



THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Annual Report and Consolidated Financial Statements
For the year ended 31 December 2018

Mission Statement

“To connect people with nature
and safeguard threatened species.”

Registered Charity SC004064

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Company Information

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THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Company Information

Royal Patron

HRH The Princess Royal

President

Ian Marchant

Board of Trustees

Jeremy Peat OBE, BA, MSc, FRSE

George Brechin OBE, BSc, CIHM Ω

Dr Thomas Mitchell CA, OStJ Ω

Sandy Batho MA, FCIPD[^]

Dr Karen Blackport BSc, PhD, MBA

Professor Mary Bownes OBE, DPhil, CBiol, FRSB, FRES, FRSE

Peter Budd CBE, BSc, CEng, FICE, MI Struct E, FCIQB, FRSE

Kerry Falconer FIOBS, MBA

John Fitzgerald BSc (Hons), FCIPD[^]

Dr Deborah Long BA (Hons), PhD, FRSGS

Karen MacEachern BSc, BVMS, PhD, Cert EM, MRCWS

Professor Alan Miller BSc, PhD, CPhys, FRSE, FIEEE, FOSA, FInstP Ω

Professor Andrea Nolan OBE

Dr Richard Rutnagur BSc, PhD

Professor Roger Wheeler OBE, FRSE[^]

Chair

Vice Chair

Honorary Treasurer & Chair of Audit and Risk Management Committee, Co-opted May 2018 previously elected

Chair of Nomination and Remuneration Committee

Elected May 2018, previously co-opted

Resigned May 2018, previously co-opted

Co-opted

Chief Executive

Barbara Smith BSc (Hons), FloD

Independent Committee appointments

Neil Dunn

Independent member of the Audit and Risk Management Committee

Laura Lawson

Independent member of the Audit and Risk Management Committee

Ω member of the Audit & Risk Management Committee during the year

[^] member of the Nomination and Remuneration Committee during the year

** member of the Scientific Advisory Committee during the year*

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Company Information

Head office

Edinburgh Zoo
134 Corstorphine Road
Edinburgh
EH12 6TS

Registered charity number:

SC004064

Principal advisors

External auditors

MHA Henderson Loggie
11 – 15 Thistle Street
Edinburgh
EH2 1DF

Internal auditors

Wylie Bisset
168 Bath Street
Glasgow
G2 4TP

Principal bankers

Bank of Scotland
300 Lawnmarket
Edinburgh
EH1 2PH

Investment advisors

Adam and Company Limited
25 St Andrew Square
Edinburgh
EH2 1AF

Principal solicitors

Anderson Strathern
1 Rutland Court
Edinburgh
EH3 8EY

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Trustees' annual report

Structure, governance and management

Legal structure

The Royal Zoological Society of Scotland (the Society) was founded in 1909, instituted by Royal Charter in 1913, and in 1948 was granted by His Majesty King George VI the privilege of adding the prefix "Royal" to its name. Amendments to the Society's Charter and Statutes were approved by Her Majesty Queen Elizabeth II and the Privy Council in 1958, 1961, 1975, 2008 and 2015.

The Society is registered as a charity with the Office of the Scottish Charity Regulator, registration number SC004064.

Governance

The governance of the Society is vested in its Trustees and Management. Trustees undertake their duties on an unpaid voluntary basis. The management team are paid employees of the Society.

President

The President is appointed by the Board principally to act as an ambassador for the Society. The President is not a member of the Board, is not a trustee and receives no remuneration.

Board Members

Members of the Society's governing Board are the Trustees of the Society within the meaning of s106 of the Charity and Trustee Investment (Scotland) Act 2005 (the Act). The Board's role is to oversee the proper management and development of the Society according to its aims and objectives, to ensure that the Society complies with prevailing legislation and regulations, and to make decisions on the key matters facing the Society. The Board met formally eight times during the year.

The Board consists of up to twelve members elected at Annual General Meetings and up to a further three members co-opted by the Board on the recommendation of the Nominations Committee to complement the skills of elected Board members. Immediately after the Annual General Meeting each year the Board appoints a Chairman and Vice-Chairman from its number.

Elected Board Members are appointed for a term of four years, are eligible for a further two terms of four years and, on the recommendation of the Nominations Committee, may be eligible for one further four year term. No Board Member can serve for longer than 16 years in total.

If an elected member is, for whatever reason, unable to complete his/her term of appointment the Board may, on the recommendation of the Nominations Committee, co-opt a Member of the Society to fill the vacancy until the end of the term.

Board members co-opted on the basis of their skills, may be co-opted for up to four years.

Principal Committees

The Audit & Risk Management Committee, which met four times in the year, comprises one Board member as Chairman, two other members of the Board and at least one independent member. Its remit includes, but is not limited to:

- conducting the appointment and management of auditors and investment managers;
- reviewing the financial statements and recommending them to the Board for approval;
- monitoring implementation of recommendations in audit reports; and
- risk management, audit and investment policy and procedures.

The Nominations and Remunerations Committee comprises one Board member as Chairman and two additional Board members. Its remit includes responsibility for identifying and recommending suitable individuals for election as trustees and supporting the Society's Chairman in reviewing board performance. It met three times during the year.

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Trustees' annual report

Trustee Recruitment and Induction

In line with good governance the Board seeks to maintain a balanced mix of knowledge, skills and expertise so as to manage the assets of the Society effectively. The Nominations Committee recommends potential candidates to the Board for co-option, having first met them and understood their potential contribution, and oversees the AGM nominations and election process.

Once elected or co-opted new Board members meet with the Chief Executive and Chairman, and participate in a formal induction programme. This programme includes, among other things:

- a briefing on the Society's strategic plans;
- a briefing on their responsibilities as trustees and the governance of the Society;
- detailed briefings from each member of the Leadership Team;
- précis of relevant policies; and
- familiarisation tours of Edinburgh Zoo and Highland Wildlife Park.

Trustees are encouraged to attend external briefing events, seminars and meetings in support of the Society from time to time as they are able. Contact between Leadership Team and the Board is encouraged through Leadership Team attendance at sub-Committee meetings, trustee participation in working groups and informal meetings.

Executive Team

The Executive Team is responsible for designing policies and procedures to support the strategies authorised by the Board, as well as managing the day-to-day operations of the Society and its trading subsidiary.

The Executive Team comprises the:

Chief Executive
Director of Finance and Resources

Director of Conservation and Living Collections
Director of Human Resources

Risk management

The Society's risk register is reviewed at each meeting of the Audit & Risk Management Committee and by the Board bi-annually, or as high priority risks emerge. The Board has conducted its annual review of the major risks to which the Society is exposed and associated actions, procedures and contingency plans to mitigate those risks and is satisfied with the management of those risks. The key risks, as assessed by the Trustees, are related to not achieving visitor targets, which is the main driver of income for the Society. Two key factors influence visitor numbers, firstly the animal collection and visitor experience and secondly the weather. The Trustees mitigate these factors by budgeting prudent visitor numbers that reflect new animal attractions within the parks. Marketing and promotions are also focused on attracting visitors. In addition consideration is given to weatherproofing aspects of the sites during the planning process and for each new exhibit.

Internal audit

The Society's Internal Audit function provides assurance to the Audit and Risk Management Committee over the operations of the Society's systems of governance, risk management and internal control.

Provision of internal audit was tendered during the year and Wylie Bisset were appointed in November 2018.

Remuneration of key management

The Society's Nominations and Remuneration Committee sets the pay level of the Chief Executive on an annual basis on the basis of performance and relevant sector benchmarking.

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Trustees' annual report

Objectives and activities

Charitable objectives

The charitable objects (Objects) of the Society are set out in the Royal Charter. These are:

- the advancement of animal welfare by promoting the conservation of threatened species and habitats; and
- the advancement of education through the above mentioned object and by promoting, facilitating and encouraging the study of zoology, animal physiology, pathology, dietetics and kindred subjects and to foster and develop among the wider public an interest in and knowledge of animal life.
- In the furtherance of the above mentioned objects, the Society can carry out the following:
 - (a) investigate the habits, migrations and life histories of animals now or formerly occurring in Scotland and in Scottish seas and to disseminate knowledge thereof;
 - (b) effect the conservation of wild animals and their habitats in Scotland, and to promote legislation thereof; and if deemed necessary to oppose legislation tending to have adverse influence thereon;
 - (c) establish, equip, carry on and develop zoological parks or gardens and living zoological collections at such places in Scotland as the Society shall determine;
 - (d) take part in conservation and research fieldwork and related activities in other countries and where appropriate for conservation purposes collect samples of animals and plants for return to the Society;
 - (e) at such times and places as the Society may deem expedient, establish, equip, provide and maintain an animal hospital, a museum or museums, a library or libraries, a laboratory or laboratories to assist the study of zoology and kindred subjects; and lecture rooms and institute lectures and demonstrations;
 - (f) create, offer, promote and award honours, medals and certificates for services rendered to the science of zoology, or to the objects and work of the Society and to institute Fellowships;
 - (g) promote by such means as the Society may deem expedient a knowledge of animal life and habits among the pupils and students of schools and educational institutions; and
 - (h) commission, produce, distribute, publish and pay the cost of publishing books, pamphlets, and other literature which the Society may regard as tending to further its objects or as being of service to the science of zoology and to contribute to and promote such literature.”

The Society interprets these detailed objectives as being the promotion and pursuit of Conservation, Education and Research in the sphere of Animal and Zoological Science.

Principal objectives for the year

The objectives in 2018 were:

- achieving targeted levels of visitor numbers;
- keeping costs under control, focusing on revenue-generating activities and targeting a sustainable surplus position;
- enhancing the visitor experience by refocusing the Animal Collection and resource inputs to the improvement of the Estate;
- seeking funding and working in partnership to further enhance our research and conservation programmes and improve our facilities;
- Continuing to fulfil our mission objectives.

Significant activities

The principal activities of the Society are the pursuit of Conservation, Education and Research activities funded through grants and the surpluses generated from operating the two animal parks in Edinburgh and Kincaig.

The Society owns and operates Edinburgh Zoo and the Highland Wildlife Park. The commercial activities of the Society are carried on by its wholly-owned subsidiary, Ark Enterprises Limited (Ark). Taxable profits generated by Ark are donated to the Society under Gift Aid legislation. The results of Ark are consolidated into the financial statements on pages 15 to 35.

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Trustees' annual report

Achievements and performance

Membership and volunteers

The total number of members of the Society increased by 12% during the year. A significant amount of work has been undertaken to ensure that members of the Society have both a voice and influence as appropriate in the activities of the Society. The Society benefits significantly from the active support of volunteers both at Edinburgh Zoo and the Highland Wildlife Park. The Society is indebted to the work and dedication of our volunteers and we thank them for all that they do.

| Department | Number of Volunteers |
|------------------------|----------------------|
| Edinburgh Zoo | 96 |
| Highland Wildlife Park | 5 |

Volunteers undertake a wide range of activities which include: supporting staff; visitor engagement; acting as animal wardens; production of membership packs; and general administration. Volunteers are required to attend training and are subject to appropriate oversight to ensure they remain safe and follow the policies and procedures of the Society.

Visitors

Visitor numbers at Edinburgh Zoo were 510,000 in 2018, a decrease of 2% on 2017. The poor weather in the first quarter of 2018 contributed to this reduction.

At the Highland Wildlife Park the number of visitors increased to 206,000, a record increase of 68% on 2017. This was due to the birth of Hamish, the polar bear; the first polar bear cub to be born in the UK for 25 years.

