



**The Royal Zoological Society of Scotland**  
Annual Report & Consolidated Financial Statements

For the year ended 31 December 2010

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Annual Report and Financial Statements  
For the year ended 31 December 2010

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**ROYAL PATRON**

HRH The Princess Royal

**PRESIDENT**

John Spence OBE

**BOARD OF TRUSTEES**

Donald Emslie (Chair) (resigned May 2011) ^  
Manus Fullerton (Vice-Chair) (Chair from May 2011)  
MBA, FCIB^  
Peter Budd  
Karen Carlton MA FCIPD^  
Jane Fraser LLB (Hons) DipLP Ω  
Professor Colin Galbraith BSc PhD\*  
Max Gaunt FCA Ω (Honorary Treasurer)(resigned  
January 2011)  
Colin McAndrew MA (Resigned June 2011)  
Dr Thomas Mitchell CA Ω (Honorary Treasurer from  
January 2011)  
Christine Patch MA MCIPR  
Prof David Taylor MA, PhD, VetMB, DipECVPH,  
DipECPHM, MRCVS  
Tessa McGregor  
Jeremy Peat (Co-opted May 2010)  
Douglas Hutchison (Co-opted November 2010)  
BVMS, MRCVS

**CHIEF EXECUTIVE**

Hugh Roberts (Interim appointment May 2011)  
David Windmill (Retired February 2011)

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

*^ member of the Nominations Committee  
during the year*

*\* member of the Animal Welfare & Ethics  
Committee during the year*

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**PRINCIPAL ADVISORS**

**AUDITORS**

Henderson Loggie  
34 Melville Street  
Edinburgh  
EH3 7HA

**INVESTMENT ADVISORS**

Deutsche Bank Private Wealth Management  
25 Melville Street  
Edinburgh  
EH3 7PE

**HEAD OFFICE**

Edinburgh Zoo  
134 Corstorphine Road  
Edinburgh  
EH12 6TS

**PRINCIPAL BANKERS**

Lloyds TSB Scotland  
120 George Street  
Edinburgh  
EH2 4LH

**SOLICITORS**

Anderson Strathern  
1 Rutland Court  
Edinburgh  
EH3 8EY

**INTERNAL AUDITOR**

William FM Simpson BSc, FIIA  
Edinburgh  
EH5 3RH

Registered Charity No: SC004064

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## **Structure, Governance & Management**

### **Foundation**

The Royal Zoological Society of Scotland (the Society) was founded in 1909, incorporated 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 and 2008.

The Society is registered as a charity with the Office of the Scottish Charity Regulator. It owns and operates Edinburgh Zoo (EZO) and the Highland Wildlife Park (HWP). The Society's wholly-owned subsidiary, Ark Enterprises Ltd, carries out all retail and catering activities at Edinburgh Zoo and the Highland Wildlife Park. Ark Enterprises Ltd donates its taxable annual profits to the Society in accordance with the Government's Gift Aid legislation and its financial results are consolidated into the annual accounts.

### **Governance**

#### *President*

The President is appointed by the Board to act mainly as an ambassador for the Society. The President has no voting rights.

#### *Board Members*

Members of the Society's governing Board are the trustees of the Society and have responsibility for its management. All Board Members are members of the Society.

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

The twelve elected Board Members are elected for a period of four years, are eligible for a further two periods or four years and, on the recommendation of the Nominations Committee, may be eligible for one further four year period. No Board Member can serve for longer than 16 years in total.

The President and Board Members undertake their duties on an unpaid voluntary basis.

### **Trustee Recruitment & Induction**

In line with good governance the Board seeks to maintain a balanced mix of professional skills and experience, drawn from academia, business and the professions to meet the skills required to manage the assets of the Society. Prospective candidates meet with the members of the Nominations Committee to be briefed on the Society's aims and activities, and to establish their potential contribution. The Nominations Committee recommends potential candidates to the Board for election by the membership at the Society's Annual General Meeting or for co-option.

Once elected or co-opted they meet with the Chief Executive for formal induction into the aims and activities of the Society and their responsibilities as Board members. Board Members are provided with information about Trustees' formal responsibilities and encouraged to attend external briefing seminars from time to time. Close contact with members of the management team is fostered by management participation in meetings of the Board and its subcommittees, and in informal meetings and working groups.

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### **Organisational Structure and Management**

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 conforms to prevailing legislation and regulation, and to make decisions on the key strategic issues facing the Society. The Board met eight times in 2010.

The Audit & Risk Management Committee comprises one Board member as Chairman, two other members of the Board and one independent member. Its remit includes advising on the appointment of auditors and investment managers; monitoring recommendations in audit reports; business risk management; and investment policy & management. The Committee met four times during the year.

The Animal Welfare & Ethics Committee comprises one Board member as Chairman, together with a number of independent advisors and the Society's Vet. It is a statutory requirement for this Committee to exist and its remit is to consider all animal welfare and ethical issues at the Society. It met three times in 2010.

The Nominations Committee comprises one Board member as Chairman and two additional Board members. Its remit includes responsibility for identifying and recommending suitable individuals for membership of the Board and overseeing Board member performance reviews. It met twice in the year.

The Chief Executive and Senior Management Team (SMT) are 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 SMT comprised the Chief Executive, Director of Animals Conservation and Education, Director of Resources, Director of Business Operations and Director of Development.

### **Risk Assessment**

The Board has conducted a review of the major risks to which the Society is exposed and identified actions, procedures and contingency plans to mitigate those risks. The risk register is formally reviewed by the Audit & Risk Management Committee once a year, with major risks reviewed at each meeting. The Committee also reviewed the Society's Business Risks, as prepared by management, and is satisfied that the system of managing risks is reasonably robust. The establishment of an Internal Audit function in 2009 has further strengthened the assurance the Board receives regarding the operations of the Society's internal control framework.

Key risks identified include; failure to achieve visitor numbers, poor financial performance and risks associated with the timing of the arrival of giant pandas. These risks are closely monitored and strategies have been put in place to reduce their impact.

### **Professional Associations**

The Society is a member of the International Union for the Conservation of Nature (IUCN) and IUCN UK. The Society currently undertakes the role of Secretariat for the IUCN (UK) Committee.

The Society is a member of the British & Irish Association of Zoos and Aquariums (BIAZA), the European Association of Zoos and Aquariums (EAZA) and the World Association of Zoos and Aquariums (WAZA). These bodies represent the zoo sector within Britain, Europe and the World respectively.

The Society is recognised by the University of Edinburgh as an accredited research associate. It has also signed a Memorandum of Understanding with seven major Scottish Universities the purpose of which is to co-operate on conservation research.

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The Society has membership of the International Zoo Educators Association (IZE), a body dedicated to expanding the educational impact of zoos and aquaria worldwide.

The Society is also a member of the Scottish Council for Voluntary Organisations (SCVO), a body representing the voluntary sector within Scotland.

### **Volunteers**

The Society benefits from the support of volunteers both at Edinburgh Zoo and the Highland Wildlife Park.

Within the Education department, volunteers, having attended training courses, undertake a range of duties which will include supporting Society staff in the running of the Summer Schools, interacting with visitors to enhance their learning experiences as well as promoting the Society to outside organisations. Within the Development department, they assist with the production of sponsorship and membership packs.

At the Highland Wildlife Park, volunteers may work as animal wardens providing animal husbandry duties or in a range of services behind the scenes. The Society is greatly indebted to its volunteers for their commitment and hard work.

<b>Department</b>	<b>Approximate Nos. of Volunteers</b>
Development	6
Education	65
Highland Wildlife Park	21

### **Charitable Objects**

Under the terms of the 2008 Royal Charter the objects of the Society are (1) to promote the conservation of threatened species and habitats and (2) the furtherance of that; and objects which include:

- "to promote, facilitate and encourage the study of zoology, animal physiology, pathology, dietetics and kindred subjects and to foster and develop among the people an interest in and knowledge of animal life";
- "to investigate the habits, migrations and life histories of animals occurring in Scotland and in Scottish seas and to disseminate knowledge thereof";
- "to effect the preservation of wild animal life in Scotland and to promote legislation thereof";
- "to establish, equip, carry on and develop the Royal Zoological Society of Scotland's Park at Edinburgh and at such places in Scotland as the Society shall determine"; and
- "to organise, equip and send out and support, or contribute to and share in sending out expeditions to foreign countries for the purpose of investigating the animal life of those countries"

For contemporary purposes – and to conform to the requirements of the Zoo Licensing Act of 1981 – these objects are interpreted broadly as Education, Conservation and Research; and the Society has further derived a Mission Statement and set of Aims relevant to current standards of good practice, which lay out the difference the Society seeks to make through its activities:

### **Mission Statement**

"To inspire and excite our visitors with the wonder of living animals and so to promote the conservation of threatened species and habitats."

