

The Nesta Trust

Annual Report and Financial Statements

Year ended 31 March 2024

Charity Commission registered number 1144683

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General Information

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

Report of Trustee

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)

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)

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)

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 Investment assets	Proportion of total endowment assets	Market value of investment assets	Proportion of total endowment assets
	31 March 2024	31 March 2024	31 March 2023	31 March 2023
	£'000	%	£'000	%
Current Assets:				
Cash	5,389	1	7,700	2
Fixed Asset Investments				
Equities and Private Equity:				
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
Fixed Income and Property:				
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
Total Cash plus Fixed Asset Investment	426,360	100	423,904	100

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)

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)

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.

Ed Richards
Chair, on behalf of the Board of Trustees

Date: 27 January 2025

Independent Auditor's Report to Trustees of The Nesta Trust

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)

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)

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

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

	Note	2024 £'000	2023 £'000
Fixed assets			
Investments	6	420,971	416,204
Current assets			
Debtors	7	3,034	3,403
Cash at bank and in hand		5,389	7,700
		<u>8,423</u>	<u>11,103</u>
Current liabilities			
Creditors: amounts falling due within one year	8	(1,108)	(1,087)
		<u>7,315</u>	<u>10,016</u>
Net current assets			
		<u>428,286</u>	<u>426,220</u>
Total assets less current liabilities			
		<u>428,286</u>	<u>426,220</u>
Net assets			
		<u>428,286</u>	<u>426,220</u>
Charitable funds			
Endowment funds		428,286	426,220
		<u>428,286</u>	<u>426,220</u>
Total funds	9	<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 £'000	2023 £'000
Cash flows from operating activities:			
Net cash used in operating activities	a	(29,532)	(25,241)
Cash flows from investing activities			
Net cash provided by investing activities	b	27,221	27,556
Change in cash and cash equivalents		(2,311)	2,315
Cash and cash equivalents at 1 April		7,700	5,385
Cash and cash equivalents at 31 March		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

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

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

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

2. Investment income	2024	2023
	£'000	£'000
Quoted investments		
Interest and dividends receivable	2,815	5,233
Unquoted investments		
Rental income	2,506	2,506
Interest and dividends receivable	11,020	3,988
Total income from unquoted investments	13,526	6,494
Bank interest	18	7
Total investment income	16,359	11,734
3. Investment management costs	2024	2023
	£'000	£'000
Investment manager fees	347	715
Custodian fees	65	65
	412	780
4. Charitable activities	2024	2023
	£'000	£'000
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
	29,922	25,772

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

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

For the year ended 31 March 2024

7. Debtors	2024	2023
	£'000	£'000
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.

8. Creditors: amounts falling due within one year	2024	2023
	£'000	£'000
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:

	2024	2023
	£'000	£'000
<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>

9. Funds	2024	2023
	£'000	£'000
Expendable endowment fund		
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>
Balance at 31 March	<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 2023 £'000	Additions £'000	Drawn down £'000	At 31 March 2024 £'000
Investment Funds	48,395	-	(19,729)	28,666
Nesta-Mission aligned investment and exceptional spending initiatives.	23,164	186	(7,016)	16,334
	71,559	186	(26,745)	45,000
	At 1 April 2022 £'000	Additions £'000	Drawn down £'000	At 31 March 2023 £'000
Investment Funds	2,743	75,546	(29,894)	48,395
Nesta-Mission aligned investment and exceptional spending initiatives.	26,507	2,858	(6,201)	23,164
	29,250	78,404	(36,095)	71,559

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 £'000	2023 £'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
	22,221	25,112

For the year ended 31 March 2024

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.