

# **The Royal School of Needlework**

## **Annual Report and Consolidated Financial Statements**

31 August 2019

Company Registration Number  
12192 (England and Wales)

Charity Registration Number  
312774

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## Reference and administrative information

<b>Patron</b>	HRH The Duchess of Cornwall
<b>President</b>	HRH The Duchess of Gloucester
<b>Council Members</b>	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 Mrs Sharan Wicks Mrs Stephanie Wright* *Members of the Finance and Investment Committee
<b>Chief Executive</b>	Dr Susan Kay-Williams
<b>Registered office</b>	Apartment 12A Hampton Court Palace East Molesey Surrey KT8 9AU
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Barclays Bank plc 8/12 Church Street Walton on Thames Surrey KT12 2QX
<b>Investment managers</b>	J M Finn & Co 4 Coleman Street London EC2R 5TA
<b>Company registration number</b>	12192 (England and Wales)
<b>Charity registration number</b>	312774

## Chairman's Introduction Year to 31 August 2019

After a very busy year in 2017-18, this year was about consolidation, which is sometimes necessary as an organisation grows from where it can be managed by a small team of multi-taskers to requiring both more personnel and more specialists to deliver, or help others deliver, the programmes. New staff were brought in to assist with operations and fundraising.

At the beginning of the year the RSN moved over all its systems on to new IT software and hardware. Such matters are always more problematical than one would wish and this experience was no exception. Following the migration it was realised that we would need to employ our own IT manager on site to deal with the many issues that had arisen. Some of this is down to the complexity of the RSN. It is a small organisation and yet operates in many different ways, requiring systems that can be adaptable and flexible. At the start of the year there were a significant number of issues but since the appointment of an IT Manager these have been tackled systematically. I want to thank the staff for their patience and resilience working through these issues.

The RSN is very proud of its higher education offering, the BA in Hand Embroidery for Fashion, Interiors, Textile Art but having this course means that the RSN has to be subject to government scrutiny and changes in the higher education sector. Back in 2018 the RSN applied to become registered with the Office for Students (OfS) in order to maintain its Tier 4 Visa accreditation for the Degree's international students. Finally, in March 2019 this was granted. The new regulatory framework for higher education puts additional burdens on the RSN, especially as a small provider. The Council always considers the Degree at each meeting and it endeavours to take a proportional approach to the additional requirements.

Meanwhile, the degree students produced a very broad body of work, which was much appreciated by Patrick Grant whom we were pleased to welcome to hand out the prizes and awards at the end of the year. Patrick has been a very positive supporter of the course and the graduates it produces.

This year the Certificate and Diploma had a healthy position with an increase in class uptake in both regular classes and summer intensives where some 85 places were taken over the eight weeks. In the US 18 places were quickly sold for each event.

Fundraising remains an important part of the RSN to enable it to undertake new initiatives. This year we were extremely grateful to a trust which has long supported the RSN and which was winding up. They chose to make a significant donation to the RSN which, well invested, will continue to deliver an annual income equivalent to what they used to give. This will be used to support tutor training. We have also been raising funds for the RSN Stitch Bank. This aims to conserve and preserve every stitch in the world, contemporary and historical but to do this we need to raise the funds. This is a work in progress that we hope to launch in 2020.

The RSN has had international links since it exhibited in the USA in 1876. Today we teach in the US and Japan but we are always keen to extend cultural exchange and welcomed the opportunity for the Degree students to spend a day with Master Kim of Korea. She is a Master of Korean Hanbok embroidery and our students all enjoyed learning from her, with the added bonus of one of our Future Tutors being able to translate, with a shared understanding of embroidery. In July the Chief Executive and an RSN tutor were invited to China on a cultural exchange where they taught some hand embroidery classes and met with a number of

## Chairman's Introduction Year to 31 August 2019

organisations to discuss the possibility for future links. We will look at a couple of opportunities that could be of benefit to students over the next year or so.

As a year of consolidation, there were no big initiatives to drive additional income this year. As ever the team aimed for a break-even budget. While this was more than achieved thanks to the large donation, a number of anticipated income sources were less than expected at the year end, including day classes and investments. Fundraising for the RSN Stitch Bank did not reach the hoped for target, though money has continued to come in beyond August and it is anticipated that this will certainly meet its target as the project gains momentum, especially as a way to commemorate keen stitchers and recognise stitch groups through the Adopt-a-Stitch campaign.

The staff team have worked hard over the year to build the RSN of the future. I want to thank the staff team for all their work this year. Also central to the RSN are the tutors who bring their skills and enthusiasm to the classrooms at each of the RSN locations. The Council and I wish to thank everyone for the contribution they have made to the development of the RSN.


