

Charity registration number: 1001347

Welsh Water Elan Trust

Annual Report and Financial Statements

for the Year Ended 31 March 2020

Welsh Water Elan Trust

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Welsh Water Elan Trust
Reference and Administrative Details

Trustees	Elan Valley Limited
Land Agent	J A Baker
Principal Office	Elan Estate office Elan Village Rhayader Powys LD6 5HP
Charity Registration Number	1001347
Auditor	Mitchell Meredith Limited Chartered Accountants and Statutory Auditor The Exchange Fiveways Temple Street Llandrindod Wells Powys LD1 5HG
Bankers	HSBC Bank PLC Middleton Street Llandrindod Wells Powys LD1 5EU

Welsh Water Elan Trust Trustees' Report

The trustees present the annual report together with the financial statements of the charity for the year ended 31 March 2020.

Objectives and activities

Objects and aims

The Objects of the Trust as written into the Trust Deed are:

The preservation maintenance and enhancement for the benefit of the public of the area of great natural beauty comprising of the Elan Valley and its natural aspect and features (and its animal and plant life);

The facilitation and encouragement of access to and the study of the Elan Valley (and its animal and plant life) by the general public;

The provision at the Elan Valley or such part of it as should be appropriate in the interests of social welfare and for the purpose of improving the conditions of life for the persons for whom the same are intended of facilities for physical recreation which shall be available to members of the public at large;

The facilitation and encouragement of the use of the whole or part of the Elan Valley for charitable purposes.

Aims of the Trust:

The Elan Valley Trust's 2019 to 2030 strategic plan can be found at

<https://www.elanvalley.org.uk/sites/default/files/assets/EVT%20Strategic%20Plan%20Feb%2019%20English.pdf>

The aim of the Trust is to achieve the ambition of Trustees that the Elan Valley Estate be internationally recognised for the sustainable benefits it provides to the public as set out in our Strategic Plan 2019-30, through:

1. Being an exemplar of sustainable natural resource management for an upland water catchment.
2. the values and benefits that result from its heritage, the richness of its nature, and its thriving community life; and,
3. managing a place where people's health, wellbeing and understanding are improved by experiencing the Estate.

Objectives, strategies and activities

Strategies and activities to manage for nature conservation and landscape:

For centuries the uplands of the Cambrian Mountains including the Elan Valley Estate lands have been open, unenclosed and grazed by hefted flocks of sheep and cattle. Maintaining this system of traditional high nature value farming is therefore a key part of Directors' strategy for managing for nature conservation and landscape. At the same time, Directors are aware of the need to take and promote more targeted actions where there is an identified need for nature conservation and landscape purposes. Since large areas of the Estate are designated under European and national nature conservation legislation and the landscape is of considerable significance the support and advice of NRW is highly valued in this regard.

As part of this strategy, the Trust manage around 2800 hectares of land in-hand including some of the key sites such as the National Nature Reserve at Claerwen. In so doing the Trust is not only able to ensure appropriate management but can also ensure it has a full understanding of the opportunities and problems associated with managing land on the Estate. All of this land is managed under a Glastir Advanced agri-environment agreement.

Welsh Water Elan Trust Trustees' Report

The rest of the land is let out to some 28 agricultural tenants. Through the terms of the tenancy agreements and through entry into Glastir tenants are encouraged to use traditional high nature value farming systems. During the 2019-20 year, we understand that all of the Elan Valley Estate tenanted holdings and Cwmdauddwr Common are subject to Glastir agreements.

In recent years, the Elan Links Heritage Lottery Fund programme, with the Elan Valley Trust as lead partner, has been used as an important vehicle for undertaking targeted action for nature conservation in partnership with farming tenants as well as on in-hand land. Since its inception the Elan Links programme has:

1. developed with the support of RSPB and NRW an outcomes-based approach to upland bird conservation with 15ha in agreement for curlew actions, 20ha in agreement for golden plover actions and 21 ha in agreement for ring ouzel and merlin;
2. worked with farmers to ensure cattle grazing for conservation benefit with agreements in place for 25 new cattle and 35 existing cattle for four years;
3. undertaken preparatory work for the delivery of 108 hectares of peat restoration;
4. developed management plans and actions for key areas of dry heath and ffridd on the Estate;
5. commissioned a woodland management plan for Elan's woodlands and undertaken a range of management activities to improve the nature conservation status of our important ancient woodlands;
6. worked to secure a number of traditional farming practices on the Estate that benefit nature, eg production of rhos hay on the open hill; application of appropriate levels of lime and farmyard manure to hay meadows to secure their botanical interest; as well as the native breeding of the Elan Valley Type Welsh Mountain sheep breed.
7. undertaken monitoring work for a range of different species of conservation interest so that we can better understand their needs and the impact of our actions.

