



THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Annual Report and Consolidated Financial Statements
For the year ended 31 December 2016

Mission Statement

"Safeguarding species from extinction.
Connecting people with nature."

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 (appointed May 2016)

John Spence CBE (retired May 2016)

Board of Trustees

Jeremy Peat OBE, BA, MSc, FRSE	Chair
George Brechin OBE, BSc, CIHM Ω	Vice Chair
Dr Thomas Mitchell CA Ω	Honorary Treasurer & Chair of Audit and Risk Management Committee
Sandy Batho MA, FCIPD [^]	Chair of Nomination and Remuneration Committee
Dr Karen Blackport BSc, PhD, MBA	
Professor Mary Bownes OBE, DPhil, CBIol, FRSB, FRES, FRSE	Co-opted
Peter Budd BSc, CEng, MICE, MI Struct E, FCIOB	
Kerry Falconer FIOBS, MBA	Co-opted, Chair of the Business Advisory Committee
John Fitzgerald BSc (Hons), FCIPD [^]	
Dr Deborah Long BA (Hons), PhD, FRSGS	
Karen MacEachern BSc, BVMS, PhD, Cert EM, MRCWS	Co-opted November 2016
Tessa McGregor MA	Deceased January 2017
Professor Alan Miller BSc, PhD, CPhys, FRSE, FIEEE, FOSA, FInstP Ω	
Professor Andrea Nolan OBE	Chair of Scientific Advisory Committee
Professor Natalie Waran BSc (Hons), PhD	Co-opted, Resigned November 2016
Professor Roger Wheeler OBE, FRSE [^]	

Chief Executive

Professor Chris West BVetMed, C.CAS, MIBiol, MRCVS	Resigned July 2016
Barbara Smith BSc (Hons), FIoD	Appointed October 2016

Independent appointments

Neil Dunn	Independent member of the Audit and Risk Management Committee
David Kaye	Independent director, Ark Enterprises Ltd
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

Henderson Loggie CA
34 Melville Street
Edinburgh
EH3 7HA

Internal auditors

Scott-Moncrieff
Exchange Place 3
Sempie Street
Edinburgh
EH3 8BL

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

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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 Trust 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 in 2016.

The Board consists of up to twelve members elected at Annual General Meeting 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 skill may be co-opted for up to four years.

Management

The Leadership Team (LT) 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 LT comprises the:

Chief Executive
Director of Finance
Director of Human Resources

Managing Director
Director of Conservation

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Trustees' annual report

Principal Committees

The Audit & Risk Management Committee, which met three 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 Scientific Advisory Committee comprises one Board member as Chairman, together with a number of independent advisors and the Society's Veterinary practitioner; other Board members may be invited to join the Committee as appropriate. Its remit is to consider all animal welfare and ethical issues at the Society. The committee met four times in 2016.

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 in 2016.

Trustee Recruitment & 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 LT;
- 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 LT and the Board is encouraged through SMG attendance at sub-Committee meetings, trustee participation in working groups and informal meetings.

Risk management

The Society's risk register is reviewed at each meeting of the Audit & Risk Management Committee and by the Board 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.

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Trustees' annual report

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.

Delivery of internal audit is outsourced to Scott-Moncrieff, who were appointed in 2011 following a competitive tender.

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.

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 therefor; 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.

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Trustees' annual report

Principal objectives for the year

Following strong performance in 2015, the objectives in 2016 were:

- achieving targeted levels of visitor numbers;
- keeping costs under control, focusing on revenue-generating activities and targeting a sustainable surplus position; and
- enhancing the visitor experience in terms of the refocusing the Animal Collection and resource inputs to the improvement of the Estate.

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.

Achievements and performance

Membership and volunteers

The total number of members of the Society decreased by 3% during the year to 24,871. A significant amount of work has been undertaken by the President, Chair, Sandy Batho (Trustee) and Chief Executive 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
Membership	5
Education	145
Highland Wildlife Park	14

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 574,000 in 2016, a decrease of 9% on 2015. The later than expected opening of the new tiger enclosure and poor summer weather contributed to this reduction.

At the Highland Wildlife Park the number of visitors increased to 137,000, an increase of 13% on 2015.

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Conservation, education and research

Native Species: The Scottish Wildcat Conservation Action Plan continued with RZSS playing a leading role in the captive breeding for release aspect of the project and the genetic testing. Smaller projects on Water voles and on various invertebrate species continued.

International: Work continued at the Budongo Conservation Field Station in Uganda. The Giant Armadillo Project continued research in the Pantanal. Herpetofauna monitoring continued in Cameroon and work continued with the Karen Wildlife Conservation.

WildGenes: The lab continued to zoo and field based projects, with invaluable contributions being made to the Society's Scottish wildcat work.

Pandas: Tian Tian fell pregnant but unfortunately, once again, lost her pregnancy in mid to late August. The China Wildlife Conservation Association (CWCA), reports were received on how our financial contributions to CWCA are helping many panda conservation and educational projects across the three provinces where pandas are found.

Within our discovery and learning remit, 2016 continued to deliver stronger links to our conservation work. Our programmes at Edinburgh Zoo and the Highland Wildlife Park, including Science Summer School, Global Classroom and Zoo Explorer sessions, continued to provide unique learning experiences that are valued by participants and schools. In adult and tertiary education, our Explorers Zoo & Environment Skills Training (ZEST) has expanded and numbers of graduate and post-graduate students attending curriculum-linked sessions and projects has increased. Delivery of our outreach education, with the Wild about Scotland bus, continued through our partnership with Clydesdale Bank launched in September 2014.

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.

Financial review

Trading performance

Performance in 2016 was impacted by poor summer weather and the later than expected opening of the new tiger exhibit at Edinburgh Zoo. The visitor numbers were 9% down at Edinburgh Zoo, but up by 13% at the Highland Wildlife Park, which had a record year. Lower levels of donations and legacies adversely affected income by 3%.

Principal income movements (£m)

Income 2015	£15.4
Visitors	-0.2
Other Trading	-0.1
Donations & Legacies	-0.4
Income 2016	£14.7

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Costs continued to be well managed in 2016. The decrease in expenditure is largely due to the reduced events expenditure related to the Dinosaurs Exhibition in 2015 and the return of conservation expenditure to a more normal level after an exceptional year in 2015.

