatest impact
- > workload is too widespread and teams are too stretched to appropriately support Nesta's work on its missions; the risk is mitigated by effective project management
- > poor investment returns due to changing external environments results in the endowment being unable to fund Nesta's activities; the risk is mitigated by the oversight of the Trust Investment Committee and Nesta's investment advisors
- > one or more projects, partners, or subsidiary activities attract public criticism which diminishes Nesta's reputation and its ability to advance its objects; the risk is mitigated by oversight from the Nesta legal team with continued review of policies and regular training
- > threat of a serious breach from a cyber attack; the risk is mitigated by antivirus/endpoint protection software, daily monitoring and bespoke training for critical staff.

Auditors

Following an external tender exercise BDO LLP will step down after the approval of these accounts. RSM LLP will be appointed to undertake the audit for the year ended 31 March 2024.

4. Objects

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

1. To advance education, and in particular the study of innovation, by the promotion of research and the publication of the useful results thereof, in:

> science and technology

> the arts

> the efficiency of public services

> the voluntary sector and social enterprise

> industry and commerce.

> 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.

2. To advance:

> science and technology

> the arts

> the efficiency of public services;

> the voluntary sector

> industry and commerce and social enterprise which:

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

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

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

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

Fundraising statement

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

to any regulatory scheme or relevant codes of practice. We have not received any complaints in relation to fundraising activities, nor do we consider it necessary to design specific procedures to monitor such activities in the current year or in the prior year.

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. The Board considers how every proposal brought to it for approval 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. Nesta confronts challenges that affect millions of people, from inequality and ill-health to the climate crisis believing that innovation offers more potential now than ever before. We

see opportunities to mobilise citizens and influence behaviour. Private and public capital that can be used more creatively. A wealth of data to mine and so we draw on these rich resources by bringing together diverse teams. Data scientists, designers and behavioural scientists. Practitioners, academics, entrepreneurs and people with lived experience.

Together, we design, test and scale new solutions to society's biggest problems. We partner with frontline organisations, build new businesses and work to change whole systems. Harnessing the rigour of science and the creativity of design, we work relentlessly to put new ideas to the test.

The details of Nesta's purposes and objectives, and its strategies and achievements in pursuing these purposes and objectives, are set out on pages [7 to 12](#).

Annual report and accounts: For the year ended 31 March 2023

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5. Governance and management

Nesta was established and registered as a charity in 2011 to act as successor body to the National Endowment for Science, Technology and the Arts ('NESTA'). NESTA was a non-departmental public body with a statutory remit to promote talent, creativity and innovation in science, technology and the arts, with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta (registered charity no. 1144091) and the Nesta Trust (registered charity no. 1144683). The Trust holds the expendable endowment and Nesta, its sole trustee, uses returns from the Trust to pursue the charitable objects of the Trust.

Nesta is a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator. Its trustees are both directors and members of the company. For more information on the group structure and subsidiaries please see [page 55](#).

Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. Trustees on the date this annual report is published are listed on [page 65](#).

Ed Richards has been the Charity's Chair since 1 April 2022. The Board met seven times in the year with members of the Executive Team also present.

The Trust has a Protector appointed by the Secretary of State for Science, Innovation and Technology (formally Business, Energy & Industrial Strategy) with a fiduciary duty to ensure the integrity of administration of the Trust and the propriety of its procedures. James Sinclair Taylor, an experienced charity lawyer, was appointed as the first Protector of the Trust by the Secretary of State on 1 April 2012. His term came to an end on 31 March 2022. The process to recruit his replacement has been interrupted due to the relevant government minister changing and is still not concluded. In the interim, it has been agreed with the Secretary of State that James Sinclair Taylor shall be the governance adviser of the Trust with the same responsibilities and powers as the Protector.

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

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

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

Nesta's Executive team comprises the Chief Executive, plus the Group Chief Financial Officer, the Group Chief People Officer, the Group General Counsel and Company Secretary, the Chief Operating Officer, the Chief Programmes Officer, Chief Strategy Officer, Group Chief Practices Officer, Executive Director of Investments and the Group Executive Director of Communications. A full list is given on [page 66](#).

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

Here is a list of the main Board committees:

Audit and Risk Committee

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

Trust Investment Committee

whose key responsibilities are to draw up the policies and objectives governing the investment of Nesta Trust’s assets, to approve investments within ranges set by the Board, to oversee their implementation and to monitor financial performance of the Nesta Trust. The Committee met four times during the year.

Quarterly Investment Committee

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

People Committee

whose key responsibilities are reviewing and approving staff terms and conditions, and ensuring fair and appropriate remuneration and benefit policies. The Committee met four times during the year, and advised on the annual pay award which was negotiated with the Community Union and also determined the annual remuneration of the Executives. The Committee also manages the recruitment of new Trustees and oversees appointments to other committees.

Challenges Committee

whose key responsibilities include regular monitoring and reviewing the performance and activities of Nesta Challenges, considering, advising, and scrutinising the scope, nature and impact of Nesta Challenges work and long-term objectives, and approval of all income and associated expenditure in Nesta Challenges above the level delegated by the Board. The Committee met once during the year. In July 2022, Nesta Challenges launched under a new brand and are now known as ‘Challenge Works’.

Mission Committees

in October 2022, the Board approved the introduction of a single Mission Committee to replace the three individual committees for each Mission. This is an advisory committee with no delegated authority from the Board. This Committee’s purpose is to provide advice and direction to the Missions and to actively participate in the shaping of initiatives and supporting staff to deliver the new Mission goals. The Committee met once during the year.

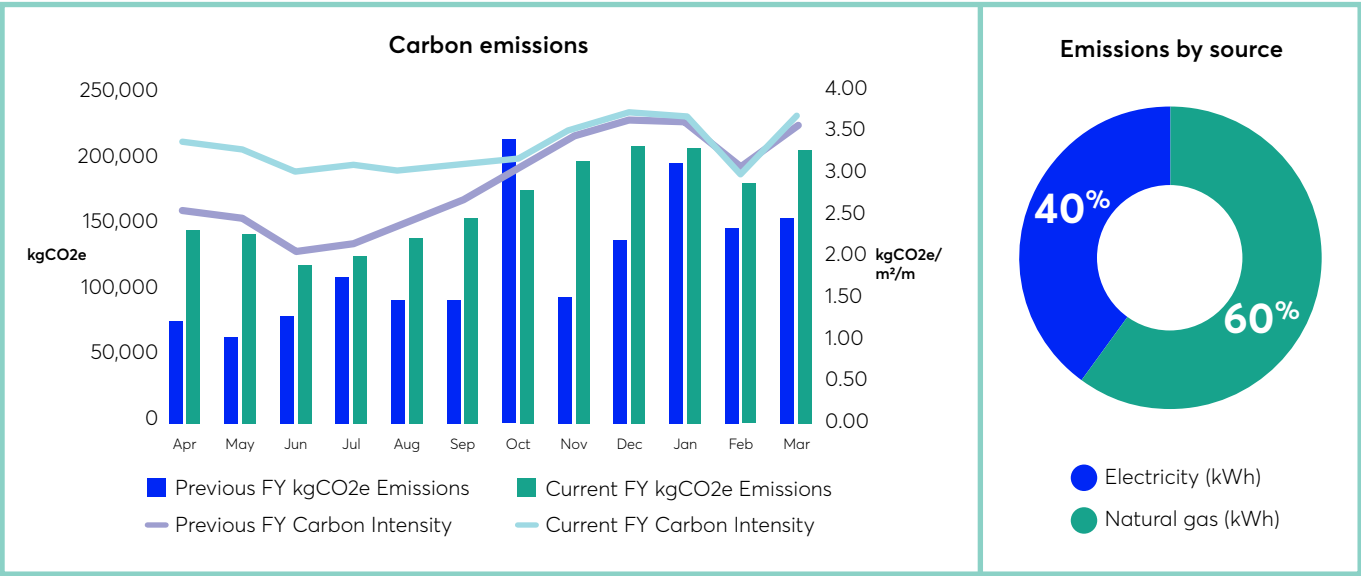


Sustainability and carbon reporting

Nesta is reporting energy and carbon emissions in compliance with The Companies (Director’s report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Financial year	April 2022 – March 2023	Emissions (kgCO2e) and change	226.486	10%
Intensity metric	Floor area (SqM)	Emissions intensity (kgCO2e/SqM/yr)	39.50	14%

Reporting category	Year end March 2023	Year end March 2022	Change
Energy consumption used to calculate emissions (kWh)	1,120.407	967.975	16%
Electricity	629.766	578.258	9%
Natural gas	490.641	389.717	26%
Emissions from combustion of gas (Scope 1) (kgCO2e)	89.866	79.751	13%
Emissions from purchased electricity (Scope 2) (kgCO2e)	136.620	126.439	8%
Total gross kg CO2e emitted during the reporting period	226.486	206.190	10%
Intensity ratio: gross kgCO2e/SqM/yr	39.50	34.51	14%
Emissions from purchased natural gas (Scope 1, market based) (kgCO2e)	89.866	79.751	13%
Emissions from purchased electricity (Scope 2, market based) (kgCO2e)	136.620	126.439	8%
Carbon offsets (kgCO2e)	-	-	-
Total annual net emissions (kgCO2e)	226.486	206.190	10%
Net intensity ratio (kgCO2e/SqM)	39.50	34.51	14%



Methodology and estimates

Nesta complies with the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 and the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and the approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard in line with the guidance on SECR. The reporting period is for the financial year 1 April 2022 to 31 March 2023, reporting all material GHG emissions using 'Kilograms of CO2 equivalent' (kgCO2e) as the unit of measurement and reporting energy use in kWh. Included is the energy and emissions for the buildings operated and within the financial control boundary. The results are presented as Location based emissions and Market based emissions, where applicable. Location based reflect the average emissions intensity of grid supplies (using grid average emissions factors) and Market based reflects emissions from electricity and or gas where companies have opted to procure green energy or invested in renewable

generation. The methodology used to calculate total energy consumption was performed by implementing half hour data provided by the utility company serving the organization/asset. As Nesta does not occupy the whole building at 58 Victoria Embankment, consumption for areas outside of Nesta's control has been deducted. This has been deducted through sub-meter readings. Emission levels increasing is in line with more people using the office. Energy and fuel consumption has been converted to carbon (kgCO2e) using DEFRA published conversion factors with new conversion tables using the most up to date conversion factors for each period and each fuel type. In this instance, grid electricity and natural gas conversion rates were used. The most appropriate intensity metric has been selected in line with the primary drivers of energy consumption, where possible. For this report Gross Internal Area (GIA SQM) has been selected as the most appropriate to achieve a benchmark, and calculated intensity based on kWh consumed per meter squared per year (kWh/SqM/yr).

