

**The Royal School of
Needlework**

**Annual Report and Consolidated
Financial Statements**

31 August 2018

Company Registration Number
12192 (England and Wales)

Charity Registration Number
312774

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Reference and administrative information

Patron	HRH The Duchess of Cornwall
President	HRH The Duchess of Gloucester
Council Members	Mr Andrew Palmer – Chairman* Mrs Elizabeth Braakenburg Dyce Ms Nicola Clarke* Mrs Caroline De Guitaut Mrs Morgan Fowles Miss Samantha Hoe-Richardson – Honorary Treasurer* Ms Deborah Lamb Prof John Miles Mr Christopher Stooke* (retired 3 October 2018) Mrs Sharan Wicks Mrs Stephanie Wright* *Members of the Finance and Investment Committee
Chief Executive	Dr Susan Kay-Williams
Registered office	Apartment 12A Hampton Court Palace East Molesey Surrey KT8 9AU
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank plc 8/12 Church Street Walton on Thames Surrey KT12 2QX
Investment managers	J M Finn & Co 4 Coleman Street London EC2R 5TA
Company registration number	12192 (England and Wales)
Charity registration number	312774

CHAIRMAN'S INTRODUCTION

This year was a quite exceptional period for the RSN beginning with a double royal visit, and four new initiatives launched. There was also the highest number of Degree students achieving firsts, a set of Millennium Vestments created for Buckfast Abbey and a graduate of the Degree programme won the most prestigious, international, hand embroidery competition. The Degree was also subject to the four-yearly full review by the Quality Assurance Agency for Higher Education and there was all the administrative work associated with GDPR.

In November, we were delighted to welcome our new Patron, HRH The Duchess of Cornwall, and our President, HRH The Duchess of Gloucester on a special double visit. It was The Duchess of Cornwall's first visit to the RSN (and Hampton Court) and, as a novice to stitch, she invited The Duchess of Gloucester, who has been to the RSN many times, to accompany her. Our visitors met Degree, Future Tutor, Certificate and Diploma students from all years, visited the Studio and also met with some of the RSN Trustees, supporters and staff team. In all, it was a splendid visit and we were thrilled when The Duchess of Cornwall tried her hand at crewelwork with tutor Jacqui McDonald. Before leaving, both Royal visitors were presented with gifts made by members of the RSN Studio team.

That same month, 2017 degree graduate Elena Thornton won the student category of the prestigious Hand and Lock (H&L) prize for hand embroidery, the first time an RSN student has won this internationally recognised award. Not only that, on the night her work also won the Gold and Silver Wyre Drawer's prize and the H&L Chairman's prize.

The new initiatives launched by the RSN during the year show the range of our work today, beginning with Distance Learning, which has been asked for on many occasions by those who live some distance from our main teaching centres. This was made possible thanks to a partnership with Sew&So who brought their filming expertise and experience of online course delivery to the process. Initial response to the courses has been very positive and this will be a programme we look to expand and enhance over time.

Second was the first US Summer School which brought RSN technique and approach to the largest ever number of students. Ten tutors, the Chief Executive and more than 200 students came together over the two weeks in Lexington, Kentucky. This event was a tremendous success and will be repeated in 2020.

Third was the much-awaited upgrade to the RSN website. This finally went live in August and, while behind the scenes it has led to many challenges for the staff team, the front end looks contemporary and has been appreciated by our customers and visitors.

The RSN is very aware that stitch has been lost from the school curriculum, it is also aware that school pupils can get very attached to social media, but that stitch can be a therapeutic antidote to endless texting. With the help of the Worshipful Company of Girdlers and a number of our stitch suppliers, the RSN is currently piloting a scheme for schools called *Embroider A Selfie*. This was launched late in the academic year so we are looking for responses in the coming year to see how students have represented themselves in stitch.

CHAIRMAN'S INTRODUCTION (continued)

These four initiatives are all about enabling the RSN to reach more people, respond to need and reflect 21st century requirements on and offline. The Certificate programme also responded to need by extending its summer intensive programme leading to the largest number of participants with over 80 participants of whom 30 people took the first module, Jacobean Crewelwork and 10 stayed for 8 weeks to complete the whole Certificate, an achievement which requires much stamina.

Alongside these new initiatives the staff teams also have to meet the day-to-day requirements of the regulatory authorities, especially in the area of higher education and the Chief Executive and Academic team had to prepare for the second quadrennial review by the Quality Assurance Agency for Higher Education. This is a meticulous process that judges the RSN on the same basis as all other higher education institutions. I am pleased to record that the review team concluded that the quality of student learning opportunities were commended. Meanwhile the team also had to submit an application to the forthcoming Office for Students which will add an extra layer to these processes from next year.

With this busy year other initiatives have taken a back seat but fundraising for our longer-term projects including the RSN Stitch Bank and the digitisation of the RSN Collection and Archive has continued. We are grateful to those who continue to support these projects but they can only go ahead once the current IT project is concluded and we have made our bid to the Heritage Lottery Fund.

The RSN continues to achieve all this with a very small team. I want to pay tribute to all staff who have this year committed so much to the organisation, especially regarding the IT systems. We also recognise that the teaching cannot operate without our dedicated and talented tutors. The Council and I wish to thank everyone for the contribution they have made to the future development of the RSN.



Andrew Palmer

Chairman

CHIEF EXECUTIVE'S INTRODUCTION: Looking ahead infrastructure and personnel

After the achievements and exertions of 2017-18 we must now focus on the fundamentals of infrastructure, IT and personnel: so 2018-19 will be a year of consolidation. In order to move forward and be ready for our 150th anniversary in 2022, we need to ensure that we have robust infrastructure and adequate staff resource to handle the growing workload. So we will be focusing on appointing IT, operations and fundraising personnel this year, which will ultimately benefit all the staff teams.

The transition to the new website was not as seamless as we would have liked behind the scenes, so we will be spending time to ensure the IT meets our needs and is all working effectively for both customers and the staff team before we look to add new elements.

This pause will also allow us to make a bid to the Heritage Lottery Fund (HLF) towards the digitisation project. Support from HLF would enable the project to be worked five days a week in an off site location, rather than part time at the RSN, which will be more beneficial for the project as a whole. The HLF does however, demand a significant amount of paperwork as part of the bid and insists that the work has not started prior to the bid.

We are also working on the strategic plan for 2019-2023, something to which Trustees and all staff have been able to contribute. Following discussion with the Trustees the new plan will be finalised during the year. This next five years will be an exciting period for the RSN as it will include our 150th anniversary. We will be looking to put a project manager in place from September 2019 to help us to plan and execute the additional activities for the celebration.

Meanwhile, we will be continuing to promote two of our fledgling programmes: Distance Learning and Embroider A Selfie. Distance Learning has many more people to reach and we will be looking at how and where we promote this and how we engage with stitchers worldwide. The Embroider A Selfie project for schools is an important introduction to stitch for young people as well as a fun activity and can inform them about the possibilities of stitch so we will also continue to promote and support this initiative.

Overall, our year of consolidation will give us a more internally-facing year for 2018-19 as we catch our breath, but we will use it to prepare for going forward stronger as we start on the strategic developments for the next five years.



Dr Susan Kay-Williams
Chief Executive

Report of the Council Year to 31 August 2018

The Members of the Council (as Trustees), who are also the directors for the purposes of company law, present their annual report together with the audited consolidated financial statements of The Royal School of Needlework for the year ended 31 August 2018. The report has been prepared in accordance with the Charities Act 2011 and is also the group report of the directors for the purposes of the Companies Act 2006. The reference and administrative information set out on page 1 and the Chairman's and Chief Executive's Introductions set out on pages 3 to 5 also form part of the report.

The financial statements have been prepared in accordance with the accounting policies on pages 28 to 32 of the attached financial statements, and comply with the charitable company's memorandum and articles of association, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective for accounting periods commencing on or after 1 January 2015.