Conservation, engagement and research

Native Species: Our work with Scottish Wildcat Action has been very successful with RZSS playing a leading role in the captive breeding for release aspect of the project and the genetic management of this species, culminating in kittens being born in specially designed facilities which mimic natural wildcat habitat. As one of the lead partners in Scottish Beavers, further beavers were released at Knapdale augmenting the population in the penultimate year of licensed releases.

International: The Budongo Conservation Field Station in Uganda carried on providing protection and monitoring of the chimpanzee population in the Budongo Forest as well as supporting local communities through community education and health programmes. The Giant Armadillo and Giant Anteater Project had a successful year in the Pantanal with landowners and key policy makers becoming more engaged with the need to protect these species. In addition to the continued work at the Living Links research centre at Edinburgh Zoo another facility, the Budongo Research Unit, was established to work with the chimpanzees supporting studies on primate behaviour and where possible using the information to compare to the wild chimpanzees in the Budongo Forest in Uganda.

WildGenes: The WildGenes lab is now one of the top labs in Europe using genetic data to inform conservation management policies and work focused on wildcat genetics, antelope population management and ivory DNA identification to monitor the illegal wildlife trade.

Engagement: Within our discovery and learning remit, 2018 continued to deliver stronger links to our conservation work. Our programmes at Edinburgh Zoo and the Highland Wildlife Park, provided unique learning experiences that are valued by participants and schools. Our outreach education programme, delivered by the Wild about Scotland bus (a partnership with the Clydesdale Bank) ended very successfully in 2018 having visited over 700 school and community groups and engaged with 97,000 people.

Animal Collection

As in previous years, the planning of the Society's animal collections in the two parks is mainly based upon the European Association of Zoos and Aquariums' (EAZA) regional collection plans. As an active member of EAZA, the Society has a responsibility to work in accordance with their various recommendations.

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Trustees' annual report

Financial review

Trading performance

Performance at Edinburgh Zoo in the first quarter of 2018 was impacted by poor weather. Though performance largely recovered, visitor numbers were 2% down on 2017. The birth of Hamish, the first polar bear cub to be born in the UK for 25 years, at the Highland Wildlife Park, attracted huge public interest and visitor numbers increased by 68% to a record high of 206,000.

A change in the contractual arrangements for catering at Edinburgh Zoo increased both catering turnover and costs.

Event income increased significantly due to the success of the Giant Lanterns of China Festival which ran over the winter of 2017 and into 2018.

Membership income increased following a successful reactivation campaign

Costs increased in 2018. This was principally due to the change in the contractual arrangements for catering at Edinburgh Zoo, costs associated with the Giant Lanterns of China Festival and additional pension costs.

Overall the Society achieved a net surplus of £0.6m in 2018 (2017 deficit £0.4m). The net movement in funds for the year was £0.7m (2017 deficit £0.4m) after taking account of investment gains/losses and movement in the valuation of the pension fund.

Pension Scheme

The Society operates two pension schemes: a defined benefit scheme which closed to future accrual with effect from 1 October 2008 and a defined contribution scheme established on 1 April 2008.

The financial results for the year reflect the results of the full actuarial valuation of the Society's defined benefit pension scheme at 1 April 2018, updated as at 31 December 2018 in accordance with the requirements of Financial Reporting Standard 102. The pension deficit is £454,800 at 31 December 2018 (2017: £537,800). This decrease in deficit is due to the combined impact of the funding position, discount rates and market conditions; all external factors.

Members of the defined benefit scheme were offered membership of a new defined contribution scheme with effect from 1 October 2008. All core staff have been and continue to be offered the option to join the Society's defined contribution scheme. In April 2018 the minimum employee contribution increased from 1.5% to 2.5% of pensionable salary and the Society matches contributions to a maximum of 5%.

Reserves Policy

The Board has established a reserves policy whereby free reserves should approximate to at least 3 months of the minimum resources required to sustain operations. This policy equates to approximately £2.1m. At this level the Board considers that it would be able to continue the current activities of the Society in the event of a significant drop in funding.

The Society's free reserves (excluding pension liabilities) are £2.3m (2017: £2.1m). The Board currently considers that the Society has adequate reserves to sustain operations and pay down its long term liabilities as they become due. The Board, however, aspires to securing additional reserves to continue to develop and invest in the parks and to further the conservation and education mission of the Society.

Principal income movements (£m)

| | |
|---------------------------|-------|
| Income 2017 | £14.6 |
| Visitors | +£1.1 |
| Trading (retail/catering) | +£1.8 |
| Events | +£0.7 |
| Membership | +£0.1 |
| Income 2018 | £18.3 |

Principal expense movements (£m)

| | |
|---------------------------|-------|
| Expenditure 2017 | £15.4 |
| Trading (retail/catering) | +1.6 |
| Conservation | -0.2 |
| Events | +0.4 |
| Other | +0.3 |
| Expenditure 2018 | £17.5 |

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Trustees' annual report

Going Concern

The trustees have considered carefully the likely outcome for the next 12 months and have taken into account a number of factors in this review. These include:

- the trading performance between 2017 and 2018;
- trading to date in 2019;
- improvements in the Animal Collection;
- enhancements to the Estate;
- forward cash projections for 2019;
- continuing scheduled repayments of bank loans; and
- projected continued improvements in trading performance.

Consequently, the Board are of the view that the Society remains a going concern and has adequate funds in place for its on-going operations.

Investment powers and policy

Under the terms of the Royal Charter, the Society has powers to invest. The trustees, having regard to the liquidity requirements of the Society and its reserves policy, hold a range of investments in order to secure a better rate of return than bank deposits.

Our investments are managed by the Society's investment managers Adam and Company. Trustees are mindful that certain investments bear a higher risk than others and have issued the Investment Manager with instructions to pay particular attention to the risk and volatility of the Society's portfolio relative to current market conditions. The Audit and Risk Management Committee receive regular reports and are satisfied with the performance of the portfolio during 2018 taking into account the general performance of the market.

During 2018 the portfolio decreased in value by 6% to £3.3 million.

Taxation

The Society is recognised as a charity by HM Revenue and Customs for the purposes of the Corporation Tax Act 2000 part II and is exempt from income and corporation tax on all of its charitable activities. Consequently, no tax is payable on the surplus for the year.

The Society's wholly owned subsidiary, Ark Enterprises Limited, gifted its net distributable taxable profits to the Society in 2017 and 2018. These represent qualifying donations under s191 to s202 of the Corporation Tax Act 2010 and consequently Ark has no liability to corporation tax in either year.

Auditors

Following a tender exercise undertaken in 2016 MHA Henderson Loggie were re-appointed as the society's external auditors.

Maintenance and integrity of the Society's website

The work carried out by the auditors does not involve consideration of the publication of our financial results on the Society website. Accordingly, the auditors accept no responsibility for any changes that may have occurred since the financial statements were first presented on the website.

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Trustees' annual report

Plans for the future

In May 2017 the Board of Trustees approved a new five year Strategy Plan (2018 – 2022).

There are six strategic goals:

- **Our animals:** Providing exemplary animal care within an engaging, diverse and mission focused collection
- **Our people:** Realising the aspirations of our staff, volunteers and other stakeholders as part of one RZSS team
- **Conservation:** Applying our collective expertise to species restoration both in Scotland and around the world
- **Engagement:** Moving people from empathy to action through innovative conservation education and memorable experiences
- **Research:** Enabling evidence-based conservation activity through research and partnerships
- **Sustainable growth:** Growing a sustainable and diverse business, built from two world-class visitor attractions

The Executive team are focused upon the delivery of these strategic goals and in the next 12 months:

Our animals

Our animal collection will undergo further review to ensure that we achieve a collection which delivers an appropriate balance of visitor experience and fulfilment of our conservation objectives and obligations

Our people

Our People Strategy will continue to be implemented and developed to ensure appropriate recruitment, motivation and retention of the Society's staff. We wish to foster a culture of engagement, openness and teamwork which will help deliver the Society's strategic objectives in a sustainable and engaging way. A review of pay and grading is underway and due for completion in 2019.

Conservation and Research

Our applied science and field programmes will be assessed to make sure we focus on priority areas of need and skills in order that we make the best possible 'investment' decisions.

Sustainable growth

Our facilities, infrastructure and enclosures in the two parks will continue to be replaced and upgraded. The infrastructure at Edinburgh Zoo reflects the age of the site and a programme of investment has been put in place which aims to deal with the replacement or maintenance of the Estate over a ten-year period. At Kincaig plans continue to be developed during the year to substantially develop the park and replace the visitor centre. Environmental management standards are being considered as part of our overall sustainability programme.

Our commercial operations will be reviewed and new opportunities explored to ensure we maximise revenues and expand our supported base and achieve a sustainable financial platform.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Statement of Trustees' responsibilities

The Law Reform (Miscellaneous Provisions) (Scotland) Act 1990, the Charities and Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006 require the trustees to ensure that accounts are prepared for each financial year which give a true and fair view of the affairs of the Society for that period. In preparing these accounts the Board are 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 and statements of recommended practice have been followed, subject to any departures disclosed and explained in the accounts;
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Society will continue in operation;
- Ensure that proper accounting records are kept;
- Take adequate steps to safeguard the assets of the Society; and
- Take reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with charities legislation, as a Board of Trustees, we confirm that:

- As a Board of Trustees we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information; and
- So far as we are aware, there is no relevant audit information of which the Society's auditors are unaware.

Jeremy Peat
Chair

On behalf of the Board of Trustees

2 May 2019

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Independent Auditor's Report for the Members of the Royal Zoological Society of Scotland For the year ended 31 December 2018

Opinion

We have audited the financial statements of The Royal Zoological Society of Scotland (the 'charity') for the year ended 31 December 2018 which comprise the group and parent charity Statements of Financial Activities, the group and parent Balance Sheets, the group and parent charity Cashflow Statements and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 group and parent charity's affairs as at 31 December 2018 and of 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 and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of 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 other information comprises the information included in the Report of the Trustees, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. 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.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Independent Auditor's Report for the Members of the Royal Zoological Society of Scotland For the year ended 31 December 2018

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities and Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

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

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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Independent Auditor's Report for the Members of the Royal Zoological Society of Scotland For the year ended 31 December 2018

This report is made solely to the trustees, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members 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 its members as a body for our audit work, for this report, or for the opinions we have formed.

