



The North of England Zoological Society

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

Year ended 31st December 2019

Registered Charity Number 306077
Registered Company No. 00287902

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Reference and Administrative Details of the North of England Zoological Society, its Trustees and Advisors

Honorary Positions

Vice President

The Honourable Lady Jane Heber-Percy

Trustees on the date of this report and serving during the year:

Elected by the members

Bruce Ursell – Chairman

Malcolm Ardron – Vice Chairman

William Beale – Vice Chairman

Edwin Christmas

Penny Coates

Sandra Donnelly

Professor Richard Griffiths

Professor David MacDonald

Angela Pinnington

Lee Rawlinson (Appointed 25 June 2019)

Simon Venables

Co-opted by the Trustees

Professor Russell Newton (Co-opted 25 June 2019)

Jen Carter (Co-opted 25 June 2019)

Principal Executives

Dr Mark Pilgrim – Chief Executive Officer

Jamie Christon – Chief Operating Officer

Company Secretary

Aarco Services Limited represented by Nick Clarke

External Advisors to the Ethical Review Committee

Dr Ian Dunbar

Professor Richard Preziosi

Dr Thomas Webb

Independent Auditor

Grant Thornton UK LLP, Royal Liver Building, Liverpool, L3 1PS

Internal Auditor

RSM, 20 Chapel Street, Liverpool, L3 9AG

Reference and Administrative Details of the North of England Zoological Society, its Trustees and Advisors

Solicitors

Aaron & Partners, Grosvenor Court, Foregate Street, Chester, CH1 1HG

DTM Legal LLP, Archway House, Station Road, Chester, CH1 3DR

Hill Dickinson, No.1 St. Paul's Square, Liverpool, L3 9SJ

Jolliffe & Co, 6 St John Street, Chester, CH1 1DA

Bankers

Santander, 7th Floor, 4 St Paul's Square, Liverpool, L3 9SJ

HSBC, 47 Eastgate Street, Chester, Cheshire, CH1 1XW

Actuaries

Spence & Partners Limited, The Culzean Building, 36 Renfield Street, Glasgow, G2 1LU.

Trustees' Report for the Year Ended 31 December 2019

Introduction

The Trustees of the North of England Zoological Society ("NEZS" or "the Charity") are pleased to present their annual report together with the consolidated financial statements of the Charity and its subsidiaries for the year ended 31 December 2019 which are also prepared to meet the requirements for a directors' report and financial statements for Companies Act 2006 purposes. NEZS is a conservation and education charity which owns and runs Chester Zoo. Further information about NEZS's activities during 2019 can be found in the "Chester Zoo Annual Review" which is published separately and can be downloaded from www.chesterzoo.org.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Society's Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102).

Strategic Report

Objectives and Strategy

The Society's objects, as set out in its Memorandum and Articles of Association, are

- (a) to promote the conservation of the physical and natural environment by promoting biodiversity; and
- (b) to advance the education of the public on the conservation of the physical and natural world and the promotion of biodiversity; in particular by, but not limited to, the provision of public education, scientific study and the maintenance of endangered animals, plants and habitats in both protective and natural environments.

Our Mission

Preventing Extinction

Our Strategy

The Society's five-year strategic plan was launched in 2018 and supports the mission statement "Preventing Extinction". The strategic plan contains six strategic objectives which are:

- Preventing extinction by achieving the greatest conservation impact
- Preventing extinction by being a world class visitor attraction
- Preventing extinction by providing exceptional animal and plant care
- Preventing extinction by ensuring financial stability
- Preventing extinction by developing our people
- Preventing extinction by being a voice for change

Trustees' Report for the Year Ended 31 December 2019

Achievements and Performance in 2019

At the time of writing this we are grappling with the effects of Covid 19, a long period of zoo closure and its impact on our operations but we do need to recognise that 2019 was a very special year for Chester Zoo. For the first time we attracted over 2 million visitors and our society membership grew to 129,483; the highest it has ever been. Not only does this fund our work as a major conservation and education charity, but it enables us to better communicate how we pursue our mission of preventing extinction, both in the zoo and around the world.

The growth was all the more noteworthy given that these record figures were achieved whilst Monsoon Forest in Islands, our largest ever investment, remained closed for the whole of 2019 following the fire in December 2018. All plants and trees will be replaced, once building work is complete, and then we can look forward to re-opening this fantastic building in 2020.

Our increased visitor numbers delivered record income for our mission, but the growth of the zoo of course led to increased costs. We continue to progress with our Strategic Development Plan which will reshape the zoo over time, highlighting the "one plan" approach to conservation working in collaboration with others to save species, and our efforts around the globe which focus on key geographical areas of biodiversity.

As a major visitor attraction we really do recognise the importance of our further development and investment. This brings success to the local and sub-regional economy. Last year we employed over 1,000 staff at our peak periods, with over 200 volunteers.

We have achieved much that we feel reflects on the dedication and skill of our teams but to list just a few highlights of the year:

- We opened the Madagascar zone, which includes our first primate walk-through habitat featuring some of the island's most threatened species
- We carried out the world's first radio tagging of a giant pangolin, one of the world's most trafficked species.
- We led the return to Rwanda of a group of Eastern black rhino bred in European zoos.
- We bred and returned 4,000 Bermudian snails to Nonsuch Island, Bermuda.
- The Asiatic lions were given a fantastic new habitat
- We saw our first ever successful treatment of an elephant calf to survive EEHV, a result of our ground-breaking research into this disease which is impacting heavily on Asian elephant numbers, both in zoos and in the wild.
- We provided over 40,000 free education visits as part of the 130,000 school visits
- We were named in the Sunday Times list of Top 100 Not for Profit Employers
- Through our Conservation Scholars programme we trained 30 PhD students from 11 Universities

Progressive zoos around the world have a pivotal part to play in reconnecting people to nature, encouraging a respect and love of wildlife and empowering people to make positive changes to protect it. This is vital, not only for wildlife but for all of us. We ultimately rely on clean water, clean

Trustees' Report for the Year Ended 31 December 2019

air and a healthy thriving environment in which we live. We cannot and will not achieve this without radical changes if we want to conserve the world in which we live.

We recognise that the world has reached a critical milestone and the future of the planet relies on the advocacy of us and others to bring about real change in behaviour. 2019 marked a year when we finally saw governments around the world begin to highlight the impacts of climate change, where we saw young people campaign to protect their future and where we saw major companies start to place climate change and the carbon agenda front and centre of their mission.

Chester Zoo supported this by eliminating two million pieces of plastic from its operation, by championing Chester as the first sustainable palm oil city in the world, by lobbying politicians on the climate change emergency, by engaging with thousands of school children and weaving conservation into the education curriculum, and by working around the world supporting impactful programmes of change.

At the end of the year we created a Youth Board to support the Trustees and Executive to connect with and mobilise the ideas of a generation who are not usually regular zoo visitors but amongst whom there is real concern for the direction in which most countries and populations have been travelling.

We are privileged and proud to lead this organisation and its mission in all its aspects. Our teams are dedicated to preventing extinction as well as continuing to provide our visitors with a memorable and, hopefully enlightening, experience. As a charity, we rely on our members and visitors to join with us in helping us achieve our mission. We look forward to that support in 2020.

A full review of the Society's achievements and performance in 2019 can be found in the "Chester Zoo Annual Review" which is published separately and can be downloaded from www.chesterzoo.org.

Going concern and COVID-19

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Trustees are required to consider whether the Society and the group can continue in operational existence for the foreseeable future.

Information in relation to the Society and group's activities, together with the factors likely to affect future development, performance and position is set out in this Strategic Report, including the Principal Risks and Uncertainties section on page 16.

The zoo was closed for nearly three months after the year end, resulting in a significant drop in income. As of the date of this report the zoo has reopened, albeit with reduced visitor capacity and income. Operating costs have been significantly reduced with discretionary spend curtailed. The Society has utilised the government's Job Retention scheme for those key staff not needed to maintain operations during closure and whilst visitor numbers and income remain restricted. A voluntary release scheme has led to 35 members of staff leaving the organisation and some compulsory redundancies are likely to follow. Capital expenditure plans have been suspended, with only those projects that were in progress at the time of closure continuing to completion.

Trustees' Report for the Year Ended 31 December 2019

In early May 2020 the Society agreed a new banking facility with Santander, comprising a £22m Revolving Credit Facility and a £2m overdraft. The facility was intended to be used in the main to fund the Grasslands development, which has now been delayed and the facility has instead provided additional headroom during an uncertain period.

The facility is provided subject to two financial covenants which are tested quarterly: net debt to EBITDA (leverage) and EBITDA to net finance charges. In recognition of the current macroeconomic uncertainty, the Society's bank has agreed to suspend testing of these covenants until June 2021.

A fundraising campaign was launched in June 2020 to address the shortfall in income due to the closure and to highlight the financial impact of the ongoing closure. We are very grateful for the generous donations together with purchases of memberships and adoptions, which have raised over £3m. With the subsequent re-opening of the zoo, the Society is expected to generate sufficient income for the Society to meet the covenant tests in the facility.

The Trustees consider that the Society and group are well placed to manage the risks within its control and mitigate those outside its control, including the impact of the COVID-19 pandemic. After the review of forecasts and predictions for the period to 31st December 2021, taking account of reasonably possible changes in income and considering the existing banking facilities, including the available liquidity and covenant tests, the Trustees have a reasonable expectation that the Society and group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements.

However, there remains uncertainty as to the development of the COVID-19 pandemic and further national or local lockdowns remain a possibility. The ability of the Society to withstand a second closure depends on its timing and duration – a short closure during the summer would result in greater lost income than a longer closure during the winter. In addition the potential of an economic downturn following the pandemic may impact visitor numbers and memberships. As a consequence of these uncertainties the Trustees have considered downside scenarios that reflect such potential closures.