ACTIVITIES AND ACHIEVEMENTS

The Royal School of Needlework (RSN) exists to offer practical education in the art and techniques of hand embroidery and to create, collect, conserve, interpret and display items of hand embroidery. The income and property of the charity are to be applied solely towards the promotion of its objects.

Public Benefit

As a charity the RSN takes very seriously its role to offer public benefit. This year this was achieved through public exhibitions at eight shows across the year, with taster classes, family classes in conjunction with our exhibitions at Hampton Court Palace and loaning out pieces from the Collection for an exhibition with Mr X Stitch at Standon House, a National Trust property. Additional examples will be given later in the report.

Our major public initiative this year was the launch of a programme for schools, supported by the Worshipful Company of Girdlers entitled *Embroider a Selfie*. So far, we have launched a pilot programme and will be investigating how it has gone, with a view to extending it during the next academic year. The RSN believes students need an opportunity to step away from their smartphones and that stitch can be a therapeutic activity allowing students to become calm as well as achieving something personal. It offers the school pupils an introduction to stitch and it is being used by the schools in different ways – as part of art classes, as an after schools club, for those with less academic focus and also high achievers so it will be interesting to see the results.

ACTIVITIES AND ACHIEVEMENTS (continued)

Teaching

Teaching the art and techniques of hand embroidery is at the heart of what we do, through four programme areas. The RSN also has regard to section 17 of the Charities Act 2011 requiring charities to offer public benefit and the RSN's commitment to this is highlighted in the activities outlined below which this year have included participation, exhibitions and special events. In particular, we endeavour to make teaching by the RSN available to as many people as possible, taking people from beginners to advanced, we also offer taster courses for people to 'have a go' and we offer courses in various locations to try to offer an RSN opportunity to more people.

Degree

The RSN Degree in hand embroidery is the only degree focusing solely on hand embroidery in the UK and probably within Europe. The programme teaches core stitch techniques but then challenges students to take the stitch in new, creative directions based on their work in art and design, research and experimentation.

As a higher education institution in receipt of no government funding, the RSN is considered an independent institution, notwithstanding that our degrees are validated by the University for the Creative Arts and RSN students are also UCA students. As such, we are subject to a full review by the Quality Assurance Agency for Higher Education every four years. The last review was 2014 so we had our second full review during the academic year. The three-day process reviewed the course team's approach to quality, how the course reflects changing need of students and the industry, the pedagogical approach and the strategic approach to course enhancement. This is an enormous amount of additional work for the team, requiring a detailed narrative and more than 300 appended documents of evidence. Overall, the RSN passed the inspection and the course team were commended for the opportunities for student learning but were recommended to make more written records of internal meetings when quality review and strategic development were discussed.

During the year the RSN also had to register with the Office for Students. Paperwork has been submitted but our unusual position between UCA and other authorities makes this complex.

Meanwhile, the 14 students in the third year worked very hard, each developing their own pathway as illustrated by the final exhibition which showed the diversity and range of the students' work. It was an exceptional year and half of the 14 gained first class degrees. Two of them have now progressed on to MAs, one at the Royal College of Arts.

New Designers is the principal end of year show for all those studying in the creative arts. The RSN has exhibited here before but this time we moved to the centre of the space and this led to much greater awareness of and interest in the RSN by people who may previously have been unaware of us. We also received many commendations including from Crafts magazine where the writer wanted to include works from all our students to demonstrate RSN's variety and versatility, but unfortunately only one student per highlighted university could be included.

ACTIVITIES AND ACHIEVEMENTS (continued)

Degree (continued)

Degree students also entered a number of competitions and three had work featured in an international competition in Bratislava and one won an award from the Worshipful Company of Glovers' competition. Students also worked on pieces for some of the major haute couture houses with a small team working for Alexander McQueen on the cape worn by Serena Williams at her wedding.

RSN Degree students are eligible for student loans but their costs of living are high, plus they have additional needs for materials so the RSN is very grateful to all those who support the students through bursaries including the Worshipful Companies of Broderers, Girdlers, Gold and Silver Wyre Drawers, Needlemakers, Coats Foundation Trust, Knights of the Round Table, Golsoncott Trust and others.

Certificate and Diploma

The Certificate and Diploma in technical hand embroidery are the RSN's part time courses for people who wish to gain practical skills in hand embroidery to a high technical level.

The year began with a new Education Manager and Finance Assistant and a review of the processes and procedures of the course. Unlike most education programmes a hallmark of the C&D is that students can attend flexibly but in turn this can lead to challenges in terms of staffing and continuity so work has been done looking at how we can overcome this issue. Initially the year saw attendances decline at Hampton Court and some of the satellites due to students choosing to space out their attendance from an average of once in two weeks to once in three or four weeks. There was also a decline at one satellite, where a number of students reached the end of their course around the same time without an automatic replacement.

As a result, in order to develop an increasing pool of students for the course and continue to allow the flexibility, Open Days were introduced at both Hampton Court and at satellite centres to welcome and inform potential students and encourage new participants. These have already shown a positive impact.

The year ended strongly with the largest number of people attending the Certificate summer intensives at Hampton Court Palace, with a total of 88 places taken over the 8 weeks and with 10 students attending all four units. Many of these were international students, some of whom had waited such a long time to be able to attend the RSN that they were determined to make the most of it by staying for eight weeks to complete the Certificate. The numbers meant that the students had to be accommodated across three classrooms at Hampton Court, each with their own tutors and Future Tutor support teams

ACTIVITIES AND ACHIEVEMENTS (continued)

Future Tutors

To teach for the RSN, one must be taught by the RSN in order to appreciate and pass on the hallmarks of how we teach and the RSN's technical approach to stitch. Maintaining and developing the number of teachers we have is absolutely vital to our plans for development. We can only meet the need to teach more often in more locations if we have more tutors.

With the former administrator choosing not to return after maternity leave at the beginning of the year, we confirmed in place the interim post holder who then built on the plans and developments she had begun. Like all RSN courses, the Future Tutors programme is reviewed annually to check the extent to which it is meeting RSN and student need. As a result, it was decided to move the students' time in the Studio to be at the heart of their third year. In this way the students have studied each of the techniques before they reach the Studio and can then be more useful and can benefit from having more stitch confidence.

Also introduced this year were a series of introductory sessions on each technique for the Future Tutors, putting the techniques in a wider historical context and backing this up with the students having the opportunity to study pieces from the RSN Collection. The ability to get close to the Collection was greatly appreciated and will be continued.

The course had many more applicants than places this year and to ensure that applicants know what they are signing up for we have also introduced Open Days for potential candidates. Most of these candidates take the course despite knowing that they will have to give up a steady income for the three years. As no funding is available to these students the RSN continues to raise funds to benefit all by keeping the course costs down. In addition, donors also help provide bursaries for individual students. The RSN is very grateful to the Worshipful Companies of Broderers, Girdlers, Gold and Silver Wyre Drawers and Haberdashers, Barbara Whatmore Trust, Coats Foundation Trust and other donors, which have supported the course and students during the year.

Short Courses

The RSN short course programme is about outreach and encouraging people to start, improve and certainly enjoy hand embroidery. This year we worked very hard to offer new designs on many courses aimed at attracting both new and returning students. For example, some of our recently qualified tutors explored the Collection for ideas that would have a firm link with stitch history but in new contexts. We also endeavoured to show the images of the different course motifs on the online booking facility, because the visual element is so important in deciding to book. As well as offering classes at our satellites, we again visited Dublin for one week of classes. We also continued our links with the Bath Museum of Fashion and the V&A for one-off classes and we held our first class at the Fashion and Textile Museum in London.

With active marketing, especially using social media, numbers of students were up this year, beating previous totals and surpassing targets with total fee income increasing by four per cent over the previous year.