Strategies and activities to promote the use of the Estate for access, recreation, education and other charitable purposes:

The Elan Valley Estate is highly valued for recreational, educational and other uses. It is the aim of the Trust to provide benefits and facilities for local people and also to increase the use of the Estate by visitors from further afield including those who benefit from provision of water from the catchment across parts of Wales and the West Midlands. This 'audience' has an intimate link with the Estate already and there is a real opportunity to use this link to develop educational, recreation, wellbeing and health provision / benefits.

Welsh Water Elan Trust Trustees' Report

The Elan Links programme takes account of these aims. To date, Elan Links has:

1. opened up public access to five previously under visited sites at the Elan Valley: Dol y Mynach Dam, Nant y Gro, World War Two Pillboxes and Cwm Elan Mines. Work has included new paths, way-marking and interpretation where appropriate;
2. developed three family-friendly hubs, each with four way-marked walks of varying lengths and level of challenge;
3. construction of a woodland mountain bike trail, 3km in length, with two descents, a blue 1000m descent and a red, 500m descent;
4. installed 25 interpretative panels around the Estate and new directional brown signage for the Elan Valley;
5. produced six public exhibitions about various strands of the Elan Valley's Heritage, as well as 42 different events to engage people with the different strands of heritage and an interactive stream of social media content and web presence;
6. hosted five artist residencies, including one from the Netherlands as well as a prestigious Arts Council Wales Fellowship awarded to artist Meltem Arikian;
7. developed an archiving strategy for critical components of Elan's heritage and begun the process of archiving materials and loading them onto the new online MODES system;
8. recorded 65 oral histories from people in the area / or and with connections to the Elan Valley;
9. developed several volunteer groups to engage people in the cultural heritage of the Elan Valley and surrounding area: including a local history group, a YFC year on the farm group, and a town trail group;
10. undertaken five 12-week courses - generating volunteer 5282 hours largely in nature conservation activities; four 5-day courses - generating 824 volunteer hours; forty one bespoke activity days generating 3084 hours of activities for people who might otherwise struggle to access the Elan Valley; and nineteen weekend retreats - principally for people from along the aqueduct and Birmingham - with 303 participants and 3244 hours of activities.

A key strategy of the Trust to promote access to the Estate is to develop affordable accommodation facilities suited to a range of different users. To this end, the Trust maintains three cottages on a 'self-catering accommodation' basis and two mountain bothies. The mountain bothies are freely available to users. For people who work and / or wish to live locally the Trust maintains residential properties on longer term lets on the Estate.

Following a significant upgrade the tearoom and bed and breakfast facilities at Penbont House were reopened Easter 2019 and are now managed in-hand by the Elan Valley Trust.

Work to develop Cwm Clyd farmstead as a suite of buildings able to accommodate small groups (up to 16 people) of educational and other users progressed during 2019-20 with building works starting later in the period and the aim of completion 2020-21.

To promote access and recreation more generally the Trust maintains Estate infrastructure such as bridges, roads and paths in good repair for users and provides in association with DCWW and with the help of a range of volunteers an annual programme of events and walks.

Welsh Water Elan Trust Trustees' Report

Other Initiatives for 2019/20:

Dark Skies. The Elan Valley Estate has for a number of years held the status of International Dark Sky Park. Significant developments were achieved in 2019-20 as a result of a new project called Day2Stay that has the aim of promoting dark sky tourism in cooperation with the Cambrian Mountains Initiative and Brecon Beacons National Park (supported by the Rural Tourism Engagement Fund) as well as a capital project funded through TAIS (Tourism Amenity Investment Fund).

Claerwen hydro electric power (HEP) scheme. A long-held ambition of the Trust has been to develop an HEP scheme on the River Claerwen. Developing renewable energy resources is an important objective in its own right but Directors are also mindful that developing this scheme will open up opportunities for electrifying a number of properties and farms in the Claerwen Valley that are currently unserved by mains electricity. Planning permission for this scheme was granted in early 2019 and further development work towards this scheme was undertaken during 2019-2020.

As part of its obligation to maintain its properties in good repair and fit-for-purpose, a major scheme to renovate and upgrade Bodtalog farmhouse was undertaken during the year, and Rhiwnant farmhouse renovations have been completed through 2020, as well as a range of more minor improvements to other properties.

Public benefit

The Trust benefits the public by implementing the objects of the Trust Deed: promoting nature and landscape conservation on the Elan Valley Estate; while encouraging public access and recreation and use of the Estate for educational and charitable purposes.

During the 2019-20 period the Trust managed and encouraged management that benefited nature on the Estate; undertook works to secure the historic landscape; maintained paths and other infrastructure to enable enjoyment of the Estate by the public; promoted the use of the Estate by the public through a variety of means including an events programme and provision of accommodation; and supported the use of the Estate for educational and charitable purposes.