The most severe scenario considered was that the zoo was closed again in August, September and October 2020. Set against this were mitigating actions including further reductions in expenditure, including staffing costs, with further utilisation of the Job Retention scheme. Such a closure would be expected to result in a further £6m reduction in the surplus (or increase in the deficit) forecast for the 2020 financial year.

Whilst there is sufficient headroom in the current banking facility to manage such a closure, in the event the closure extended beyond a period of 5 weeks in the summer and 10 weeks in the winter there is the potential for a covenant breach at June 2021. The bank remains supportive, as indicated by the agreed suspension of covenant tests, and further flexibility may be available in the future if required.

The impact of a second closure, particularly during peak season, indicates a material uncertainty outside the control of the Society which may cast significant doubt over the Society's ability to continue as a going concern in the event that, if the closure resulted in a covenant breach, the bank elected to trigger a repayment of outstanding debt. In such circumstances and without further

Trustees' Report for the Year Ended 31 December 2019

mitigating actions, the Society may be unable to realise assets and discharge liabilities in the normal course of business. The Society's financial statements do not include the adjustments that would result if the Society and group were unable to continue as a going concern.

Having undertaken this work, and considered the uncertainties described above, the Trustees are of the opinion that the Society and group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Equal Opportunities

The Society is an equal opportunities employer and is committed to promoting equal opportunity for all staff and job applicants. The Society has an equal opportunities policy and does not discriminate against staff on the basis of their gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age. This policy applies to all aspects of our relationship with staff and to relations between staff members at all levels. This includes job advertisements, recruitment and selection, training and development, opportunities for promotion, conditions of service, pay and benefits, conduct at work, disciplinary and grievance procedures, and termination of employment.

As a large charity, the Society publishes a Gender Pay Gap report, the results of which highlight the equal opportunities available regardless of gender. Details of the report can be found at www.chesterzoo.org.

Public Benefit

The Trustees have complied with the duty in section 4 of the Charities Act 2011 to have due regard to public guidance published by the Charity Commission, including its supplementary guidance on fee charging.

The Society relies on income from admission fees, food & beverage and retail sales and other charges to cover its operating costs and in setting the pricing structure, the Trustees give careful consideration to the accessibility of the zoo to those on low incomes. Coupled with a flexible pricing structure, many visitors enjoy concessionary prices which are set to encourage visits by children, students, families, senior citizens and those with disabilities, with 85,000 receiving free admission, together with 224,000 visits by under 3s who visit for free. There were more than 132,000 concessionary priced education visits, of which over 42,000 received free admission and more than 31,000 were taught by our education team.

Grant making

The Society supports a wide range of conservation and research activities both in the zoo and externally, often in partnership with other organisations to whom we provide ongoing financial support. One-off annual grants including scholarships are also awarded. In 2019 the Society gave grants totalling £1.0m (2018: £0.9m).

Trustees' Report for the Year Ended 31 December 2019

Criteria for funding support for projects include feasibility; expected conservation outcomes; qualification of project personnel; capacity building; benefits to local communities; relevance to other conservation initiatives of the zoo and regions or countries where the zoo already has a field conservation focus; links to species within the collection plan and opportunities for technical support from zoo employees.

Primarily support is provided to those projects which are judged to have potential to make a significant positive conservation impact. Applications are requested to be made on our standard grant application forms and these are reviewed internally against standardised criteria before a funding decision is made.

Financial Review 2019

The year ended 31st December 2019 was a record year for The North of England Zoological Society (the Society) in terms of zoo visitor numbers; and income and expenditure on our charitable activities.

Our underlying income rose to £47.4m (2018: £44.3m) whilst underlying expenditure rose to £43.4m (2018: £40.9m). These figures exclude exceptional income of £7.7m receivable from insurers in respect of the Monsoon Forest fire (2018: £5.2m), of which £5.2m is treated as restricted funds until spent, and exceptional costs relating to the fire of £0.9m (2018: £5.5m).

Having taken account of the net £6.8m increase in funds in respect of these exceptional items the Society reported a £10.8m net increase in funds (2018: £3.0m increase in funds after a net expense of £0.4m relating to exceptional items).

Incoming resources

The majority of the Society's income comes from the zoo's visitors and members, in the form of admissions and other charges. Visitor numbers reached a record 2,086,785 in 2019, up 6% from 1,969,768 in 2018 with over a third of those visits made by our members. Membership numbers increased by 14 % to 129,483 (2018: 114,007) during the year. Our winter Lanterns event attracted over 111,000 visitors and we welcomed 132,000 education visitors, more than 42,000 of whom visited the zoo for free during the winter months under an initiative launched in 2017.

Total visitor related income for 2019, which includes admission fees and membership income, rose by 9% to £30.6m (2018: £28.1m).

As a registered charity the Society generates voluntary income from visitor donations, Gift Aid, animal adoptions, grants, legacies and other donations. Donations and Gift Aid on general admission was consistent with prior year at £2.9m (2018: £2.9m) reflecting a change in the mix of visitors, with an increasing proportion of visits from the growing membership. Fundraising income, which includes animal adoptions, grants, legacies and other donations fell slightly to £1.2m (2018: £1.3m).

The Society's trading subsidiary, Chester Zoo Enterprises Limited, which provides retail and food & beverage offerings across the Zoo site had a turnover of £12.7m in 2019 (2018: £12.0m) which includes the first full year of trading for The Oakfield gastro pub which opened in July 2018.

Trustees' Report for the Year Ended 31 December 2019

Exceptional income of £7.7m reflects further income recoverable from insurers in relation to the fire in the Monsoon Forest building. Of this amount £3.6m relates to the reinstatement of the building itself (in addition to £5.2m recognised in 2018), £1.2m relates to contributions from insurers to cover the cost of constructing buildings to house animals displaced by the fire together and £2.8m relates to compensation for loss of income and increased costs of working.

Resources expended

In 2019 the Society spent £43.4m (2018: £40.9m), excluding capital expenditure and exceptional costs relating to the Monsoon Forest fire.

Resources expended on our charitable activities, including the costs of maintaining the animal & plant collection, the visitor facilities, science and education and our field conservation programmes, together with related support costs totalled £31.3m (2018: £29.7m). In addition we spent £0.4m (2018: £0.3m) generating our voluntary income.

Information on the charitable activities undertaken can be found at www.chesterzoo.org and in the Society's 2019 Annual Review.

Chester Zoo Enterprises Limited had costs of £11.8m (2018: £10.9m), excluding £0.7m of rents paid to the Society (2018: £0.7m), and it made an operating profit of £0.2m in 2019 (2018: £0.4m) which is donated to the Society.

By far the biggest element of operating expenditure (2019: £18.1m, 2018 £16.3m) relates to our employees, who all work towards our mission of preventing extinction. Our staff cost continues to increase, reflecting both increases in the number of employees and the ongoing increases to the national living wage. Our average Full Time Equivalent (FTE) headcount for 2019 was 618 compared to 579 in 2018. A third of these employees worked directly in support of the Society's charitable objectives, either with our animal & plant collection or in education, science and research. In addition we benefitted from the hard work of a team of over 200 passionate volunteers.

Exceptional costs in relation to the fire in the Monsoon Forest were £0.9m (2018: £5.5m) and reflect professional costs and reinstatement costs that are not covered by insurance. The comparative figure of £5.5m in 2018 included a £5.2m impairment charge in relation to elements of the building structure and its fixtures and fittings which were damaged in the fire. Included within the financial statements is a prior year adjustment in relation to the treatment of income and expenditure relating to the fire, detail can be found in note 26.

Capital expenditure

During 2019 the Society spent £20.4m on capital expenditure (2018: £10.4m). Of this £5.8m related to the rebuild of the Monsoon Forest and construction of buildings to house animals displaced by the fire. Other capital projects included the opening of our new Madagascar zone, completion of a new habitat for our Asiatic Lions, design and feasibility work on the Grasslands development, which received planning permission in late 2019, construction of an off show facility which will allow for management and breeding of our collection ahead of the planned Grasslands development, construction of a new maintenance facility and investment in new IT systems.

Trustees' Report for the Year Ended 31 December 2019

Borrowings, investments and reserves

It is the general policy of the Society to apply towards its charitable objectives as much funding as it reasonably can, to avoid accumulating excessive reserves. Where considered appropriate and being mindful not to overcommit the Charity, borrowings are undertaken to fund elements of significant capital projects.

In setting its reserves policy the Society takes account of its continuing financial commitments in terms of staffing and overheads including the costs of maintaining the animal and plant collection and funding its charitable activities. The Society also considers the risk that its income for any particular year may be impacted by a number of factors outside the Society's control such as periods of prolonged wet weather at peak visitor times, competition from other visitor attractions, social trends, varying levels of economic prosperity and employment, alongside the potential for closure of the zoo to visitors due to the outbreak of contagious disease. The impact of this final risk has been highlighted during the COVID-19 pandemic.

Having considered these factors, the Society maintained minimum available cash reserves of £1.9m at all times during 2019 (2018: £1.5m) supplemented by a minimum £0.5m of undrawn committed borrowing facilities. Such reserves being sufficient for the zoo to operate without significant curtailment of its activities for a period of up to one month. As part of the post COVID-19 recovery plan, Trustees will review the reserves policy during 2020.

At the end of 2019 the Society had borrowed £12.1m and had £4.8m of cash reserves, including £1.7m of cash reserves held in escrow for the defined benefit pension scheme. At 31st December 2019 the Society's borrowing facility comprised a £18m unsecured revolving credit facility, which is in place until April 2023 and a £2.0m overdraft facility which is renewable annually in August. At 31 December 2019 the Society had access to £7.9m of undrawn borrowings and £3.1m of cash reserves.

In May 2020, the Society agreed an extension to the borrowing facility, with an increase in the revolving credit facility to £22m, being made available until May 2025.

