

# THE NESTA TRUST

England & Wales · Charity number 1144683

## Details

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|            |                                                         |
|------------|---------------------------------------------------------|
| Status     | Registered                                              |
| Legal form | Trust                                                   |
| Registered | 2011-11-16                                              |
| Register   | <a href="#">View on the Charity Commission register</a> |

## Contact

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|         |                                                                        |
|---------|------------------------------------------------------------------------|
| Address | 58<br>Victoria Embankment<br>London<br>London<br>EC4Y 0DS              |
| Phone   | 02074382500                                                            |
| Email   | <a href="mailto:information@nesta.org.uk">information@nesta.org.uk</a> |
| Website | <a href="http://nesta.org.uk">nesta.org.uk</a>                         |

## Activities

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**Objects:** THE OBJECTS OF THE NESTA TRUST ARE FOR THE PUBLIC BENEFIT:9.1 TO ADVANCE EDUCATION, AND IN PARTICULAR THE STUDY OF INNOVATION, BY THE PROMOTION OF RESEARCH AND THE PUBLICATION OF THE USEFUL RESULTS THEREOF, IN: 9.1.1 SCIENCE AND TECHNOLOGY; 9.1.2 THE ARTS; 9.1.3 THE EFFICIENCY OF PUBLIC SERVICES; 9.1.4 THE VOLUNTARY SECTOR AND SOCIAL ENTERPRISE; AND9.1.5 INDUSTRY AND COMMERCE. 9.2 TO ADVANCE:9.2.1 SCIENCE AND TECHNOLOGY;9.2.2 THE ARTS;9.2.3 THE EFFICIENCY OF PUBLIC SERVICES;9.2.4 THE VOLUNTARY SECTOR; AND9.2.5 INDUSTRY AND COMMERCE AND SOCIAL ENTERPRISE WHICH(A) RELIEVES POVERTY;(B) RELIEVES UNEMPLOYMENT;(C) ADVANCES HEALTH;(D) ADVANCES ENVIRONMENTAL PROTECTION OR IMPROVEMENT AND SUSTAINABLE DEVELOPMENT; AND(E) ADVANCES CITIZENSHIP OR COMMUNITY DEVELOPMENTTHROUGH OR BY ENCOURAGING AND SUPPORTING INNOVATION. "THE VOLUNTARY SECTOR" MEANS CHARITIES AND VOLUNTARY ORGANISATIONS. CHARITIES ARE ORGANISATIONS, WHICH ARE ESTABLISHED FOR EXCLUSIVELY CHARITABLE PURPOSES IN ACCORDANCE WITH THE LAW OF ENGLAND AND WALES. VOLUNTARY ORGANISATIONS ARE INDEPENDENT ORGANISATIONS, WHICH ARE ESTABLISHED FOR PURPOSES THAT ADD VALUE TO THE COMMUNITY AS A WHOLE, OR A SIGNIFICANT SECTION OF THE COMMUNITY, AND WHICH ARE NOT PERMITTED BY THEIR CONSTITUTION TO MAKE A PROFIT FOR PRIVATE DISTRIBUTION. VOLUNTARY ORGANISATIONS DO NOT INCLUDE LOCAL GOVERNMENT OR OTHER STATUTORY AUTHORITIES. "SUSTAINABLE DEVELOPMENT" MEANS "DEVELOPMENT THAT MEETS THE NEEDS OF THE PRESENT WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS".

**Activities:** The Nesta Trust works through its Trustee, Nesta (charity no 1144091), to bring great ideas to life, supporting individuals, charities, social enterprises, businesses and public organisations with financial and practical support. Nesta works to improve the conditions in which great ideas can flourish - addressing policy and structural conditions that can energise or stifle creativity.

## Classification

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- **How:** Makes Grants To Organisations, Provides Other Finance, Other Charitable Activities
- **What:** General Charitable Purposes, Education/training, The Advancement Of Health Or Saving Of Lives, The Prevention Or Relief Of Poverty, Arts/culture/heritage/science, Environment/conservation/heritage, Economic/community Development/employment, Other Charitable Purposes
- **Who:** Children/young People, Elderly/old People, Other Charities Or Voluntary Bodies, The General Public/mankind

## Geography

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- Throughout England And Wales

## Finances

| Period end | Income      | Expenditure | Assets       | Employees |
|------------|-------------|-------------|--------------|-----------|
| 2025-03-31 | £17,344,000 | £35,756,000 | £423,337,000 | 0         |
| 2024-03-31 | £16,359,000 | £30,334,000 | £428,286,000 | 0         |
| 2023-03-31 | £11,734,000 | £26,552,000 | £426,220,000 | 0         |
| 2022-03-31 | £9,537,000  | £38,471,000 | £468,564,000 | 0         |
| 2021-03-31 | £10,203,000 | £29,317,000 | £471,490,000 | 0         |

## Trustees

| Name  | Role | Appointed  |
|-------|------|------------|
| NESTA |      | 2011-09-22 |

**THE NESTA TRUST**

England & Wales - Charity number 1144683

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# Accounts

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# **The Nesta Trust**

## ***Annual Report and Financial Statements***

Year ended 31 March 2025

Charity Commission registered number 1144683

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2025**

**Charity no. 1144683**

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**Charity no. 1144683**

**General Information**

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|                                             |                                                                                                               |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Trustee</b>                              | Nesta<br>Charity no. 1144091<br>Companies House no. 07706036<br>Scottish Charity Regulator no. SC042833       |
| <b>Governance Advisor</b>                   | James Sinclair Taylor                                                                                         |
| <b>Address</b>                              | 58 Victoria Embankment<br>London<br>EC4Y 0DS                                                                  |
| <b>Charity Commission registered number</b> | 1144683                                                                                                       |
| <b>External Auditor</b>                     | RSM UK Audit LLP<br>25 Farringdon Street<br>London<br>EC4A 4AB                                                |
| <b>Principal Bankers</b>                    | Lloyds Bank<br>39 Threadneedle Street<br>London<br>EC2R 8AU                                                   |
| <b>Investment Advisor</b>                   | Momentum Global Investment Management<br>2nd Floor, The Rex Building<br>62 Queen Street<br>London<br>EC4R 1EB |

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**Report of the Trustee**

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**Structure, governance and management**

Nesta and The Nesta Trust were established and registered as charities in 2011 to act as successor bodies to the National Endowment for Science, Technology and the Arts ("NESTA"). NESTA was a non-departmental public body established in 1998 with a statutory remit to promote talent, creativity and innovation in science, technology and the arts and with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta, registered charity no. 1144091 and to the Nesta Trust ("the Trust"). The Trust holds the expendable endowment and Nesta, its sole trustee, uses returns from the Trust to pursue the charitable objects of the Trust.

The Trust was established by a Trust Deed on 22 September 2011 as amended by a scheme dated 16 March 2016. The Trust Deed appointed Nesta as sole Trustee of the Trust. It was registered as a charity in England and Wales by the Charity Commission with charity number 1144683 on 16 November 2011.

The Trust has a Protector appointed by the Secretary of State for Science, Innovation and Technology (formerly Business, Energy and Industrial Strategy) with a fiduciary duty to ensure the integrity of the 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.

Nesta is a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator (OSCR). Its Trustees are both directors and members of the company. Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. The Board met six times in the year with members of the Executive Team and the Governance Advisor (in place of the Protector) present at all of these meetings.

The Board has delegated approval for decisions up to certain financial thresholds to the Chief Executive Officer, Ravi Gurumurthy, and other Executive Directors of Nesta, under a Scheme of Delegation. All decisions above this threshold must be approved by the Board or its Committees. The Board has also reserved for itself certain important decisions, such as changes to the Articles, appointment of the Chief Executive Officer and approval of the long-term objectives and strategy.

The Board has delegated authority to oversee specific aspects of Nesta's operations to a number of Committees. Each Committee operates under written Terms of Reference approved by the Board and reports regularly to the full Board.

The main Board Committees which oversee the Trust are as follows:

**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. The Committee met four times during the year.

**Trust Investment Committee** whose key responsibilities are to draw up the policies and objectives governing the investment of The 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 six 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 social investments, and oversees any other Nesta Investment. The Committee met four times during the year.

The Trust's core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects.

**The Nesta Trust**  
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**Report of the Trustee (continued)**

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**Structure, governance and management (continued)**

The Nesta Board is committed to adopting the principles set out in the Charity Governance Code (the 'Code'). In 2021, in accordance with good practice, external specialist consultants undertook a full governance and board effectiveness review of the Nesta Board and this also encompassed the role of that same board as the Nesta Trust Board. The report concluded that there is a "well-functioning board that has led Nesta through significant change". The recommendations in the report aimed at further improving and refining the governance of Nesta and the Nesta Trust have been implemented and, in addition, the Nesta Trust's governance structures are regularly reviewed internally to ensure they continue to be best practice. The Board has also reviewed the principles of the Charity Governance Code to ensure ongoing compliance. A further external review of governance and board effectiveness will be carried out later in 2025.

**Charitable objects**

The charitable objects of the Trust as detailed in the Trust Deed are detailed below:

For the public benefit:

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

The voluntary sector means charities and voluntary organisations.

- Charities are organisations, which are established for exclusively charitable purposes and registered with one of the charity commissions in the United Kingdom.
- Voluntary organisations are independent organisations, which are established for purposes that add value to the community, 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".

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**Report of the Trustee (continued)**

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**Activities and achievements**

The Trust's core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. Nesta carried out a variety of activities during the year to advance the charitable objects of the Trust; to bring great ideas to life, supporting individuals, charities, social enterprises, businesses and public organisations with financial and practical support. These activities and also its achievements, performance and future plans, are described in the consolidated Annual Report & Accounts of Nesta, available from 58 Victoria Embankment, London, EC4Y 0DS.

**Risk management policy**

The Trustee is responsible for the oversight of the risks faced by the Nesta group of entities, including the Trust.

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Audit & Risk Committee. The top-level organisational risk register is presented regularly to the Audit & Risk Committee and reviewed by the Board annually. Broader strategic risks including reputational risks are considered by the Executive Team collectively when they meet each quarter to review the top-level risk register for the organisation as a whole. Risks are assessed and controls established throughout the year. 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 and management reporting, and monitoring;
- formal written policies and hierarchical authorisation and approval levels; and
- internal audit services engagement with programmes selected for review which are informed by the risk register.

During the year the major risks for the Trust as assessed by management and reported to the Audit & Risk Committee and Board for review and comment, were as follows:

- Risk that poor Trust investment returns put pressure on income to fund the activities of Nesta, mitigated by the implementation of an investment strategy with a diversification of asset classes, asset managers, investment strategies, and geographies; supported by on-going monitoring of investment managers and performance.
- Risk of having a strategic asset allocation and/or manager selection which is not appropriate mitigated by utilising investment consultants and having a Trust CIO to provide oversight.

The Trustee is satisfied that the major risks identified through the risk management process are being adequately managed where necessary while recognising that any framework can provide reasonable but not absolute assurance. There were no significant control weaknesses identified by the Trustee, management or the internal audit function during the year.

**Investment policy**

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 weightings 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."

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**Report of the Trustee (continued)**

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**Investment policy (continued)**

The Trustee's investment objective is to balance the current and future needs of the Trust by:

- producing a consistent and sustainable level of returns 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; and
- 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.

The Trustee has reviewed the investment activities for the year and confirms that they were aligned with the investment policy, resulting in the above stated objectives being broadly met. The Trustee is aware that, given the current level of annual draw, the real-term value of investments has not been fully maintained during the year. This position is under close review to ensure ongoing alignment with the Trust's long-term nature. The Trust continues to support the delivery of Nesta's strategy, and Nesta is actively seeking to increase its external funding over time to help reduce reliance on the Trust's endowment.

The Trustee does not set a fixed target investment return but instead aims to generate a total return sufficient to support Nesta's operational costs and agreed allocations for mission-aligned investments (the Annual Draw). This approach reflects the Trust's long-term nature and the requirement, set out in the Trust Deed, to ensure the value of the Trust assets does not fall below £260 million.

**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 shaped the Trust's policy on Responsible Investment and Corporate Governance, as set out in its Statement of Investment Principles. The current policy was last approved by the Board in July 2023. A comprehensive review of Nesta's approach to responsible investing is underway and expected to be concluded before the end of 2025.

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 had a value of £1 million (2024: £3 million).

**Financial review**

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

In the year ended 31 March 2025, the Nesta Trust reported a net decrease in funds of £5 million (2024: increase of £2 million). This reflects total investment income of £17 million (2024: £16 million), less expenditure of £36 million (2024: £30 million), primarily comprising transfers to Nesta to deliver charitable activities. The deficit was partially offset by net investment gains of £13 million (2024: £16 million). Investment income and expenditure were both in line with forecasts.

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**Report of the Trustee (continued)**

**Financial review (continued)**

Nesta Trust entered into an agreement on 16 July 2015 to purchase a long leasehold interest in a property located in London for £51 million. Practical completion took place on 26 September 2016, and the lease on the investment property will run until November 2162. The total amount shown in note 6 and below under investment properties is £55 million (2024: £57 million), which includes the investment property valued at £43 million (2024: £45 million) and a £12 million property fund (2024: £12 million).

During the year ended 31 March 2025, the value of Trust investments and cash decreased by £8 million to £418 million (2024: £426 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 £8 million decrease can be seen in the table below:

| Asset Class                                   | Fair Value of<br>Investment<br>assets | Proportion of<br>total endowment<br>assets | Fair value of<br>investment assets | Proportion of<br>total endowment<br>assets |
|-----------------------------------------------|---------------------------------------|--------------------------------------------|------------------------------------|--------------------------------------------|
|                                               | 31 March 2025                         | 31 March 2025                              | 31 March 2024                      | 31 March 2024                              |
|                                               | £'000                                 | %                                          | £'000                              | %                                          |
| <b>Current Assets:</b>                        |                                       |                                            |                                    |                                            |
| Cash                                          | 13,531                                | 3                                          | 5,389                              | 1                                          |
| <b>Fixed Asset Investments</b>                |                                       |                                            |                                    |                                            |
| <b>Equities and Private Equity:</b>           |                                       |                                            |                                    |                                            |
| Global Equities (quoted)                      | 141,481                               | 34                                         | 123,775                            | 29                                         |
| UK Small Cap (quoted)                         | -                                     | -                                          | 33,732                             | 8                                          |
| Emerging Markets (quoted)                     | -                                     | -                                          | 26,496                             | 6                                          |
| Infrastructure Equity (unquoted)              | 22,188                                | 5                                          | 21,681                             | 5                                          |
| Private equity funds (unquoted)               | 1,042                                 | -                                          | 2,710                              | 1                                          |
| <b>Fixed Income and Property:</b>             |                                       |                                            |                                    |                                            |
| Multi-Asset Credit (unquoted)                 | 66,267                                | 16                                         | 65,954                             | 15                                         |
| Asset-Backed Securities (unquoted)            | 79,734                                | 19                                         | 44,767                             | 11                                         |
| Private Debt (Corporate) (unquoted)           | 15,234                                | 4                                          | 10,167                             | 2                                          |
| Private Debt (Infrastructure) (unquoted)      | 17,285                                | 4                                          | 17,528                             | 4                                          |
| Property (property)                           | 55,187                                | 13                                         | 56,969                             | 14                                         |
| Bonds (quoted)                                | -                                     | -                                          | 23                                 | -                                          |
| <b>Early Stage Investments:</b>               |                                       |                                            |                                    |                                            |
| Investment in early stage companies           | 5,794                                 | 2                                          | 16,591                             | 4                                          |
| Investment in early stage funds               | 566                                   | -                                          | 578                                | -                                          |
| <b>Total Cash plus Fixed Asset Investment</b> | <b>418,309</b>                        | <b>100</b>                                 | <b>426,360</b>                     | <b>100</b>                                 |

Actions taken during the year included the following:

*Fixed Asset Investment performance*

The allocation to Equities and Private Equity decreased to 39% (2024: 49%), with a corresponding increase in Fixed Income and Property to 56% (2024: 46%). This shift reflects the continued implementation of the current investment strategy, which aims to increase exposure to asset classes that generate more predictable cashflows. Just prior to the year-end, some investments were tactically reallocated from within the Equities and Private Equity bucket, specifically from Global Equities, into Asset-Backed Securities within Fixed Income and Property. This temporary measure was designed to increase cash yields over the next three years and reduce the risk of forced asset sales, such as selling investments at a loss during temporary market downturns. This short-term action does not change the long-term strategic allocation targets.

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**Report of the Trustee (continued)**

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*Fixed Asset Investment performance (continued)*

The long-term target allocation remains 51% to Equities and Private Equity, 48% to Fixed Income and Property, and 1% to Cash for operational liquidity. At the year-end, cash represented 3% (2024: 1%) of total endowment assets. This higher-than-target cash balance primarily resulted from the sale of an asset within the early-stage companies portfolio towards year-end. The proceeds were retained in cash rather than immediately reinvested, following a strategic decision to preserve liquidity for short-term requirements and to avoid the risk of having to sell investments soon after purchase. As a result, the current allocations temporarily deviate from the long-term targets. It is not expected that the target allocation will be fully achieved until all investment managers have drawn down their committed funds, which may take several years.

*Investment Fund Commitments*

During the year, no new commitments (2024: £nil) were made to investment managers. Undrawn commitments of £25 million remain outstanding for investment funds as disclosed in Note 10 to these Financial Statements (2024: £29 million).

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

The early-stage venture portfolio includes equity investments that have a fair value in 5 (2024: 6) early-stage companies, and 1 (2024: 1) early-stage investment fund. 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.

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £0.19 million (2024: £0.41 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 £4.7 million (1.1%) of the average asset value over the year (2024: £3.5 million; 0.8%). Both the year on year decrease in direct costs and the year on year increase in full costs was anticipated and results from the shift to the new investment strategy. Over the long term, the increase in cost is expected to be offset by achieving a greater total return on investments.

**Reserves policy**

The Trust Deed requires that the value of the Trust assets do not fall below £260 million. As of 31 March 2025, fixed asset investments totalled £405 million (2024: £421 million), and reserves stood at £423 million (2024: £428 million). The Trustee deems that the current level of investments and reserves are essential to generate a sustainable level of income to advance the charitable aims of the Trust. Consequently, there are no plans to spend down reserves.

**Future plans**

Nesta's Trustees agreed an 'in-principle' funding rule covering the year to 31 March 2026, allowing Nesta to draw down up to £23.5 million (2024: £22.4 million) for operating expenditure in support of its strategic plan. Funding made available by Nesta Trust does not constitute a commitment until a drawdown request is made. A further £26 million (2024: £16 million) may be drawn down for mission aligned investment and exceptional (i.e. not in the ordinary course of business) spending initiatives.

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**Report of the Trustee (continued)**

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**Going concern**

The financial statements have been prepared on the going concern basis because the Trustee has not identified any material uncertainties. The Trustee has considered the current geopolitical and economic climate, including ongoing global political uncertainty and its potential impact on financial markets. As part of this review, the Trustee assessed the potential exposure of the Trust's investment portfolio to market volatility and external risks. While market conditions remain uncertain, the Trustee is reasonably assured that the Trust's diversified investment portfolio helps to mitigate these risks. Based on the portfolio's performance and available resources, the Trustee is confident that the Trust is well positioned to fund its activities for a period of at least twelve months from the date the financial statements are authorised for issue.

**Public Benefit Statement**

The Trustee confirms that, in exercising its powers and duties in relation to the Trust, it has had due regard to the Charity Commission's statutory guidance on public benefit. The Annual Report and Accounts of the Trustee give more detail of the activities undertaken by the Trustee to further the charitable purposes of the Trust for public benefit.

**Fundraising Statement**

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities. The Trust 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 in the current or previous year, nor do we consider it necessary to design specific procedures to monitor such activities.

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**Report of the Trustee (continued)**

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**Statement of Trustee's Responsibilities**

The Trustee is responsible for preparing the Report of the Trustee and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and 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 departures disclosed and explained in the financial statements; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustee is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the accounts comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008; and the provisions of the trust deed. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustee is aware, as at the date of this report, they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information of which the Trust's auditor is unaware.

Approved by the Board of Trustees of Nesta in their capacity as Trustee of The Nesta Trust and authorised for issue by:

Ed Richards  
Chair, on behalf of the Board of Trustees

Date: 05 December 2025 | 3:35 PM GMT

**The Nesta Trust**  
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**Independent Auditor's Report to the Trustee of The Nesta Trust**

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**Opinion**

We have audited the financial statements of The Nesta Trust (the 'charity') for the year ended 31 March 2025 which comprise Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2025 and of its 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 Charities Act 2011.

**Basis for opinion**

We have been appointed auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under those Acts.

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the trustee's 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 charity'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 trustee with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. The trustee is responsible for the other information contained within the annual report and financial statements. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2025**

**Charity no. 1144683**

**Independent Auditor's Report to the Trustee of The Nesta Trust (continued)**

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**Other information (continued)**

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

We have nothing to report in respect of the following matters where the Charities Act 2011 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee's annual report and financial statements; or
- proper and sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of trustee**

As explained more fully in the statement of trustee's responsibilities set out on page 10 the trustee is 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 trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the charity'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 trustee either intends to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

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

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.

**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2025**

**Charity no. 1144683**

**Independent Auditor's Report to the Trustee of The Nesta Trust (continued)**

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**The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the charity operates in and how the charity is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), the Charities Act 2011, the parent charity's governing document, tax legislation and Charities (Protection and Social Investment) Act 2016. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustee Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The audit engagement team identified the risk of management override of controls and valuation of investments as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates and inspected correspondence with regulatory authorities and reviewing management's rationale for the valuation of investments.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://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 charity's trustee as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP  
 Statutory Auditor  
 Chartered Accountants  
 25 Farringdon Street  
 London  
 EC4 4AB

Date: 05 December 2025 | 7:31 PM GMT

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Statement of Financial Activities**

**Charity no. 1144683**

**For the year ended 31 March 2025**

|                                                             |             | <b>Expendable<br/>Endowment funds<br/>2025<br/>£'000</b> | <b>Expendable<br/>Endowment funds<br/>2024<br/>£'000</b> |
|-------------------------------------------------------------|-------------|----------------------------------------------------------|----------------------------------------------------------|
|                                                             | <b>Note</b> |                                                          |                                                          |
| <b>Income and endowments from:</b>                          |             |                                                          |                                                          |
| Investment                                                  | <b>2</b>    | 17,344                                                   | 16,359                                                   |
| <b>Total income</b>                                         |             | <u>17,344</u>                                            | <u>16,359</u>                                            |
| <b>Expenditure on:</b>                                      |             |                                                          |                                                          |
| Raising funds                                               | <b>3</b>    | 188                                                      | 412                                                      |
| Charitable activities                                       | <b>4</b>    | 35,568                                                   | 29,922                                                   |
| <b>Total Expenditure</b>                                    |             | <u>35,756</u>                                            | <u>30,334</u>                                            |
| Net gains on investments                                    | <b>6</b>    | 13,463                                                   | 16,041                                                   |
| <b>Net (expenditure) / income and net movement in funds</b> |             | <u>(4,949)</u>                                           | <u>2,066</u>                                             |
| <b>Reconciliation of funds</b>                              |             |                                                          |                                                          |
| Total funds brought forward                                 |             | <u>428,286</u>                                           | <u>426,220</u>                                           |
| Total funds carried forward                                 |             | <u>423,337</u>                                           | <u>428,286</u>                                           |

The Trust has no recognised gains or losses other than those passing through the Statement of Financial Activities.

All of the Trust's activities are derived from continuing operations.

The accompanying notes on pages 17 to 25 form an integral part of these financial statements.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Balance Sheet**

**Charity no. 1144683**

**As at 31 March 2025**

|                                                | <b>Note</b> | <b>2025<br/>£'000</b> | <b>2024<br/>£'000</b> |
|------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Fixed assets</b>                            |             |                       |                       |
| Investments                                    | <b>6</b>    | 404,778               | 420,971               |
| <b>Current assets</b>                          |             |                       |                       |
| Debtors                                        | <b>7</b>    | 6,118                 | 3,034                 |
| Cash at bank and in hand                       |             | 13,531                | 5,389                 |
|                                                |             | <u>19,649</u>         | <u>8,423</u>          |
| <b>Current liabilities</b>                     |             |                       |                       |
| Creditors: amounts falling due within one year | <b>8</b>    | (1,090)               | (1,108)               |
|                                                |             | <u>18,559</u>         | <u>7,315</u>          |
| <b>Net current assets</b>                      |             |                       |                       |
|                                                |             | <u>423,337</u>        | <u>428,286</u>        |
| <b>Total assets less current liabilities</b>   |             |                       |                       |
|                                                |             | <u>423,337</u>        | <u>428,286</u>        |
| <b>Net assets</b>                              |             |                       |                       |
|                                                |             | <u>423,337</u>        | <u>428,286</u>        |
| <b>Charitable funds</b>                        |             |                       |                       |
| Endowment funds                                |             | 423,337               | 428,286               |
|                                                |             | <u>423,337</u>        | <u>428,286</u>        |
| <b>Total funds</b>                             | <b>9</b>    | <u>423,337</u>        | <u>428,286</u>        |

The accompanying notes on pages 17 to 25 form an integral part of these financial statements.