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#### Aims

- Maintain a financially sustainable organisation which will enable us to achieve our mission, through innovative and dynamic management;
- Create for our visitors an exciting and inspiring experience, by ensuring excellence in the presentation of our animals, and the highest quality in our visitor facilities and services in a pleasant, safe and stimulating environment;
- Value all our staff as our most important resource, regardless of age, gender, race, disability, sexual orientation or beliefs, by encouraging communication and involvement at all levels and by ensuring development through appraisal and training in line with our business objectives and the individual's needs;
- Promote, through formal and informal education activities, an understanding of the inter-dependence of all living things and a concern for the fragility of ecosystems and threatened species;
- Ensure the highest standards of animal welfare through excellence in animal husbandry and enrichment of the animals' environment;
- Maintain groups of species with high conservation and educational importance, and participate in managed conservation programmes for threatened species;
- Support and promote the needs of species conservation in the wild;
- Encourage and enable research to increase our knowledge and understanding of animal science, for the benefit of both captive and wild animals;
- Implement and develop the obligations of the World Zoo Conservation Strategy (1993), and the Secretary of State's Revised Standards of Modern Zoo Practice (2000);
- Liaise, co-operate and share information and resources with zoological parks and other organisations worldwide concerned with the conservation of species;
- Promote an understanding and appreciation of the importance of conservation amongst the general public, policy makers, public bodies and the media; and
- Strive for environmental sustainability in all our activities, and ensure energy efficiency.

#### **The Society – strategic development**

RZSS is a conservation organisation with significant potential to communicate issues of vital importance to Scottish society viz climate change, loss of biodiversity and sustainable development. To do so it must achieve the seven year Strategic Plan and associated Business Plan which set out the strategic aims, priorities, objectives and actions. This plan, developed in 2009 was reviewed during 2010 to reflect the substantial reduction in anticipated income from sales of land at Edinburgh Zoo and Glasgow and the fall in visitor income at Edinburgh Zoo during the year. In such circumstances it is important that the Society concentrates its resources on its core activities.

#### **Edinburgh Zoo – strategic development**

Following City of Edinburgh Council approval to develop approximately 4.2 hectares of land at Edinburgh Zoo undertook a marketing exercise to ascertain the interest of potential developers in the land and an approximate valuation. The result reflected the current very poor state of the market for land and the Society decided to postpone the development of the land until the market improved.

It remains essential that the infrastructure and layout of the Zoo is improved to meet the standards of a modern visitor attraction. The timing and detail of the zoo master plan will continue to be reviewed.

#### **Highland Wildlife Park**

The success achieved in 2009 was maintained with visitor numbers remaining stable in 2010. This gives the Society confidence that the new strategy is a sound basis for future development of the

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Park. The timing of this development will naturally depend upon the funding available from the Society.

### **West of Scotland**

Discussions were held with the Glasgow Science Centre during the year but no concrete plans were developed. Representatives of RZSS continue to serve on the Council of ZSGWS.

### **Conservation & Research**

The 'beaver project' made good progress. Two beaver kits were born in 2010. During the year additional wild beavers were captured in Norway and re-introduced to Knapdale Forest so that by the year end four families were located in four separate lochs.

Budongo Trail and Living Links continued to produce high quality primate research and it is now generally recognised that these facilities have made a major contribution to UK primatology research.

Budongo Conservation Field Station (BCFS) continued to develop and broaden its range of research and educational activities. Additional facilities for researchers and students were created. There are plans to habituate additional groups of chimpanzees. RZSS continues to core fund this valuable facility but BCFS is increasingly attracting funds from elsewhere.

The genetics laboratory has established a significant role in detecting wildlife crime. UK authorities rely on the techniques developed at RZSS to investigate and successfully prosecute cases of wildlife crime in the UK.

Discussions in China with the China Wildlife Conservation Association continued during 2010. Agreement was reached on a programme of research on giant pandas. Agreement was also reached on a 10-year loan agreement for a pair of giant pandas to come to Edinburgh Zoo during 2011. This enables the Society to participate in a world-wide, world class conservation programme the ultimate aim of which is to re-introduce giant pandas into their native habitat in China within the next 10 years.

### **Animal Collection**

As in previous years, the planning of the Society's animal collections held at Edinburgh Zoo and the Highland Wildlife Park are mainly based upon the European Zoo Association's (EAZA) regional collection plans. As an active member of EAZA, the Society has a responsibility to work within the various recommendations and where possible augment their viability. The addition of two male sun bears from Cambodia, for example, introduced new potential founders into the population as well as helping to balance the female bias within Europe. Our relationship with the Cambodian bear rescue facility also enhanced the welfare of the animals there through the active participation of key members of our veterinary department. Within the UK, the Society's range of species is unique as a significant percentage of our animal collection can be seen in no other collection in the country, providing interest for visitors and an important resource to the conservation research community.

The Society continues to increase the number of species of high conservation value in its collections. At the end of 2010 the Society participated in over 100 species programmes, with the staff at RZSS coordinating 15 of these. The addition of the second group of Chimpanzees and the male polar bear at Edinburgh Zoo and the Highland Wildlife Park, respectively, were probably the two highest profile additions to the animal collections and demonstrate our commitment to the long-term management of species in the higher-threat categories.

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### **Visitors**

The recession and poor weather at critical times of the year had a substantial impact on the number of visitors to Edinburgh Zoo. A total of 548,000 people, a drop of 15% on 2009, visited the zoo. The Highland Wildlife Park fared much better despite appalling weather at the beginning of the year; 124,000 people, a drop of only 1.6%, visited the Highland Wildlife Park. The continuing popularity of Mercedes and Walker, the new young male polar bear had much to do with this.

### **Membership**

Membership of the Society remained stable at around 22,000 during the year. As a membership organisation the continued support of our members is vital to its success. The membership offer is to be reviewed in 2011. This will include a review of how we communicate and engage with our Members.

### **Education**

The Society has continued to focus upon implementation and development of the Education & Interpretation Strategy (2007-13) and in so doing is enacting a new approach to learning.

Our work with schools is now more focused and aligned to the newly introduced 'Curriculum for Excellence'. We are utilising our living collections and strengths in issues such as sustainability, environmental awareness, conservation and research to provide greater emphasis upon encouraging children and young people to become successful learners, confident individuals, responsible citizens and effective contributors. Additionally, our specialized programmes are supporting students in achieving qualifications and acquiring skills for work.

Student conferences have been hosted on links between Scotland and China, and on native species and reintroduction projects.

In celebrating the Society's centenary, learning activity was extended across the whole of Scotland, with our Wild Bus visiting 130 schools, reaching remote places such as Shetland, Lewis and Mull, as well as attracting Scottish Government and other funder support.

Public engagement and understanding of science is a key objective of the Society and important to the Scottish Government. Learning aspects are being addressed through initiatives linked to RZSS conservation and research projects, including the Scottish Beaver Trial, as well as innovative application of the IUCN red list in species signage.

The Society retains great potential to be a leading provider of learning opportunities relating to the environment, wildlife and conservation, for all.

### **Environment**

Edinburgh Zoo was accredited with ISO14001 status in 2009 and has made substantial progress in reducing waste streams during 2010. In 2011 the focus will remain on utility usage.

### **Financial Review**

Total income for the group decreased to £10,913,591 (2009: £12,052,071). The principal funding sources of the Society were park admission fees, membership fees, animal adoption income as well as grants and donations. The Society's wholly owned subsidiary, Ark Enterprises Limited, which operates catering and retail activities at Edinburgh Zoo and Highland Wildlife Park, donated £406,776 (2009: £599,372) to the Society. These funds have enabled the Society to support its education and conservation programmes throughout the world.