Overall the Society achieved an operating surplus of £0.4m in 2016 (2015 £0.3m). The net deficit for the year was £0.1m (2015 £0.8m surplus) after taking account of investment gains and adverse movement in the valuation of the pension fund.

Principal expense movements (£m)

Expenditure 2015	£15.1
Events	-0.5
Conservation	-0.3
Expenditure 2016	£14.3

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 2015, updated as at 31 December 2016 in accordance with the requirements of Financial Reporting Standard 102. The pension deficit is £798,800 at 31 December 2016 (2015: £158,800). This increase is due to the combined impact of the funding position, discount rates and market conditions; all external factors.

All core staff have been and continue to be offered the option to join the Society's defined contribution scheme where the Society matches scheme member contributions to a maximum contribution of 5% of pensionable salary. Members of the defined benefit scheme were offered membership of the then new defined contribution scheme with effect from 1 October 2008.

Reserves Policy

The Board has established a reserves policy whereby the free unrestricted reserves should approximate to at least 3 months of the minimum resources required to sustain operations. This policy equates to approximately £2.2m in free unrestricted funds. 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 unrestricted reserves (excluding pension liabilities) are £2.0m. 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.

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 steady trading performance between 2015 and 2016;
- trading to date in 2017;
- improvements in the Animal Collection;
- enhancements to the Estate;
- forward cash projections for 2017;
- 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.

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Trustees' annual report

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 2016 taking into account the general performance of the market.

During 2016 the portfolio increased in value by 12% to £3.2 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 taxable profits to the Society in 2015 and 2016. 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 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.

Plans for the future

Strategic review

The trustees and management team are finalising a new strategy for the Society, as outlined to the AGM in May 2016.

The key aim is to deliver a sustainable future for the Society to enable new generations of members to enjoy the benefits of the Society's work in Conservation, Education and Research.

Staff

We continue to implement and develop our People Strategy 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.

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Trustees' annual report

Animal collection

The animal collection will undergo further review during 2017. We aim to achieve a collection which delivers an appropriate balance of visitor experience and fulfilment of our conservation objectives and obligations.

Estate development

Work will continue to replace and upgrade the two parks. The infrastructure at Edinburgh Zoo reflects the age of the site and a programme of investment has been prepared which aims to deal with the replacement or maintenance of the Estate over a ten-year period. At Kincaig plans have been 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.

Business Development

An exercise of review and identification of new opportunities is underway to ensure we maximise revenues and expand our supported base and achieve a sustainable financial platform.

Conservation Programmes

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

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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

27 April 2017

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 2016

We have audited the financial statements of The Royal Zoological Society of Scotland for the year ended 31 December 2016 which comprise the Group and Parent Statement of Financial Activities, the Group and Parent Balance Sheet, the Group and Parent Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland.

This report is made solely to the members, 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. 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.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 12, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those Standards require us to comply with the Financial Reporting Council (FRC's) Ethical Standard 2016.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify any material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our 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 2016

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Charity's affairs as at 31 December 2016 and of the Group's and the Parent Charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements; 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.

Henderson Loggie

Chartered Accountants and Statutory Auditors

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

34 Melville Street,
Edinburgh
EH3 7HA

27 April 2017

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Consolidated Statement of Financial Activities

For the year ended 31 December 2016

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Total 2016 £	Total 2015 £
Income and endowments from:						
Donations and legacies	2	425,480	345,870	-	771,350	1,146,763
Charitable activities	3	10,389,395	27,673	-	10,417,068	10,624,699
Other trading activities	4	3,059,824	-	-	3,059,824	3,192,676
Investments	5	427,605	-	-	427,605	424,422
Other		27,792	-	-	27,792	29,682
Total income and endowments		14,330,096	373,543	-	14,703,639	15,418,242
Expenditure on:						
Raising funds	6	2,652,629	263	3,716	2,656,608	2,583,844
Charitable activities	7	11,029,230	637,473	-	11,666,703	12,511,295
Total expenditure		13,681,859	637,736	3,716	14,323,311	15,095,139
 Gains/(losses) on investment assets	 14,21	 314,113	 -	 44,219	 358,332	 (21,441)
Net income/expenditure		962,350	(264,193)	40,503	738,660	301,662
Other recognised gains/losses						
Gains/(losses) on investment property	13	-	-	-	-	(50,000)
Actuarial gains/(losses) on defined benefit pension scheme	26	(828,000)	-	-	(828,000)	498,000
Other gains/(losses)		(4,381)	-	-	(4,381)	39,675
Net movement in funds		129,969	(264,193)	40,503	(93,721)	789,337
Reconciliation of funds						
Total funds brought forward at 1 January 2016	19-21, 31	14,048,453	3,795,799	356,618	18,200,870	17,411,533
Total funds carried forward at 31 December 2016	19-21, 31	14,178,422	3,531,606	397,121	18,107,149	18,200,870

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 2016

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Total 2016 £	Total 2015 £
Income and endowments from:						
Donations and legacies	2	425,480	345,870	-	771,350	1,146,763
Charitable activities	3	10,389,395	27,673	-	10,417,068	10,624,699
Other trading activities	4	393,920	-	-	393,920	578,524
Investments	5	1,392,355	-	-	1,392,355	1,343,296
Other		303,457	-	-	303,457	292,276
Total income and endowment		12,904,607	373,543	-	13,278,150	13,985,558
Expenditure on:						
Raising funds	6	1,227,143	263	3,716	1,231,122	1,171,467
Charitable activities	7	11,029,230	637,473	-	11,666,703	12,511,295
Total resources expended		12,256,373	637,736	3,716	12,897,825	13,682,762
Gains/(losses) on investment assets	14,21	314,113	-	44,219	358,332	(21,441)
Net income/expenditure		962,347	(264,193)	40,503	738,657	281,355
Transfers between funds	20	-	-	-	-	-
Other recognised gains/losses						
Gains/(losses) on investment property	13	-	-	-	-	(50,000)
Actuarial gains/(losses) on defined benefit pension scheme	26	(828,000)	-	-	(828,000)	498,000
Other gains/(losses)		(4,381)	-	-	(4,381)	39,675
Net movement in funds		129,966	(264,193)	40,503	(93,724)	769,030
Reconciliation of funds						
Total funds brought forward at 1 January 2015	19-21, 31	14,009,403	3,795,799	356,618	18,161,820	17,392,790
Total funds carried forward at 31 December 2015	19-21, 31	14,139,369	3,531,606	397,121	18,068,096	18,161,820

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.