MHA Henderson Loggie

Chartered Accountants and Statutory Auditor

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
11 – 15 Thistle Street,
Edinburgh
EH2 1DF

2 May 2019

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Consolidated Statement of Financial Activities

For the year ended 31 December 2018

| | Notes | Unrestricted Funds £ | Restricted Funds £ | Endowment Fund £ | Total 2018 £ | Total 2017 £ |
|--|-------|----------------------------|--------------------------|------------------------|-------------------|-------------------|
| Income and endowments from: | | | | | | |
| Donations and legacies | 2 | 546,087 | 291,291 | - | 837,378 | 1,373,733 |
| Charitable activities | 3 | 10,762,176 | 24,527 | - | 10,786,703 | 9,471,030 |
| Other trading activities | 4 | 5,679,269 | - | - | 5,679,269 | 3,268,310 |
| Investments | 5 | 427,190 | - | 11,521 | 438,711 | 427,635 |
| Other | 6 | 25,286 | 575,965 | - | 601,251 | 42,106 |
| Total income and endowments | | 17,440,008 | 891,783 | 11,521 | 18,343,312 | 14,582,814 |
| Expenditure on: | | | | | | |
| Raising funds | 7 | 4,444,816 | - | 3,444 | 4,448,260 | 2,689,391 |
| Charitable activities | 8 | 12,499,064 | 564,043 | - | 13,063,107 | 12,722,616 |
| Total expenditure | | 16,943,880 | 564,043 | 3,444 | 17,511,367 | 15,412,007 |
| Gross transfers between funds | 21,22 | 11,521 | - | (11,521) | - | - |
| Gains/(losses) on investment assets | 15,22 | (175,967) | - | (32,463) | (208,430) | 386,166 |
| Net income/expenditure | | 331,682 | 327,740 | (35,907) | 623,515 | (443,027) |
| Other recognised gains/losses | | | | | | |
| Actuarial gains/(losses) on defined benefit pension scheme | 27 | 67,000 | - | - | 67,000 | 90,000 |
| Net movement in funds | | 398,682 | 327,740 | (35,907) | 690,515 | (353,027) |
| Reconciliation of funds | | | | | | |
| Total funds brought forward at 1 January 2018 | 20-22 | 13,753,015 | 3,552,424 | 448,683 | 17,754,122 | 18,107,149 |
| Total funds carried forward at 31 December 2018 | 20-22 | 14,151,697 | 3,880,164 | 412,776 | 18,444,637 | 17,754,122 |

None of the Society's activities were acquired or discontinued during the above two financial years.

The notes on pages 19 to 35 form part of these financial statements.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Statement of Financial Activities For the year ended 31 December 2018

| | Notes | Unrestricted Funds £ | Restricted Funds £ | Endowment Fund £ | Total 2018 £ | Total 2017 £ |
|--|--------------|----------------------------|--------------------------|------------------------|-------------------|-------------------|
| Income and endowments from: | | | | | | |
| Donations and legacies | 2 | 546,087 | 291,291 | - | 837,378 | 1,373,733 |
| Charitable activities | 3 | 10,762,176 | 24,527 | - | 10,786,703 | 9,471,030 |
| Other trading activities | 4 | 1,430,152 | - | - | 1,430,152 | 819,323 |
| Investments | 5 | 1,317,707 | - | 11,521 | 1,329,228 | 1,209,980 |
| Other | 6 | 316,555 | 575,965 | - | 892,520 | 285,754 |
| Total income and endowment | | 14,372,677 | 891,783 | 11,521 | 15,275,981 | 13,159,820 |
| Expenditure on: | | | | | | |
| Raising funds | 7 | 1,377,485 | - | 3,444 | 1,380,929 | 1,228,247 |
| Charitable activities | 8 | 12,499,064 | 564,043 | - | 13,063,107 | 12,722,617 |
| Total resources expended | | 13,876,549 | 564,043 | 3,444 | 14,444,036 | 13,950,864 |
| Gross transfers between funds | 20,22 | 11,521 | - | (11,521) | - | - |
| Gains/(losses) on investment assets | 15,22 | (175,967) | - | (32,463) | (208,430) | 386,166 |
| Net income/expenditure | | 331,682 | 327,740 | (35,907) | 623,515 | (404,878) |
| Other recognised gains/losses | | | | | | |
| Actuarial gains/(losses) on defined benefit pension scheme | 27 | 67,000 | - | - | 67,000 | 90,000 |
| Other gains/(losses) | | - | - | - | - | - |
| Net movement in funds | | 398,682 | 327,740 | (35,907) | 690,515 | (314,878) |
| Reconciliation of funds | | | | | | |
| Total funds brought forward at 1 January 2018 | 20-22 | 13,752,111 | 3,552,424 | 448,683 | 17,753,218 | 18,068,096 |
| Total funds carried forward at 31 December 2018 | 20-22 | 14,150,793 | 3,880,164 | 412,776 | 18,443,733 | 17,753,218 |

None of the Society's activities were acquired or discontinued during the above two financial years.

The notes on pages 19 to 35 form part of these financial statements.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Consolidated Balance Sheet As at 31 December 2018

| | Notes | Group | | Charity | |
|---|-------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| | | £ | £ | £ | £ |
| Fixed assets | 14 | 15,789,585 | 15,361,040 | 15,519,556 | 15,042,085 |
| Investments | 15 | 3,333,670 | 3,564,026 | 3,333,672 | 3,564,028 |
| Current assets | | | | | |
| Stocks | 16 | 321,141 | 297,025 | 88,608 | 93,062 |
| Debtors | 17 | 1,257,869 | 995,538 | 1,813,389 | 1,689,934 |
| Cash at bank and in hand | | 1,106,804 | 1,154,874 | 956,355 | 888,094 |
| | | <u>2,685,814</u> | <u>2,447,437</u> | <u>2,858,352</u> | <u>2,671,090</u> |
| Creditors: amounts falling due within one year | 18 | (2,594,227) | (2,554,501) | (2,497,642) | (2,460,105) |
| Net current assets / (liabilities) | | <u>91,587</u> | <u>(107,064)</u> | <u>360,710</u> | <u>210,985</u> |
| Total assets less current liabilities | | <u>19,214,842</u> | <u>18,818,002</u> | <u>19,213,938</u> | <u>18,817,098</u> |
| Creditors: amounts falling due after one year | 19 | (315,405) | (526,080) | (315,405) | (526,080) |
| Defined benefit pension scheme liability | 27 | (454,800) | (537,800) | (454,800) | (537,800) |
| Net assets | | <u><u>18,444,637</u></u> | <u><u>17,754,122</u></u> | <u><u>18,443,733</u></u> | <u><u>17,753,218</u></u> |
| Funds | | | | | |
| Unrestricted reserves | 20 | | | | |
| General reserve | | 8,456,497 | 8,140,815 | 8,455,593 | 8,139,911 |
| Revaluation reserve | | 6,150,000 | 6,150,000 | 6,150,000 | 6,150,000 |
| Pension reserve | 27 | (454,800) | (537,800) | (454,800) | (537,800) |
| Total unrestricted reserves | | <u>14,151,697</u> | <u>13,753,015</u> | <u>14,150,793</u> | <u>13,752,111</u> |
| Restricted funds | 21 | 3,880,164 | 3,552,424 | 3,880,164 | 3,552,424 |
| Endowment funds | 22 | 412,776 | 448,683 | 412,776 | 448,683 |
| | | <u>18,444,637</u> | <u>17,754,122</u> | <u>18,443,733</u> | <u>17,753,218</u> |

The financial statements were approved and authorised for issue by the Board on 2 May 2019

Dr Thomas Mitchell
On behalf of the Board of Trustees

The notes on pages 19 to 35 form part of these financial statements.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Cash Flow Statements
For the year ended 31 December 2018

| Group | Notes | 2018 £ | 2018 £ | 2017 £ | 2017 £ |
|---|-----------|-----------------|------------------------|-----------------|-------------------------|
| Net cash inflow from operating activities | 24 | | 1,497,146 | | (17,166) |
| Investing activities | | | | | |
| Payments to acquire investments | | (251,151) | | (161,646) | |
| Payments to acquire tangible fixed assets | | (1,763,298) | | (802,198) | |
| Proceeds from disposal of investments | | 262,838 | | 239,787 | |
| Proceeds from disposal of tangible fixed assets | | 400 | | 17,945 | |
| Investment income | | <u>438,711</u> | | <u>427,635</u> | |
| | | | (1,312,500) | | (278,477) |
| Financing activities | | | | | |
| Bank loans repaid | | (215,019) | | (278,136) | |
| Finance leases repaid | | (4,052) | | (11,458) | |
| Interest paid | | <u>(23,884)</u> | | <u>(30,269)</u> | |
| | | | (242,955) | | (319,863) |
| (Decrease)/Increase in cash | 26 | | <u><u>(58,309)</u></u> | | <u><u>(615,506)</u></u> |

| Charity | Notes | 2018 £ | 2018 £ | 2017 £ | 2017 £ |
|---|-----------|------------------|----------------------|------------------|-----------------------|
| Net cash inflow from operating activities | 24 | | 711,065 | | 148,927 |
| Investing activities | | | | | |
| Payments to acquire investments | | (251,151) | | (161,646) | |
| Payments to acquire tangible fixed assets | | (1,751,403) | | (781,579) | |
| Proceeds from disposal of investments | | 262,838 | | 239,787 | |
| Proceeds from disposal of tangible fixed assets | | 400 | | 17,945 | |
| Investment income | | <u>1,329,228</u> | | <u>1,209,980</u> | |
| | | | (410,088) | | 524,487 |
| Financing activities | | | | | |
| Bank loans repaid | | (215,019) | | (278,136) | |
| Finance leases repaid | | (4,052) | | (11,458) | |
| Interest paid | | <u>(23,884)</u> | | <u>(30,269)</u> | |
| | | | (242,955) | | (319,863) |
| (Decrease)/Increase in cash | 26 | | <u><u>58,022</u></u> | | <u><u>353,551</u></u> |

The notes on pages 19 to 35 form part of these financial statements.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention with the exception of revalued investment assets and investment property and are in accordance with applicable accounting standards, including the Statement of Recommended Practice FRS102 (SORP FRS102) "Accounting and reporting by charities" and in accordance with Financial Reporting Standard 102 (FRS102). Under FRS102 the Society is a public Benefit Entity.

The financial statements are presented in sterling (£).

Going Concern

The financial statements have been prepared on a going concern basis, which the Trustees believe to be appropriate for the reasons set out in the Trustees report.

Consolidation

The accounts consolidate the results and net assets and liabilities of the Society's wholly owned subsidiary company Ark Enterprises Limited. The investment is held at cost.

Fixed assets

Assets that are considered to have a useful life of over a year are capitalised at cost. Fixed assets are included in the Balance Sheet at cost less depreciation. Capital items (other than computer hardware and software) costing less than £500 are written off to the Statement of Financial Activities (SOFA) in the period of acquisition. Items of computer hardware and software costing less than £250 are written off to the Statement of Financial Activities (SOFA) in the period of acquisition.

Investment property is valued at open market value every five years by an external valuer. The Trustees review this value for reasonableness each year. All surpluses and deficits on valuation are transferred to a revaluation reserve and taken to the SOFA for the year. No depreciation or amortisation is provided in respect of investment properties.

Depreciation

Depreciation is provided on all fixed assets with the exception of heritable land and investment properties, in the year in which the fixed assets are brought into use. The rates of depreciation are calculated so as to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

| | | |
|---------------------|-----------------------|-------------|
| Property: | Property Improvements | 4-10 years |
| | New Buildings | 25 years |
| Vehicles | | 4 years |
| Plant and Machinery | | 4-10 years |
| Office Equipment | | 4 years |
| Computer Software | | 3 - 5 years |
| Computer Hardware | | 4 years |

Animals

Animals are generally acquired by the Society from other zoological organisations at zero cost or bred in our parks, and a realistic valuation cannot be placed thereon. Many of the animals acquired are held in trust with other zoological societies at zero cost.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

Investments

Investments comprise investments in quoted equity instruments which are measured at fair value. Changes in fair value are recognised in the SOFA in the year in which they arise.

Stocks

Retail stocks are valued at the lower of cost and estimated selling price less cost to sell. Animal feed is valued at cost.

Debtors

Short term debtors are measured at transaction price.

Creditors

Short term creditors are measured at transaction price.

Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Non basic financial instruments include all derivatives such as foreign exchange forward contracts and interest rates swaps. All are recognised on the balance sheet and measured at fair value. This means that at each period end the instrument is revalued and the movement is recognised in the SOFA.