The Charity Governance Code

Nesta's Board has applied the principles set out in the Charity Governance Code (the 'Code'). In 2021 and in accordance with good practice, external specialist consultants undertook a full governance and board effectiveness review which concluded that Nesta has a "well functioning board that has led Nesta through significant

change". The recommendations in the report aimed at further improving and refining Nesta's governance have been implemented and, in addition, Nesta's governance structures are regularly reviewed internally to ensure they continue to be best practice.

Section 172 statement

Background

As a company limited by guarantee, Nesta is required to report on how trustees have discharged their duty to promote the best interests of Nesta, while having regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. In doing so, regard (amongst other matters) must be given to:

- > the likely long-term consequences of any decision;
- > the interests of employees
- > fostering relationships with key stakeholders
- > the impact of operations on our communities and environment
- > maintenance of our reputation for the highest standards of conduct
- > the need to act fairly as between members of the company.

Our stakeholders

The Board recognises that Nesta's relationship with its stakeholders is critical to its success. Our charitable objects, scale and impact are achieved in part through relationships and having a positive influence on public policy for public benefit.

The table below sets out our key stakeholder groups, the key considerations of each group and how we engage with them. By understanding our stakeholders, Board discussions consider the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

Stakeholder group	Key considerations	How we engage
Beneficiaries	Improving the lives of the people and communities that Nesta works with. Making sure that our work benefits a significant section of the public.	Digital communications (website, social media, direct email). Event appearances and media coverage. Via our partners.
Partners	Nesta's partners are broad with varying interests. The nature of our partner engagement covers anything from working as part of a coalition for change on a particular issue, as a collaborator on a particular research project.	Publication of research reports, articles, data stories and blogs. Face to face meetings, or other forms of one-to-one engagement on relevant issues. Events and roundtables. Partner feedback and insights sought on issues of relevance to that partner. Newsletters, social media and other forms of marketing engagement. Nesta events and through attending or speaking at external events.
Employees	Succession planning. Growth, training and development. Diversity, inclusion and equality. Fair and appropriate remuneration, benefits and conditions.	We receive feedback and seek to implement positive change. Intranet, staff newsletters and all-staff meetings. Employee engagement survey. Learning and development through our People team.
Regulators	Maintaining strict governance procedures to ensure compliance with all applicable regulatory regimes.	Timely submissions of all necessary filings and returns. Self-reporting and engagement where appropriate. Appropriate policies and training on key compliance issues. Oversight by the Legal team. Prompt and comprehensive response to requests for information if requested.
Investment managers	Comprehensive view of the financial performance and sustainability of the endowment. Engagement on impact and ethical, social and governance factors. Ability to maximise the overall return of the endowment.	Regular meetings, calls and correspondence with our investment managers. Oversight from our Trust Investment Committee. Via Nesta's external appointed investment advisers.

Key decision in 22/23

The table below sets out the key decision taken by the Nesta Board in 2022/2023 and how the interests of our stakeholders and the wider factors set out in section 172 of the Companies Act 2006 were taken into account.

Key decision	Reason	Key considerations
Approval of a new investment strategy for the Nesta Trust	In order to further the charitable objects of both Nesta and the Nesta Trust and achieve a financial return, the Board approved an updated investment strategy which was driven by a need to respond to the requirements of the charity in pursuit of its Mission led strategy.	Long term impact on Nesta's strategy and on Nesta's ability to continue to achieve its charitable objects. Achievement of financial return for the Nesta Trust. Achievement of Nesta's Mission led strategy. Impact on current and future Nesta beneficiaries. Impact on reputation and standing with Nesta's stakeholders.

Nesta and its people

Nesta is dedicated to fostering a diverse and inclusive workplace that values the skills and contributions of all employees, regardless of their disability. We are committed to providing equal opportunities for disabled individuals in employment, career development, training, and promotion, and to making reasonable adjustments as needed to ensure their success within our organization. By adhering to this policy, we aim to create a more accessible and inclusive work environment for all.

At Nesta, we believe that a diverse workforce leads to an organisation that is more innovative, more creative and gets better results. We want our workforce to represent the diversity of the people and communities we serve. We also want our workplace to be one where different experiences, expertise and perspectives are valued, and where everyone is encouraged to grow and develop. This means that when we are recruiting, we actively seek to reach a diverse pool of candidates. It also means that we are happy to consider any reasonable adjustments that potential employees may need to in order to be successful. We recognise the importance of a good balance between work and home life, so we do everything we can to accommodate flexible working, including working from home, compressed or part-time hours, job shares and other arrangements.

Providing Information to Employees

Nesta has several internal communication channels to disseminate information to employees, including email, slack, an intranet portal, regular staff bulletins, and options

for staff to share Nesta's work through social media platforms. There are regular all-staff meetings to share organisation-wide updates and communicate important information to staff.

Employee Consultation

An annual employee engagement survey is carried out to provide feedback from employees on various aspects of their work environment, policies, and practices. Employees are represented by a community union that is included in changes to pay, holidays, and working hours through collective bargaining.

Encouraging Employee Involvement

The mission teams are cross-functional involving employees from different areas of methods and practices to encourage collaboration and shared decision-making. Employees are encouraged to take ownership of their work and provide them with the autonomy to make decisions within their scope of responsibility.

Creating Awareness of Economic Factors

Financial information is accessible to all within legal and regulatory constraints, to help staff understand the financial performance of both the charity and the Nesta Group. Regular updates are given at all staff meetings on the charity's performance and that of the Nesta Trust.

The Nesta Executive Team

Nesta's Executive Team is responsible for setting our strategic direction alongside providing day-to-day operational leadership of the charity. Our Executive Team (see [page 66](#) for details) provides advice and updates to the Board of Trustees on all strategic, operational or policy matters, the delivery of key organisational goals and communicates any issues arising from the specific functional areas for which its members are responsible.

Key people activities

Throughout 2022/23 we have focused on building our people processes and employee engagement in the following areas:

- > the implementation of a new performance management approach, 'Purpose Driven Performance' to build performance and engagement at Nesta
- > the introduction of succession planning to drive talent retention and build organisational resilience in Nesta and BIT
- > the implementation of a new Knowledge, Learning & Development function across the Group to develop the capabilities we require to deliver our strategic goals
- > the design of a new career development strategy for Nesta and BIT to aid career progression and retention.

People plans for 2023/24

Looking forward for 2023/24 we will continue to build our organisational resilience and employee engagement through several people related initiatives:

- > as the organisation continues to evolve, we will support staff moving into the new Nesta entities, ensuring all relevant processes and procedures are implemented to ensure a smooth transition
- > following the launch of our new and improved performance management process and the launch of a training portfolio we will focus on building the performance and capability of our leaders and managers. Alongside this we'll undertake a career paths exercise to help employees understand how their careers can develop at Nesta
- > in the area of remuneration we will review our benefit offering including a review of our flexible benefits scheme, ensuring we're offering employees a varied range of benefits that meet their needs
- > and in terms of our culture, we'll be improving our approach to feedback by introducing an online feedback platform, seeking opportunities to collaborate within Nesta and across the Group, and starting a culture project to define our future target culture.

Pay at Nesta

At Nesta transparency is fundamental to all aspects of our work and we take the same approach to employee remuneration. In line with recommendations from the National Council for Voluntary Organisations inquiry into executive pay, we have detailed our approach to pay; outlined how our pay levels are defined, and we have listed the cumulative salary total of our Executive team. All pay bands are visible and available to our employees.

Our People Committee is responsible for agreeing salary levels of all executive posts upon appointment, any ex gratia or non contractual one off payments and annual pay awards for all staff. The People Committee meets at least four times a year and also supports the People team via correspondence when required.

The cumulative total for Executive salaries is disclosed in Note 8d of the accounts. Our Executive pay band has been set to ensure we attract and retain the talent we require to successfully run a complex organisation, deliver on our strategy and maintain our standing as a global leader in innovation.

Nesta is proud to be an Accredited Real Living Wage employer and funder. We ensure any work experience or interning within the organisation is also fully paid. 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 six per cent was made in April 2023 to reflect the economic impact of the rising cost of living (April 2022: four per cent)

Individual pay awards are in the form of a salary increase within the appropriate pay band or promotion to the next pay band and are approved by Executive Directors who meet with the People team to review and agree any proposed increases.

All increases fall within the annual remuneration review budget set aside for salaries which is signed off by the People Committee. Given emphasis on equity, diversity and inclusion we seek to ensure that above inflation awards and promotions across the organisation are proportional and representative across the protected characteristics of ethnicity and gender.

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

Statement of trustees' responsibilities

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

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

- > select suitable accounting policies and then apply them consistently
- > observe the methods and principles in the Charities SORP
- > make judgements and estimates that are reasonable and prudent

- > state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- > prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

Disclosure to our auditors

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

The trustees' report and strategic report are approved by the Board of Trustees and authorised for issue on 29 November 2023, and signed on its behalf by:

DocuSigned by:

Ed Richards

3B5FA773123646B...

Ed Richards

Chair of the Board of Trustees of Nesta

04 December 2023 | 6:44 PM GMT

6. Independent Auditor's Report to the members and trustees of Nesta

Opinion on the financial statements

In our opinion, the financial statements:

- > give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2023 and of the Group's incoming resources and application of resources for the year then ended
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended.

We have audited the financial statements of Nesta ('the Parent Charitable Company') and its subsidiaries ('the Group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- > the information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the Strategic report and the Directors' Report, which are included in the Trustees' Report, have been prepared in accordance with applicable legal requirements.