The long-term provision of public benefit from the Estate has been further secured during 2019-20 by the allocation of additional funds to reserves, while investment in the Elan Links partnership programme amongst other activities will result in significant public benefit over the coming period.

The trustees confirm that they have complied with the requirements of Section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales.

Welsh Water Elan Trust Trustees' Report

Financial review

The total incoming resources from charitable activities in 2019-20 was in the order of £1.8M. Of this income, some £1,345k was spent on charitable activities, the remaining allocated to reserves. Investment into the HLF scheme was in the order of £57k during 2019-20.

The Trust has a very long-term responsibility (now some 969 years) and considerable future liabilities in terms of maintaining the Estate and associated infrastructure over this period. At the same time, Directors are acutely aware that the majority of incoming resources to the Trust are dependent upon the twin vagaries of upland farming and the European Union Common Agricultural Policy in the very short term and future British and Welsh developments in this regard in the short to medium term.

In light of the issues noted above, and with an eye to ensuring that the Trust is able to invest with confidence in its charitable objectives over the medium-term Directors continue to believe that in line with its Reserves Policy the strategy of maintaining significant reserves is essential to secure the functions of the charity during its period of responsibility. At the same time, Directors welcome the expansion in the activity of the charity which has occurred in recent years and believe that this is affordable and appropriate in the current context.

At year-end 2019-20 the Trust had unrestricted funds in the order of £10.9m. Approximately one third of these reserves are held as tangible assets (principally in residential properties held locally), while the majority of the remainder is held in a diversified portfolio of pooled charitable funds through COIF. A small portion of funds is held in a current account to meet short term needs.

Directors regularly review the investment strategy and portfolio.

Plans for future periods

Towards the end of the 2019-20 period charitable delivery by the Trust was significantly impacted by the Covid 19 pandemic. The Estate was closed to the public from March 2020 following Welsh Government guidelines and many staff were furloughed from April 2020. The pandemic continued to impact delivery of charitable works on the Estate through 2020 and at the time of writing Wales has entered a third national lockdown / firebreak.

The Elan Links programme will continue to have a significant role to play over the course of the next few years and it is likely that monies saved during 2020-21 as a result of furlough and budgetary restraint will enable the programme to continue beyond the original timeframe. The emphasis within the programme of ensuring a legacy for the future will mean the impact is felt well beyond the delivery period.

Welsh Water Elan Trust Trustees' Report

Initiatives for 2020-21 and beyond will include (as the pandemic allows):

1. continuing to act as Lead Partner for Elan Links and implementing a range of Elan Links projects;
2. implementation of the Elan Links Access and Recreation Plan and Interpretation Plan;
3. pursuing the conservation of flora and fauna through the Natural Heritage projects in Elan Links and other opportunities such as peatland restoration funded through NRW / WG;
4. completion of the conversion of Cwmclyd Farmstead into a facility for group accommodation;
5. fostering and encouraging appropriate access, recreational, educational and scientific use of the Estate;
6. pursuing opportunities to carry out appropriate works of restoration in respect of the built and natural environment in line with the Elan Links Heritage-at-Risk survey;
7. promoting and developing the Elan Valley Dark Sky Park.
8. supporting the implementation of the Claerwen HEP scheme.

Structure, governance and management

Nature of governing document

Welsh Water Elan Trust was established by a Trust Deed dated 13th October 1989 as part of the water privatisation process. The deed stipulated that Dwr Cymru Welsh Water (DCWW) intended to establish 'a Foundation to preserve for public benefit land in the Elan Valley and has for that purpose vested in the Trustees a leasehold interest in the property for a term of 999 years.' The deed goes on to describe the charitable objects, role of Trustees and various powers of the Trustees to further the objects. The accompanying lease included all the agricultural land and buildings on the Estate. Excluded from the lease were the dams, the surfaces of the reservoirs, their operating paraphernalia, most of the forestry, the Visitor Centre, houses and land in Elan Village, and certain houses on the Elan Estate. The Trust is thus responsible for some 43,000 acres out of a total of 45,000 in accordance with the terms of the lease.

Since 1989, a number of properties on the Estate and in Elan Village have been added to the lease or acquired as has the freehold of neighbouring Cwmduddwr Common.

Recruitment and appointment of trustees

A number of organisations have the ability to nominate Directors to the Board of Elan Valley Limited. These are Dwr Cymru Welsh Water; Powys County Council; Ceredigion County Council; Natural Resources Wales (two Directors) and Welsh Government / National Assembly for Wales.

In addition, as a consequence of the appointment of a sole corporate trustee there is provision for an 'open' recruitment process to ensure a wider and appropriate balance of skills is available to the Board. Directors appointed through this process sit for a five-year term in the first instance with provision to extend this for a further five years. A recruitment process was followed during 2019-20 to seek to supplement and strengthen the Board with the final stages interrupted by the Covid lockdown late in the period. The process was completed late Summer 2020 with three new Directors joining the Board.