Capital grants and donations

Assets funded by restricted reserves are capitalised and the depreciation is recognised as an expense of the restricted reserve.

Pensions

Defined benefit pension scheme

The Royal Zoological Society of Scotland operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Royal Zoological Society of Scotland.

Pension scheme assets are measured using bid price values at balance sheet date. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on AA-rated corporate bonds with a term and currency equivalent to that of the assets and liabilities of the pension scheme.

The pension scheme deficit is recognised in full. The movement in the scheme deficit is reflected in the SOFA.

Defined contribution pension scheme

The Royal Zoological Society of Scotland also operates a pension scheme providing benefits based on contributions. The employer matches contributions with those of employees up to a maximum of 5% of salary. Employer contributions are charged to the SOFA in the period to which they relate.

Reserves

The Society has a number of restricted income funds to account for situations where donors require that their donations must be spent on a particular purpose or where funds have been raised for a specific purpose. Any surplus on these restricted income accounts are held as restricted reserves.

The Society has one endowment fund, the J W Gibb Fund, which was established following the receipt of a legacy. The income is for the maintenance and upkeep of animals. This fund is held as an endowment reserve.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

Income and endowments

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that confirmation or probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

Annual membership subscriptions are recognised in the period to which they relate. Subscriptions received that relate to future periods are treated as deferred income.

Income from investments is recognised in the SOFA in the year in which it is receivable.

The Society leases out part of its land to the east of Edinburgh Zoo. This income is recognised in the SOFA in the year in which it is receivable. The next rent review is due in 2019.

Donated goods, facilities and services

Donated services and facilities are recognised as income when the charity has control over the item(s), any conditions attached have been met, the receipt of economic benefit from the use of the item(s) is probable and the economic benefit can be measured reliably. In accordance with Charity SORP (FRS 102), volunteer time is not recognised. Their contribution is however highlighted in the Trustees' Report.

On receipt, donated goods, services and facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have had to pay to obtain the equivalent economic benefit on the open market. A corresponding amount is also recognised as expenditure in the period of receipt.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified as either expenditure on raising funds or expenditure on charitable activities. Expenditure on raising funds are the costs incurred in attracting voluntary income, in the catering and retail activities and investment management costs. Expenditure on charitable activities include expenditures incurred on animal welfare, education and conservation activities, the main charitable objectives of the Society.

Expenditure allocation

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include the costs of Property and Estates, Finance and IT, Human Resources and Health and Safety. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 9.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

Employee

Short term employee benefits and contributions to defined contribution pension plans are recognised as an expense in the period in which they are incurred.

VAT

The Society is subject to a partial VAT exemption. Accordingly all expenditure is stated inclusive of irrecoverable VAT where applicable.

Leasing and hire purchase commitments

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the SOFA in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the SOFA on a straight line basis over the lease term.

Foreign Exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denoted in foreign currencies are translated using the contract rate or the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the statement of financial activities.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Society's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these financial statements, the directors have made the following judgements:

Determine whether leases entered into by the group as a lessor are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.

Fixed assets are also assessed as to whether that are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

The following are the group's key sources of estimation uncertainty:

The value of the deficit in the defined benefit pension fund is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the liabilities, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

2 Donations and legacies

| Charity and Group | Unrestricted £ | Restricted £ | Endowment £ | 2018 £ | 2017 £ |
|---------------------------|-------------------|-----------------|----------------|------------------|------------------|
| Grants | 350,000 | 231,200 | - | 581,200 | 764,233 |
| Donations | 77,111 | 60,091 | - | 137,202 | 479,304 |
| Legacies | 118,976 | - | - | 118,976 | 130,196 |
| | <u>546,087</u> | <u>291,291</u> | <u>-</u> | <u>837,378</u> | <u>1,373,733</u> |
| Year end 31 December 2017 | <u>769,656</u> | <u>604,077</u> | <u>-</u> | <u>1,373,733</u> | |

Income from Grants includes the following Government Grants:

| | 2018 £ | 2017 £ |
|------------------------|---------------|---------------|
| Scottish Government | 20,380 | 8,893 |
| Scottish Enterprise | 14,250 | 1,288 |
| Edinburgh City Council | 32,998 | 32,998 |
| | <u>67,628</u> | <u>43,179</u> |

3 Charitable activities

| Charity and Group | Unrestricted £ | Restricted £ | Endowment £ | 2018 £ | 2017 £ |
|-------------------------------------|-------------------|-----------------|----------------|-------------------|------------------|
| Admissions - Edinburgh Zoo | 5,863,197 | - | - | 5,863,197 | 5,965,166 |
| Admissions - Highland Wildlife Park | 2,450,958 | - | - | 2,450,958 | 1,282,365 |
| Animal adoption | 139,934 | - | - | 139,934 | 116,223 |
| Membership subscriptions | 1,433,154 | - | - | 1,433,154 | 1,312,031 |
| Education | 255,964 | - | - | 255,964 | 290,920 |
| Conservation | 340 | 24,527 | - | 24,867 | 28,904 |
| Other income | 618,629 | - | - | 618,629 | 475,421 |
| | <u>10,762,176</u> | <u>24,527</u> | <u>-</u> | <u>10,786,703</u> | <u>9,471,030</u> |
| Year end 31 December 2017 | <u>9,442,542</u> | <u>28,488</u> | <u>-</u> | <u>9,471,030</u> | |

In April 2006 rules regarding the Government's Gift Aid scheme were changed resulting in the Society asking all visitors for a voluntary donation in addition to the standard admission price. This voluntary donation then enabled the Society to reclaim tax directly from the Government on the total paid by the visitor.

4 Other trading activities

| Group | Unrestricted £ | Restricted £ | Endowment £ | 2018 £ | 2017 £ |
|--|-------------------|-----------------|----------------|------------------|------------------|
| Retail operations - Edinburgh Zoo | 1,462,779 | - | - | 1,462,779 | 1,419,414 |
| Retail operations - Highland Wildlife Park | 500,600 | - | - | 500,600 | 260,529 |
| Catering operations - Edinburgh Zoo | 1,756,804 | - | - | 1,756,804 | 409,279 |
| Catering operations - Highland Wildlife Park | 528,934 | - | - | 528,934 | 359,765 |
| Events | 1,194,106 | - | - | 1,194,106 | 440,362 |
| Other income | 236,046 | - | - | 236,046 | 378,961 |
| | <u>5,679,269</u> | <u>-</u> | <u>-</u> | <u>5,679,269</u> | <u>3,268,310</u> |
| Year end 31 December 2017 | <u>3,268,310</u> | <u>-</u> | <u>-</u> | <u>3,268,310</u> | |
| Charity | | | | | |
| Events | 1,194,106 | - | - | 1,194,106 | 440,362 |
| Other income | 236,046 | - | - | 236,046 | 378,961 |
| | <u>1,430,152</u> | <u>-</u> | <u>-</u> | <u>1,430,152</u> | <u>819,323</u> |
| Year end 31 December 2017 | <u>819,323</u> | <u>-</u> | <u>-</u> | <u>819,323</u> | |

5 Investments

| Group | Unrestricted £ | Restricted £ | Endowment £ | 2018 £ | 2017 £ |
|--|-------------------|-----------------|----------------|------------------|------------------|
| Rent from land & buildings | 355,712 | - | - | 355,712 | 349,666 |
| Income from listed investments | 71,208 | - | 11,521 | 82,729 | 77,222 |
| Interest | 270 | - | - | 270 | 747 |
| | <u>427,190</u> | <u>-</u> | <u>11,521</u> | <u>438,711</u> | <u>427,635</u> |
| Year end 31 December 2017 | <u>427,635</u> | <u>-</u> | <u>-</u> | <u>427,635</u> | |
| Charity | | | | | |
| Rent from land & buildings | 355,712 | - | - | 355,712 | 349,666 |
| Income from listed investments | 71,208 | - | 11,521 | 82,729 | 77,222 |
| Interest | 270 | - | - | 270 | 747 |
| Charitable donation from Ark Enterprises Limited | 890,517 | - | - | 890,517 | 782,345 |
| | <u>1,317,707</u> | <u>-</u> | <u>11,521</u> | <u>1,329,228</u> | <u>1,209,980</u> |
| Year end 31 December 2017 | <u>1,209,980</u> | <u>-</u> | <u>-</u> | <u>1,209,980</u> | |

Included within the investment income of the charity is £890,517(2017: £782,345) donated by the Charity's subsidiary, Ark Enterprises Limited, under the Government's Gift Aid scheme.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND
Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

6 Other income

| Group | Unrestricted £ | Restricted £ | Endowment £ | 2018 £ | 2017 £ |
|---------------------------|-------------------|-----------------|----------------|----------------|---------------|
| Compensation | - | 575,965 | - | 575,965 | - |
| Utility recharge | 25,286 | - | - | 25,286 | 42,106 |
| | <u>25,286</u> | <u>575,965</u> | <u>-</u> | <u>601,251</u> | <u>42,106</u> |
| Year end 31 December 2017 | <u>42,106</u> | <u>-</u> | <u>-</u> | <u>42,106</u> | |

| Charity | Unrestricted £ | Restricted £ | Endowment £ | 2018 £ | 2017 £ |
|-------------------------------------|-------------------|-----------------|----------------|----------------|----------------|
| Compensation | - | 575,965 | - | 575,965 | - |
| Utility recharge | 25,287 | - | - | 25,287 | 42,106 |
| Management recharge from subsidiary | 291,268 | - | - | 291,268 | 243,648 |
| | <u>316,555</u> | <u>575,965</u> | <u>-</u> | <u>892,520</u> | <u>285,754</u> |
| Year end 31 December 2017 | <u>285,754</u> | <u>-</u> | <u>-</u> | <u>285,754</u> | |

7 Expenditure on raising funds

| Group | Unrestricted £ | Restricted £ | Endowment £ | 2018 £ | 2017 £ |
|--|-------------------|-----------------|----------------|------------------|------------------|
| Fundraising | 267,369 | - | - | 267,369 | 240,625 |
| Membership | 131,589 | - | - | 131,589 | 163,904 |
| Retail operations - Edinburgh Zoo | 959,484 | - | - | 959,484 | 908,920 |
| Catering operations - Edinburgh Zoo | 1,367,431 | - | - | 1,367,431 | 14,897 |
| Retail operations - Highland Wildlife Park | 376,072 | - | - | 376,072 | 213,073 |
| Catering operations - Highland Wildlife Park | 358,669 | - | - | 358,669 | 320,635 |
| Investment management costs | 18,483 | - | 3,444 | 21,927 | 16,435 |
| Other costs | 5,674 | - | - | 5,674 | 3,619 |
| Support costs (Note 9) | 960,045 | - | - | 960,045 | 807,282 |
| | <u>4,444,816</u> | <u>-</u> | <u>3,444</u> | <u>4,448,260</u> | <u>2,689,390</u> |
| Year end 31 December 2017 | <u>2,685,226</u> | <u>-</u> | <u>4,164</u> | <u>2,689,390</u> | |

| Charity | Unrestricted £ | Restricted £ | Endowment £ | 2018 £ | 2017 £ |
|-----------------------------|-------------------|-----------------|----------------|------------------|------------------|
| Fundraising | 267,369 | - | - | 267,369 | 240,625 |
| Membership | 131,589 | - | - | 131,589 | 163,904 |
| Investment management costs | 18,482 | - | 3,444 | 21,926 | 16,435 |
| Other costs | - | - | - | - | - |
| Support costs (Note 9) | 960,045 | - | - | 960,045 | 807,282 |
| | <u>1,377,485</u> | <u>-</u> | <u>3,444</u> | <u>1,380,929</u> | <u>1,228,247</u> |
| Year end 31 December 2017 | <u>1,224,083</u> | <u>-</u> | <u>4,164</u> | <u>1,228,247</u> | |

