

REGISTERED COMPANY NUMBER: 03490480 (England and Wales)
REGISTERED CHARITY NUMBER: 1070073

**REPORT OF THE TRUSTEES AND
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
HAY FESTIVAL FOUNDATION LIMITED**

Watts Gregory LLP
Chartered Accountants
Elfed House
Oak Tree Court
Cardiff Gate Business Park
CARDIFF
County of Cardiff
CF23 8RS

HAY FESTIVAL FOUNDATION LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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HAY FESTIVAL FOUNDATION LIMITED

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2021

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 December 2021. The trustees have adopted the provisions of 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) (effective 1 January 2019).

OBJECTIVES AND ACTIVITIES

Objectives and aims

The objectives of the trust are as follows:

- a) to further the education and learning of the people of both the United Kingdom of Great Britain and Northern Ireland and other countries around the world in the art and science of literature, poetry and all other forms of artistic expression, in particular by promoting public festivals, shows, readings and fairs.
- b) to promote study and research in literature and poetry and all other forms of artistic expression throughout the world provided that the results of such research shall be published.
- c) to promote excellence in literature and poetry and all other forms of artistic expression throughout the world and in particular (but without prejudice to the generality of the above) to award medals and/or prizes in furtherance of this object, and
- d) to promote or develop for the benefit of the people of both the United Kingdom of Great Britain and Northern Ireland and other countries around the world the art or science of literature, poetry and all other forms of artistic expression in all its branches and likewise to promote and develop the improvement of literature, poetry and other forms of artistic expression in the United Kingdom of Great Britain and Northern Ireland and other countries around the world.

Significant activities

For over 30 years Hay has brought readers and writers together to share stories and ideas in live sustainable events around the world, reaching millions of people across five continents. The festivals inspire, examine and entertain.

The Hay Festival Foundation was created to support the aims of the Festival in Britain and internationally, bringing people of all ages together. The Foundation is committed to access and inclusion and the pursuit of excellence and happiness.

Historically, the charity's role has been to provide direct grant funding to the Hay Festival of Literature and Arts Limited, the primary operating entity of the Hay Festival, to support activity delivered under the Hay Festival banner consistent with its charitable purposes. This included supporting educational and literary projects such as the Programme for Schools, Haydays activities for children and families and the Winter Weekend festival.

With the COVID 19 pandemic continuing to negatively impact on the live operations of the Summer Festival in 2021, the Trustees turned their focus to identifying the best governance model to support the future delivery and ongoing financial sustainability of the Hay Festival.

Following a detailed review by legal and financial advisors specialising in charity matters, it was concluded that the vast majority of the activity currently carried out by the Hay Festival of Literature and the Arts Ltd could legitimately be carried out by the Charity directly. It was therefore agreed to restructure the activities, with the business of running the Hay Festival transferred in its entirety to the Charity as of 1 February 2022 through a legal transfer process. The Trustees identified that the restructure would provide significant benefits, including greater operational efficiency, stronger governance arrangements and greater controls on charitable expenditure.

Public benefit

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities.

Grantmaking

No direct grants have been paid out to the Hay Festival of Literature and Arts Ltd in 2021 (2020: £148,629) as the Festival was fortunate to receive direct COVID related grant support from Arts Council England and the Welsh Government to see it through the ongoing difficult period.

Following the restructure, from the 1 February 2022, the Charity's finances will be utilised directly to support the delivery of the Festivals and the related education and outreach activities, removing the need to make specific grant awards to a separate organisation.

HAY FESTIVAL FOUNDATION LIMITED

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL REVIEW

Financial position

The charity received income of £166,884 in the year (2020 - £427,487) and made expenditure of £45,853 (2020 - £185,409). The net income for the year was £121,031 (2020 - £242,076).

In 2020, Hay Festival Foundation, in common with many charities, launched special appeals for support to offset the impacts of the COVID 19 pandemic, and although support during 2020 was extraordinary, the level of support fell away in 2021, a reduction seen across the sector. The Trustees are grateful for the continued support of regular supporters and members.