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For the third concurrent year the Society received exceptionally low levels of legacy income £45,161 (2009: £114,311). The total number of visitors to our parks fell in 2010 reflecting the difficult economic environment; this also impacted on retail and catering revenues. Visitor numbers at Edinburgh Zoo fell by 15% with the number of paying visitors declining by 20%. Visitor numbers at the Highland Wildlife Park remained relatively unchanged compared to 2009.

Charitable expenditure was increased by 13% to £8,379,254 as the Society continued to support its animal welfare and educational activities. In addition the Society continued to increase its expenditure on conservation activities. Resources expended on fundraising and operations was £3,183,475.

The Society made an operating loss of £1,519,932 (2009: surplus £284,236). In response to the poor financial performance the Society undertook a cost reduction exercise in the second half of 2010 to realign costs with the lower level of visitors. Taking into account investment gains, a gain on the investment property and pension losses, the Society made an overall surplus of £4,360,898 (2009: surplus £256,358); the surplus is largely attributable to the non-cash gain on our investment property.

The Society experienced a net cash outflow during the year of £1,282,731 (2009 cash inflow £1,243,574). In March 2011 the Society took out a bank loan of £2,000,000 to provide funding to the Society. This loan is being repaid over 10 years.

A recovery in the stock market saw the value of our investments rise by £238,830, the lease on the Holiday Inn was also revalued at £5,750,000 and recognised in the accounts as an investment property. This was partially offset by the pension scheme actuarial loss of £108,000.

### **Systems of Control**

During early 2011 it was identified that certain procedures and controls in place had not been adhered to in the award of contracts and disclosure of such to the Finance Department and the Board. Much of what was identified was historical. These instances have been fully investigated and procedures and controls are being strengthened as a response. The Board has appointed a new interim Chief Executive whose remit includes the application of these controls.

### **Pension Scheme**

The financial results for the year incorporate the results of the full actuarial valuation of the Society's defined benefit pension fund at 1 April 2009 updated to 31 December 2010 as required by Financial Reporting Standard 17. The pension deficit is £1,213,000 at 31 December 2010 (2009: £1,155,000).

The scheme closed to future accrual with effect from 1 October 2008.

A defined contribution scheme was established on 1 April 2008 and all core staff were offered the option to join this scheme with the Society matching contributions to a maximum of 5%. Members of the defined benefit scheme were offered membership of this defined contribution scheme with effect from 1 October 2008.

### **Reserves Policy**

The Board has established a reserves policy whereby the unrestricted reserves should be equivalent to at least 3 months of the minimum resources required to sustain operations. This equates to approximately £1,700,000 in general 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. Free reserves, calculated as the difference between investments, net of endowment funds, and net current

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liabilities (note 22) are in the order of £900,000. The Society has not yet achieved its free reserve target and the trustees are taking action to improve the Society's reserves position.

### **Going Concern**

Following the difficult trading year in 2010 the Society significantly reduced costs in line with the anticipated drop in visitor numbers to the two visitor attractions. This was achieved through staff reductions, a cost cutting exercise and the outsourcing of the catering operation. A surplus of £431,000 is budgeted for the year to December 2011 before investment and pension movements. In March 2011 the Society secured a £2,000,000 loan from Lloyds TSB to fund operational needs and the redevelopment of Edinburgh Zoo in preparation for the arrival of giant pandas.

As a consequence the Board are of the view that the Society is 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. During 2010 the value of the overall portfolio recovered by 9% to £3 million. The funds are managed by the Society's investment advisers, Deutsche Private Wealth Management. The Audit and Risk Management Committee receive regular reports from Deutsche and are satisfied with the performance of the portfolio during 2010 taking into account the general performance of the market. In addition any surplus cash funds are held in interest bearing accounts achieving returns which match or exceed Bank of England base rate.

### **Taxation**

The Society is a charity and is recognised as such by HM Revenue and Customs for taxation purposes. The Society's wholly owned subsidiary, Ark Enterprises Limited, gifts its profits to the Society and as a result no taxation is due.

### **Auditors**

Henderson Loggie were appointed as auditors for 2010 at the 2009 Annual General Meeting.

### **Maintenance and integrity of the Society's website**

The maintenance and integrity of the Society's website is the responsibility of the Board, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the financial statements since they were initially presented on the website.

### **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 Board of 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;

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- 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.

### **The Future**

The Society has set the following objectives for 2011:

- Achieve business plan and budgeted surplus for 2011;
- Agree with the Chinese government terms for the delivery of a pair of giant pandas to Edinburgh Zoo;
- Complete the construction of the new front entrance and panda enclosure;
- Develop and implement a strategic plan to create a successful commercial organisation that meets its clear conservation objectives;
- Enhance the internal control environment within the Society;
- Introduce a new communications strategy, both internal and external which promotes the successful achievement of the Society's objectives;
- Develop and introduce a new people strategy which ensures the recruitment, retention and motivation of staff and supports our aspirations in developing an appropriate culture capable of delivering the Society's objectives;
- Develop the relationship with members, volunteers patrons and all other stakeholders;
- Reassess the animal plan to meet all of the objectives of the Society;
- Enhance the environmental performance through the reward of ISO14001;
- Make visits to Edinburgh Zoo and the Highland Wildlife Park a fun day out.



Manus Fullerton  
Chair of the Board of Trustees

Date: 4<sup>th</sup> July 2011

**The Royal Zoological Society of Scotland**  
Independent Auditor's Report for the Members of the Royal Zoological Society of Scotland  
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We have audited the financial statements of The Royal Zoological Society of Scotland for the year ended 31 December 2010 which comprise the Group and Parent Statement of Financial Activities, the Group and Parent Balance Sheet, the Group 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).

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 Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **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. If we become aware of any material misstatements or inconsistencies we consider the implications for our report.

#### **Basis for qualified opinion on financial statements**

##### ***Departure from matters included in the Royal Charter***

During the year a payment of £4,000 was made to Sirius Learning, a business in which Colin McAndrew, who was a trustee, has an interest. Under the terms of the Royal Charter such payments are not permitted.

#### **Qualified opinion on financial statements**

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, 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 2010 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).

#### **Emphasis of matter – Systems of Control over Purchasing and Procurement**

In forming our opinion on the financial statements, which is not modified in respect of this, we have reviewed the work undertaken by the Board concerning management override of the systems of control over purchasing and procurement. We have considered the adequacy of the disclosure made in Note 31 to the financial statements and are of the opinion that, provided no further similar arrangements come to light, these disclosures are adequate. The financial statements do not include the adjustments that would result if further liabilities are identified.

#### **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*

Henderson Loggie

Chartered Accountants and Statutory Auditors

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

Edinburgh

4 July 2011

## The Royal Zoological Society of Scotland

### Consolidated Statement of Financial Activities

For the year ended 31 December 2010

Notes	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Total 2010 £	Restated Total 2009 £	
<b>Incoming resources</b>						
Incoming resources from generated funds						
Voluntary income	2	1,128,057	212,544	-	1,340,601	1,989,785
Activities for generating funds	3	2,918,836	-	-	2,918,836	3,351,958
Investment income	4	458,161	-	-	458,161	463,401
		<u>4,505,054</u>	<u>212,544</u>	<u>-</u>	<u>4,717,598</u>	<u>5,805,144</u>
Incoming resources from charitable activities						
	5	6,099,793	74,728	-	6,174,521	6,223,491
Other incoming resources						
		21,472	-	-	21,472	23,436
<b>Total incoming resources</b>		<u>10,626,319</u>	<u>287,272</u>	<u>-</u>	<u>10,913,591</u>	<u>12,052,071</u>
<b>Resources expended</b>						
Costs of generating funds						
Voluntary income	6	441,767	-	-	441,767	374,734
Fundraising and trading	7	3,183,475	-	-	3,183,475	3,378,393
Investment management costs		7,517	-	-	7,517	3,117
		<u>3,632,759</u>	<u>-</u>	<u>-</u>	<u>3,632,759</u>	<u>3,756,244</u>
Charitable activities						
	8	7,988,954	390,300	-	8,379,254	7,400,130
Governance costs						
	9	421,510	-	-	421,510	611,461
<b>Total resources expended</b>		<u>12,043,223</u>	<u>390,300</u>	<u>-</u>	<u>12,433,523</u>	<u>11,767,835</u>
<b>Net incoming/(outgoing) resources before other recognised gains/(losses)</b>						
		<b>(1,416,904)</b>	<b>(103,028)</b>	<b>-</b>	<b>(1,519,932)</b>	<b>284,236</b>
Gains/(losses) on investment assets						
	14/21	241,239	-	(2,409)	238,830	351,122
Gains/(losses) on investment property						
		5,750,000	-	-	5,750,000	-
Actuarial (losses) on defined benefit pension scheme						
	26	(108,000)	-	-	(108,000)	(379,000)
<b>Net movement in funds</b>		<u>4,466,335</u>	<u>(103,028)</u>	<u>(2,409)</u>	<u>4,360,898</u>	<u>256,358</u>
Total funds brought forward at 1 January 2010						
	19-21	4,294,822	3,877,821	354,101	8,526,744	8,270,386
<b>Total funds carried forward at 31 December 2010</b>	19-21	<u><b>8,761,157</b></u>	<u><b>3,774,793</b></u>	<u><b>351,692</b></u>	<u><b>12,887,642</b></u>	<u><b>8,526,744</b></u>