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Consolidated Balance Sheet For the year ended 31 December 2016

	Notes	Group		Charity	
		2016	2015	2016	2015
		£	£	£	£
Fixed assets	13	15,903,005	15,766,155	15,543,533	15,460,819
Investments	14	3,202,335	2,865,946	3,202,337	2,865,948
Current assets					
Stocks	15	310,719	284,305	98,330	73,010
Debtors	16	905,842	1,508,380	2,588,491	2,402,540
Cash at bank and in hand		1,824,046	1,628,169	588,209	1,085,436
		<u>3,040,607</u>	<u>3,420,854</u>	<u>3,275,030</u>	<u>3,560,986</u>
Creditors: amounts falling due within one year	17	(2,510,287)	(2,686,245)	(2,424,293)	(2,560,093)
Net current assets / (liabilities)		<u>530,320</u>	<u>734,609</u>	<u>850,737</u>	<u>1,000,893</u>
Total assets less current liabilities		19,635,660	19,366,710	19,596,607	19,327,660
Creditors: amounts falling due after one year	18	(729,711)	(1,007,040)	(729,711)	(1,007,040)
Defined benefit pension scheme liability	26	(798,800)	(158,800)	(798,800)	(158,800)
Net assets		<u>18,107,149</u>	<u>18,200,870</u>	<u>18,068,096</u>	<u>18,161,820</u>
Funds					
Unrestricted reserves	19				
General reserve		8,827,222	8,057,253	8,788,169	8,018,203
Revaluation reserve		6,150,000	6,150,000	6,150,000	6,150,000
Pension reserve	26	(798,800)	(158,800)	(798,800)	(158,800)
Total unrestricted reserves		<u>14,178,422</u>	<u>14,048,453</u>	<u>14,139,369</u>	<u>14,009,403</u>
Restricted funds	20	3,531,606	3,795,799	3,531,606	3,795,799
Endowment funds	21	397,121	356,618	397,121	356,618
		<u>18,107,149</u>	<u>18,200,870</u>	<u>18,068,096</u>	<u>18,161,820</u>

The financial statements were approved and authorised for issue by the Board on 27 April 2017

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 2016

Group	Notes	2016 £	2015 £	2016 £	2015 £
Net cash inflow from operating activities	23		1,683,841		1,052,881
Investing activities					
Payments to acquire investments		(431,585)		(2,313,485)	
Payments to acquire tangible fixed assets		(1,436,392)		(1,413,645)	
Proceeds from disposal of investments		487,798		1,840,531	
Proceeds from disposal of tangible fixed assets		-		-	
Investment income		427,605		424,422	
			(952,574)		(1,462,177)
Financing activities					
Bank loans repaid		(493,281)		(487,703)	
Loan instrument repaid		-		-	
Finance leases repaid		(2,306)		(11,519)	
Interest paid		(5,533)		(73,388)	
			(501,120)		(572,610)
(Decrease)/Increase in cash	25		230,147		(981,906)

Charity	Notes	2016 £	2015 £	2016 £	2015 £
Net cash inflow from operating activities	23		(78,244)		1,144,269
Investing activities					
Payments to acquire investments		(431,585)		(2,313,485)	
Payments to acquire tangible fixed assets		(1,332,161)		(1,334,466)	
Proceeds from disposal of investments		487,798		1,840,531	
Proceeds from disposal of tangible fixed assets		-		-	
Investment income		1,392,355		1,343,296	
			116,407		(464,124)
Financing activities					
Bank loans repaid		(493,281)		(487,703)	
Loan instrument repaid		-		-	
Finance leases repaid		(2,306)		(11,519)	
Interest paid		(5,533)		(73,388)	
			(501,120)		(572,610)
(Decrease)/Increase in cash	25		(462,957)		107,535

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 2016

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).

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 costing less than £1,000 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 & Machinery		4-10 years
Office Equipment		4 years
Computer Software		3 - 5 years
Computer Hardware		4 years

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

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 net realisable value. 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 2016

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 8.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

Employee benefits

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

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.

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

2 Donations and legacies

Charity and Group

	Unrestricted £	Restricted £	Endowment £	2016 £	2015 £
Grants	250,000	325,518	-	575,518	703,487
Donations	110,802	20,352	-	131,154	339,106
Legacies	64,678	-	-	64,678	104,170
	<u>425,480</u>	<u>345,870</u>	<u>-</u>	<u>771,350</u>	<u>1,146,763</u>
Year end 31 December 2015	<u>462,306</u>	<u>684,457</u>	<u>-</u>	<u>1,146,763</u>	

3 Charitable activities

Charity and Group

	Unrestricted £	Restricted £	Endowment £	2016 £	2015 £
Admissions - Edinburgh Zoo	6,561,897	-	-	6,561,897	7,107,102
Admissions - Highland Wildlife Park	1,441,195	-	-	1,441,195	1,278,386
Animal adoption	127,990	-	-	127,990	124,606
Membership subscriptions	1,375,372	-	-	1,375,372	1,387,262
Education	298,709	-	-	298,709	253,299
Conservation	503	27,673	-	28,176	28,118
Other income	583,729	-	-	583,729	445,926
	<u>10,389,395</u>	<u>27,673</u>	<u>-</u>	<u>10,417,068</u>	<u>10,624,699</u>
Year end 31 December 2015	<u>10,599,340</u>	<u>25,359</u>	<u>-</u>	<u>10,624,699</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 £	2016 £	2015 £
Retail operations - Edinburgh Zoo	1,507,402	-	-	1,507,402	1,524,669
Retail operations - Highland Wildlife Park	283,231	-	-	283,231	259,394
Catering operations - Edinburgh Zoo	483,522	-	-	483,522	489,447
Catering operations - Highland Wildlife Park	391,749	-	-	391,749	340,642
Other income	393,920	-	-	393,920	578,524
	<u>3,059,824</u>	<u>-</u>	<u>-</u>	<u>3,059,824</u>	<u>3,192,676</u>
Year end 31 December 2015	<u>3,192,676</u>	<u>-</u>	<u>-</u>	<u>3,192,676</u>	