During the year the Trustees, Senior Management Team and staff worked on developing the strategic plan for the RSN over the next five years. This will be an important period for the organisation as the RSN will celebrate its 150<sup>th</sup> anniversary in 2022.

While our mission remains the same, to keep the art of hand embroidery alive, our vision is to be acknowledged as the best school of hand embroidery in the world that is recognised for its embroidery knowledge and reference resources as much as its teaching. Our underpinning values are summarised as Tradition, Quality and Innovation, recognising where we have come from while embracing the new and always working at a high standard.

We have six strategic goals:

- Build resilience to sustain the RSN beyond the 150<sup>th</sup>.
- Build reputation, awareness, engagement and income through the 150<sup>th</sup> anniversary.
- Enhance the quality and range of the RSN offering, including teaching, exhibitions and distance learning to reach more people in more places.
- Bring to fruition the RSN Stitch Bank and the digitisation of the Collection and Archive to increase awareness of the RSN and its central role in stitch knowledge and stitch history.
- Find a meaningful role for the RSN Studio with a core offering which can underpin the variability of other work.
- Grow resources through core activity, fundraising and commercial initiatives.

We certainly want to celebrate our anniversary in style and to do this we will be planning with external partners to maximise the opportunities available to the RSN and all its supporters, but through the plan we will also be looking at the longer term, ensuring that we are set up to continue long beyond the anniversary as the centre of stitch education.



**Andrew Palmer**  
Chairman

## Report of the Council Year to 31 August 2019

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 2019. 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 Introduction set out on pages 2 to 3 also form part of the report.

The financial statements have been prepared in accordance with the accounting policies on pages 25 to 29 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).

### 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 the objects.

#### 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.

The RSN believes that it is important to spread its mission through its public benefit role and does this in a number of ways. During 2018-19 these have included

- ◆ Working with an increasing number of museum partners including the D-Day Story Museum in Portsmouth which displays the Overlord Embroidery, made by the RSN in the late 1960s and early 1970s, and the Victoria and Albert Museum.
- ◆ Providing background from our archives for the 'retelling' of the making of the Hastings embroidery from 1965-66 and an 'expert witness' through Liz Elvin who worked on the piece.
- ◆ Offering opportunities for people to find out more about the RSN through its archive. This year we have responded to requests regarding :
  - ◇ Presents to the Royal Family;
  - ◇ Erica Wilson's time at the RSN for a major retrospective of her life in the US; and
  - ◇ The commissioning of historic pieces listed in the RSN's work books
- ◆ We have exhibited work by RSN students and from the RSN Collection extensively this year including in Exeter, Lisburn, Northern Ireland, Harrogate and London, as well as at Hampton Court Palace.

## ACTIVITIES AND ACHIEVEMENTS (continued)

### Public Benefit (continued)

- ◆ We have undertaken four exhibitions of final work from RSN students across the Degree, Future Tutors, Certificate and Diploma which are all open to the public as well as to industry specialists.
- ◆ We held two exhibitions open to the public at Hampton Court this year: *Animals in Embroidery* and *The Embroidered Home* both of which brought in a wide range of visitors including WIs, Embroiderers Guilds, U3A, special interest groups and Arts Society groups.
- ◆ The Chief Executive has lectured nationally and internationally on the RSN's history, the work of its Studio and especially the work of its students including at Winterthur in the USA and with the Degree Course Leader at the Costume Colloquium in Florence.
- ◆ We undertake exhibitions and teach taster classes at the Knitting and Stitching events and other events.
- ◆ Degree and Future Tutor students constructed and embroidered a den for HRH The Duchess of Cambridge for her garden at Hampton Court Garden Festival.

Further examples will be given under the individual subject areas.

### Degree

During the year the course and the RSN had to be re-validated by UCA as part of its quinquennial programme to ensure courses are kept fresh and appropriate to meet the professional needs of the industry. This gave the Course Leader and team the opportunity to review a number of aspects of the course but it was also the time to consolidate those areas which make this course unique such as the investment in technical training and the partnership opportunities that students have on offer.

Also this year we heard that the RSN and hand embroidery course had successfully achieved registration with the Office for Students, something which is required to maintain our Tier 4 status by which we can accept international students on to the degree. This will be an ongoing area for the Trustees to oversee, to ensure the organisation maintains the changing requirements of higher education monitoring.