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

The notes on pages 20 to 33 form part of these financial statements

## The Royal Zoological Society of Scotland

Statement of Financial Activities  
For the year ended 31 December 2010

Notes	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Total 2010 £	Restated Total 2009 £	
<b>Incoming resources</b>						
Incoming resources from generated funds						
Voluntary income	2	1,128,057	212,544	-	1,340,601	1,989,785
Activities for generating funds	3	276,300	-	-	276,300	277,869
Investment income	4	863,419	-	-	863,419	1,061,482
		<u>2,267,776</u>	<u>212,544</u>	<u>-</u>	<u>2,480,320</u>	<u>3,329,136</u>
Incoming resources from charitable activities						
Other incoming resources	5	6,099,793	74,728	-	6,174,521	6,223,491
		<u>117,472</u>	<u>-</u>	<u>-</u>	<u>117,472</u>	<u>119,436</u>
<b>Total incoming resources</b>		<u>8,485,041</u>	<u>287,272</u>	<u>-</u>	<u>8,772,313</u>	<u>9,672,063</u>
<b>Resources expended</b>						
Costs of generating funds						
Voluntary income	6	441,767	-	-	441,767	374,734
Fundraising and trading	7	1,056,504	-	-	1,056,504	1,011,452
Investment management costs		7,517	-	-	7,517	3,117
		<u>1,505,788</u>	<u>-</u>	<u>-</u>	<u>1,505,788</u>	<u>1,389,303</u>
Charitable activities	8	7,988,954	390,300	-	8,379,254	7,400,130
Governance costs	9	410,417	-	-	410,417	596,293
<b>Total resources expended</b>		<u>9,905,159</u>	<u>390,300</u>	<u>-</u>	<u>10,295,459</u>	<u>9,385,726</u>
<b>Net incoming/(outgoing) resources before other recognised gains/(losses)</b>						
		<b>(1,420,118)</b>	<b>(103,028)</b>	<b>-</b>	<b>(1,523,146)</b>	<b>286,337</b>
Gains/(losses) on investment assets	14/21	241,239	-	(2,409)	238,830	351,122
Gains/(losses) on investment property		5,750,000	-	-	5,750,000	-
Actuarial (losses) on defined benefit pension scheme	26	(108,000)	-	-	(108,000)	(379,000)
<b>Net movement in funds</b>		<u>4,463,121</u>	<u>(103,028)</u>	<u>(2,409)</u>	<u>4,357,684</u>	<u>258,459</u>
Total funds brought forward at 1 January 2010	19-21	4,237,569	3,877,821	354,101	8,469,491	8,211,031
<b>Total funds carried forward at 31 December 2010</b>	19-21	<u>8,700,690</u>	<u>3,774,793</u>	<u>351,692</u>	<u>12,827,175</u>	<u>8,469,490</u>

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

The notes on pages 20 to 33 form part of these financial statements

## The Royal Zoological Society of Scotland

Consolidated Balance Sheet

As at 31 December 2010

	Notes	Group		Charity	
		2010 £	2009 £	2010 £	2009 £
<b>Fixed assets</b>	13	14,327,743	8,373,176	14,247,168	8,370,650
<b>Investments</b>	14	2,999,605	2,760,487	2,999,607	2,760,489
<b>Current assets</b>					
Stocks	15	337,506	278,010	150,674	140,912
Debtors	16	252,866	497,514	393,596	900,285
Cash at bank and in hand		147,586	693,057	59,540	333,437
		<u>737,958</u>	<u>1,468,581</u>	<u>603,810</u>	<u>1,374,634</u>
<b>Creditors: amounts falling due within one year</b>	17	(2,451,458)	(1,257,296)	(2,342,892)	(1,218,079)
<b>Net current (liabilities)/assets</b>		<u>(1,713,500)</u>	<u>211,285</u>	<u>(1,739,082)</u>	<u>156,555</u>
<b>Total assets less current liabilities</b>		15,613,848	11,344,948	15,507,693	11,287,694
<b>Creditors: amounts falling due after one year</b>	18	(1,513,206)	(1,663,204)	(1,467,518)	(1,663,204)
<b>Defined benefit pension scheme liability</b>	26	(1,213,000)	(1,155,000)	(1,213,000)	(1,155,000)
<b>Net assets</b>		<u>12,887,642</u>	<u>8,526,744</u>	<u>12,827,175</u>	<u>8,469,490</u>
<b>Funds</b>					
Unrestricted reserves	19				
General reserve		4,224,157	5,449,822	4,163,690	5,392,568
Revaluation reserve		5,750,000	-	5,750,000	-
Pension reserve	26	(1,213,000)	(1,155,000)	(1,213,000)	(1,155,000)
Total unrestricted reserves		<u>8,761,157</u>	<u>4,294,822</u>	<u>8,700,690</u>	<u>4,237,568</u>
Restricted funds	20	3,774,793	3,877,821	3,774,793	3,877,821
Endowment funds	21	351,692	354,101	351,692	354,101
		<u>12,887,642</u>	<u>8,526,744</u>	<u>12,827,175</u>	<u>8,469,490</u>

The financial statements were approved and authorised for issue by the Board on 4 July 2011



**Chair of the Board of Trustees**

The notes on pages 20 to 33 form part of these financial statements

## The Royal Zoological Society of Scotland

Consolidated Cash Flow Statement  
For the year ended 31 December 2010

	Notes	2010		2009	
		£	£	£	£
<b>Net cash inflow / (outflow) from operating activities</b>	23		(643,456)		(544,772)
<b>Return on investments and servicing of finance</b>					
Investment income		458,161		463,401	
Interest Paid		<u>(94,122)</u>		<u>(101,262)</u>	
			364,039		362,139
<b>Investing activities</b>					
Payments to acquire investments		(406,804)		(403,264)	
Payments to acquire tangible fixed assets		(733,357)		(426,669)	
Proceeds from disposal of investments		303,672		417,221	
Proceeds from disposal of tangible fixed assets		<u>-</u>		<u>0</u>	
			(836,489)		(412,712)
<b>Financing activities</b>					
Bank loans drawn		68,530		2,000,000	
Bank loans repaid		(215,559)		(155,218)	
Finance leases repaid		<u>(19,796)</u>		<u>(5,863)</u>	
			(166,825)		1,838,919
<b>(Decrease)/ increase in cash</b>	25		<u><u>(1,282,731)</u></u>		<u><u>1,243,574</u></u>

The notes on pages 20 to 33 form part of these financial statements

# The Royal Zoological Society of Scotland

Notes to the Consolidated Financial Statements  
For the year ended 31 December 2010

## 1 Accounting policies

### Basis of accounting

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.

### Capital grants and donations

In accordance with SORP2005, assets funded by restricted reserves are capitalised and the depreciation is recognised as an expense of the restricted reserve.

### Consolidation

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

### 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.

In accordance with Statement of Standard Accounting Practice No.19, investment property is valued annually at open market value. All surpluses and deficits on valuation are transferred to a revaluation reserve except that any permanent diminution in the value of investment property is taken to the income and expenditure account for the year. No depreciation or amortisation is provided in respect of investment properties. This treatment may be a departure from the Companies Act requirements concerning depreciation of fixed assets. However, following advice from external accountants, it is the opinion of the trustees that, as the property is held for investment purposes and not for consumption, a systematic annual charge for depreciation would be inappropriate. The accounting policy is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of several factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

### 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 of valuation 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		4-7 years
Plant & Machinery		4-10 years
Office Equipment		4 years
Computer Software		3 years
Computer Hardware		4 years

### Stocks

Stocks are valued at the lower of cost and net realisable value. Penguins reared specifically for resale are valued at cost. Penguins are sold to other zoos and organisations that share similar charitable objectives to the Society.