Approved by the Board of Trustees of Nesta in their capacity as Trustee of The Nesta Trust and authorised for issue by:

Ed Richards  
Chair, on behalf of the Board of Trustees

Date: 05 December 2025 | 3:35 PM GMT

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Cash Flow Statement**

**Charity no. 1144683**

**For the year ended 31 March 2025**

|                                                 | <b>Note</b> | <b>2025<br/>£'000</b> | <b>2024<br/>£'000</b> |
|-------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Cash outflows from operating activities:</b> |             |                       |                       |
| Net cash used in operating activities           | <b>a</b>    | (38,670)              | (29,532)              |
| <b>Cash flows from investing activities</b>     |             |                       |                       |
| Net cash provided by investing activities       | <b>b</b>    | 46,812                | 27,221                |
| <b>Change in cash and cash equivalents</b>      |             | <u>8,142</u>          | <u>(2,311)</u>        |
| <b>Cash and cash equivalents at 1 April</b>     |             | <u>5,389</u>          | <u>7,700</u>          |
| <b>Cash and cash equivalents at 31 March</b>    |             | <u>13,531</u>         | <u>5,389</u>          |

**Cash flow statement notes:**

**a) Reconciliation of net (expenditure) / income to net cash outflow from operating activities**

|                                       |                 |                 |
|---------------------------------------|-----------------|-----------------|
| Net (expenditure) / income            | (4,949)         | 2,066           |
| Net gains on investments              | (13,463)        | (16,041)        |
| Interest, dividends and rent received | (17,344)        | (16,359)        |
| Investment fees                       | 188             | 412             |
| (Increase) / decrease in debtors      | (3,084)         | 369             |
| (Decrease) / increase in creditors    | (18)            | 21              |
|                                       | <u>(38,670)</u> | <u>(29,532)</u> |

**b) Cash flows from investing activities**

|                                        |               |               |
|----------------------------------------|---------------|---------------|
| Interest and dividends received        | 17,344        | 16,359        |
| Investment fees                        | (188)         | (412)         |
| <i>Quoted Investments:</i> Additions   | (50,293)      | (5,095)       |
| Disposals                              | 96,659        | 35,275        |
| <i>Unquoted Investments:</i> Additions | (89,608)      | (21,741)      |
| Disposals                              | 72,830        | 2,823         |
| <i>Property Investments:</i> Disposals | 68            | 12            |
|                                        | <u>46,812</u> | <u>27,221</u> |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts**

**Charity no. 1144683**

**For the year ended 31 March 2025**

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**1. Accounting policies**

**a) General information**

The Nesta Trust is a charitable trust registered in England and Wales (Charity Commission number: 1144683). The registered address of The Nesta Trust is 58 Victoria Embankment, London, EC4Y 0DS.

**Basis of preparation**

The financial statements have been prepared in accordance with 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)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Charities Act 2011. Assets and liabilities are initially recognised at historical cost or transaction value, except for the revaluation of investments.

The financial statements are presented in sterling, which is the functional currency of the charity. Amounts are presented to the nearest £1,000.

The charity meets the definition of a public benefit entity under FRS 102.

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee has not identified any material uncertainties. The Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for a period of at least twelve months from when the financial statements are authorised for issue.

**b) Fund accounting**

The funds of the Trust are held without distinction as to capital and income and can be applied in furtherance of the Trust's objects. As a result, all assets are held as an expendable endowment.

**c) Income**

All income is accounted for when the Charity is entitled to the income, the amount can be quantified with reasonable accuracy and the receipt of the income is probable. Investment income includes interest, dividends and rental income from investment assets and deposits, with any associated tax credits or recoverable taxation, and included in the Statement of Financial Activities on an accruals basis.

**d) Expenditure**

Expenditure is accounted for on an accruals basis. Support costs are comprised of Governance costs which include direct expenditure attributable to maintaining the public accountability of the Trust and compliance with regulation and good practice. Investment management costs include investment fund manager fees which are grossed up where they are offset against the fund's value rather than payable in cash, dilution levies, investment consultancy and custodian fees. Irrecoverable VAT incurred is allocated to the expenditure category to which it relates.

**e) Fixed assets - investments**

Financial investment assets are grouped into *Equities and Private Equity; Fixed Income and Property; and Early Stage Investments*. Within these groupings are a mixture of quoted investments, unquoted investments and property (both sole ownership of a physical building and partial ownership of an investment in a property fund) as disclosed in note 6.

The Investment Property is held at fair value, with gains recognised in the Statement of Financial Activities. It is valued annually by an independent qualified valuer in accordance with RICS Valuation - Global Standards.

Cash, short-term deposits and investments to be disposed of within 12 months of the Balance Sheet date are presented in the Balance Sheet as current assets. All other financial assets are presented as fixed assets.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity no. 1144683**

**For the year ended 31 March 2025**

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

The carrying value of all investments is at fair value. Investment gains and losses, whether realised or unrealised are credited or charged to net gains or losses on investments in the Statement of Financial Activities. Fair value is established by using valuation guidelines as detailed below:

*I. Valuation - quoted investments:*

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

Equity investments, bonds, and property investments are held in pooled funds and are stated at fair value, being the fair value of the underlying investments held. These valuations are provided by the relevant fund managers.

*II. Valuation - unquoted investments:*

Unquoted investments are held through funds managed by dedicated investment managers. These funds are included at the most recent valuations provided by the private equity managers.

Where a valuation is not available at the Balance Sheet date, the most recent valuation from the manager is used, adjusted for cash flows between the most recent valuation and the Balance Sheet date.

Unquoted investments in early-stage companies are initially recognised at cost and subsequently measured at fair value, representing the estimated price in an arm's length transaction between informed and willing parties.

Where a company has completed a successful funding round within the past 12 months, the price of that round is used as a reasonable estimate of fair value.

If no recent funding round is available, investments are valued using standard valuation techniques appropriate to the business, which may include earnings multiples, net asset value, or discounted cash flows.

At the balance sheet date, each investment is reviewed to determine whether there is evidence that its value should be adjusted. A qualitative assessment of the investee company's financial health is applied to guide whether fair value should be maintained, increased, or reduced:

- **Healthy:** Company is performing to plan and is unlikely to run out of cash within 12 months. Value is typically held at cost unless there is sufficiently clear evidence to support an increase in valuation.

- **Sick:** Company is performing off-plan. A reduction in value is considered, based on the severity of identified issues and the likelihood of recovery.

- **Terminal:** Company is significantly underperforming, is likely to run out of cash within six months, and recovery is not foreseen. Value is written down accordingly.

Valuation of early-stage companies is inherently uncertain. The approach taken represents management's best estimate of fair value at the reporting date.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity no. 1144683**

**For the year ended 31 March 2025**

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

*II. Valuation - unquoted investments: (continued)*

An estimated value of investments in early-stage funds is calculated using the most recent valuations provided by the fund managers. Where a valuation is not available at the Balance Sheet date, the most recent valuation from the manager is used, adjusted for cash flows between the most recent valuation and the Balance Sheet date.

*III. Treatment - Unquoted investments:*

Investments or contributions to funds to date are recognised in full in the Balance Sheet. Undrawn commitments are disclosed by way of note.

**f) Significant estimates**

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent liabilities at the Balance Sheet date. Actual outcomes could differ from those estimates. This is especially the case of the valuation of the Trust'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 fair value and this investment type represents only £5.8 million (1%) (2024: £16.6 million (4%)) of total investments.

**g) Debtors**

Debtors 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.

**h) Creditors**

Creditors are recognised when the Trust 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.

**i) Taxation**

The Trust is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the Trust is 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 year.

**j) Exchange gains and losses**

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

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity no. 1144683**

**For the year ended 31 March 2025**

| <b>2. Investment income</b>                                       | <b>2025</b>   | <b>2024</b>   |
|-------------------------------------------------------------------|---------------|---------------|
|                                                                   | <b>£'000</b>  | <b>£'000</b>  |
| <b>Quoted investments</b>                                         |               |               |
| Interest and dividends receivable                                 | 2,132         | 2,815         |
| <b>Unquoted investments</b>                                       |               |               |
| Rental income                                                     | 2,506         | 2,506         |
| Interest and dividends receivable                                 | 12,247        | 11,020        |
| <b>Total income from unquoted investments</b>                     | <b>14,753</b> | <b>13,526</b> |
| Other income                                                      | 128           | -             |
| Bank interest                                                     | 331           | 18            |
| <b>Total investment income</b>                                    | <b>17,344</b> | <b>16,359</b> |
| <b>3. Investment management costs</b>                             | <b>2025</b>   | <b>2024</b>   |
|                                                                   | <b>£'000</b>  | <b>£'000</b>  |
| Investment manager fees                                           | 161           | 347           |
| Custodian fees                                                    | 27            | 65            |
|                                                                   | <b>188</b>    | <b>412</b>    |
| <b>4. Charitable activities</b>                                   | <b>2025</b>   | <b>2024</b>   |
|                                                                   | <b>£'000</b>  | <b>£'000</b>  |
| Nesta Drawdown - operational                                      | 22,400        | 21,300        |
| Nesta Drawdown - investment and exceptional spending initiatives. | 9,802         | 8,139         |
| Nesta Drawdown - other                                            | 3,200         | 200           |
| Nesta Drawdown - investment repayment                             | (355)         | (184)         |
| Consultancy and professional                                      | 141           | 136           |
| Governance and protector fees                                     | 57            | 60            |
| Other                                                             | 323           | 271           |
|                                                                   | <b>35,568</b> | <b>29,922</b> |

The Trust's charitable objects are advanced by generating income, which is applied by its sole Trustee, Nesta. Where Nesta disposes of an investment funded by a drawdown from the Trust, the proceeds are returned and disclosed as 'Nesta Drawdown – investment repayment' in the note above. During the year, there was a material 'other' drawdown of £3 million as a contribution towards the Longitude Prize on Antimicrobial Resistance, representing an exceptional drawdown.

The auditor's remuneration for the year was £30,935 (2024: £37,860) which includes a reversal of a £7,500 over-accrual from the prior year.

Included in other is a foreign exchange difference gain of £10,463 (2024: loss £2,428).

**5. Staff Costs and Trustee Remuneration and Expenses**

There were no employees during the year or the previous year. All administrative and support functions are carried out by staff employed by Nesta, the sole Trustee. Nesta had transactions with the Trust during the year, as disclosed in Note 12.

The Nesta Trust  
Annual Report and Financial Statements  
Notes to the Accounts (continued)

Charity no. 1144683

For the year ended 31 March 2025

6. *Investments*

|                                          |                 | Fair value<br>at<br>1 April<br>2024<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>fair value<br>£'000 | Net<br>gains and<br>(losses)<br>£'000 | Total<br>fair value<br>at 31<br>March<br>2025<br>£'000 |
|------------------------------------------|-----------------|----------------------------------------------|-------------------------------|------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------|
| <b>Equities and Private Equity</b>       | <b>Category</b> |                                              |                               |                                                                  |                                       |                                                        |
| Global Equities                          | <i>Quoted</i>   | 123,775                                      | 50,002                        | (34,406)                                                         | 2,110                                 | <b>141,481</b>                                         |
| UK Small Cap                             | <i>Quoted</i>   | 33,732                                       | 291                           | (35,114)                                                         | 1,091                                 | -                                                      |
| Emerging Markets                         | <i>Quoted</i>   | 26,496                                       | -                             | (27,139)                                                         | 643                                   | -                                                      |
| Infrastructure Equity                    | <i>Unquoted</i> | 21,681                                       | 127                           | -                                                                | 380                                   | <b>22,188</b>                                          |
| Private equity funds                     | <i>Unquoted</i> | 2,710                                        | -                             | (1,320)                                                          | (348)                                 | <b>1,042</b>                                           |
| <b>Total Equities and Private Equity</b> |                 | <b>208,394</b>                               | <b>50,420</b>                 | <b>(97,979)</b>                                                  | <b>3,876</b>                          | <b>164,711</b>                                         |
| <b>Fixed Income and Property</b>         |                 |                                              |                               |                                                                  |                                       |                                                        |
| Multi-Asset Credit                       | <i>Unquoted</i> | 65,954                                       | -                             | (3)                                                              | 316                                   | <b>66,267</b>                                          |
| Asset-Backed Securities                  | <i>Unquoted</i> | 44,767                                       | 79,993                        | (44,999)                                                         | (27)                                  | <b>79,734</b>                                          |
| Private Debt (Corporate)                 | <i>Unquoted</i> | 10,167                                       | 7,828                         | (3,716)                                                          | 955                                   | <b>15,234</b>                                          |
| Private Debt (Infrastructure)            | <i>Unquoted</i> | 17,528                                       | 1,398                         | (1,608)                                                          | (33)                                  | <b>17,285</b>                                          |
| Property                                 | <i>Property</i> | 56,969                                       | -                             | (68)                                                             | (1,714)                               | <b>55,187</b>                                          |
| Bonds                                    | <i>Quoted</i>   | 23                                           | -                             | -                                                                | (23)                                  | -                                                      |
| <b>Total Fixed Income and Property</b>   |                 | <b>195,408</b>                               | <b>89,219</b>                 | <b>(50,394)</b>                                                  | <b>(526)</b>                          | <b>233,707</b>                                         |
| <b>Early Stage Investments</b>           |                 |                                              |                               |                                                                  |                                       |                                                        |
| Investment in early stage companies      | <i>Unquoted</i> | 16,591                                       | 262                           | (21,184)                                                         | 10,125                                | <b>5,794</b>                                           |
| Investment in early stage funds          | <i>Unquoted</i> | 578                                          | -                             | -                                                                | (12)                                  | <b>566</b>                                             |
| <b>Total Early Stage Investments</b>     |                 | <b>17,169</b>                                | <b>262</b>                    | <b>(21,184)</b>                                                  | <b>10,113</b>                         | <b>6,360</b>                                           |
| <b>Total fixed asset investments</b>     |                 | <b>420,971</b>                               | <b>139,901</b>                | <b>(169,557)</b>                                                 | <b>13,463</b>                         | <b>404,778</b>                                         |

The valuation of the investment property (58 Victoria Embankment) is £42.9 million (2024: £44.8 million). The valuation is reviewed at each year end by an independent qualified property valuer, Gareth Hosgood (MRICS). Property above also includes a fund with a fair value of £12.3 million at the year end (2024: £12.2 million).

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

Charity no. 1144683

For the year ended 31 March 2025

**6. Investments (continued)**

|                                          |                 | Fair value<br>at<br>1 April<br>2023<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>value<br>£'000 | Net<br>gains and<br>(losses)<br>£'000 | Total<br>fair value<br>at 31<br>March<br>2024<br>£'000 |
|------------------------------------------|-----------------|----------------------------------------------|-------------------------------|-------------------------------------------------------------|---------------------------------------|--------------------------------------------------------|
| <b>Equities and Private Equity</b>       | <b>Category</b> |                                              |                               |                                                             |                                       |                                                        |
| Global Equities                          | <i>Quoted</i>   | 135,216                                      | -                             | (30,190)                                                    | 18,749                                | <b>123,775</b>                                         |
| UK Small Cap                             | <i>Quoted</i>   | 32,351                                       | 5,095                         | (5,085)                                                     | 1,371                                 | <b>33,732</b>                                          |
| Emerging Markets                         | <i>Quoted</i>   | 26,592                                       | -                             | -                                                           | (96)                                  | <b>26,496</b>                                          |
| Infrastructure Equity                    | <i>Unquoted</i> | 19,684                                       | 3,291                         | -                                                           | (1,294)                               | <b>21,681</b>                                          |
| Private equity funds                     | <i>Unquoted</i> | 3,860                                        | 70                            | (1,051)                                                     | (169)                                 | <b>2,710</b>                                           |
| <b>Total Equities and Private Equity</b> |                 | <b>217,703</b>                               | <b>8,456</b>                  | <b>(36,326)</b>                                             | <b>18,561</b>                         | <b>208,394</b>                                         |
| <b>Fixed Income and Property</b>         |                 |                                              |                               |                                                             |                                       |                                                        |
| Multi-Asset Credit                       | <i>Unquoted</i> | 62,733                                       | 3                             | -                                                           | 3,218                                 | <b>65,954</b>                                          |
| Asset-Backed Securities                  | <i>Unquoted</i> | 43,047                                       | 7                             | -                                                           | 1,713                                 | <b>44,767</b>                                          |
| Private Debt (Corporate)                 | <i>Unquoted</i> | 2,872                                        | 7,774                         | (248)                                                       | (231)                                 | <b>10,167</b>                                          |
| Private Debt (Infrastructure)            | <i>Unquoted</i> | 8,639                                        | 10,546                        | (1,524)                                                     | (133)                                 | <b>17,528</b>                                          |
| Property                                 | <i>Property</i> | 66,100                                       | -                             | (12)                                                        | (9,119)                               | <b>56,969</b>                                          |
| Bonds                                    | <i>Quoted</i>   | 23                                           | -                             | -                                                           | -                                     | <b>23</b>                                              |
| <b>Total Fixed Income and Property</b>   |                 | <b>183,414</b>                               | <b>18,330</b>                 | <b>(1,784)</b>                                              | <b>(4,552)</b>                        | <b>195,408</b>                                         |
| <b>Early Stage Investments</b>           |                 |                                              |                               |                                                             |                                       |                                                        |
| Investment in early stage companies      | <i>Unquoted</i> | 13,558                                       | 50                            | -                                                           | 2,983                                 | <b>16,591</b>                                          |
| Investment in early stage funds          | <i>Unquoted</i> | 1,529                                        | -                             | -                                                           | (951)                                 | <b>578</b>                                             |
| <b>Total Early Stage Investments</b>     |                 | <b>15,087</b>                                | <b>50</b>                     | <b>-</b>                                                    | <b>2,032</b>                          | <b>17,169</b>                                          |
| <b>Total fixed asset investments</b>     |                 | <b>416,204</b>                               | <b>26,836</b>                 | <b>(38,110)</b>                                             | <b>16,041</b>                         | <b>420,971</b>                                         |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity no. 1144683**

**For the year ended 31 March 2025**

| <b>7. Debtors</b>                   | <b>2025</b>  | <b>2024</b>  |
|-------------------------------------|--------------|--------------|
|                                     | <b>£'000</b> | <b>£'000</b> |
| Accrued income                      | 2,632        | 3,034        |
| Other debtors                       | 3,484        | -            |
| Amounts due from Parent undertaking | 2            | -            |
|                                     | <u>6,118</u> | <u>3,034</u> |

Accrued income of £2.6 million (2024: £3 million) represents the recognition of lease incentives (a rent-free period) over the term of the lease for 58 Victoria Embankment. The lease is held with the Trust's parent, Nesta. Of the total, £2.2 million (2024: £2.6 million) is expected to be recognised in the Statement of Financial Activities after more than one year.

Other debtors of £3.5 million (2024: £nil) comprise deferred consideration of £2.4 million receivable in relation to the sale of an investment (of which £1.1 million is due after more than one year), a distribution of £1.0 million declared by an investment in March 2025 and received in April 2025, and other immaterial balances of £0.1 million.

| <b>8. Creditors: amounts falling due within one year</b> | <b>2025</b>  | <b>2024</b>  |
|----------------------------------------------------------|--------------|--------------|
|                                                          | <b>£'000</b> | <b>£'000</b> |
| Accruals                                                 | 141          | 193          |
| Deferred income                                          | 723          | 723          |
| VAT payable                                              | 148          | 124          |
| Trade creditors                                          | 78           | 68           |
|                                                          | <u>1,090</u> | <u>1,108</u> |

Deferred income of £0.7 million (2024: £0.7 million) relates to rental income, which is invoiced quarterly in advance, from the Trust's parent Nesta for 58 Victoria Embankment as per below:

|                                      | <b>2025</b>  | <b>2024</b>  |
|--------------------------------------|--------------|--------------|
|                                      | <b>£'000</b> | <b>£'000</b> |
| <u>Deferred Income</u>               |              |              |
| Balance as at 1 April                | 723          | 723          |
| Amount released to Investment Income | (723)        | (723)        |
| Amount deferred in year              | 723          | 723          |
|                                      | <u>723</u>   | <u>723</u>   |
| Balance as at 31 March               | 723          | 723          |

| <b>9. Funds</b>                  | <b>2025</b>    | <b>2024</b>    |
|----------------------------------|----------------|----------------|
|                                  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Expendable endowment fund</b> |                |                |
| As at 1 April                    | 428,286        | 426,220        |
| Net expenditure                  | (18,412)       | (13,975)       |
| Net gains on investments         | 13,463         | 16,041         |
|                                  | <u>423,337</u> | <u>428,286</u> |
| <b>Balance at 31 March</b>       | <b>423,337</b> | <b>428,286</b> |

The Trust holds a single fund, an expendable endowment. Nesta, the sole Trustee and a separate charitable entity, draws down on the Trust's assets to pursue its own charitable objects, which are aligned with those of the Trust.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity no. 1144683**

**For the year ended 31 March 2025**

**10. Commitments**

Investments or contributions to funds that have been contracted but not yet drawn down are shown in the commitments below:

|                                                                        | <b>At 1 April<br/>2024<br/>£'000</b> | <b>Additions<br/>£'000</b> | <b>Drawn<br/>down<br/>£'000</b> | <b>At 31 March<br/>2025<br/>£'000</b> |
|------------------------------------------------------------------------|--------------------------------------|----------------------------|---------------------------------|---------------------------------------|
| Investment Funds                                                       | 28,666                               | -                          | (4,098)                         | 24,568                                |
| Nesta-Mission aligned investment and exceptional spending initiatives. | 16,334                               | 19,136                     | (9,135)                         | 26,335                                |
|                                                                        | <b>45,000</b>                        | <b>19,136</b>              | <b>(13,233)</b>                 | <b>50,903</b>                         |

|                                                                        | <b>At 1 April<br/>2023<br/>£'000</b> | <b>Additions<br/>£'000</b> | <b>Drawn<br/>down<br/>£'000</b> | <b>At 31 March<br/>2024<br/>£'000</b> |
|------------------------------------------------------------------------|--------------------------------------|----------------------------|---------------------------------|---------------------------------------|
| Investment Funds                                                       | 48,395                               | -                          | (19,729)                        | 28,666                                |
| Nesta-Mission aligned investment and exceptional spending initiatives. | 23,164                               | 186                        | (7,016)                         | 16,334                                |
|                                                                        | <b>71,559</b>                        | <b>186</b>                 | <b>(26,745)</b>                 | <b>45,000</b>                         |

Commitments made to investment funds are expected to be largely drawn by June 2027. Commitments made to Nesta for mission aligned investment and exceptional (i.e. not in the ordinary course of business) spending initiatives are expected to be largely drawn by March 2028.

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

**11. Operating lease receivables**

At 31 March 2025 the Trust continued the agreement with Nesta to lease 58 Victoria Embankment. The total future minimum lease payments under non-cancellable operating leases which are calculated based on the rental notice period are as follows:

|                                                   | <b>2025<br/>£'000</b> | <b>2024<br/>£'000</b> |
|---------------------------------------------------|-----------------------|-----------------------|
| Not later than one year                           | 2,891                 | 2,891                 |
| Later than one year and not later than five years | 11,564                | 11,564                |
| Later than five years                             | 4,875                 | 7,766                 |
|                                                   | <b>19,330</b>         | <b>22,221</b>         |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity no. 1144683**

**For the year ended 31 March 2025**

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**12. Related party transactions**

The Trust has the following related parties:

(1) The Department for Science, Innovation and Technology ('DSIT')

The Trust is classified by the Office of National Statistics as within the public sector boundary, with DSIT being the sponsoring body.

(2) Nesta is the sole Trustee of the Trust.

During the year, the Trust entered into the following transactions with related parties:

- Nesta drew down £22.4 million (2024: £21.3 million) from the Trust to fund operational activities.
- Nesta drew down £9.8 million (2024: £8.1 million) from the Trust to fund investment and exceptional spending initiatives.
- Nesta drew down £3.0 million (2024: £nil) from the Trust to part fund the Longitude Prize on Antimicrobial Resistance.
- Nesta drew down £0.2 million (2024: £0.2 million) from the Trust to fund other activities.
- Nesta paid the Trust £0.4 million (2024: £0.2 million) in relation to realisations of investments the Trust historically funded.
- Nesta was invoiced £2.9 million (2024: £2.9 million) for rent. The amount recognised in the Statement of Financial Activities differs due to the accounting adjustment for the rent-free period, with rental income of £2.5 million (2024: £2.5 million) recognised in the year. In addition, £0.7 million (2024: £0.7 million) was received in advance and is included within creditors as deferred income.
- The Trust contributed £0.2 million (2024: £0.1 million) to Nesta towards Nesta staff time spent on the administration of the Trust.