Second year students take part in a live project and each year is different. This year it was to work with a Korean Master of Embroidery and Kingston University textile students, learning about Hanbok, the traditional Korean wedding garments and then making work in response to the Hanbok with the theme of insects. The final pieces were displayed at the Stanley Picker Gallery in Kingston University, which was open to the public and some have been selected to go to Seoul. These live projects help students to think more widely about their practice and they also help them to work to a timescale or brief which may be more defined than other things they might do.

We also undertook work for Patrick Grant's company E Tautz again for a runway show. Such opportunities give students the real experience of working on pieces for others and of collective working and deadlines.

**ACTIVITIES AND ACHIEVEMENTS** (continued)

**Degree** (continued)

Like other places of higher education the RSN has noticed an increase in the mental health and wellbeing requirements of the students. As one way of mitigating this and trying to take the burden off the academic team, the RSN employed its own mentor to start helping the students with their wellbeing issues. This will be an ongoing support.

At the end of the year the RSN was invited to exhibit at Graduate Fashion Week with a small display. The top three students whose work was in fashion were selected: Dev Patel, Charlie-Anne Ellis and Abi Norohna. We held our full show of all students' work and then the third year students only at Hampton Court to which we were pleased to have visits from many industry contacts. We also welcomed family and friends, as well as general visitors to Hampton Court Palace. Finally, the work was shown at New Designers the annual event for graduates in the creative arts at the Business Design Centre.

Three students who graduated in 2018 went on to be winners of the prestigious Hand and Lock hand embroidery prizes: Lizzie Lowe won the Broderers' Prize, Beth Cole was runner up for the Student Fashion award and Alex Standring won both the Gold and Silver Wyre Drawers' Award and the overall top award for Student – Textile Arts. Meanwhile RSN second year students won three of the top four awards at the Bradford Textile competition in the embroidery category.

The RSN is proud to be able to offer bursaries to our students and this year nearly 70% of students applied for this support. Bursaries can only be made available from specifically donated funds and we are very grateful to those who give this funding directly or through legacy bequests. This year we received funds from the Worshipful Companies of Broderers, Dyers, Girdlers, Gold and Silver Wyre Drawers, Haberdashers, Needlemakers, the Knights of the Round Table, and The Coats Foundation Trust. We are very grateful to them all.

We were delighted when two of our third year students Dev Patel and Carys Atkinson were invited to speak at the prestigious Port Eliot Festival in Cornwall interviewed by Tamara Cincik, CEO of Fashion Roundtable on the topic of Streetwear to Sustainability. Dev works in Streetwear and Carys' final project used recycled materials to reflect the bleaching of the world's coral. Third year Degree student Abigail Noronha was invited to show her work at the Victoria and Albert Museum during the All Party Parliamentary Group for Fashion and Textiles' event 'Global Britain, Local Stories'. And the RSN Degree was also invited to display some students' work from all three years in Lisburn, Northern Ireland at a public exhibition. Based on linen. The exhibition reflected the use of linen, which is a ground fabric for many different types of embroidery from crewelwork to blackwork.

Through the year and during holidays students have undertaken work for a number of ateliers, interiors companies and textile artists including E Tautz, Jasper Conran, Alexander McQueen, Ralph & Russo, Catherine Walker, M-Industry, Simone Rocha, Cathryn Avison for Disney and Susan Aldworth for the Hatton Gallery Newcastle. The companies appreciate the skill level and dedication of the RSN Degree students.



## **ACTIVITIES AND ACHIEVEMENTS** (continued)

### **Future Tutors**

There were ten Future Tutors this year with two third years, five second years and three first years. The policy is that we will not appoint to a number but rather select only those whom we feel will benefit from the course and offer a long-term return for the RSN. Some of the students will come with no prior experience of RSN stitch while two of our first years had both nearly finished their RSN Certificates before they started. However, they were asked to start in the first year so that we could ensure they had learned all the aspects of the techniques that they will need to know to be able to teach them.

As with the degree we encourage the Future Tutors to take part in competitions. This year second year student Martha Blackburn won Stitcher of the Year for her silk shaded blue tit at the National Needlework awards and Sarah de Rousset Hall was runner up for design for her portrait of David Bowie in Blackwork.

Each year we review the programme and look at what might need to be enhanced to better fit the students for their professional life beyond their qualification. This year we modified the third year so that the students will spend three days a week in the RSN Studio but then also have to work on their final professional project to produce day classes and their signature project where they can utilise any of the techniques they have learned. Third year Jung Byun entered her signature project of a silk shaded peacock in the Hand and Lock international stitch competition and has been awarded the special Broderers' prize.