### Investments

Gains and losses are recognised in the year in which they arise.

## **The Royal Zoological Society of Scotland**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

### **Investment income**

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

### **Lease income**

The Society leases out part of its land to the east of Edinburgh Zoo. The income from this is credited to the Statement of Financial Activities in the year in which it is receivable.

### **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 included 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 statement of financial activities in the period to which they relate.

### **Grant income**

Grant income is credited in the year to which it relates.

### **Donations and legacies**

Donations and legacies are credited in the year in which they are received unless there is sufficient certainty of receipt and that the value can be ascertained with sufficient reliability.

### **Gifts-in-kind**

Gifts-in-kind are valued at appropriate market rates and are credited to the SOFA in the year in which they are received. Where the gift relates to operational expenditure, an equivalent expenditure is charged to the accounts within the same year. Where the gift relates to capital projects, the income is credited as a restricted fund and the costs are added to fixed asset additions within the year and depreciated in accordance with the Society's depreciation policy. An equivalent amount released from the restricted fund to match the depreciation incurred.

### **Membership subscriptions**

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

## **The Royal Zoological Society of Scotland**

Notes to the Consolidated Financial Statements  
For the year ended 31 December 2010

### **Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to that activity:

- Costs of generating funds are those costs incurred in attracting voluntary income and those incurred in the catering and retail activities that raise funds;
- Charitable activities include expenditures incurred on animal welfare, education and conservation activities, the main charitable objectives of the Society;
- Governance costs include staffing costs for the Chief Executive's Office, Finance and Human Resources as well as costs associated with constitutional and statutory requirements;
- Support costs include central functions of the Society such as Finance, Human Resources, Property & Estates and Health & Safety. These costs have been allocated to activity cost categories on the basis of expenditure incurred.

### **Expenditure allocation**

Expenditure is allocated over categories in accordance with the main activity of the staff concerned or the substance of the costs 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.

### **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.

### **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 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 2010

**2 Voluntary income**

Charity and Group	Unrestricted	Restricted	Endowment	Total	Restated
	£	£	£	2010	Total 2009
Grants	-	5,000	-	5,000	293,578
Donations	1,082,896	207,544	-	1,290,440	1,581,896
Legacies	45,161	-	-	45,161	114,311
	<u>1,128,057</u>	<u>212,544</u>	<u>-</u>	<u>1,340,601</u>	<u>1,989,785</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 on top of 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. The donations received have been allocated towards restricted projects at Edinburgh Zoo and the Highland Wildlife Park.

**3 Activities for generating funds**

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Retail operations - Edinburgh Zoo	836,563	945,706	-	-
Retail operations - Highland Wildlife Park	204,179	222,125	-	-
Catering operations - Edinburgh Zoo	1,324,101	1,651,636	-	-
Catering operations - Highland Wildlife Park	277,693	254,622	-	-
Other income	276,300	277,869	276,300	277,869
	<u>2,918,836</u>	<u>3,351,958</u>	<u>276,300</u>	<u>277,869</u>

**4 Investment income**

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Rent from land & buildings	354,492	362,756	354,492	362,756
Income from listed investments	95,464	96,745	95,464	96,745
Interest	8,205	3,900	6,687	2,609
Charitable donation from Ark Enterprises Limited	-	-	406,776	599,372
	<u>458,161</u>	<u>463,401</u>	<u>863,419</u>	<u>1,061,482</u>

Included within the investment income of the charity is £406,776 (2009: £599,372) donated by the Charity's subsidiary, Ark Enterprises Limited, under the Government's Gift Aid scheme.

**5 Incoming resources from charitable activities**

Charity and Group	Unrestricted	Restricted	2010	2009
	£	£	£	£
Admissions - Edinburgh Zoo	3,714,509	-	3,714,509	3,971,483
Admissions - Highland Wildlife Park	945,803	-	945,803	845,418
Animal adoption	133,291	-	133,291	149,231
Membership subscriptions	951,901	-	951,901	905,311
Education	241,526	30,000	271,526	266,289
Conservation	33,998	44,728	78,726	34,011
Other income	78,765	-	78,765	51,748
	<u>6,099,793</u>	<u>74,728</u>	<u>6,174,521</u>	<u>6,223,491</u>

Education income includes grants received from City of Edinburgh Council of £36,392 (2009: £37,810) and Midlothian Council of £nil (2009: £1,500) towards the cost of providing an education service.

Restricted grants include a Scottish Government Science Engagement grant of £30,000 towards the running of the Deep Blue project, and monies for the joint project with Scottish Wildlife Trust and Scottish Natural Heritage for the introduction of Beavers at Knapdale.

**6 Analysis of resources expended on generating voluntary income**

Charity and Group	2010	2009
	£	£
Staffing costs	185,888	173,500
Fundraising office costs	152,057	98,251
Support costs (Note 10)	103,822	102,983
	<u>441,767</u>	<u>374,734</u>

**The Royal Zoological Society of Scotland**  
Notes to the Consolidated Financial Statements  
For the year ended 31 December 2010

**7 Analysis of resources expended on fundraising trading activities**

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Retail operations - Edinburgh Zoo	564,480	571,769	-	-
Catering operations - Edinburgh Zoo	1,275,683	1,516,724	-	-
Retail operations - Highland Wildlife Park	129,500	128,226	-	-
Catering operations - Highland Wildlife Park	157,308	150,222	-	-
Support costs (Note 10)	1,056,504	1,011,452	1,056,504	1,011,452
	<u>3,183,475</u>	<u>3,378,393</u>	<u>1,056,504</u>	<u>1,011,452</u>

**8 Analysis of resources expended on charitable activities**

Charity and Group	Unrestricted	Restricted	Total	
			2010	2009
	£	£	£	£
Animal welfare	2,723,099	283,594	3,006,693	2,631,974
Education	486,852	42,176	529,028	514,904
Marketing	589,723	-	589,723	502,360
Visitor Services	681,160	-	681,160	588,686
Events	63,791	-	63,791	51,277
Genetics Unit - Edinburgh Zoo	42,875	-	42,875	-
Conservation	457,890	64,530	522,420	530,196
Support costs (Note 10)	2,943,564	-	2,943,564	2,580,733
	<u>7,988,954</u>	<u>390,300</u>	<u>8,379,254</u>	<u>7,400,130</u>

**9 Governance**

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Staffing costs	128,532	163,973	128,532	163,973
Legal & professional fees	54,902	51,356	54,902	50,113
Auditors costs	28,081	20,627	24,000	12,789
Auditors - related services	17,000	-	17,000	-
Support costs (Note 10)	192,995	375,505	185,983	369,418
	<u>421,510</u>	<u>611,461</u>	<u>410,417</u>	<u>596,293</u>

**10 Support costs**

All charity support costs are the same as those for group except governance costs which exclude the costs for Ark.

Group	Voluntary	Fundraising	Governance	Charitable	Total	
					2010	2009
					£	£
Works	-	630,826	-	1,496,384	2,127,210	1,992,662
Health & safety	-	34,771	-	82,480	117,251	118,149
Gardening	-	-	-	401,815	401,815	402,296
Property & Estates	-	23,412	-	55,534	78,946	99,904
Senior Management Team	48,596	19,916	155,653	82,860	307,025	488,954
Chief Executive's Office	20,091	126,449	13,585	299,950	460,075	164,055
Finance & IT	30,491	191,903	20,617	455,213	698,224	667,886
Human Resources	4,120	25,929	2,786	61,504	94,339	109,767
Net return on pension	524	3,298	354	7,824	12,000	27,000
	<u>103,822</u>	<u>1,056,504</u>	<u>192,995</u>	<u>2,943,564</u>	<u>4,296,885</u>	<u>4,070,673</u>
Year ended 31 December 2009	<u>102,983</u>	<u>1,011,452</u>	<u>375,505</u>	<u>2,580,733</u>	<u>4,070,673</u>	

Works, Health & Safety and Property & Estates costs relate to the ongoing safety and maintenance of animal enclosures, catering and retail activities and are therefore allocated in line with direct expenditure incurred in these areas.