ACTIVITIES AND ACHIEVEMENTS (continued)

USA Summer School

For a number of years, those who visited the US on behalf of the RSN were constantly bombarded with questions about when we were coming again, could there be more events etc. While the twice a year visits to Williamsburg are a regular fixture, they focus mostly on the Certificate and Diploma with only one tutor offering short courses. So it was decided that we should run a special Summer School. The event would be a one-week workshop which would run twice back to back – the repeat being to make the cost of travel viable for the RSN team.

The idea was to take 10 tutors, the Chief Executive and a support team of two, one of whom was a tutor to give extra support in class when required. The teaching team comprised almost half and half long-standing tutors and recent graduates from the Future Tutor programme including one who graduated on Monday and was on the plane to the US by Friday. We worked with a Certificate Graduate in the US to find a suitable location in Lexington, Kentucky. Whilst initially complaining that we had announced the Summer School too late for some people, the idea gained momentum and it was an exciting sight, thanks to modern technology, to see the bookings coming in – the event was more than 50 per cent booked on the first day.

The logistics of the event were soon apparent because every thread, needle, hoop and twizzler (hoop nut tightener) had to be shipped in but it was worth the logistical headache to achieve two fantastic weeks of stitch. By the launch, more than 200 people were booked for the programme of classes, talks, receptions and a dinner. The event worked very well in the school we hired and we had many very happy customers. Students took part in one or two courses but were also able to purchase other kits and RSN memorabilia. As a result of the success, it has been decided to hold another Summer School in 2020.

Collection and Archive

The RSN Collection of textiles and Archive of documents on the history of the RSN are both valuable resources for students, tutors and researchers. We endeavour to make these available to the public through the exhibitions and also welcome individual researchers and students if they can identify what it is they want to examine.

The Textile Collection of the RSN is an extremely valuable resource but it has grown only through donation, not acquisition. The RSN is offered pieces all the time, however, given limited space we have to be selective, beginning with pieces with an RSN connection but there is always a place for high quality, historic and unusual pieces of embroidery; pieces from which students can learn and visitors enjoy. Significant donations to the RSN Collection this year included a 17th century Mirror surround dated 1653. Although showing signs of wear on the base satin, the stitching is still in good order and we are very pleased to add this to our Collection. It has been placed in its own conservation box and has been much admired by those who have seen it.

ACTIVITIES AND ACHIEVEMENTS (continued)

Collection and Archive (continued)

Samplers are always welcome as they are one of the few types of embroidery that are often named and dated, this year we were given three pieces by one lady dated 1746, 1783 and 1899. The earliest was a small Ackworth sampler and is one of just two we have from as early as the 1740s. The Victorian sampler was made by the donor's grandmother.

Meanwhile in preparation for the future digitisation, some preliminary work has been done to review the storage facilities for the materials, especially the Archive where as part of the project the books and ledgers will need to be held in different boxes that make them easier to handle. Items which are in need of conservation have also been reviewed and will undergo this process as part of the project.

Distance learning

Distance learning has been requested for many years but while the RSN has the teaching skills the team did not have the filming skills and so we were pleased to partner with Sew&So to bring together this new programme. During the year three techniques were launched; Jacobean crewelwork, Blackwork and Goldwork with more to follow. Early response has been very good, with higher than anticipated take up and very positive feedback with people really enjoying working the pieces, finding the online tuition clear and engaging, exactly in the RSN tradition.

For 2018-19, we will be launching additional techniques and looking at how we can further the stitcher's engagement with the activity and the RSN as we are aware that some people will never get to the RSN so they want to feel as if they belong through these courses.

Embroider a Selfie

The RSN is very aware that embroidery is not taught in schools any longer, but is also aware that there is a growing level of stress in young people and that stitch can be therapeutic as an antidote to screens and social media.

The RSN approached one of its supporters, the Worshipful Company of Girdlers about helping to introduce stitch to schools through a project that could be worked with many different age groups and approaches. RSN students had worked a number of projects linked to self-portraits but we thought it would be fun to take the concept of the selfie as the inspiration for this project.

A school can apply for a kit which comprises technique books, bags, hoops, threads, needles and a how-to booklet. A tutor may come for a day of tuition training and can then run the class as part of their courses, with particular groups of children or as an after school club. We are looking forward to seeing results in 2018-19 and will then make an evaluation of the programme.

ACTIVITIES AND ACHIEVEMENTS (continued)

Studio

The role of the RSN Studio is to undertake commissions of both new embroidery and conservation and restoration of historic textiles for a range of clients.

The Studio year was in two distinct parts especially when our client Buckfast Abbey decided they would like their new Millennium vestments for the Christmas midnight mass instead of Easter Sunday. This meant that the Studio team focused almost exclusively on the Buckfast project until the end of December so that they were delivered on time. Photographs taken showed that they looked magnificent. In addition, the Abbot requested that the RSN undertake some conservation of their existing sets of vestments, including the transfer of orphery bands on to a new fabric to create a chasuble to match other items in the set. The Abbot told us he was delighted with all the work and particularly pleased with the transfer to more sympathetic material.

Overall, the Studio has majored on work for interiors and churches this year, interspersed with embellishments to christening gowns and cleaning and preparation of wedding veils. Going forward the Studio will be exhibiting at Decorex to promote the range of work that could be undertaken for domestic and commercial interiors.

Marketing

The RSN had a multi-pronged approach to reaching new audiences this year, beginning with focusing on men who stitch. This was well received leading to a multipage article in Surrey Life magazine. We also engaged more fully on social media particularly through Facebook and especially Instagram, which is helpful for its visual stance. The timeliness of social media also makes this an appropriate vehicle for last minute reminders and place availability.

During the year, the marketing team also looked at its balance between work focused at new audiences and that focused on repeat customers for maximum impact and will be modifying the emphasis over the coming months.

Our e-news continues to be our most popular communication, which is sent out monthly, and following our requesting of communications preferences for GDPR many of our contacts now see email as their only or preferred method of communication.

Exhibitions, Lectures and events off site

Invitations to give talks and lectures are part of our public benefit and the Chief Executive was invited to speak to many local groups of Embroiderers' Guild, WI and other societies during the year. In particular, she was invited to Mompesson House, a National Trust property in Salisbury which features a number of 17th and 18th century embroidery pieces. On examination, these are not straightforward works and she was able to study them and present new information on them to the house staff and volunteers for them to share with visitors.

ACTIVITIES AND ACHIEVEMENTS (continued)

Exhibitions, Lectures and events off site (continued)

The RSN also loaned the sampler of the Queen's Robe of State to the prestigious US decorative arts museum Winterthur and the Chief Executive was invited over to give two lectures about the RSN's royal connections and the history of the RSN. These were very well received, resulting in her being invited back to speak at their biennial Embroidery conference in autumn 2018.

There were two exhibitions at the RSN's Hampton Court base this year. The first was *Embellishment in Fashion* co-curated by the Chief Executive and Dr Clare Rose, contextual studies lecturer on the Degree programme. This featured a range of 18th to 21st century pieces mostly from the Collection that showed how embroidery had been used to embellish and adorn garments over the last three hundred years. This exhibition also included a technical first for the RSN, working with a company called Enova Ltd the company developed an app which would allow visitors to see more of a garment and learn more of its story when a phone or iPad was held over the piece. This worked well on the occasions that visitors wandered round the exhibition on their own, though was less appropriate when visitors are here on tours but it allowed the RSN to see some of the technology that is now available and how it might be used in the future.

The second exhibition was *Animals in Embroidery* featuring work by current and recent students on the Certificate, Diploma, Future Tutor and Degree programmes. The exhibition included almost 100 pieces of work with the theme of wild, domestic and mythical animals, birds and fish and it was launched with a private view for all those whose work was included. Both exhibitions were backed up with tours, and tour and taster classes, these have been very successful as a way for people to have a small sampling of RSN embroidery.

Friends

The Friends of the RSN are people who want to support the RSN. They make an annual payment or, by choice, can become a Life Friend or a Special Supporter and pay more for their Friends' membership as a donation to the organisation. The Friends have a vital role as ambassadors and advocates for the RSN and many have also been donors.