Induction and training of trustees

Directors bring with them a wealth of professional expertise in matters relating to the operation and function of the charity and receive ongoing training and information provision in matters pertaining to the charity through a system of regular updates from relevant professional organisations, verbal updates and papers for information prepared by staff as well as site visits both on and off the Estate.

Welsh Water Elan Trust Trustees' Report

Organisational structure

More recently, to resolve complexities around the recruitment of new Trustees in the face of liability issues with the original arrangement, the company Elan Valley Limited was established and registered with Companies House (No. 09001046) and on 2nd November 2018 the transfer to Elan Valley Limited as the sole corporate trustee took effect, at which point the six trustees of the legacy body retired and were appointed as Directors of Elan Valley Limited.

As sole corporate trustee, Elan Valley Limited now has responsibility for fulfilling the charitable objectives of the Trust in accordance with the Trust Deed.

Directors of Elan Valley Limited are (in accordance with the objects and powers of the charity) responsible for setting the strategic direction and policies of Elan Valley Trust and for major operational and investment decisions.

Using a system of delegations to staff that are formalised in respect of financial accountability and general governance, these and routine operational matters are then implemented by the senior staff.

Decisions in fulfilment of their role are principally taken by Directors at Elan Valley Limited board meetings held at least five times a year.

Executive / management functions of the charity are the responsibility of the Land Agent. They are supported in this role by the Deputy Land Agent.

Elan Valley Limited does not in itself hold any assets or trade. The Charity Commission has therefore authorised that the charity's funds may be used to purchase insurance for the trustee and its Directors (including a "Directors and Officer liability insurance policy").

Relationships with related parties

Dwy Cymru Welsh Water

While the terms of the lease clearly delineate the responsibilities of the charity in terms of management of the leasehold there are inevitably many areas of mutual policy, management and operational interest with DCWW. The charity therefore works closely with DCWW in matters relating to the operation of the Estate. This is facilitated by regular day-to-day contact between staff members of the two organisations and is further strengthened by attendance of a local DCWW representative at Trust Board meetings and the DCWW-appointed trustee Dr. Norman Lowe. The national and European importance of the Estate for nature conservation and a range of ecosystem services means that another key relationship is that with Natural Resources Wales (NRW). Again, this relationship is maintained by regular contact between staff members of the two organisations, by attendance of an NRW officer at Trust Board meetings and by the two Directors appointed by legacy bodies of NRW, Robert Vaughan and Dr. Ieuan Joyce.

The charity as part of a wider network: Elan Links Partnership

Since December 2017, the charity has been Lead Partner in the 5-year Elan Links Landscape Partnership Scheme awarded by the Heritage Lottery Fund and based principally within the Elan Valley Estate boundary. Apart from the Trust, the Elan Links partnership includes DCWW, NRW, Community Arts Rhayader and District (CARAD) and Tir Coed. Stakeholder organisations include Royal Commission for Ancient and Historic Monuments Wales, Arts Council Wales, Elan Valley Tenants Association, Cwmduddwr Commoners Association and a range of recreational user groups.

Welsh Water Elan Trust Trustees' Report

Major risks and management of those risks

During the 2019-20 period, Directors continued to identify and manage risks using a RAG (Red-Amber-Green) risk register system. Reviewing the risk register is a standing item at Trust Board meetings.

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

The law applicable to charities requires the trustees 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 trustees are required to:

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

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the constitution. The trustees are 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.

The annual report was approved by the trustees of the charity on 20 January 2021 and signed on its behalf by:

Dr I Joyce, Director Elan Valley Limited

Welsh Water Elan Trust

Independent Auditor's Report to the Members of Welsh Water Elan Trust

Opinion

We have audited the financial statements of Welsh Water Elan Trust (the 'charity') for the year ended 31 March 2020, which comprise the Statement of Financial Activities, Balance Sheet, 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 United Kingdom Accounting Standards, comprising Charities SORP - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law (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 2020 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In connection with our audit of the financial statements, 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.

Welsh Water Elan Trust

Independent Auditor's Report to the Members of Welsh Water Elan Trust

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the charity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charity to cease to continue as a going concern.

Welsh Water Elan Trust
Independent Auditor's Report to the Members of Welsh Water Elan Trust

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the charity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the charity audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charity trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our work has been undertaken so that we might state to the trustees those matters we are required to state to trustees in an auditors' 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 its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

M L Barnes (Senior Statutory Auditor)

For and on behalf of Mitchell Meredith Limited, Statutory Auditor

The Exchange
Fiveways
Temple Street
Llandrindod Wells
Powys
LD1 5HG

20 January 2021

Mitchell Meredith Limited 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.