8 Expenditure on charitable activities

| Charity and Group | Unrestricted £ | Restricted £ | 2018 £ | 2017 £ |
|-------------------------------|-------------------|-----------------|-------------------|-------------------|
| Animal welfare | 3,484,178 | 273,800 | 3,757,978 | 3,750,151 |
| Education | 498,458 | 48,445 | 546,903 | 549,242 |
| Marketing | 581,136 | 2,485 | 583,621 | 649,069 |
| Visitor Services | 1,065,705 | 31,488 | 1,097,193 | 991,910 |
| Events | 1,009,743 | - | 1,009,743 | 743,498 |
| Genetics Unit - Edinburgh Zoo | 276,223 | - | 276,223 | 227,861 |
| Conservation and Science | 1,252,511 | 207,825 | 1,460,336 | 1,692,339 |
| Support costs (Note 9) | 4,331,110 | - | 4,331,110 | 4,118,547 |
| | <u>12,499,064</u> | <u>564,043</u> | <u>13,063,107</u> | <u>12,722,617</u> |
| Year end 31 December 2017 | <u>12,110,870</u> | <u>611,747</u> | <u>12,722,617</u> | |

9 Support costs

| Charity & Group | Raising funds £ | Charitable activities £ | 2018 £ | 2017 £ |
|-----------------------------|-----------------------|-------------------------------|------------------|------------------|
| Property, Estates and Works | 510,937 | 2,093,879 | 2,604,816 | 2,429,950 |
| Health and safety | 14,399 | 59,008 | 73,407 | 75,222 |
| Gardening | - | 396,729 | 396,729 | 428,047 |
| Chief Executive's Office | 104,297 | 427,420 | 531,717 | 491,880 |
| Finance and IT | 232,277 | 951,901 | 1,184,178 | 1,188,690 |
| Human Resources | 64,005 | 262,303 | 326,308 | 293,040 |
| Policies & Projects | - | - | - | - |
| Net return on pension | 34,130 | 139,870 | 174,000 | 19,000 |
| | <u>960,045</u> | <u>4,331,110</u> | <u>5,291,155</u> | <u>4,925,829</u> |
| Year end 31 December 2017 | <u>807,282</u> | <u>4,118,547</u> | <u>4,925,829</u> | |

Support costs, with the exception of Gardening costs, are allocated to Raising Funds and Charitable Activities in accordance with the direct expenditure incurred in these areas.

Gardening costs are allocated directly to charitable activities on the basis that these costs are incurred in maintaining the parks, improving the experience of visitors and thus linked to the admission income earned.

Support costs include Governance costs of £158,360 (2017: £156,844).

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10 Analysis of staff costs

| | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| Wages and salaries | 5,734,913 | 5,755,563 |
| Social security costs | 468,233 | 471,928 |
| Cost of defined contribution pension scheme | 151,599 | 100,886 |
| Cost of defined benefit pension scheme | 189,600 | 189,600 |
| Other benefits | 91,302 | 78,151 |
| | <u>6,635,647</u> | <u>6,596,128</u> |

During the year a small number of employees were either made redundant or had their contracts of employment terminated. Redundancy and termination payments of £17,174 (2017: £10,352) were paid during the year.

The Society closed the defined benefit scheme to future accrual with effect from 30th September 2008. Employees ceased their contributions from that date although the Society continued to make contributions in line with the schedule of contributions agreed with the pension trustees. Employees were offered membership of the defined contribution scheme with effect from 1 October 2008.

The Society opened a defined contribution pension scheme on 1 April 2008 with the Society matching contribution with those of employees to a maximum of 5% of salary. The assets of the defined pension contribution scheme are administered by an independent pension provider.

The average weekly number of employees during the year was:

| | 2018 | 2017 |
|-----------|------------|------------|
| | Number | Number |
| Full-time | 193 | 199 |
| Part-time | 130 | 100 |
| | <u>323</u> | <u>299</u> |

The number of employees earning more than £60,000 were as follows:

| | Number | Number |
|---------------------|----------|----------|
| £110,000 - £119,999 | 1 | 1 |
| £100,000 - £109,999 | - | - |
| £80,000 - £89,999 | 1 | 1 |
| £70,000 - £79,999 | 1 | - |
| £60,000 - £69,999 | - | 1 |
| | <u>-</u> | <u>1</u> |

All of the above employees are members of the Society's defined contribution pension scheme. Pension contributions totalling £11,604 (2017: £11,008) were paid in the year.

11 Benefits received by key management personnel

Day to day management of activities is delegated by the Trustees to a Executive Team comprising the Chief Executive Officer, Director of Finance and Resources, Director of Conservation and Living Collections and Director of Human Resources. The total employee benefits received by the Executive Team was £373,109 (2017: £331,130). All of these employees are members of the Society's defined contribution pension scheme. Pension contributions for the Executive Team totalled £14,351 (2017: £ 11,258).

12 Board of Trustees' remuneration and expenses

Trustees received no remuneration in respect of their services as trustees in either year.

In accordance with the Society guidelines, Trustees may be reimbursed for properly incurred travel, subsistence and accommodation expenditure. In addition the Society may also pay third parties directly for similar Trustee expenses. During the year a total of £1,393 (2017: £813) was reimbursed to 5 Trustees (2017: 5 Trustees) and expenditure of £4,637 was paid directly to third party suppliers (2017: £6,936).

During the year Trustees Indemnity insurance was in place for the benefit of the Trustees.

13 Operating Profit/(Loss)

Operating profit/(loss) is stated after charging:

| | Group | | Charity | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Auditor's remuneration | | | | |
| Statutory Audit | 14,320 | 12,905 | 10,075 | 9,285 |
| Assurance services and other audit | 2,475 | 3,000 | 2,475 | 3,000 |
| Tax advisory service | 7,285 | 1,040 | 5,855 | 1,040 |
| | <u>24,080</u> | <u>16,945</u> | <u>18,405</u> | <u>13,325</u> |

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14 Fixed assets

| Group | Heritable Land | Investment Property | Property | Assets Under Construction | Computer Hardware | Computer Software | Office Equipment | Plant & Machinery | Vehicles | TOTAL |
|------------------------|----------------|---------------------|------------|---------------------------|-------------------|-------------------|------------------|-------------------|----------|------------|
| | £ | £ | £ | | £ | £ | £ | £ | £ | £ |
| Cost/Valuation | | | | | | | | | | |
| As at 1 January 2018 | 23,500 | 6,150,000 | 16,985,200 | 527,883 | 494,821 | 461,962 | 53,665 | 679,919 | 446,784 | 25,823,734 |
| Additions | - | - | 499,184 | 1,154,660 | 58,568 | 912 | 8,158 | 15,575 | 46,548 | 1,783,605 |
| Transfers | - | - | 189,604 | (195,192) | 5,588 | - | - | - | - | - |
| Disposals | - | - | - | - | (39,898) | - | - | - | (4,500) | (44,398) |
| As at 31 December 2018 | 23,500 | 6,150,000 | 17,673,988 | 1,487,351 | 519,079 | 462,874 | 61,823 | 695,494 | 488,832 | 27,562,941 |
| Depreciation | | | | | | | | | | |
| As at 1 January 2018 | - | - | 8,758,692 | - | 363,500 | 345,593 | 37,179 | 588,472 | 369,258 | 10,462,694 |
| Disposals | - | - | - | - | (39,898) | - | - | - | (4,500) | (44,398) |
| Charge for the year | - | - | 1,163,071 | - | 82,385 | 40,879 | 6,678 | 35,045 | 27,002 | 1,355,060 |
| As at 31 December 2018 | - | - | 9,921,763 | - | 405,987 | 386,472 | 43,857 | 623,517 | 391,760 | 11,773,356 |
| Net book value | | | | | | | | | | |
| As at 31 December 2018 | 23,500 | 6,150,000 | 7,752,225 | 1,487,351 | 113,092 | 76,402 | 17,966 | 71,977 | 97,072 | 15,789,585 |
| As at 31 December 2017 | 23,500 | 6,150,000 | 8,226,508 | 527,883 | 131,321 | 116,369 | 16,486 | 91,447 | 77,526 | 15,361,040 |

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14 Fixed assets (continued)

| Charity | Heritable Land | Investment Property | Property | Assets Under Construction | Computer Hardware | Computer Software | Office Equipment | Plant & Machinery | Vehicles | TOTAL |
|------------------------|----------------|---------------------|------------|---------------------------|-------------------|-------------------|------------------|-------------------|----------|------------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Cost | | | | | | | | | | |
| As at 1 January 2018 | 23,500 | 6,150,000 | 16,533,658 | 441,648 | 454,923 | 458,242 | 53,665 | 638,755 | 446,784 | 25,201,175 |
| Additions | - | - | 499,184 | 1,154,660 | 58,568 | - | 8,158 | 4,592 | 46,548 | 1,771,710 |
| Revaluation | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | 189,604 | (195,192) | 5,588 | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | (4,500) | (4,500) |
| As at 31 December 2018 | 23,500 | 6,150,000 | 17,222,446 | 1,401,116 | 519,079 | 458,242 | 61,823 | 643,347 | 488,832 | 26,968,385 |
| Depreciation | | | | | | | | | | |
| As at 1 January 2018 | - | - | 8,530,939 | - | 293,820 | 371,656 | 37,179 | 556,238 | 369,258 | 10,159,090 |
| Disposals | - | - | - | - | - | - | - | - | (4,500) | (4,500) |
| Charge for the year | - | - | 1,107,339 | - | 82,385 | 40,784 | 6,678 | 30,051 | 27,002 | 1,294,239 |
| As at 31 December 2018 | - | - | 9,638,278 | - | 376,205 | 412,440 | 43,857 | 586,289 | 391,760 | 11,448,829 |
| Net book value | | | | | | | | | | |
| As at 31 December 2018 | 23,500 | 6,150,000 | 7,584,168 | 1,401,116 | 142,874 | 45,802 | 17,966 | 57,058 | 97,072 | 15,519,556 |
| As at 31 December 2017 | 23,500 | 6,150,000 | 8,002,719 | 441,648 | 161,103 | 86,586 | 16,486 | 82,517 | 77,526 | 15,042,085 |

Land and buildings at 132 Corstorphine Road, Edinburgh have been stated at trustees' valuation based on an independent valuation on an existing use basis at open market value of £6,150,000 as at 31 December 2015 by Bilfinger GVA, Chartered Surveyors. At 31 December 2015 the historic cost of the investment property was nil.

The net book value of motor vehicles held under finance leases was £42,858 (2017: £25,981). The depreciation charge for the year in relation to these assets held under finance leases amounted to £7,296 (2017: £5,978).