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

The salaries of the Senior Management Team are allocated 50% to governance. The remaining 50% is allocated in line with direct expenditure across all categories of cost. The exception to this is the CEO who is allocated 100% to Governance, the Director of Animals Conservation and Education who is allocated 50% to charitable activities, and the Director of Development who is allocated 50% to voluntary resources expended.

Support costs for the Chief Executive's Office, Finance, Human Resources and the net return on pension are allocated in line with direct expenditure incurred.

**The Royal Zoological Society of Scotland**  
Notes to the Consolidated Financial Statements  
For the year ended 31 December 2010

**11 Staff numbers and costs**

	2010	2009
	£	£
Wages and salaries	5,049,023	4,703,113
Social security costs	427,476	388,856
Pension costs		
- defined benefit scheme	99,502	143,004
- defined contribution scheme	66,263	66,595
	<u>5,642,264</u>	<u>5,301,568</u>

Included in the above are redundancy costs of £150,362 paid in the year.

The triennial valuation of the Society's pension scheme as at 1 April 2009 was finalised during 2009. This indicated that the Society was required to increase the employer's contributions from 11.5% to 29.4%. During negotiations to the closure of the defined benefit scheme, the Society agreed to make additional payments from June 2007.

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 scheme on 1 April 2008 with the Society matching contributions with those of employees to a maximum of 5% of salary.

The average weekly number of employees during the year was:

	2010	2009
	Number	Number
Full-time	199	197
Part-time	102	106
	<u>301</u>	<u>303</u>

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

	Number	Number
£90,000 - £99,000	1	2
£60,000 - £69,000	4	1

Two of the above employees are members of the Society's defined benefit pension scheme (2009: 2). The scheme closed to future accrual with effect from 1 October 2008

Three of the above employees were accruing benefits under a defined benefit scheme. (2009:2)

Of the average weekly number of employees, 48% (2009: 48%) were employed with the purpose of generating funds.

**12 Board of Trustees remuneration and expenses**

Trustees received no remuneration in respect of their services as trustees in 2010 or 2009. Expenses were paid to 2 Board members (2009: 2) in accordance with the Society guidelines. During the year £967 (2009: £1,475) was reimbursed to Board members for travel expenses.

During the year the Society incurred costs of £4,000 for consultancy services with Sirius Learning, a business owned by Colin McAndrew. Such payments are not permitted under the Royal Charter. The interest in the arrangement was not declared and consequently the Board was unable to prevent this arrangement being entered into as it had no knowledge of the transaction. Colin McAndrew repaid the £4,000 at the request of the Trustees and his offer of resignation from the Board has been accepted.

**The Royal Zoological Society of Scotland**  
Notes to the Consolidated Financial Statements  
For the year ended 31 December 2010

**13 Fixed assets**

Group	Heritable Land £	Investment Property £	Property & Property Improvements £	Computer Hardware £	Computer Software £	Office Equipment £	Plant & Machinery £	Vehicles £	TOTAL £
<b>Cost/Valuation</b>									
At 1 January 2010	23,500	-	9,627,276	4,998	60,285	25,231	434,292	309,146	10,484,728
Additions	-	-	778,669	75,320	78,710	6,076	5,148	9,080	953,003
Revaluations	-	5,750,000	-	-	-	-	-	-	5,750,000
At 31 December 2010	23,500	5,750,000	10,405,945	80,318	138,995	31,307	439,440	318,226	17,187,731

<b>Depreciation</b>									
At 1 January 2010	-	-	1,556,302	106	8,321	14,739	317,138	214,946	2,111,552
Charge for the year	-	-	645,502	6,841	19,238	5,192	29,606	42,057	748,436
At 31 December 2010	-	-	2,201,804	6,947	27,559	19,931	346,744	257,003	2,859,988

<b>Net book value</b>									
At 31 December 2010	23,500	5,750,000	8,204,141	73,371	111,436	11,376	92,696	61,223	14,327,743
At 31 December 2009	23,500	-	8,070,974	4,892	51,964	10,492	117,154	94,200	8,373,176

Charity	Heritable Land £	Investment Property £	Property & Property Improvements £	Computer Hardware £	Computer Software £	Office Equipment £	Plant & Machinery £	Vehicles £	TOTAL £
<b>Cost</b>									
At 1 January 2010	23,500	-	9,627,276	4,998	60,285	25,231	431,017	309,146	10,481,453
Additions	-	-	778,669	63,240	11,103	6,076	5,148	9,080	873,316
Revaluation	-	5,750,000	-	-	-	-	-	-	5,750,000
At 31 December 2010	23,500	5,750,000	10,405,945	68,238	71,388	31,307	436,165	318,226	17,104,769

<b>Depreciation</b>									
At 1 January 2010	-	-	1,556,302	106	8,321	14,739	316,389	214,946	2,110,803
Charge for the year	-	-	645,502	6,841	19,238	5,192	27,968	42,057	746,798
At 31 December 2010	-	-	2,201,804	6,947	27,559	19,931	344,357	257,003	2,857,601

<b>Net book value</b>									
At 31 December 2010	23,500	5,750,000	8,204,141	61,291	43,829	11,376	91,808	61,223	14,247,168
At 31 December 2009	23,500	-	8,070,974	4,892	51,964	10,492	114,628	94,200	8,370,650

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 £5,750,000 as at 14 January 2011 by GVA Grimley, Chartered Surveyors. At 31 December 2010 the historic cost of the investment property was nil and the net book value was nil.

The net book value of motor vehicles includes £40,077 (2009: £48,005) and property improvements £57,651 (2009: nil) in relation to assets held under finance leases. The depreciation charge for the year in relation to these assets held under finance leases amounted to £20,805 (2009: £8,245).

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**14 Investments**

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Market value of securities at 1 January 2010	2,591,353	2,257,187	2,591,355	2,257,189
Purchases	406,804	403,264	406,804	403,264
Disposals	(303,672)	(428,224)	(303,672)	(428,224)
Unrealised gain	221,448	359,126	221,448	359,126
Realised gain	17,382	-	17,382	-
Market value of securities at 31 December 2010	<u>2,933,315</u>	<u>2,591,353</u>	<u>2,933,317</u>	<u>2,591,355</u>
Cash investments	66,290	169,134	66,290	169,134
Market value at 31 December 2010	<u>2,999,605</u>	<u>2,760,487</u>	<u>2,999,607</u>	<u>2,760,489</u>
Cost at 31 December 2010	<u>2,477,994</u>	<u>2,432,349</u>	<u>2,477,996</u>	<u>2,432,351</u>

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

**15 Stocks**

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Goods for resale	194,079	137,098	7,247	-
Consumable stores	143,427	140,912	143,427	140,912
	<u>337,506</u>	<u>278,010</u>	<u>150,674</u>	<u>140,912</u>

**16 Debtors**

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	79,353	152,880	69,164	125,904
Other	83,283	266,039	81,477	266,038
Prepayments & accrued income	90,230	78,595	84,464	78,595
Amounts owed by group companies	-	-	158,491	429,748
	<u>252,866</u>	<u>497,514</u>	<u>393,596</u>	<u>900,285</u>

**17 Creditors: Amounts falling due within one year**

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Trade creditors	367,636	126,511	297,088	111,907
Social security and other taxes	158,691	131,882	159,165	131,882
Other creditors	35,578	79,322	35,578	72,798
Accruals	526,535	230,745	517,939	216,172
Finance leases (note 18)	24,645	10,050	24,645	10,050
Deferred income	453,643	463,228	446,590	459,712
Bank overdraft	634,416	-	634,416	-
Bank loan (note 18)	250,314	215,558	227,471	215,558
	<u>2,451,458</u>	<u>1,257,296</u>	<u>2,342,892</u>	<u>1,218,079</u>

**18 Creditors: Amounts falling due after one year**  
Charity and Group

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Finance leases	55,767	33,980	55,767	33,980
Bank loan	1,447,439	1,629,224	1,401,751	1,629,224
Accruals	10,000	-	10,000	-
	<u>1,513,206</u>	<u>1,663,204</u>	<u>1,467,518</u>	<u>1,663,204</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.