Welsh Water Elan Trust
Statement of Financial Activities for the Year Ended 31 March 2020

	Note	Unrestricted £	Restricted £	Total 2020 £	Total 2019 £
Income and Endowments from:					
Donations and legacies		3	-	3	-
Charitable activities	3	1,410,777	415,390	1,826,167	1,588,095
Other trading activities	5	15,836	-	15,836	21,681
Investment income	6	1,579	-	1,579	580
Other income	7	1,558	-	1,558	-
Total Income		<u>1,429,753</u>	<u>415,390</u>	<u>1,845,143</u>	<u>1,610,356</u>
Expenditure on:					
Charitable activities	8	(949,295)	(395,970)	(1,345,265)	(1,142,572)
Total Expenditure		<u>(949,295)</u>	<u>(395,970)</u>	<u>(1,345,265)</u>	<u>(1,142,572)</u>
Gains/losses on investment assets		(26,677)	-	(26,677)	726,270
Net income		<u>453,781</u>	<u>19,420</u>	<u>473,201</u>	<u>1,194,054</u>
Gross transfers between funds		<u>(75,687)</u>	<u>75,687</u>	<u>-</u>	<u>-</u>
Net movement in funds		378,094	95,107	473,201	1,194,054
Reconciliation of funds					
Total funds brought forward		<u>10,501,076</u>	<u>288,675</u>	<u>10,789,751</u>	<u>9,595,697</u>
Total funds carried forward	21	<u>10,879,170</u>	<u>383,782</u>	<u>11,262,952</u>	<u>10,789,751</u>

All of the charity's activities derive from continuing operations during the above two periods.
The funds breakdown for 2019 is shown in note 21.

Welsh Water Elan Trust
(Registration number: 1001347)
Balance Sheet as at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	14	3,688,730	3,170,970
Investments	15	6,999,152	6,675,829
		<u>10,687,882</u>	<u>9,846,799</u>
Current assets			
Stocks	16	39,390	34,790
Debtors	17	494,083	766,142
Cash at bank and in hand	18	241,424	285,065
		<u>774,897</u>	<u>1,085,997</u>
Creditors: Amounts falling due within one year	19	<u>(199,827)</u>	<u>(143,045)</u>
Net current assets		<u>575,070</u>	<u>942,952</u>
Net assets		<u>11,262,952</u>	<u>10,789,751</u>
Funds of the charity:			
Restricted		383,782	288,675
Unrestricted income funds			
Unrestricted		<u>10,879,170</u>	<u>10,501,076</u>
Total funds	21	<u>11,262,952</u>	<u>10,789,751</u>

The financial statements on pages 13 to 29 were approved by the trustees, and authorised for issue on 20 January 2021 and signed on their behalf by:

Dr I Joyce, Director Elan Valley Limited

Welsh Water Elan Trust
Cash Flow Statement for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Net cash income		473,201	1,194,054
Adjustments to cash flows from non-cash items			
Depreciation		156,935	120,762
Investment income	6	(1,579)	(580)
Revaluation of investments		52,535	(673,099)
		<u>681,092</u>	<u>641,137</u>
Working capital adjustments			
Increase in stocks	16	(4,600)	(5,770)
Decrease/(increase) in debtors	17	272,059	(493,352)
Increase in creditors	19	62,132	14,133
(Decrease)/increase in deferred income		(5,350)	1,447
Net cash flows from operating activities		<u>1,005,333</u>	<u>157,595</u>
Cash flows from investing activities			
Interest receivable and similar income	6	1,579	580
Purchase of tangible fixed assets	14	(677,675)	(647,391)
Sale of tangible fixed assets		2,980	-
Purchase of investments	15	(650,000)	(300,000)
Sale of investments		274,142	746,829
Net cash flows from investing activities		<u>(1,048,974)</u>	<u>(199,982)</u>
Net decrease in cash and cash equivalents		(43,641)	(42,387)
Cash and cash equivalents at 1 April		<u>285,065</u>	<u>327,452</u>
Cash and cash equivalents at 31 March		<u><u>241,424</u></u>	<u><u>285,065</u></u>

All of the cash flows are derived from continuing operations during the above two periods.

Welsh Water Elan Trust

Notes to the Financial Statements for the Year Ended 31 March 2020

1 Accounting policies

Statement of compliance

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) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

Basis of preparation

Welsh Water Elan Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

Income and endowments

Donations and legacies

Donations and legacies are recognised on a receivable basis when receipt is probable and the amount can be reliably measured.

Deferred income

Deferred income represents amounts received for future periods and is released to incoming resources in the period for which, it has been received.

Investment income

Investment income is recognised on a receivable basis.