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15 Investments

| | Group | | Charity | |
|--|------------------|------------------|------------------|------------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Fair value of securities at 1 January 2018 | 3,467,224 | 3,159,199 | 3,467,226 | 3,159,201 |
| Purchases | 251,151 | 161,646 | 251,151 | 161,646 |
| Disposal proceeds | (262,838) | (239,787) | (262,838) | (239,787) |
| Unrealised gain/(loss) | (230,405) | 372,788 | (230,405) | 372,788 |
| Realised gain/(loss) | 21,975 | 13,378 | 21,975 | 13,378 |
| Fair value of securities at 31 December 2018 | <u>3,247,107</u> | <u>3,467,224</u> | <u>3,247,109</u> | <u>3,467,226</u> |
| Cash investments | 86,563 | 96,802 | 86,563 | 96,802 |
| Fair value at 31 December 2018 | <u>3,333,670</u> | <u>3,564,026</u> | <u>3,333,672</u> | <u>3,564,028</u> |
| Cost at 31 December 2018 | <u>2,567,586</u> | <u>2,567,586</u> | <u>2,567,588</u> | <u>2,567,588</u> |

The charity investments include the investment in the subsidiary, Ark Enterprises Ltd and is stated at cost (note 31).

16 Stocks

| | Group | | Charity | |
|-------------------|----------------|----------------|---------------|---------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Goods for resale | 232,532 | 203,963 | - | - |
| Consumable stores | 88,609 | 93,062 | 88,608 | 93,062 |
| | <u>321,141</u> | <u>297,025</u> | <u>88,608</u> | <u>93,062</u> |

17 Debtors

| | Group | | Charity | |
|---------------------------------|------------------|----------------|------------------|------------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Trade debtors | 164,782 | 265,821 | 95,089 | 152,842 |
| Other | 88,637 | 71,174 | 88,637 | 71,174 |
| Prepayments & accrued income | 1,004,450 | 658,543 | 1,004,450 | 637,260 |
| Amounts owed by group companies | - | - | 625,213 | 828,658 |
| | <u>1,257,869</u> | <u>995,538</u> | <u>1,813,389</u> | <u>1,689,934</u> |

18 Creditors: Amounts falling due within one year

| | Group | | Charity | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Trade creditors | 573,448 | 662,920 | 530,099 | 627,327 |
| Social security and other taxes | 192,715 | 179,023 | 192,715 | 179,023 |
| Other creditors | 47,226 | 52,016 | 47,226 | 52,016 |
| Accruals | 708,446 | 496,945 | 655,210 | 438,142 |
| Finance leases (note 19) | 7,437 | 3,375 | 7,437 | 3,375 |
| Deferred income | 841,443 | 944,559 | 841,443 | 944,559 |
| Bank loan (note 19) | 223,512 | 215,663 | 223,512 | 215,663 |
| | <u>2,594,227</u> | <u>2,554,501</u> | <u>2,497,642</u> | <u>2,460,105</u> |

Other creditors include outstanding pension contributions of £26,379 (2017: £16,431).

Deferred income includes membership, rental, grants and donation income where the condition for recognition will be met in future periods.

The movement in deferred income is analysed as follows:

| | Group | | Charity | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| As at 1 January 2018 | 944,559 | 970,704 | 944,559 | 970,704 |
| Amounts released from previous years | (865,171) | (979,037) | (865,171) | (979,037) |
| Income deferred | 762,055 | 952,892 | 762,055 | 952,892 |
| As at 31 December 2018 | <u>841,443</u> | <u>944,559</u> | <u>841,443</u> | <u>944,559</u> |

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19 Creditors: Amounts falling due after one year

| | Group | | Charity | |
|----------------|----------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Finance leases | 24,851 | 12,658 | 24,851 | 12,658 |
| Bank loan | 290,554 | 513,422 | 290,554 | 513,422 |
| | <u>315,405</u> | <u>526,080</u> | <u>315,405</u> | <u>526,080</u> |

The Society entered into a loan agreement with Lloyds TSB Scotland in March 2011 borrowing £2 million repayable over 10 years at a fixed interest rate of 6.25%, this is secured against the land at 132 and 134 Corstorphine Road, Edinburgh. The interest rate on the loan has been fixed by entering into an interest rate swap to manage the interest rate risk. At the year end the swap was valued as a liability of £14,738 (2017: a liability of £31,924). The movement in the valuation has been processed through the SOFA

| | Group | | Charity | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Bank loans are repayable as follows: | | | | |
| Less than one year | 223,512 | 215,663 | 223,512 | 215,663 |
| Between one and two years | 231,646 | 223,512 | 231,646 | 223,512 |
| Between two and five years | 58,908 | 289,910 | 58,908 | 289,910 |
| In five years or more | - | - | - | - |
| | <u>514,066</u> | <u>729,085</u> | <u>514,066</u> | <u>729,085</u> |

Financial commitments under finance leases and hire purchase contracts will result in the following payments.

| | 2018 | 2017 |
|--|---------------|---------------|
| | £ | £ |
| Minimum lease payments under finance leases falling due: | | |
| Within one year | 7,437 | 3,375 |
| Within 2-5 years | 24,851 | 12,658 |
| | <u>32,288</u> | <u>16,033</u> |

20 Unrestricted funds

| | As at 1 January 2018 | Incoming resources | Other gains/(losses) | Pension | Resources expended | Transfer | As at 31 December 2018 |
|---------------------|-------------------------|-----------------------|-------------------------|---------------|-----------------------|---------------|---------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Group funds | | | | | | | |
| General reserve | 8,140,815 | 17,614,008 | (175,967) | - | (17,133,880) | 11,521 | 8,456,497 |
| Revaluation reserve | 6,150,000 | - | - | - | - | - | 6,150,000 |
| Pension reserve | (537,800) | (174,000) | - | 67,000 | 190,000 | - | (454,800) |
| Group funds | <u>13,753,015</u> | <u>17,440,008</u> | <u>(175,967)</u> | <u>67,000</u> | <u>(16,943,880)</u> | <u>11,521</u> | <u>14,151,697</u> |

| | As at 1 January 2018 | Incoming resources | Other gains/(losses) | Pension | Resources expended | Transfer | As at 31 December 2018 |
|----------------------|-------------------------|-----------------------|-------------------------|---------------|-----------------------|---------------|---------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Charity funds | | | | | | | |
| General reserve | 8,139,911 | 14,546,677 | (175,967) | - | (14,066,549) | 11,521 | 8,455,593 |
| Revaluation reserve | 6,150,000 | - | - | - | - | - | 6,150,000 |
| Pension reserve | (537,800) | (174,000) | - | 67,000 | 190,000 | - | (454,800) |
| Charity funds | <u>13,752,111</u> | <u>14,372,677</u> | <u>(175,967)</u> | <u>67,000</u> | <u>(13,876,549)</u> | <u>11,521</u> | <u>14,150,793</u> |

| | As at 1 January 2017 | Incoming resources | Other gains/(losses) | Pension | Resources expended | Transfer | As at 31 December 2017 |
|---------------------|-------------------------|-----------------------|-------------------------|---------------|-----------------------|----------|---------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Group funds | | | | | | | |
| General reserve | 8,827,222 | 13,969,249 | 330,440 | - | (14,986,096) | - | 8,140,815 |
| Revaluation reserve | 6,150,000 | - | - | - | - | - | 6,150,000 |
| Pension reserve | (798,800) | (19,000) | - | 90,000 | 190,000 | - | (537,800) |
| Group funds | <u>14,178,422</u> | <u>13,950,249</u> | <u>330,440</u> | <u>90,000</u> | <u>(14,796,096)</u> | <u>-</u> | <u>13,753,015</u> |

| | As at 1 January 2017 | Incoming resources | Other gains/(losses) | Pension | Resources expended | Transfer | As at 31 December 2017 |
|----------------------|-------------------------|-----------------------|-------------------------|---------------|-----------------------|----------|---------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Charity funds | | | | | | | |
| General reserve | 8,788,169 | 12,546,255 | 330,440 | - | (13,524,953) | - | 8,139,911 |
| Revaluation reserve | 6,150,000 | - | - | - | - | - | 6,150,000 |
| Pension reserve | (798,800) | (19,000) | - | 90,000 | 190,000 | - | (537,800) |
| Charity funds | <u>14,139,369</u> | <u>12,527,255</u> | <u>330,440</u> | <u>90,000</u> | <u>(13,334,953)</u> | <u>-</u> | <u>13,752,111</u> |

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| 21 Restricted funds | As at 1 January | Incoming | Resources | Transfers | As at 31 |
|--|------------------|----------------|------------------|-----------|------------------|
| | 2018 | resources | expended | | December 2018 |
| | £ | £ | £ | £ | £ |
| Capital funds | 3,187,386 | 590,215 | (313,391) | - | 3,464,210 |
| Income funds | | | | | |
| Beaver Reintroduction Project | (5,904) | 4,065 | (1,328) | - | (3,167) |
| Water Vole Fund | 477 | - | - | - | 477 |
| RZSS Conservation Fund | 629 | 1,481 | (1,234) | - | 876 |
| Scottish Wildcat | 6,246 | 37,421 | (27,176) | - | 16,491 |
| Budongo Conservation Field Station | 118,972 | 74,578 | (84,888) | - | 108,662 |
| ZEST | 29,596 | - | (1,125) | - | 28,471 |
| Giant Armadillo Project (Pantanal) | 118,965 | 48,090 | - | - | 167,055 |
| Tayside Beaver | 17,044 | - | (12,428) | - | 4,616 |
| RSPB Beaver | 1,684 | - | (1,684) | - | - |
| Beaver Handbook | 2,379 | - | (2,379) | - | - |
| Pallas Cat | 16,074 | 14,972 | (7,897) | - | 23,149 |
| Illegal Wildlife Trade | 23,706 | - | (20,000) | - | 3,706 |
| Education | 1,997 | 37,998 | (36,343) | - | 3,652 |
| HWP Education Fund | 5,610 | - | (3,035) | - | 2,575 |
| Accessible Zoo | 3,000 | 1,500 | - | - | 4,500 |
| Cambodian Genetic project | 13,283 | 47,207 | (39,924) | - | 20,566 |
| Snow Monkey packs | - | 682 | (682) | - | - |
| Inclusive Zoo | 6,280 | - | - | - | 6,280 |
| Cameroon frog and earthworm | 5,000 | - | - | - | 5,000 |
| Heart of the Zoo award | - | 3,000 | (400) | - | 2,600 |
| Native Invertebrates | - | 8,028 | (1,897) | - | 6,131 |
| Nubian Ibex | - | 7,000 | (1,863) | - | 5,137 |
| RZSS Animal fund | - | 5,546 | (825) | - | 4,721 |
| Science Specialist Confucius classroom | - | 10,000 | (5,544) | - | 4,456 |
| | 365,038 | 301,568 | (250,652) | - | 415,954 |
| | 3,552,424 | 891,783 | (564,043) | - | 3,880,164 |
| | | | | | |
| | As at 1 January | Incoming | Resources | Transfers | As at 31 |
| | 2017 | resources | expended | | December 2017 |
| | | | | | |
| Capital funds | 3,200,766 | 289,500 | (302,880) | - | 3,187,386 |
| Income funds | | | | | |
| Beaver Reintroduction Project | (3,185) | 1,800 | (4,519) | - | (5,904) |
| Water Vole Fund | 1,993 | - | (1,516) | - | 477 |
| RZSS Conservation Fund | 629 | - | - | - | 629 |
| Scottish Wildcat | (6,580) | 23,654 | (10,828) | - | 6,246 |
| Budongo Conservation Field Station | 98,341 | 124,063 | (103,432) | - | 118,972 |
| ZEST | 35,787 | 30,000 | (36,191) | - | 29,596 |
| Giant Armadillo Project (Pantanal) | 113,304 | 65,661 | (60,000) | - | 118,965 |
| Capercaillie | 500 | - | (500) | - | - |
| Tayside Beaver | 27,848 | - | (10,804) | - | 17,044 |
| RSPB Beaver | 1,684 | - | - | - | 1,684 |
| Beaver Handbook | 2,379 | - | - | - | 2,379 |
| Pallas Cat | 9,719 | 17,049 | (10,694) | - | 16,074 |
| Illegal Wildlife Trade | 42,506 | 1,200 | (20,000) | - | 23,706 |
| Education | - | 34,997 | (33,000) | - | 1,997 |
| Scottish Enterprise | - | 1,288 | (1,288) | - | - |
| Physic Garden | 305 | - | (305) | - | - |
| HWP Education Fund | 5,610 | - | - | - | 5,610 |
| Accessible Zoo | - | 3,000 | - | - | 3,000 |
| Cambodian Genetic project | - | 27,037 | (13,754) | - | 13,283 |
| Snow Monkey packs | - | 1,316 | (1,316) | - | - |
| Inclusive Zoo | - | 7,000 | (720) | - | 6,280 |
| Cameroon frog and earthworm | - | 5,000 | - | - | 5,000 |
| | 330,840 | 343,065 | (308,867) | - | 365,038 |
| | 3,531,606 | 632,565 | (611,747) | - | 3,552,424 |

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21 Restricted funds (continued)

The above fund balances at 31 December 2018 represent the net amounts available for restricted expenditure. More detail is given below for funds with significant balances.