At the year end there was an outstanding debtor balance of £1,880 (2024: £nil) owing from Nesta.

**13. Control**

The Trust is controlled by Nesta (Charity no. 1144091; Companies House no. 07706036; Scottish Charity Regulator no. SC042833), which is the ultimate parent company by virtue of being Sole Trustee. Nesta's principal purpose is to support innovation and tackle big societal challenges through charitable activities. Nesta is the parent undertaking of the smallest and largest group for which consolidated accounts are drawn up, of which the Trust is a member. The accounts of Nesta are publicly available from 58 Victoria Embankment, London, EC4Y 0DS.

**THE NESTA TRUST**

England & Wales - Charity number 1144683

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# Accounts

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# **The Nesta Trust**

## ***Annual Report and Financial Statements***

Year ended 31 March 2024

Charity Commission registered number 1144683

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**General Information**

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|                                             |                                                                                                                   |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| <b>Trustee</b>                              | Nesta<br>Charity no. 1144091<br>Companies House no. 07706036<br>Scottish Charity Regulator no. SC042833           |
| <b>Governance Advisor</b>                   | James Sinclair Taylor                                                                                             |
| <b>Address</b>                              | 58 Victoria Embankment<br>London<br>EC4Y 0DS                                                                      |
| <b>Charity Commission registered number</b> | 1144683                                                                                                           |
| <b>External Auditor</b>                     | RSM UK Audit LLP<br>25 Farringdon Street<br>London<br>EC4A 4AB                                                    |
| <b>Internal Auditor</b>                     | Grant Thornton UK LLP<br>30 Finsbury Square<br>London<br>EC2A 1AG                                                 |
| <b>Principal Bankers</b>                    | Lloyds Bank<br>39 Threadneedle Street<br>London<br>EC2R 8AU                                                       |
| <b>Investment Advisor</b>                   | Momentum Global Investment Management,<br>2nd Floor, The Rex Building,<br>62 Queen Street,<br>London,<br>EC4R 1EB |

## Report of Trustee

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### Structure, Governance and Management

Nesta and The Nesta Trust were established and registered as charities in 2011 to act as successor bodies to the National Endowment for Science, Technology and the Arts (“NESTA”). NESTA was a non-departmental public body established in 1998 with a statutory remit to promote talent, creativity and innovation in science, technology and the arts and with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta, registered charity no. 1144091 and to the Nesta Trust (“the Trust”). The Trust holds the expendable endowment and Nesta, its sole trustee, uses returns from the Trust to pursue the charitable objects of the Trust.

The Trust was established by a Trust Deed on 22 September 2011 as amended by a scheme dated 16 March 2016. The Trust Deed appointed Nesta as sole Trustee of the Trust. It was registered as a charity in England and Wales by the Charity Commission with charity number 1144683 on 16 November 2011.

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 was 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.

Nesta is a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator (OSCR). Its Trustees are both directors and members of the company. Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. The Board met six times in the year with members of the Executive Team and the Governance Advisor (in place of the Protector) present at all of these meetings.

The Board has delegated approval for decisions up to certain financial thresholds to the Chief Executive and other Executive Directors of Nesta, under a Scheme of Delegation. All decisions above this threshold must be approved by the Board or its Committees. The Board has also reserved for itself certain important decisions, such as changes to the Articles, appointment of the Chief Executive and approval of the long-term objectives and strategy.

The Board has delegated authority to oversee specific aspects of Nesta's operations to a number of Committees. Each Committee operates under written Terms of Reference approved by the Board and reports regularly to the full Board.

The main Board Committees which oversee the Trust are as follows:

**Audit & 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. The Committee met three times during the year.

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

**Quarterly Investment Committee** which manages the Trust's portfolio of interests in early-stage companies and certain programme related and mixed motive investments. The Committee met four times during the year.

The Trust's core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects.

Report of Trustee (continued)

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**Structure, Governance and Management (continued)**

The Nesta Board is committed to adopting the principles set out in the Charity Governance Code (the 'Code'). In 2021, in accordance with good practice, external specialist consultants undertook a full governance and board effectiveness review of the Nesta Board and this also encompassed the role of that same board as the Nesta Trust Board. The report concluded that there is a "well functioning board that has led Nesta through significant change". The recommendations in the report aimed at further improving and refining the governance of Nesta and the Nesta Trust have been implemented and, in addition, the Nesta Trust's governance structures are regularly reviewed internally to ensure they continue to be best practice.

**Charitable objects**

The charitable objects of the Trust as detailed in the Trust Deed are detailed below:

For the public benefit:

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

The voluntary sector means charities and voluntary organisations.

- Charities are organisations, which are established for exclusively charitable purposes and registered with one of the charity commissions in the United Kingdom.
- Voluntary organisations are independent organisations, which are established for purposes that add value to the community, 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".

**Report of Trustee (continued)**

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**Activities and Achievements**

The Trust's core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. Nesta carried out a variety of activities during the year to advance the charitable objects of the Trust; to bring great ideas to life, supporting individuals, charities, social enterprises, businesses and public organisations with financial and practical support. These activities and also its achievements, performance and future plans, are described in the consolidated Annual Report & Accounts of Nesta, available from 58 Victoria Embankment, London, EC4Y 0DS.

**Risk management policy**

The Trustee is responsible for the oversight of the risks faced by the Nesta group of entities, including the Trust.

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Audit & Risk Committee. The top-level organisational risk register is presented regularly to the Audit & Risk Committee and reviewed by the Board annually. Broader strategic risks including reputational risks are considered by the Executive Team collectively when they meet each quarter to review the top-level risk register for the organisation as a whole. Risks are assessed and controls established throughout the year. 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 and management reporting, and monitoring;
- formal written policies and hierarchical authorisation and approval levels; and
- internal audit services engagement with programmes selected for review which are informed by the risk register.

During the year the major risks for the Trust as assessed by management and reported to the Audit & Risk Committee and Board for review and comment, were as follows:

- Risk that poor Trust investment returns put pressure on income to fund the activities of Nesta, mitigated by the implementation of an investment strategy with a diversification of asset classes, asset managers, investment strategies, and geographies; supported by on-going monitoring of investment managers and performance.
- Risk of having a strategic asset allocation and/or manager selection which is not appropriate mitigated by utilising investment consultants and having a Trust CIO to provide oversight.

The Trustee is satisfied that the major risks identified through the risk management process are being adequately managed where necessary while recognising that any framework can provide reasonable but not absolute assurance. There were no significant control weaknesses identified by the Trustee or management during the year.

**Investment policy**

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.

**Report of Trustee (continued)**

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**Investment policy (continued)**

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; and
- 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.

The Trustee has reviewed the investment activities for the year and confirms that they were aligned with the investment policy resulting in the above stated objective being achieved.

**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, as set out in its Statement of Investment Principles. This policy remains under constant review with the last version being approved by the Board in July 2023. 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 £3 million (2023: £4 million).

**Financial Review**

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

Nesta Trust entered into an agreement on 16 July 2015 to purchase a long leasehold interest in a property located in London for £51 million. Practical completion took place on 26 September 2016, and the lease on the investment property will run until November 2162. The total amount shown in note 6 and below under investment properties is £57 million (2023: £66 million), which includes the investment property market valued at £45 million (2023: £53 million) and a £12 million property fund (2023: £13 million).

## Report of Trustee (continued)

### Financial Review (continued)

During the year ended 31 March 2024, the value of Trust investments and cash increased by £2 million to £426 million (2023: £424 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 £2 million increase can be seen in the table below:

| Asset Class                                   | Market Value of<br>Investment assets | Proportion of total<br>endowment assets | Market value of<br>investment assets | Proportion of total<br>endowment assets |
|-----------------------------------------------|--------------------------------------|-----------------------------------------|--------------------------------------|-----------------------------------------|
|                                               | 31 March 2024                        | 31 March 2024                           | 31 March 2023                        | 31 March 2023                           |
|                                               | £'000                                | %                                       | £'000                                | %                                       |
| <b>Current Assets:</b>                        |                                      |                                         |                                      |                                         |
| Cash                                          | 5,389                                | 1                                       | 7,700                                | 2                                       |
| <b>Fixed Asset Investments</b>                |                                      |                                         |                                      |                                         |
| <b>Equities and Private Equity:</b>           |                                      |                                         |                                      |                                         |
| Global Equities (quoted)                      | 123,775                              | 29                                      | 135,216                              | 32                                      |
| UK Small Cap (quoted)                         | 33,732                               | 8                                       | 32,351                               | 8                                       |
| Emerging Markets (quoted)                     | 26,496                               | 6                                       | 26,592                               | 6                                       |
| Infrastructure Equity (unquoted)              | 21,681                               | 5                                       | 19,684                               | 5                                       |
| Private equity funds (unquoted)               | 2,710                                | 1                                       | 3,860                                | 1                                       |
| <b>Fixed Income and Property:</b>             |                                      |                                         |                                      |                                         |
| Multi-Asset Credit (unquoted)                 | 65,954                               | 15                                      | 62,733                               | 15                                      |
| Asset-Backed Securities (unquoted)            | 44,767                               | 11                                      | 43,047                               | 10                                      |
| Private Debt (Corporate) (unquoted)           | 10,167                               | 2                                       | 2,872                                | 1                                       |
| Private Debt (Infrastructure) (unquoted)      | 17,528                               | 4                                       | 8,639                                | 2                                       |
| Property (property)                           | 56,969                               | 14                                      | 66,100                               | 15                                      |
| Bonds (quoted)                                | 23                                   | -                                       | 23                                   | -                                       |
| Mixed Motive Investments (unquoted)           | 17,169                               | 4                                       | 15,087                               | 3                                       |
| <b>Total Cash plus Fixed Asset Investment</b> | <b>426,360</b>                       | <b>100</b>                              | <b>423,904</b>                       | <b>100</b>                              |

Actions taken during the year included the following:

#### *Fixed Asset Investment performance*

The allocation to Equities and Private Equity decreased to 49% (2023: 52%) with a corresponding increase to Fixed Income and Property to 46% (2023: 43%). This slight adjustment is in line with the continued execution of the current investment strategy that was driven by a new investment strategic goal to invest more in asset classes that produce predictable cashflows. The long term objective 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 objective will be met until all investment managers have fully drawn down committed funds which is likely to take a number of years.

#### *Investment Fund Commitments*

During the year, no new commitments (2023: £76 million) were made to investment managers. Undrawn commitments of £29 million remain outstanding for investment funds as disclosed in Note 10 to these Financial Statements (2023: £48 million).

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

The early-stage venture portfolio includes equity investments that have a market value in 6 (2023: 7) early-stage companies, and 1 (2023: 2) early-stage investment fund. 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.

**Report of Trustee (continued)**

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**Financial Review (continued)**

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £0.41 million (2023: £0.78 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 £3.5 million (0.8%) of the average asset value over the year (2023: £2 million - 0.5%). Both the year on year decrease in direct costs and the year on year increase to full costs was anticipated and results from the shift to the new investment strategy. Over the long term, the increase in cost is expected to be offset by achieving a greater total return on investments.

**Reserves policy**

The Trust Deed requires that the value of the Trust assets do not fall below £260 million. As of 31 March 2024, fixed asset investments totalled £421 million (2023: £416 million), and reserves stood at £428 million (2023: £426 million). The Trustee deems that the current level of investments and reserves are essential to generate a sustainable level of income to advance the charitable aims of the Trust. Consequently, there are no plans to spend down reserves.

**Future plans**

Nesta's Trustees agreed an 'in-principle' funding rule covering the year to 31 March 2025, allowing Nesta to draw down up to £22.4 million for operating expenditure in support of its strategic plan. Funding made available by Nesta Trust does not constitute a commitment until a drawdown request is made. A further £16 million (2023: £23 million) may be drawn down for mission aligned investment and exceptional (i.e. not in the ordinary course of business) spending initiatives.

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee has not identified any material uncertainties. The Trustee has undertaken an assessment of the crisis in Ukraine and has not identified any additional risks. This included performing an assessment of the potential exposure to investments held directly or indirectly in entities which might be impacted by the crisis. The Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for a period of at least twelve months from when the financial statements are authorised for issue.

**Public Benefit Statement**

The Trustee confirms that, in exercising its powers and duties in relation to the Trust, it has had due regard to the Charity Commission's statutory guidance on public benefit. The Annual Report and Accounts of the Trustee give more detail of the activities undertaken by the Trustee to further the charitable purposes of the Trust for public benefit.

**Fundraising statement**

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities. The Trust 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 in the current or previous year, nor do we consider it necessary to design specific procedures to monitor such activities.

**Report of Trustee (continued)**

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**Statement of Trustee Responsibilities**

The Trustee is responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustee 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 charity law, the Trustee must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable it to ensure that the financial statements comply with the Charities Act 2011 and the provisions of the Trust Deed. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board of Trustees of Nesta in their capacity as Trustee of The Nesta Trust and authorised for issue on 27 January 2025 and signed on its behalf by Ed Richards, Chair of the Board of Trustees.

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Ed Richards  
Chair, on behalf of the Board of Trustees

Date: 27 January 2025

## **Independent Auditor's Report to Trustees of The Nesta Trust**

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### **Opinion**

We have audited the financial statements of The Nesta Trust (the 'charity') for the year ended 31 March 2024 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2024 and of its 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 Charities Act 2011.

### **Basis for opinion**

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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

### **Conclusions relating 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 charity'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 other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

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We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Report of the Trustee; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of trustee**

As explained more fully in the Statement of Trustee's responsibilities set out on page 9, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity'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 charity or to cease operations, or have no realistic alternative but to do so.

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

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.

**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

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In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks, that the charity operate in and how the charity is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Charities Act 2011, the parent charity's governing document and tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Report of the Trustee, remaining alert to new or unusual transactions which may not be in accordance with the governing documents.

The audit engagement team identified the risk of management override of controls, carrying value of investments and income recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates and inspected correspondence with regulatory authorities and tax authorities and evaluating advice received from external tax advisors.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at <http://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 charity's trustees as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP  
Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4 4AB

Date: 31 January 2025

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

The Nesta Trust  
Annual Report and Financial Statements  
Statement of Financial Activities

Charity no. 1144683

For the year ended 31 March 2024

|                                                             |      | Expendable<br>Endowment funds<br>2024<br>£'000 | Expendable<br>Endowment funds<br>2023<br>£'000 |
|-------------------------------------------------------------|------|------------------------------------------------|------------------------------------------------|
|                                                             | Note |                                                |                                                |
| <b>Income and endowments from:</b>                          |      |                                                |                                                |
| Investment income                                           | 2    | 16,359                                         | 11,734                                         |
| <b>Total income</b>                                         |      | <b>16,359</b>                                  | <b>11,734</b>                                  |
| <b>Expenditure on:</b>                                      |      |                                                |                                                |
| <b>Raising funds</b>                                        |      |                                                |                                                |
| Investment management costs                                 | 3    | 412                                            | 780                                            |
| <b>Total cost of raising funds</b>                          |      | <b>412</b>                                     | <b>780</b>                                     |
| <b>Charitable activities</b>                                | 4    | <b>29,922</b>                                  | <b>25,772</b>                                  |
| <b>Total Charitable activities</b>                          |      | <b>29,922</b>                                  | <b>25,772</b>                                  |
| <b>Total Expenditure</b>                                    |      | <b>30,334</b>                                  | <b>26,552</b>                                  |
| Net gain / (loss) on investments                            | 6    | 16,041                                         | (27,526)                                       |
| <b>Net income / (expenditure) and net movement in funds</b> |      | <b>2,066</b>                                   | <b>(42,344)</b>                                |
| <b>Reconciliation of funds</b>                              |      |                                                |                                                |
| Total funds brought forward                                 |      | <b>426,220</b>                                 | <b>468,564</b>                                 |
| Total funds carried forward                                 |      | <b>428,286</b>                                 | <b>426,220</b>                                 |

The Trust has no recognised gains or losses other than those passing through the Statement of Financial Activities.

All of the Trust's activities are derived from continuing operations.

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Balance Sheet**

**Charity no. 1144683**

**As at 31 March 2024**

|                                                | <b>Note</b> | <b>2024<br/>£'000</b> | <b>2023<br/>£'000</b> |
|------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Fixed assets</b>                            |             |                       |                       |
| Investments                                    | <b>6</b>    | 420,971               | 416,204               |
| <b>Current assets</b>                          |             |                       |                       |
| Debtors                                        | <b>7</b>    | 3,034                 | 3,403                 |
| Cash at bank and in hand                       |             | 5,389                 | 7,700                 |
|                                                |             | <u>8,423</u>          | <u>11,103</u>         |
| <b>Current liabilities</b>                     |             |                       |                       |
| Creditors: amounts falling due within one year | <b>8</b>    | (1,108)               | (1,087)               |
|                                                |             | <u>7,315</u>          | <u>10,016</u>         |
| <b>Net current assets</b>                      |             |                       |                       |
|                                                |             | <u>428,286</u>        | <u>426,220</u>        |
| <b>Total assets less current liabilities</b>   |             |                       |                       |
|                                                |             | <u>428,286</u>        | <u>426,220</u>        |
| <b>Net assets</b>                              |             |                       |                       |
|                                                |             | <u>428,286</u>        | <u>426,220</u>        |
| <b>Charitable funds</b>                        |             |                       |                       |
| Endowment funds                                |             | 428,286               | 426,220               |
|                                                |             | <u>428,286</u>        | <u>426,220</u>        |
| <b>Total funds</b>                             | <b>9</b>    | <u>428,286</u>        | <u>426,220</u>        |

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Approved by the Board of Trustees of Nesta in their capacity as Trustee of The Nesta Trust and authorised for issue on 27 January 2025 and signed on its behalf by Ed Richards, Chair of the Board of Trustees.

\_\_\_\_\_  
Ed Richards  
Chair, on behalf of the Board of Trustees  
Date: 27 January 2025

The Nesta Trust  
Annual Report and Financial Statements  
Cash Flow Statement

Charity no. 1144683

For the year ended 31 March 2024

|                                              | Note | 2024<br>£'000 | 2023<br>£'000 |
|----------------------------------------------|------|---------------|---------------|
| <b>Cash flows from operating activities:</b> |      |               |               |
| Net cash used in operating activities        | a    | (29,532)      | (25,241)      |
| <b>Cash flows from investing activities</b>  |      |               |               |
| Net cash provided by investing activities    | b    | 27,221        | 27,556        |
| <b>Change in cash and cash equivalents</b>   |      | (2,311)       | 2,315         |
| <b>Cash and cash equivalents at 1 April</b>  |      | 7,700         | 5,385         |
| <b>Cash and cash equivalents at 31 March</b> |      | 5,389         | 7,700         |

**Cash flow statement notes:**

**a) Reconciliation of net income / (expenditure) to net cash flow from operating activities**

|                                       |          |          |
|---------------------------------------|----------|----------|
| Net income / (expenditure)            | 2,066    | (42,344) |
| Net (gain) / loss on investments      | (16,041) | 27,526   |
| Interest, dividends and rent received | (16,359) | (11,734) |
| Investment fees                       | 412      | 780      |
| Decrease in debtors                   | 369      | 437      |
| Increase in Creditors                 | 21       | 94       |
|                                       | (29,532) | (25,241) |

**b) Cash flows from investing activities**

|                                        |          |           |
|----------------------------------------|----------|-----------|
| Interest and dividends received        | 16,359   | 11,734    |
| Investment fees                        | (412)    | (780)     |
| <i>Quoted Investments:</i> Additions   | (5,095)  | (6,038)   |
| Disposals                              | 35,275   | 155,389   |
| <i>Unquoted Investments:</i> Additions | (21,741) | (141,658) |
| Disposals                              | 2,823    | 5,458     |
| <i>Property Investments:</i> Additions | -        | (80)      |
| Disposals                              | 12       | 3,531     |
|                                        | 27,221   | 27,556    |

For the year ended 31 March 2024

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**1. Accounting policies**

**a) Basis of preparation**

The financial statements are prepared under the historical cost convention, modified by the revaluation of quoted and unquoted investments and property revaluations. They have been prepared on a going concern basis and in compliance with 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)' issued by the Charity Commission, applicable UK accounting standards (FRS 102) and the Charities Act 2011.

The financial statements are presented in sterling, which is also the functional currency of the charity. The amounts are

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee has not identified any material uncertainties. The Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for a period of at least twelve months from when the financial statements are authorised for issue.

**b) Fund accounting**

The funds of the Trust are held without distinction as to capital and income and can be applied in furtherance of the objects. As a result these are held as an expendable endowment.

**c) Income**

All income is accounted for when the Charity is entitled to the income, the amount can be quantified with reasonable accuracy and the receipt of the income is probable. Investment income includes interest, dividends and rental income from investment assets and deposits, with any associated tax credits or recoverable taxation, and included in the Statement of Financial Activities on an accruals basis.

**d) Expenditure**

Expenditure is accounted for on an accruals basis. Support costs are comprised of Governance costs which include direct expenditure attributable to maintaining the public accountability of the Trust and compliance with regulation and good practice. Investment management costs include investment fund manager fees which are grossed up where they are offset against the fund's value rather than payable in cash, dilution levies, investment consultancy and custodian fees. Irrecoverable VAT incurred is allocated to the expenditure category to which it relates.

**e) Fixed assets - investments**

Financial investment assets are grouped into *Equities and Private Equity; Fixed Income and Property; and Mixed Motive Investments*. Within these groupings are a mixture of quoted investments, unquoted investments and property (both sole ownership of a physical building and partial ownership of an investment in a property fund) as disclosed in note 6.

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

The Investment property is held at fair value with gains being recognised in the Statement of Financial Activities. The property is valued annually by an independent qualified property valuation organisation in compliance with the RICS Valuation – Global Standards.

Cash, short-term deposits and investments to be disposed of within 12 months of the Balance Sheet date are presented in the Balance Sheet as current assets. All other financial assets are presented as fixed assets.

For the year ended 31 March 2024

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

The carrying value of all investments is at market value. Investment gains and losses, whether realised or unrealised are credited or charged to net gains or losses on investments in the Statement of Financial Activities. Market value is established by using valuation guidelines as detailed below:

*I. Valuation - quoted investments:*

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

Equity investments, bonds, and property investments 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 managers.

*II. Valuation - unquoted investments:*

Unquoted investments are held through funds managed by dedicated investment managers. These funds are included at the most recent valuations provided by the private equity managers.

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

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

For the year ended 31 March 2024

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

**II. Valuation - unquoted investments: (continued)**

An estimated value of investments in early-stage funds is calculated as the Trust's share of partnership net asset value as stated in the last audited financial statements of each investment fund. Contributions made by the Trust in any period between the date of a fund's Balance Sheet date and the Trust'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 Trust or management support costs are not included in valuations and are charged to expenditure in the period in which they are incurred.

**III. Treatment - Unquoted investments:**

Investments or contributions to funds to date are recognised in full in the Balance Sheet. Undrawn commitments are disclosed by way of note.

**f) Significant estimates**

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent liabilities at the Balance Sheet date. Actual outcomes could differ from those estimates. This is especially the case of the valuation of the Trust'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 and this investment type represents only 4% (2023: 3%) of total investments.

**g) Debtors**

Debtors 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.

**h) Creditors**

Creditors are recognised when the Trust 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.

**i) Taxation**

The Trust is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the Trust is 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 year.