Included in expenditure noted above as grants made to Hay Festival of Literature and the Arts Limited totalling £Nil (2020 - £148,629) along with a grant made to Hay on Wye Library of £Nil (2020 - £5,000).

At 31 December 2021, there were unrestricted funds of £418,658 (2020 - £297,627). There were no restricted funds.

From the 1 February 2022, all charity funds will be used to directly support the Hay Festival activities, following the legal consolidation of the fundraising activities and the operational activities within the Charity itself.

Reserves policy

The trustees recognise the importance of maintaining a realistic level of unrestricted reserves to ensure that adequate funds are available to enable the charity to continue in its activities in the event of a drop in funding or a significant event.

Currently the optimum level is considered to be six months expenditure. Trustees had planned to review the reserves policy in the year but given the focus on the restructuring, and the resultant implications on the charity's financial model, this review has been delayed. The Reserves policy and the optimum level of reserves will be considered by the Board of Trustees at its initial meeting post restructure in February 2022.

Following the restructure the core running costs of the Charity are expected to be in the region of £1.2m which on the basis of current policy would suggest reserves in the region of £600k. While the current level of unrestricted reserves at £418,658 falls below this target level, it provides a substantial buffer against periods of unforeseen difficulties as we move into 2022.

The trustees recognise that it may be necessary for the level of reserves to exceed or fall below target levels in the event of a significant variation in income or to bridge shortfalls in working capital and will continue to invest in ways of creating unrestricted resources in order to achieve greater impact and to provide greater stability to organisations.

FUTURE PLANS

From 1 February 2022, the Charity will take over the direct running of the Hay Festival and will be responsible for delivering the Hay Wales festival in May and the Hay Winter Weekend in November as well as the programme of education and outreach, support for international events and digital provision. The Trustees are optimistic that as we recover from the COVID pandemic, the charity will be able to return to providing successful "in-person" events while retaining the benefits of digital delivery to continue providing a hybrid offering to supporters and festival goers.

The Charity will develop and implement a new income generation strategy to support and build on its existing fundraising activities, to raise additional funds to support and expand its core festival activities together with education, literacy and outreach projects.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The charity is registered as a charitable company, limited by guarantee. The governing documents are its Memorandum and Articles of Association, as amended by special resolution dated 10 December 2021, updated to reflect current legislation and best practice.

Recruitment and appointment of new trustees

The management of the charitable company is the responsibility of the trustees, who are elected and co-opted under the terms of the Articles of Association. The selection and recruitment of new trustees is the responsibility of the full Board. New trustees are proactively recruited to meet any skills gaps as identified by the Board.

Induction and training of new trustees

Each new trustee receives an induction pack setting out their legal obligations under charity and company law, the content of the memorandum and articles of association and copies of minutes of recent meetings. New trustees are also given a briefing on the work of the Board and any individual projects as part of their induction. When appropriate, training sessions are open to Board members where the training is considered useful to their role.

HAY FESTIVAL FOUNDATION LIMITED

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2021**

STRUCTURE, GOVERNANCE AND MANAGEMENT

Risk management

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

The trustees have assessed the major risks to which the company is exposed, in particular those related to the operations and finances of the company, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks.

The trustees intend to continue to review the risk management policy for the charity during 2022.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

03490480 (England and Wales)

Registered Charity number

1070073

Registered office

Festival Office 25 Lion Street
Hay On Wye
HR3 5AD

Trustees

D Jones	Chair
R M Boycott	
C J Michel	
M Saatchi	Resigned 05.10.21
N K Gowing	
N K A Jones	Resigned 31.01.22

Independent Examiner

Watts Gregory LLP
Chartered Accountants
Elfed House
Oak Tree Court
Cardiff Gate Business Park
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County of Cardiff
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EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

Approved by order of the board of trustees on 21/2/22 and signed on its behalf by:

.....
D Jones - Trustee

**INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF
HAY FESTIVAL FOUNDATION LIMITED**

Independent examiner's report to the trustees of Hay Festival Foundation Limited ('the Company')

I report to the charity trustees on my examination of the accounts of the Company for the year ended 31 December 2021.