Charitable activities

Income from charitable activities includes income recognised as earned (as the related goods or services are provided) under contract or where entitlement to grant funding is subject to specific performance conditions. Grant income included in this category provides funding to support programme activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Welsh Water Elan Trust

Notes to the Financial Statements for the Year Ended 31 March 2020

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, for example, allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage.

Governance costs

These include the costs attributable to the charity's compliance with constitutional and statutory requirements, including audit, strategic management and trustees's meetings and reimbursed expenses.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 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.

Tangible fixed assets

Individual fixed assets costing £500.00 or more are initially recorded at cost.

Depreciation and amortisation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Plant and machinery	25% on cost
Fixtures and fittings	25% on cost
Property	3% on cost

Fixed asset investments

Fixed asset investments are included at market value at the balance sheet date. Gains and losses on investments are reflected in the Statement of Financial Activities.

Stock

Sheep in stock which form part of the sheep farming operation are valued at £10 each.

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the trust will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the trust does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised at the transaction price.

Fund structure

Unrestricted income funds are general funds that are available for use at the trustees's discretion in furtherance of the objectives of the charity.

Designated funds are unrestricted funds set aside for specific purposes at the discretion of the trustees.

Restricted income funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

Pensions and other post retirement obligations

The charity operates a defined contribution pension scheme. The charity contribution is restricted to the contributions disclosed in note 11.

Financial instruments

Recognition and measurement

The Trust 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.

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

2 Income from donations and legacies

	Unrestricted funds General £	Total 2020 £
Donations and legacies;		
Donations from individuals	3	3
	<u>3</u>	<u>3</u>

3 Income from charitable activities

	Unrestricted General £	Restricted £	Total 2020 £	Total 2019 £
Tenanted Farm	486,644	-	486,644	486,083
Residential Rent	102,856	-	102,856	105,153
Farming Operations	671,552	-	671,552	605,813
Holiday Let	149,725	-	149,725	59,278
Estate Management	-	415,390	415,390	331,768
	<u>1,410,777</u>	<u>415,390</u>	<u>1,826,167</u>	<u>1,588,095</u>

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

4 Estate Management - restricted income

	Restricted Funds £	Total Funds 2020 £	Total Funds 2019 £
Heritage Lottery Fund	241,683	241,683	203,343
Welsh Government (TAIS)	128,991	128,991	72,425
Arts Council of Wales	10,000	10,000	6,000
Dwr Cymru Welsh Water	11,229	11,229	50,000
Brecon Beacons National Park (TAIS)	22,602	22,602	-
Farmers Cash Match	885	885	
	<u>415,390</u>	<u>415,390</u>	<u>331,768</u>

5 Income from other trading activities

	Designated £	Unrestricted General £	Total 2020 £	Total 2019 £
Estate management - fund raising activity	5,238	10,598	15,836	21,681
	<u>5,238</u>	<u>10,598</u>	<u>15,836</u>	<u>21,681</u>

6 Investment income

	Unrestricted General £	Total 2020 £	Total 2019 £
Interest on cash deposits	<u>1,579</u>	<u>1,579</u>	<u>580</u>

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

7 Other income

	Unrestricted General £	Total 2020 £
Fees and supplies	1,558	1,558

8 Expenditure on charitable activities

	Activity undertaken directly £	Grant funding of activity £	Activity support costs £	Total 2020 £	Total 2019 £
Tenanted farm	57,795	-	61,951	119,746	110,884
Residential rent	110,305	-	38,117	148,422	149,741
Farming operations	182,890	-	77,069	259,959	236,233
Holiday let	265,554	-	23,177	288,731	85,997
Estate management	57,226	5,950	18,556	81,732	89,057
Development projects including Elan Links	401,985	-	6,186	408,171	434,132
Governance	28,301	-	10,203	38,504	36,529
	<u>1,104,056</u>	<u>5,950</u>	<u>235,259</u>	<u>1,345,265</u>	<u>1,142,573</u>

£949,295 (2019 - £841,785) of the above expenditure was attributable to unrestricted funds and £395,970 (2019 - £300,787) to restricted funds.

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

9 Analysis of governance and support costs

Support costs allocation

	Staff Costs £	Office costs £	Subscriptions £	Motor Costs £	Total 2020 £	Total 2019 £
Tenanted farm	46,358	12,876	1,101	1,616	61,951	50,478
Residential rent	22,914	12,486	1,101	1,616	38,117	31,658
Farming operations	67,768	7,318	367	1,616	77,069	60,595
Holiday let	14,757	6,437	367	1,616	23,177	18,052
Estate Management	12,222	4,847	275	1,212	18,556	14,451
Development projects	4,075	1,614	93	404	6,186	4,817
Governance	3,430	5,672	1,101	-	10,203	8,795
	<u>171,524</u>	<u>51,250</u>	<u>4,405</u>	<u>8,080</u>	<u>235,259</u>	<u>188,846</u>