Charity

	Unrestricted £	Restricted £	Endowment £	2016 £	2015 £
Other income	393,920	-	-	393,920	578,524
	<u>393,920</u>	<u>-</u>	<u>-</u>	<u>393,920</u>	<u>578,524</u>
Year end 31 December 2015	<u>578,524</u>	<u>-</u>	<u>-</u>	<u>578,524</u>	

5 Investments

	Unrestricted £	Restricted £	Endowment £	2016 £	2015 £
Group					
Rent from land & buildings	345,053	-	-	345,053	345,185
Income from listed investments	79,596	-	-	79,596	76,578
Interest	2,956	-	-	2,956	2,659
	<u>427,605</u>	<u>-</u>	<u>-</u>	<u>427,605</u>	<u>424,422</u>
Year end 31 December 2015	<u>418,040</u>	<u>-</u>	<u>6,382</u>	<u>424,422</u>	

	Unrestricted £	Restricted £	Endowment £	2016 £	2015 £
Charity					
Rent from land & buildings	345,053	-	-	345,053	345,185
Income from listed investments	79,596	-	-	79,596	76,578
Interest	2,956	-	-	2,956	2,659
Charitable donation from Ark Enterprises Limited	964,750	-	-	964,750	918,874
	<u>1,392,355</u>	<u>-</u>	<u>-</u>	<u>1,392,355</u>	<u>1,343,296</u>
Year end 31 December 2015	<u>1,336,914</u>	<u>-</u>	<u>6,382</u>	<u>1,343,296</u>	

Included within the investment income of the charity is £964,750 (2015: £918,874) 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 2016

6 Expenditure on raising funds

Group	Unrestricted £	Restricted £	Endowment £	2016 £	2015 £
Fundraising and membership	323,048	263	-	323,311	305,100
Retail operations - Edinburgh Zoo	916,799	-	-	916,799	983,527
Catering operations - Edinburgh Zoo	11,768	-	-	11,768	10,587
Retail operations - Highland Wildlife Park	191,078	-	-	191,078	166,982
Catering operations - Highland Wildlife Park	302,529	-	-	302,529	243,323
Investment management costs	13,434	-	3,716	17,150	26,135
Other costs	3,311	-	-	3,311	7,957
Support costs (Note 8)	890,662	-	-	890,662	840,233
	<u>2,652,629</u>	<u>263</u>	<u>3,716</u>	<u>2,656,608</u>	<u>2,583,844</u>
Year end 31 December 2015	<u>2,581,640</u>	<u>-</u>	<u>2,204</u>	<u>2,583,844</u>	

Charity	Unrestricted £	Restricted £	Endowment £	2016 £	2015 £
Fundraising and membership	323,048	263	-	323,311	305,099
Investment management costs	13,434	-	3,716	17,150	26,135
Other costs	-	-	-	-	-
Support costs (Note 8)	890,662	-	-	890,662	840,233
	<u>1,227,144</u>	<u>263</u>	<u>3,716</u>	<u>1,231,123</u>	<u>1,171,467</u>
Year end 31 December 2015	<u>1,169,263</u>	<u>-</u>	<u>2,204</u>	<u>1,171,467</u>	

7 Expenditure on charitable activities

Charity and Group	Unrestricted £	Restricted £	2016 £	2015 £
Animal welfare	3,247,169	227,441	3,474,610	3,436,776
Education	470,000	90,282	560,283	518,192
Marketing	526,161	14,320	540,481	487,084
Visitor Services	916,339	43,638	959,976	937,349
Events	183,007	-	183,007	719,767
Genetics Unit - Edinburgh Zoo	205,439	-	205,439	199,713
Conservation and Science	1,259,097	261,792	1,520,889	1,848,728
Support costs (Note 8)	4,222,018	-	4,222,018	4,363,686
	<u>11,029,230</u>	<u>637,473</u>	<u>11,666,703</u>	<u>12,511,295</u>
Year end 31 December 2015	<u>11,832,610</u>	<u>624,685</u>	<u>12,511,295</u>	

8 Support costs

Charity & Group	Raising funds £	Charitable activities £	2016 £	2015 £
Property, Estates and Works	477,641	2,013,588	2,491,229	2,386,277
Health and safety	15,838	66,768	82,606	98,680
Gardening	-	467,262	467,262	437,413
Chief Executive's Office	110,301	464,995	575,296	633,351
Finance and IT	221,554	934,002	1,155,556	1,301,375
Human Resources	64,945	273,786	338,731	299,837
Policies & Projects	-	-	-	19,986
Net return on pension	383	1,617	2,000	27,000
	<u>890,662</u>	<u>4,222,018</u>	<u>5,112,680</u>	<u>5,203,919</u>
Year end 31 December 2015	<u>840,233</u>	<u>4,363,686</u>	<u>5,203,919</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 £139,687 (2015: £153,736).

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

9 Analysis of staff costs

	2016	2015
	£	£
Wages and salaries	5,466,763	5,527,164
Social security costs	442,524	451,709
Cost of defined contribution pension scheme	95,928	100,312
Cost of defined benefit pension scheme	190,675	189,600
Other benefits	55,947	61,059
	<u>6,251,837</u>	<u>6,329,844</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 £37,916 (2015: £14,810) 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:

	2016	2015
	Number	Number
Full-time	189	178
Part-time	100	111
	<u>289</u>	<u>289</u>

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

	Number	Number
£110,000 - £119,999	0	1
£100,000 - £109,999	1	1
£80,000 - £89,999	1	0
£70,000 - £79,999	0	1
£60,000 - £69,999	<u>2</u>	<u>1</u>

All of the above employees are members of the Society's defined contribution pension scheme. Pension contributions totalling £11,064 (2015: £13,542) were paid in the year.