**j) Exchange gains and losses**

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

For the year ended 31 March 2024

| <b>2. Investment income</b>                   | <b>2024</b>   | <b>2023</b>   |
|-----------------------------------------------|---------------|---------------|
|                                               | <b>£'000</b>  | <b>£'000</b>  |
| <b>Quoted investments</b>                     |               |               |
| Interest and dividends receivable             | 2,815         | 5,233         |
| <b>Unquoted investments</b>                   |               |               |
| Rental income                                 | 2,506         | 2,506         |
| Interest and dividends receivable             | 11,020        | 3,988         |
| <b>Total income from unquoted investments</b> | <b>13,526</b> | <b>6,494</b>  |
| Bank interest                                 | 18            | 7             |
| <b>Total investment income</b>                | <b>16,359</b> | <b>11,734</b> |
| <b>3. Investment management costs</b>         | <b>2024</b>   | <b>2023</b>   |
|                                               | <b>£'000</b>  | <b>£'000</b>  |
| Investment manager fees                       | 347           | 715           |
| Custodian fees                                | 65            | 65            |
|                                               | <b>412</b>    | <b>780</b>    |
| <b>4. Charitable activities</b>               | <b>2024</b>   | <b>2023</b>   |
|                                               | <b>£'000</b>  | <b>£'000</b>  |
| Nesta Drawdown - operational                  | 21,300        | 20,000        |
| Nesta Drawdown - investments                  | 8,139         | 6,908         |
| Nesta Drawdown - other                        | 200           | 200           |
| Nesta Drawdown - investment repayment         | (184)         | (1,876)       |
| Consultancy and professional                  | 136           | 195           |
| Governance and Protector fees                 | 60            | 31            |
| Other                                         | 271           | 314           |
|                                               | <b>29,922</b> | <b>25,772</b> |

The Trust's core activity is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. The Board of Trustees of Nesta has agreed a maximum operational drawdown of £22.4 million for the year ended 31 March 2024 to deliver the charitable aims of the Trust as well as other commitments as disclosed in Note 10. If Nesta disposes of an investment which was funded via a drawdown from the Trust, the funds are returned to the Trust and disclosed in the note above as 'Nesta Drawdown - investment repayment'.

The auditor's remuneration for the year was £37,860 (RSM UK Audit LLP) (2023: £22,400 (BDO LLP)).

Included in other is a foreign exchange difference loss of £2,428 (2023: loss of £8,657).

## 5. Staff costs

There were no employees during the year or the previous year. All staff are employed by Nesta. None of the Trustees, or any person connected with them received any remuneration during the year nor were any reimbursed for any expenses.

For the year ended 31 March 2024

6. *Investments*

|                                          |                 | Market/<br>fair value<br>at<br>1 April<br>2023<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>market<br>value<br>£'000 | Net<br>gains and<br>(losses)<br>£'000 | Total<br>market/<br>fair value<br>at 31<br>March<br>2024<br>£'000 |
|------------------------------------------|-----------------|---------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|
| <b>Equities and Private Equity</b>       | <b>Category</b> |                                                         |                               |                                                                       |                                       |                                                                   |
| Global Equities                          | <i>Quoted</i>   | 135,216                                                 | -                             | (30,190)                                                              | 18,749                                | <b>123,775</b>                                                    |
| UK Small Cap                             | <i>Quoted</i>   | 32,351                                                  | 5,095                         | (5,085)                                                               | 1,371                                 | <b>33,732</b>                                                     |
| Emerging Markets                         | <i>Quoted</i>   | 26,592                                                  | -                             | -                                                                     | (96)                                  | <b>26,496</b>                                                     |
| Infrastructure Equity                    | <i>Unquoted</i> | 19,684                                                  | 3,291                         | -                                                                     | (1,294)                               | <b>21,681</b>                                                     |
| Private equity funds                     | <i>Unquoted</i> | 3,860                                                   | 70                            | (1,051)                                                               | (169)                                 | <b>2,710</b>                                                      |
| <b>Total Equities and Private Equity</b> |                 | <b>217,703</b>                                          | <b>8,456</b>                  | <b>(36,326)</b>                                                       | <b>18,561</b>                         | <b>208,394</b>                                                    |
| <b>Fixed Income and Property</b>         |                 |                                                         |                               |                                                                       |                                       |                                                                   |
| Multi-Asset Credit                       | <i>Unquoted</i> | 62,733                                                  | 3                             | -                                                                     | 3,218                                 | <b>65,954</b>                                                     |
| Asset-Backed Securities                  | <i>Unquoted</i> | 43,047                                                  | 7                             | -                                                                     | 1,713                                 | <b>44,767</b>                                                     |
| Private Debt (Corporate)                 | <i>Unquoted</i> | 2,872                                                   | 7,774                         | (248)                                                                 | (231)                                 | <b>10,167</b>                                                     |
| Private Debt (Infrastructure)            | <i>Unquoted</i> | 8,639                                                   | 10,546                        | (1,524)                                                               | (133)                                 | <b>17,528</b>                                                     |
| Property                                 | <i>Property</i> | 66,100                                                  | -                             | (12)                                                                  | (9,119)                               | <b>56,969</b>                                                     |
| Bonds                                    | <i>Quoted</i>   | 23                                                      | -                             | -                                                                     | -                                     | <b>23</b>                                                         |
| <b>Total Fixed Income and Property</b>   |                 | <b>183,414</b>                                          | <b>18,330</b>                 | <b>(1,784)</b>                                                        | <b>(4,552)</b>                        | <b>195,408</b>                                                    |
| <b>Mixed Motive Investments</b>          |                 |                                                         |                               |                                                                       |                                       |                                                                   |
| Investment in early stage companies      | <i>Unquoted</i> | 13,558                                                  | 50                            | -                                                                     | 2,983                                 | <b>16,591</b>                                                     |
| Investment in early stage funds          | <i>Unquoted</i> | 1,529                                                   | -                             | -                                                                     | (951)                                 | <b>578</b>                                                        |
| <b>Total Mixed Motive Investments</b>    |                 | <b>15,087</b>                                           | <b>50</b>                     | <b>-</b>                                                              | <b>2,032</b>                          | <b>17,169</b>                                                     |
| <b>Total fixed asset investments</b>     |                 | <b>416,204</b>                                          | <b>26,836</b>                 | <b>(38,110)</b>                                                       | <b>16,041</b>                         | <b>420,971</b>                                                    |

The valuation of the investment property (58 Victoria Embankment) is £44.8 million (2023: £53.0m). The valuation is reviewed at each year end by an independent qualified property valuer, Gareth Hosgood (MRICS). Property above also includes a fund with a market value of £12.2 million at the year end (2023: £13.1 million).

For the year ended 31 March 2024

6. *Investments (continued)*

|                                          |                 | Market/<br>fair value<br>at<br>1 April<br>2022<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>market<br>value<br>£'000 | Net<br>gains and<br>(losses)<br>£'000 | Total<br>market/<br>fair value<br>at 31<br>March<br>2023<br>£'000 |
|------------------------------------------|-----------------|---------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|
| <b>Equities and Private Equity</b>       | <b>Category</b> |                                                         |                               |                                                                       |                                       |                                                                   |
| Global Equities                          | <i>Quoted</i>   | 211,846                                                 | -                             | (72,974)                                                              | (3,656)                               | <b>135,216</b>                                                    |
| UK Small Cap                             | <i>Quoted</i>   | 37,413                                                  | 5,790                         | (5,784)                                                               | (5,068)                               | <b>32,351</b>                                                     |
| Emerging Markets                         | <i>Quoted</i>   | 28,393                                                  | -                             | -                                                                     | (1,801)                               | <b>26,592</b>                                                     |
| Infrastructure Equity                    | <i>Unquoted</i> | -                                                       | 18,551                        | -                                                                     | 1,133                                 | <b>19,684</b>                                                     |
| Private equity funds                     | <i>Unquoted</i> | 5,075                                                   | 180                           | (1,564)                                                               | 169                                   | <b>3,860</b>                                                      |
| <b>Total Equities and Private Equity</b> |                 | <b>282,727</b>                                          | <b>24,521</b>                 | <b>(80,322)</b>                                                       | <b>(9,223)</b>                        | <b>217,703</b>                                                    |
| <b>Fixed Income and Property</b>         |                 |                                                         |                               |                                                                       |                                       |                                                                   |
| Multi-Asset Credit                       | <i>Unquoted</i> | -                                                       | 65,000                        | -                                                                     | (2,267)                               | <b>62,733</b>                                                     |
| Asset-Backed Securities                  | <i>Unquoted</i> | -                                                       | 43,700                        | -                                                                     | (653)                                 | <b>43,047</b>                                                     |
| Private Debt (Corporate)                 | <i>Unquoted</i> | -                                                       | 2,926                         | -                                                                     | (54)                                  | <b>2,872</b>                                                      |
| Private Debt (Infrastructure)            | <i>Unquoted</i> | -                                                       | 11,090                        | (2,853)                                                               | 402                                   | <b>8,639</b>                                                      |
| Property                                 | <i>Property</i> | 81,073                                                  | 80                            | (3,531)                                                               | (11,522)                              | <b>66,100</b>                                                     |
| Fixed income                             | <i>Quoted</i>   | 40,367                                                  | 30                            | (38,710)                                                              | (1,687)                               | -                                                                 |
| Bonds                                    | <i>Quoted</i>   | 39,244                                                  | 218                           | (37,921)                                                              | (1,518)                               | <b>23</b>                                                         |
| <b>Total Fixed Income and Property</b>   |                 | <b>160,684</b>                                          | <b>123,044</b>                | <b>(83,015)</b>                                                       | <b>(17,299)</b>                       | <b>183,414</b>                                                    |
| <b>Mixed Motive Investments</b>          |                 |                                                         |                               |                                                                       |                                       |                                                                   |
| Investment in early stage companies      | <i>Unquoted</i> | 14,173                                                  | 211                           | -                                                                     | (826)                                 | <b>13,558</b>                                                     |
| Investment in early stage funds          | <i>Unquoted</i> | 2,748                                                   | -                             | (1,041)                                                               | (178)                                 | <b>1,529</b>                                                      |
| <b>Total Mixed Motive Investments</b>    |                 | <b>16,921</b>                                           | <b>211</b>                    | <b>(1,041)</b>                                                        | <b>(1,004)</b>                        | <b>15,087</b>                                                     |
| <b>Total fixed asset investments</b>     |                 | <b>460,332</b>                                          | <b>147,776</b>                | <b>(164,378)</b>                                                      | <b>(27,526)</b>                       | <b>416,204</b>                                                    |

For the year ended 31 March 2024

| <b>7. Debtors</b> | <b>2024</b>  | <b>2023</b>  |
|-------------------|--------------|--------------|
|                   | <b>£'000</b> | <b>£'000</b> |
| Accrued income    | 3,034        | 3,403        |
|                   | <u>3,034</u> | <u>3,403</u> |

Accrued income of £3.0 million (2023: £3.4 million) relates to accrued rental income due from the Trust's parent Nesta for 58 Victoria Embankment.

| <b>8. Creditors: amounts falling due within one year</b> | <b>2024</b>  | <b>2023</b>  |
|----------------------------------------------------------|--------------|--------------|
|                                                          | <b>£'000</b> | <b>£'000</b> |
| Accruals                                                 | 193          | 157          |
| Deferred income                                          | 723          | 723          |
| VAT payable                                              | 124          | 136          |
| Trade creditors                                          | 68           | 71           |
|                                                          | <u>1,108</u> | <u>1,087</u> |

Deferred income of £0.7 million (2023: £0.7 million) relates to rental income, which is invoiced quarterly in advance, from the Trust's parent Nesta for 58 Victoria Embankment as per below:

|                                      | <b>2024</b>  | <b>2023</b>  |
|--------------------------------------|--------------|--------------|
|                                      | <b>£'000</b> | <b>£'000</b> |
| <u>Deferred Income</u>               |              |              |
| Balance as at 1 April                | 723          | 723          |
| Amount released to Investment Income | (723)        | (723)        |
| Amount deferred in year              | 723          | 723          |
|                                      | <u>723</u>   | <u>723</u>   |
| Balance as at 31 March               | <u>723</u>   | <u>723</u>   |

| <b>9. Funds</b>                  | <b>2024</b>    | <b>2023</b>    |
|----------------------------------|----------------|----------------|
|                                  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Expendable endowment fund</b> |                |                |
| As at 1 April                    | 426,220        | 468,564        |
| Net expenditure                  | (13,975)       | (14,818)       |
| Net gain / (loss) on investments | 16,041         | (27,526)       |
|                                  | <u>428,286</u> | <u>426,220</u> |
| <b>Balance at 31 March</b>       | <u>428,286</u> | <u>426,220</u> |

For the year ended 31 March 2024

# 10. Commitments

Investments or contributions to funds that have been contracted but not yet drawn down are shown in the commitments below:

|                                                                           | At 1 April<br>2023<br>£'000 | Additions<br>£'000 | Drawn<br>down<br>£'000 | At 31 March<br>2024<br>£'000 |
|---------------------------------------------------------------------------|-----------------------------|--------------------|------------------------|------------------------------|
| Investment Funds                                                          | 48,395                      | -                  | (19,729)               | 28,666                       |
| Nesta-Mission aligned investment and exceptional<br>spending initiatives. | 23,164                      | 186                | (7,016)                | 16,334                       |
|                                                                           | <b>71,559</b>               | <b>186</b>         | <b>(26,745)</b>        | <b>45,000</b>                |

|                                                                           | At 1 April<br>2022<br>£'000 | Additions<br>£'000 | Drawn<br>down<br>£'000 | At 31 March<br>2023<br>£'000 |
|---------------------------------------------------------------------------|-----------------------------|--------------------|------------------------|------------------------------|
| Investment Funds                                                          | 2,743                       | 75,546             | (29,894)               | 48,395                       |
| Nesta-Mission aligned investment and exceptional<br>spending initiatives. | 26,507                      | 2,858              | (6,201)                | 23,164                       |
|                                                                           | <b>29,250</b>               | <b>78,404</b>      | <b>(36,095)</b>        | <b>71,559</b>                |

Commitments made to investment funds are expected to be largely drawn by June 2027. Commitments made to Nesta for mission aligned investment and exceptional (i.e. not in the ordinary course of business) spending initiatives are expected to be largely drawn by March 2028 and was historically described as 'Nesta-programme related investments'.

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

# 11. Operating lease commitments

At 31 March 2024 the Trust continued the agreement with Nesta to lease part of 58 Victoria Embankment. The total future minimum lease payments under non-cancellable operating leases which are calculated based on the rental notice period are as follows:

|                                                   | 2024<br>£'000 | 2023<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| Not later than one year                           | 2,891         | 2,891         |
| Later than one year and not later than five years | 11,564        | 11,564        |
| Later than five years                             | 7,766         | 10,657        |
|                                                   | <b>22,221</b> | <b>25,112</b> |

For the year ended 31 March 2024

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**12. Related party transactions**

The Trust has the following related parties:

- The Department for Science, Innovation and Technology ('DSIT'): The Trust is classified by the Office of National Statistics as within the public sector boundary, with DSIT being the sponsoring body.
- Nesta is the sole Trustee of the Trust.

During the year, the Trust entered into the following transactions with related parties:

- Nesta drew down £21.3m (2023: £20.0m) from the Trust to fund operational activities.
- Nesta drew down £8.1m (2023: £6.9m) from the Trust to fund investments.
- Nesta drew down £0.2m (2023: £0.2m) from the Trust to fund other activities.
- Nesta paid the Trust £0.2m (2023: £1.9m) in relation to realisations of investments the Trust historically funded.
- Nesta paid rent to the Trust totalling £2.5m (2023: £2.5m).
- The Trust contributed £0.1m (2023: £0.1m) to Nesta towards Nesta staff time spent on the administration of the Trust.

There were no balance outstanding at the year end.

**13. Control**

The Trust is controlled by Nesta (Charity no. 1144091; Companies House no. 07706036; Scottish Charity Regulator no. SC042833), which is the ultimate parent company by virtue of being Sole Trustee. Nesta is the parent undertaking of the smallest and largest group for which accounts are drawn up, and which the Company is a member. The accounts are available to the public from 58 Victoria Embankment, London, EC4Y 0DS.

**THE NESTA TRUST**

England & Wales - Charity number 1144683

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# Accounts

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# **The Nesta Trust**

## ***Annual Report and Financial Statements***

Year ended 31 March 2023

Charity Commission registered number 1144683

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2023**

**Charity Commission no. 1144683**

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**Charity Commission no. 1144683**

**General Information**

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|                                             |                                                                                                         |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------|
| <b>Trustee</b>                              | Nesta<br>Charity no. 1144091<br>Companies House no. 07706036<br>Scottish Charity Regulator no. SC042833 |
| <b>Governance Advisor</b>                   | James Sinclair Taylor <i>(from 1 April 2022)</i>                                                        |
| <b>Address</b>                              | 58 Victoria Embankment<br>London<br>EC4Y 0DS                                                            |
| <b>Charity Commission registered number</b> | 1144683                                                                                                 |
| <b>Independent Auditor</b>                  | BDO LLP<br>2 City Place<br>Beehive Ring Road<br>Gatwick<br>West Sussex<br>RH6 0PA                       |
| <b>Internal Auditor</b>                     | Grant Thornton UK LLP<br>30 Finsbury Square<br>London<br>EC2A 1AG                                       |
| <b>Principal bankers</b>                    | Lloyds Bank<br>39 Threadneedle Street<br>London<br>EC2R 8AU                                             |

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**Report of Trustee**

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**Structure, Governance and Management**

Nesta and the Nesta Trust were established and registered as charities in 2011 to act as successor bodies to the National Endowment for Science, Technology and the Arts (“NESTA”). NESTA was a non-departmental public body established in 1998 with a statutory remit to promote talent, creativity and innovation in science, technology and the arts and with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta, registered charity no. 1144091 and to the Nesta Trust (“the Trust”). The Trust holds the expendable endowment and Nesta, its sole trustee, uses returns from the Trust to pursue the charitable objects of the Trust.

The Trust was established by a Trust Deed on 22 September 2011. The Trust Deed appointed Nesta as sole Trustee of the Trust. It was registered as a charity in England and Wales by the Charity Commission with charity number 1144683 on 16 November 2011.

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.

Nesta is a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator (OSCR). Its Trustees are both directors and members of the company. Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. The Board met seven times in the year with members of the Executive Team also present. The Protector of the Trust is also entitled to attend all meetings.

The Board has delegated approval for decisions up to certain financial thresholds to the Chief Executive and other Executive Directors of Nesta, under a Scheme of Delegation. All decisions above this threshold must be approved by the Board or its Committees. The Board has also reserved for itself certain important decisions, such as changes to the Articles, appointment of the Chief Executive and approval of the long-term objectives and strategy.

The Board has established a number of Committees with delegated authority to oversee aspects of Nesta’s activities. Each Board Committee has written Terms of Reference approved by the Board and reports to the Board at each Board meeting.

The main Board Committees which oversee the Trust are as follows:

**Audit & Risk Committee** which reviews the annual audit and statutory accounts, internal financial controls, risk management and compliance. The Committee met four times during the year.

**Trust Investment Committee** whose key responsibilities are to draw up the policies and objectives governing the investment of the assets of the Trust, to approve the making of investments within ranges set by the Board, to oversee their implementation and to monitor financial performance of the 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 certain programme related and mixed motive investments. The Committee met four times during the year.

The Trust’s core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust’s charitable objects.

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**Report of Trustee (continued)**

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**Structure, Governance and Management (continued)**

The Nesta Trust's Board is committed to adopting the principles set out in the Charity Governance Code (the 'Code'). In 2021, in accordance with good practice, external specialist consultants undertook a full governance and board effectiveness review of the Nesta Board and this also encompassed the role of that same board as the Nesta Trust Board. The report concluded that there is a "well functioning board that has led Nesta through significant change". The recommendations in the report aimed at further improving and refining the governance of Nesta and the Nesta Trust have been implemented and, in addition, the Nesta Trust's governance structures are regularly reviewed internally to ensure they continue to be best practice.

**Charitable objects**

The charitable objects of the Trust are detailed below:

For the public benefit:

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

The voluntary sector means charities and voluntary organisations.

- Charities are organisations, which are established for exclusively charitable purposes and registered with one of the charity commissions in the United Kingdom.
- Voluntary organisations are independent organisations, which are established for purposes that add value to the community, 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".

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**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Activities and Achievements**

The Trust's core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. Nesta carried out a variety of activities during the year to advance the charitable objects of the Trust; to bring great ideas to life, supporting individuals, charities, social enterprises, businesses and public organisations with financial and practical support. These activities and also its achievements, performance and future plans, are described in the consolidated Annual Report & Accounts of Nesta, available from 58 Victoria Embankment, London, EC4Y 0DS.

**Risk management policy**

The Trustee is responsible for the oversight of the risks faced by the Nesta group of entities, including the Trust.

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Audit & Risk Committee. The top-level organisational risk register is presented regularly to the Audit & Risk Committee and reviewed by the Board annually. Broader strategic risks including reputational risks are considered by the Executive Team collectively when they meet each quarter to review the top-level risk register for the organisation as a whole. Risks are assessed and controls established throughout the year. 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 and management reporting, and monitoring;
- formal written policies and hierarchical authorisation and approval levels; and
- internal audit services engagement with programmes selected for review which are informed by the risk register.

During the year the major risks for the Trust as assessed by management and reported to the Audit & Risk Committee and Board for review and comment, were as follows:

- Risk of failure to manage Trust investment assets within the constraints imposed by the Trust Deed, mitigated by implementing an investment strategy focused on ensuring the conditions of the Trust Deed are met.
- Risk that poor Trust investment returns put pressure on income to fund the activities of Nesta, mitigated by the implementation of an investment strategy with a diversification of asset classes, asset managers, investment strategies, and geographies; supported by on-going monitoring of investment managers and performance.

The Trustee is satisfied that the major risks identified through the risk management process are being adequately managed where necessary while recognising that any framework can provide reasonable but not absolute assurance. There were no significant control weaknesses identified by the Trustee or management during the year.

**Investment policy**

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.

**Investment policy (continued)**

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 Nesta Trust**  
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**Charity Commission no. 1144683**

**Report of Trustee (continued)**

“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; and
- 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).

**Financial Review**

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

Nesta Trust entered into an agreement on 16 July 2015 to purchase a long leasehold interest in a property located in London for £51 million. Practical completion took place on 26 September 2016, and the lease on the investment property will run until November 2162. The total amount shown in note 6 and below under investment properties is £66 million (2022: £81 million), which includes the investment property market valued at £53 million (2022: £61 million) and a £13 million property fund (2022: £20 million).

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2023**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

**Financial Review (continued)**

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                                   | Market Value of<br>Investment assets | Proportion of total<br>endowment assets | Market value of<br>investment assets | Proportion of total<br>endowment assets |
|-----------------------------------------------|--------------------------------------|-----------------------------------------|--------------------------------------|-----------------------------------------|
|                                               | 31 March 2023                        | 31 March 2023                           | 31 March 2022                        | 31 March 2022                           |
|                                               | £'000                                | %                                       | £'000                                | %                                       |
| <b>Current Assets:</b>                        |                                      |                                         |                                      |                                         |
| Cash                                          | 7,700                                | 2                                       | 5,385                                | 1                                       |
| <b>Fixed Asset Investments</b>                |                                      |                                         |                                      |                                         |
| <b>Equities and Private Equity:</b>           |                                      |                                         |                                      |                                         |
| 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                                       |
| <b>Fixed Income and Property:</b>             |                                      |                                         |                                      |                                         |
| 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 (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                                       |
| <b>Total Cash plus Fixed Asset Investment</b> | <b>423,904</b>                       | <b>100</b>                              | <b>465,717</b>                       | <b>100</b>                              |

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 objective 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 objective will be met until all investment managers have fully drawn down committed funds which is likely to take a number of years.

*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 10 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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2023**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Financial Review (continued)**

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%).

**Reserves policy**

Under the Trust Deed, the reserves policy is to provide sustainable funding to advance the charitable aims of the Trust, whilst holding reserves at sufficient levels with a view to maintaining the underlying assets above a market value of £260 million. At 31 March 2023 total fixed asset investments were £416 million (2022: £460 million) and reserves were £426 million (2022: £469 million).

**Future plans**

Nesta's Trustees agreed an 'in-principle' funding rule covering the year to 31 March 2023, allowing Nesta to draw down up to £21 million for operating expenditure in support of its strategic plan. Funding made available by Nesta Trust does not constitute a commitment until a drawdown request is made. A further £23 million (2022: £27 million) may be drawn down for Nesta investments for the period covering to 31 March 2026.

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee has not identified any material uncertainties. The Trustee has undertaken an assessment of the crisis in Ukraine and has not identified any additional risks. This included performing an assessment of the potential exposure to investments held directly or indirectly in entities which might be impacted by the crisis. The Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for a period of at least twelve months from when the financial statements are authorised for issue.

**Public Benefit Statement**

The Trustee confirms that, in exercising its powers and duties in relation to the Trust, it has had due regard to the Charity Commission's statutory guidance on public benefit. The Annual Report and Accounts of the Trustee give more detail of the activities undertaken by the Trustee to further the charitable purposes of the Trust for public benefit.

**Fundraising statement**

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities. The Trust 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.

**Auditor**

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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2023**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Statement of Trustee Responsibilities**

The Trustee is responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustee 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 charity law, the Trustee must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable it to ensure that the financial statements comply with the Charities Act 2011 and the provisions of the Trust Deed. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board of Trustees of Nesta in their capacity as Trustee of the Nesta Trust and authorised for issue on 29 November 2023 and signed on its behalf by Ed Richards, Chair of the Board of Trustees.