Capital funds

The majority of capital funds have been invested in fixed assets, with depreciation being charged to the fund over the remaining life of the asset.

Income funds

Beaver Reintroduction Project - represents income received in partnership with the Scottish Wildlife Trust (SWT) to study the biology and ecological impact of the reintroduction of beavers to a trial site in Knapdale Scotland. The fund is in deficit pending the reimbursement of expenditure from SWT.

Water Vole Fund - represents funds held on behalf of a project in partnership with Scottish National Heritage, the Forestry Commission, Loch Lomond and the Trossachs National Park and RZSS for the reintroduction and monitoring of water voles.

Scottish Wildcat - represents funds donated to the wildcat project that RZSS is involved in as part of the Scottish Wildcat Conservation Action Plan. Income includes a three year annual grant from the Scottish Government ending in April 2018.

Budongo Conservation Field Station - represents funding from St Andrews University to support students going out to the Budongo Conservation Field Station (BCFS) in Uganda, and grants from the Arcus Foundation to fund conservation and research activities at the BCFS.

ZEST - represents funds received from the Robertson Trust and Bailie Gifford and Co to support The Zoo and Environment Skills Training programme (ZEST) being run with Scottish high schools to enable teenagers to gain employability and personal development skills while taking on work experience days in the zoo.

Giant Armadillo Project - represents funding received from Prince Bernhard Nature Fund, Amneville Zoo, CEPA, CERZA, Natural Research and Seaworld for the ecological study of the secretive giant armadillo in the Pantanal wetlands of Brazil.

Capercaillie - represents funds raised from a specific fundraising event for genetic analysis of Capercaillie to support population monitoring.

Tayside Beaver - represents funds for an extended contract being undertaken for SNH.

RSPB Beaver - represents funds for an extended contract being undertaken for RSPB.

Beaver Handbook - represents funds received for the specific costs of publishing a handbook on beaver husbandry.

Pallas Cat - represents funds held as a species support fund on behalf of the European Pallas Cat Breeding Programme.

Illegal Wildlife Trade - represents funding received from Trace Wildlife Forensic Network Ltd, the Balcombe Trust, the Worldwide Fund for Nature and Mr John Fitzgerald to support conservation projects in South East Asia.

Education - represents income from the City of Edinburgh Council, the Mickle Fund and the Cruden Foundation to support our Education programmes including; the Schools Programme, Summer School, Global Classrooms school conference, Edinburgh Science Festival programme, Zoo Explorers programme and the Wildlife Garden.

Scottish Enterprise - represents grants received from Scottish Enterprise towards the cost of specialist HR support.

Wild About Scotland Bus - represents income from the Robertson Trust to support our educational outreach programmes being delivered by the Wild About Scotland bus to primary and nursery children throughout Scotland.

Physic Garden - represents grant funding from the Ettrick Charitable Trust to develop the Physic Garden at Edinburgh Zoo.

HWP Education Fund - represents funding from the Gordon and Ena Baxter Foundation and the Russell Trust to develop the education programme at the Highland Wildlife Park.

Accessible Zoo - represents funding from The Nancy Roberts Charitable Trust and The Catherine Cookson Charitable Trust to support a project to make physical adaptations onsite and equip and train staff in order that Edinburgh Zoo is accessible to all regardless of ability.

Cambodian Genetics project - represents grant funding from Flora and Fauna International to develop the capacity of the Royal University of Phnom Penh's Conservation Genetics lab to deliver in-country genetics support for the conservation of threatened species in Cambodia.

Snow Monkey packs - represents funding from The Japan Learning Foundation to create snow monkey outreach packs.

Inclusive Zoo - represents funding from the Cruden Foundation and Castansa Trust to support a project to encourage children and young people from special schools to participate in the Edinburgh Zoo education programme.

Cameroon Frog and Earthworm project - represents grant funding from BIAZA to support the conservation of two critically endangered frogs species and one endemic earthworm in the grasslands of Cameroon.

Heart of the Zoo Awards - represents donations received from the family and friends of Rob Ollason, a former employee, to fund an annual award to recognise RZSS staff who in the view of their colleagues have shown the most consistent commitment to working to support the values of the Society and its mission statement.

Native Invertebrates - represents funding from the Craignish Trust to support the conservation of endangered native invertebrates by rebuilding populations at sites in Scotland where the species have lived in the past.

Nubian Ibex project - represents grant funding from the Government of Oman to support a PhD student to undertake genetic monitoring of the Nubian ibex.

RZSS Animal Fund - represents donations received on World Rhino Day to support the animal husbandry of the rhinos at Edinburgh Zoo and an immemorial donation in support of the animal husbandry of penguins at Edinburgh Zoo.

Science Specialist Confucius Classroom - represents grant funding from the Confucius Institute for Scottish Schools to support the set up and launch of a Confucius Classroom.

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22 Endowment fund

| | As at 1 January 2018 | Realised /unrealised gains/(losses) | Investment income | Resources expended | Transfer to unrestricted funds | As at 31 December 2018 |
|---------------|-------------------------|---|----------------------|-----------------------|--------------------------------------|---------------------------|
| | £ | £ | £ | £ | £ | £ |
| J W Gibb Fund | 448,683 | (32,463) | 11,521 | (3,444) | (11,521) | 412,776 |

The above fund is to support the maintenance and upkeep of animals, consistent with our objectives.

23 Analysis of reserves between net assets

| Group | Unrestricted funds £ | Restricted funds £ | Endowment funds £ | Total 2018 £ |
|-----------------------|----------------------------|--------------------------|-------------------------|-----------------|
| Fixed assets | 12,325,375 | 3,464,210 | - | 15,789,585 |
| Investments | 2,920,894 | - | 412,776 | 3,333,670 |
| Net current assets | (324,367) | 415,954 | - | 91,587 |
| Long term liabilities | (315,405) | - | - | (315,405) |
| Pension deficit | (454,800) | - | - | (454,800) |
| | 14,151,697 | 3,880,164 | 412,776 | 18,444,637 |

| | Unrestricted funds £ | Restricted funds £ | Endowment funds £ | Total 2017 £ |
|-----------------------|----------------------------|--------------------------|-------------------------|-----------------|
| Fixed assets | 12,173,654 | 3,187,386 | - | 15,361,040 |
| Investments | 3,115,343 | - | 448,683 | 3,564,026 |
| Net current assets | (472,102) | 365,038 | - | (107,064) |
| Long term liabilities | (526,080) | - | - | (526,080) |
| Pension deficit | (537,800) | - | - | (537,800) |
| | 13,753,015 | 3,552,424 | 448,683 | 17,754,122 |

| Charity | Unrestricted funds £ | Restricted funds £ | Endowment funds £ | Total 2018 £ |
|-----------------------|----------------------------|--------------------------|-------------------------|-----------------|
| Fixed assets | 12,055,346 | 3,464,210 | - | 15,519,556 |
| Investments | 2,920,896 | - | 412,776 | 3,333,672 |
| Net current assets | (55,244) | 415,954 | - | 360,710 |
| Long term liabilities | (315,405) | - | - | (315,405) |
| Pension deficit | (454,800) | - | - | (454,800) |
| | 14,150,793 | 3,880,164 | 412,776 | 18,443,733 |

| | Unrestricted funds £ | Restricted funds £ | Endowment funds £ | Total 2017 £ |
|-----------------------|----------------------------|--------------------------|-------------------------|-----------------|
| Fixed assets | 11,854,699 | 3,187,386 | - | 15,042,085 |
| Investments | 3,115,345 | - | 448,683 | 3,564,028 |
| Net current assets | (154,052) | 365,038 | - | 210,986 |
| Long term liabilities | (526,080) | - | - | (526,080) |
| Pension deficit | (537,800) | - | - | (537,800) |
| | 13,752,111 | 3,552,424 | 448,683 | 17,753,218 |

24 Net cash (outflow)/inflow from operating activities

| | Group | | Charity | |
|--|-----------|-----------|-------------|-------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Net income/(expenditure) for the reporting period as per the statement of financial activity | 623,515 | (443,027) | 623,515 | (404,878) |
| Depreciation charges | 1,355,060 | 1,364,505 | 1,294,239 | 1,303,369 |
| (Gain)/loss on investments | 208,430 | (386,166) | 208,430 | (386,166) |
| (Increase)/Decrease in Stock | (24,116) | 13,694 | 4,454 | 5,268 |
| (Increase)/Decrease in Debtors | (262,331) | (89,696) | (123,455) | 898,557 |
| Increase/(Decrease) in Creditors | 27,815 | 102,686 | 25,626 | 94,284 |
| Investment Income | (438,711) | (427,635) | (1,329,228) | (1,209,980) |
| Interest paid | 23,884 | 30,269 | 23,884 | 30,269 |
| Cash movements in pension scheme | (16,000) | (171,000) | (16,000) | (171,000) |
| Gain on disposal of tangible fixed assets | (400) | (10,796) | (400) | (10,796) |
| Net cash inflow/(outflow) | 1,497,146 | (17,166) | 711,065 | 148,927 |

25 Analysis of changes in net debt during the year

| | Group | | Charity | |
|---------------------------|-----------|-----------|-----------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| As at 1 January 2018 | 506,558 | 859,961 | 239,777 | (375,876) |
| Net cash inflow/(outflow) | 140,455 | (353,403) | 256,787 | 615,654 |
| As at 31 December 2018 | 647,013 | 506,558 | 496,564 | 239,778 |

| | Group | | Charity | | | |
|---|------------------------------|----------------|--------------------------------|------------------------------|----------------|--------------------------------|
| | As at 1 January 2018 £ | Cashflows £ | As at 31 December 2018 £ | As at 1 January 2018 £ | Cashflows £ | As at 31 December 2018 £ |
| Cash held as part of the investment portfolio (note 15) | 96,802 | (10,239) | 86,563 | 96,802 | (10,239) | 86,563 |
| Cash at bank and in hand | 1,154,874 | (48,070) | 1,106,804 | 888,094 | 68,261 | 956,355 |
| Loan | (729,085) | 215,019 | (514,066) | (729,085) | 215,019 | (514,066) |
| Finance Leases | (16,033) | (16,255) | (32,288) | (16,034) | (16,254) | (32,288) |
| | 506,558 | 140,455 | 647,013 | 239,777 | 256,787 | 496,564 |

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26 Reconciliation of net cash flow to movement in net debt

| | Group | | Charity | |
|---|----------|-----------|---------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Increase in cash in the period | (58,309) | (615,506) | 58,022 | 353,551 |
| Cash outflow from debt financing | 198,764 | 262,103 | 198,765 | 262,103 |
| Change in debt resulting from cash flows | 140,455 | (353,403) | 256,787 | 615,654 |
| Net debt at the beginning of the period | 506,558 | 859,961 | 239,777 | (375,876) |
| Net funds/(debt) at the end of the period | 647,013 | 506,558 | 496,564 | 239,778 |

27 Defined benefit pension scheme

| | As at 1 January | Provided | Released | As at 31 |
|----------------------------|-----------------|----------|----------|---------------|
| | 2018 | | | December 2018 |
| | £ | £ | £ | £ |
| Group & Charity | | | | |
| Total pension deficit | 537,800 | (83,000) | - | 454,800 |

At 31 December 2018 the Society owed the defined benefit pension scheme £0 (2017: £0) in relation to employer's contributions.