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

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

- > Proper and adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or

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

Responsibilities of Trustees

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

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Charity and the sector in which it operates, we identified the principal laws and regulations that directly affect the financial statements to be the Companies Act 2006, Charities Act 2011 and Charities and Trustee Investment (Scotland) Act 2005. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition, the Charity is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed included:

- > discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- > reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility
- > assessing the design and implementation of the control environment to identify any areas of material weakness to focus the design of our testing
- > reviewing, and considering the impact on our audit, of items included in the Group's fraud and theft register

- > involvement of valuation specialists in the audit
- > challenging assumptions made by management in their significant accounting estimates, in particular in relation to the valuation of unlisted investments, Investment property and fair value of BIT; and
- > in addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management or with unusual accounts combinations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ('FRC's') website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Fiona Condon (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
 Gatwick, UK

Date: **11 December 2023**

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

7. Financial statements

Consolidated statement of financial activities for the year ended 31 March 2023

	Notes to the accounts	Unrestricted funds	Restricted funds	Expendable endowment	Total funds	Total funds
		2023 £'000	2023 £'000	2023 £'000	2023 £'000	2022 £'000
Income and endowments from:						
Investment income	2	271	-	9,227	9,498	7,335
Charitable activities	3	1,496	7,937	-	9,433	4,278
Other trading activities	4	26,638	-	-	26,638	9,689
Other income	5	545	-	-	545	4,874
Total income		28,950	7,937	9,227	46,114	26,176
Less share of joint venture's turnover		-	-	-	-	(4,562)
Total group income		28,950	7,937	9,227	46,114	21,614
Expenditure on:						
Raising funds						
Trading activities	6a	25,128	-	-	25,128	7,544
Investment management costs	6b	85	-	780	865	859
Total expenditure on raising funds		25,213	-	780	25,993	8,403
Charitable activities	7					
A Fairer Start		1,708	-	26	1,734	1,510
A Healthy Life		283	1,351	25	1,659	1,348
A Sustainable Future		1,161	1,543	41	2,745	1,271
Central Programmes and Devolved Nations		2,770	-	43	2,813	1,399
Committed Programme Delivery		3,886	(1,183)	41	2,744	5,856
Enterprises		14,904	2,762	271	17,937	14,039
Investments in furtherance of the charity's objectives		273	-	4	277	3,257
Practices		4,444	503	77	5,024	4,528
Total expenditure on charitable activities		29,429	4,976	528	34,933	33,208
Total expenditure		54,642	4,976	1,308	60,926	41,611
Net (expenditure)/income before investment gains		(25,692)	2,961	7,919	(14,812)	(19,997)
Net (losses)/ gains on Investments for financial return	11	-	-	(23,873)	(23,873)	26,005
Net (expenditure)/income		(25,692)	2,961	(15,954)	(38,685)	6,008
Share of (losses) in joint venture		(704)	-	-	(704)	(284)
Transfers between funds	16	34,381	(7,274)	(27,107)	-	-
Net income/(expenditure) before other recognised gains/(losses)		7,985	(4,313)	(43,061)	(39,389)	5,724
Other recognised gains/(losses)						
Foreign exchange gains/(losses)		111	-	(9)	102	150
Net movement in funds for the year		8,096	(4,313)	(43,070)	(39,287)	5,874
Reconciliation of funds						
Total funds brought forward	23	42,586	16,806	451,618	511,010	505,136
Total funds carried forward		50,682	12,493	408,548	471,723	511,010

A summary income and expenditure account is presented in Note 18 in compliance with the Companies Act 2006.

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

The notes on pages 33 to 64 form part of these accounts.

No separate statement of financial activities has been presented for Nesta as permitted by section 408 of the Companies Act 2006.

Consolidated and parent charity balance sheet as at 31 March 2023

Company number: 07706036

	Notes to the accounts	Group 2023 £'000	Parent Charity 2023 £'000	Group 2022 £'000	Parent Charity 2022 £'000
Fixed assets					
Intangible fixed assets	9	9,474	–	10,563	–
Tangible assets	10	25,136	888	25,425	683
Investments:					
Investments – quoted and unquoted	11	390,432	–	430,908	–
Programme-related investments	12a	26,065	21,698	20,655	17,094
Programme-related investment in joint venture – share of net assets/costs	12b	1,796	2,500	745	1,000
Mixed motive investment	12c	–	21,929	–	21,673
Total fixed assets		452,903	47,015	488,296	40,450
Current assets					
Debtors	13	20,269	11,746	20,835	11,979
Cash and cash equivalents		20,077	6,933	24,034	12,629
Total current assets		40,346	18,679	44,869	24,608
Current liabilities					
Creditors – amounts falling due within one year	14	(13,568)	(9,931)	(14,159)	(11,344)
Net current assets		26,778	8,748	30,710	13,264
Total assets less current liabilities		479,681	55,763	519,006	53,714
Creditors – amounts falling due after one year	14	(7,958)	(451)	(7,996)	(246)
Net assets		471,723	55,312	511,010	53,468
Charitable funds					
Expendable endowment funds	16a	408,548	–	451,618	–
General funds	16a	51,640	42,821	42,840	37,027
Total charitable unrestricted funds		460,188	42,821	494,458	37,027
Restricted funds	16b	12,493	12,491	16,806	16,441
Total charitable funds		472,681	55,312	511,264	53,468
Funds retained within non-charitable joint ventures	16a	(958)	–	(254)	–
Total funds		471,723	55,312	511,010	53,468

Total income for the year of Nesta, the parent charity, was £42,911k (2022: £46,185k) and expenditure was £41,067k (2022: £35,688k).

The notes on [pages 33 to 64](#) form a part of these accounts.

Approved by the Board of Trustees and authorised for issue on 29 November 2023 and signed on its behalf by Edward Richards, Chair of the Board of Trustees.

DocuSigned by:

Ed Richards

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Ed Richards,

Chair of the Board of Trustees of Nesta

04 December 2023 | 6:44 PM GMT

Consolidated cash flow statement for the year ended 31 March 2023

	Note	Group 2023 £'000	Group 2022 £'000
Cash flows used in operating activities			
Net cash used in operating activities	(a)	(24,151)	(16,456)
Cash flows from investing activities			
Net cash inflows from investing activities	(b)	20,112	16,348
Cash flows used in financing activities			
Net cash (outflows) from financing activities	(c)	(20)	(12)
Change in cash and cash equivalents in the reporting period		(4,059)	(120)
Cash and cash equivalents at the beginning of the reporting period		24,034	24,004
Change in cash and cash equivalents due to exchange rate movements		102	150
Cash and cash equivalents at the end of the reporting period		20,077	24,034
Cash flow statement notes			
(a) Reconciliation of net (expenditure)/ income to net cash flow from operating activities			
Net (expenditure)/ income for the reporting period (as per consolidated statement of financial activities)		(38,685)	6,008
Depreciation charges		252	1,858
Amortisation charges		1,089	332
Unrealised and realised losses/ (gains) from quoted and unquoted investments		23,873	(26,005)
Revaluation of programme-related investments		(2,004)	179
Dividends, interest and rents from investments		(9,492)	(7,334)
Bank interest		(6)	-
Interest paid and bank charges		20	12
Investment management fees		865	859
Decrease in debtors		566	1,173
(Decrease)/ increase in creditors		(629)	6,462
		(24,151)	(16,456)
(b) Cash flows from investing activities			
Dividends, interest and rents from investments		9,492	7,334
Bank interest		6	-
Investment management fees		(865)	(859)
Purchase of property, plant and equipment		(744)	(2,084)
Purchase of quoted and unquoted investments		(147,776)	(43,756)
Purchase of programme-related investments		(6,625)	(4,751)
Acquired goodwill from purchase of subsidiary		-	(10,895)
Proceeds from sale or maturity of quoted and unquoted investments		164,379	67,489
Proceeds from sale of fixed assets		779	-
Proceeds from sale of programme-related investments		2,170	2,925
Acquisition of subsidiary investments		-	(40)
Movement in net assets of joint ventures		(704)	985
		20,112	16,348
(c) Cash flows from financing activities			
Interest paid and bank charges		(20)	(12)
		(20)	(12)

Analysis of changes in net debt

	At start of year £'000	Cashflows £'000	Foreign exchange movements £'000	At end of year £'000
Cash and cash equivalents	24,034	(4,059)	102	20,077
	24,034	(4,059)	102	20,077

Included in cash and cash equivalents of £20.0 million (2022: £24.0 million) is a balance of £5.0 million (2022: £11.1 million) which is restricted for specific projects.

1. Accounting policies

a. Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain financial assets as specified below. 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 and Republic of Ireland; (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) (second edition – October 2019)' issued by the Charity Commission; and (iii) Companies Act 2006.

b. Going concern

The trustees have not identified any material uncertainty in respect of using the going concern basis in the preparation of the accounts. The trustees are not aware of a specific or general event which would change the Group's status as a going concern.

As Nesta is able to draw down cash from Nesta Trust ('the Trust') as required within the approved funding envelope, as well as the Group's strong net asset position, 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.

c. Basis of consolidation

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

The Trust holds investment assets previously held by the NESTA which was abolished on 1 April 2012. The assets of the Trust provide income and capital to be applied by Nesta as sole Trustee to further the objects of the Trust. As the sole Trustee of the Trust, Nesta is considered to control the Trust which operationally means Nesta is responsible for the Trust's investment policy. It is for this reason that the accounts of the Trust have been consolidated with the accounts of Nesta.

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 15.

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.

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 15.

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.

When a joint venture becomes a subsidiary in the period, it is accounted for as a subsidiary from the date that control commences to the date that it ceases.

No separate statement of financial activities has been presented for Nesta as permitted by section 408 of the Companies Act 2006.

d. 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.

1. Accounting policies (continued)

e. Income

Income is recognised in the consolidated statement of financial activities in the period in which Nesta is entitled to receipt and where the amount can be measured with reasonable accuracy, and where receipt is probable.

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

Where there is a repayment of income that has been previously recognised or not all income has been drawn down at the end of a project, this is recognised as negative income in the relevant period.

Investment income includes interest and dividends from investment assets, deposits and a joint venture, with any associated tax credits or recoverable taxation included in the Consolidated statement of financial activities on an accruals basis.

Income from trading activities is generated on non-primary purpose trading activities of the trading subsidiaries Nesta Enterprises Limited and Behavioural Insights Limited ('BIT', subsidiary acquired during the previous year). This represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, income represents the value of the service provided to date based on proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within the year.

f. Expenditure

Expenditure is accounted for on an accruals basis.

Expenditure on raising funds includes both trading activities and investment management expenditure. Trading expenditure is incurred on non-primary purpose trading activities of the trading subsidiaries Nesta Enterprises Limited and Behavioural Insights Limited ('BIT', subsidiary acquired during the previous year).

Investment management costs consist of 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.

The categories defined by the trustees for the purposes of organisational management are – A Fairer Start, A Healthy Life, A Sustainable Future, Central Programmes and Devolved Nations, Committed Programme Delivery, Enterprises, investments in furtherance of the charity's objectives and Practices.

Grants payable are recognised as expenditure in the consolidated statement of financial activities on the date when a grant agreement is signed or equivalent obligation created less any awards cancelled or refunded, where there are no performance related obligations that are required to be fulfilled under the terms of the grants. Grants awarded but not yet paid are recorded as a liability in the consolidated balance sheet. Where grants paid are selected to be converted to an equity holding in the grantee organisation by virtue of grant conditions being met, on the date where there is a binding contract with investment terms agreed by both parties, grant expenditure is reversed and an investment asset is recognised and the asset valued in accordance with Nesta's investment valuation policies.

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

Redundancy and termination payments are recognised when there is a demonstrable commitment that cannot be realistically withdrawn.

1. Accounting policies (continued)

g. Support costs – allocation

Support costs are allocated to each area of programme activity on bases appropriate to the activity concerned. These drivers include ratio of direct costs and headcount.

h. Intangible fixed assets and amortisation

Goodwill included in intangible assets represents the excess of the cost of Behavioural Insights Limited (BIT) over the fair value of the Group’s share of the net identifiable assets of BIT at the date of acquisition, 10 December 2021.