DocuSigned by:  
  
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Ed Richards  
Chairman, on behalf of the Board of Trustees

04 December 2023 | 6:44 PM GMT

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2023**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust**

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**Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2023 and of its 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 Charities Act 2011.

We have audited the financial statements of Nesta Trust ("the Charity") for the ended 31 March 2023 which comprise the Statement of Financial Activities, the Balance Sheet, the 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 Charity 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 Charity'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 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 themselves. 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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2023**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

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

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion;

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is inconsistent in any material respect with the financial statements; or
- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Trustees**

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charity'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 Charity 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 144 of the Charities Act 2011 in accordance with the Act 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 Charities Act 2011. 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. 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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2023**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Discussion with management and those charged with governance, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC or the Charity Commission for England and Wales to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Performing analytical procedures to identify unusual or unexpected relationships;
- assessing the design and implementation of the control environment to identify any areas of material weakness to focus the design of our testing;
- verification of a sample of expenditure to ensure that operational drawdowns are consistent with the Charity's objectives and are appropriately disclosed in the financial statements;
- challenging assumptions made by management in their significant accounting estimates, in particular in relation to the valuation of unlisted investments and investment property; 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's 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 Charity and the Charity'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 Condron  
 BDO LLP, statutory auditor  
 Gatwick, UK

11 December 2023

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

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Statement of Financial Activities**

**Charity Commission no. 1144683**

**For the year ended 31 March 2023**

|                                                  |             | <b>Expendable<br/>Endowment funds<br/>2023<br/>£'000</b> | <b>Expendable<br/>Endowment funds<br/>2022<br/>£'000</b> |
|--------------------------------------------------|-------------|----------------------------------------------------------|----------------------------------------------------------|
|                                                  | <b>Note</b> |                                                          |                                                          |
| <b>Income and endowments from:</b>               |             |                                                          |                                                          |
| Investment income                                | <b>2</b>    | 11,734                                                   | 9,537                                                    |
| <b>Total income</b>                              |             | <u>11,734</u>                                            | <u>9,537</u>                                             |
| <b>Expenditure on:</b>                           |             |                                                          |                                                          |
| <b>Raising funds</b>                             |             |                                                          |                                                          |
| Investment management costs                      | <b>3</b>    | 780                                                      | 749                                                      |
| <b>Total cost of raising funds</b>               |             | <u>780</u>                                               | <u>749</u>                                               |
| <b>Charitable activities</b>                     | <b>4</b>    | 25,772                                                   | 37,722                                                   |
| <b>Total Charitable activities</b>               |             | <u>25,772</u>                                            | <u>37,722</u>                                            |
| <b>Total Expenditure</b>                         |             | 26,552                                                   | 38,471                                                   |
| Net (loss) / gain on investments                 | <b>6</b>    | (27,526)                                                 | 26,008                                                   |
| <b>Net expenditure and net movement in funds</b> |             | (42,344)                                                 | (2,926)                                                  |
| <b>Reconciliation of funds</b>                   |             |                                                          |                                                          |
| Total funds brought forward                      |             | <u>468,564</u>                                           | <u>471,490</u>                                           |
| Total funds carried forward                      |             | <u>426,220</u>                                           | <u>468,564</u>                                           |

The Trust has no recognised gains or losses other than those passing through the Statement of Financial Activities.

All of the Trust's activities are derived from continuing operations.

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Balance Sheet**

**Charity Commission no. 1144683**

**As at 31 March 2023**

|                                                | <b>Note</b> | <b>2023<br/>£'000</b> | <b>2022<br/>£'000</b> |
|------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Fixed assets</b>                            |             |                       |                       |
| Investments                                    | <b>6</b>    | 416,204               | 460,332               |
| <b>Current assets</b>                          |             |                       |                       |
| Debtors                                        | <b>7</b>    | 3,403                 | 3,840                 |
| Cash at bank and in hand                       |             | 7,700                 | 5,385                 |
|                                                |             | <u>11,103</u>         | <u>9,225</u>          |
| <b>Current liabilities</b>                     |             |                       |                       |
| Creditors: amounts falling due within one year | <b>8</b>    | (1,087)               | (993)                 |
| <b>Net current assets</b>                      |             | <u>10,016</u>         | <u>8,232</u>          |
| <b>Total assets less current liabilities</b>   |             | <u>426,220</u>        | <u>468,564</u>        |
| <b>Net assets</b>                              |             | <u>426,220</u>        | <u>468,564</u>        |
| <b>Charitable funds</b>                        |             |                       |                       |
| Endowment funds                                |             | 426,220               | 468,564               |
| <b>Total funds</b>                             | <b>9</b>    | <u>426,220</u>        | <u>468,564</u>        |

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Approved by the Board of Trustees of Nesta in their capacity as Trustee of The Nesta Trust and authorised for issue on 29 November 2023 and signed on its behalf by Ed Richards, Chairman of the Board of Trustees.

DocuSigned by:

*Ed Richards*

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 Ed Richards

Chairman, on behalf of the Board of Trustees

04 December 2023 | 6:44 PM GMT

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Cash Flow Statement**

**Charity Commission no. 1144683**

**For the year ended 31 March 2023**

|                                                                                        | <b>Note</b> | <b>2023<br/>£'000</b> | <b>2022<br/>£'000</b> |
|----------------------------------------------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities:</b>                                           |             |                       |                       |
| Net cash used in operating activities                                                  | <b>a</b>    | (25,241)              | (36,981)              |
| <b>Cash flows from investing activities</b>                                            |             |                       |                       |
| Net cash provided by investing activities                                              | <b>b</b>    | 27,556                | 32,524                |
| <b>Change in cash and cash equivalents</b>                                             |             | <u>2,315</u>          | <u>(4,457)</u>        |
| <b>Cash and cash equivalents at 1 April</b>                                            |             | <u>5,385</u>          | <u>9,842</u>          |
| <b>Cash and cash equivalents at 31 March</b>                                           |             | <u>7,700</u>          | <u>5,385</u>          |
| <b>Cash flow statement notes:</b>                                                      |             |                       |                       |
| <b>a) Reconciliation of net expenditure to net cash flow from operating activities</b> |             |                       |                       |
| Net expenditure                                                                        |             | (42,344)              | (2,926)               |
| Net loss / (gain) on investments                                                       |             | 27,526                | (26,008)              |
| Interest, dividends and rent received                                                  |             | (11,734)              | (9,537)               |
| Investment fees                                                                        |             | 780                   | 749                   |
| Decrease in debtors                                                                    |             | 437                   | 784                   |
| Increase / (decrease) in creditors                                                     |             | 94                    | (43)                  |
|                                                                                        |             | <u>(25,241)</u>       | <u>(36,981)</u>       |
| <b>b) Cash flows from investing activities</b>                                         |             |                       |                       |
| Interest and dividends received                                                        |             | 11,734                | 9,537                 |
| Investment fees                                                                        |             | (780)                 | (749)                 |
| <i>Quoted Investments:</i> Additions                                                   |             | (6,038)               | (43,264)              |
| Disposals                                                                              |             | 155,389               | 60,139                |
| <i>Unquoted Investments:</i> Additions                                                 |             | (141,658)             | (553)                 |
| Disposals                                                                              |             | 5,458                 | 7,353                 |
| <i>Property Investments:</i> Additions                                                 |             | (80)                  | -                     |
| Disposals                                                                              |             | 3,531                 | 61                    |
|                                                                                        |             | <u>27,556</u>         | <u>32,524</u>         |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts**

**Charity Commission no. 1144683**

**For the year ended 31 March 2023**

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**1. Accounting policies**

**a) Basis of preparation**

The financial statements are prepared under the historical cost convention, modified by the revaluation of quoted and unquoted investments and property revaluations. They have been prepared on a going concern basis and in compliance with 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, applicable UK accounting standards (FRS 102) and the Charities Act 2011.

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee has not identified any material uncertainties. The Trustee has undertaken an assessment of the crisis in Ukraine and has not identified any additional risks. This included performing an assessment of the potential exposure to investments held directly or indirectly in entities which might be impacted by the crisis. The Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for a period of at least twelve months from when the financial statements are authorised for issue.

**b) Fund accounting**

The funds of the Trust are held without distinction as to capital and income and can be applied in furtherance of the objects. As a result these are held as an expendable endowment.

**c) Income**

All income is accounted for when the Charity is entitled to the income, the amount can be quantified with reasonable accuracy and the receipt of the income is probable. Investment income includes interest, dividends and rental income from investment assets and deposits, with any associated tax credits or recoverable taxation, and included in the Statement of Financial Activities on an accruals basis.

**d) Expenditure**

Expenditure is accounted for on an accruals basis. Support costs are comprised of Governance costs which include direct expenditure attributable to maintaining the public accountability of the Trust and compliance with regulation and good practice. Investment management costs include investment fund manager fees which are grossed up where they are offset against the fund's value rather than payable in cash, dilution levies, investment consultancy and custodian fees. Irrecoverable VAT incurred is allocated to the expenditure category to which it relates.

**e) Fixed assets - investments**

Financial investment assets are grouped into *Equities and Private Equity; Fixed Income and Property; and Mixed Motive Investments*. Within these groupings are a mixture of quoted investments, unquoted investments and property (both sole ownership of a physical building and partial ownership of an investment in a property fund) as disclosed in note 6.

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

The Investment property is held at fair value with gains being recognised in the Statement of Financial Activities. The property is valued annually by an independent qualified property valuation organisation in compliance with the RICS Valuation – Global Standards.

Cash, short-term deposits and investments to be disposed of within 12 months of the Balance Sheet date are presented in the Balance Sheet as current assets. All other financial assets are presented as fixed assets.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2023**

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

The carrying value of all investments is at market value. Investment gains and losses, whether realised or unrealised are credited or charged to net gains or losses on investments in the Statement of Financial Activities. Market value is established by using valuation guidelines as detailed below:

*I. Valuation - quoted investments:*

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

Equity investments, bonds, and property investments 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 managers.

*II. Valuation - unquoted investments:*

Unquoted investments are held through funds managed by dedicated investment managers. These funds are included at the most recent valuations provided by the private equity managers.

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

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

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2023**

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

**II. Valuation - unquoted investments: (continued)**

An estimated value of investments in early-stage funds is calculated as the Trust's share of partnership net asset value as stated in the last audited financial statements of each investment fund. Contributions made by the Trust in any period between the date of a fund's Balance Sheet date and the Trust'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 Trust or management support costs are not included in valuations and are charged to expenditure in the period in which they are incurred.

**III. Treatment - Unquoted investments:**

Investments or contributions to funds to date are recognised in full in the Balance Sheet. Undrawn commitments are disclosed by way of note.

**f) Significant estimates**

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent liabilities at the Balance Sheet date. Actual outcomes could differ from those estimates. This is especially the case of the valuation of the Trust'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 and this investment type represents only 3% (2022: 3%) of total investments.

**g) Debtors**

Debtors 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.

**h) Creditors**

Creditors are recognised when the Trust 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.

**i) Related party transactions**

Transactions with related parties are disclosed in the notes to the accounts.

**j) Taxation**

The Trust is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the Trust is 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 year.

**k) Exchange gains and losses**

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

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Notes to the Accounts (continued)

Charity Commission no. 1144683

For the year ended 31 March 2023

| 2. Investment income                   | 2023   | 2022  |
|----------------------------------------|--------|-------|
|                                        | £'000  | £'000 |
| Quoted investments                     |        |       |
| Interest and dividends receivable      | 5,233  | 6,964 |
| Unquoted investments                   |        |       |
| Rental income                          | 2,506  | 2,506 |
| Interest and dividends receivable      | 3,988  | 67    |
| Total income from unquoted investments | 6,494  | 2,573 |
| Bank interest                          | 7      | -     |
| Total investment income                | 11,734 | 9,537 |
|                                        |        |       |
| 3. Investment management costs         | 2023   | 2022  |
|                                        | £'000  | £'000 |
| Investment manager fees                | 715    | 684   |
| Custodian fees                         | 65     | 65    |
|                                        | 780    | 749   |

Investment manager fees include those paid for in cash and those offset against the relevant fund's value.

| 4. Charitable activities              | 2023    | 2022    |
|---------------------------------------|---------|---------|
|                                       | £'000   | £'000   |
| Nesta Drawdown - operational          | 20,000  | 19,800  |
| Nesta Drawdown - investments          | 6,908   | 19,141  |
| Nesta Drawdown - other                | 200     | -       |
| Nesta Drawdown - investment repayment | (1,876) | (1,536) |
| Consultancy and professional          | 195     | 126     |
| Governance and Protector fees         | 31      | 11      |
| Other                                 | 314     | 180     |
|                                       | 25,772  | 37,722  |

In accordance with the Trust Deed, the Trust's core activity is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. The Board of Trustees of Nesta has agreed a total maximum operational drawdown of £21 million for the year ended 31 March 2023 to deliver the charitable aims of the Trust as well as a specific amount to be applied against Nesta's commitment to the Impact Investment Fund and other investments which are held on Nesta's Balance Sheet. If Nesta disposes of an investment which was funded via a drawdown from the Trust, the funds are returned to the Trust and disclosed in the note above as 'Nesta Drawdown - investment repayment'.

The auditor's remuneration for the year was £22,400 (2022: £15,250).

Included in other is a foreign exchange difference loss of £8,657 (2022: gain £122,587).

5. Staff costs

There were no employees during the year or the previous year. All staff are employed by Nesta. None of the Trustees, or any person connected with them received any remuneration during the year nor were any reimbursed for any expenses.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

Charity Commission no. 1144683

For the year ended 31 March 2023

**6. Investments**

|                                          |                 | Market/<br>fair value<br>at<br>1 April<br>2022<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>market<br>value<br>£'000 | Net<br>gains and<br>(losses)<br>£'000 | Total<br>market/<br>fair value<br>at 31<br>March<br>2023<br>£'000 |
|------------------------------------------|-----------------|---------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|
| <b>Equities and Private Equity</b>       | <b>Category</b> |                                                         |                               |                                                                       |                                       |                                                                   |
| Global Equities                          | <i>Quoted</i>   | 211,846                                                 | -                             | (72,974)                                                              | (3,656)                               | <b>135,216</b>                                                    |
| UK Small Cap                             | <i>Quoted</i>   | 37,413                                                  | 5,790                         | (5,784)                                                               | (5,068)                               | <b>32,351</b>                                                     |
| Emerging Markets                         | <i>Quoted</i>   | 28,393                                                  | -                             | -                                                                     | (1,801)                               | <b>26,592</b>                                                     |
| Infrastructure Equity                    | <i>Unquoted</i> | -                                                       | 18,551                        | -                                                                     | 1,133                                 | <b>19,684</b>                                                     |
| Private equity funds                     | <i>Unquoted</i> | 5,075                                                   | 180                           | (1,564)                                                               | 169                                   | <b>3,860</b>                                                      |
| <b>Total Equities and Private Equity</b> |                 | <b>282,727</b>                                          | <b>24,521</b>                 | <b>(80,322)</b>                                                       | <b>(9,223)</b>                        | <b>217,703</b>                                                    |
| <b>Fixed Income and Property</b>         |                 |                                                         |                               |                                                                       |                                       |                                                                   |
| Multi-Asset Credit                       | <i>Unquoted</i> | -                                                       | 65,000                        | -                                                                     | (2,267)                               | <b>62,733</b>                                                     |
| Asset-Backed Securities                  | <i>Unquoted</i> | -                                                       | 43,700                        | -                                                                     | (653)                                 | <b>43,047</b>                                                     |
| Private Debt (Corporate)                 | <i>Unquoted</i> | -                                                       | 2,926                         | -                                                                     | (54)                                  | <b>2,872</b>                                                      |
| Private Debt (Infrastructure)            | <i>Unquoted</i> | -                                                       | 11,090                        | (2,853)                                                               | 402                                   | <b>8,639</b>                                                      |
| Property                                 | <i>Property</i> | 81,073                                                  | 80                            | (3,531)                                                               | (11,522)                              | <b>66,100</b>                                                     |
| Fixed income                             | <i>Quoted</i>   | 40,367                                                  | 30                            | (38,710)                                                              | (1,687)                               | -                                                                 |
| Bonds                                    | <i>Quoted</i>   | 39,244                                                  | 218                           | (37,921)                                                              | (1,518)                               | <b>23</b>                                                         |
| <b>Total Fixed Income and Property</b>   |                 | <b>160,684</b>                                          | <b>123,044</b>                | <b>(83,015)</b>                                                       | <b>(17,299)</b>                       | <b>183,414</b>                                                    |
| <b>Mixed Motive Investments</b>          |                 |                                                         |                               |                                                                       |                                       |                                                                   |
| Investment in early stage companies      | <i>Unquoted</i> | 14,173                                                  | 211                           | -                                                                     | (826)                                 | <b>13,558</b>                                                     |
| Investment in early stage funds          | <i>Unquoted</i> | 2,748                                                   | -                             | (1,041)                                                               | (178)                                 | <b>1,529</b>                                                      |
| <b>Total Mixed Motive Investments</b>    |                 | <b>16,921</b>                                           | <b>211</b>                    | <b>(1,041)</b>                                                        | <b>(1,004)</b>                        | <b>15,087</b>                                                     |
| <b>Total fixed asset investments</b>     |                 | <b>460,332</b>                                          | <b>147,776</b>                | <b>(164,378)</b>                                                      | <b>(27,526)</b>                       | <b>416,204</b>                                                    |

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).

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Annual Report and Financial Statements  
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Charity Commission no. 1144683

For the year ended 31 March 2023

| 6. Investments (continued)              |  | Market/<br>fair value<br>at<br>1 April<br>2021<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>market<br>value<br>£'000 | Net<br>gains and<br>(losses)<br>£'000 | Total<br>market/<br>fair value<br>at 31<br>March<br>2022<br>£'000 |
|-----------------------------------------|--|---------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|
| <b>Quoted investments</b>               |  |                                                         |                               |                                                                       |                                       |                                                                   |
| Equities                                |  | 271,477                                                 | 38,810                        | (55,800)                                                              | 23,165                                | <b>277,652</b>                                                    |
| Fixed income                            |  | 42,860                                                  | 129                           | -                                                                     | (2,622)                               | <b>40,367</b>                                                     |
| Bonds                                   |  | 42,112                                                  | 4,325                         | (4,339)                                                               | (2,854)                               | <b>39,244</b>                                                     |
| <b>Total quoted investments</b>         |  | <b>356,449</b>                                          | <b>43,264</b>                 | <b>(60,139)</b>                                                       | <b>17,689</b>                         | <b>357,263</b>                                                    |
| <b>Unquoted investments</b>             |  |                                                         |                               |                                                                       |                                       |                                                                   |
| Managed funds                           |  |                                                         |                               |                                                                       |                                       |                                                                   |
| Private equity funds                    |  | 5,618                                                   | 308                           | (3,575)                                                               | 2,724                                 | <b>5,075</b>                                                      |
| Mixed motive investments                |  |                                                         |                               |                                                                       |                                       |                                                                   |
| Investment in early-<br>stage companies |  | 13,824                                                  | 245                           | (1,133)                                                               | 1,237                                 | <b>14,173</b>                                                     |
| Investment in early-<br>stage funds     |  | 4,514                                                   | -                             | (2,645)                                                               | 879                                   | <b>2,748</b>                                                      |
| <b>Total unquoted investments</b>       |  | <b>23,956</b>                                           | <b>553</b>                    | <b>(7,353)</b>                                                        | <b>4,840</b>                          | <b>21,996</b>                                                     |
| <b>Investment properties</b>            |  | <b>77,655</b>                                           | <b>-</b>                      | <b>(61)</b>                                                           | <b>3,479</b>                          | <b>81,073</b>                                                     |
| <b>Total fixed asset investments</b>    |  | <b>458,060</b>                                          | <b>43,817</b>                 | <b>(67,553)</b>                                                       | <b>26,008</b>                         | <b>460,332</b>                                                    |

**The Nesta Trust**  
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**For the year ended 31 March 2023**

| <b>7. Debtors</b> | <b>2023</b>  | <b>2022</b>  |
|-------------------|--------------|--------------|
|                   | <b>£'000</b> | <b>£'000</b> |
| Accrued income    | 3,403        | 3,788        |
| Other debtors     | -            | 52           |
|                   | <u>3,403</u> | <u>3,840</u> |

Accrued income of £3.4 million (2022: £3.8 million) relates to accrued rental income due from the Trust's parent Nesta for 58 Victoria Embankment.

| <b>8. Creditors: amounts falling due within one year</b> | <b>2023</b>  | <b>2022</b>  |
|----------------------------------------------------------|--------------|--------------|
|                                                          | <b>£'000</b> | <b>£'000</b> |
| Accruals                                                 | 157          | 128          |
| Deferred income                                          | 723          | 723          |
| VAT payable                                              | 136          | 127          |
| Trade creditors                                          | 71           | 15           |
|                                                          | <u>1,087</u> | <u>993</u>   |

Deferred income of £0.7 million (2022: £0.7 million) relates to rental income, which is invoiced quarterly in advance, from the Trust's parent Nesta for 58 Victoria Embankment.

| <b>9. Funds</b>                  | <b>2023</b>    | <b>2022</b>    |
|----------------------------------|----------------|----------------|
|                                  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Expendable endowment fund</b> |                |                |
| As at 1 April                    | 468,564        | 471,490        |
| Net expenditure                  | (14,818)       | (28,934)       |
| Net (loss) / gain on investments | (27,526)       | 26,008         |
| <b>Balance at 31 March</b>       | <u>426,220</u> | <u>468,564</u> |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2023**

**10. Commitments**

Investments or contributions to funds that have been contracted but not yet drawn down are shown in the commitments below:

|                                     | <b>At 1 April<br/>2022<br/>£'000</b> | <b>Additions<br/>£'000</b> | <b>Decommitted<br/>£'000</b> | <b>Drawn<br/>down<br/>£'000</b> | <b>At 31 March<br/>2023<br/>£'000</b> |
|-------------------------------------|--------------------------------------|----------------------------|------------------------------|---------------------------------|---------------------------------------|
| Investment Funds                    | 2,743                                | 75,546                     | -                            | (29,894)                        | 48,395                                |
| Nesta-programme related investments | 26,507                               | 2,858                      | -                            | (6,201)                         | 23,164                                |
|                                     | <b>29,250</b>                        | <b>78,404</b>              | <b>-</b>                     | <b>(36,095)</b>                 | <b>71,559</b>                         |

|                                     | <b>At 1 April<br/>2021<br/>£'000</b> | <b>Additions<br/>£'000</b> | <b>Decommitted<br/>£'000</b> | <b>Drawn<br/>down<br/>£'000</b> | <b>At 31 March<br/>2022<br/>£'000</b> |
|-------------------------------------|--------------------------------------|----------------------------|------------------------------|---------------------------------|---------------------------------------|
| Investment Funds                    | 5,789                                | -                          | (2,738)                      | (308)                           | 2,743                                 |
| Investment in early-stage funds     | 9                                    | -                          | (5)                          | (4)                             | -                                     |
| Nesta-programme related investments | 5,000                                | 25,512                     | -                            | (4,005)                         | 26,507                                |
|                                     | <b>10,798</b>                        | <b>25,512</b>              | <b>(2,743)</b>               | <b>(4,317)</b>                  | <b>29,250</b>                         |

Commitments made to investment funds are expected to be fully drawn by June 2027. Commitments made to Nesta for programme related investments are expected to be fully drawn by March 2026.

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

**11. Operating lease commitments**

At 31 March 2023 the Trust continued the agreement with Nesta to lease part of 58 Victoria Embankment. The total future minimum lease payments under non-cancellable operating leases which are calculated based on the rental notice period are as follows:

|                                  | <b>Due<br/>within<br/>one year<br/>£'000</b> | <b>Due<br/>within two<br/>to five years<br/>£'000</b> | <b>Due<br/>more than<br/>five years<br/>£'000</b> |
|----------------------------------|----------------------------------------------|-------------------------------------------------------|---------------------------------------------------|
| Rental of 58 Victoria Embankment | 2,891                                        | 11,564                                                | 10,657                                            |
|                                  | <b>2,891</b>                                 | <b>11,564</b>                                         | <b>10,657</b>                                     |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2023**

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**12. *Related party transactions***

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

**13. *Control***

The Trust is controlled by Nesta (Charity no. 1144091; Companies House no. 07706036; Scottish Charity Regulator no. SC042833), which is the ultimate parent company by virtue of being Sole Trustee. Nesta is the parent undertaking of the smallest and largest group for which accounts are drawn up, and which the Company is a member. The accounts are available to the public from 58 Victoria Embankment, London, EC4Y 0DS.