Basis of allocation

Reference	Method of allocation
Staff costs	Time
Office	Cover
Subscriptions	Cover
Secretary	Time
Motor costs	Usage
Other	Cover
Bank charges	Usage

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

Governance costs

	Unrestricted General £	Total 2020 £	Total 2019 £
Audit fees			
Audit of the financial statements	5,500	5,500	5,500
Other fees paid to auditors	4,325	4,325	4,294
Legal and professional fees	3,343	3,343	7,627
Other governance costs	15,133	15,133	10,313
Allocated support costs	10,203	10,203	8,795
	38,504	38,504	36,529

10 Net incoming/outgoing resources

Net incoming resources for the year include:

	2020 £	2019 £
Audit fees	5,500	5,500
Other non-audit services	4,325	4,294
Loss on disposal of fixed assets held for the charity's own use	1,730	-
Depreciation of fixed assets	157,508	120,762

11 Trustees remuneration and expenses

No trustees, nor any persons connected with them, have received any remuneration from the charity during the year.

During the year 4 (2019 - 5) trustees were reimbursed expenses incurred totalling £7,578 (2019 - £8,326)

No trustees have received any other benefits from the charity during the year.

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

12 Staff costs

The aggregate payroll costs were as follows:

	2020	2019
	£	£
Wages and Salaries	395,886	299,437
Social Security	27,637	22,169
Other Pension Costs	18,979	22,324
	<u>343,930</u>	<u>343,930</u>

The monthly average number of persons (including senior management team) employed by the charity during the year expressed as full time equivalents was as follows:

	2020	2019
	No	No
Farming	4	4
General maintenance	2	2
Heritage Lottery Fund Project	8	8
Administration	2	2
Management	1	1
Visitor Accommodation	8	-
	<u>25</u>	<u>17</u>

19 (2019 - 16) of the above employees participated in the Defined Contribution Pension Schemes.

No employee received emoluments of more than £60,000 during the year

The total employee benefits of the key management personnel of the charity were £97,349 (2019 - £55,357).

The Land Agent, as the highest paid member of staff, received benefits totalling £56,522 (2019 - £55,357).

13 Taxation

The charity is a registered charity and is therefore exempt from taxation.

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

14 Tangible fixed assets

	Land and buildings £	Furniture and equipment £	Other tangible fixed asset £	Total £
Cost				
At 1 April 2019	4,263,960	198,769	97,770	4,560,499
Additions	494,100	183,575	-	677,675
Disposals	-	(9,419)	-	(9,419)
At 31 March 2020	<u>4,758,060</u>	<u>372,925</u>	<u>97,770</u>	<u>5,228,755</u>
Depreciation				
At 1 April 2019	1,225,406	164,123	-	1,389,529
Charge for the year	123,971	32,964	-	156,935
Eliminated on disposals	-	(6,439)	-	(6,439)
At 31 March 2020	<u>1,349,377</u>	<u>190,648</u>	<u>-</u>	<u>1,540,025</u>
Net book value				
At 31 March 2020	<u>3,408,683</u>	<u>182,277</u>	<u>97,770</u>	<u>3,688,730</u>
At 31 March 2019	<u>3,038,554</u>	<u>34,646</u>	<u>97,770</u>	<u>3,170,970</u>

15 Fixed asset investments

	Listed investments £	Total £
Cost or Valuation		
At 1 April 2019	6,675,829	6,675,829
Revaluation	(52,535)	(52,535)
Additions	650,000	650,000
Disposals	(274,142)	(274,142)
At 31 March 2020	<u>6,999,152</u>	<u>6,999,152</u>
Net book value		
At 31 March 2020	<u>6,999,152</u>	<u>6,999,152</u>
At 31 March 2019	<u>6,675,829</u>	<u>6,675,829</u>

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

Investment funds are now held in accumulation units, where no dividend or interest is paid, instead any return on the investment is reflected in the value of the units. The increase in the value of the investments are included as a revaluation gain, as shown above.

16 Stock

	2020 £	2019 £
Stocks	39,390	34,790

17 Debtors

	2020 £	2019 £
Trade debtors	467,409	725,163
Prepayments	26,674	19,822
VAT recoverable	-	21,157
	<u>494,083</u>	<u>766,142</u>

18 Cash and cash equivalents

	2020 £	2019 £
Cash at bank	241,424	285,065

19 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	93,414	100,248
Other taxation and social security	1,962	-
VAT	33,556	-
Pension scheme creditor	12,450	11,817
Accruals	41,105	8,290
Income in advance	17,340	22,690
	<u>199,827</u>	<u>143,045</u>

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

20 Commitments

Capital commitments

Contract for the improvement of a tenanted farm

The total amount contracted for but not provided in the financial statements was £145,909 (2019 - £Nil).