Goodwill on acquisitions of joint ventures and associates is included in the related equity accounted investment value (Note 9).

Amortisation is calculated on a straight-line basis. As the useful life of goodwill cannot be reliably estimated, it is being written off over a period of ten years as determined by the trustees.

i. Tangible fixed assets and depreciation

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

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

> leasehold assets	over the remaining life of the lease
> plant and machinery	seven to eighteen years
> 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.

j. Investment assets – quoted and unquoted

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

Cash and short-term deposits and investments to be held less than 12 months are presented in the balance sheet as current assets. All other financial assets are presented as fixed assets. Deferred investments and loans represent the portion of commitments which remain undrawn but 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 except where we are unable to obtain a reliable estimate of market value. Unrealised changes in value 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.

l. 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.

1. Accounting policies (continued)

j. Investment assets – quoted and unquoted (continued)

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 adjusted for any cash calls and distributions 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.

An estimated value of unquoted investments in early-stage companies is established by using valuation guidelines produced by the British Private Equity & 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. Valuation – investment property

Physical investment property assets are revalued by an independent external property valuer. The proportion of the investment property that is leased to the charity is accounted for as a leasehold asset in the consolidated accounts. Investments in an investment property fund are valued at the market values, being the externally reported bid prices at the balance sheet date.

IV. 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 20.

Unrealised changes in value between accounting periods are reflected in the consolidated statement of financial activities.

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

1. Accounting policies (continued)

k. 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.

l. Investment assets – joint venture

Joint ventures are held at cost, less any provision for diminution in value, or uplift based on current available external information. Any change in value is charged to the statement of financial activities under charitable activities for Nesta single entity and eliminated on consolidation.

m. Investment assets – mixed motive

Mixed motive investments are held at cost, less any provision for diminution in value, with fair value being reviewed annually. Any diminution or impairment in value is charged to the statement of financial activities as an investment impairment as a gain/ (loss) on investment.

n. 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 and the carrying value of goodwill 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.

An estimated value of unquoted investments in early-stage companies is established by using valuation guidelines produced by the 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.

An external valuation exercise was performed to obtain an independent valuation of Behavioural Insights Limited as at 31 March 2023. The valuation was based on expected future cash flows in accordance with FRS 102.

The revenue growth rate assumed was between 8% and 10% year on year, and the discount factor applied was 15.5%. A sensitivity analysis conducted using different cases and their relevant probabilities gave an overall weighted variance of 1% from the valuation concluded in the external report.

The investment property 58 Victoria Embankment was revalued at the year end by an independent qualified property valuer.

Investment assets are valued on an asset by asset basis, and in each case a prudent approach is taken.

Amortisation is calculated on a straight-line basis. As the useful life of goodwill cannot be reliably estimated, it is being written off over a period of ten years as chosen by the trustees.

o. 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 debt 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use in the next financial year. The provision is measured at the salary cost payable for the period of absence.

1. Accounting policies (continued)

p. Pension costs

The Group operates 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.

q. 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 for Nesta and Nesta Trust.

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

Tax arises in the accounts of BIT, and is included within expenditure from trading activities in the statement of financial activities. Current tax, including UK corporate tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

BIT deferred tax and corporation tax arising is included within 'Other tax and social security' in Creditors in the Group balance sheet. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they were recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

r. Exchange gains and losses

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

On consolidation of BIT, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date.

s. 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.

t. Related party transactions

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 Audit and Risk Committee.

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

u. Financial instruments

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

v. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with banks. Cash held by investment managers is classified as investments as it is not immediately accessible.

2. Investment income

	Group 2023 £'000	Group 2022 £'000
Quoted investments:		
Interest and dividends receivable	5,232	6,965
Total income from quoted investments	5,232	6,965
Unquoted investments:		
Interest and dividends receivable	4,260	370
Total income from unquoted investments	4,260	370
Bank interest	6	-
Total investment income	9,498	7,335

3. Restricted income from charitable activities

	Funding from government bodies	Funding from non-government bodies	Other charitable activity income	Group total	Funding from government bodies	Funding from non-government bodies	Other charitable activity income	Group total
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'000
	Note 3a							
A Fairer Start	-	-	8	8	-	-	-	-
A Healthy Life	-	15	-	15	-	-	-	-
A Sustainable Future	9	-	-	9	-	-	-	-
Central Programmes and Devolved Nations	-	-	15	15	-	-	-	-
Committed Programme Delivery	(940)	73	239	(628)	(1,485)	140	390	(955)
Enterprises	2,802	3,228	2,729	8,759	(50)	755	3,293	3,998
Investments in furtherance of the charity's objectives	-	-	80	80	-	-	196	196
Practices	(7)	68	267	328	-	255	279	534
Other	42	629	176	847	350	58	97	505
Total income from charitable activities	1,906	4,013	3,514	9,433	(1,185)	1,208	4,255	4,278

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

3. Restricted income from charitable activities (continued)

3a. Restricted funding from government bodies

	Group 2023 £'000	Group 2022 £'000
Arts Council of England	(7)	-
Arts Council of Wales	-	225
British Council	25	-
Department for Business, Energy and Industrial Strategy (BEIS)	75	-
Department for Digital Culture Media and Sport (DCMS)	20	-
Department for Education	-	(706)
Government of Canada	429	-
Greater London Authority	(25)	-
Improvement Service	-	32
Innovate UK	2,290	-
Surrey County Council	9	-
UKHIIH Collective Crisis Intelligence	42	350
Wales Arts Health and Wellbeing Network	33	-
Welsh Government	(985)	(1,086)
Total restricted funding from government bodies	1,906	(1,185)

Funding from government bodies includes a £1.0m (2022: £1.1m) repayment for a project, and is a reversal of income that has previously been reported (see Note 7 for corresponding expenditure). The original project was scaled down with the onset of COVID-19 and was expected to restart again, but a decision was made to end the project. Also included is £0.03m (2022: £0.7m) reversal for grants where the funding was not fully drawn down.

4. Income from other trading activities

	Group 2023 £'000	Group 2022 £'000
Rental income	1,623	1,787
<i>Income from trading</i>		
Consultancy	491	368
Venue hire and other	2	7
Trading subsidiary income – Behavioural Insights Limited	24,522	7,527
Total income from other trading activities	26,638	9,689

2022 figure of £9,689k includes £39k restricted funds.

Trading subsidiary income above for the year ended 31 March 2022 only includes Behavioural Insights Limited income from 10 December 2021 when it became a trading subsidiary.

5. Other income

	Group 2023 £'000	Group 2022 £'000
Impact fund management fees	205	307
Events and workshops fees	340	5
Share of income from joint ventures	–	4,562
Total other income	545	4,874

Share of income from joint venture above in 2022 was Nesta's share of Behavioural Insights Limited's income to the point when it became a subsidiary on 10 December 2021.

6. Expenditure on raising funds

6a. Trading activities

	Group 2023 £'000	Group 2022 £'000
Trading activities expenditure – subsidiaries	25,128	7,544
Total trading activity expenditure	25,128	7,544

Trading activities expenditure above for the year ended 31 March 2022 only includes Behavioural Insights Limited expenditure from 10 December 2021 when it became a trading subsidiary.

6b. Investment management costs

	Group 2023 £'000	Group 2022 £'000
Investment manager fees	800	794
Custodian fees	65	65
Total investment management costs	865	859

The investment management costs are the direct fees paid to intermediaries.

7. Expenditure on charitable activities

	Grant making	Non-grant direct cost	Allocated support costs	Group total	Grant making	Non-grant direct cost	Allocated support costs	Group total
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'000
	Note 7b		Note 7a		Note 7b			
A Fairer Start	125	790	819	1,734	150	792	568	1,510
A Healthy Life	-	868	791	1,659	-	856	492	1,348
A Sustainable Future	1	1,672	1,072	2,745	20	737	514	1,271
Central Programmes and Devolved Nations	200	1,458	1,155	2,813	-	783	616	1,399
Committed Programme Delivery *	(608)	2,012	1,340	2,744	455	3,227	2,174	5,856
Enterprises	5,714	6,026	6,197	17,937	3,761	5,546	4,732	14,039
Investments **	-	(310)	587	277	-	1,991	1,266	3,257
Practices	12	2,862	2,150	5,024	100	2,544	1,884	4,528
Total charitable activities	5,444	15,378	14,111	34,933	4,486	16,476	12,246	33,208

* Grant expenditure for Committed Programme Delivery includes a £1.0m decommitment for a project, and is a reversal of expenditure that has previously been reported (see corresponding income in Note 3a).

** Negative Investments expenditure relates to upwards revaluations of investments held within Nesta Partners Limited.

7a. Support costs

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

	Support staff costs	Premises, technology and other costs	Governance	Group total	Support staff costs	Premises, technology and other costs	Governance	Group total
	2023 £'000	2023 £'000	2023 £'000	2023 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'000
A Fairer Start	478	309	32	819	294	253	21	568
A Healthy Life	467	293	31	791	243	230	19	492
A Sustainable Future	447	566	59	1,072	294	203	17	514
Central Programmes and Devolved Nations	536	560	59	1,155	389	210	17	616
Committed Programme Delivery	815	475	50	1,340	1,104	989	81	2,174
Enterprises	1,812	3,969	416	6,197	2,026	2,501	205	4,732
Investments	703	(105)	(11)	587	700	523	43	1,266
Practices	1,078	971	101	2,150	1,116	710	58	1,884
Total support costs	6,336	7,038	737	14,111	6,166	5,619	461	12,246

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

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

Support staff costs	Allocated based on headcount
Other support costs	Allocated on the ratio of direct costs of each area