Pensions

The Society's defined benefit pension scheme was closed to future accrual in 2012 and at 31 December 2019 reported a surplus of £3.3m under FRS102 (2018: £4.6m). During 2019, in accordance with an agreement with the Pension Trustees, the Society deposited a further £0.7m into an escrow account held by the Society, which had a balance of £1.7m at 31st December 2019 and is to be used, if required, to fund a buyout of the scheme, when the scheme liabilities would be fully secured with an insurer. The reported surplus, which excludes the amount held in the escrow account, is not recognised in the financial statements as the Society cannot gain economic benefit from it.

Trustees' Report for the Year Ended 31 December 2019

The Society now operates a defined contribution scheme which is open to all employees. For permanent employees who contribute 3% or more, the Society makes a contribution that is 2% more than the employee contribution up to a maximum of 9%. Qualifying seasonal employees are enrolled into the NEST pension scheme with contributions in line with government rates.

Fundraising

The Society is committed to making fundraising a fair, responsible and joyous experience for our supporters and those who fundraise on our behalf. We are committed to building and maintaining trust. We want people to feel connected to our work and understand the incredible impact their donations make.

The Society is wholly committed to good fundraising practice and as such we're signed up with the Fundraising Regulator. Both the organisation, and the fundraisers operating within it, abide by the Code of Fundraising Practice.

We do not undertake fundraising that we consider to be intrusive or not akin to the inclusive culture of our organisation, and have taken the decision to eliminate the following activities from our fundraising:

- Telephone fundraising (either in-house or third party)
- Mass unaddressed direct-mail postal fundraising campaigns
- Door-to-door campaigns
- Wealth screening through third party organisations
- Direct cold telephone asks to individuals where there is no personal link or connection
- Direct outbound SMS fundraising campaigns

In 2019, we employed three permanent professional fundraisers, and sought external support from five consultants, to work on corporate giving, trusts, foundations and grants, legacy and in-memory giving and individual donations (including digital). All are members of the Institute of Fundraising.

Professional fundraisers contracted to work on our behalf must either be a member of the Institute of Fundraising, or be contracted on terms which directly embrace the Fundraising Promise, the Code of Practice and our own fundraising ethics. Consultants are not remunerated by commission or commission-only methods.

The permanent fundraising team are subject to regular meetings to monitor activity, reporting directly to the Directorate team about all areas of giving. The fundraising team report to the board at every meeting to ensure trustees have a clear understanding of fundraising processes and activities.

Consultants working on our behalf are very much treated like part of the core team, with regular update meetings to assess style, tone and content of any proposals, applications or asks and monitoring targets of quality assurance and compliance.

Trustees' Report for the Year Ended 31 December 2019

Individuals, community groups, corporate social committees and schools often want to fundraise to donate to Chester Zoo. We support those by providing free and accessible guides to responsible and safe fundraising, pointing them to guidance provided by the Fundraising Regulator. Where we feel it is appropriate we will issue them with a Letter of Authority, solicitation statement or commercial participation agreement.

The Fundraising T&C's section of the Chester Zoo website outlines our fundraising complaints process and the steps we take to resolve any issue brought to us. From here, we also help people to access the Fundraising Regulator for advice and guidance. In 2019 we did not receive any complaints relating to our fundraising activities and received no action requests from the Fundraising Preference Service.

Safeguarding, and treating donors fairly, is paramount to our work. We support people on their donation journey with us, in whatever capacity requested or needed, responding to the needs of the individual as per the Code of Fundraising Practice.

With relevant permissions, we communicate with our supporters so any indicators of additional required care become apparent (such as bereavement or personal circumstances). We take measures to protect donors including delaying the acceptance of gifts, returning gifts (cooling off period), monitoring online giving for gifts made in error or malicious activity, and ensuring there is clear transparency as to where a gift will be used.

If we believe an individual lacks sound capacity to make a donation, it will not be taken. Returned donations will be logged on our dedicated database, so we can prepare if another donation is made or attempted, making a reasoned judgment and acting appropriately.

Supporters under the age of 16 must have explicit guardian approval, and must be accompanied by their guardian during any telephone communications and during their fundraising. They will not receive any general fundraising communications from us.

We take all reasonable steps to ensure that supporters understand the context, implications and use of their donation and our campaigns are carefully managed to never place undue emotional pressure to donate.

Trustees' Report for the Year Ended 31 December 2019

Restricted and Designated Funds

Restricted income funds derive from donations, grants and legacies received and are put towards a variety of specific capital projects and conservation activities. Unrestricted income funds may be designated or freely available for the Society's general charitable purposes.

After setting aside restricted income funds, the Society keeps a minimum cash deposit of £1.9m set aside as a free reserve (page 12). The balance of available funds at the balance sheet date are designated as follows:

- to the defined benefit pension scheme; where the Society has a strategy to move the scheme towards a buy-out with an insurer in the medium term;
- to funds that could only be realised by disposing of fixed assets held for charitable use, up to a maximum of the net book value of those fixed assets at the balance sheet date.

The Trustees do not consider it necessary to retain income in respect of the Society's designated fund activities. Whilst these funds have been earmarked by the Trustees for particular purposes or uses, they are not committed or restricted legally.

At 31 December 2019 the Society had total funds employed of £61.4m (2018: £50.6m) of which £7.7m (2018: £6.9m) were restricted, £1.9m were free (2018: £1.5m) and the balance of £51.8m (2018: £42.2m) were designated.

Plans for Future Periods & Post Balance Sheet Events

2019 saw the completion of a number of projects as part of the zoo's strategic development plan.

2020 was due to see the start of the next major project, construction of the Grasslands development, which had been planned to start in late 2020 and to be complete for summer 2023.

These plans had already been deferred for a year due to the impact of the project to rebuild the Monsoon Forest and have now been further impacted by the COVID-19 pandemic which has had a significant impact on the zoo's visitor numbers and the Society's income.

The Trustees, as part of the post COVID-19 recovery plan, will now review the scope and timing of all planned strategic capital projects, including the Grasslands development and the associated Overnight Stay plans. At 31st December 2019, the Society had incurred costs of £1.1m in relation to the planning and design of the Grasslands and Overnight Stay projects and the full recoverability of these costs may be impacted by the outcome of this review.

Trustees' Report for the Year Ended 31 December 2019

Principal Risks and Uncertainties

The Trustees have set a risk management strategy which sets out responsibilities for risk management across the Society, the Society's risk appetite, a process for reporting, review and escalation in relation to identified risks and links to the internal control environment and external legal frameworks.

The Trustees actively review the major risks that the Society faces on a regular basis against the relevant mitigating internal controls and believe that maintaining cash reserves within defined levels, alongside appropriate insurances will provide sufficient resources in the event of most adverse conditions.

The key risks identified by the Trustees are:

- A major event either within or outside the control or influence of management threatens staff and/or public safety or zoo operations. The COVID-19 pandemic is an example of such an event and the long term effect of the pandemic is likely to impact the way the zoo operates for the foreseeable the future.
- Standards of animal husbandry and care are insufficient resulting in reputational damage.
- A significant downturn in financial performance for a prolonged period.
- Animal or plant disease outbreak causing loss to collection or inability to move animals.
- Zoos are not seen as morally acceptable by the public.

The effectiveness of the Society's risk assessment procedures are reviewed by the Audit & Risk Management Committee. The Society's internal auditors undertake a schedule of internal audits determined and scoped by the Audit & Risk Management Committee and report back to the committee on a regular basis. The internal auditors also provide advice and guidance on the Society's overall risk management process.

Structure, Governance and Management

The North of England Zoological Society ("the Society") is a registered charity (Number 306077) and a company limited by guarantee (Number 00287902), regulated by its Memorandum and Articles of Association. Its principal and registered office is Cedar House, Chester Zoo, Caughall Road, Upton, Chester, CH2 1LH.

The Society, which owns and operates Chester Zoo, also wholly owns a trading subsidiary company, Chester Zoo Enterprises Limited, registered in England with company number 02669535, whose taxable profits are distributed to the Society via Gift Aid.

Chester Zoo Foundation Nigeria ("CZFN"), an unlimited company (registered in England with company number 08904330) is a wholly owned subsidiary of Chester Zoo (Nigeria) Limited ("CZNL"), a limited company (registered in England, no. 08374657) and a wholly-owned subsidiary of the Society. Both CZNL and CZFN are now close to being dormant having originally been established to facilitate the Society's conservation activities in Nigeria.

The Society is also the sole member of the North of England Zoological Society Pension Trustee Company Limited, a company limited by guarantee (registered in England with company number 09173532) which provides governance of the Society's defined benefit pension scheme.

Trustees and Governance

The Trustees, as a body of charity trustees and as directors for the purposes of company law, have general control and management of the administration of the Society. They determine the strategic direction and policies of the Society, with consultation and discussion with the Chief Executive Officer and Chief Operating Officer of the Society as Principal Executives and their teams who implement these policies.

The number of Trustees shall be not less than three and not more than sixteen of whom not more than thirteen shall be Elected Trustees and not more than three shall be Co-opted Trustees. Elected Trustees, who must be members of the Society, are elected by the members at the Annual General Meeting to serve for a maximum of six years. Co-opted Trustees are co-opted by the Trustees and may serve for up to fifteen months from being appointed. The Trustees hold at least six formal meetings each year, together with an Annual General Meeting. The Chairman and Vice Chairmen are elected by the Trustees from their current membership, for a period not exceeding three years before re-election for a maximum of one further term not exceeding three years. They are not required to retire as Trustees in accordance with the six year maximum in this circumstance.

Structure, Governance and Management

Key Responsibilities of the Trustees

To manage the business of the Society and to hold the Society “in trust” for current and future beneficiaries by:

- ensuring that the Society has a clear vision, mission and strategic direction and is focused on achieving these;
- being responsible for the performance of the Society, its employees and for its “corporate” behaviour;
- ensuring that the Society complies with legal and regulatory requirements;
- acting as guardians of the Society’s assets, both tangible and intangible, taking all due care over their security, deployment and proper application; and
- ensuring that the Society’s governance is of the highest possible standard.