**14. *Events after the end of the reporting period***

There were no events after the end of the reporting period which require disclosure.

**THE NESTA TRUST**

England & Wales - Charity number 1144683

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# Accounts

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# **The Nesta Trust**

## ***Annual Report and Financial Statements***

Year ended 31 March 2022

Charity Commission registered number 1144683

**The Nesta Trust**  
**Annual Report and Financial Statements**  
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**Charity Commission no. 1144683**

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Annual Report and Financial Statements  
For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**General Information**

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|                                             |                                                                                                         |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------|
| <b>Trustee</b>                              | Nesta<br>Charity no. 1144091<br>Companies House no. 07706036<br>Scottish Charity Regulator no. SC042833 |
| <b>Protector</b>                            | James Sinclair Taylor ( <i>until 31 March 2022</i> )                                                    |
| <b>Address</b>                              | 58 Victoria Embankment<br>London<br>EC4Y 0DS                                                            |
| <b>Charity Commission registered number</b> | 1144683                                                                                                 |
| <b>Independent Auditor</b>                  | BDO LLP<br>2 City Place<br>Beehive Ring Road<br>Gatwick<br>West Sussex<br>RH6 0PA                       |
| <b>Internal Auditor</b>                     | Grant Thornton UK LLP<br>30 Finsbury Square<br>London<br>EC2A 1AG                                       |
| <b>Principal bankers</b>                    | Lloyds Bank<br>39 Threadneedle Street<br>London<br>EC2R 8AU                                             |

**The Nesta Trust**  
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**Charity Commission no. 1144683**

**Report of Trustee**

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**Structure, Governance and Management**

Nesta and the Nesta Trust were established and registered as charities in 2011 to act as successor bodies to the National Endowment for Science, Technology and the Arts (“NESTA”). NESTA was a non-departmental public body established in 1998 with a statutory remit to promote talent, creativity and innovation in science, technology and the arts and with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta, registered charity no. 1144091 and to the Nesta Trust (“the Trust”). The Trust holds the expendable endowment and Nesta, its sole trustee, uses returns from the Trust to pursue the charitable objects of the Trust.

The Trust was established by a Trust Deed on 22 September 2011. The Trust Deed appointed Nesta as sole Trustee of the Trust. It was registered as a charity in England and Wales by the Charity Commission with charity number 1144683 on 16 November 2011.

The Trust has a Protector appointed by the Secretary of State for 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 is underway and is expected to take several months to conclude. In the interim period, it has been agreed with the Secretary of State for Business, Energy & Industrial Strategy that James Sinclair Taylor shall become a governance adviser of the Trust with the same responsibilities and powers as the Protector.

Nesta is a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator (OSCR). Its Trustees are both directors and members of the company. Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. Sir John Gieve came to the end of his term as Chair of the Board at 31 March 2022. Ed Richards was appointed the new Chair of Trustees on 1 April 2022. The Board met six times in the year with members of the Executive Team also present. The Protector of the Trust is also entitled to attend all meetings.

The Board has delegated approval for decisions up to certain financial thresholds to the Chief Executive and other Executive Directors of Nesta, under a Scheme of Delegation. All decisions above this threshold must be approved by the Board or its Committees. The Board has also reserved for itself certain important decisions, such as changes to the Articles, appointment of the Chief Executive and approval of the long-term objectives and strategy.

The Board has established a number of Committees with delegated authority to oversee aspects of Nesta’s activities. Each Board Committee has written Terms of Reference approved by the Board and reports to the Board at each Board meeting.

The main Board Committees which oversee the Trust are as follows:

**Audit & Risk Committee** which reviews the annual audit and statutory accounts, internal financial controls, risk management and compliance. The Committee met four times during the year.

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

**Venture Investment Committee** which manages the Trust’s portfolio of interests in early-stage companies and certain programme related and mixed motive investments. The Committee met ten times during the year.

The Trust’s core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust’s charitable objects.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Structure, Governance and Management (continued)**

The Nesta Trust's Board is committed to adopting the principles set out in the Charity Governance Code (the 'Code'). In accordance with good practice, external specialist consultants undertook a full governance and board effectiveness review of the Nesta Board and this also encompassed the role of that same board as the Nesta Trust Board. The report concluded that there is a "well functioning board that has led Nesta through significant change". The recommendations in the report aimed at further improving and refining the governance of Nesta and the Nesta Trust are being implemented and, in addition, the Nesta Trust's governance structures are regularly reviewed internally to ensure they continue to be best practice.

**Charitable objects**

The charitable objects of the Trust are detailed below:

For the public benefit:

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

The voluntary sector means charities and voluntary organisations.

- Charities are organisations, which are established for exclusively charitable purposes and registered with one of the charity commissions in the United Kingdom.
- Voluntary organisations are independent organisations, which are established for purposes that add value to the community, 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".

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Activities and Achievements**

The Trust's core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. Nesta carried out a variety of activities during the year to advance the charitable objects of the Trust; to bring great ideas to life, supporting individuals, charities, social enterprises, businesses and public organisations with financial and practical support. These activities and also its achievements, performance and future plans, are described in the consolidated Annual Report & Accounts of Nesta, available from 58 Victoria Embankment, London, EC4Y 0DS.

**Risk management policy**

The Trustee is responsible for the oversight of the risks faced by the Nesta group of entities, including the Trust.

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Audit & Risk Committee. The top-level organisational risk register is presented regularly to the Audit & Risk Committee and reviewed by the Board annually. Broader strategic risks including reputational risks are considered by the Executive Team collectively when they meet each quarter to review the top-level risk register for the organisation as a whole. Risks are assessed and controls established throughout the year. 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 and management reporting, and monitoring;
- formal written policies and hierarchical authorisation and approval levels; and
- internal audit services engagement with programmes selected for review which are informed by the risk register.

During the year the major risks for the Trust as assessed by management and reported to the Audit & Risk Committee and Board for review and comment, were as follows:

- Risk of failure to manage Trust investment assets within the constraints imposed by the Trust Deed, mitigated by implementing an investment strategy focused on ensuring the conditions of the Trust Deed are met.
- Risk that poor Trust investment returns put pressure on income to fund the activities of Nesta, mitigated by the implementation of an investment strategy with a diversification of asset classes, asset managers, investment strategies, and geographies; supported by on-going monitoring of investment managers and performance.

The Trustee is satisfied that the major risks identified through the risk management process are being adequately managed where necessary while recognising that any framework can provide reasonable but not absolute assurance. There were no significant control weaknesses identified by the Trustee or management during the year.

**Investment policy**

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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Investment policy (continued)**

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; and
- 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 March 2021. 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.

**Financial Review**

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

Nesta Trust entered into an agreement on 16 July 2015 to purchase a long leasehold interest in a property located in London for £51 million. Practical completion took place on 26 September 2016, and the lease on the investment property will run until November 2162. The total amount shown in note 6 and below under investment properties is £81 million (2021: £78 million), which includes the investment property market valued at £61 million (2021: £61 million) and a £20 million property fund (2021: £17 million).

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

**Financial Review (continued)**

During the year ended 31 March 2022, the value of Trust investments and cash decreased by £2 million to £466 million (2021: £468 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 £2 million decrease can be seen in the table below:

| Asset Class                                                                  | Market Value of<br>Investment assets | Proportion of total<br>endowment assets | Market value of<br>investment assets | Proportion of total<br>endowment assets |
|------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------|--------------------------------------|-----------------------------------------|
|                                                                              | <b>31 March 2022</b>                 | <b>31 March 2022</b>                    | 31 March 2021                        | 31 March 2021                           |
|                                                                              | <b>£'000</b>                         | <b>%</b>                                | <b>£'000</b>                         | <b>%</b>                                |
| <i>Current assets:</i>                                                       |                                      |                                         |                                      |                                         |
| Cash                                                                         | 5,385                                | 1                                       | 9,842                                | 2                                       |
| <i>Fixed asset investments:</i>                                              |                                      |                                         |                                      |                                         |
| Private equity funds                                                         | 5,075                                | 1                                       | 5,618                                | 1                                       |
| Equities – UK                                                                | 37,412                               | 8                                       | 39,100                               | 8                                       |
| Equities – Overseas                                                          | 240,443                              | 52                                      | 232,377                              | 50                                      |
| Bonds and Fixed Income                                                       | 79,611                               | 17                                      | 84,972                               | 18                                      |
| Early-stage venture portfolio*                                               | 16,718                               | 4                                       | 18,338                               | 4                                       |
| Investment properties                                                        | 81,073                               | 17                                      | 77,655                               | 17                                      |
| <i>Total Fixed asset investments</i>                                         | <i>460,332</i>                       | <i>99</i>                               | <i>458,060</i>                       | <i>98</i>                               |
| <b>Total Cash plus Fixed asset investment</b>                                | <b>465,717</b>                       | <b>100</b>                              | <b>467,902</b>                       | <b>100</b>                              |
| *Mixed motive investments – see Note 6 of the accounts for further breakdown |                                      |                                         |                                      |                                         |

Actions taken during the year included the following:

*Strategic review*

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

*Equities performance*

Strategic allocation to equities increased to 60 per cent (2021: 58 per cent) during the year which, together with market conditions, resulted in an increase in the valuation to £278 million as at 31 March 2022 (2021: £271 million). During the year £17 million of equities were sold (2021: £24m), of which £nil (2021: £6 million) was reinvested in other alternative asset classes in order to rebalance the portfolio, with the remainder being used to ensure the Trust had sufficient cash to fund day to day activities.

*Managing holdings of alternative asset classes*

A £3 million financial commitment remains outstanding for alternative asset classes as disclosed in Note 10 to these Financial Statements (2021: £6 million).

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

The early-stage venture portfolio includes equity investments in 7 (2021: 12) early-stage companies, and 3 (2021: 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. There were net gains of £2 million (2021: £2 million) recognised in the year applying the valuation methodology which remains unchanged from previous years and is detailed in Note 1e to these Accounts.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Financial Review (continued)**

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £0.75m (2021: £0.83m) 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 0.5% of the average asset value over the year (2021: 0.5%).

**Reserves policy**

Under the Trust Deed, the reserves policy is to provide sustainable funding to advance the charitable aims of the Trust, whilst holding reserves at sufficient levels with a view to maintaining the underlying assets above a market value of £260 million. At 31 March 2022 total fixed asset investments were £460 million (2021: £458 million) and reserves were £469 million (2021: £472 million).

**Future plans**

Nesta's Trustees agreed an 'in-principle' funding rule covering the year to 31 March 2023, allowing Nesta to draw down up to £20 million for operating expenditure in support of its strategic plan. Funding made available by Nesta Trust does not constitute a commitment until a drawdown request is made. A further £27 million may be drawn down for Nesta investments for the period covering to 31 March 2026.

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee has not identified any material uncertainties. The Trustee has undertaken an assessment of the crisis in Ukraine and has not identified any additional risks. This included performing an assessment of the potential exposure to investments held directly or indirectly in entities which might be impacted by the crisis. The Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for a period of at least twelve months from when the financial statements are authorised for issue.

**Public Benefit Statement**

The Trustee confirms that, in exercising its powers and duties in relation to the Trust, it has had due regard to the Charity Commission's statutory guidance on public benefit. The Annual Report and Accounts of the Trustee give more detail of the activities undertaken by the Trustee to further the charitable purposes of the Trust for public benefit.

**Fundraising statement**

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities. The Trust 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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Statement of Trustee Responsibilities**

The Trustee is responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustee 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 charity law, the Trustee must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable it to ensure that the financial statements comply with the Charities Act 2011 and the provisions of the Trust Deed. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board of Trustees of Nesta in their capacity as Trustee of the Nesta Trust and authorised for issue on 7 December 2022 and signed on its behalf by Ed Richards, Chair of the Board of Trustees.

DocuSigned by:  
  
3B5FA773123646B...

Ed Richards  
Chairman, on behalf of the Board of Trustees

13 December 2022 | 3:09 PM GMT

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

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**Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2022 and of its 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 Charities Act 2011.

We have audited the financial statements of The Nesta Trust ("the Charity") for the year ended 31 March 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the 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 Charity 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 Charity'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 other information comprises the information included in the Annual Report and financial statements, 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 themselves. 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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

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

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion;

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is inconsistent in any material respect with the financial statements; or
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Trustees**

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charity'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 Charity 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 144 of the Charities Act 2011 and report in accordance with the Act[s] 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 Charities Act 2011. 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. 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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

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

*Extent to which the audit was capable of detecting irregularities, including fraud (continued)*

Audit procedures performed included:

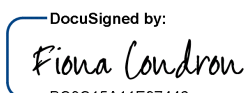
- discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC or the Charity Commission for England and Wales 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;
- verification of a sample of grant expenditure to ensure that the awards are consistent with the Charity's objectives and any grants to related parties are appropriately disclosed in the financial statements;
- challenging assumptions made by management in their significant accounting estimates, in particular in relation to the valuation of unlisted investments and investment property; 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's 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 Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
 BG8C15A41E97446  
 BDO LLP, Statutory Auditor  
 Gatwick, UK

Date 13 December 2022

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

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

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Statement of Financial Activities**

**Charity Commission no. 1144683**

**For the year ended 31 March 2022**

|                                                             |             | <b>Expendable<br/>Endowment funds<br/>2022<br/>£'000</b> | <b>Expendable<br/>Endowment funds<br/>2021<br/>£'000</b> |
|-------------------------------------------------------------|-------------|----------------------------------------------------------|----------------------------------------------------------|
|                                                             | <b>Note</b> |                                                          |                                                          |
| <b>Income and endowments from:</b>                          |             |                                                          |                                                          |
| Investment income                                           | <b>2</b>    | 9,537                                                    | 10,203                                                   |
| <b>Total income</b>                                         |             | <b>9,537</b>                                             | <b>10,203</b>                                            |
| <b>Expenditure on:</b>                                      |             |                                                          |                                                          |
| <b>Raising funds</b>                                        |             |                                                          |                                                          |
| Investment management costs                                 | <b>3</b>    | 749                                                      | 833                                                      |
| <b>Total cost of raising funds</b>                          |             | <b>749</b>                                               | <b>833</b>                                               |
| <b>Charitable activities</b>                                | <b>4</b>    | <b>37,722</b>                                            | <b>28,484</b>                                            |
| <b>Total Charitable activities</b>                          |             | <b>37,722</b>                                            | <b>28,484</b>                                            |
| <b>Total Expenditure</b>                                    |             | <b>38,471</b>                                            | <b>29,317</b>                                            |
| Net gain on investments                                     | <b>6</b>    | 26,008                                                   | 88,671                                                   |
| <b>Net (expenditure) / income and net movement in funds</b> |             | <b>(2,926)</b>                                           | <b>69,557</b>                                            |
| <b>Reconciliation of funds</b>                              |             |                                                          |                                                          |
| Total funds brought forward                                 |             | <b>471,490</b>                                           | <b>401,933</b>                                           |
| Total funds carried forward                                 |             | <b>468,564</b>                                           | <b>471,490</b>                                           |

The Trust has no recognised gains or losses other than those passing through the Statement of Financial Activities.

All of the Trust's activities are derived from continuing operations.

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Balance Sheet**

**Charity Commission no. 1144683**

**As at 31 March 2022**

|                                                | <b>Note</b> | <b>2022<br/>£'000</b> | <b>2021<br/>£'000</b> |
|------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Fixed assets</b>                            |             |                       |                       |
| Investments                                    | <b>6</b>    | 460,332               | 458,060               |
| <b>Current assets</b>                          |             |                       |                       |
| Debtors                                        | <b>7</b>    | 3,840                 | 4,624                 |
| Cash at bank and in hand                       |             | 5,385                 | 9,842                 |
|                                                |             | <u>9,225</u>          | <u>14,466</u>         |
| <b>Current liabilities</b>                     |             |                       |                       |
| Creditors: amounts falling due within one year | <b>8</b>    | (993)                 | (1,036)               |
| <b>Net current assets</b>                      |             | <u>8,232</u>          | <u>13,430</u>         |
| <b>Total assets less current liabilities</b>   |             | <u>468,564</u>        | <u>471,490</u>        |
| <b>Net assets</b>                              |             | <u>468,564</u>        | <u>471,490</u>        |
| <b>Charitable funds</b>                        |             |                       |                       |
| Endowment funds                                |             | 468,564               | 471,490               |
| <b>Total funds</b>                             | <b>9</b>    | <u>468,564</u>        | <u>471,490</u>        |

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Approved by the Board of Trustees of Nesta in their capacity as Trustee of The Nesta Trust and authorised for issue on 7 December 2022 and signed on its behalf by Ed Richards, Chairman of the Board of Trustees.

DocuSigned by:

*Ed Richards*

3B5EA773123646B

Ed Richards

Chairman, on behalf of the Board of Trustees

13 December 2022 | 3:09 PM GMT

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Cash Flow Statement**

**Charity Commission no. 1144683**

**For the year ended 31 March 2022**

|                                                                                                   | <b>Note</b> | <b>2022<br/>£'000</b> | <b>2021<br/>£'000</b> |
|---------------------------------------------------------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities:</b>                                                      |             |                       |                       |
| Net cash used in operating activities                                                             | <b>a</b>    | (36,981)              | (27,729)              |
| <b>Cash flows from investing activities</b>                                                       |             |                       |                       |
| Net cash provided by investing activities                                                         | <b>b</b>    | 32,524                | 33,428                |
| <b>Change in cash and cash equivalents</b>                                                        |             | (4,457)               | 5,699                 |
| <b>Cash and cash equivalents at 1 April</b>                                                       |             | 9,842                 | 4,143                 |
| <b>Cash and cash equivalents at 31 March</b>                                                      |             | 5,385                 | 9,842                 |
| <b>Cash flow statement notes:</b>                                                                 |             |                       |                       |
| <b>a) Reconciliation of net (expenditure) / income to net cash flow from operating activities</b> |             |                       |                       |
| Net (expenditure) / income                                                                        |             | (2,926)               | 69,557                |
| Net gain on investments                                                                           |             | (26,008)              | (88,671)              |
| Interest, dividends and rent received                                                             |             | (9,537)               | (10,203)              |
| Investment fees                                                                                   |             | 749                   | 833                   |
| Decrease in debtors                                                                               |             | 784                   | 816                   |
| Decrease in creditors                                                                             |             | (43)                  | (61)                  |
|                                                                                                   |             | (36,981)              | (27,729)              |
| <b>b) Cash flows from investing activities</b>                                                    |             |                       |                       |
| Interest and dividends received                                                                   |             | 9,537                 | 10,203                |
| Investment fees                                                                                   |             | (749)                 | (833)                 |
| Payments to acquire quoted investments                                                            |             | (43,264)              | (75,402)              |
| Proceeds from sale of maturity of quoted investments                                              |             | 60,139                | 95,545                |
| Payments to acquire unquoted investments                                                          |             | (492)                 | (2,584)               |
| Proceeds from sale or maturity of unquoted investments                                            |             | 7,353                 | 6,499                 |
|                                                                                                   |             | 32,524                | 33,428                |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts**

**Charity Commission no. 1144683**

**For the year ended 31 March 2022**

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**1. Accounting policies**

**a) Basis of preparation**

The financial statements are prepared under the historical cost convention, modified by the revaluation of quoted and unquoted investments and property revaluations. They have been prepared on a going concern basis and in compliance with 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, applicable UK accounting standards (FRS 102) and the Charities Act 2011.

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee has not identified any material uncertainties. The Trustee has undertaken an assessment of the crisis in Ukraine and has not identified any additional risks. This included performing an assessment of the potential exposure to investments held directly or indirectly in entities which might be impacted by the crisis. The Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for a period of at least twelve months from when the financial statements are authorised for issue.

**b) Fund accounting**

The funds of the Trust are held without distinction as to capital and income and can be applied in furtherance of the objects. As a result these are held as an expendable endowment.

**c) Income**

All income is accounted for when the Charity is entitled to the income, the amount can be quantified with reasonable accuracy and the receipt of the income is probable. Investment income includes interest, dividends and rental income from investment assets and deposits, with any associated tax credits or recoverable taxation, and included in the Statement of Financial Activities on an accruals basis.

**d) Expenditure**

Expenditure is accounted for on an accruals basis. Support costs are comprised of Governance costs which include direct expenditure attributable to maintaining the public accountability of the Trust and compliance with regulation and good practice. Investment management costs include investment fund manager fees which are grossed up where they are offset against the fund's value rather than payable in cash, dilution levies, investment consultancy and custodian fees. Irrecoverable VAT incurred is allocated to the expenditure category to which it relates.

**e) Fixed assets - investments**

Financial investment assets include quoted, unquoted investments, and investment property (both sole ownership of a physical building and partial ownership of an investment in a property fund). Mixed motive investment assets are unquoted investments.

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

The Investment property is held at fair value with gains being recognised in the Statement of Financial Activities. The property is valued annually by an independent qualified property valuation organisation in compliance with the RICS Valuation – Global Standards.

Cash, short-term deposits and investments to be disposed of within 12 months of the Balance Sheet date are presented in the Balance Sheet as current assets. All other financial assets are presented as fixed assets.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
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**Charity Commission no. 1144683**

**For the year ended 31 March 2022**

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

The carrying value of all quoted and unquoted investments is at market value and unrealised changes between accounting periods are credited or charged to net gains or losses on investments in the Statement of Financial Activities. For financial assets for which there is no quoted market, market value is established by using valuation guidelines as detailed below:

*I. Valuation - quoted investments:*

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

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

*II. Valuation - unquoted investments:*

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

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

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

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2022**

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

**II. Valuation - unquoted investments: (continued)**

An estimated value of investments in early-stage funds is calculated as the Trust's share of partnership net asset value as stated in the last audited financial statements of each investment fund. Contributions made by the Trust in any period between the date of a fund's Balance Sheet date and the Trust'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 Trust or management support costs are not included in valuations and are charged to expenditure in the period in which they are incurred.

**III. Treatment - Unquoted investments:**

Investments or contributions to funds to date are recognised in full in the Balance Sheet. Undrawn commitments are disclosed by way of note.

Unrealised changes in value between accounting periods are reflected in other recognised gains/(losses) in the

Investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred with all risks and rewards of ownership.

**f) Significant estimates**

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent liabilities at the Balance Sheet date. Actual outcomes could differ from those estimates. This is especially the case of the valuation of the Trust'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 and this investment type represents only 3% (2021: 3%).

**g) Debtors**

Debtors 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.

**h) Creditors**

Creditors are recognised when the Trust 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.

**i) Related party transactions**

Transactions with related parties are disclosed in the notes to the accounts.

**j) Taxation**

The Trust is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the Trust is 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 year.

**k) Exchange gains and losses**

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

The Nesta Trust  
Annual Report and Financial Statements  
Notes to the Accounts (continued)

Charity Commission no. 1144683

For the year ended 31 March 2022

|                                               |              |               |
|-----------------------------------------------|--------------|---------------|
| <b>2. Investment income</b>                   | <b>2022</b>  | <b>2021</b>   |
|                                               | <b>£'000</b> | <b>£'000</b>  |
| <b>Quoted investments</b>                     |              |               |
| Interest and dividends receivable             | 6,964        | 7,664         |
| <b>Unquoted investments</b>                   |              |               |
| Rental income                                 | 2,506        | 2,506         |
| Interest and dividends receivable             | 67           | 28            |
| <b>Total income from unquoted investments</b> | <b>2,573</b> | <b>2,534</b>  |
| Bank interest                                 | -            | 5             |
| <b>Total investment income</b>                | <b>9,537</b> | <b>10,203</b> |
|                                               |              |               |
| <b>3. Investment management costs</b>         | <b>2022</b>  | <b>2021</b>   |
|                                               | <b>£'000</b> | <b>£'000</b>  |
| Investment manager fees                       | 684          | 768           |
| Custodian fees                                | 65           | 65            |
|                                               | <b>749</b>   | <b>833</b>    |

Investment manager fees include those paid for in cash and those offset against the relevant fund's value.

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| <b>4. Charitable activities</b>       | <b>2022</b>   | <b>2021</b>   |
|                                       | <b>£'000</b>  | <b>£'000</b>  |
| Nesta Drawdown - operational          | 19,800        | 23,625        |
| Nesta Drawdown - investments          | 19,141        | 4,511         |
| Nesta Drawdown - investment repayment | (1,536)       | (70)          |
| Consultancy and professional          | 126           | 151           |
| Protector fees                        | 11            | 10            |
| Other                                 | 180           | 257           |
|                                       | <b>37,722</b> | <b>28,484</b> |

In accordance with the Trust Deed, the Trust's core activity is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. The Board of Trustees of Nesta has agreed a total maximum operational drawdown of £20 million for the year ended 31 March 2022 to deliver the charitable aims of the Trust as well as a specific amount to be applied against Nesta's commitment to the Impact Investment Fund and other investments which are held on Nesta's Balance Sheet. If Nesta disposes of an investment which was funded via a drawdown from the Trust, the funds are returned to the Trust and disclosed in the note above as 'Nesta Drawdown - investment repayment'.