7. Expenditure on charitable activities (continued)

7b. Grants

Included in the cost of charitable activities are grants payable. 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 2023 £'000	External/Nesta funded	Programme
Green Industry Plast – Togo (Gip-Togo)	1,000	External	Afri-Plastics Challenge
Chanja Datti Ltd	750	External	Afri-Plastics Challenge
Chemolex	750	External	Afri-Plastics Challenge
Megagas Alternative Energy Enterprise	500	External	Afri-Plastics Challenge
Baus Taka Enterprise	251	External	Afri-Plastics Challenge
Ecococo Homecare	250	External	Afri-Plastics Challenge
Catherine Natang	250	External	Afri-Plastics Challenge
Ukwenza Vr	250	External	Afri-Plastics Challenge
A Fairer Start (Core)	125	Nesta Funded	A Fairer Start
Toto Safi	100	External	Afri-Plastics Challenge
Uganda Industrial Research Institute (Uiri)	80	External	Afri-Plastics Challenge
Ecococo Homecare	75	External	Afri-Plastics Challenge
Chemolex	75	External	Afri-Plastics Challenge
Lwanda Biotech Ltd	75	External	Afri-Plastics Challenge
She Eco Response	75	External	Afri-Plastics Challenge
Toto Safi	75	External	Afri-Plastics Challenge
Regenize	75	External	Afri-Plastics Challenge
Dercolbags Packaging Limited Company	75	External	Afri-Plastics Challenge
Well Of Science	75	External	Afri-Plastics Challenge
Naza Agape Foundation	75	External	Afri-Plastics Challenge
Sustainable Pioneers Cic	72	Nesta funded	HARP (Health, Arts, Research, People) Nesta Cymru
Baus Taka Enterprise	53	External	Afri-Plastics Challenge
Moonshot Dynamics	50	External	Afri-Plastics Challenge
Soapbox South Africa	50	External	Afri-Plastics Challenge
Vhembe Biosphere Reserve	50	External	Afri-Plastics Challenge
Leeds City Council	50	Nesta funded	AFS Commissioning Fund
Stockport Metropolitan Borough Council	50	Nesta funded	AFS Commissioning Fund
City Of York Council	50	Nesta funded	AFS Commissioning Fund
Lem Ketema	50	External	Afri-Plastics Challenge
Ukwenza Vr	50	External	Afri-Plastics Challenge
Eco Brixs	50	External	Afri-Plastics Challenge
Meeticks Africa	50	External	Afri-Plastics Challenge
Association Terangagée	50	External	Afri-Plastics Challenge
Catherine Natang	50	External	Afri-Plastics Challenge
Ensemble Artistique Et Culturel Wakat	50	External	Afri-Plastics Challenge
U-Recycle Initiative Africa	50	External	Afri-Plastics Challenge
Let's Do It Ghana	50	External	Afri-Plastics Challenge
Recycle Port Harcourt Limited	50	External	Afri-Plastics Challenge
Sustainable Pioneers Cic	50	Nesta funded	Devolved Nations (Scotland)
Grants below £50,000 (number of grants to institutions 46)	565		
Grants cancelled in the year	(1,077)		
Total grants	5,444		

7b. Grants 2022

Recipient	Grants to institutions 2022 £'000	External/Nesta funded	Programme
Hastee	200	Nesta funded	Rapid Recovery Challenge
Udrafter Ltd	200	Nesta funded	Rapid Recovery Challenge
Udrafter Ltd	150	Nesta funded	Rapid Recovery Challenge
Incomemax	150	External	Rapid Recovery Challenge
Beam	150	Nesta funded	Rapid Recovery Challenge
Turn2us	150	Nesta funded	Rapid Recovery Challenge
Hastee	150	Nesta funded	Rapid Recovery Challenge
Evenbreak	150	External	Rapid Recovery Challenge
RAMTSILO	100	External	Afri-Plastics Challenge
TakaTaka Solutions	100	External	Afri-Plastics Challenge
Watamu Marine Association	100	External	Afri-Plastics Challenge
Chaint Afrique Academy	100	External	Afri-Plastics Challenge
Chanja Datti Ltd	100	External	Afri-Plastics Challenge
Mental and Environmental Development Initiative for Children (MEDIC)	100	External	Afri-Plastics Challenge
Megagas Alternative Energy Enterprise	100	External	Afri-Plastics Challenge
Full Development Agency (FDA)	100	External	Afri-Plastics Challenge
Green Industry Plast – Togo (GIP-TOGO)	100	External	Afri-Plastics Challenge
RECYPLAST	100	External	Afri-Plastics Challenge
Greenhill Recycling	100	External	Afri-Plastics Challenge
CareMe Bioplastics	100	External	Afri-Plastics Challenge
eTrash2Cash (eT2C) Company Nigeria	100	External	Afri-Plastics Challenge
Nelplast Eco Ghana Limited	100	External	Afri-Plastics Challenge
Planet 3R	100	External	Afri-Plastics Challenge
Fast Familiar (FanSHEN)	100	Nesta funded	Centre for Collective Intelligence Design
University of Sussex	60	External	PEC – Core Work
Leeds City Council	50	Nesta funded	AFS Innovation Partnership: Leeds City Council
Stockport Metropolitan Borough Council	50	Nesta funded	AFS Innovation Partnership: GMCA & Stockport MBC
City of York Council	50	Nesta funded	AFS Innovation Partnership: City of York Council
Work Advance Ltd	50	External	PEC – External Research Commissioning
Grants below £50,000 (number of grants to institutions 83)	1,368		
Grants cancelled in the year	(42)		
Total grants	4,486		

7c. Auditor's fees

	Group 2023 £'000	Group 2022 £'000
External audit	220	111
Internal audit	91	73
Other assurance services	12	27
Tax advisory services	112	55
Total auditor fees	435	266

External audit fees incurred for Nesta, the parent charity, were £74,100 (2022: £50,450) excluding VAT.

External audit fees and tax advisory services were payable to external auditors.

8. Employees for parent and Group

8a. Staff costs

	Group 2023 £'000	Group 2022 £'000
Salaries and emoluments of directly employed staff	29,608	17,791
Social security costs	3,158	1,923
Pension costs	2,486	1,696
Agency/temporary staff costs	539	87
Other staff costs*	99	346
Total	35,890	21,843

*During the previous year, there were redundancy payments totalling £227,258 (current year: £nil) as a result of restructuring.

Included above in 2022 staff costs is £5.0m relating to post acquisition staff costs of Behavioural Insights Limited, a subsidiary acquired during the year on 10 December 2021. A full year of Behavioural Insights Limited staff costs have been included for the year ended 31 March 2023.

8b. Staff numbers

The following shows average headcount staff numbers during the year.

	Group 2023	Group 2022
A Fairer Start	14	8
A Healthy Life	14	7
A Sustainable Future	13	8
Central Programmes and Devolved Nations	16	11
Committed Programme Delivery	24	31
Enterprises	52	57
Investments	20	20
Practices	31	31
Support	85	94
Trading	241	256
Total	510	523

The average full time equivalent for 2023 is 500 (2022: 498).

Behavioural Insights Limited counts for 244 (2022: 247) of this full time equivalent figure post acquisition, and 241 (2022: 256) Trading headcount above.

8. Employees for parent and Group (continued)

8c. Higher earners

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

	Group 2023	Group 2022
£60,000 – £69,999	51	21
£70,000 – £79,999	52	13
£80,000 – £89,999	16	7
£90,000 – £99,999	22	8
£100,000 – £109,999	8	4
£110,000 – £119,999	7	4
£120,000 – £129,999	4	1
£130,000 – £139,999	1	-
£140,000 – £149,999	4	1
£150,000 – £159,999	3	-
£160,000 – £169,999	1	-
£170,000 – £179,999	-	-
£180,000 – £189,999	-	-
£190,000 – £199,999	-	1
£200,000 – £209,999	-	-
£210,000 – £219,999	1	1
£220,000 – £229,999	1	-

Of staff with remuneration over £60,000, 114 (2022: 58) are members of the defined contribution pension scheme. Employer contributions to the scheme related to staff in these salary ranges during the year were £917k (2022: £522k).

8d. Key management personnel

The annual salaries (including benefits, termination payments and any bonuses) of the Executive team as at 31 March 2023 totalled £1,131k (2022: £1,166k). The Executive Team are considered to be key management personnel.

The Executives are entitled to the same flexible benefits and pension scheme as all staff. Nesta offers a defined contribution pension scheme with the contribution from Nesta ranging from a minimum of 8 per cent up to 12 per cent of salary, depending on the level of contributions made by the employee. Employer pension contributions for executives amounted to £120k (2022: £115k) for the year. Employer National Insurance contributions were £143k (2022: £122k).

8e. Pensions

Defined contribution schemes are offered across the Group. The Group's total contributions made in respect of the year, for all schemes, totalled £2,482k (2022: £1,693k), including outstanding contributions of £176k (2022: £229k) at the balance sheet date.

8f. Trustee remuneration

None of the trustees received remuneration for performance of their role as trustees during the year. Travel expenses of £nil (2022: £nil) were reimbursed during the year.

9. Intangible fixed assets

	Goodwill £'000
Goodwill arising from new business combinations	
Cost	
Opening & closing balance at 1 April 2022 and 31 March 2023	10,895
Amortisation	
Opening balance as at 1 April 2022	332
Amortisation	1,089
Closing balance as at 31 March 2023	1,421
Net book value 2023	9,474
Net book value 2022	10,563

10. Tangible fixed assets

Group fixed assets

	Leasehold asset	Plant and machinery	Computer hardware	Computer software	Fixtures and fittings	Group total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Opening balance	23,817	3,405	2,082	692	705	30,701
Additions	7	-	358	99	280	744
Disposals	(548)	-	(153)	(30)	(48)	(779)
Transfer	(10)	-	-	-	10	-
	23,266	3,405	2,287	761	947	30,666
Depreciation						
Opening balance	1,431	1,423	1,432	376	614	5,276
Charge for the year	244	238	356	131	60	1,029
Disposals	(548)	-	(152)	(27)	(48)	(775)
Transfer	(10)	-	-	-	10	-
	1,117	1,661	1,636	480	636	5,530
Net book value 2023	22,149	1,744	651	281	311	25,136
Net book value 2022	22,386	1,982	650	316	91	25,425

10. Tangible fixed assets (continued)

Parent charity fixed assets

	Computer hardware	Computer software	Fixtures and fittings	Parent charity total
	£'000	£'000	£'000	£'000
Cost				
Opening balance	1,508	365	593	2,466
Additions	236	91	244	571
	1,744	456	837	3,037
Depreciation				
Opening balance	1,050	218	515	1,783
Charge for the year	232	85	49	366
	1,282	303	564	2,149
Net book value 2023	462	153	273	888
Net book value 2022	458	147	78	683



11. Investments – Group

Category		Market/fair value at 1 April 2022	Additions at cost	Maturities, proceeds and disposals at market value	Net gains and losses	Group total market/fair value at 31 March 2023
		£'000	£'000	£'000	£'000	£'000
Equities and private equity						
Global Equities	Quoted	211,844	-	(72,974)	(3,656)	135,214
UK Small Cap	Quoted	37,413	5,790	(5,784)	(5,068)	32,351
Emerging Markets	Quoted	28,393	-	-	(1,801)	26,592
Infrastructure Equity	Unquoted	-	18,551	-	1,133	19,684
Private equity funds	Unquoted	5,075	180	(1,564)	169	3,860
Total equities and private equity		282,725	24,521	(80,322)	(9,223)	217,701
Fixed income and property						
Multi-Asset Credit	Unquoted	-	65,000	-	(2,267)	62,733
Asset-Backed Securities	Unquoted	-	43,700	-	(653)	43,047
Private Debt (Corporate)	Unquoted	-	2,926	-	(54)	2,872
Private Debt (Infrastructure)	Unquoted	-	11,090	(2,853)	402	8,639
Property	Property	51,611	80	(3,531)	(7,870)	40,290
Fixed income	Quoted	40,367	30	(38,710)	(1,687)	-
Bonds	Quoted	39,244	218	(37,921)	(1,518)	23
Total fixed income and property		131,222	123,044	(83,015)	(13,647)	157,604
Mixed motive investments						
Investment in early stage companies	Unquoted	14,173	211	-	(826)	13,558
Investment in early stage funds	Unquoted	2,748	-	(1,042)	(177)	1,529
Total mixed motive investments		16,921	211	(1,042)	(1,003)	15,087
Other investments		Unquoted	40	-	-	40
Total investments		430,908	147,776	(164,379)	(23,873)	390,432

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

As at 31 March 2023, total cash and investment assets held by the Nesta Trust totalled £424 million (2022: £466 million). Refer also to the Investment Review on [pages 14 to 15](#) of this report for more detail of the investments.