This year we changed the age at which people could become Life Friends at the reduced price to 65, this resulted in a decline in new Life Friends but we believe this will pick up again soon. Annual Friends continued at similar numbers to last year and we were pleased to be able to offer international Friends a direct benefit when booking for the US Summer School. Friends and Special Supporters, though, generally see their contributions as donations to the RSN to support our work. Our Friends also act as advocates and external influencers for the RSN and its work.

ACTIVITIES AND ACHIEVEMENTS (continued)

Retail

We offer both a physical shop at Hampton Court Palace and an online shop for a range of specialist and supporting products. We offer everything from slate frames and trestles to small kits and greetings cards featuring the work of our students.

This year we hoped to move to one co-ordinated system for online and physical shop sales which would provide stock control and sales summaries. This has taken longer than anticipated to introduce but is already proving useful in the physical shop and can help with ordering.

During the year we have introduced a range of new products including kits created by our tutors and we took a small shop to the US Summer School, which gave the shop a boost of nearly £5,000.

IT transformation

At the beginning of the year, we appointed a project manager to lead on this with the aim of creating a new website and integrating this with our database and enable customers to sign up for their GDPR preferences themselves. By the year end the new website had just gone live and it was welcomed as portraying a clean and contemporary look. However, the back-end elements of short course and C&D bookings and shop purchases has not been a smooth transition. As a result, the RSN is appointing an IT Manager to help ease these issues for customers and staff.

In the meantime, we undertook an exercise to enable people to tell us their GDPR preferences and these were being added to the system.

Fundraising declaration

The RSN is not in receipt of any statutory funding and so raises funds to support its core courses, to enable it to offer bursaries to Future Tutors and Degree students and to undertake new programmes, such as the planned digitisation of the RSN Collection and Archive. Funds are predominantly raised from charitable trusts and livery companies. Occasionally we also raise funds from individuals through direct marketing and legacies.

The RSN complies with the fundraising code and recognises GDPR requests of those who do not wish to receive fundraising requests. This year the only fundraising ask to individuals has been through Friends' communication. The RSN has not received any fundraising complaints in 2017/18.

Donors this year have predominantly been foundations and trusts, for core programmes and bursaries these include the Worshipful Companies of Broderers, Dyers, Girdlers, Gold and Silver Wyre Drawers, Haberdashers, Needlemakers and a number of charitable trusts and those who wish to remain anonymous. We have also raised funds for new initiatives such as the RSN Stitch Bank and especially the Digitisation of the Collection and Archive where funds have been received from the Garfield Weston Foundation and an anonymous donor.

ACTIVITIES AND ACHIEVEMENTS (continued)

Review of overall performance

This was an exceptionally busy year with new initiatives, the QAA review and the IT project; while most of these were concluded successfully, some better than anticipated, it did stretch the available human resources. The final income reached a new high of £2.2m which is a tribute to the whole staff team and their commitment and endeavour. However, we have learned from trying to do so much in one year and plans for the future will be better scaled to our capacity.

FUTURE DEVELOPMENTS

The Year Ahead

2018-19 will be a year of consolidation after the whirlwind of this year. We will focus on getting the IT work to a satisfactory conclusion and we will appoint additional staff to help us achieve this and other key activities. On projects, we will continue the development of the Embroider A Selfie project as a pilot and report back to the sponsor in 2019. We will plan ahead for the next US Summer School in 2020 leaving this year for preparation; we will consolidate development of C&D student numbers and we will undertake a number of background administrative tasks to help us be stronger for the future.

Meanwhile, we will prepare the Strategic Plan for 2019-2023 combining additional developments and celebrations for the 150th anniversary with additional staffing to support us during this period.

FINANCIAL REVIEW

Financial report for the year

The consolidated statement of financial activities for the year shows a net deficit (before investment gains) of £96,958 (2016/17: surplus of £9,604).

The overall income for the year 2017/18 amounted to £2,226,212 (2016/17: £1,917,802), a year on year increase of 16%. Income from donations and legacies increased by 13% to £271,043 (2016/17: £239,499). This remains an extremely important source of income, particularly for the Degree and Future Tutor programmes, neither of which receives any government funding, and for all new initiatives.

The trading subsidiary income of £358,150 (2016/17: £384,266) decreased by 7% mainly due to the level of activity in the RSN Studio which benefitted from a large commission in 2016/17.

Income from charitable School activities amounted to £1,414,116 (2016/17: £1,126,852) a 25% increase over the previous year due to the success of the 2018 US Summer School and increased student numbers, particularly on the Degree programme and also on short courses. Investment income of £182,903 (2016/17: £167,185) also increased marginally.

FINANCIAL REVIEW (continued)

Financial report for the year (continued)

The restricted fund income of £201,884 (2016/17: £162,638) consisted of resources earmarked for the Degree and Future Tutor programmes, Embroider a Selfie and the RSN Stitch Bank and Collection and Archive Digitisation Campaigns. The increase compared with last year is mainly due to two generous donations for the Campaign totalling £60k. Restricted expenditure of £207,745 (2016/17: £198,257) was incurred against the Degree and Future Tutor programmes, for the RSN Stitch Bank project, the Embroider A Selfie project which commenced during the year and also the ongoing depreciation on the capital costs of the set-up of the new classrooms at Hampton Court Palace in 2015.

Total expenditure for the year of was £2,323,170, 22% more than the previous year (2016/17: £1,908,198). This is mainly due to the IT transformation project that took place in 2017/18, which was funded from funds designated from the Futures Campaign. It also reflects the increased staffing and other resources required to yield the additional income from school activities in the current year.

Net realised and unrealised gains on investments for the year amounted to £163,984 (2016/17: £393,933) reflecting the continued rise in the investment market since the EU referendum. At the balance sheet date, net assets totalled £5,155,625 (2017: £5,088,599) of which £2,171,675 (2017: £2,178,186) are unrestricted.

The Royal School of Needlework has an investment of £100 in the share capital of RSN Enterprises Limited, a wholly owned company which is incorporated in England and Wales. The net trading income of the company for the year amounted to a deficit of £6,142. In 2016/17 a surplus of £52,066 was generated which was donated to the RSN under Gift Aid arrangements.

Reserves policy and financial position

The Council has examined the requirements for free reserves, i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The Council considers that, given the nature of the charity's work and the discretionary nature of a significant proportion of income, the level of free reserves should remain unchanged from last year at up to five months' total expenditure at any one time. Based upon budgeted expenditure levels for 2018/19, the maximum expenditure for five consecutive months would be in the region of £1,050,000. The Council is of the opinion that this provides sufficient flexibility to cover temporary shortfalls in incoming resources due to timing differences in income flows, adequate working capital to cover core costs and will allow the charity to cope with and respond to unforeseen emergencies whilst specific action plans are implemented.

FINANCIAL REVIEW (continued)

Reserves policy and financial position (continued)

The charity has total reserves of £5,155,625 (2017: £5,088,599). This includes endowment funds and restricted funds of £2,513,332 (2017: £2,440,556) and £465,828 (2017: £465,067) respectively and designated funds of £650,000 (2017: £800,000). After deducting funds represented by tangible fixed assets and shareholders' funds, this leaves free reserves at 31 August 2018 of £1,473,924 (2017: £1,297,830). The excess of free reserves compared with the target level of £1,050,000 arose due to unrealised investment gains following the rise in the stock market since the EU referendum. Given the potential for uncertainty in the stock market over the next year, the Council is of the opinion that the level of free reserves held is prudent in the current circumstances.

At a meeting on 1 August 2018, the Council agreed that £650,000 should be formally designated towards the planned developments within the strategic plan. This is a reduction of £150,000 from the previous designation due to expenditure in 2017/18 on the IT Transformation Project and the launch of Distance Learning. The Council will review this designation on an ongoing basis. The £650,000 of funds that are designated are for future strategic projects, including the ongoing RSN Stitch Bank project and digitisation of the archive which will commence in the second half of 2018/19.