The auditor's remuneration for the year was £15,250 (2021: £11,900).

Included in other is a foreign exchange difference gain of £122,587 (2021: loss £55,000).

**5. Staff costs**

There were no employees during the year or the previous year. All staff are employed by Nesta. None of the Trustees, or any person connected with them received any remuneration during the year nor were any reimbursed for any expenses.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
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**Charity Commission no. 1144683**

**For the year ended 31 March 2022**

**6. Investments**

|                                         | Market/<br>fair value<br>at<br>1 April<br>2021<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>market<br>value<br>£'000 | Net<br>gains and<br>(losses)<br>£'000 | Total<br>market/<br>fair value<br>at 31<br>March<br>2022<br>£'000 |
|-----------------------------------------|---------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|
| <b>Quoted investments</b>               |                                                         |                               |                                                                       |                                       |                                                                   |
| Equities                                | 271,477                                                 | 38,810                        | (55,800)                                                              | 23,165                                | <b>277,652</b>                                                    |
| Fixed income                            | 42,860                                                  | 129                           | -                                                                     | (2,622)                               | <b>40,367</b>                                                     |
| Bonds                                   | 42,112                                                  | 4,325                         | (4,339)                                                               | (2,854)                               | <b>39,244</b>                                                     |
| <b>Total quoted investments</b>         | <b>356,449</b>                                          | <b>43,264</b>                 | <b>(60,139)</b>                                                       | <b>17,689</b>                         | <b>357,263</b>                                                    |
| <b>Unquoted investments</b>             |                                                         |                               |                                                                       |                                       |                                                                   |
| Managed funds                           |                                                         |                               |                                                                       |                                       |                                                                   |
| Private equity funds                    | 5,618                                                   | 308                           | (3,575)                                                               | 2,724                                 | <b>5,075</b>                                                      |
| Mixed motive investments                |                                                         |                               |                                                                       |                                       |                                                                   |
| Investment in early-<br>stage companies | 13,824                                                  | 245                           | (1,133)                                                               | 1,237                                 | <b>14,173</b>                                                     |
| Investment in early-<br>stage funds     | 4,514                                                   | -                             | (2,645)                                                               | 879                                   | <b>2,748</b>                                                      |
| <b>Total unquoted investments</b>       | <b>23,956</b>                                           | <b>553</b>                    | <b>(7,353)</b>                                                        | <b>4,840</b>                          | <b>21,996</b>                                                     |
| <b>Investment properties</b>            | <b>77,655</b>                                           | <b>(61)</b>                   | <b>-</b>                                                              | <b>3,479</b>                          | <b>81,073</b>                                                     |
| <b>Total fixed asset investments</b>    | <b>458,060</b>                                          | <b>43,756</b>                 | <b>(67,492)</b>                                                       | <b>26,008</b>                         | <b>460,332</b>                                                    |

The valuation of the investment property (58 Victoria Embankment) remains unchanged at £60.5m. The valuation is reviewed at each year end by an independent qualified property valuer. Investment properties above also includes a fund with a market value of £20.6 million at the year end (2021: £17.2 million).

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Charity Commission no. 1144683

For the year ended 31 March 2022

| 6. Investments (continued)              |  | Market/<br>fair value<br>at<br>1 April<br>2020<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>market<br>value<br>£'000 | Net<br>gains and<br>(losses)<br>£'000 | Total<br>market/<br>fair value<br>at 31<br>March<br>2021<br>£'000 |
|-----------------------------------------|--|---------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------|
| <b>Quoted investments</b>               |  |                                                         |                               |                                                                       |                                       |                                                                   |
| Equities                                |  | 214,344                                                 | 67,853                        | (91,976)                                                              | 81,256                                | 271,477                                                           |
| Fixed income                            |  | 35,054                                                  | 2,118                         | -                                                                     | 5,688                                 | 42,860                                                            |
| Bonds                                   |  | 39,180                                                  | 5,431                         | (3,569)                                                               | 1,070                                 | 42,112                                                            |
| <b>Total quoted investments</b>         |  | 288,578                                                 | 75,402                        | (95,545)                                                              | 88,014                                | 356,449                                                           |
| <b>Unquoted investments</b>             |  |                                                         |                               |                                                                       |                                       |                                                                   |
| Managed funds                           |  |                                                         |                               |                                                                       |                                       |                                                                   |
| Private equity funds                    |  | 7,693                                                   | 217                           | (1,624)                                                               | (668)                                 | 5,618                                                             |
| Mixed motive investments                |  |                                                         |                               |                                                                       |                                       |                                                                   |
| Investment in early-<br>stage companies |  | 17,106                                                  | 369                           | (3,001)                                                               | (650)                                 | 13,824                                                            |
| Investment in early-<br>stage funds     |  | 3,430                                                   | -                             | (1,874)                                                               | 2,958                                 | 4,514                                                             |
| <b>Total unquoted investments</b>       |  | 28,229                                                  | 586                           | (6,499)                                                               | 1,640                                 | 23,956                                                            |
| <b>Investment properties</b>            |  | 76,640                                                  | 1,998                         | -                                                                     | (983)                                 | 77,655                                                            |
| <b>Total fixed asset investments</b>    |  | 393,447                                                 | 77,986                        | (102,044)                                                             | 88,671                                | 458,060                                                           |

The portfolio consists of the following investments:

|                                        | Market/fair value<br>at 31 March 2022<br>£'000 | Percentage<br>of 2022<br>portfolio<br>% | Market/fair value<br>at 31 March 2021<br>£'000 | Percentage<br>of 2021<br>portfolio<br>% |
|----------------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------------------|-----------------------------------------|
| UK quoted - Equities                   | 37,412                                         | 8%                                      | 39,100                                         | 9%                                      |
| UK quoted - Fixed Income & Bonds       | 39,244                                         | 8%                                      | 42,112                                         | 9%                                      |
| Overseas quoted - Equities             | 240,443                                        | 52%                                     | 232,377                                        | 51%                                     |
| Overseas quoted - Fixed Income & Bonds | 40,367                                         | 9%                                      | 42,860                                         | 9%                                      |
| UK unquoted                            | 16,718                                         | 4%                                      | 18,338                                         | 4%                                      |
| Overseas unquoted                      | 5,075                                          | 1%                                      | 5,618                                          | 1%                                      |
| UK Investment property                 | 81,073                                         | 18%                                     | 77,655                                         | 17%                                     |
|                                        | 460,332                                        | 100%                                    | 458,060                                        | 100%                                    |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2022**

| <b>7. Debtors</b> | <b>2022</b>  | <b>2021</b>  |
|-------------------|--------------|--------------|
|                   | <b>£'000</b> | <b>£'000</b> |
| Accrued income    | 3,788        | 4,174        |
| Other debtors     | 52           | 450          |
|                   | <u>3,840</u> | <u>4,624</u> |

Accrued income of £3.8 million (2021: £4.2 million) relates to accrued rental income due from the Trust's parent Nesta for 58 Victoria Embankment.

| <b>8. Creditors: amounts falling due within one year</b> | <b>2022</b>  | <b>2021</b>  |
|----------------------------------------------------------|--------------|--------------|
|                                                          | <b>£'000</b> | <b>£'000</b> |
| Accruals                                                 | 128          | 118          |
| Deferred income                                          | 723          | 723          |
| VAT payable                                              | 127          | 137          |
| Trade creditors                                          | 15           | 58           |
|                                                          | <u>993</u>   | <u>1,036</u> |

| <b>9. Funds</b>                  | <b>2022</b>    | <b>2021</b>    |
|----------------------------------|----------------|----------------|
|                                  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Expendable endowment fund</b> |                |                |
| As at 1 April                    | 471,490        | 401,933        |
| Net expenditure                  | (28,934)       | (19,114)       |
| Net gain on investments          | 26,008         | 88,671         |
| <b>Balance at 31 March</b>       | <u>468,564</u> | <u>471,490</u> |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2022**

**10. Commitments**

Investments or contributions to funds that have been contracted but not yet drawn down are shown in the commitments below:

|                                     | <b>At 1 April<br/>2021<br/>£'000</b> | <b>Additions<br/>£'000</b> | <b>Decommitted<br/>£'000</b> | <b>Drawn<br/>down<br/>£'000</b> | <b>At 31 March<br/>2022<br/>£'000</b> |
|-------------------------------------|--------------------------------------|----------------------------|------------------------------|---------------------------------|---------------------------------------|
| Private equity funds                | 5,789                                | -                          | (2,738)                      | (308)                           | 2,743                                 |
| Investment in early-stage funds     | 9                                    | -                          | (5)                          | (4)                             | -                                     |
| Nesta-programme related investments | 5,000                                | 25,512                     | -                            | (4,005)                         | 26,507                                |
|                                     | <b>10,798</b>                        | <b>25,512</b>              | <b>(2,743)</b>               | <b>(4,317)</b>                  | <b>29,250</b>                         |

|                                     | <b>At 1 April<br/>2020<br/>£'000</b> | <b>Additions<br/>£'000</b> | <b>Decommitted<br/>£'000</b> | <b>Drawn<br/>down<br/>£'000</b> | <b>At 31 March<br/>2021<br/>£'000</b> |
|-------------------------------------|--------------------------------------|----------------------------|------------------------------|---------------------------------|---------------------------------------|
| Private equity funds                | 6,420                                | -                          | -                            | (631)                           | 5,789                                 |
| Investment in early-stage funds     | 125                                  | -                          | -                            | (116)                           | 9                                     |
| Nesta-programme related investments | 10,000                               | -                          | -                            | (5,000)                         | 5,000                                 |
|                                     | <b>16,545</b>                        | <b>-</b>                   | <b>-</b>                     | <b>(5,747)</b>                  | <b>10,798</b>                         |

**11. Operating lease commitments**

At 31 March 2022 the Trust continued the agreement with Nesta to lease part of 58 Victoria Embankment. The rental payments due from the Nesta in respect of leases which expire within specific time frames are:

|                                  | <b>Expire<br/>within<br/>one year<br/>£'000</b> | <b>Expire<br/>within two<br/>to five years<br/>£'000</b> | <b>Expire in<br/>more than<br/>five years<br/>£'000</b> |
|----------------------------------|-------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| Rental of 58 Victoria Embankment | 2,891                                           | 11,564                                                   | 13,548                                                  |
|                                  | <b>2,891</b>                                    | <b>11,564</b>                                            | <b>13,548</b>                                           |

**The Nesta Trust**  
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**Notes to the Accounts (continued)**

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**For the year ended 31 March 2022**

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**12. Related party transactions**

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

**13. Control**

The Trust is controlled by Nesta (Charity no. 1144091; Companies House no. 07706036; Scottish Charity Regulator no. SC042833), which is the ultimate parent company by virtue of being Sole Trustee. Nesta is the parent undertaking of the smallest and largest group for which accounts are drawn up, and which the Company is a member. The accounts are available to the public from 58 Victoria Embankment, London, EC4Y 0DS.

**14. Events after the end of the reporting period**

There were no events after the end of the reporting period which require disclosure.

**THE NESTA TRUST**

England & Wales - Charity number 1144683

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# Accounts

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# **The Nesta Trust**

## ***Annual Report and Financial Statements***

Year ended 31 March 2021

Charity Commission registered number 1144683

**The Nesta Trust  
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For the year ended 31 March 2021**

**Charity Commission no. 1144683**

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For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**General Information**

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|                                             |                                                                                                         |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------|
| <b>Trustee</b>                              | Nesta<br>Charity no. 1144091<br>Companies House no. 07706036<br>Scottish Charity Regulator no. SC042833 |
| <b>Protector</b>                            | James Sinclair Taylor                                                                                   |
| <b>Address</b>                              | 58 Victoria Embankment<br>London<br>EC4Y 0DS                                                            |
| <b>Charity Commission registered number</b> | 1144683                                                                                                 |
| <b>Independent Auditor</b>                  | BDO LLP<br>2 City Place<br>Beehive Ring Road<br>Gatwick<br>West Sussex<br>RH6 0PA                       |
| <b>Internal Auditor</b>                     | Grant Thornton UK LLP<br>30 Finsbury Square<br>London<br>EC2A 1AG                                       |
| <b>Principal bankers</b>                    | Lloyds Bank<br>39 Threadneedle Street<br>London<br>EC2R 8AU                                             |

**The Nesta Trust**  
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**Charity Commission no. 1144683**

**Report of Trustee**

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**Structure, Governance and Management**

Nesta and the Nesta Trust were established and registered as charities in 2011 to act as successor bodies to the National Endowment for Science, Technology and the Arts (“NESTA”). NESTA was a non-departmental public body established in 1998 with a statutory remit to promote talent, creativity and innovation in science, technology and the arts and with an endowment from the National Lottery. All NESTA activities, staff, assets and liabilities were transferred on 1 April 2012 to Nesta, registered charity no. 1144091 and to the Nesta Trust (“the Trust”). The Trust holds the expendable endowment and Nesta, its sole trustee, uses returns from the Trust to pursue the charitable objects of the Trust.

The Trust was established by a Trust Deed on 22 September 2011. The Trust Deed appointed Nesta as sole Trustee of the Trust. It was registered as a charity in England and Wales by the Charity Commission with charity number 1144683 on 16 November 2011.

The Trust has a Protector appointed by the Secretary of State for 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.

Nesta is a company limited by guarantee and a charity registered with the Charity Commission and the Office of the Scottish Charity Regulator (OSCR). Its Trustees are both directors and members of the company. Under company and charity law, the Board of Trustees retains overall responsibility for Nesta and its role as Trustee of the Nesta Trust. Sir John Gieve is Chair of the Board of Nesta, which met six times in the year with members of Nesta’s Executive team also present. The Protector of the Trust is also entitled to attend all meetings.

The Board has delegated approval for decisions up to certain financial thresholds to the Chief Executive and other Executive Directors of Nesta, under a Scheme of Delegation. All decisions above this threshold must be approved by the Board or its Committees. The Board has also reserved for itself certain important decisions, such as changes to the Articles, appointment of the Chief Executive and approval of the long-term objectives and strategy.

The Board has established a number of Committees with delegated authority to oversee aspects of Nesta’s activities. Each Board Committee has written Terms of Reference approved by the Board and reports to the Board at each Board meeting.

The main Board Committees which oversee the Trust are as follows:

**Audit & 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. The Committee met four times during the year.

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

**Venture Investment Committee** which manages the Trust’s portfolio of interests in early-stage companies and certain programme related and mixed motive investments. The Committee met ten times during the year.

The Trust’s core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust’s charitable objects.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

---

**Structure, Governance and Management (continued)**

The Trustee is aware of the Charity Governance Code (the 'Code') which sets out the principles and recommended practice for good governance. The Trustee is satisfied that the Nesta Trust Board is committed to adopting the principles set out in the Code and believes it is operating in accordance with good practice.

**Charitable objects**

The charitable objects of the Trust are detailed below:

For the public benefit:

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

The voluntary sector means charities and voluntary organisations.

- Charities are organisations, which are established for exclusively charitable purposes and registered with one of the charity commissions in the United Kingdom.
- Voluntary organisations are independent organisations, which are established for purposes that add value to the community, 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”.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Activities and Achievements**

The Trust's core purpose is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. Nesta carried out a variety of activities during the year to advance the charitable objects of the Trust; to bring great ideas to life, supporting individuals, charities, social enterprises, businesses and public organisations with financial and practical support. These activities and also its achievements, performance and future plans, are described in the Annual Report & Accounts of Nesta, available from 58 Victoria Embankment, London, EC4Y 0DS.

**Risk management policy**

The Trustee is responsible for the oversight of the risks faced by the Nesta group of entities, including the Trust.

The monitoring and implementation of the risk management framework and consideration of organisational risk is delegated to the Audit & Risk Committee. The top-level organisational risk register is presented regularly to the Audit & Risk Committee and reviewed by the Board annually. Broader strategic risks including reputational risks are considered by the Executive Team collectively when they meet each quarter to review the top-level risk register for the organisation as a whole. Risks are assessed and controls established throughout the year. 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 and management reporting, and monitoring;
- formal written policies and hierarchical authorisation and approval levels; and
- internal audit services engagement with programmes selected for review which are informed by the risk register.

During the year the major risks for the Trust as assessed by management and reported to the Audit & Risk Committee and Board for review and comment, were as follows:

- Risk of failure to manage Trust investment assets within the constraints imposed by the Trust Deed, mitigated by implementing an investment strategy focused on ensuring the conditions of the Trust Deed are met.
- Risk that poor Trust investment returns put pressure on income to fund the activities of Nesta, mitigated by the implementation of an investment strategy with a diversification of asset classes, asset managers, investment strategies, and geographies; supported by on-going monitoring of investment managers and performance.

The Trustee is satisfied that the major risks identified through the risk management process are being adequately managed where necessary while recognising that any framework can provide reasonable but not absolute assurance. There were no significant control weaknesses identified by the Trustee or management during the year.

**Investment policy**

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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

---

**Investment policy (continued)**

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; and
- 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. However, it should be noted that such initiatives take time to fully implement. So, for example, it is possible that Nesta has private equity holdings that do not fully accord with its responsible investment policies. These will be run down over time. The Responsible Investment Policy remains under constant review.

**Financial Review**

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

Nesta Trust entered into an agreement on 16 July 2015 to purchase a long leasehold interest in a property located in London for £51 million. Practical completion took place on 26 September 2016, and the lease on the investment property will run until November 2162. The total amount shown in note 6 and below under investment properties is £78 million, which includes the investment property market valued at £61m and a £17m property fund.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

**Financial Review (continued)**

During the year ended 31 March 2021, the value of Trust investments and cash increased by £70 million to £468 million (2020: £398 million) after annual transfers to Nesta to carry out the objectives of the Trust in line with the Trust Deed. The fund has fully recovered from losses experienced last year following the outbreak of the COVID-19 pandemic. A further breakdown of the £70 million increase can be seen in the table below:

| <b>Asset Class</b>                            | <b>Market Value of<br/>Investment assets</b> | <b>Proportion of total<br/>endowment assets</b> | <b>Market value of<br/>investment assets</b> | <b>Proportion of total<br/>endowment assets</b> |
|-----------------------------------------------|----------------------------------------------|-------------------------------------------------|----------------------------------------------|-------------------------------------------------|
|                                               | <b>31 March 2021</b>                         | <b>31 March 2021</b>                            | 31 March 2020                                | 31 March 2020                                   |
|                                               | <b>£'000</b>                                 | <b>%</b>                                        | <b>£'000</b>                                 | <b>%</b>                                        |
| <i>Current assets:</i>                        |                                              |                                                 |                                              |                                                 |
| Cash                                          | 9,842                                        | 2                                               | 4,143                                        | 1                                               |
| <i>Fixed asset investments:</i>               |                                              |                                                 |                                              |                                                 |
| Private equity funds                          | 5,618                                        | 1                                               | 7,693                                        | 2                                               |
| Equities – UK                                 | 39,100                                       | 8                                               | 30,753                                       | 8                                               |
| Equities – Overseas                           | 232,377                                      | 50                                              | 183,591                                      | 46                                              |
| Bonds and Fixed Income                        | 84,972                                       | 18                                              | 74,234                                       | 19                                              |
| Early-stage venture portfolio*                | 18,338                                       | 4                                               | 20,536                                       | 5                                               |
| Investment property                           | 77,655                                       | 17                                              | 76,640                                       | 19                                              |
| <i>Total Fixed asset investments</i>          | <i>458,060</i>                               | <i>98</i>                                       | <i>393,447</i>                               | <i>99</i>                                       |
| <b>Total Cash plus Fixed asset investment</b> | <b>467,902</b>                               | <b>100</b>                                      | <b>397,590</b>                               | <b>100</b>                                      |

\*Mixed motive investments – see Note 6 of the accounts for further breakdown

Actions taken during the year included the following:

*Strategic review*

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

*Equities performance*

Strategic allocation to equities increased to 58 per cent (2020: 54 per cent) during the year which, together with market conditions, resulted in an increase in the valuation to £271 million as at 31 March 2021 (2020: £214 million). During the year £24 million of equities were sold (2020: nil), of which £6 million was reinvested in other alternative asset classes in order to rebalance the portfolio, with the remainder being used to ensure the Trust had sufficient cash to fund day to day activities.

*Managing holdings of alternative asset classes*

As noted above, a total of £6 million was reinvested into alternative asset classes during the year (£4 million into Bonds and £2 million into Investment property). A £6 million financial commitment remains outstanding for alternative asset classes as disclosed in Note 10 to these Financial Statements (2020: £6 million).

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

The early-stage venture portfolio includes equity investments in twelve (2020: seventeen) early-stage companies, and to three (2020: four) 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. There were net gains of £2.3 million (2020: £1 million) recognised in the year applying the valuation methodology which remains unchanged from previous years and is detailed in Note 1e to these Accounts.

**The Nesta Trust  
Annual Report and Financial Statements  
For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Financial Review (continued)**

Direct costs, reported by external fund managers, of the Trust's investment assets totalled £1 million (2020: £1 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 0.5% of the average asset value over the year (2020: 0.6%).

**Reserves policy**

Under the Trust Deed, the reserves policy is to provide sustainable funding to advance the charitable aims of the Trust, whilst holding reserves at sufficient levels with a view to maintaining the underlying assets above a market value of £260 million. At 31 March 2021 total fixed asset investments were £458 million (2020: £393 million) and reserves were £472 million (2020: £402 million).

**Future plans**

Nesta's Trustees agreed an 'in-principle' funding rule covering the year to 31 March 2022, allowing Nesta to draw down up to £20 million for operating expenditure in support of its strategic plan. Funding made available by Nesta Trust does not constitute a commitment until a drawdown request is made. A further £5 million may be drawn down for Nesta investments for the year to 31 March 2022.

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for the foreseeable future.

The effect of COVID-19 continues to be assessed by the Trustee. The most significant areas that have effected the Trust are investment returns and the volatility in relation to investment valuations. As at 31 March 2021, the Trust had assets (including investments) valued at £468 million. This represents an increase of £70 million when compared to 31 March 2020 year, and a £34 million increase when compared to 31 March 2019. The Trust Investment Committee will continue to monitor the value of the portfolio and rebalance if appropriate.

**Public Benefit Statement**

The Trustee confirms that, in exercising its powers and duties in relation to the Trust, it has had due regard to the Charity Commission's statutory guidance on public benefit. The Annual Report and Accounts of the Trustee give more detail of the activities undertaken by the Trustee to further the charitable purposes of the Trust for public benefit.

**Fundraising statement**

Section 162a of the Charities Act 2011 requires us to make a statement regarding fundraising activities. The Trust 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.

**The Nesta Trust  
Annual Report and Financial Statements  
For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Report of Trustee (continued)**

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**Statement of Trustee Responsibilities**

The Trustee is responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and regulations.

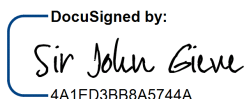
Charity law requires the Trustee to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity law, the Trustee must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable it to ensure that the financial statements comply with the Charities Act 2011 and the provisions of the Trust Deed. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board of Trustees of Nesta in their capacity as Trustee of the Nesta Trust and authorised for issue on 21 September 2021 and signed on its behalf by Sir John Gieve, Chair of the Board of Trustees.

DocuSigned by:  
  
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Sir John Gieve  
Chairman, on behalf of the Board of Trustees

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust**

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**Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2021 and of its 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 Charities Act 2011.

We have audited the financial statements of The Nesta Trust ("the Charity") for the year ended 31 March 2021 which comprise the Statement of Financial Activities, Balance Sheet, the 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 Charity 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 Charity'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 other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises: the Report of the Trustee. 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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

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

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- adequate accounting records have not been kept by the Charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Trustees**

As explained more fully in the Statement of trustees' responsibilities, the Trustees 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 Charity'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 Charity 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 144 of the Charities Act 2011 and report in accordance with the Act 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 that the principal laws and regulations that directly affect the financial statements to be the Charities Act 2011. 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. 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.

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.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2021**

**Charity Commission no. 1144683**

**Independent Auditor's Report to Trustees of The Nesta Trust (continued)**

*Extent to which the audit was capable of detecting irregularities, including fraud (continued)*

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.

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, and reviewing any correspondence with HMRC or the Charity Commission for England and Wales;
- assessing the design and implementation of the control environment to identify any areas of material weakness to focus the design of our testing;
- verification of a sample of grant expenditure to ensure that the awards are consistent with the Charity's objectives and any grants to related parties are appropriately disclosed in the financial statements;
- challenging assumptions made by management in their significant accounting estimates, in particular in relation to the valuation of unlisted investments and investment property; and
- in addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular journals posted by senior management or with unusual account combinations.