Trustee Committees

In 2019, Trustees delegated aspects of their powers to committees consisting of some of their members and specialist advisors. These committees report to the Trustees.

Ethical Review Committee – prime responsibility for advising the Executive of the Society, on behalf of the Trustees, in respect of all research and ethics, and to oversee the ethical activities of the Society insofar as they relate to the advancement of the Society’s stated mission.

Audit & Risk Management Committee – prime responsibility to review the effectiveness and integrity of systems for internal financial control, risk assessment procedures, information technology security, procedures for detecting fraud, appointment of a senior finance team, appointment of independent and internal auditors and review of audit findings and to investigate, on behalf of the Trustees, any financial and administrative matter which may put the charity at risk.

Remuneration Committee – prime responsibility is to determine the remuneration for the principal executives on behalf of the Trustees. Remuneration for other key managers are set by the principal executive in consultation with the remuneration committee. The society engages Hay Korn Ferry to benchmark remuneration against the not for profit sector outside London and uses these benchmarks where possible in determining remuneration.

Trustee Nominations Committee – takes responsibility for identifying and proposing new Trustees, and (if elected) for their subsequent induction, support and development.

Strategic Development Committee – responsible for ensuring that the Strategic Development Plan (SDP) is implemented in accordance with the strategy set out by Trustees. Monitors progress, scrutinises and makes decisions in respect of individual strategic capital projects in respect of the overall SDP with regard to quality, cost and overall programme. Makes recommendations to the Board of Trustees for any issues of significance in respect of the SDP and its implementation.

Structure, Governance and Management

Trustee involvement in each committee at 31 December 2019 is set out in the table below:

Committees	Ethical Review	Audit and Risk Management	Remuneration	Trustee Nominations	Strategic Development
Bruce Ursell			Chair	Chair	x
Malcolm Ardron			x	x	Chair
William Beale	x		x	x	x
Jen Carter					
Edwin Christmas					
Penny Coates		x			x
Sandra Donnelly					
Prof Richard Griffiths	x				
Prof David MacDonald					
Prof Russell Newton	Chair	x			
Angela Pinnington	x	x			
Lee Rawlinson					
Simon Venables		Chair			

Trustees – Recruitment

If there are vacancies in any year, the Trustee Nominations Committee prepares a list of names of members of the Society that they recommend for election to the Trustee board at the Annual General meeting. Such recommendations are made having regard to the maintenance of an appropriate mix of skills on the Trustee Board to ensure adequate management of the zoo and protection of the Society's assets.

Structure, Governance and Management

Trustees' Training

The relationship between the executive and the Trustees is fundamental to the Society's success. It is vitally important therefore that the Trustees understand the overall day to-day operational activities of the Society. To this end, new Trustees are required to complete an induction tour of the zoo's various divisions, and to discuss with the executive team the role and function of each division, and the part it plays in the fulfilment of the Society's mission.

Each Trustee is issued with an induction pack on becoming a Trustee that covers their roles and responsibilities and the mission, vision, values, strategy and current plans for the Society. All Trustees are encouraged to attend appropriate external training courses, covering the role and responsibilities of being a charity trustee.

Trustees' Third Party Indemnity

The Society purchases liability insurance cover for the Society, its Trustees and other employees which provides appropriate cover against claimants' damages, judgements, settlements or the costs incurred in the defence of actions.

Statement of Trustees' Responsibilities

The Trustees (who are also directors of the North of England Zoological Society for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice (FRS102);
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

Structure, Governance and Management

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditor

Each of the persons who are Trustees at the date of approval of this report confirms that:

- So far as the Trustee is aware, there is no relevant audit information of which the Society's auditor is unaware;
- the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

The confirmation is given and should be interpreted with the provisions of section 418 of the Companies Act 2006.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor

Following the resignation of PricewaterhouseCoopers LLP as auditors with effect from 4th October 2019, the Trustees appointed Grant Thornton UK LLP as auditors, filling a casual vacancy. A resolution to formally reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

The Strategic Report on pages 5 to 16 was approved by the Trustees on the 24th July 2020 and signed on their behalf by:

Bruce Ursell
Chairman of Trustee

Independent Auditors' Report to the Members of The North of England Zoological Society

Opinion

We have audited the financial statements of The North of England Zoological Society (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the Consolidated Statement of Financial Activities, the Consolidated and Society Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 December 2019 and of the group's incoming resources and application of resources including, its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the trustees and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Independent Auditors' Report to the Members of The North of England Zoological Society

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with a course of action such as Brexit.

Material uncertainty related to going concern

We draw attention to the principal accounting policies on page 29 in the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Group's and Society's ability to continue as a going concern.

In May 2020, the Group and Society secured a new banking facility which is subject to two financial covenants which are tested quarterly, being net debt to EBITDA (leverage) and EBITDA to net finance charges. In recognition of the current macroeconomic uncertainty, the Group's and Society's bank has agreed to suspend testing of these covenants until June 2021.

In performing their assessment of going concern the Trustees have considered forecast cash flows for the next 12 months following the date of approval of the financial statements. There remains uncertainty as to the development of the COVID-19 pandemic and further national or local lockdowns remain a possibility. In addition, the economic downturn as a result of COVID-19 may also have an impact on visitor numbers and memberships. As a consequence of this uncertainty the Trustees have considered downside scenarios that reflect such potential closures. In the event of a closure which extended beyond a period of 5 weeks in the summer and 10 weeks in the winter there is the potential for a covenant breach at June 2021. In such circumstances the Group and Society would need to secure agreement with its bankers for its continued support beyond June 2021.

As stated in the principal accounting policies, these events or conditions, along with the other matters as set forth in the going concern principal accounting policy on page 29, indicate that a material uncertainty exists that may cast significant doubt on the Groups' and Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, set out on pages 5 to 16 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors' Report to the Members of The North of England Zoological Society

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report, prepared for the purposes of company law, included in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report included in the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report included in the Trustees' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on pages 20 and 21, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Independent Auditors' Report to the Members of The North of England Zoological Society

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deborah Watson BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
30th July 2020

Financial Statements for the Year Ended 31 December 2019

Consolidated Statement of Financial Activities

(Including a consolidated income and expenditure account) for the year ended 31 December 2019

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2019 £'000	Total 2018 £'000
Income from:					
Charitable activities					
Animals and plant collection	2	30,624	-	30,624	28,104
Donations and Legacies					
Voluntary income	3	3,546	568	4,114	4,195
Other trading activities					
Subsidiary's trading turnover	4	12,695	-	12,695	11,974
Investments					
Investment income	5	26	-	26	8
Exceptional income	9	2,499	5,191	7,690	5,160
Total income		49,390	5,759	55,149	49,441
Expenditure on:					
Charitable activities					
Animals and plant collection	6a	(25,576)	(41)	(25,617)	(24,072)
Conservation and Science and education	6a	(5,103)	(619)	(5,722)	(5,628)
Raising funds					
Costs of generating voluntary income	6a	(365)	-	(365)	(307)
Subsidiary's cost of goods sold and other costs	4	(11,780)	-	(11,780)	(10,895)
Exceptional costs	9	(891)	-	(891)	(5,544)
Total expenditure		(43,715)	(660)	(44,375)	(46,446)
Net income		5,675	5,099	10,774	2,995
Other gains and losses					
Transfer from restricted funds		4,361	(4,361)	-	-
Net movement in funds		10,036	738	10,774	2,995
Reconciliation of funds	21				
Total funds brought forward (restated)		43,699	6,937	50,636	47,641
Total funds carried forward		53,735	7,675	61,410	50,636

The North of England Zoological Society made an unconsolidated surplus of £10,774,000, of which £3,975,000 related to normal continuing operations and £6,799,000 resulted from exceptional income and expenditure (2018: £2,995,000 from normal continuing operations).

No Statement of Changes in Equity has been presented as all such gains and losses have been included above. A prior year adjustment has been made to restate the reserves position as at 31 December 2018, detail can be found in note 26.

The notes on pages 36 to 56 form part of these financial statements.

Financial Statements for the Year Ended 31 December 2019

Consolidated & Society Balance Sheets as at 31 December 2019

	Notes	Consolidated		Society	
		2019 £'000	2018 Restated £'000	2019 £'000	2018 Restated £'000
Fixed Assets					
Intangible assets	12	1,238	-	1,238	-
Tangible assets	13	68,337	54,820	68,337	54,820
Investment in subsidiary companies	14	-	-	-	-
		69,575	54,820	69,575	54,820
Current assets					
Stocks	15	760	732	94	91
Debtors	16	7,959	6,071	8,667	6,289
Cash at bank and in hand	17	4,840	3,531	4,523	3,531
		13,559	10,334	13,284	9,911
Creditors: amounts falling due within one year	18	(10,274)	(7,468)	(9,999)	(7,045)
Net current assets		3,285	2,866	3,285	2,866
Total assets less current liabilities		72,860	57,686	72,860	57,686
Creditors: amounts falling due after more than one year	19	(11,450)	(7,050)	(11,450)	(7,050)
Net assets		61,410	50,636	61,410	50,636
Funds employed					
Income funds – restricted	21	7,675	6,937	7,675	6,937
Income funds - unrestricted	21	53,735	43,699	53,735	43,699
Total funds employed		61,410	50,636	61,410	50,636

The financial statements were approved and authorised by the Trustees on the 24th July 2020 and signed on their behalf by:

Bruce Ursell, Chair of Trustees

Company number – 00287902 – The North of England Zoological Society

The notes on pages 36 to 56 form part of these financial statements.