Investment policy

Under the Memorandum and Articles of Association, The Royal School of Needlework has the power to make any investments, which the Council sees fit. The Finance and Investment Committee keeps a close eye on investments and returns to ensure maximum benefit for the RSN and meetings are held regularly with the investment managers to ensure that the balance of the portfolio remains appropriate particularly given political uncertainties and the ongoing potential for market volatility.

The tenor of the investment policy remains to maintain the real value of the RSN funds through continued growth of the asset base, seeking to achieve this with an appropriate balance between sustained cash flow and capital growth, to generate over the long term, defined as a period of not less than five years, a total return on capital invested that reflects the risk appetite.

During the year, the Council also considered and reaffirmed its risk appetite for the investments, which has been mandated as medium.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Royal School of Needlework was founded in 1872 and incorporated in England and Wales, on 16 April 1878 as a company limited by shares, the word 'limited' being omitted by licence of the then Board of Trade. The RSN is also registered as a charity with the Charity Commission, under the number 312774.

Council and Trustees

The governing body of the RSN is the Council. This comprises the Chairman, Honorary Treasurer and up to 12 ordinary members.

Members of the Council (who are also Trustees of The Royal School of Needlework for the purposes of charity law) who served during the year and up to the date of this report were:

Council members (Directors)	Appointed / Retired
Mr Andrew Palmer (Chairman)*	
Mrs Elizabeth Braakenburg Dyce	
Ms Nicola Clarke*	
Mrs Caroline De Guitaut	
Mrs Morgan Fowles	
Miss Samantha Hoe-Richardson (Honorary Treasurer)*	Appointed Hon Treasurer 16 November 2017
Ms Deborah Lamb	
Prof John Miles	
Mr Christopher Stooke*	Retired 3 October 2018
Mrs Sharan Wicks	
Mrs Stephanie Wright*	

* indicates members of the Finance and Investment Committee, which met four times during the year under the chairmanship of the Honorary Treasurer. Miss Samantha Hoe-Richardson was appointed to the role of Honorary Treasurer on 16 November 2017.

All Council Members at 31 August 2018 held one £10 share (2017: one £10 share) in the capital of the charitable company.

In addition to the Council there is one committee which reports to the Council:

The Finance and Investment Committee, which meets four times a year and ensures that the finances of the RSN are well managed and accurately reported, and that the investments are handled in accordance with the agreed risk appetite.

Good governance is important to the RSN and during 2018-19 Council members will undertake an exercise to discuss the new Charity Governance Code. They will identify where principles and recommended practice are already applied and where it can be used as a tool to support continuous improvement.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Appointment to Council

Council members serve a term of three years and may serve a second term of three years before retirement.

Approximately biennially the Council members undertake a skills analysis, the Chairman and the Chief Executive review the skills available, the likely retirement dates of Council members and the future needs of the charity in order to start searching for new potential Council members.

Council Members' Induction and Training

On appointment, Council members are provided with the Charity Commission publication about trustees' roles and responsibilities, are invited to come and spend a day with senior managers and their teams learning about the work of each team, and are provided with copies of the annual report, strategic plan and campaign presentation. Council members have also been provided with Charity Commission guidance on fundraising regulations. Council members are also informed of training courses run by our advisors, which they may attend.

Statement of the Council's responsibilities

The Council Members (who are also directors of The Royal School of Needlework for the purposes of company law) are responsible for preparing the report of the Council and financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice). Company law requires the Council to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and the group and of the income and expenditure of the group for that period. In preparing these financial statements, the Council is required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Statement of the Council's responsibilities (continued)

The Council is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Charities Act 2011. 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.

Each of the Council Members confirms that:

- ◆ so far as the Council Member is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the Council Member has taken all the steps that he ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Council is 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.

Organisational Structure and Key Management

The key management personnel of the RSN in charge of directing and controlling, running and operating the charity comprise the Council and the Chief Executive, Dr Susan Kay-Williams. The Chief Executive is supported in day-to-day operations by a small senior management team and other staff. The RSN is a small organisation with at most only three levels of hierarchy but in practice, much of it operates at a more hands-on level.

The salary of the Chief Executive is set by the Council. The salaries of all staff are considered annually by the Finance and Investment Committee and approved by the Council.

As at 31 August 2018, the RSN employed eleven full time and thirteen part-time management and administrative staff and core teams of eight part time stitchers in the studio and twenty part time tutors. In addition, there are around twenty volunteers who assist with the library, studio Talk and Tours, marketing and data entry.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk management

The Council and senior managers have reviewed the principal financial, reputational, operational and governance risks that might impact on the organisation during the year and updated the risk register accordingly. The review enables the RSN to reflect upon the impact of both internal and external changes and the longer-term impact they may have, ensuring that mitigation is updated to respond to the changes. In the nature of a changing world, while known risks can be mitigated there will always be unanticipated events.

The Finance and Investment Committee continues to take the lead in reviewing the financial risks, aiming to minimise and mitigate any that appear or will potentially impact the charity and that are within its power to affect.

The Council has reviewed the RSN's internal financial controls and is satisfied that these are appropriate in minimising any risks to its funds.

The top three risks that could have a negative impact on achieving the RSN's strategic plan have been identified as:

- **The challenge of achieving budgeted income especially in the area of short courses.** This is being mitigated by stronger marketing of the programme.
- **The impact of system enhancements impacting on short course income, staff efficiency and morale.** All staff are pleased that the IT upgrade has gone live but day-to-day issues since implementation can create unexpected difficulties. Working through the suppliers and a new full time IT Manager that will be appointed in 2018/19, we will aim to minimise disruption as much as possible and endeavour to make sure that the system is fully operational in the first half of 2018/19.
- **The loss of key staff.** We endeavour to mitigate this by training staff to step into roles, and bringing in others from different RSN areas, as well as encouraging staff to return after maternity leave and responding quickly to fill roles with temporary staff to ensure customer service is maintained. As a small team, there is very little 'slack' in the system. When someone is ill, especially a tutor, there can be a knock-on effect and the Council is aware of the engagement of all staff in working to achieve the agreed programme even where resources are constrained.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Trading subsidiary

The RSN has a wholly owned trading subsidiary RSN Enterprises Limited, a company incorporated in England and Wales with a share capital of £100. The principal activity of the company is that of undertaking the commercial and retail activities of The Royal School of Needlework. The company comprises the RSN Studio, which undertakes commissions for individuals and public bodies and a retail outlet within the premises of The Royal School of Needlework. The retail outlet also offers products for sale via its website.

All taxable profits of the trading subsidiary are donated to the School under the Gift Aid scheme. During the year the company made a loss of £6,142 (2016/17: profit of £52,066).

Public Benefit

The Council has complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties. Further information on the RSN's public benefit can be found on page 6.

This report is approved by the Council on 20 February 2019 and signed on its behalf by:



Andrew Palmer
Chairman



Susan Kay-Williams
Chief Executive

Independent auditor's report to the members of The Royal School of Needlework

Opinion

We have audited the financial statements of The Royal School of Needlework (the 'parent charitable company') for the year ended 31 August 2018 which comprise the consolidated statement of financial activities, the consolidated and parent charitable company's balance sheets, the consolidated statement of cash flows, the principal accounting policies and the notes to the financial statements. 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 and parent charitable company's affairs as at 31 August 2018 and of the group's 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 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 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.

Conclusions relating to going concern

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

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

Independent auditor's report Year to 31 August 2018

Other information

The Council members are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 report of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the report of the Council has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the report of the Council.

We have nothing to report in respect of the following matters in relation to which 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 charitable parent company financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of Council members' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the Council members were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

Responsibilities of Council members

As explained more fully in the statement of the Council's responsibilities, the Council members 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 Council members 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 Council members are responsible for assessing the group and 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 Council members either intend to liquidate the 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. 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 parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the charity's Council members, as a body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the parent charitable company's members and the parent charitable company's Council 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 parent charitable company, the parent charitable company's members as a body and the parent charitable company's Council members, as a body, for our audit work, for this report, or for the opinions we have formed.