While Future Tutors take the Certificate and Diploma course as their starting point, there are additional expectations on them, not least achieving a merit or distinction on each module, as well as undertaking aspects of art and design, a teaching qualification and business planning.

As the Future Tutors are ineligible for Government grants for higher education we are very grateful to those organisations and individuals who support the Future Tutors through either contributions to the course as a whole or by offering bursaries to the students. This year these included the Worshipful Companies of Broderers, Dyers, Girdlers, Gold and Silver Wyre Drawers, Needlemakers, the Barbara Whatmore Trust, the Headley Trust, Eva Stokes, the legacy gifts of Victoria Adams, Janet Churm, Wendy Hogg, The Coats Foundation Trust and an RSN Friend who wishes to remain anonymous. We are extremely grateful to them all.

Future Tutors also help the RSN to fulfil its public benefit obligations by offering taster classes at shows and exhibitions including the Knitting and Stitching shows and Family sessions which we run in the February, May and October half terms.

### **Certificate and Diploma**

Certificate and Diploma numbers increased this year following the recognition that attendees were spacing out their lessons more, so we worked to increase the total number of students attending and focused on regular attenders achieving one to two units a year. This has worked well, leading to fuller classes and we have also put on more weekend classes to meet need. In total some 360 people took at least one Certificate or Diploma class during the year.

## **ACTIVITIES AND ACHIEVEMENTS** (continued)

### **Certificate and Diploma** (continued)

For the summer intensive programme we again had an excellent show of numbers (85) for the Certificate. For the first time we offered classes on the Diploma too but numbers were surprisingly small. We will look at how we offer this in future, with the possibility of adding additional days' tuition for what is a much more complex topic so that it will help students to know that they will be able to complete the piece.

During the year we learned that we would have to leave our US home in Williamsburg but we have sought to find a new location not far away and this will be tested in the autumn. Meanwhile the satellites generally have achieved targets.

### **Short courses, private lessons and bespoke classes**

The RSN endeavours to offer classes in a variety of forms so that people can access them in a way that is right for them. Short courses provide excellent introductions to the different techniques as well as fun days out, while private lessons allow people to work on personal projects and bespoke classes enable small groups of people to explore a particular theme or technique on a day that suits them.

This year short courses struggled to achieve the numbers of the previous year and we had a full review of some of the issues which might be leading to this, though the biggest challenge is always trying to second guess which will be the popular classes. We will be applying some of the learning in 2019-20 as we aim to rebuild numbers though we are beginning to notice that the general malaise appears to be hitting this market as we observe other organisations showing signs of a similar down turn. However, private lessons and bespoke classes have been very successful this year impeded only by the lack of available space to hold additional sessions. As many people want their special sessions during the week we are limited to the rooms available.

We also held a pop-up series of classes in Lancaster for the first time. Moderately successful we are planning a second visit in 2020 to test out the value of repeat visits as part of our planning for 2022.

### **Studio**

Following the large projects for Buckfast Abbey, this year the Studio worked mostly on a variety of small pieces from many different sources. These included the transfer of embroidered altar frontals on to new backing fabrics, a technique which can give the frontals many more years of use, cleaning and mounting of samplers and making a new christening robe based on one which was now too fragile to be used. Perhaps one of the more unusual jobs was for Lady Carnarvon who asked the Studio to conserve the coronation robes worn by her predecessor in 1902 and 1911 for the coronations of Edward VII and George V, so that they could be displayed at the family home, Highclere Castle (better known as the setting for *Downton Abbey*).

## **ACTIVITIES AND ACHIEVEMENTS** (continued)

### **Studio** (continued)

The Studio team also took the opportunity to update their conservation skills and knowledge of techniques through a series of CPD days. Conservation methods are something which are always being updated so it is important to ensure that the Studio team understand the latest thinking and approaches.

As the Studio looks ahead they were pleased to be offered the opportunity to exhibit at Decorex, the renowned international exhibition for interiors. For this event, the name was summarised as RSN Studio so that it did not confuse the audience regarding the relationship of the School and the Studio. This is likely to be something we will use more in the future, to help the Studio have its own identity. The event was a good way to start building relationships but it will take time to convert into specific jobs.

### **Exhibitions**

All our exhibitions help the RSN to fulfil its Public Benefit requirements, but more than that they give people the opportunity to see a wide range of embroidery and to appreciate this art form in perhaps a new and different way.

At Hampton Court Palace we held two exhibitions, *Animals in Embroidery* and *The Embroidered Home*. The former predominantly featured pieces from RSN students and graduates while the latter featured pieces from the Collection. In this particular case, leading up to the exhibition we were presented with many additional examples of stitch in the domestic environment and some of them were used in the exhibition.