	2010	2009	2010	2009
	£	£	£	£
Less than one year	250,314	215,558	227,471	215,558
Between one and two years	261,935	227,471	239,092	227,471
Between two and five years	817,276	755,185	794,432	755,185
In five years or more	368,228	646,568	368,228	646,568
	<u>1,697,753</u>	<u>1,844,782</u>	<u>1,629,223</u>	<u>1,844,782</u>

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

	2010	2009
	£	£
Minimum lease payments under finance leases falling due:		
Within one year	28,571	11,851
Within 2-5 years	64,806	40,068
	<u>93,377</u>	<u>51,919</u>
Future finance charges on finance leases	(12,965)	(7,889)
Present value of finance lease liabilities	<u>80,412</u>	<u>44,030</u>
Within one year	24,645	10,050
Within 2-5 years	55,767	33,980
Present value of finance lease liabilities	<u>80,412</u>	<u>44,030</u>

**19 Unrestricted funds**

	Balance at 1 January 2010	Incoming resources	Investment gain in year	Pension	Resources expended	Balance at 31 December 2010
	£	£	£	£	£	£
<b>Group funds</b>						
General reserve	5,449,822	10,638,319	241,239	-	(12,105,223)	4,224,157
Revaluation reserve	-	-	5,750,000	-	-	5,750,000
Pension reserve	(1,155,000)	(12,000)	-	(108,000)	62,000	(1,213,000)
<b>Group funds</b>	<u>4,294,822</u>	<u>10,626,319</u>	<u>5,991,239</u>	<u>(108,000)</u>	<u>(12,043,223)</u>	<u>8,761,157</u>
<b>Charity funds</b>						
General reserve	5,392,569	8,497,041	241,239	-	(9,967,159)	4,163,690
Revaluation reserve	-	-	5,750,000	-	-	5,750,000
Pension reserve	(1,155,000)	(12,000)	-	(108,000)	62,000	(1,213,000)
<b>Charity funds</b>	<u>4,237,569</u>	<u>8,485,041</u>	<u>5,991,239</u>	<u>(108,000)</u>	<u>(9,905,159)</u>	<u>8,700,690</u>

**20 Restricted funds**

	Balance at 1 January 2010	Incoming resources	Resources expended	Balance at 31 December 2010
	£	£	£	£
<b>Capital</b>				
Tigers Appeal	10,902	-	(3,463)	7,439
Education Centre Appeal	32,157	-	(20,294)	11,863
Beaver Appeal	9,344	-	(2,810)	6,534
Mansion House Appeal	2,000	-	-	2,000
Royal Engineers	1,061,433	159,000	(99,757)	1,120,676
HWP Inshes Marsh	508	-	-	508
HWP Ice Age Project	31,821	-	(3,536)	28,285
HWP Big Cats Appeal	83,035	-	(4,808)	78,227
Christian Salvesen Penguin Enclosure	29,077	-	(2,805)	26,272
Budongo Chimp Facility	2,526,345	-	(108,272)	2,418,073
	<u>3,786,622</u>	<u>159,000</u>	<u>(245,745)</u>	<u>3,699,877</u>
<b>Income</b>				
Tigers Appeal	8,870	-	-	8,870
Education Centre Appeal	949	-	-	949
Beaver Appeal	-	44,728	(59,262)	(14,534)
Water Vole Fund	7,782	-	(5,267)	2,515
Red Grouse Fund	330	-	-	330
Relief - Needs of Children	1,000	-	-	1,000
Matheson Legacy	37,909	-	-	37,909
Whitley Canna Project	570	-	-	570
RZSS Conservation Fund	117	4,026	-	4,143
Scottish Wildcat	12,472	31,578	(42,188)	1,862
Centenary	16,544	5,214	(18,347)	3,411
Polar Bear Appeal	4,656	-	-	4,656
Deep Blue Project	-	30,000	(19,491)	10,509
Budongo Camp Fees	-	12,726	-	12,726
	<u>91,199</u>	<u>128,272</u>	<u>(144,555)</u>	<u>74,916</u>
	<u>3,877,821</u>	<u>287,272</u>	<u>(390,300)</u>	<u>3,774,793</u>

The above fund balances at 31 December 2010 represent the net amounts available for restricted expenditure. More detail is given below for funds with balances in excess of £10,000. The majority of funds have been invested in fixed assets, with depreciation being charged to the fund over the remaining life of the asset.

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**20 Restricted funds**

Tigers Appeal Fund – the balance is invested in fixed assets following the redevelopment of the tiger enclosure. This is non-distributable.  
Education Centre Appeal – these funds were raised for the redevelopment of Edinburgh Zoo's renowned Education Centre.

Beaver Appeal - is in relation to the introduction of Beavers to Knapdale, the project is run jointly with Scottish Wildlife Trust and Scottish Natural Heritage.

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

Matheson Legacy – this legacy was left with the request that the funds be used to sponsor an animal at Edinburgh Zoo.

HWP Ice Age project & Big Cats appeal – these funds have been donated by visitors to the Highland Wildlife Park and will be utilised in developing the enclosures at the park.

Christian Salvesen Penguin Enclosure – Christian Salvesen PLC kindly donated funds 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.

RZSS Conservation Fund - the income represents donations received to help fund the Society's conservation work around the world.

Budongo Chimp Facility - Scottish Enterprise Edinburgh and Lothians awarded a £1.8m grant towards the cost of the Budongo chimpanzee facility. Further funds were donated by visitors to Edinburgh Zoo.

Deep Blue Project for the development of a website which is supported by the Scottish Government, the balance of the grant was received in 2011

Budongo Camp Fees is the monies received from St Andrews University to cover the students going out to Budongo.

**21 Endowment fund**

	Balance at 1 January 2010	Unrealised loss in year	Resources expended	Balance at 31 December 2010
	£	£	£	£
J W Gibb Fund	354,101	(2,409)	-	351,692

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

**22 Analysis of reserves between net assets**

Group	Unrestricted funds	Restricted funds	Endowment funds	Total funds
	£	£	£	£
Fixed assets	10,627,866	3,699,877	-	14,327,743
Investments	2,647,913	-	351,692	2,999,605
Net current liabilities	(1,788,416)	74,916	-	(1,713,500)
Long Term Liabilities	(1,513,206)	-	-	(1,513,206)
Pension deficit	(1,213,000)	-	-	(1,213,000)
	<u>8,761,157</u>	<u>3,774,793</u>	<u>351,692</u>	<u>12,887,642</u>

  

Charity	Unrestricted funds	Restricted funds	Endowment funds	Total funds
	£	£	£	£
Fixed assets	10,547,291	3,699,877	-	14,247,168
Investments	2,647,915	-	351,692	2,999,607
Net current assets	(1,813,997)	74,916	-	(1,739,081)
Long Term Liabilities	(1,467,518)	-	-	(1,467,518)
Pension deficit	(1,213,000)	-	-	(1,213,000)
	<u>8,700,690</u>	<u>3,774,793</u>	<u>351,692</u>	<u>12,827,175</u>

**23 Net cash (outflow)/inflow from operating activities**

	Group	
	2010	2009
	£	£
Net incoming/(outgoing) resources	(1,519,932)	284,236
Depreciation charges	748,436	635,091
(Increase)/Decrease in Stock	(59,496)	(101,152)
(Increase)/Decrease in Debtors	244,648	(191,810)
Decrease in Creditors	520,395	(189,916)
Investment Income	(458,161)	(463,401)
Interest paid	94,122	101,262
Increase / (Decrease) in pension provision	(50,000)	43,000
Value of army work capitalised	(163,468)	(662,082)
Net cash inflow/(outflow) from operating activities	<u>(643,456)</u>	<u>(544,772)</u>

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**24 Analysis of changes in net debt during the year**

	Group	
	2010	2009
	£	£
Balance at 1 January 2010	(1,026,621)	(381,383)
Net cash outflow	(1,172,084)	(645,238)
Balance at 31 December 2010	(2,198,705)	(1,026,621)

Group	At 1 January	Cashflows	Other	At 31
	2010			December
Cash held as part of the investment portfolio (note 14)	169,134	(102,844)		66,290
Cash at bank and in hand	693,057	(545,471)		147,586
Bank Overdraft	-	(634,416)		(634,416)
Loan	(1,844,782)	147,029		(1,697,753)
Finance Leases	(44,030)	19,796	(56,178)	(80,412)
	(1,026,621)	(1,115,906)	(56,178)	(2,198,705)

**25 Reconciliation of net cash flow to movement in net debt**

	Group	
	2010	2009
	£	£
Increase / (Decrease) in cash in period	(1,282,731)	1,243,574
Cash (inflow) from debt financing	-	(2,000,000)
Non cash movement on finance leases	(56,178)	(44,030)
Cash outflow from debt financing	166,825	155,218
Change in debt resulting from cash flows	(1,172,084)	(645,238)
Net debt at beginning of period	(1,026,621)	(381,383)
Net debt at end of period	(2,198,705)	(1,026,621)

**26 Defined benefit pension scheme**

Group & Charity	Balance at 1	Provided	Released	Balance at 31
	January 2010			December
	£	£	£	£
Total pension deficit	1,155,000	58,000	-	1,213,000

The accounts include a provision for pension costs of £1,213,000 (2009: £1,155,000) representing the difference between the amounts cumulatively charged in the SOFA for the defined benefit scheme and the amounts actually paid by the Royal Zoological Society of Scotland.