The above table has been adjusted for consolidation in relation to the investment property; 51.3 per cent of the property represents investment property to the Group. The remaining 48.7% is used by the Group and included within leasehold asset in Note 10.

The valuation of the investment property (58 Victoria Embankment) is £53.0 million (2022: £60.5m). The valuation is reviewed at each year end by an independent qualified property valuer. Property above also includes a fund with a market value of £13.1 million at the year end (2022: £20.6 million).

11. Investments – Group (continued)

Investment assets consist of the following

	Market/fair value at 31 March 2023 £'000	Market/fair value at 31 March 2022 £'000	Percentage of 2023 portfolio %	Percentage of 2022 portfolio %
Equities and private equity	217,701	282,725	56%	66%
Fixed income and property	157,604	131,222	40%	30%
Mixed motive investments	15,087	16,921	4%	4%
Other investments	40	40	0%	0%
	390,432	430,908	100%	100%

Total gains and losses on investment assets above impacting the Consolidated statement of financial activities are summarised as follows:

	Group total loss March 2023 £'000	Group total gain March 2022 £'000
Quoted investments	(13,730)	17,689
Unquoted investments	(10,143)	8,316
	(23,873)	26,005

12. Programme-related and mixed motive investments – Group and charity

12a. Programme-related investments – Group and charity

	Group total value 1 April 2022 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Group total value 31 March 2023 £'000
<i>Investment type</i>					
Equity	14,695	4,860	(2,124)	1,802	19,233
Unsecured loans	5,960	1,765	(1,095)	202	6,832
	20,655	6,625	(3,219)	2,004	26,065

	Parent charity total value 1 April 2022 £'000	Additions £'000	Disposals £'000	Revaluations £'000	Parent charity total value 31 March 2023 £'000
<i>Investment type</i>					
Equity	914	-	-	-	914
Unsecured loans	16,180	5,174	(2,672)	2,102	20,784
	17,094	5,174	(2,672)	2,102	21,698



12. Programme-related and mixed motive investments – Group and charity (continued)

12b. Programme-related investments in joint venture – Group and charity

Organisation name	Country of registration	Class of ownership	Joint venture interest	Year end date	Nature of business	Group share of net assets 2023 £'000	Group share of net assets 2022 £'000
FFN JV Limited	UK	Preference	45%	31-Dec	Investing in technology start-ups	-	-
Share of net assets of joint venture						586	313
Goodwill on acquisition of joint venture						1,210	432
						1,796	745

	Group share of loss in joint venture 2023 £'000	Group share of loss in joint venture 2022 £'000
Share of loss of FFN JV Limited	(640)	(236)
Amortisation of goodwill on acquisition of FFN JV Limited	(64)	(19)
Share of loss of FFN JV Limited per SoFA	(704)	(255)
Share of (loss) of Behavioural Insights Limited up to 10 December 2021 (became 100% mixed motive subsidiary from 30% joint venture)	-	(29)
Share of loss in joint venture	(704)	(284)

	Parent charity total value 1 April 2022 £'000	Additions £'000	Parent charity total value 31 March 2023 £'000
Equity	1,000	1,500	2,500
Total	1,000	1,500	2,500

12c. Mixed motive investments

	Parent charity total value 1 April 2022 £'000	Additions £'000	Parent charity total value 31 March 2023 £'000
Equity	21,673	256	21,929
Total	21,673	256	21,929

The mixed motive investment above relates to 100% subsidiary Behavioural Insights Limited, which was previously a 30% joint venture up to 10 December 2021.

13. Debtors

	Group 2023 £'000	Parent 2023 £'000	Group 2022 £'000	Parent 2022 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	5,541	873	6,284	1,219
Amounts due from subsidiaries	-	963	-	774
Accrued income	7,244	8,024	6,696	6,991
Prepayments	6,309	1,863	4,086	1,207
Other debtors	527	-	1,284	76
Deferred tax asset*	625	-	773	-
Total debtors falling due within one year	20,246	11,723	19,123	10,267
<i>Amounts falling due after more than one year:</i>				
Accrued income	23	23	1,712	1,712
Total debtors falling due after more than one year	23	23	1,712	1,712
Total debtors	20,269	11,746	20,835	11,979

* Deferred tax asset above arises in Behavioural Insights Limited, a trading subsidiary acquired during the previous year.



14. Creditors

	Group 2023 £'000	Parent 2023 £'000	Group 2022 £'000	Parent 2022 £'000
<i>Amounts falling due within one year:</i>				
Trade creditors	1,878	1,391	1,072	519
Amounts due to subsidiaries	-	28	-	-
Accruals	3,369	5,244	3,233	5,719
Deferred income	6,223	919	4,202	841
Grant creditors	44	838	3,325	3,326
Other tax and social security	1,865	1,297	1,805	566
Other creditors	189	214	522	373
Total creditors falling due within one year	13,568	9,931	14,159	11,344
<i>Amounts falling due after more than one year:</i>				
Grant creditors	451	451	246	246
Other payables, including loans	7,363	-	7,386	-
Accruals	76	-	188	-
Provisions for liabilities	68	-	176	-
Total creditors falling due after more than one year	7,958	451	7,996	246
Total creditors	21,526	10,382	22,155	11,590

	Group 2023 £'000	Parent 2023 £'000	Group 2022 £'000	Parent 2022 £'000
<i>Analysis of deferred income</i>				
At 1 April	4,202	841	1,412	1,507
Prior year deferred income released during the year	(4,202)	(841)	(1,412)	(1,507)
Income deferred in the year	6,223	919	4,202	841
At 31 March	6,223	919	4,202	841

Nesta leads a consortium of UK-wide universities via the Creative Industries Policy and Evidence Centre (PEC). The PEC aims to provide independent research and authoritative recommendations that will aid the development of policies for the UK's creative industries, contributing to their continued success. The PEC is part of the Creative Industries Clusters Programme led by the Arts and Humanities Research Council (AHRC) and funded through the Industrial Strategy Challenge Fund. During the year, Nesta administered £892k (2022: £853k) of income and expenditure on behalf of PEC which is not recognised within Nesta's statement of financial activities due to Nesta handling these funds as an agent. As at the balance sheet date, Nesta held funds totalling £3k (2022: £171k) on behalf of the consortium which is included within restricted deferred income.

15. Subsidiaries

Organisation name	Country of registration and registered charity/company number	Class of ownership	Parent interest	Nature of business
The Nesta Trust	United Kingdom charity number 1144683	Sole corporate Trustee		A charitable trust that holds investment assets
Nesta Enterprises Limited	United Kingdom company number 08580327	Ordinary	100%	A charitable trading company
Nesta GP Limited	United Kingdom company number 08231985	Ordinary	100%	General partner in the Nesta Impact Investments 1 Limited Partnership Fund
Nesta PRI Limited	United Kingdom company number 08232090	Ordinary	100%	Limited partner in the Nesta Impact Investments 1 Limited Partnership Fund
Cultural Impact Development Loans Limited	United Kingdom company number 11388464	Ordinary	100%	Financial support for arts organisations
Nesta Partners Limited	United Kingdom company number 06618114	Ordinary	100%	Partner in Nesta Investment Management LLP and Nesta Arts Impact LLP
Behavioural Insights Limited	United Kingdom company number 08567792	Ordinary	100%	A social purpose consultancy company
Nesta Challenges	United Kingdom Company number 14045038	Ordinary	100%	(Dormant) Designs and creates challenge prizes to help solve the world's biggest problems
NII GP2 Limited	United Kingdom company number 10710378	Ordinary	100%	(Dormant) General partner
Nesta Investment Management LLP	United Kingdom company number OC338038	Limited Liability Partnership		Investment manager funds
Nesta Arts Impact LLP	United Kingdom company number OC396102	Limited Liability Partnership		Financial support for arts organisations
Nesta Arts & Culture Impact LLP	United Kingdom company number OC423779	Limited Liability Partnership		Financial support for arts and culture organisations
NII2 Special Partner LLP	United Kingdom company number OC416761	Limited Liability Partnership		(Dormant) Special partner
Nesta US Inc	United States	Sole member	100%	To engage in charitable and educational activities within the meaning of Section 501 (c)(3) of the Internal Revenue Code 1986

All of the above entities have a year end date of 31 March.

15. Subsidiaries (continued)

The results of the subsidiary entities consolidated are as follows:

	Nesta Trust	Nesta Enterprises Limited	Nesta GP Limited	Nesta PRI Limited	Cultural Impact Development Loans Limited	Nesta Partners Limited	Behavioural Insights Team Limited	Nesta Investment Management LLP	Nesta Arts Impact LLP	Nesta Arts & Culture Impact LLP	Nesta US Inc	2023 Total	2022 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Profit and Loss for the year ended 31 March 2023/ since date of aquisition													
Income	11,734	493	173	-	56	41	25,537	665	158	93	-	38,950	19,012
Expenditure	(26,552)	(493)	(173)	-	(79)	(41)	(24,989)	(104)	(81)	(461)	(301)	(53,274)	(47,705)
Other (losses)/ gains	(27,526)	-	-	(215)	(82)	2,330	111	(840)	53	-	-	(26,169)	25,046
Partner share/ (loss)/ profit for the year	(42,344)	-	-	(215)	(105)	2,330	659	(279)	130	(368)	(301)	(40,493)	(3,647)
Assets	427,307	152	111	1,665	591	17,788	15,309	259	2,397	3,154	-	468,733	506,147
Liabilities	(1,087)	(152)	(111)	(4,294)	(785)	(14,463)	(8,202)	(27)	(3,139)	(4,162)	-	(36,422)	(32,918)
Net assets/ (liabilities)	426,220	-	-	(2,629)	(194)	3,325	7,107	232	(742)	(1,008)	-	432,311	473,229
Opening net reserves/ (liabilities)	468,564	-	-	(2,414)	(89)	995	6,448	511	(872)	(640)	301	472,804	476,876
Closing net reserves/ (liabilities)	426,220	-	-	(2,629)	(194)	3,325	7,107	232	(742)	(1,008)	-	432,311	473,229

Entities with negative balances have continued support which is approved by the relevant Board committee. No intercompany amounts were written off in the year, and certain letters of support were given in respect of these transactions, none of which are repayable within 15 months.