Financial Statements for the Year Ended 31 December 2019

Consolidated Cash Flow Statement for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities:			
Net movement in funds as per the Statement of Financial Activities		10,774	2,995
Adjustments for:			
Interest paid		223	196
Interest received	5	(26)	(8)
Amortisation charge	12	5	-
Depreciation charge	13	6,127	6,637
Impairment charge	13	-	5,160
Exceptional income due from insurers	9	(7,690)	(5,160)
Increase in stocks	15	(28)	(28)
Decrease/(increase) in debtors	16	106	(99)
Increase in creditors due within one year	18	1,121	1,491
Contributions to pension scheme		-	(56)
Net cash generated from operating activities		10,612	11,128
Cash flows from investing activities:			
Interest received	5	26	8
Insurance proceeds received		5,750	-
Purchase of fixed assets	12,13	(19,914)	(10,400)
Net cash used in investing activities		(14,138)	(10,392)
Cash flow from financing activities:			
Cash inflows from borrowing	19	4,400	1,200
Interest paid		(223)	(196)
Net cash generated from financing activities		4,177	1,004
Operating cash inflow in year		651	1,740
Increase in net cash at bank in the year		651	1,740
Cash and cash equivalents at 1 January	17	3,531	1,791
Cash and cash equivalents at 31 December	17	4,182	3,531

The notes on pages 36 to 56 form part of these financial statements

Financial Statements for the Year Ended 31 December 2019

Principal Accounting Policies

The following accounting policies have been applied in dealing with items that are considered material in relation to the financial statements of The North of England Zoological Society ("the Society"). They are consistent with those adopted in the financial statements for the prior year.

Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice ("Charities SORP (FRS102)") applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102). The functional currency of the charity is sterling (£).

The group's activities, together with the factors likely to affect its future development, performance and position are set out in the Trustees' report. The financial position of the Society and its subsidiaries, its cash flows and liquidity position are shown in these financial statements.

Significant estimates and judgements made in preparing the financial statements are set out on page 35. The Trustees' report also notes the principal risks and uncertainties that impact on the group.

Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the Trustees are required to consider whether the Society and the group can continue in operational existence for the foreseeable future.

Further information in relation to the Society and group's activities, together with the factors likely to affect future development, performance and position is set out in the Strategic Report on pages 5 to 16, including the Principal Risks and Uncertainties section on pages 16.

As noted in the Strategic Report the zoo was closed for nearly three months after the year end, resulting in a significant drop in income. As of the date of this report the zoo has reopened, albeit with reduced visitor capacity and income. Operating costs have been significantly reduced with discretionary spend curtailed. The Society has utilised the government's Job Retention scheme for those key staff not needed to maintain operations during closure and whilst visitor numbers and income remain restricted. A voluntary release scheme has led to 35 members of staff leaving the organisation and some compulsory redundancies are likely to follow. Capital expenditure plans have been suspended, with only those projects that were in progress at the time of closure continuing to completion.

In early May 2020 the Society agreed a new banking facility with Santander, comprising a £22m Revolving Credit Facility and a £2m overdraft. The facility was intended to be used in the main to fund the Grasslands development, which has now been delayed and the facility has instead provided additional headroom during an uncertain period.

Financial Statements for the Year Ended 31 December 2019

The facility is provided subject to two financial covenants which are tested quarterly: net debt to EBITDA (leverage) and EBITDA to net finance charges. In recognition of the current macroeconomic uncertainty, the Society's bank has agreed to suspend testing of these covenants until June 2021.

A fundraising campaign was launched in June 2020 to address the shortfall in income due to the closure and to highlight the financial impact of the ongoing closure. Generous donations together with purchases of memberships and adoptions, have raised over £3m. With the subsequent re-opening of the zoo, the Society is expected to generate sufficient income for the Society to meet the covenant tests in the facility.

The Trustees consider that the Society and group are well placed to manage the risks within its control and mitigate those outside its control, including the impact of the COVID-19 pandemic. After the review of forecasts and predictions for the period to 31st December 2021, taking account of reasonably possible changes in income and considering the existing banking facilities, including the available liquidity and covenant tests, the Trustees have a reasonable expectation that the Society and group has adequate resources to continue in operational existence for the next 12 months following the date of approval of the financial statements.

However, there remains uncertainty as to the development of the COVID-19 pandemic and further national or local lockdowns remain a possibility. The ability of the Society to withstand a second closure depends on its timing and duration – a short closure during the summer would result in greater lost income than a longer closure during the winter. In addition the potential of an economic downturn following the pandemic may impact visitor numbers and memberships. As a consequence of these uncertainties the Trustees have considered downside scenarios that reflect such potential closures.

The most severe scenario considered was that the zoo was closed again in August, September and October 2020. Set against this were mitigating actions including further reductions in expenditure, including staffing costs, with further utilisation of the Job Retention scheme. Such a closure would be expected to result in a further £6m reduction in the surplus (or increase in the deficit) forecast for the 2020 financial year.

Whilst there is sufficient headroom in the current banking facility to manage such a closure, in the event the closure extended beyond a period of 5 weeks in the summer and 10 weeks in the winter there is the potential for a covenant breach at June 2021. The bank remains supportive, as indicated by the agreed suspension of covenant tests, and further flexibility may be available in the future if required.

The impact of a second closure, particularly during peak season, indicates a material uncertainty outside the control of the Society which may cast significant doubt over the Society's ability to continue as a going concern in the event that, if the closure resulted in a covenant breach, the bank elected to trigger a repayment of outstanding debt. In such circumstances and without further mitigating actions, the Society may be unable to realise assets and discharge liabilities in the normal course of business. The Society's financial statements do not include the adjustments that would result if the Society and group were unable to continue as a going concern.

Financial Statements for the Year Ended 31 December 2019

Having undertaken this work, and considered the uncertainties described above, the Trustees are of the opinion that the Society and group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The consolidated statement of financial activities (SOFA), consolidated balance sheet and consolidated cash flow statement include the financial statements of the Society and its subsidiary undertakings, Chester Zoo Enterprises Limited, Chester Zoo (Nigeria) Limited, Chester Zoo Foundation Nigeria and the North of England Zoological Society Pension Trustee Company Limited made up to 31 December 2019 and comply with recommended practice for accounting by charities. The results of the subsidiaries are consolidated on a line by line basis. No separate SOFA has been presented for the charity alone as permitted by Section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

Funds Employed

All funds employed must be expended in furtherance of the objectives of the Society. Restricted income funds must be used in furtherance of some specific aspect of those objectives.

Designated funds are those which have been set aside by the Trustees out of unrestricted funds for identifiable future expenditure, but the designation has an administrative purpose only and does not legally restrict the Trustees' discretion to apply the funds.

The unrestricted fund represents the funds to provide for the working capital of the group and contingent expenditure.

Incoming Resources

In accordance with the SORP, all incoming resources becoming receivable by the group during the year are recognised in the SOFA, regardless of their source or of the purpose to which they are to be allocated. Income, both unrestricted and restricted, is recognised at the time of receipt except where it relates to a service to be provided in the following financial year. Such income is deferred and released over the period the service is provided. An example of this is the treatment of annual membership income.

Where income is restricted to a specific purpose, as specified by a donor, the income is included in restricted funds. Legacies are recognised when payment is received or assets transferred, or where there has been a grant of probate and the executors have established that there are sufficient assets in the estate after meeting its liabilities to pay the legacy. Grants are recognised when there is entitlement, conditions have been met and there is certainty of receipt.

Financial Statements for the Year Ended 31 December 2019

Resources Expended

Expenditure is recognised when a liability is incurred. In accordance with the Charities SORP, support costs have been allocated to charitable activities and fundraising, apportioned by usage according to relative cost driving activities. Support costs also include governance costs as a separate component in line with the Charities SORP. Governance costs comprise of all costs involving public accountability of the group and its compliance with regulations and good practice.

VAT

Visitor admission income is treated as VAT exempt. Accordingly the Society is a partially exempt body and may not recover all VAT incurred on costs, with the exception of VAT incurred in connection with the catering, retail, and event operations for which the sales are subject to VAT. These operate through the trading subsidiary Chester Zoo Enterprises Limited and the VAT directly related to these operations can be recovered in full. The cost of irrecoverable VAT is apportioned in the SOFA under other resources expended. Any irrecoverable VAT relating to the purchase of fixed assets is capitalised as part of the asset value.

Taxation

The Society is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Investments in Subsidiary Undertakings

These are included at cost less any provision for impairment.

Intangible Fixed Assets

Computer software is included in the balance sheet at historic purchase cost less accumulated amortisation. Assets in the course of construction are stated at cost, less any recognised impairment loss and are amortised when the assets are ready for their intended use.

Asset Class	Rate of Amortisation Applied
Computer software	10% to 25% straight line

Tangible Fixed Assets

Tangible assets are included in the balance sheet at historic purchase cost less accumulated depreciation and any recognised impairment loss. Assets in the course of construction are stated at cost, less any recognised impairment loss.

Financial Statements for the Year Ended 31 December 2019

Depreciation

The rates and method of depreciation are consistent with those used in previous years. Depreciation is calculated using a straight line basis. Freehold land is not depreciated and assets in the course of construction are only depreciated when the assets are ready for their intended use.

Asset Class	Rate of Depreciation Applied
Freehold Properties	2% to 10%
Buildings and Enclosures	4% to 25%
Machinery and Equipment	10% to 25%

No annual assessment is made of the value of the animal and plant collection. It is valued consistently at a nominal sum of £1,000 and not depreciated.

Impairment

The carrying amounts of assets are reassessed when impairment indicators are present. An impairment loss is recognised to the extent the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is reviewed at subsequent balance sheet dates where further information is available. Note 9 further explains the impairment charge recognised in the year ended 31st December 2018, no impairment charge was recognised in 2019.

Leases

All leases currently held by the group are operating leases and the rental charges are taken as expenditure when incurred. The group has not entered into any finance leases.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Pensions

The group operates two voluntary pension schemes.