The Royal Zoological Society of Scotland Pension Fund is an approved scheme providing final salary benefits. The total contribution made for the year ended 31 December 2010 was £161,502 (2009: £143,004) of which employer's contributions were £161,502 (2009: £143,004). The expected contribution to be made in the year ended 31 December 2011 is £184,500.

At 31 December 2010 the Society owed the defined benefit pension scheme £18,498 (2009: £11,917) in relation to employer's contributions and this amount is included within accruals at the year end.

**FRS17**

The performance of the scheme has been reported under FRS17. The following information is based upon a full actuarial valuation of the fund at 31 March 2009 updated to 31 December 2010 by a qualified independent actuary. The scheme closed to future accrual on 30 September 2008 and contributions from employees ceased at that date. The employer has entered into an agreement on the level of contributions which, following the outcome of the full scheme valuation carried out at 31 March 2009, have been increased to a level which will fund the scheme deficit over 15 years. In addition the employer has granted the pension scheme trustees security over the Mansion House in the unlikely event of default by the Society.

The major assumptions used for the updated actuarial valuation were:

	2010	2009	2008	2007	2006
	%	%	%	%	%
Investments return	5.40	5.80	6.30	5.70	5.25
Price inflation	3.60	3.70	2.80	3.35	3.00
Pension increases	3.60	3.70	2.80	3.35	3.00
Salary growth	n/a	3.70	2.80	4.10	3.75

The expected long rate of return on each class of assets was as follows:

Equities	7.55	7.75	7.75	7.75	7.75
Bonds	5.40	5.80	6.40	5.80	5.25
Others	2.00	2.00	2.00	4.70	5.00

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**Valuation of scheme assets and reconciliations to pension provision:**

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Equities	2,830	2,739	2,112	2,826	2,598
Bonds	2,084	1,686	1,175	1,134	1,112
Others	51	72	13	18	11
Total market value of assets	4,965	4,497	3,300	3,978	3,721
Present value of scheme liabilities	(6,178)	(5,652)	(4,033)	(4,784)	(4,192)
Deficit in the scheme, equalling the net pension liability	(1,213)	(1,155)	(733)	(806)	(471)

Mortality rates have been estimated at 22 years using the 00 Series Table with median cohort projected by birth year.

**Amounts included in the Consolidated Statement of Financial Activities:**

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
<b>Amounts included in total resources expended:</b>					
Current Service costs	100	159	290	348	257
Total amount included in total resources expended:	100	159	290	348	257

**Analysis of net return on scheme**

Expected return on scheme assets	309	226	288	262	245
Interest on pension liabilities	(321)	(253)	(281)	(227)	(207)
Net return	(12)	(27)	7	35	38

**Amounts included in other recognised gains and losses:**

Difference between actual and expected return on scheme assets	224	1,107	(1,185)	(144)	(87)
Experienced (losses)/gains	(24)	(481)	(41)	(79)	(356)
Changes in financial assumptions	(308)	(1,005)	967	(9)	845
Actuarial (loss)/gain in net movement of funds	(108)	(379)	(259)	(232)	402

**Amounts included in other recognised gains and losses:**

	2010	2009	2008	2007	2006
	%	%	%	%	%
<b>As a % of scheme assets:</b>					
Difference between actual and expected return on scheme assets	4.5	24.6	(35.9)	(3.6)	(2.3)
<b>As a % of present value of scheme liabilities:</b>					
Experienced gains	0.4	8.5	1.0	1.7	8.5
Changes in financial assumptions	5.0	17.8	(24.0)	0.2	(20.2)

**Analysis of movement in the scheme during the year**

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Deficit at the beginning of the year	(1,155)	(733)	(806)	(471)	(765)
Current service cost	(100)	(159)	(290)	(348)	(257)
Contributions	162	143	272	210	111
Other finance income	(12)	(27)	7	35	39
Gains on any curtailments	0	-	343	-	-
Actuarial (loss)/gain	(108)	(379)	(259)	(232)	401
Deficit in the scheme at the end of the year	(1,213)	(1,155)	(733)	(806)	(471)

**27 Guarantees and other financial commitments**

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 2011

	2010	2009
	Total	Total
	£	£
Expiring:		
Within one year	3,089	3,479
Within 2-5 years	47,185	61,412
In 5 years or more	31,240	-
	81,514	64,891

All assets held under operating leases fall into the Plant & Machinery category

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**28 Ark Enterprises Limited**

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

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

	2010	2009
	£	£
Turnover	2,642,535	3,074,088
Raw materials and consumables	(1,071,453)	(1,201,828)
Gross profit	<u>1,571,082</u>	<u>1,872,260</u>
Staff costs	(931,132)	(999,848)
Other operating charges	(231,480)	(276,432)
Interest receivable	1,518	1,291
Net profit for the year before gift aid donation	<u>409,988</u>	<u>597,271</u>
Gift aid donation to the Society	(406,776)	(599,372)
Profit/(Loss) in subsidiary company	<u>3,212</u>	<u>(2,101)</u>
Shareholders' funds	<u>60,469</u>	<u>57,257</u>

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

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**29 Related party transactions**

During the year the Society paid pension fund management fees to Aon Limited on behalf of The Royal Zoological Society of Scotland Pension Fund and then recharged the fund for these costs. The total amounts recharged during the year were £89,472 (2009: £213,972). At the year end, £3,583 (2009: £62,826) was owed by the pension fund and this is included within trade debtors at note 16.

During the year the Society incurred costs of £4,000 for consultancy services with Sirius Learning, a business owned by Colin McAndrew. Such payments are not permitted under the Royal Charter. The interest in the arrangement was not declared and consequently the Board was unable to prevent this arrangement being entered into as it had no knowledge of the transaction. Colin McAndrew repaid the £4,000 at the request of the Trustees and his offer of resignation from the Board has been accepted.

Also, £3,150 was paid to Libby Valentine, the wife of the Director of Animals, Conservation and Education, for consultancy services.

Under Financial Reporting Standard 8: "Related Party Disclosures", the Society is exempt from disclosing related party transaction with its wholly owned subsidiary Ark Enterprises Limited.

**30 Contingent Liability**

The final account in relation to the construction of the Budongo Trail is still to be agreed with the main contractor. Management believe that any further sums due would be negated by damages in relation to late completion and defects.

**31 Systems of Control over Purchasing and Procurement**

Since the year end the Board has been reviewing the systems of control over purchasing and procurement and has identified that the policies in place and approved by the Board have not been adhered to in all cases. This resulted in some informal arrangements being entered into without proper documentation. Contracts were negotiated without Board knowledge or approval, or Finance Department knowledge. Some of these contracts exceeded the authority level of the persons committing the Society.

The Board has made strenuous efforts to identify all such contracts and quantify the liabilities arising from them. As a result liabilities of £52,000 have been included in these accounts. There is the possibility that further sums will become payable if other such arrangements came to light but the Board is of the view that the work undertaken and the time elapsed since the year end support the view that all such arrangements have now been identified. In considering the amounts provided in these accounts the Board is of the opinion that the Society will be able to negotiate a release from the arrangements concerned and accordingly additional liabilities of £132,000 have not been provided.