16. Funds

16a. Unrestricted and endowment funds

	General funds £'000	Funds retained within non charitable joint ventures £'000	Endowment funds £'000	Total £'000
Balance at 1 April 2022	42,840	(254)	451,618	494,204
Net (expenditure)/income before investment (losses)	(25,692)	-	7,919	(17,773)
Unrealised (losses) on investments	-	-	(23,873)	(23,873)
Share of operating loss in joint venture FFN JV Limited	-	(704)	-	(704)
Transfers to restricted funds*	7,274	-	-	7,274
Transfers from endowment to general funds**	27,107	-	(27,107)	-
Foreign exchange gains	111	-	(9)	102
Balance at 31 March 2023	51,640	(958)	408,548	459,230

*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.



16. Funds (continued) – 16b. Restricted funds

Funder	Programme	Balance 1 April 2022 £'000	Income £'000	Expenditure £'000	Transfer from/ (to) general fund £'000	Balance 31 March 2023 £'000
Arts Council of England	Economic Value of Culture	129	(30)	-	(10)	89
Arts Council of Wales	Digital Innovation Fund for the Arts in Wales	193	-	-	(193)	-
Austrian Research Promotion Agency	Innovation Growth Lab	41	68	-	(42)	67
CERN – European Organisation for Nuclear Research	Attract Next	105	-	-	(24)	81
ENISA Spain	Innovation Growth Lab	26				26
European Commission	TalTech Twinning	132	-	-	(66)	66
European Commission	NGI Forward	253	-	-	(253)	-
European Commission	Pro-Ethics	96	-	-	(17)	79
European Commission	EURITO	83	-	-	(10)	73
Google.org	FutureFit	118	-	-	(78)	40
Government of Canada	Afri-Plastics Challenge (Ocean Plastics)	7,671	429	-	(7,506)	594
Greater London Authority	Innovation Growth Lab	41	68	-	(42)	67
Innovate UK	Innovation Growth Lab	33	55	-	(34)	54
Innovate UK (UKRI)	Longitude	5,000	-	-	-	5,000
Innovation Norway	Innovation Growth Lab	41	68	-	(42)	67
Kauffman Foundation	Kauffman Foundation translational research	410	-	(365)	-	45
The Arts and Humanities Research Council (AHRC)	Policy and Evidence Centre – Core	861	957	-	(1,713)	105
UK Humanitarian Innovation Hub	UKHIH Collective Crisis Intelligence	58	42	-	(56)	44
University College London	CAPE – Capabilities in Academic Policy Engagement	170	-	-	(94)	76
University of Helsinki	Nordforsk COLDIGIT	157	(37)	-	(67)	53
Welsh European Funding Office	Y Lab – WEFO Skills and Capacity Building	1,144	-	-	(572)	572
Prism the Gift Fund	The Ending Youth Violence Lab	-	1,039	(1,039)	-	-
Rosetrees Trust	Challenge Portfolio: A Healthy life	-	15	(1,054)	1,039	-
Surrey County Council	Surrey Heat Pump Installer Bursary support payments	-	9	(1,203)	1,194	-
Economic & Social Research Council	ESRC Productivity Bid	-	141	(11)	(8)	122
European Commission	Impetus	-	268	(24)	(5)	239
European Commission	AI, Data and Robotics at work	-	398	(31)	(10)	357
Wales Arts Health and Wellbeing Network	People Powered Results and Wales Arts & Health Wellbeing Network : Arts and Health	-	33	(1,013)	980	-
Cardiff University	Y Lab – Innovate to Save	-	(985)	985	-	-
European Commission	Apps for Europe	-	(82)	(6)	88	-
Schmidt Futures	UK ARIA agency research	-	87	(61)	(15)	11
Argidius Foundation	Argidius Evidence Accelerator	-	52	(2)	(8)	42
UK Research and Innovation (UKRI)	UKRI Open Access Block Grant	-	39	(376)	341	4
USAID	Mombasa Plastics Prize	-	617	(406)	(94)	117
Dream Oval Foundation	DreamOval Foundation – GSTEP	-	151	-	(151)	-
Alzheimer's Society	Longitude Prize on Dementia	-	4,340	(343)	343	4,340
JP Morgan Chase Foundation	JPM feasibility study: low-income women & jobs	-	109	(27)	(35)	47
All values < £50k		44	86	-	(114)	16
		16,806	7,937	(4,976)	(7,274)	12,493

Negative income and positive expenditure above relates to variations of grant income that was previously recorded which reduced the original grant value, and reversal of balances that have not been drawn down.

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. A transfer to the general fund represents the portion of funding that Nesta is able to retain to cover overheads.

17. Analysis of net assets between funds

	Unrestricted funds 2023 £'000	Restricted funds 2023 £'000	Expendable endowment 2023 £'000	Group total funds 2023 £'000
Fund balances are represented by:				
Intangible assets	9,474	-	-	9,474
Tangible fixed assets	1,244	-	23,892	25,136
Investment assets	27,861	-	390,432	418,293
Current and long-term assets	27,853	12,493	-	40,346
Current and long-term liabilities	(15,750)	-	(5,776)	(21,526)
Total	50,682	12,493	408,548	471,723

	Unrestricted funds 2022 £'000	Restricted funds 2022 £'000	Expendable endowment 2022 £'000	Group total funds 2022 £'000
Fund balances are represented by:				
Tangible fixed assets	10,563	-	-	10,563
Investment assets	1,057	-	24,368	25,425
Current and long-term assets	21,400	-	430,908	452,308
Current and long-term liabilities	31,721	16,806	(3,658)	44,869
Total	42,586	16,806	451,618	511,010

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

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

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

	Group 2023 £'000	Group 2022 £'000
Gross income:		
Income	10,855	48,712
Income of non-charitable subsidiaries	26,031	9,370
	36,886	58,082
Less: share of joint venture turnover	-	(4,562)
	36,886	53,520
Gross expenditure:		
Expenditure	30,392	39,360
Depreciation of fixed assets	1,029	730
Amortisation of intangible assets	1,089	332
	32,510	40,422
Share of (loss) in joint ventures	(704)	(283)
Foreign exchange gains	111	28
Net income for the year	3,783	12,843
Reconciliation to consolidated statement of financial activities		
Net income for the year	3,783	12,843
Movement on endowment funds	(43,070)	(6,969)
Net (expenditure)/ income	(39,287)	5,874

19. Contingent liabilities

There were no contingent liabilities at the balance sheet date (2022: nil).

20. Commitments

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

	Parent charity and Group total at 1 April 2022 £'000	Additions £'000	De-committed £'000	Drawdowns £'000	Parent charity and Group total at 31 March 2023 £'000	Funded from
Investments, loans, contributions to funds:						
Private equity secondaries	2,743	75,546	-	(29,894)	48,395	Endowment fund
Programme-related investments	6,055	-	-	-	6,055	General fund
Grant agreements not yet signed by Nesta	198	-	(39)	(159)	-	Restricted and general fund
Total	8,996	75,546	(39)	(30,053)	54,450	

Commitments will be primarily funded by the liquidation of equity investments.

21. Operating lease commitments

At 31 March 2023 the Group was committed to total payments during the next year in respect of operating leases which are due within the following periods.

	Group 2023 £'000	Group 2022 £'000
Due within one year	626	857
Due within two to five years	297	128
Due in more than five years	1	-
Total	924	985

At 31 March 2023 the Nesta parent charity had entered into agreements with organisations to lease part of 58 Victoria Embankment. The rental payments due to the parent charity are:

	Parent 2023 £'000	Parent 2022 £'000
Buildings – 58 Victoria Embankment		
Due within one year	439	1,326
Due within two to five years	1,142	5,024
Due in more than five years	-	591
Total	1,581	6,941

22. Related party transactions

The Nesta Trust ('the Trust') was established by a Trust Deed dated 22 September 2011. The Trust holds investment assets previously held by the NESTA which was abolished on 1 April 2012. The assets of the Trust provide income and capital to be applied by Nesta as sole Trustee to further the objects of the Trust. As the sole Trustee of the Trust, Nesta is considered to control the Trust which operationally means Nesta is responsible for the Trust's investment policy.

The Trust is a registered charitable trust which is classified by the Office of National Statistics as within the public sector boundary. Nesta has had transactions with government departments and bodies during the year as part of its ordinary course of business. As the Trust is not involved in the operational decisions of Nesta, any transactions between government departments/bodies and Nesta are not considered to be related party transactions.

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

Entity	Connection	Opening net debtor/ (creditor) £'000	Receivable/ (payable) by charity £'000	Cash paid by/ (received by) charity £'000	Closing net (creditor)/ debtor £'000	Notes
Nesta Trust	Subsidiary undertaking	11	(3,377)	3,366	-	Nesta recharged the Trust for salary costs totalling £122,220 (2022: £120,522). Nesta charged Nesta Trust £7,108,343 (2022: £2,959,970) in relation to PRI Investments. Nesta refunded Nesta Trust £1,876,425 (2022: £1,536,088) in relation to PRI Investments. Nesta Trust has transferred £20,000,000 (2022: £35,980,737) to its Trustee Nesta in support of its charitable objects. Nesta Trust charged Nesta £2,505,535 (2022: £2,505,535) for rental of 58 Victoria Embankment.
Nesta Enterprises Limited	Subsidiary undertaking	547	231	(645)	133	Nesta Enterprises Limited gift aided its profits to Nesta £197,350 (2022: £541,402).
Nesta Arts Impact LLP	Subsidiary undertaking	4	30	(27)	7	Nesta charged Nesta Arts Impact LLP loan interest expense totalling £20,634 (2022: £30,000). Nesta charged Nesta Arts Impact LLP management fees totalling £32,275 (2022: £61,513).
Cultural Impact Development Loans Limited	Subsidiary undertaking	37	44	(73)	8	Nesta charged Cultural Impact Development Loans Limited management fees totalling £60,618 (2022: £118,848).
Nesta Arts & Culture Impact LLP	Subsidiary undertaking	-	(2)	(3)	(5)	Nesta Arts & Culture Impact LLP owes Nesta at 31 March 2023 for invoices paid on its behalf.
Nesta Investment Management LLP	Subsidiary undertaking	-	(3)	(3)	(6)	Nesta received distributions from Nesta Investment Management LLP of £390,184 (2022: £566,814) for prior year profit and an interim distributions of £450,000 (2022: £250,000) against this year's profit.
Nesta Partners Limited	Subsidiary undertaking	30	71	(25)	76	Nesta Partners Limited gift aided its profits to Nesta of £41,147 (2022: £24,629).
Behavioural Insights Limited	Subsidiary undertaking	25	1,147	(449)	723	Behavioural Insights Limited received income from Nesta for staff secondments of £486,527 (2022 (from becoming a subsidiary 10 December 2021): £nil), and other fees totalling £529,253 (2022, from becoming a subsidiary: £586,569) and paid Nesta £152,467 (2022, from becoming a subsidiary: £53,468) for consultancy services. Behavioural Insights Limited is part of the Nesta VAT group and at 31 March 2023 owed Nesta £625,208 (2022: £nil) relating to this.