The group makes contributions to a defined contribution pension scheme for all qualifying permanent employees and to the NEST scheme for all qualifying seasonal employees. Employees are automatically enrolled on the pension scheme unless the group is notified by the employee that they wish to opt out. The cost of these contributions is charged to the SOFA when payable.

The defined benefit scheme was closed to future accrual in March 2012. The group has historically made payments in order to reduce the scheme's solvency deficit over time. These payments have been recognised within actuarial gains and losses in the net movement in funds in the SOFA.

To the extent that the scheme is in surplus on a technical provisions basis, the group does not recognise this in the financial statements as the group is unable to recover any surplus either through reduced contributions in the future or through refunds from the scheme.

Financial Statements for the Year Ended 31 December 2019

Grant-making

The group supports a wide range of conservation and research activities both in the zoo and externally, often in partnership with other organisations. Liabilities relating to grants are recognised once the group is irrevocably committed to the provision of the grant.

Related Party Transactions

Details of transactions with entities that are part of The North of England Zoological Society group are disclosed in the notes to the financial statements.

Debtors

Trade and other debtors are recognised at transaction price less any impairment.

Cash at bank and in hand

Cash at bank and in hand includes cash, overdrafts and short term highly liquid investments with a short maturity of three months or less from the date of acquisitions, or opening of the deposit, or similar account.

Creditors

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

Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities, like accounts receivable and payable.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the SoFA.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial Statements for the Year Ended 31 December 2019

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the charitable company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- **Properties owned by the group that are rented out:** The group owns a number of properties that are rented out. These properties are accounted for at cost less accumulated depreciation rather than as investment properties as the group does not hold these properties for investment purposes. They are held in furtherance of the charitable purposes of the group.
- **Impairment of tangible fixed assets:** On 15th December 2018 the Monsoon Forest Building was significantly damaged by fire. An impairment charge of £5.2m was recognised in 2018 and reflects the estimated net book value of the components of the building impacted by the fire. Progress with the reinstatement project has not revealed any further damage that indicate that this impairment charge needs to be reviewed.
- **Depreciation rates:** depreciation rates used in respect of both tangible and intangible assets reflect the expected useful life of those assets based on historic experience. For major projects, component parts are allocated varying depreciation rates depending on their nature.
- **Defined benefit pension scheme:** the present value of the pension scheme asset depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. The group has not recognised this pension scheme asset on the balance sheet as, despite the fact that as a result of the surplus the group is not currently making any contributions into the scheme, the scheme is closed to future accrual, and the group is not entitled to a refund from the scheme.

Financial Statements for the Year Ended 31 December 2019

Notes to the Consolidated Financial Statements

1. Status

The Society is a company limited by guarantee and has no share capital. Members have guaranteed the liabilities of the Society to the extent of £1 each in the event of the charity being wound up.

The registered address is Cedar House, Caughall Road, Chester, CH2 1LH. The principal activity of the Society is included in the Trustees report on pages 5 to 16.

2. Income from Charitable Activities

Unrestricted Funds					
	Visitor Related £'000	Other unrestricted £'000	Other designated £'000	Total 2019 £'000	Total 2018 £'000
Animals and plant collection					
Visitor admission to zoo and gardens	19,786	-	-	19,786	19,066
Monorail	399	-	-	399	481
Membership of zoo and Gift Aid thereon	8,826	-	-	8,826	7,128
Events	1,248	-	-	1,248	995
Other	365	-	-	365	434
Total incoming resources from charitable activities	30,624	-	-	30,624	28,104

3. Income from Donations and Legacies

	Unrestricted 2019 £'000	Restricted 2019 £'000	Total 2019 £'000	Total 2018 £'000
Donations and Gift Aid on admission to zoo	2,932	-	2,932	2,902
Animal adoptions	260	-	260	286
Grants and other donations	354	568	922	1,007
Total voluntary income	3,546	568	4,114	4,195

The restricted income funds derive from certain donations, grants and legacies received and are put towards a variety of capital projects, equipment or conservation activities.

Financial Statements for the Year Ended 31 December 2019

4. Other Trading Activities

The Society has a wholly owned trading subsidiary, Chester Zoo Enterprises Limited, incorporated in the UK (representing an investment of £100 in ordinary £1 shares) which operates the catering, retail and event activities of the Zoo from outlets rented from the Society. It distributes its taxable profit via Gift Aid to the Society. A summary of its trading results is shown below.

Audited financial statements for Chester Zoo Enterprises Limited for the year ended 31 December 2019 will be filed with the Registrar of Companies.

Chester Zoo Enterprises Limited trading results	Total 2019 £'000	Total 2018 £'000
Turnover	12,695	11,974
Resources expended		
Labour and cost of goods sold	(8,997)	(8,609)
Gross trading surplus for year	3,698	3,365
Indirect costs		
Operating and support costs paid to the Society	(2,783)	(2,286)
Property rents paid to Society	(732)	(694)
Operating profit	183	385
Taxation	-	-
Profit for the financial year	183	385
Gift Aid donation to parent company	(183)	(385)
Surplus/(deficit) retained in subsidiary	-	-

5. Investment income

	Total 2019 £'000	Total 2018 £'000
Interest on cash deposits	26	8
Total investment income	26	8

Financial Statements for the Year Ended 31 December 2019

6a. Analysis of Total Expenditure

	Employee Costs £'000	Other Direct Costs £'000	Support Costs (Note 6b) £'000	Total 2019 £'000	Total 2018 £'000
Charitable activities					
Animals and plant collection	7,586	11,711	6,320	25,617	24,072
Conservation science and education	1,983	2,011	1,728	5,722	5,628
Total for Society	9,569	13,722	8,048	31,339	29,700
Raising funds					
Costs of generating voluntary income	107	124	134	365	307
Exceptional costs (note 9)	-	891	-	891	5,544
Subsidiary's cost of goods sold and other costs	4,134	4,863	2,783	11,780	10,895
Total for Society	9,676	14,737	8,182	32,595	35,551
Total expenditure for Group	13,810	19,600	10,965	44,375	46,446

6b. Analysis of Support Costs

	Total 2019 £'000	Total 2018 £'000
Direct Employee Costs	4,606	4,155
Other Costs	6,359	5,000
Total of support costs	10,965	9,155

Financial Statements for the Year Ended 31 December 2019

6b. Analysis of Support Costs (continued)

Support costs have been allocated to the activities set out in note 6a on the basis of their usage of cost driving activities attributable to each support service, as follows:

Support cost breakdown by activity	Animals and plant collection £'000	Conservation science and education £'000	Generating voluntary income £'000	Subsidiary £'000	Total 2019 £'000	Total 2018 £'000
Governance and Directorate	404	145	9	352	910	906
Human Resources	594	149	8	421	1,172	1,091
Information Technology	561	140	8	398	1,107	852
Finance Department	1,506	462	58	499	2,525	1,934
Security and Site operations	323	117	7	218	665	616
Maintenance Department	1,985	715	44	895	3,639	2,981
Estates and Project Planning	947	-	-	-	947	775
Total	6,320	1,728	134	2,783	10,965	9,155

7. Grants Payable in Furtherance of the Charity's Objectives

The Society makes institutional grants payable in furtherance of the charity's objects, to support field and zoo conservation and research. The grants have been included in the other direct costs analysis of total resources expended within the Statement of Financial Activities.

	Grants to institutions £'000	Grants to individuals £'000	Total 2019 £'000	Total 2018 £'000
Conservation and Science and Education	969	74	1,043	870
Total grants payable	969	74	1,043	870

Financial Statements for the Year Ended 31 December 2019

8. Net Income before other Recognised Gains and Losses

This is after charging:	Total 2019 £'000	Total 2018 £'000
Services provided by the Society's auditor		
Fees payable for the audit of the charity and consolidated accounts	32	18
Fees payable for the audit of the subsidiaries	11	6
Fees payable for taxation advice for the charity	-	-
Fees payable for taxation compliance for the subsidiary	3	5
Operating Leases	72	68
Amortisation of intangible fixed assets	5	-
Depreciation of tangible fixed assets	6,127	6,637
Impairment charge (note 9)	-	5,160

9. Exceptional income and costs related to the Monsoon Forest fire

On 15th December 2018 a fire broke out in the Monsoon Forest building within the zoo's Islands zone. The fire caused significant damage to the buildings and its contents. The zoo is fully insured in respect of the damage and work is ongoing to repair the building.

Included within the financial statements are the following amounts relating to the fire and the re-build:

Year ended 31st December 2018

At the time of preparing the financial statements for the year ended 31st December 2018 work was ongoing to assess the damage and repairs required.

Within the financial statements an impairment charge of £5,160,000 was recognised, being estimated net book value of the fixed assets destroyed in the fire. At that time insurers had accepted liability to cover the costs of repairing the building and work was ongoing to establish the full cost of repair. At 31st December 2018 an amount equal to the impairment charge was recognised to reflect the initial estimated income that would be received from insurers to repair the building.

Provision was also been made for £384,000 of uninsured costs, primarily the excesses on insurance policies together with professional fees.

Financial Statements for the Year Ended 31 December 2019

9. Exceptional income and costs related to the Monsoon Forest fire (continued)

Year ended 31st December 2019

Within the SOFA for 2019, an additional £4,894,000 of exceptional income has been recognised based on the final insurance settlement agreed in 2020. This amount comprises:

Further income to be received from insurers towards the cost of the re-instatement of the Monsoon Forest Building, in addition to the £5,160,000 recognised in 2018.	£3,612,000
A contribution from insurers towards the cost of constructing buildings to house animals displaced by the fire	£1,246,000
Income received from insurers to cover lost past and future income and additional costs of working	£2,832,000
Total	£7,690,000

Also included within the financial statements for 2019 are exceptional costs of £891,000. £731,000 of these costs have been reimbursed by insurers and the income is included above. The balance of £160,000 relates to costs that cannot be recovered from insurers.