Katharine Patel, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 1 March 2019

Consolidated statement of financial activities (including the Income and Expenditure Account) Year ended 31 August 2018

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2018 Total funds £	2017 Total funds £
Income and expenditure						
Income from:						
Donations and legacies	1	69,159	201,884	—	271,043	239,499
Investment income	2	182,903	—	—	182,903	167,185
Income from trading activities	3	358,150	—	—	358,150	384,266
Charitable activities						
. School activities	4	1,414,116	—	—	1,414,116	1,126,852
Total income		2,024,328	201,884	—	2,226,212	1,917,802
Expenditure on:						
Raising funds	5	460,661	17,583	—	478,244	454,158
Charitable activities						
. Costs of school activities	6	1,648,816	190,162	5,948	1,844,926	1,454,040
Total expenditure		2,109,477	207,745	5,948	2,323,170	1,908,198
Net income (expenditure) before investment gains and losses	8	(85,149)	(5,861)	(5,948)	(96,958)	9,604
Realised gains/(losses) on investments	11	2,950	249	2,955	6,154	(22,531)
Unrealised gains on investments	11	75,688	6,373	75,769	157,830	416,464
Net income and net movement in funds		(6,511)	761	72,776	67,026	403,537
Reconciliation of funds:						
Fund balances brought forward at 1 September 2017		2,178,186	465,067	2,440,556	5,083,809	4,680,272
Fund balances carried forward at 31 August 2018		2,171,675	465,828	2,513,332	5,150,835	5,083,809

Balance sheets 31 August 2018

	Notes	Group		Charity	
		2018 £	2017 £	2018 £	2017 £
Fixed assets					
Tangible assets	9	47,751	80,356	47,751	80,356
Investments	11	5,055,159	4,928,585	5,055,259	4,928,685
		<u>5,102,910</u>	<u>5,008,941</u>	<u>5,103,010</u>	<u>5,009,041</u>
Current assets					
Stocks	12	64,398	58,276	27,593	21,565
Debtors	13	137,353	98,309	205,110	100,169
Cash at bank and in hand		375,733	365,689	297,279	325,442
		<u>577,484</u>	<u>522,274</u>	<u>529,982</u>	<u>447,176</u>
Creditors: amounts falling due					
within one year	14	(524,769)	(442,616)	(471,227)	(367,618)
Net current assets		<u>52,715</u>	<u>79,658</u>	<u>58,755</u>	<u>79,558</u>
Total net assets		<u>5,155,625</u>	<u>5,088,599</u>	<u>5,161,765</u>	<u>5,088,599</u>
Represented by:					
Capital and reserves					
Called up share capital	15	290	290	290	290
Capital redemption reserve	16	4,500	4,500	4,500	4,500
		<u>4,790</u>	<u>4,790</u>	<u>4,790</u>	<u>4,790</u>
The funds of the charity:					
Endowment funds	17	2,513,332	2,440,556	2,513,332	2,440,556
Restricted funds	18	465,828	465,067	465,828	465,067
Unrestricted funds:					
. General fund		1,521,675	1,378,186	1,527,815	1,378,186
. Designated fund	19	650,000	800,000	650,000	800,000
		<u>5,150,835</u>	<u>5,083,809</u>	<u>5,156,975</u>	<u>5,083,809</u>
		<u>5,155,625</u>	<u>5,088,599</u>	<u>5,161,765</u>	<u>5,088,599</u>

Approved by the Council of Members on 20 February 2019 and signed on its behalf by:



Andrew Palmer
Chairman



Samantha Hoe-Richardson
Honorary Treasurer

The Royal School of Needlework: Company Registration Number 12192

Consolidated statement of cash flows Year to 31 August 2018

	Notes	2018 £	2017 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(210,269)	(131,663)
Cash flows from investing activities:			
Investment income		182,903	167,185
Purchase of tangible fixed assets		—	(1,527)
Proceeds from the disposal of investments		305,586	292,776
Purchase of investments		(279,773)	(342,669)
Net cash provided by investing activities		208,716	115,765
Change in cash and cash equivalents in the year		(1,553)	(15,898)
Cash and cash equivalents at 1 September 2017		420,249	436,147
Cash and cash equivalents at 31 August 2018	B	418,696	420,249

Notes to the statement of cash flows for the year to 31 August 2018

A Reconciliation of net movement in funds to net cash used in operating activities

	2018 £	2017 £
Net movement in funds (as per the statement of financial activities)	67,026	403,537
Adjustments for:		
Depreciation charge	32,605	32,529
Gains on investments	(163,984)	(393,933)
Investment income	(182,903)	(167,185)
(Increase) in stocks	(6,122)	(4,888)
(Increase) decrease in debtors	(39,044)	12,676
Increase (decrease) in creditors	82,153	(14,419)
Increase in capital redemption reserve	—	20
Net cash used in operating activities	(210,269)	(131,663)

B Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	375,733	365,689
Cash held by investment managers	42,963	54,560
Total cash and cash equivalents	418,696	420,249

Principal accounting policies Year to 31 August 2018

General information

The Royal School of Needlework is a company, limited by shares and is registered in England and Wales. The registered number is 12192 and the registered office is Apartment 12A, Hampton Court Palace, East Molesey, Surrey, KT8 9AU.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 August 2018.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Council Members and management to make certain judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include: stock provisions, estimating the useful economic life of tangible fixed assets and legacy recognition.

Assessment of going concern

The Council has assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Council has made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Council has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Council is of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 August 2019, the most significant areas that affect the carrying value of the assets held by the charity are the level of donations and legacies, the level of investment return and the performance of the investment markets.

Principal accounting policies Year to 31 August 2018

Consolidation

Consolidated financial statements ("group financial statements") have been prepared in respect of the charity and its wholly owned subsidiary, RSN Enterprises Limited. The results of RSN Enterprises Limited have been consolidated on a line-by-line basis.

A separate statement of financial activities for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by the Charities SORP FRS 102. The company has also taken advantage of the exemption in the Companies Act 2006 Section 408 not to present its own statement of financial activities. Net income of £73,167 (2016/17: £351,471) is attributable to The Royal School of Needlework.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations and legacies, investment income, income from trading activities and school income.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued when the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds or where the donation is specifically for a subsequent period, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102, volunteer time is not recognised.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

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

Income from school activities is accounted for on an accruals basis; where fees are received for courses commencing in the following financial period, the income is deferred to the next financial period.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes investment management fees, the costs of the trading subsidiary company and costs incurred in encouraging people and organisations to contribute financially to the charity.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include the direct cost of operating the school and support costs.

Allocation of support and governance costs

Support costs represent indirect charitable expenditure including governance costs. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment. Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect of its compliance with regulation and good practice.

Support costs (which are predominantly staff costs for the Chief Executive and marketing and finance teams) are apportioned between expenditure on raising funds and on charitable activities (which comprises costs of school activities) based on an estimate of the proportion of the time spent on each area. Governance costs are all included within expenditure on charitable activities (costs of school activities).

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at the following annual rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life:

- | | |
|--------------------------|--|
| ◆ Fixtures and fittings | 10% on cost |
| ◆ Office equipment | 20% on cost |
| ◆ Leasehold improvements | 10% on cost or if shorter over the remaining term of the lease |

Fixtures and fittings and office equipment with a value greater than £1,000 are capitalised.

Principal accounting policies Year to 31 August 2018

Heritage assets

The Royal School of Needlework possesses a collection of historic embroidery, the value of which has not been included in the financial statements, as the Council does not believe that the value of ascertaining their market value would be commensurate with the associated cost. Further details are disclosed in note 10 to the financial statements.