Information about the characteristics of the fund

The Fund provides pensions in retirement and death benefits to members. Pension benefits are linked to a member's final salary at the date of leaving and their length of service. The fund closed to future accrual on 30 September 2008. The fund is a registered scheme under UK legislation and is subject to the scheme funding requirements. The fund is governed by the fund's trust deeds and rules dated 29 April 1970. The Trustee is responsible for the operation and governance of the fund, including making decisions regarding the fund's funding and investment strategy in conjunction with the Society.

Information about the risks of the fund to the Society

The fund exposes the Society to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk. The fund does not expose the Society to any unusual fund specific risks.

Information about the valuation of the defined benefit obligation at the accounting date

The most recent formal actuarial valuation of the fund was at 1 April 2018. The liabilities at the reporting date have been calculated by updating the results of the formal actuarial valuation of the fund for the assumptions detailed in these disclosures. Allowance has been made for expected mortality over the period, as well as actual movement in financial conditions since the valuation date. Such an approach is normal for the purposes of accounting disclosures. It is not expected that these projections will be materially different from a summation of individual calculations at the accounting date, although there may be some discrepancy between the actual liabilities for the fund at the accounting date and those included in the disclosures.

Information about the most recent actuarial valuation and expected future cashflows to and from the fund

The valuation as at 1 April 2018 revealed a funding deficit of £3,087,000. In the Recovery Plan dated 5 February 2019 the Society agreed to pay contributions with a view to eliminating the shortfall by 1 September 2027. In accordance with the Schedule of Contributions dated 5 February 2019 the Society is expected to pay contributions of £189,600 over the next accounting period. The contributions paid by the Society are reviewed every 3 years as part of each formal actuarial valuation. The Funds next actuarial valuation is due at 1 April 2021. In addition the Society is expected to meet the cost of administrative expenses (including PPF levies) for the Fund. The Society has granted the Fund a standard security over the Mansion House at 134 Corstorphine Road, Edinburgh. The liabilities of the fund are based on the current value of the expected benefit payment cashflows to members approximately over the next 70 years. The average duration of the liabilities

The Fund's investment strategy

The Fund's investment strategy is to invest broadly 80% in return seeking assets and 20% in matching assets. This strategy reflects the Fund's liability profile and the Trustee's and Society's attitude to risk. The Funds investments include interest rate and inflation hedging to the extent that they reflect the Funds liability profile. The Fund currently has a strategy in place for derisking their investments as the funding position improves. The fund holds a number of annuity policies which match a portion of the pensions in payment.

The major assumptions used by the actuary were (in normal terms) as follows:

| | As at | As at |
|----------------------------|---------------|---------------|
| | 31 December | 31 December |
| | 2018 | 2017 |
| | % | % |
| Discount rate | 2.80 | 2.40 |
| Inflation assumption (RPI) | 3.20 | 3.20 |
| Inflation assumption (CPI) | 2.20 | 2.20 |
| LPI pension increase | 2.20 | 2.20 |
| Cash commutation | 100% take max | 100% take max |

Assumed life expectancies on retirement at age 65 are:

| | As at | As at |
|-------------------------------------|-------------|-------------|
| | 31 December | 31 December |
| | 2018 | 2017 |
| | % | % |
| Retiring today - Males | 21.90 | 22.10 |
| Retiring today - Females | 23.80 | 23.90 |
| Retiring in 20 years time - Males | 23.30 | 23.50 |
| Retiring in 20 years time - Females | 25.40 | 25.40 |

The assets in the scheme were:

| | As at | As at |
|-----------------------------|-------------|-------------|
| | 31 December | 31 December |
| | 2018 | 2017 |
| | £000 | £000 |
| Equities | 5,614 | 5,681 |
| Bonds | 1,480 | 1,508 |
| Cash | 118 | 248 |
| Insured Pensioners | 686 | 909 |
| Fair value of scheme assets | 7,898 | 8,346 |

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27 Defined benefit pension scheme (continued)

| | | |
|--|--------------|--------------|
| The actual return on assets over the period was: | (490) | 637 |
| Present value of funding obligations | 8,353 | 8,884 |
| Fair value of scheme assets | 7,898 | 8,346 |
| Surplus/(Deficit) in funded scheme | <u>(455)</u> | <u>(538)</u> |
| Present value of unfunded obligations | - | - |
| Unrecognised actuarial gains (losses) | - | - |
| Adjustment in respect of asset ceiling and minimum funding requirement | - | - |
| Net liability in balance sheet | <u>455</u> | <u>538</u> |

| | As at 31 December 2018 £000 | As at 31 December 2017 £000 |
|---|--------------------------------------|--------------------------------------|
| Reconciliation of opening and closing balances of the present value of the defined benefit obligation | | |
| Benefit obligation at beginning of year | 8,884 | 8,512 |
| Interest cost | 211 | 235 |
| Actuarial (gain)/losses | (758) | 331 |
| Benefits paid | (148) | (194) |
| Past service cost | 164 | - |
| Benefit obligation at end of period | <u>8,353</u> | <u>8,884</u> |

| | As at 31 December 2018 £000 | As at 31 December 2017 £000 |
|--|--------------------------------------|--------------------------------------|
| Reconciliation of opening and closing balances of the fair value of fund assets. | | |
| Fair value of scheme assets at beginning of year | 8,346 | 7,713 |
| Interest income on fund assets | 201 | 216 |
| Return on assets, excluding interest income | (691) | 421 |
| Contributions by employers | 190 | 190 |
| Benefits paid | (148) | (194) |
| Fair value of fund assets at end of year | <u>7,898</u> | <u>8,346</u> |

The amount recognised in the Statement of Financial Activity:

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Service cost - including current and past service costs and settlements | 164 | - |
| Net interest on the net defined liability | 10 | 19 |
| | <u>174</u> | <u>19</u> |

Remeasurement of the net defined benefit liability/(asset) to be shown in the Statement of Financial Activity.

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Actuarial (gain)/losses on the liabilities | (758) | 331 |
| Return on assets, excluding interest income | 691 | (421) |
| Total measurement of the defined benefit liability (asset) to be shown in the Statement of Financial Activity | <u>(67)</u> | <u>(90)</u> |

Sensitivity analysis

A sensitivity analysis of the principal assumptions used to measure the scheme liabilities

| | assumption | 2018 £000 | 2017 £000 |
|-----------------------------------|--------------------|----------------------|----------------------|
| Discount rate | Increase by 0.25% | Decrease by £337,000 | Decrease by £383,000 |
| Rate of inflation (RPI) | Increase by 0.25% | Increase by £251,000 | Increase by £288,000 |
| Assumed life expectancy at age 65 | Increase by 1 year | Increase by £251,000 | Increase by £267,000 |

Extrapolation of the sensitivity analysis beyond the ranges shown may not be appropriate

Estimation of next period's profit or loss

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Service cost - including current and past service costs and settlements | - | 164 |
| Service costs - administrative cost | - | - |
| Net interest on the net defined benefit liability | <u>10</u> | <u>10</u> |
| | <u>10</u> | <u>174</u> |

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28 Guarantees and other financial commitments

The group's minimum operating lease payments are as follows:

| | 2018 | 2017 |
|--------------------|----------------|----------------|
| | Total | Total |
| | £ | £ |
| Within one year | 63,580 | 57,018 |
| Within 2-5 years | 77,538 | 74,513 |
| In 5 years or more | - | - |
| | <u>141,118</u> | <u>131,531</u> |

Operating lease payments of £132,341 were paid in the year (2017: £102,255).

A ten year agreement (from December 2011 to December 2021) regarding the Giant Pandas requires a protection funding payment of \$1m to be paid annually to the China Wildlife Conservation Association. The last payment will be made in June 2021.

29 Operating leases

The group holds surplus land at Edinburgh Zoo as an investment property as disclosed in note 14 which is let to a third party. This non cancellable lease has a remaining term of 52 years

Future minimum rentals receivable under non-cancellable operating leases are as follows:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | Total | Total |
| | £ | £ |
| Not later than one year | 326,500 | 326,500 |
| After one year but not more than five years | 1,306,000 | 1,306,000 |
| After five years | 15,100,625 | 15,427,125 |
| | <u>16,733,125</u> | <u>17,059,625</u> |

30 Financial Instruments

| | Group | | Charity | |
|--|-----------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Financial assets | | | | |
| Debt instruments measured at amortised cost | 253,420 | 336,995 | 808,939 | 1,052,523 |
| Measured at fair value through the profit and loss account | 3,333,670 | 3,564,026 | 3,333,670 | 3,564,028 |
| Financial liabilities | | | | |
| Measured at amortised cost | 1,875,473 | 1,956,999 | 1,778,889 | 1,862,603 |
| Measured at fair value through the profit and loss account | 454,800 | 537,800 | 454,800 | 537,800 |

31 Ark Enterprises Limited

The retail and catering businesses at Edinburgh Zoo and the Highland Wildlife Park are carried out by the Society's wholly owned subsidiary company, Ark Enterprises Limited (SC 121528), which is incorporated in the United Kingdom.

The turnover and net contribution to the Society from this company was

| | 2018 | 2017 |
|--|--------------------|------------------|
| | £ | £ |
| Turnover | 4,249,116 | 2,448,987 |
| Raw materials and consumables | <u>(2,507,241)</u> | <u>(838,938)</u> |
| Gross profit | 1,741,875 | 1,610,049 |
| Staff costs | (423,611) | (471,028) |
| Other operating charges | <u>(427,747)</u> | <u>(394,827)</u> |
| Net profit for the year before gift aid donation | <u>890,517</u> | <u>744,194</u> |
| Gift aid donation to the Society | (890,517) | (782,345) |
| Shareholders' funds | <u>900</u> | <u>900</u> |

The company donates all of its net distributable taxable profits to the Society under the gift aid scheme on an annual basis.

32 Related party transactions

Ark Enterprise Ltd is RZSS's wholly owned subsidiary. Management charges of £291,267 (2017: £243,648), charitable donations of £890,517 (2017: £782,345) and staff costs recharged of £423,611 (2017: £471,028) were received in the year. There was a debtor due from the subsidiary of £625,213 (2017: £828,658) at the year end.

33 Ultimate controlling party

The charity is controlled by the Trustees.