10 Benefits received by key management personnel

Day to day management of activities is delegated by the Trustees to a Leadership Team comprising the Chief Executive Officer, Managing Director, Director of Finance and Resources, Director of Conservation and Director of Human Resources. During the year the Managing Director was appointed as the Chief Executive Officer. The total employee benefits received by the Leadership Team was £382,183 (£2015: £409,002). All of these employees are members of the Society's defined contribution pension scheme. Pension contributions for the Leadership Team totalled £13,052 (2015: £ 17,008).

11 Board of Trustees' remuneration and expenses

Trustees received no remuneration in respect of their services as trustees in 2016 or 2015.

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 £1,129 (2015: £1,856) was reimbursed to 4 Trustees (2015: 4 Trustees) and expenditure of £1,015 was paid directly to third party suppliers (2015: £nil).

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

12 Operating Profit/(Loss)

Operating profit/(loss) is stated after charging:

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Auditor's remuneration				
Statutory Audit	13,500	14,150	9,000	9,800
Assurance services and other audit	2,360	2,290	2,360	2,290
Tax advisory service	645	3,895	1,845	1,500
	<u>16,505</u>	<u>20,335</u>	<u>13,205</u>	<u>13,590</u>

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements

As at 31 December 2016

13 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 2016	23,500	6,150,000	14,919,517	765,134	273,045	424,905	35,121	600,012	393,934	23,585,168
Additions	-	-	1,048,749	271,996	16,126	21,181	4,294	61,727	12,319	1,436,392
Transfers	-	-	523,387	(678,899)	139,636	15,876	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
As at 31 December 2016	23,500	6,150,000	16,491,653	358,231	428,807	461,962	39,415	661,739	406,253	25,021,560
Depreciation										
As at 1 January 2016	-	-	6,571,036	-	223,412	195,978	33,198	507,226	288,163	7,819,013
Disposals	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	1,045,409	-	65,943	91,486	1,032	39,971	55,701	1,299,542
As at 31 December 2016	-	-	7,616,445	-	289,355	287,464	34,230	547,197	343,864	9,118,555
Net book value										
As at 31 December 2016	23,500	6,150,000	8,875,208	358,231	139,452	174,498	5,185	114,542	62,389	15,903,005
As at 31 December 2015	23,500	6,150,000	8,348,481	765,134	49,633	228,927	1,923	92,786	105,771	15,766,155

THE ROYAL ZOOLOGICAL SOCIETY OF SCOTLAND

Notes to the Consolidated Financial Statements

As at 31 December 2016

13 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 2016	23,500	6,150,000	14,596,993	661,425	233,147	421,185	35,121	572,154	393,934	23,087,459
Additions	-	-	953,524	271,996	16,126	21,181	4,294	52,721	12,319	1,332,161
Revaluation	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	505,913	(661,425)	139,636	15,876	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
As at 31 December 2016	23,500	6,150,000	16,056,430	271,996	388,909	458,242	39,415	624,875	406,253	24,419,620
Depreciation										
As at 1 January 2016	-	-	6,442,816	-	153,732	222,041	33,198	486,690	288,163	7,626,640
Disposals	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	1,000,557	-	65,943	91,486	1,032	34,728	55,701	1,249,447
As at 31 December 2016	-	-	7,443,373	-	219,675	313,527	34,230	521,418	343,864	8,876,087
Net book value										
As at 31 December 2016	23,500	6,150,000	8,613,057	271,996	169,234	144,715	5,185	103,457	62,389	15,543,533
As at 31 December 2015	23,500	6,150,000	8,154,177	661,425	79,415	199,144	1,923	85,464	105,771	15,460,819

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 £4,468 (2015: £10,425). The depreciation charge for the year in relation to these assets held under finance leases amounted to £5,957 (2015: £5,957).

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14 Investments

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Fair value of securities at 1 January 2015	2,857,080	2,405,567	2,857,082	2,405,569
Purchases	431,585	2,313,485	431,585	2,313,485
Disposal proceeds	(487,798)	(1,840,531)	(487,798)	(1,840,531)
Unrealised gain/(loss)	365,459	(58,416)	365,459	(58,416)
Realised gain/(loss)	(7,127)	36,975	(7,127)	36,975
Fair value of securities at 31 December 2016	3,159,199	2,857,080	3,159,201	2,857,082
Cash investments	43,136	8,866	43,136	8,866
Fair value at 31 December 2016	3,202,335	2,865,946	3,202,337	2,865,948
Cost at 31 December 2016	2,504,113	2,547,709	2,504,115	2,547,711

The charity investments include the investment in the subsidiary, Ark Enterprises Ltd and is stated at cost (note 28).

15 Stocks

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Goods for resale	212,389	211,295	-	-
Consumable stores	98,330	73,010	98,330	73,010
	310,719	284,305	98,330	73,010

16 Debtors

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	256,753	348,429	76,479	224,450
Other	75,479	687,091	75,479	687,092
Prepayments & accrued income	573,610	472,860	524,595	429,352
Amounts owed by group companies	-	-	1,911,938	1,061,646
	905,842	1,508,380	2,588,491	2,402,540

17 Creditors: Amounts falling due within one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	380,697	446,223	348,347	390,305
Social security and other taxes	171,267	210,018	171,267	210,018
Other creditors	82,980	87,478	82,980	87,478
Accruals	627,129	602,078	573,485	531,844
Finance leases (note 18)	-	2,306	-	2,306
Deferred income	970,704	844,680	970,704	844,680
Bank loan (note 18)	277,510	493,462	277,510	493,462
	2,510,287	2,686,245	2,424,293	2,560,093

Other creditors include outstanding pension contributions of 14,857 (2015: £15,014).