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

**Use of our report**

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's 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 Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

**BDO LLP**

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BDO LLP, statutory auditor

London, UK

Date 10/11/21

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

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

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Statement of Financial Activities**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

|                                                             | <b>Note</b> | <b>Expendable<br/>Endowment funds<br/>2021<br/>£'000</b> | <b>Expendable<br/>Endowment funds<br/>2020<br/>£'000</b> |
|-------------------------------------------------------------|-------------|----------------------------------------------------------|----------------------------------------------------------|
| <b>Income and endowments from:</b>                          |             |                                                          |                                                          |
| Investment income                                           | <b>2</b>    | 10,203                                                   | 12,217                                                   |
| <b>Total income</b>                                         |             | <b>10,203</b>                                            | <b>12,217</b>                                            |
| <b>Expenditure on:</b>                                      |             |                                                          |                                                          |
| <b>Raising funds</b>                                        |             |                                                          |                                                          |
| Investment management costs                                 | <b>3</b>    | 833                                                      | 1,108                                                    |
| <b>Total cost of raising funds</b>                          |             | <b>833</b>                                               | <b>1,108</b>                                             |
| <b>Charitable activities</b>                                | <b>4</b>    | 28,484                                                   | 20,849                                                   |
| <b>Total Charitable activities</b>                          |             | <b>28,484</b>                                            | <b>20,849</b>                                            |
| <b>Total Expenditure</b>                                    |             | <b>29,317</b>                                            | <b>21,957</b>                                            |
| Net gain / (loss) on investments                            | <b>6</b>    | 88,671                                                   | (27,294)                                                 |
| <b>Net income / (expenditure) and net movement in funds</b> |             | <b>69,557</b>                                            | <b>(37,034)</b>                                          |
| <b>Reconciliation of funds</b>                              |             |                                                          |                                                          |
| Total funds brought forward                                 |             | <b>401,933</b>                                           | <b>438,967</b>                                           |
| Total funds carried forward                                 |             | <b>471,490</b>                                           | <b>401,933</b>                                           |

The Trust has no recognised gains or losses other than those passing through the Statement of Financial Activities.

All of the Trust's activities are derived from continuing operations.

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Balance Sheet**

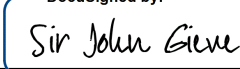
**Charity Commission no. 1144683**

**As at 31 March 2021**

|                                                | <b>Note</b> | <b>2021<br/>£'000</b> | <b>2020<br/>£'000</b> |
|------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Fixed assets</b>                            |             |                       |                       |
| Investments                                    | <b>6</b>    | 458,060               | 393,447               |
| <b>Current assets</b>                          |             |                       |                       |
| Debtors                                        | <b>7</b>    | 4,624                 | 5,440                 |
| Cash at bank and in hand                       |             | 9,842                 | 4,143                 |
|                                                |             | <u>14,466</u>         | <u>9,583</u>          |
| <b>Current liabilities</b>                     |             |                       |                       |
| Creditors: amounts falling due within one year | <b>8</b>    | (1,036)               | (1,097)               |
|                                                |             | <u>13,430</u>         | <u>8,486</u>          |
| <b>Net current assets</b>                      |             |                       |                       |
| <b>Total assets less current liabilities</b>   |             | <u>471,490</u>        | <u>401,933</u>        |
| <b>Net assets</b>                              |             | <u>471,490</u>        | <u>401,933</u>        |
| <b>Charitable funds</b>                        |             |                       |                       |
| Endowment funds                                |             | 471,490               | 401,933               |
| <b>Total funds</b>                             | <b>9</b>    | <u>471,490</u>        | <u>401,933</u>        |

The accompanying notes on pages 16 to 24 form an integral part of these financial statements.

Approved by the Board of Trustees of Nesta in their capacity as Trustee of The Nesta Trust and authorised for issue on 21 September 2021 and signed on its behalf by Sir John Gieve, Chairman of the Board of Trustees.

DocuSigned by:  
  
 Sir John Gieve  
 Chairman, on behalf of the Board of Trustees

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Cash Flow Statement**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

|                                                                                                   | <b>Note</b> | <b>2021<br/>£'000</b> | <b>2020<br/>£'000</b> |
|---------------------------------------------------------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities:</b>                                                      |             |                       |                       |
| Net cash used in operating activities                                                             | <b>a</b>    | (27,729)              | (20,424)              |
| <b>Cash flows from investing activities</b>                                                       |             |                       |                       |
| Net cash provided by investing activities                                                         | <b>b</b>    | 33,428                | 16,890                |
| <b>Change in cash and cash equivalents in the accounting period</b>                               |             | <u>5,699</u>          | <u>(3,534)</u>        |
| <b>Cash and cash equivalents at 1 April</b>                                                       |             | <u>4,143</u>          | <u>7,677</u>          |
| <b>Cash and cash equivalents at 31 March</b>                                                      |             | <u><b>9,842</b></u>   | <u><b>4,143</b></u>   |
| <b>Cash flow statement notes:</b>                                                                 |             |                       |                       |
| <b>a) Reconciliation of net income / (expenditure) to net cash flow from operating activities</b> |             |                       |                       |
| Net income / (expenditure)                                                                        |             | 69,557                | (37,034)              |
| Net (gain) / loss on investments                                                                  |             | (88,671)              | 27,294                |
| Interest, dividends and rent received                                                             |             | (10,203)              | (12,217)              |
| Investment fees                                                                                   |             | 833                   | 1,108                 |
| Decrease in debtors                                                                               |             | 816                   | 397                   |
| (Decrease) / Increase in creditors                                                                |             | (61)                  | 28                    |
|                                                                                                   |             | <u>(27,729)</u>       | <u>(20,424)</u>       |
| <b>b) Cash flows from investing activities</b>                                                    |             |                       |                       |
| Interest and dividends received                                                                   |             | 10,203                | 12,217                |
| Investment fees                                                                                   |             | (833)                 | (1,108)               |
| Payments to acquire quoted investments                                                            |             | (75,402)              | (52,483)              |
| Proceeds from sale of maturity of quoted investments                                              |             | 95,545                | 56,959                |
| Payments to acquire unquoted investments                                                          |             | (2,584)               | (10,060)              |
| Proceeds from sale or maturity of unquoted investments                                            |             | 6,499                 | 2,365                 |
| Cash awaiting investment                                                                          |             | -                     | 9,000                 |
|                                                                                                   |             | <u><b>33,428</b></u>  | <u><b>16,890</b></u>  |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

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**1. Accounting policies**

**a) Basis of preparation**

The financial statements are prepared under the historical cost convention, modified by the revaluation of quoted and unquoted investments and property revaluations. They have been prepared on a going concern basis and in compliance with 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, applicable UK accounting standards (FRS 102) and the Charities Act 2011.

**Going Concern**

The financial statements have been prepared on the going concern basis because the Trustee is reasonably assured from the performance of the investment portfolio that the Trust's resources will be sufficient to fund activities for the foreseeable future.

**b) Fund accounting**

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

**c) Income**

All income is accounted for when the Charity is entitled to the income, the amount can be quantified with reasonable accuracy and the probability of receipt of the income is more likely than not. Investment income includes interest, dividends and rental income from investment assets and deposits, with any associated tax credits or recoverable taxation, and included in the Statement of Financial Activities on an accruals basis.

**d) Expenditure**

Expenditure is accounted for on an accruals basis. Support costs are comprised of Governance costs which include direct expenditure attributable to maintaining the public accountability of the Trust and compliance with regulation and good practice. Investment management costs include investment fund manager fees which are grossed up where they are offset against the fund's value rather than payable in cash, dilution levies, investment consultancy and custodian fees. Irrecoverable VAT incurred is allocated to the expenditure category to which it relates.

**e) Fixed assets - investments**

Financial investment assets include quoted, unquoted investments, and investment property (both sole ownership of a physical building and partial ownership of an investment in a property fund). Mixed motive investment assets are unquoted investments.

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

The Investment property is held at fair value with gains being recognised in the Statement of Financial Activities. The property is valued annually by an independent qualified property valuation organisation in compliance with the RICS Valuation – Global Standards.

Cash, short-term deposits and investments to be disposed of within 12 months of the Balance Sheet date are presented in the Balance Sheet as current assets. All other financial assets are presented as fixed assets.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

The carrying value of all quoted and unquoted investments is at market value and unrealised changes between accounting periods are credited or charged to net gains or losses on investments in the Statement of Financial Activities. For financial assets for which there is no quoted market, market value is established by using valuation guidelines as detailed below:

*I. Valuation - quoted investments:*

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

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

*II. Valuation - unquoted investments:*

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

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

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

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

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**1. Accounting policies (continued)**

**e) Fixed assets - investments (continued)**

An estimated value of investments in early-stage funds is calculated as the Trust's share of partnership net asset value as stated in the last audited financial statements of each investment fund. Contributions made by the Trust in any period between the date of a fund's Balance Sheet date and the Trust'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 Trust or management support costs are not included in valuations and are charged to expenditure in the period in which they are incurred.

**III. Treatment - Unquoted investments:**

Investments or contributions to funds to date are recognised in full in the Balance Sheet. Undrawn commitments are disclosed by way of note.

Unrealised changes in value between accounting periods are reflected in other recognised gains/(losses) in the Statement of Financial Activities.

Investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred with all risks and rewards of ownership.

**f) Significant estimates**

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent liabilities at the Balance Sheet date. Actual outcomes could differ from those estimates. This is especially the case of the valuation of the Trust'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 and this investment type represents only 3% of the total value of investments (2020: 4%).

**g) Debtors**

Debtors 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.

**h) Creditors**

Creditors are recognised when the Trust 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.

**i) Related party transactions**

Transactions with related parties are disclosed in the notes to the accounts.

**j) Taxation**

The Trust is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the Trust is 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 year.

**k) Exchange gains and losses**

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

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

|                                               |               |               |
|-----------------------------------------------|---------------|---------------|
| <b>2. Investment income</b>                   | <b>2021</b>   | <b>2020</b>   |
|                                               | <b>£'000</b>  | <b>£'000</b>  |
| <b>Quoted investments</b>                     |               |               |
| Interest and dividends receivable             | 7,664         | 9,619         |
| <b>Unquoted investments</b>                   |               |               |
| Rental income                                 | 2,506         | 2,506         |
| Interest and dividends receivable             | 28            | 43            |
| <b>Total income from unquoted investments</b> | <b>2,534</b>  | <b>2,549</b>  |
| Bank interest                                 | 5             | 49            |
| <b>Total investment income</b>                | <b>10,203</b> | <b>12,217</b> |
| <b>3. Investment management costs</b>         | <b>2021</b>   | <b>2020</b>   |
|                                               | <b>£'000</b>  | <b>£'000</b>  |
| Investment manager fees                       | 768           | 1,043         |
| Custodian fees                                | 65            | 65            |
|                                               | <b>833</b>    | <b>1,108</b>  |

Investment manager fees include those paid for in cash and those offset against the relevant fund's value.

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| <b>4. Charitable activities</b>       | <b>2021</b>   | <b>2020</b>   |
|                                       | <b>£'000</b>  | <b>£'000</b>  |
| Nesta Drawdown - operational          | 23,625        | 18,000        |
| Nesta Drawdown - investments          | 4,511         | 3,840         |
| Nesta Drawdown - investment repayment | (70)          | (1,222)       |
| Consultancy and professional          | 151           | 139           |
| Protector fees                        | 10            | 16            |
| Other                                 | 257           | 76            |
|                                       | <b>28,484</b> | <b>20,849</b> |

In accordance with the Trust Deed, the Trust's core activity is to advance its charitable objects which it does through generating income to be applied by its Trustee, Nesta, to advance the Trust's charitable objects. The Board of Trustees of Nesta has agreed a total maximum operational drawdown of £19.8 million for the year ended 31 March 2022 to deliver the charitable aims of the Trust as well as a specific amount to be applied against Nesta's commitment to the Impact Investment Fund and other investments which are held on Nesta's Balance Sheet. If Nesta disposes of an investment which was funded via a drawdown from the Trust, the funds are returned to the Trust and disclosed in the note above as 'Nesta Drawdown - investment repayment'.

The auditor's remuneration for the year was £11,900 (2020: £11,500).

Included in other is a foreign exchange difference loss of £55,000 (2020: gain £96,000).

**5. Staff costs**

There were no employees during the year or the previous year. All staff are employed by Nesta. None of the Trustees, or any person connected with them received any remuneration during the year nor were any reimbursed for any expenses.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

**6. Investments**

|                                         | Market/<br>fair value<br>at<br>1 April<br>2020<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>market<br>value<br>£'000 | Net<br>gains and<br>losses<br>£'000 | Total<br>market/<br>fair value<br>at 31<br>March<br>2021<br>£'000 |
|-----------------------------------------|---------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------|
| <b>Quoted investments</b>               |                                                         |                               |                                                                       |                                     |                                                                   |
| Equities                                | 214,344                                                 | 67,853                        | (91,976)                                                              | 81,256                              | <b>271,477</b>                                                    |
| Fixed income                            | 35,054                                                  | 2,118                         | -                                                                     | 5,688                               | <b>42,860</b>                                                     |
| Bonds                                   | 39,180                                                  | 5,431                         | (3,569)                                                               | 1,070                               | <b>42,112</b>                                                     |
| <b>Total quoted investments</b>         | <b>288,578</b>                                          | <b>75,402</b>                 | <b>(95,545)</b>                                                       | <b>88,014</b>                       | <b>356,449</b>                                                    |
| <b>Unquoted investments</b>             |                                                         |                               |                                                                       |                                     |                                                                   |
| Managed funds                           |                                                         |                               |                                                                       |                                     |                                                                   |
| Private equity funds                    | 7,693                                                   | 217                           | (1,624)                                                               | (668)                               | <b>5,618</b>                                                      |
| Mixed motive investments                |                                                         |                               |                                                                       |                                     |                                                                   |
| Investment in early-<br>stage companies | 17,106                                                  | 369                           | (3,001)                                                               | (650)                               | <b>13,824</b>                                                     |
| Investment in early-<br>stage funds     | 3,430                                                   | -                             | (1,874)                                                               | 2,958                               | <b>4,514</b>                                                      |
| <b>Total unquoted investments</b>       | <b>28,229</b>                                           | <b>586</b>                    | <b>(6,499)</b>                                                        | <b>1,640</b>                        | <b>23,956</b>                                                     |
| <b>Investment properties</b>            | <b>76,640</b>                                           | <b>1,998</b>                  | <b>-</b>                                                              | <b>(983)</b>                        | <b>77,655</b>                                                     |
| <b>Total fixed asset investments</b>    | <b>393,447</b>                                          | <b>77,986</b>                 | <b>(102,044)</b>                                                      | <b>88,671</b>                       | <b>458,060</b>                                                    |

The valuation of the investment property (58 Victoria Embankment) remains unchanged at £60.5m. The valuation is reviewed at the year end by an independent qualified property valuer. In the prior year, due to the market dislocation caused by the outbreak of Covid-19 the Royal Institute of Chartered Surveyors provided guidance to surveyors to state that all valuation reports should refer to the "material uncertainty" relating to the assumptions applied to the valuation methodologies. There is no such material uncertainty in the current year.

Part of the balanced portfolio held by Nesta Trust is an investment in a property related fund valued at £17 million (2020: £16 million). In the prior year, the fund manager had been notified by their external valuers that they were unable to value its assets at 31 March 2020 without inserting a 'material uncertainty' provision in the valuation certificate. This was due to the effective closure of the commercial property investment market by the measures being taken to prevent the spread of the Covid-19 / Coronavirus. Following consultation with the Fund's Corporate Trustee and Investors' Committee, the Manager had suspended all dealings in the Fund which meant there was no published BID price as at 31 March 2020. As a result of this, the fund was valued as the last available published bid price from 29 February 2020 of 86.07 p.p.u. There is no such material uncertainty in the current year and dealings have recommenced.

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

**6. Investments (continued)**

|                                         | Market/<br>fair value<br>at<br>1 April<br>2019<br>£'000 | Additions<br>at cost<br>£'000 | Maturities,<br>proceeds &<br>disposals at<br>market<br>value<br>£'000 | Net<br>gains and<br>losses<br>£'000 | Total<br>market/<br>fair value<br>at 31<br>March<br>2020<br>£'000 |
|-----------------------------------------|---------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------|
| <b>Quoted investments</b>               |                                                         |                               |                                                                       |                                     |                                                                   |
| Equities                                | 237,893                                                 | 46,927                        | (47,615)                                                              | (22,861)                            | <b>214,344</b>                                                    |
| Fixed income                            | 40,375                                                  | 123                           | -                                                                     | (5,444)                             | <b>35,054</b>                                                     |
| Bonds                                   | 43,614                                                  | 5,433                         | (9,344)                                                               | (523)                               | <b>39,180</b>                                                     |
| <b>Total quoted investments</b>         | <b>321,882</b>                                          | <b>52,483</b>                 | <b>(56,959)</b>                                                       | <b>(28,828)</b>                     | <b>288,578</b>                                                    |
| <b>Unquoted investments</b>             |                                                         |                               |                                                                       |                                     |                                                                   |
| Managed funds                           |                                                         |                               |                                                                       |                                     |                                                                   |
| Private equity funds                    | 8,510                                                   | 271                           | (2,114)                                                               | 1,026                               | <b>7,693</b>                                                      |
| Mixed motive investments                |                                                         |                               |                                                                       |                                     |                                                                   |
| Investment in early-<br>stage companies | 15,673                                                  | 821                           | -                                                                     | 612                                 | <b>17,106</b>                                                     |
| Investment in early-<br>stage funds     | 3,457                                                   | 10                            | (251)                                                                 | 214                                 | <b>3,430</b>                                                      |
| <b>Total unquoted investments</b>       | <b>27,640</b>                                           | <b>1,102</b>                  | <b>(2,365)</b>                                                        | <b>1,852</b>                        | <b>28,229</b>                                                     |
| <b>Investment property</b>              | <b>68,000</b>                                           | <b>8,958</b>                  | <b>-</b>                                                              | <b>(318)</b>                        | <b>76,640</b>                                                     |
| <b>Cash awaiting investment</b>         | <b>9,000</b>                                            | <b>-</b>                      | <b>(9,000)</b>                                                        | <b>-</b>                            | <b>-</b>                                                          |
| <b>Total fixed asset investments</b>    | <b>426,522</b>                                          | <b>62,543</b>                 | <b>(68,324)</b>                                                       | <b>(27,294)</b>                     | <b>393,447</b>                                                    |

**The portfolio consists of the following investments:**

|                                        | Market/fair value<br>at 31 March 2021<br>£'000 | Percentage<br>of 2021<br>portfolio<br>% | Market/fair value<br>at 31 March 2020<br>£'000 | Percentage<br>of 2020<br>portfolio<br>% |
|----------------------------------------|------------------------------------------------|-----------------------------------------|------------------------------------------------|-----------------------------------------|
| UK quoted - Equities                   | 39,100                                         | 9%                                      | 30,753                                         | 8%                                      |
| UK quoted - Fixed Income & Bonds       | 42,112                                         | 9%                                      | 39,180                                         | 10%                                     |
| Overseas quoted - Equities             | 232,377                                        | 51%                                     | 183,591                                        | 47%                                     |
| Overseas quoted - Fixed Income & Bonds | 42,860                                         | 9%                                      | 35,054                                         | 9%                                      |
| UK unquoted                            | 18,338                                         | 4%                                      | 20,536                                         | 5%                                      |
| Overseas unquoted                      | 5,618                                          | 1%                                      | 7,693                                          | 2%                                      |
| UK Investment property                 | 77,655                                         | 17%                                     | 76,640                                         | 19%                                     |
|                                        | <b>458,060</b>                                 | <b>100%</b>                             | <b>393,447</b>                                 | <b>100%</b>                             |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

| <b>7. Debtors</b>              | <b>2021</b>  | <b>2020</b>  |
|--------------------------------|--------------|--------------|
|                                | <b>£'000</b> | <b>£'000</b> |
| Accrued income                 | 4,174        | 4,559        |
| Prepayments                    | -            | 14           |
| Amounts due by related parties | -            | 867          |
| Other debtors                  | 450          | -            |
|                                | <b>4,624</b> | <b>5,440</b> |

Included in accrued income at 31 March 2021 is £4.2 million (2020 : £4.6 million) relating to accrued rental income due from the Trust's parent Nesta for 58 Victoria Embankment.

| <b>8. Creditors: amounts falling due within one year</b> | <b>2021</b>  | <b>2020</b>  |
|----------------------------------------------------------|--------------|--------------|
|                                                          | <b>£'000</b> | <b>£'000</b> |
| Accruals                                                 | 118          | 182          |
| Deferred income                                          | 723          | 723          |
| Tax payable                                              | 137          | 134          |
| Trade creditors                                          | 58           | 58           |
|                                                          | <b>1,036</b> | <b>1,097</b> |

| <b>9. Funds</b>                  | <b>2021</b>    | <b>2020</b>    |
|----------------------------------|----------------|----------------|
|                                  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Endowment fund</b>            |                |                |
| As at 1 April                    | 401,933        | 438,967        |
| Net expenditure                  | (19,114)       | (9,740)        |
| Net gain / (loss) on investments | 88,671         | (27,294)       |
| <b>Balance at 31 March</b>       | <b>471,490</b> | <b>401,933</b> |

**The Nesta Trust**  
**Annual Report and Financial Statements**  
**Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

**10. Commitments**

Investments or contributions to funds that have been contracted but not yet drawn down are shown in the commitments below:

|                                     | <b>At 1 April<br/>2020<br/>£'000</b> | <b>Additions<br/>£'000</b> | <b>Drawn<br/>down<br/>£'000</b> | <b>At 31 March<br/>2021<br/>£'000</b> |
|-------------------------------------|--------------------------------------|----------------------------|---------------------------------|---------------------------------------|
| Private equity funds                | 6,420                                | -                          | (631)                           | 5,789                                 |
| Investment in early-stage funds     | 125                                  | -                          | (116)                           | 9                                     |
| Nesta-programme related investments | 10,000                               | -                          | (5,000)                         | 5,000                                 |
|                                     | <b>16,545</b>                        | <b>-</b>                   | <b>(5,747)</b>                  | <b>10,798</b>                         |

|                                       | <b>At 1 April<br/>2019<br/>£'000</b> | <b>Additions<br/>£'000</b> | <b>Drawn<br/>down<br/>£'000</b> | <b>At 31 March<br/>2020<br/>£'000</b> |
|---------------------------------------|--------------------------------------|----------------------------|---------------------------------|---------------------------------------|
| Private equity funds                  | 5,923                                | 497                        | -                               | 6,420                                 |
| Investments in early-stage funds      | 61                                   | 83                         | (19)                            | 125                                   |
| Nesta - programme related investments | 9,340                                | 4,500                      | (3,840)                         | 10,000                                |
|                                       | <b>15,324</b>                        | <b>5,080</b>               | <b>(3,859)</b>                  | <b>16,545</b>                         |

**11. Operating lease commitments**

At 31 March 2021, the Trust continued the agreement with Nesta to lease part of 58 Victoria Embankment. The rental payments due from the Nesta are:

|                                  | <b>Expire<br/>within<br/>one year<br/>£'000</b> | <b>Expire<br/>within two<br/>to five years<br/>£'000</b> | <b>Expire in<br/>more than<br/>five years<br/>£'000</b> |
|----------------------------------|-------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| Rental of 58 Victoria Embankment | 2,891                                           | 11,564                                                   | 16,439                                                  |
|                                  | <b>2,891</b>                                    | <b>11,564</b>                                            | <b>16,439</b>                                           |

**The Nesta Trust  
Annual Report and Financial Statements  
Notes to the Accounts (continued)**

**Charity Commission no. 1144683**

**For the year ended 31 March 2021**

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**12.        *Related party transactions***

The Trust holds the investment assets previously held by NESTA which was abolished on 1 April 2012. The Trust is a registered charitable trust which is classified by the Office of National Statistics as within the public sector boundary. The Trust has transferred sums to its Trustee Nesta in furtherance of its charitable objects during the year of £24 million (2020: £18 million). 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.

**13.        *Control***

The Trust is controlled by Nesta (Charity no. 1144091; Companies House no. 07706036; Scottish Charity Regulator no. SC042833), which is the ultimate parent company by virtue of being Sole Trustee. Nesta is the parent undertaking of the smallest and largest group for which accounts are drawn up, and which the Company is a member. The accounts are available to the public from 58 Victoria Embankment, London, EC4Y 0DS.

**14.        *Events after the end of the reporting period***

There were no events after the end of the reporting period which require disclosure.