21 Funds

	Balance at 1 April 2019 £	Incoming resources £	Resources expended £	Transfers £	Other recognised gains/(losses) £	Balance at 31 March 2020 £
Year to 31 March 2019						
Unrestricted						
<i>General</i>						
Unrestricted income fund	10,491,046	1,424,515	(943,345)	(75,687)	(26,677)	10,869,852
<i>Designated</i>						
Designated fund	10,030	5,238	(5,950)	-	-	9,318
Total unrestricted	<u>10,501,076</u>	<u>1,429,753</u>	<u>(949,295)</u>	<u>(75,687)</u>	<u>(26,677)</u>	<u>10,879,170</u>
Restricted						
Capital grants	143,526	-	(10,944)	-	-	132,582
Nature Fund	35,225	-	(3,587)	-	-	31,638
CADW	109,924	-	(3,570)	-	-	106,354
Heritage Lottery Fund	-	415,390	(377,869)	75,687	-	113,208
Total restricted	<u>288,675</u>	<u>415,390</u>	<u>(395,970)</u>	<u>75,687</u>	<u>-</u>	<u>383,782</u>
Total funds	<u>10,789,751</u>	<u>1,845,143</u>	<u>(1,345,265)</u>	<u>-</u>	<u>(26,677)</u>	<u>11,262,952</u>

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

The specific purposes for which the funds are to be applied are as follows:

Unrestricted funds

Comprise those funds that the trustees are free to use in accordance with the charitable objects.

Designated Funds

The trustees have allocated the income received from the Ministry of Defence for the use of the estate to a fund controlled by a joint committee of Trustees and tenants. This fund is used in the support of local charities having appropriate charitable or relevant public purposes.

Restricted funds

Capital Grants represent funds received in respect of the restoration of properties.

Nature Fund represents funds received from the Welsh Assembly Government in respect of this project.

CADW Grant represents funds received in respect of the work being carried out at Cwm Elan Mines.

Heritage Lottery Fund represents funds received in respect of the Elan Links project.

	Balance at 1 April 2018 £	Incoming resources £	Resources expended £	Other recognised gains/(losses) £	Balance at 31 March 2019 £
Year to 31 March 2018					
Unrestricted					
<i>General</i>					
Unrestricted income fund	9,329,701	1,273,510	(838,435)	726,270	10,491,046
<i>Designated</i>					
Designated fund	8,302	5,078	(3,350)	-	10,030
Total unrestricted	<u>9,338,003</u>	<u>1,278,588</u>	<u>(841,785)</u>	<u>726,270</u>	<u>10,501,076</u>
Restricted					
Capital grants	154,471	-	(10,945)	-	143,526
Nature Fund	39,728	-	(4,503)	-	35,225
CADW	63,495	50,000	(3,571)	-	109,924
Heritage Lottery Fund	-	281,768	(281,768)	-	-
Total restricted	<u>257,694</u>	<u>331,768</u>	<u>(300,787)</u>	<u>-</u>	<u>288,675</u>
Total funds	<u>9,595,697</u>	<u>1,610,356</u>	<u>(1,142,572)</u>	<u>726,270</u>	<u>10,789,751</u>

Welsh Water Elan Trust
Notes to the Financial Statements for the Year Ended 31 March 2020

22 Analysis of net assets between funds

	Unrestricted			Total funds at 31 March 2019 £
	General £	Designated £	Restricted £	
Tangible fixed assets	3,265,069	-	423,661	3,688,730
Fixed asset investments	6,999,152	-	-	6,999,152
Current assets	747,215	9,318	18,364	774,897
Current liabilities	(199,827)	-	-	(199,827)
Total net assets	<u>10,811,609</u>	<u>9,318</u>	<u>442,025</u>	<u>11,262,952</u>
	Unrestricted funds General £	Designated £	Restricted funds £	Total funds 2019 £
Tangible fixed assets	2,882,295	-	288,675	3,170,970
Fixed asset investments	6,675,829	-	-	6,675,829
Current assets	1,075,967	10,030	-	1,085,997
Current liabilities	(143,045)	-	-	(143,045)
Total net assets	<u>10,491,046</u>	<u>10,030</u>	<u>288,675</u>	<u>10,789,751</u>

23 Analysis of net funds

	At 1 April 2019 £	Financing cash flows £	At 31 March 2020 £
Cash at bank and in hand	285,065	(43,641)	241,424
Net debt	<u>285,065</u>	<u>(43,641)</u>	<u>241,424</u>
	At 1 April 2018 £	Financing cash flows £	At 31 March 2019 £
Cash at bank and in hand	327,452	(42,387)	285,065
Net debt	<u>327,452</u>	<u>(42,387)</u>	<u>285,065</u>