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	
	2016	2015	2016	2015
	£	£	£	£
As at 1 January 2016	844,680	604,220	844,680	604,220
Amounts released from previous years	(853,013)	(604,220)	(853,013)	(604,220)
Income deferred	979,037	844,680	979,037	844,680
As at 31 December 2016	970,704	844,680	970,704	844,680

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18 Creditors: Amounts falling due after one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Bank loan	729,711	1,007,040	729,711	1,007,040
	<u>729,711</u>	<u>1,007,040</u>	<u>729,711</u>	<u>1,007,040</u>

The Society entered into a loan agreement with Lloyds TSB Scotland on 16th January 2009 under which the Society borrowed £2 million repayable in equal instalments over 8 years and secured against the income generated from the lease with Holiday Inn. The Society fixed the interest rate at 5.1% for the term of the loan. The Society entered into a second 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 £60,877 (2015: a liability of £68,731). The movement in the valuation has been processed through the SOFA.

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Less than one year	277,510	493,462	277,510	493,462
Between one and two years	215,663	277,554	215,663	277,554
Between two and five years	514,048	670,822	514,048	670,822
In five years or more	0	58,664	0	58,664
	<u>1,007,221</u>	<u>1,500,502</u>	<u>1,007,221</u>	<u>1,500,502</u>

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

	2016	2015
	£	£
Minimum lease payments under finance leases falling due:		
Within one year	-	2,306
Within 2-5 years	-	-
	<u>-</u>	<u>2,306</u>
Present value of finance lease liabilities		
Within one year	-	2,306
Within 2-5 years	-	-
Present value of finance lease liabilities	<u>-</u>	<u>2,306</u>

19 Unrestricted funds

	As at 1 January 2016	Incoming resources	Other gains/(losses)	Pension	Resources expended	As at 31 December 2016
	£	£	£	£	£	£
Group funds						
General reserve	8,057,253	14,332,096	309,732	-	(13,871,859)	8,827,222
Revaluation reserve	6,150,000	-	-	-	-	6,150,000
Pension reserve	(158,800)	(2,000)	-	(828,000)	190,000	(798,800)
Group funds	<u>14,048,453</u>	<u>14,330,096</u>	<u>309,732</u>	<u>(828,000)</u>	<u>(13,681,859)</u>	<u>14,178,422</u>
Charity funds						
General reserve	8,018,203	12,906,607	309,732	-	(12,446,373)	8,788,169
Revaluation reserve	6,150,000	-	-	-	-	6,150,000
Pension reserve	(158,800)	(2,000)	-	(828,000)	190,000	(798,800)
Charity funds	<u>14,009,403</u>	<u>12,904,607</u>	<u>309,732</u>	<u>(828,000)</u>	<u>(12,256,373)</u>	<u>14,139,369</u>

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20 Restricted funds	As at 1 January 2016 £	Incoming resources £	Resources expended £	Transfers £	As at 31 December 2016 £
Capital					
Royal Engineers	807,211	-	(97,045)	-	710,166
HWP Ice Age Project	11,195		(3,241)	-	7,954
HWP Big Cats Appeal	54,989		(4,407)	-	50,582
Heritage Lottery Fund	27,772	5,170	(2,918)	-	30,024
Christian Salvesen Penguin Enclosure	12,715		(2,571)	-	10,144
Penguins Rock Appeal	119,580		(13,561)	-	106,019
Budongo Chimp Facility	1,895,107		(99,249)	-	1,795,858
Scottish Enterprise	29,895		(13,109)	-	16,786
Wildcat Enclosure	50,000		(1,667)	-	48,333
HWP Development	23,790	61,184	(263)	-	84,711
EDC public WiFi	144,177	-	(43,638)	-	100,539
	3,176,431	66,354	(281,669)	-	2,961,116
Income					
Beaver Reintroduction Project	468	1,800	(5,453)	-	(3,185)
Water Vole Fund	-	3,696	(1,703)	-	1,993
RZSS Conservation Fund	629			-	629
Scottish Wildcat	41,471	27,470	(75,521)	-	(6,580)
Deep Blue Project	2,489		(2,489)	-	-
Budongo Conservation Field Station	61,433	109,930	(73,022)	-	98,341
ZEST	40,063	30,000	(34,276)	-	35,787
Giant Armadillo Project (Pantanal)	90,666	62,638	(40,000)	-	113,304
Capercaillie	500			-	500
Tayside Beaver	30,067		(2,219)	-	27,848
RSPB Beaver	1,684			-	1,684
Beaver Handbook	3,032	500	(1,153)	-	2,379
Pallas Cat	6,949	9,902	(7,132)	-	9,719
HWP Snow & Amur Leopard	249,458		(9,808)	-	239,650
Illegal Wildlife Trade	77,959		(35,453)	-	42,506
Education	-	33,432	(33,432)	-	-
Scottish Enterprise	-	14,320	(14,320)	-	-
Wild About Scotland Bus	-	13,500	(13,500)	-	-
Physic Garden	5,000		(4,695)	-	305
HWP Education Fund	7,500		(1,890)	-	5,610
	619,368	307,188	(356,066)	-	570,490
	3,795,799	373,542	(637,735)	-	3,531,606

The above fund balances at 31 December 2016 represent the net amounts available for restricted expenditure. More detail is given below for funds with significant balances.

Capital

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

Royal Engineers - represents donated services of the Army in various property improvement projects around Edinburgh Zoo and the Highland Wildlife Park.

HWP Ice Age Project and HWP Big Cats Appeal - represents funds donated by visitors to the Highland Wildlife Park to allow the development of enclosures at the park.

Heritage Lottery Fund - represents funds received from the Heritage Lottery Fund to support a series of infrastructural, interpretation and educational improvements to the Highland Wildlife Park.

Christian Salvesen Penguin Enclosure - represents funds donated by Christian Salvesen PLC to allow the replacement of equipment and upgrading of the penguin enclosure at Edinburgh Zoo. The value of the donation has been invested in fixed assets and is non-distributable.

Penguins Rock Appeal - represents funds donated by visitors to allow the upgrade of the penguin enclosure at Edinburgh Zoo.

Budongo Chimp Facility - represents a grant from Scottish Enterprise Edinburgh and Lothians towards the cost of the Budongo chimpanzee facility. Further funds were donated by visitors to Edinburgh Zoo.

Scottish Enterprise - represents grants received from Scottish Enterprise towards the cost of the development of a new website, mobile application and online booking system and an integrated visitor experience system.