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.

Ex-gratia payments totalling £157k (2022: £193k) were made in the year to other departing staff as part of compensation packages.

23. Comparative consolidated statement of financial activities

	Unrestricted funds 2022 £'000	Restricted funds 2022 £'000	Expendable endowment 2022 £'000	Total funds 2022 £'000
Income and endowments from:				
Investment income	302	-	7,033	7,335
Charitable activities	3,001	1,277	-	4,278
Other trading activities	9,650	39	-	9,689
Other income	4,874	-	-	4,874
Total income	17,827	1,316	7,033	26,176
Less share of joint venture's turnover	(4,562)	-	-	(4,562)
Total Group income	13,265	1,316	7,033	21,614
Expenditure on:				
Raising funds				
Trading activities	7,529	15	-	7,544
Investment management costs	111	-	748	859
Total expenditure on raising funds	7,640	15	748	8,403
Charitable activities				
A Fairer Start	1,490	-	20	1,510
A Healthy Life	1,330	-	18	1,348
A Sustainable Future	1,254	-	17	1,271
Central Programmes and Devolved Nations	1,380	-	19	1,399
Committed Programme Delivery	1,877	3,902	78	5,856
Enterprises	7,076	6,777	186	14,039
Investments in furtherance of the charity's objectives	3,214	-	43	3,257
Practices	3,849	619	60	4,528
Total expenditure on charitable activities	21,469	11,298	441	33,208
Total expenditure	29,109	11,313	1,189	41,611
Net (expenditure)/income before investment (losses)/gains	(15,845)	(9,997)	5,844	(19,997)
Net gains on Investments for financial return	-	-	26,005	26,005
Net (expenditure)/income	(15,845)	(9,997)	31,849	6,008
Share of (losses) in joint venture	(283)	-	-	(283)
Transfers between funds	36,655	2,285	(38,940)	-
Net income/(expenditure) before other recognised gains/(losses)	20,527	(7,712)	(7,091)	5,724
Other recognised gains				
Foreign exchange gains	28	-	122	150
Net movement in funds for the year	20,555	(7,712)	(6,969)	5,874
Reconciliation of funds				
Total funds brought forward	22,031	24,518	458,587	505,136
Total funds carried forward	42,586	16,806	451,618	511,010

24. Comparative funds

24a. Comparative unrestricted funds

	General funds 2022 £'000	Endowment funds 2022 £'000	Funds retained within non-charitable subsidiaries or joint ventures 2022 £'000	Total funds 2022 £'000
Balance at 1 April 2021	20,019	2,012	458,587	480,618
Net (expenditure)/income before investment (losses)/gains	(15,845)	-	5,844	(10,001)
Unrealised gains on investments	-	-	26,005	26,005
Share of operating loss in joint venture FFN JV Limited	-	(254)	-	(254)
Share of operating loss in joint venture Behavioural Insights Limited to the point of becoming a subsidiary	-	(29)	-	(29)
Joint venture to subsidiary – Behavioural Insights Limited	1,983	(1,983)	-	-
Transfers to restricted funds*	(2,285)	-	-	(2,285)
Transfers from endowment to general funds**	38,940	-	(38,940)	-
Foreign exchange gains	28	-	122	150
Balance at 31 March 2022	42,840	(254)	451,618	494,204

24. Comparative funds (continued)

24b. Comparative restricted funds

Funder	Programme	Balance 1 April 2021 £'000	Income £'000	Expenditure £'000	Transfer from/ (to) general fund £'000	Balance 31 March 2022 £'000
Amazon	Amazon Longitude Explorer Prize	-	340	(161)	(179)	-
Arts Council of England	Economic Value of Culture	141	-	(12)	-	129
Arts Council of Wales	Digital Innovation Fund for the Arts in Wales	239	225	(328)	57	193
Austrian Research Promotion Agency	Innovation Growth Lab	75	1	(96)	60	41
Cardiff University	Y Lab – Innovate to Save	1,097	(1,088)	-	(9)	-
CERN – European Organisation for Nuclear Research	Attract Next	-	-	-	105	105
Department for Education	EdTech Innovation Fund	396	(356)	(401)	362	-
Department for Education	Career Tech Challenge Fund	301	(250)	(243)	192	-
Department for Education	Career Tech Challenge Fund	111	(82)	(2)	(27)	-
Dream Oval Foundation	DreamOval Foundation – GSTEP	-	136	(57)	(79)	-
ENISA Spain	Innovation Growth Lab	49	1	(62)	39	26
European Commission	TalTech Twinning	166	-	(27)	(7)	132
European Commission	NGI Forward	458	-	(174)	(32)	253
European Commission	Apps for Europe	73	-	(91)	19	-
European Commission	Pro-Ethics	103	-	(5)	(1)	96
European Commission	EURITO	91	-	(52)	44	83
Google.org	FutureFit	432	-	(250)	(65)	118
Government of Canada	Afri-Plastics Challenge (Ocean Plastics)	10,964	-	(3,119)	(174)	7,671
Greater London Authority	Innovation Growth Lab	75	1	(96)	60	41
Improvement Service	People Powered Results	-	842	(1,012)	169	-
Innovate UK	Innovation Growth Lab	60	1	(77)	48	33
Innovate UK (UKRI)	Longitude	5,000	-	(306)	306	5,000
Innovation Norway	Innovation Growth Lab	75	1	(96)	60	41
Institute of Energy and Sustainable Development	Innovation Growth Lab	50	1	(63)	40	27
JPMorgan Chase Foundation	Rapid Recovery Challenge	421	-	(1,637)	1,216	-
Kauffman Foundation	Kauffman Foundation translational research	514	2	(18)	(88)	410
National Lottery Community Fund	Accelerating Ideas	-	-	(68)	68	-
Scottish Government	Healthier Lives Data Fund	159	-	(165)	6	-
The Arts and Humanities Research Council (AHRC)	Policy and Evidence Centre – Core	1,647	903	(1,934)	245	861
UK Humanitarian Innovation Hub	UKHIH Collective Crisis Intelligence	-	350	(277)	(15)	58
University College London	CAPE – Capabilities in Academic Policy Engagement	-	256	(71)	(15)	170
University of Helsinki	Nordforsk COLDIGIT	193	-	(33)	(3)	157
Welsh European Funding Office	Y Lab – WEFO Skills and Capacity Building	1,469	-	(325)	-	1,144
All values < £50k		159	32	(61)	(117)	13
		24,518	1,316	(11,313)	2,285	16,806

8. Reference and administrative details

Trustees and Main Board Committee Members

Trustees

Ed Richards (Chair)	Heider Ridha	Liz Ditchburn (appointed 01 October 2022)
Judith Gibbons	Christina McComb	Seun Akindele (appointed 01 October 2022)
Imran Khan (resigned 31 August 2022)	Sarah Hunter	Jeremy King (appointed 01 October 2022)
Anthony Lilley	Jimmy Wales (resigned 30 June 2023)	Catherine Brien (appointed 01 October 2022)
Moira Wallace (resigned 19 October 2022)	Ian Gomes	

Audit and Risk Committee

Ian Gomes (Chair)
Liz Ditchburn
Christina McComb
James Sinclair-Taylor (attendee)
Tony Thomas (non-trustee)

Trust Investment Committee

Christina McComb (Chair)
Ian Gomes
Judith Gibbons
Sally Bridgeland (non-trustee)
James Sinclair-Taylor (attendee)

People Committee

Judith Gibbons (Chair)
Catherine Brien
Seun Akindele
Hurol Inan (BIT non-executive Director)

Challenge Prizes

Ravi Gurumurthy (Chair)
Judith Gibbons
Sarah Hunter
Jimmy Wales

Missions (non-Board)

Ravi Gurumurthy (Chair)
Ed Richards
Jeremy King
Catherine Brien
Liz Ditchburn
Sarah Hunter

Christina McComb (optional)
Ian Gomes (optional)
Judy Gibbons (optional)
Seun Akindele (optional)
Jimmy Wales (optional)

Protector of the Nesta Trust

James Sinclair Taylor

Executive Team

Ravi Gurumurthy	Chief Executive
Trevor Richards (left 22 April 2022)	Chief Financial Officer
Susan McDonald (22 April 2022 to 30 January 2023)	Interim Executive Director of Finance
Emily Bushby (from 30 January 2023)	Group Chief Financial Officer
Lisa Barclay	Executive Director of Investments
Vicki Sellick (left 19 April 2022)	Chief Partnerships Officer
Sean Croghan	Chief Operating Officer
Matthew Seden	Chief Strategy Officer and Interim Chief Practices Officer
Jenny Gibson (until 13th June 2022)	Chief Scientist
Elsbeth Kirkman (from 6 May 2022)	Chief Programme Officer
David Brown (maternity cover to 6 May 2022)	Interim Chief Programmes Officer
Jacqueline Lewis	Group General Counsel & Company Secretary
Tatham Crawford-Lennox (left 29 April 2022)	Executive Director of People and Organisational Development
Ann Paul (from 13 July 2022)	Group Chief People Officer
Ella White	Executive Director of Communications

Administrative details of the charity

Registered name	Nesta changed from 'Nesta Operating Company' on 22 July 2013)
Companies House registered number	07706036 (registered 15 July 2011)
Charity Commission registered number	1144091 (registered 30 September 2011)
Office of the Scottish Charity Regulator registered number	SC042833 (registered 30 December 2011)
Registered Office	58 Victoria Embankment, London EC4Y 0DS
Independent Auditor	BDO LLP, 2 City Place, Beehive Ring Road Gatwick, West Sussex, RH6 0PA
Internal Auditor	Grant Thornton UK LLP, 30 Finsbury Square, London, EC2A 1AG
Principal Bankers	Lloyds Bank plc, 25 Gresham Street, London, EC2V 7HN
Nesta Trust Investment Advisors	Momentum Global Investment Management, 2nd Floor, The Rex Building, 62 Queen Street, London, EC4R 1EB

nesta

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

www.nesta.org.uk

Nesta is a registered charity in England and Wales with company number 07706036 and charity number 1144091. Registered as a charity in Scotland number SCO42833. Registered office:
58 Victoria Embankment, London EC4Y 0DS.