Over the two financial years exceptional income totalling £12,850,000 has been recognised. As at 31st December 2019 £5,750,000 had been received and the balance of £7,101,000 is included in debtors and was received subsequent to the year end.

As work to reinstate the building moves closer to completion the estimates in respect of amounts required to complete the project become more certain, but to the extent that there are further adjustments to these estimates these will be recognised in the year ended 31st December 2020. Nothing has come to light during the rebuild that would indicate that the impairment recognised in 2018 was incorrect.

Donations from the public

Following the fire, we received generous donations from the public totalling £257,877 (£162,698 was received in the year ended 31st December 2018 and a further £95,179 was received in the year ended 31st December 2019). These donations have been treated as restricted income to be spent on conservation projects supporting the zoo's mission, both within the zoo and in the field, with a particular focus on those species who live in the Monsoon Forest building.

10. Trustees' Remuneration

The Trustees, being charity Trustees, received no remuneration (2018: nil) but received reimbursement totalling £4,111 (2018: £2,425) during the year for travel and accommodation expenses necessarily incurred. Indemnity insurance costing £13,395 (2018: £12,177) has been taken out by the Society to protect the Society, its Trustees and other employees.

Financial Statements for the Year Ended 31 December 2019

11. Employee costs

The average monthly headcount employed by the Society during the year was 830 (2018: 739) including seasonal employees. The average monthly number of full-time equivalent employees (FTE) analysed by category were as follows:

	Number of FTE employees	
	2019 Number	2018 Number
Animals and plant collection	263	227
Conservation science and education	57	58
Fundraising	3	3
Trading subsidiary	174	173
Support and Governance	121	118
Total FTE employees	618	579

The aggregate payroll costs of these persons were as follows:

	Total 2019 £'000	Total 2018 £'000
Wages and salaries cost	15,339	13,957
Social security cost	1,208	1,091
Pension cost:		
Defined benefit pension scheme	-	-
Defined contribution pension scheme	1,584	1,262
Total employee costs	18,131	16,310

The number of employees, including those employed for only part of the year, whose emoluments for the year (excluding pension contributions) fell within each band of £10,000 from £60,000 upwards is shown below. All of these employees had benefits accruing to them under the defined contribution pension scheme. Only two had benefits accruing to them on the defined benefit scheme. Contributions to the defined contribution scheme for all of these employees totalled £106,428 (2018: £92,644).

	2019 Number	2018 Number
From £120,001 to £130,000	2	2
From £110,001 to £120,000	-	-
From £100,000 to £110,000	-	-
From £90,001 to £100,000	-	-
From £80,001 to £90,000	1	1
From £70,001 to £80,000	2	1
From £60,001 to £70,000	4	3

Financial Statements for the Year Ended 31 December 2019

11. Employee costs *(continued)*

The key management personnel employed by the Society comprise five members of the executive team during the year. Their total employee benefits for 2019 including pension contributions, were £535,115 (2018: £519,529).

12. Intangible Assets

	Assets under course of construction £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2019	-	-	-
Additions	1,001	52	1,056
Disposals and Transfers	190	-	190
At 31 December 2019	1,191	52	1,243
Amortisation			
At 1 January 2019	-	-	-
Charge for the year	-	5	5
At 31 December 2019	-	5	5
Net book value			
At 31 December 2019	1,191	47	1,238
At 31 December 2018	-	-	-

Financial Statements for the Year Ended 31 December 2019

13. Tangible Assets

	Assets under construction £'000	Freehold Property £'000	Buildings and enclosures £'000	Machinery and equipment £'000	Animals and plant collection £'000	Total £'000
Cost						
At 1 January 2019	2,351	5,040	85,563	13,854	1	106,809
Additions	16,799	-	2,829	259	-	19,887
Disposals and Transfers	(995)	-	805	(53)	-	(243)
At 31 December 2019	18,155	5,040	89,197	14,060	1	126,453
Depreciation						
At 1 January 2019	-	2,827	42,913	6,249	-	51,989
Charge for the year	-	17	4,601	1,509	-	6,127
Impairment charge (note 9)	-	-	-	-	-	-
At 31 December 2019	-	2,844	47,514	7,758	-	58,116
Net book value						
At 31 December 2019	18,155	2,196	41,683	6,302	1	68,337
At 31 December 2018	2,351	2,213	42,650	7,605	1	54,820

The Trustees consider that the Society holds no fixed assets for investment purposes. Whilst some of the fixed assets do yield a rental income, they were not acquired for that purpose, but to facilitate the operation of the zoo which is the primary charitable purpose of the Society.

The Trustees consider that it is not meaningful to consider the market value of most of the Society's land and buildings. Where an assessment can be made, the Trustees consider that the market value exceeds the book value.

All the tangible fixed assets included in the consolidated statement above relate entirely to the Society.

The Society considers that none of its assets meet the definition of heritage assets under FRS102. Although certain assets may have a heritage quality, these are all used for operational purposes in the running of the zoo and are therefore classified as operating assets.

Financial Statements for the Year Ended 31 December 2019

14. Investments in subsidiary companies

	2019 £	2018 £
Investment in Chester Zoo Enterprises Limited	100	100
Investment in Chester Zoo (Nigeria) Limited	1	1
North of England Zoological Society Pension Trustee Company Limited	1	1

The principal undertakings in which the Society's interest at the year-end is more than 20% are as follows:

<i>Subsidiary undertakings</i>	Company Number	Country of incorporation	Principal activity	Class and percentage of shares held	
				Group	Company
Chester Zoo Enterprises Limited	02669535	UK	Catering and Retail	100% ordinary	100% ordinary
Chester Zoo (Nigeria) Limited	08374657	UK	Protecting the biodiversity of Nigeria	100% ordinary	100% ordinary
Chester Zoo Foundation Nigeria	08904330	UK	Protecting the biodiversity of Nigeria. Wholly owned by Chester Zoo (Nigeria) Limited	100% ordinary	-

All the above undertakings are registered at Cedar House, Caughall Road, Upton-by-Chester, Chester, CH2 1LH. Activities in Nigeria have been wound down and Chester Zoo (Nigeria) Limited and Chester Zoo Foundation Nigeria will become dormant.

15. Stocks

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Goods for resale	666	641	-	-
Consumables	94	91	94	91
Total	760	732	94	91

Financial Statements for the Year Ended 31 December 2019

16. Debtors: Amounts Falling Due Within One Year

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade debtors	199	238	189	177
Amount owed by subsidiary undertaking	-	-	718	279
VAT and Other debtors	59	50	59	50
Insurance debtor (note 9)	7,101	5,160	7,101	5,160
Prepayments and accrued income	600	623	600	623
Total	7,959	6,071	8,667	6,289

Amounts owed by the subsidiary is unsecured, interest free and repayable on demand.

17. Net debt

	At 1 January 2019	Cash flows	At 31 st December 2019
Cash deposits	2,533	595	3,128
Cash held in escrow	998	714	1,712
Cash at bank and in hand	3,531	1,309	4,840
Bank overdraft	-	(658)	(658)
Cash and cash equivalents	3,531	651	4,182
Revolving credit facility	(7,050)	(4,400)	(11,450)
Net debt	(3,519)	(3,749)	(7,268)

Cash at bank and in hand includes £1.7m (2018: £1m) of cash held in escrow, set aside for the Trustees of the Society's defined benefit pension scheme which is to be used, if required, to fund a buyout of the scheme, when the scheme liabilities would be fully secured with an insurer. The money would also be paid to the pension scheme if the Society were to become insolvent.

Financial Statements for the Year Ended 31 December 2019

18. Creditors: Amounts Falling Due Within One Year

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank overdraft	658	-	658	-
Trade creditors	2,219	2,173	1,945	1,750
Other taxes and social security costs	403	380	403	380
Accruals	3,809	2,223	3,809	2,223
VAT payable	-	17	-	17
Other creditors	356	417	355	417
Deferred income	2,829	2,258	2,829	2,258
Total	10,274	7,468	9,999	7,045

The Society has a £2m bank overdraft facility which was taken out with Santander in September 2014 and is renewed annually. The purpose of the overdraft is for working capital purposes. Interest on the overdraft is charged at 2.75% above LIBOR

19. Creditors: Amounts Falling Due After More Than One Year

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Revolving credit facility	11,450	7,050	11,450	7,050
Total	11,450	7,050	11,450	7,050

An unsecured £18m revolving credit facility was taken out with Santander in April 2018. The facility bears interest at a margin of between 1.5% and 1.75% above LIBOR on utilised amounts and a fee of 35% of the margin is paid on unutilised amounts. As part of compliance with the terms of the facility, the Society is obliged to meet two covenants. These are:

- (i) Interest cover – EBITDA must be at least four times the interest payable; and
- (ii) Leverage – Net debt must not exceed three times EBITDA.

In May 2020 the facility was extended to become a £22m revolving credit facility, which expires in May 2025 when it must be repaid in full. The terms of the facility remain the same and the two financial covenants will not be tested until June 2021.

Financial Statements for the Year Ended 31 December 2019

20. Financial instruments

The carrying amount of the group's and society's financial instruments at the year end were:

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets: debt instruments measured at amortised cost	12,445	9,245	12,836	9,463
Financial liabilities: financial liabilities measured at amortised cost	14,492	11,863	18,217	11,440

Financial assets that are debt instruments measured at amortised cost comprise cash and other assets that have the contractual rights to receive cash.

Financial liabilities measured at amortised cost comprise liabilities which have a contractual obligation to deliver cash.