Investments

Investments are included on the balance sheet at their market value at the end of the financial period. Investment income is credited to income on an accruals basis, using dates of payment for dividends and daily accruals for interest. Realised and unrealised gains and losses are credited, or debited, to the statement of financial activities in the year in which they arise.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Materials	- At purchase cost on a first-in, first-out basis
Work-in-progress, finished work and goods held for re-sale	- At purchase cost or at cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Principal accounting policies Year to 31 August 2018

Fund accounting

The unrestricted general fund comprises those monies which may be used towards meeting the charitable objectives of the charity at the discretion of the Council.

The designated fund comprises monies set aside out of unrestricted funds for future projects or purposes.

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to conditions imposed by the donor.

The endowment funds comprise permanent endowments, where the capital is held indefinitely and the income is used for prizes and training for students and expendable endowments, where both the capital and income can be used for student scholarships or the general purposes of the charity.

Notes to the financial statements Year to 31 August 2018

1 Donations and legacies

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2018 £	Total 2017 £
Donations	30,792	201,884	—	232,676	216,017
Legacies	38,367	—	—	38,367	23,482
2018 Total funds	69,159	201,884	—	271,043	
2017 Total funds	76,861	162,638	—		239,499

2 Investment income

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2018 £	Total 2017 £
Bank and deposit interest received	658	—	—	658	679
Income from listed investments	182,241	—	—	182,241	166,506
2018 Total funds	182,899	—	—	182,899	
2017 Total funds	167,185	—	—		167,185

3 Income from trading activities

The Royal School of Needlework has a wholly owned trading subsidiary which is incorporated in England and Wales. RSN Enterprises Limited undertakes the retail activities of The Royal School of Needlework. The company donates its taxable profits to the charity under Gift Aid. A summary of the company's trading results is shown below. Audited financial statements have been filed with the Registrar of Companies.

RSN Enterprises Limited – Statement of comprehensive income

	Total 2018 £	Total 2017 £
Turnover	361,943	395,066
Cost of sales	(290,416)	(272,051)
Gross profit	71,527	123,015
Other operating income	7,837	728
Administrative expenses	(85,506)	(71,677)
Operating (loss)/profit	(6,142)	52,066
Gift Aid donation to The Royal School of Needlework	—	(52,066)
Retained loss for the financial year	(6,142)	—

In the year ended 31 August 2018, turnover includes £11,630 (2017: £11,528) of income received by RSN Enterprises Limited from the charity, which is eliminated upon consolidation.

4 Income from school activities

Income from school activities is wholly unrestricted and comprises mainly fees for the Degree programme, Certificate and Diploma programme, Future Tutors and Short Courses.

5 Expenditure on raising funds

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2018 £	Total 2017 £
Costs of trading subsidiary	375,802	—	—	375,802	343,728
Investment managers' fees	38,668	—	—	38,668	37,204
Advertising and literature	43,088	—	—	43,088	43,856
Fundraising costs	2,666	13,367	—	16,033	15,754
Travelling & other costs	437	4,216	—	4,653	13,616
2018 Total funds	460,661	17,583	—	478,244	
2017 Total funds	427,680	26,478	—		454,158

6 Costs of school activities

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2018 £	Total 2017 £
Staff costs	973,943	85,581	—	1,059,524	974,511
Other costs	674,873	104,581	5,948	785,402	479,529
2018 Total funds	1,648,816	190,162	5,948	1,844,926	
2017 Total funds	1,275,211	171,779	7,050		1,454,040

7 Staff costs

	2018 £	2017 £
Wages and salaries	1,150,550	1,022,415
Social security costs	80,723	74,501
Pension costs	34,596	69,218
	1,265,869	1,166,134
Staff costs by function were as follows:		
Cost of school activities	1,059,524	974,511
Cost of raising funds	206,345	191,623
	1,265,869	1,166,134

The average monthly number of employees during the year was 46 (2017: 47) and on a full time equivalent basis was 26 (2017: 24).

7 Staff costs (continued)

The number of employees who earned £60,000 or more (including taxable benefits but excluding employer's pension contributions) during the year was as follows:

	2018	2017
£90,001 - £100,000	1	1

No Council Members received reimbursement of travelling expenses in the year (2017: none).

No remuneration was paid to the Council Members in the year (2017: none).

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day-to-day basis comprise the Council and the Chief Executive. The total cost of the remuneration (including taxable benefits, employer's national insurance and pension contributions) of the key management personnel for the year was £106,886 (2017: £105,028).

8 Net (expenditure) income before investment gains and losses

These are stated after charging:

	2018 £	2017 £
Depreciation	32,605	32,529
Auditor's remuneration		
· Charity audit	7,400	7,280
· Trading subsidiary audit	3,250	3,150
· Other services – charity and trading subsidiary	1,642	907
Lease expenses		
· Land and buildings	122,685	117,704
· Other	16,660	14,257

9 Tangible fixed assets

Group and Charity	Leasehold improvements £	Office equipment £	Fixtures and fittings £	Total £
Cost				
At 1 September 2017	150,509	77,847	55,686	284,042
Additions	—	—	—	—
At 31 August 2018	150,509	77,847	55,686	284,042
Depreciation				
At 1 September 2017	105,020	67,943	30,723	203,686
Charge for year	22,745	3,456	6,404	32,605
At 31 August 2018	127,765	71,399	37,127	236,291
Net book values				
At 31 August 2018	22,744	6,448	18,559	47,751
At 31 August 2017	45,489	9,904	24,963	80,356

10 Heritage assets

The RSN is rich in heritage assets comprising embroidered textiles, designs, company archives, photographs and student pieces. The RSN does not generally have the funds to acquire pieces so most of the collection has been donated. The acquisition policy relates firstly to items that have an RSN connection, then to items of a high standard of work and/or types of work not already included in the collection.

The Collection of textiles comprises objects almost all of which have been donated to the RSN and which are mostly examples of embroidery, with some examples of lace. Whilst there are a few pieces from the 16th century, most date from the 19th and 20th centuries. They comprise many embroidery techniques from the UK and around the world. Also included are a number of pieces worked by the RSN and its students, especially from the original Diploma course, which ran from the late 19th century until 1960, which have been given back to the RSN by the families.

The Archive comprises registers, minutes and other paperwork relating to the management of the RSN, photographs and ephemera from various events. It also contains workbooks of jobs undertaken from the 1940s onwards, some with samples, and drawings. The largest holding is of designs relating to work undertaken in the Studio.

The RSN collection and archive is unique and though it is only minimally catalogued, researchers are given access to specific parts of the archive if it can be identified. The Collection and Archive are made available for student research and for public exhibition.

The RSN also endeavours to offer public access to the Collection through exhibitions and study days both at Hampton Court and elsewhere. Researchers wishing to access the archive can also make appointments but with the caveat that we do not have a resident archivist or curator and most parts of the archive are not catalogued, especially the designs. The most popular requests are whether a family member worked for the RSN (until the registers are digitised this will not be possible to answer), and also in relation to the work the RSN did in therapeutic stitch during the First World War.

Heritage assets have not been capitalised in the financial statements as the Council considers that the significant costs involved in valuing the charity's collection of historic embroidery would outweigh the benefits derived from such an exercise.

11 Investments

	2018 £	2017 £
Listed investments and cash holdings	5,055,159	4,928,585
Group total	5,055,159	4,928,585
Shares in subsidiary undertaking at cost	100	100
Charity total	5,055,259	4,928,685

The charity owns the entire issued share capital of RSN Enterprises Limited which is incorporated in England and Wales. Its registered number is 3158058 and its registered address is the same as the RSN.