Wildcat Enclosure - represents a donation from the Clydesdale Bank to develop a new wildcat enclosure at the Highland Wildlife Park.

HWP Development - represents grant income from Highlands and Islands Enterprise to conduct a full feasibility study to identify economically sustainable expansion options for the Highland Wildlife Park.

EDC Public WiFi - represents funding from Edinburgh District Council to allow visitors to access the internet at Edinburgh Zoo.

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20 Restricted funds (continued)

Income

Beaver Reintroduction Project - represents income received in partnership with the Scottish Wildlife Trust to study the biology and ecological impact of the reintroduction of beavers to a trial site in Knapdale Scotland.

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.

Deep Blue Project - represents funding for the development of a website which is supported by the Scottish Government.

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 Ballie 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.

HWP Snow & Amur Leopard - represents a private donation for the creation of a captive off show breeding programme at the Highland Wildlife Park.

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

Education - represents income from the City of Edinburgh Council 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.

21 Endowment fund

	As at 1 January 2016	Investment income	Realised /unrealised gains and losses	Expenditure	As at 31 December 2016
	£	£	£	£	£
J W Gibb Fund	356,618	-	44,219	(3,716)	397,121

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

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22 Analysis of reserves between net assets

Group	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2015 £
Fixed assets	12,941,889	2,961,116	-	15,903,005
Investments	2,805,214	-	397,121	3,202,335
Net current assets	(40,170)	570,490	-	530,320
Long term liabilities	(729,711)	-	-	(729,711)
Pension deficit	(798,800)	-	-	(798,800)
	<u>14,178,422</u>	<u>3,531,606</u>	<u>397,121</u>	<u>18,107,149</u>

Charity	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2015 £
Fixed assets	12,582,417	2,961,116	-	15,543,533
Investments	2,805,216	-	397,121	3,202,337
Net current assets	280,247	570,490	-	850,737
Long term liabilities	(729,711)	-	-	(729,711)
Pension deficit	(798,800)	-	-	(798,800)
	<u>14,139,369</u>	<u>3,531,606</u>	<u>397,121</u>	<u>18,068,096</u>

23 Net cash (outflow)/inflow from operating activities

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Net income/(expenditure) for the reporting period as per the statement of financial activity	738,660	301,662	738,657	281,355
Depreciation charges	1,299,542	1,192,567	1,249,447	1,148,941
(Gain)/loss on investments	(358,332)	21,441	(358,332)	21,441
(Increase)/Decrease in Stock	(26,414)	42,067	(25,320)	300
(Increase)/Decrease in Debtors	602,538	(489,423)	(185,951)	702,827
Increase/(Decrease) in Creditors	37,919	530,351	78,077	454,063
Investment income	(427,605)	(424,422)	(1,392,355)	(1,343,296)
Interest paid	5,533	73,388	5,533	73,388
(Decrease) in pension provision	(188,000)	(163,000)	(188,000)	(163,000)
Gain on disposal of tangible fixed assets	-	-	-	-
Value of army work capitalised	-	(31,750)	-	(31,750)
Net cash inflow/(outflow)	<u>1,683,841</u>	<u>1,052,881</u>	<u>(78,244)</u>	<u>1,144,269</u>

24 Analysis of changes in net debt during the year

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
As at 1 January 2016	134,227	616,911	(408,506)	(1,015,263)
Net cash inflow/(outflow)	725,734	(482,684)	32,630	606,757
As at 31 December 2016	<u>859,961</u>	<u>134,227</u>	<u>(375,876)</u>	<u>(408,506)</u>

	Group		Charity	
	As at 1 January 2016 £	Cashflows £	As at 1 January 2016 £	As at 31 December 2016 £
Cash held as part of the investment portfolio (note 14)	8,866	34,270	8,866	43,136
Cash at bank and in hand	1,628,169	195,877	1,085,436	588,209
Loan	(1,500,502)	493,281	(1,500,502)	(1,007,221)
Finance Leases	(2,306)	2,306	(2,306)	-
	<u>134,227</u>	<u>725,734</u>	<u>(408,506)</u>	<u>(375,876)</u>

25 Reconciliation of net cash flow to movement in net debt

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Increase in cash in the period	230,147	(981,906)	(462,957)	107,535
Cash outflow from debt financing	495,587	499,222	495,587	499,222
Change in debt resulting from cash flows	<u>725,734</u>	<u>(482,684)</u>	<u>32,630</u>	<u>606,757</u>
Net debt at the beginning of the period	134,227	616,911	(408,506)	(1,015,263)
Net funds/(debt) at the end of the period	<u>859,961</u>	<u>134,227</u>	<u>(375,876)</u>	<u>(408,506)</u>

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26 Defined benefit pension scheme

	As at 1 January 2016 £	Provided £	Released £	As at 31 December 2016 £
Group & Charity				
Total pension deficit	158,800	640,000	-	798,800

At 31 December 2016 the Society owed the defined benefit pension scheme £0 (2014: £0) in relation to employer's contributions.

Information about the characteristics of the fund

The Society operates a defined benefit pension scheme in the UK which provides pensions in retirement and death in service benefits to members. Pension benefits are related to the members' final salary at the date of leaving and their length of service. The fund closed to future accrual on 30 September 2005. 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 or Society specific risk.

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 2015. 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 2015 revealed a funding deficit of £3,426,000. In the Recovery Plan dated 27 May 2016 the Society agreed to pay contributions with a view to eliminating the shortfall by 1 June 2016. In accordance with the Schedule of Contributions dated 27 May 2016 the Society is expected to pay contributions of £190,000 over the next accounting period. In addition the Society is expected to meet the cost of administrative expenses for the Fund. 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 is approximately 20 years.