Financial Statements for the Year Ended 31 December 2019

21. Movement in Consolidated Funds

	Balance at 31 Dec 2018 £'000 Restated	New funds £'000	Funds utilised £'000	Transfers £'000	Balance at 31 Dec 2019 £'000
Restricted funds					
Animal and plant collections	20	79	(41)	-	58
Conservation science and education projects	596	394	(619)	-	371
Monsoon Forest fire donations	163	95	-	-	258
Escrow account - defined benefit pension scheme (note 17)	998	-	-	714	1,712
Insurance income (note 9)	5,160	5,191	-	(5,075)	5,276
Total restricted funds	6,937	5,759	(660)	(4,361)	7,675
Unrestricted funds					
Designated funds					
Defined benefit pension scheme	3,602	-	-	(2,408)	1,194
Funds tied to fixed assets	38,597	-	-	12,044	50,641
Total designated funds	42,199	-	-	9,636	51,835
Free reserves					
Cash reserve	1,500	49,390	(43,715)	(5,275)	1,900
Total free reserves	1,500	49,390	(43,715)	(5,275)	1,900
Total group funds employed	50,636	55,149	(44,375)	-	61,410

Financial Statements for the Year Ended 31 December 2019

21. Movement in Consolidated Funds (continued)

	Balance at 31 Dec 2017 £'000 Restated	New funds £'000	Funds utilised £'000	Transfers £'000	Balance at 31 Dec 2018 £'000 Restated
Restricted funds					
Animal and plant collections	50	121	(151)	-	20
Conservation science and education projects	651	425	(480)	-	596
Monsoon Forest fire donations	-	163	-	-	163
Escrow account - defined benefit pension scheme (note 17)	-	998	-	-	998
Insurance income (note 9)	-	5,160	-	-	5,160
Total restricted funds	701	6,867	(631)	-	6,937
Unrestricted funds					
Designated funds					
Defined benefit pension scheme	8,500	-	-	(4,898)	3,602
Funds tied to fixed assets	36,940	-	-	1,657	38,597
Total designated funds	45,440	-	-	(3,241)	42,199
Free reserves					
Cash reserve	1,500	42,574	(45,815)	3,241	1,500
Total free reserves	1,500	42,574	(45,815)	3,241	1,500
Total group funds employed	47,641	49,441	(46,446)	3,241	50,636

Financial Statements for the Year Ended 31 December 2019

21. Movement in Consolidated Funds (continued)

	Unrestricted		Restricted £'000	2019 Total Funds £'000
	Free £'000	Designated £'000		
Fixed assets	-	69,575	-	69,575
Current assets	1,900	3,984	7,675	13,559
Creditors: amounts falling due within one year	-	(10,274)	-	(10,274)
Creditors: amounts falling due after more than one year	-	(11,450)	-	(11,450)
Net assets	1,900	51,835	7,675	61,410

	Unrestricted		Restricted £'000	2018 Total Funds £'000
	Free £'000	Designated £'000		
Fixed assets	-	54,820	-	54,820
Current assets	1,500	1,897	6,937	10,334
Creditors: amounts falling due within one year	-	(7,468)	-	(7,468)
Creditors: amounts falling due after more than one year	-	(7,050)	-	(7,050)
Net assets	1,500	42,199	6,937	50,636

Restricted income funds include income from certain donations, grants and legacies received, money set aside in escrow for the defined benefit pension scheme (note 25) and money due from insurers in respect of the Monsoon Forest rebuild project (note 9).

Designated funds relate the Society's strategy to fund its defined benefit pension scheme to buy-out with an insurance company in the medium term and to its fixed assets.

The Society sets aside a minimum £1.9m cash reserve, held separately from the Society's other cash balances. Such a sum is sufficient to operate for a period of one month without significant curtailment of its activities.

Financial Statements for the Year Ended 31 December 2019

22. Capital Commitments

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Capital expenditure, contracted for but not provided in the financial statements	3,556	2,208	3,556	2,208

23. Leasing Commitments

The group's future minimum non-cancellable operating lease commitments are as follows:

	Group		Society	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Within one year	4	48	4	39
Between one and five years	-	2	-	2
	4	50	4	41

24. Related Party Transactions

The Society received a charitable donation by Gift Aid from Chester Zoo Enterprises Limited of £183,932 (2018: £385,362). The Society also leases retail and catering outlets to Chester Zoo Enterprises Limited for an annual lease of £732,000 (2018: £693,875) and also charged staff and support costs totalling £2,782,743 (2018: £2,285,741). As at the 31 December 2019 the Society was owed £717,584 (2018: £278,999) from Chester Zoo Enterprises Limited. During 2018 the Society donated £62K to Chester Zoo Nigeria Limited which had been providing administration and support to a conservation project in Nigeria. In 2019 the company ceased providing this support and no donations were made.

Financial Statements for the Year Ended 31 December 2019

25. Pensions

The Society operates two pension schemes; a defined benefit scheme and a defined contribution scheme. The defined benefit scheme holds assets in a separately administered fund and closed to future accrual in March 2012. In line with FRS102, a surplus can only be recognised in the balance sheet to the extent that the Society can gain economic benefit from it. As the scheme is closed to future accrual, a surplus can only be recognised to the extent of an agreed refund, so there is not recognition of the surplus at the year end.

A full actuarial valuation was carried out as at 31 December 2017 and updated to 31 December 2019 for the purpose of these disclosures by Spence & Partners Limited, qualified independent actuaries.

	2019	2018
	£'000	£'000
Present value of funded defined benefit obligations	16,365	18,025
Fair value of plan assets	19,646	22,655
Surplus	3,281	4,630
Effect of asset ceiling	(3,281)	(4,630)
Net defined benefit asset / (liability) recognised	-	-

The major assumptions made by the actuary for the defined benefit scheme were as follows:

Weighted average assumptions used to determine benefit obligations at:	2019	2018
Discount rate	2.1%	2.97%
Rate of price Inflation (RPI)	3.21%	3.44%
Rate of pension increases (5% RPI)	3.07%	3.25%
Rate of pension increases (2.5% RPI)	2.09%	2.16%
Assumed life expectations on retirement at age 65:		
Male member retiring today (member age 65)	23.1	23.0
Male member retiring in 20 years (member age 45 today)	25.3	25.2
Female member retiring today (member age 65)	25.7	25.5
Female member retiring in 20 years (member age 45 today)	28.0	27.9

Financial Statements for the Year Ended 31 December 2019

25. Pensions (continued)

The fair value of the plan assets were as follows:

	Fair value at 31 Dec 2019 £'000	2019 %	Fair value at 31 Dec 2018 (£'000)	2018 %
Cash and cash equivalents	1,177	6.0	113	0.5
Equities	3,656	18.6	6,417	28.3
Debt Instruments	14,813	75.4	13,672	60.4
Property	-	-	2,453	10.8
Total	19,646	100.0	22,655	100.0

	2019 £'000	2018 £'000
Change in defined benefit obligation		
Benefit obligation at beginning of year	18,025	19,088
Interest cost	457	485
Remeasurement: Actuarial (gain)/loss	1,696	(700)
Benefits and expenses paid	(5,272)	(848)
Losses on settlements/curtailments	1,459	-
Benefit obligation at end of year	16,365	18,025

	2019 £'000	2018 £'000
Change in scheme assets		
Fair value of scheme assets at beginning of year	22,655	24,442
Interest income	595	625
Employer contributions (incl. employer direct benefit payments)	-	56
Benefits and expenses paid	(5,272)	(848)
Remeasurements – return on scheme assets less interest income	1,668	(1,620)
Fair value of scheme assets at end of year	19,646	22,655

Financial Statements for the Year Ended 31 December 2019

25. Pensions (continued)

	2019 £'000	2018 £'000
Expense recognised in the statement of financial activities		
Current service cost	-	-
Net interest on net defined benefit obligation	(138)	(140)
Gains and losses on settlements and curtailments	1,459	-
Gains and losses due to surplus limitation	(1,321)	140
Total net interest cost		
Remeasurements:		
Effect of changes in assumptions	2,114	(533)
Effect of experience adjustments	(418)	(167)
Return on plan assets (excluding interest income)	(1,668)	1,620
Remeasurement on effect of asset ceiling	(28)	(864)
Pension deficit reduction accrual	-	(56)
Total remeasurements included in other gains and losses in the SOFA	-	-
Total pension cost recognised in the SOFA	-	-

The Society has committed to making annual contributions with a view to funding the scheme on a solvency basis in the medium term. However, given the level of funding in the scheme it was agreed that the amounts due to be paid by the Society in 2018 and 2019 would instead be held in escrow by the Society and hence the amount has not been included in the assets above. The escrow balance of £1.7m forms part of the Society's cash and cash equivalents balance (note 17) and is treated as restricted funds (note 21).

The Trustees of the Scheme have a first legal charge over certain assets of the Society with a market value of circa £10m.

Contributions, Defined Contribution Scheme

Contributions to the defined contribution scheme totalled £1,584,000 (2018: £1,262,000). The expenditure is taken from unrestricted funds.

26. Prior year adjustment

An adjustment has been made to restate the reserves position as at 31st December 2018 which has changed the analysis of restricted and unrestricted funds at that date, increasing the brought forward restricted funds by £4,859,000 and decreasing unrestricted funds by the same amount. Within unrestricted funds there was an error in the classification of designated funds, resulting in £1.5m being reclassified as free reserves instead of designated. There was no change to the reported surplus or new assets position as a result of the restatement.

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27. Post balance sheet events

On 22nd March 2020 the zoo was closed as a result of the COVID-19 pandemic, and re-opened on 15th June 2020. The closure for almost 3 months had a significant impact on the Society's income.

A fundraising campaign was launched in June 2020 to address the shortfall in income due to the closure and to highlight the financial impact of the ongoing closure. Generous donations together with purchases of memberships and adoptions, have raised over £3m.

However, the closure, and the resulting reduction in income, will impact the Society's future plans and in particular the timing of future strategic capital projects including the Grasslands project. At 31st December 2019 the Society had spent £1.1m on the Grasslands project which is included in Tangible Assets under construction. The full recoverability of these costs will depend on the outcome of the Society's post COVID-19 recovery plan which will be developed in 2020.