Responsibilities and basis of report

As the charity's trustees of the Company (and also its directors for the purposes of company law) you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').

Having satisfied myself that the accounts of the Company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of your charity's accounts as carried out under section 145 of the Charities Act 2011 ('the 2011 Act'). In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5) (b) of the 2011 Act.

Independent examiner's statement

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

1. accounting records were not kept in respect of the Company as required by section 386 of the 2006 Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a true and fair view which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities (applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)).

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Julia Mortimer
ACCA
Watts Gregory LLP
Chartered Accountants
Elfed House
Oak Tree Court
Cardiff Gate Business Park
CARDIFF
County of Cardiff
CF23 8RS

Date: 4 March 2022

HAY FESTIVAL FOUNDATION LIMITED

**STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021 Unrestricted fund £	2020 Total funds £
INCOME AND ENDOWMENTS FROM	Notes		
Donations and legacies	3	166,865	427,170
Investment income	4	19	315
Total		166,884	427,485
EXPENDITURE ON			
Charitable activities			
Support of Hay Festival of Literature and The Arts		45,853	180,409
Support of Hay on Wye library		-	5,000
Total		45,853	185,409
NET INCOME		121,031	242,076
RECONCILIATION OF FUNDS			
Total funds brought forward		297,627	55,551
TOTAL FUNDS CARRIED FORWARD		418,658	297,627

The notes form part of these financial statements

HAY FESTIVAL FOUNDATION LIMITED

**BALANCE SHEET
31 DECEMBER 2021**

	Notes	2021 Unrestricted fund £	2020 Total funds £
CURRENT ASSETS			
Debtors	11	8,963	219,767
Cash at bank		457,930	394,105
		<u>466,893</u>	<u>613,872</u>
CREDITORS			
Amounts falling due within one year	12	(48,235)	(316,245)
NET CURRENT ASSETS		<u>418,658</u>	<u>297,627</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>418,658</u>	<u>297,627</u>
NET ASSETS		<u>418,658</u>	<u>297,627</u>
FUNDS			
Unrestricted funds		418,658	297,627
TOTAL FUNDS		<u>418,658</u>	<u>297,627</u>

The charitable company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2021.


The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2021 in accordance with Section 476 of the Companies Act 2006.

The trustees acknowledge their responsibilities for

- (a) ensuring that the charitable company keeps accounting records that comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the charitable company as at the end of each financial year and of its surplus or deficit for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the charitable company.

These financial statements have been prepared in accordance with the provisions applicable to charitable companies subject to the small companies regime.

The financial statements were approved by the Board of Trustees and authorised for issue on 21.12.22 and were signed on its behalf by:


D Jones - Trustee

The notes form part of these financial statements

HAY FESTIVAL FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. STATUTORY INFORMATION

Hay Festival Foundation is a registered charity and private company limited by guarantee having no share capital. It is incorporated in Wales in the United Kingdom. The registered office is The Drill Hall, 25 Lion Street, Hay-on-Wye, HR3 5AD. The nature of the charitable company's operations and principal activities are disclosed within the Report of the Trustees.

The financial statements are presented in Sterling (£), the charitable company's functional currency, and rounded to the nearest pound.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) '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) (effective 1 January 2019)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Hay Festival Foundation meets the definition of a public benefit entity as demonstrated within the Report of the Trustees.

There have been no material departures from Financial Reporting Standard 102.

Going concern

No material uncertainties exist relating to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

The trustees are satisfied that despite the Coronavirus pandemic, it is appropriate for the charity's financial statements to be prepared on a going concern basis. The pandemic has resulted in a number of uncertainties arising and the trustees have taken steps to minimise the effect on the charity and will continue to do so. In the circumstances they have concluded that no adjustments or additional disclosures are required to the financial statements at this time.

Income

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

This includes capital grants.