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

	As at 31 December 2016 %	As at 31 December 2015 %
Discount rate	2.80	3.90
Inflation assumption (RPI)	3.40	3.20
Inflation assumption (CPI)	2.40	2.20
LPI pension increase	2.40	2.20
Cash commutation	100% take max cash	None
	As at 31 December 2016 %	As at 31 December 2015 %
Assumed life expectancies on retirement at age 65 are:		
Retiring today - Males	22.20	22.10
Retiring today - Females	24.20	24.10
Retiring in 20 years time - Males	23.90	23.80
Retiring in 20 years time - Females	26.10	26.00
	As at 31 December 2016 £000	As at 31 December 2015 £000
The assets in the scheme were:		
Equities	5,099	4,664
Bonds	2,415	2,156
Others	199	107
Fair value of scheme assets	7,713	6,927
The actual return on assets over the period was:	830	(15)
Present value of funding obligations	(8,512)	(7,086)
Fair value of scheme assets	7,713	6,927
Surplus/(Deficit) in funded scheme	(799)	(159)
	As at 31 December 2016 £000	As at 31 December 2015 £000
Present value of unfunded obligations	0	0
Unrecognised actuarial gains (losses)	0	0
Adjustment in respect of asset ceiling and minimum funding requirement	0	0
Net liability in balance sheet	799	159

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26 Defined benefit pension scheme (continued)

	As at 31 December 2016 £000	As at 31 December 2015 £000
Reconciliation of opening and closing balances of the present value of the defined benefit obligation		
Benefit obligation at beginning of year	7,086	7,913
Interest cost	271	287
Actuarial (gain)/losses	1,389	(773)
Benefits paid	(234)	(341)
Benefit obligation at end of period	8,512	7,086

	As at 31 December 2016 £000	As at 31 December 2015 £000
Reconciliation of opening and closing balances of the fair value of fund assets.		
Fair value of scheme assets at beginning of year	6,927	7,093
Interest income on fund assets	269	260
Return on assets, excluding interest income	561	(275)
Contributions by employers	190	190
Benefits paid	(234)	(341)
Fair value of fund assets at end of year	7,713	6,927

The amount recognised in the Statement of Financial Activity:

	2016 £000	2015 £000
Net interest on the net defined liability	2	27
	2	27

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

	2016 £000	2015 £000
Actuarial (gain)/losses on the liabilities	1,389	(773)
Return on assets, excluding interest income	(561)	275
Total measurement of the defined benefit liability (asset) to be shown in the Statement of Financial Activity	828	(498)

Sensitivity analysis

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

	Change in assumption	Impact on scheme liabilities as at 31 December 2016	Impact on scheme liabilities as at 31 December 2015
Discount rate	Increase by 0.25%	Decrease by £380,000	Decrease by £340,000
Rate of Inflation (RPI)	Increase by 0.25%	Increase by £291,000	Increase by £255,000
Assumed life expectancy at age 65	Increase by 1 year	Increase by £255,000	Increase by £212,000

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

Estimation of next period's profit or loss

	2017 £000	2016 £000
Service cost - including current and past service costs and settlements	0	0
Service costs - administrative cost	0	0
Net interest on the net defined benefit liability	19	2
	19	2

27 Guarantees and other financial commitments

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

	2016 Total £	2015 Total £
Within one year	73,283	88,249
Within 2-5 years	105,561	101,723
In 5 years or more	-	13,500
	178,844	203,472

Operating lease payments of £115,828 were paid in the year (2015: £121,236).

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.

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28 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 as follows:

	2016 £	2015 £
Turnover	2,665,903	2,614,153
Raw materials and consumables	(904,848)	(945,520)
Gross profit	1,761,055	1,668,633
Staff costs	(399,822)	(342,185)
Other operating charges	(396,483)	(387,267)
Net profit for the year before gift aid donation	964,750	939,181
Gift aid donation to the Society	(964,750)	(918,874)
Profit/(Loss) in subsidiary company	-	20,307
Shareholders' funds	39,053	39,053

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

29 Related party transactions

Ark Enterprise Ltd is RZSS's wholly owned subsidiary. Management charges of £275,665 (2015: £262,594), charitable donations of £964,750 (2015: £918,874) and staff costs recharged of £399,822 (2015: £342,185) were received in the year. There was a debtor due from the subsidiary of £1,911,938 (2015: £1,061,646) at the year end.

During 2015 Rob Ogden was Director of Conservation. In 2015 income relating to conservation genetic contracts amounting to £114,800 was charged to Trace Wildlife Forensics Network Ltd, a company of which Rob Ogden was a director. At 31 December 2015 £40,800 and £5,600 was due from Trace Wildlife Forensics Network Ltd and were included in trade debtors and accrued income respectively.

During the year grant income of £11,095 (2015: £19,598) was received from Scottish Enterprise, an organisation of which the Chairman, Jeremy Peat is a Board member. At the year end £11,095 (2015: £8,872) was included in accrued income and £nil (2015: £612) was included in debtors. In addition in 2015 £600 was paid to Scottish Enterprise for business advisory services.

During the year income of £9,860 (2015: £8,695) was received for education visits from Edinburgh University, an organisation of which Board Member, Mary Bownes was Senior Vice Principal and Board member, Peter Budd is a Court member. At the year end £790 (2015: £1,005) was due from Edinburgh University and is included in trade debtors. In addition, £40,614 (2015: £44,189) was paid to Edinburgh University for laboratory testing. At the year end £4,864 (2015: £9,387) was due to Edinburgh University and is included in trade creditors.

During the year the investment portfolio was managed by Adam and Company Investment Management Limited, a company of which Board member, Kerry Falconer, was Managing Director during 2015. During 2015 investment income of £76,578 was received from the company. At 31 December 2015 £4,615 was due from Adam and Company Investment Management Limited and is included in accrued income. In addition in 2015, investment management costs of £31,235 were paid to Adam and Company Investment Management Limited. At 31 December 2015 £5,100 was due to Adam and Company Investment Management Limited and was included in accruals.

During the year an annual subscription of £299 (2015: £299) was paid to Edinburgh Chamber of Commerce, an organisation of which Board Member, Professor Andrea Nolan, is a council member. There were no sums due at the year end. In addition, during the year income of £904 (2015: £1,950) was received from Edinburgh Napier University for education visits and £570 was paid to Edinburgh Napier University for staff courses. Prof Andrea Nolan, is Principal and Vice Chancellor of Edinburgh Napier University. There were no sums due at the year end.

30 Ultimate controlling party

The charity is controlled by the Trustees.