Notes to the financial statements Year to 31 August 2018

11 Investments (continued)

	2018 £	2017 £
Aggregate share capital and reserves of RSN Enterprises Limited	(6,042)	100

	Listed investments & cash holdings £
Market value at 1 September 2017	4,874,025
Additions at cost	279,773
Disposal proceeds	(305,586)
Realised gains	6,154
Unrealised gains	157,830
Market value at 31 August 2018	5,012,196
Cash held by investment managers	42,963
	5,055,159

Listed investments held at 31 August comprised the following:

	2018 £	2017 £
Fixed interest	783,134	728,969
UK equities	1,974,959	2,000,826
Overseas equities and equity funds	1,285,264	1,161,426
Other listed investments	968,839	982,804
	5,012,196	4,874,025
Listed investments at cost	3,476,619	3,417,465

12 Stocks

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Materials	27,593	21,565	27,593	21,565
Finished work and goods held for resale	36,805	36,711	—	—
	64,398	58,276	27,593	21,565

13 Debtors

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Trade debtors	23,602	20,295	6,645	1,950
Prepayments and accrued income	113,751	78,014	91,854	71,926
Amounts owed by subsidiary company	—	—	106,611	26,293
	137,353	98,309	205,110	100,169

14 Creditors: amounts falling due within one year

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Trade creditors	83,274	40,565	65,952	37,217
Other taxes and social security costs	26,587	28,309	19,010	20,809
Accruals and deferred income	414,908	373,742	386,265	309,592
	524,769	442,616	471,227	367,618

Deferred income

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Brought forward at 1 September	278,987	280,577	224,310	259,533
Deferred in the year	325,587	260,718	306,436	206,041
Released in the year	(274,111)	(262,308)	(219,434)	(241,264)
Carried forward at 31 August	330,463	278,987	311,312	224,310

15 Share capital

	Issued, called up and fully paid	
	2018 £	2017 £
Ordinary shares of £10 each	290	290

16 Capital redemption reserve

	2018 £	2017 £
450 Ordinary shares of £10 each (2017 – 450)	4,500	4,500

Notes to the financial statements Year to 31 August 2018

17 Endowment funds

	At 1 September 2017 £	Expenditure £	Investment gains £	At 31 August 2018 £
Victoria Adams Fund	1,899,557	(5,500)	61,277	1,955,334
General Endowment Fund	515,801	—	16,639	532,440
Hilda Watson Fund	3,284	(100)	106	3,290
Charrington / Broderers Fund	3,384	(100)	108	3,392
Sheila Fraser Fund	147	(148)	1	—
Wendy Hogg Fund	18,383	(100)	593	18,876
	2,440,556	(5,948)	78,724	2,513,332

- a) The Victoria Adams Fund is an expendable endowment fund for student scholarships and the general purposes of the charity;
- b) The General Endowment Fund provides for the training of students;
- c) The Hilda Watson Fund provides prizes for Silk Work;
- d) The Charrington / Broderers Fund provides prizes for students;
- e) The Sheila Fraser Fund is an expendable endowment to provide prizes for students;
- f) The Wendy Hogg Fund is an expendable scholarship / prize fund for students.

18 Restricted funds

	At 1 September 2017 £	Income £	Expenditure £	Investment gains £	Transfers between funds £	At 31 August 2018 £
Janet Churm Fund	205,281	—	(50,214)	6,622	—	161,689
Degree Building Improvements	26,682	—	(7,416)	—	—	19,266
Future Tutor Programme	20,750	88,900	(73,116)	—	—	36,534
Degree Programme	—	30,190	(30,190)	—	—	—
Campaign HCP New Rooms	45,677	—	(16,790)	—	—	28,887
Collection & Digitisation Appeal	26,815	70,504	(7,613)	—	51,218	140,924
Embroider a Selfie	—	10,000	(5,434)	—	10,000	14,566
Other Campaign Funds	111,873	2,290	(16,972)	—	(61,218)	35,973
Other Restricted Legacy	27,989	—	—	—	—	27,989
	465,067	201,884	(207,745)	6,622	—	465,828

- a) The Janet Churm Fund provides support for both the Degree and Future Tutor programmes and was funded by a generous legacy from the estate of the late Mrs Janet Churm.
- b) The Degree Building Improvements Fund was established when the RSN Degree programme commenced. Expenditure relates to the depreciation on leasehold improvements, which were required to set up the Degree rooms at Hampton Court Palace.

18 Restricted Funds (continued)

- c) The Future Tutor Programme Fund specifically provides bursaries, prizes and day-to-day support for the Future Tutor programme and includes restricted donations and legacies from a number of donors.
- d) The Degree Programme Fund specifically provides bursaries, prizes and day-to-day support for the Degree Programme and includes restricted donations and legacies from a number of donors.
- e) The Campaign HCP New Rooms Fund was established to fund the improvement works and equipment required to set up additional rooms at Hampton Court Palace, which were taken on in 2015 to accommodate expansion. It was funded by donations from a wide number of RSN Friends and other donors. Expenditure includes depreciation on capital works.
- f) The RSN Collection & Digitisation Appeal took place in the summer of 2017 and includes donations from a large number of RSN Friends, supporters and other donors towards the Cataloguing and Digitisation of the RSN Archive and Collection. This project is in the planning stages and it is anticipated that it will get underway in the latter part of 2018/19 once the current IT transformation project is completed.
- g) The Embroider a Selfie fund is a new project to introduce stitch to young people. It was in its pilot phase in 2017/18.
- h) Other Campaign Funds include donations from a number of donors towards the RSN Stitch Bank, Archive & Collection Digitisation, Distance Learning and General Campaign projects. The RSN Stitch Bank project commenced in 2016/17. The Distance Learning funds have no longer been required and have been transferred to the Embroider a Selfie project and general campaign costs. The Archive & Collection Digitisation projects will commence in the second half of 2018/19 and funds have been transferred to the Collection & Digitisation fund.
- i) The Other Restricted Legacy Fund relates to a legacy received in 2016/17, which will provide support for the Future Tutor Programme.

19 Designated funds

	At 1 September 2017 £	New Designations £	Utilised/ released £	At 31 August 2018 £
Futures campaign	800,000	—	(150,000)	650,000

The Futures campaign fund comprises monies set aside for various campaign projects. During 2017/18 £150,000 of this fund was utilised for the RSN IT transformation project and the launch of Distance Learning.

20 Analysis of net assets between funds

Group	Share- holders funds £	Restricted funds £	Un- restricted funds £	Endowment funds £	Total 2018 £	Total 2017 £
Tangible fixed assets	—	33,106	14,645	—	47,751	80,356
Investments	—	322,558	2,219,269	2,513,332	5,055,159	4,928,585
Current assets	4,790	155,614	417,080	—	577,484	522,274
Creditors: amounts falling due within one year	—	(45,450)	(479,319)	—	(524,769)	(442,616)
Total net assets	4,790	465,828	2,171,675	2,513,332	5,155,625	5,088,599

Charity	Share- holders funds £	Restricted funds £	Un- restricted funds £	Endowment funds £	Total 2018 £	Total 2017 £
Tangible fixed assets	—	33,106	14,645	—	47,751	80,356
Investments	—	322,558	2,219,369	2,513,332	5,055,259	4,928,685
Current assets	4,790	155,614	369,578	—	529,982	447,176
Creditors: amounts falling due within one year	—	(45,450)	(425,777)	—	(471,227)	(367,618)
Total net assets	4,790	465,828	2,177,815	2,513,332	5,161,765	5,088,599

21 Operating lease commitments

As at 31 August 2018, the group and charity had the following future minimum payments under non-cancellable operating leases:

	Land and buildings £	Equipment £	2018 £	2017 £
Operating lease payments due:				
within the next year	142,539	14,866	157,405	151,651
between two and five years	—	52,107	52,107	154,400
after more than five years	—	—	—	—
	142,539	66,973	209,512	306,051

22 Related party transactions

RSN Enterprises Limited has donated its taxable profits of £Nil for the year ended 31 August 2018 via Gift Aid to the charity (2017: £52,066).

At 31 August 2018, £106,611 is due by RSN Enterprises Limited to the charity (2017: £26,293).

Council Members paid an aggregate of £878 (2017: £2,041) for classes and events, £35 (2017: £140) for Friends' subscriptions at standard un-discounted rates and donations of £175 (2017: £10).