Donations and legacies income

Donations and legacies income includes donations, gifts and grants that provide core funding or are of a general nature and are recognised where there is entitlement, probability of receipt and the amount can be measured with sufficient reliability. Such income is only deferred when the donor specifies it must be used in future accounting periods or the donor has imposed conditions which must be met before the charity has unconditional entitlement.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Grants offered subject to conditions which have not been met at the year end date are noted as a commitment but not accrued as expenditure.

HAY FESTIVAL FOUNDATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Taxation

The charity is exempt from corporation tax on its charitable activities.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Trade debtors and other debtors are recognised at the settlement amount due and prepayments are valued at the amount prepaid.

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

3. DONATIONS AND LEGACIES

	2021	2020
	£	£
Membership income	61,322	89,330
Donations	90,869	285,829
Gift aid	14,674	52,011
	<u>166,865</u>	<u>427,170</u>

4. INVESTMENT INCOME

	2021	2020
	£	£
Deposit account interest	19	315
	<u>19</u>	<u>315</u>

5. GRANTS PAYABLE

	2021	2020
	£	£
Support of Hay Festival of Literature and The Arts	-	148,629
Support of Hay on Wye library	-	5,000
	<u>-</u>	<u>153,629</u>

The charity made grants of £Nil (2020 - £148,629) to Hay Festival of Literature and the Arts Limited.

HAY FESTIVAL FOUNDATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. SUPPORT COSTS

	Finance £	Other £	Governance costs £	Totals £
Support of Hay Festival of Literature and The Arts	98	40,185	5,570	45,853

Included within governance costs are Independent examiner fees of £2,295 (2020 - £2,295).

7. NET INCOME/(EXPENDITURE)

Net income/(expenditure) is stated after charging/(crediting):

	2021 £	2020 £
Independent Examiner fees	2,295	2,295

8. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 December 2021, or for the year ended 31 December 2020.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31 December 2021, or for the year ended 31 December 2020.

9. STAFF COSTS

The charity has no employees.

10. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

All income and expenditure in the year ended 31 December 2020 was unrestricted.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade debtors	2,334	1,917
Gift aid recoverable	3,422	5,032
Prepayments and accrued income	3,207	212,818
	8,963	219,767

HAY FESTIVAL FOUNDATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021****12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£	£
VAT	1,392	1,295
Accruals and deferred income	46,843	314,950
	<u>48,235</u>	<u>316,245</u>

Included within accruals and deferred income above is the following deferred income:

	2021	2020
	£	£
Benefactor membership in advance	7,778	11,111
Grant funding	-	301,544
	<u>7,778</u>	<u>312,655</u>

The deferred grant funding related to income received in advance of project or service delivery. Due to the impact of COVID-19 and delays with the associated event, this amount was returned in full to the funder during 2021.

The movement on the benefactor membership in advance comprises of a release to the Statement of Financial Activities from the brought forward deferral of £3,333.

13. RELATED PARTY DISCLOSURES

A trustee of the Foundation is also a director of Hay Festival of Literature and the Arts Limited. The Hay Foundation was created to support the aims of the Hay Festival and the Foundation undertakes its charitable activities through this company and as such it is considered to be a related party.

During the year, grants payable of £Nil (2020 - £148,629) were paid to Hay Festival of Literature and the Arts Limited.

During the year, support services of £36,770 (2020- £18,385) were paid to Hay Festival of Literature and the Arts Limited.

As At 31 December 2021 the following balances were due (to)/from the Hay Festival of Literature and the Arts Limited:

	31.12.21	31.12.20
	£	£
Accrued income - membership income	3,134	12,745
Accrued income - grant payable to be returned	-	200,000
Accrual - Support Services	(36,770)	-

14. POST BALANCE SHEET EVENTS

With effect from 31 January 2022, a legal restructure has taken place to transfer the assets, liabilities and undertaking of the Hay Festival of Literature and the Arts Limited (company number 02258780) to the Hay Festival Foundation Limited. This transaction was carried out as a transfer of a going concern through a legal transfer agreement.