The *Worship and Glory* exhibition of ecclesiastical embroidery has been to a number of sites and this year spent a month in Exeter Cathedral. The location of the pieces meant that visitors could get very close to them to examine them in detail. This was much appreciated, by visitors and residents with several local people making repeat visits to see the works.

### **Collection and Archive**

The RSN is reliant totally on donations for its textile Collection. However, we cannot accept every piece that we are offered due to space constraints so our policy is focused on RSN-related pieces on high quality examples of stitch, or pieces which can be handled by students to learn more about techniques. This year we have been given some pieces that fall within each category. From a former RSN student, Jane Page who must have studied towards the end of the 1950s, we have received some of her Old Diploma pieces from which we can see the development of the programme at that time. As such, these are useful pieces for the history of the RSN itself as well as the stitch.

## **ACTIVITIES AND ACHIEVEMENTS** (continued)

### **Collection and Archive** (continued)

From the category of fine stitch donations this year include two particular pieces. The first is a mid 19<sup>th</sup> century Lord Chancellor of Ireland's purse. This originally belonged to Sir Maziere Brady who was Lord Chancellor to Queen Victoria in Ireland three times. This piece had been given to a friend and was handed down through his family until it was given to the RSN in 2018. It contains excellent examples of padded metal thread embroidery and of course links to the current British Lord Chancellor's Purse which was made by the RSN in 1984.

We have also accepted a large stitched box of stitched sample booklets for every letter of the alphabet from A for applique and B for blackwork to W for whitework and beyond. They were all made by a teacher of stitch, Dr Isabel Elliott who was Mistress of Embroidery at Gloucester Cathedral. This is a treasure trove of technique and fascinating examples. It was donated to the RSN after her death and has been much admired by the RSN tutors. It will be used for exhibitions and teaching purposes.

Other donations included a fire screen made in 1911 in a limited colour palette on linen, donated by Mrs Ann Low, an RSN Life Friend and an unmade-up slipper front in silk from China which will feature in a future exhibition. These items show the diversity of what we are offered.

In addition, as part of their training Future Tutors conserved some of the donations to the Collection allowing them to learn important conservation techniques such as cleaning, netting, backing, re-couching and stabilising textiles while ensuring our Collection remains in good condition.

For the archive this year we have received new information about the RSN in the 1920s and 1950s. All of the information that is given to us for the archive helps us to fill in the story of the RSN's past and will contribute to the information for the 150<sup>th</sup> anniversary in 2022.

Meanwhile we continue fundraising to enable us to digitise the Collection and large parts of the Archive. We now have over half the money needed and are applying to the National Lottery Heritage Fund but because of this, cannot make a start until after NLHF have made their decision.

### **Distance Learning**

The distance learning programme continued to be well received but in March 2019 the parent company of our partners, F&W Media, filed for Chapter 11 in the US. While the UK company was initially unaffected by mid-year it was clear that the UK operation was going to be sold. Fortunately, however the UK team managed to put together a management buy-out and the company will now continue under its new name of David and Charles. As such we only managed to create one new programme, contemporary crewelwork, during this time but we will be looking ahead now and are planning a further six titles in 2020. As a result of this upheaval, income from this source was slightly down against budget but both partners now feel we are on an even keel to move forward.

## **ACTIVITIES AND ACHIEVEMENTS** (continued)

### **Embroider a Selfie**

Embroider a Selfie is a key part of our public benefit and work with schools and other youth groups. We continued to promote this project, supported by the Worshipful Company of Girdlers, and now 46 schools have participated. We have been pleased and surprised by the variety of ways in which the schools have used the materials. They have been used as part of art and design classes, for lunchtime or after school clubs, for working with children who struggle academically and for those who are academically gifted and talented. This shows the versatility of the programme. Feedback from teachers also attests to the impact of stitch on the students, that it has a calming effect and has been participated in actively by both boys and girls, it being novel to both there are few received gender stereotypes. As such it is meeting the criteria set for it and we hope to encourage more schools to participate in the coming year.

### **Friends**

Following the updating of the IT systems we can see more clearly the number of active Friends and we will be looking to build this number over time. Friends were also invited to special Friends Days for each of the exhibitions at Hampton Court.

Friends also support the RSN through legacy bequests and gifts in kind. This year the latter were more common than the former. We sell materials and books given to raise funds for the RSN while stitched pieces will be considered for the Collection, whether for the main part or sometimes for the handling collection.

### **Retail**

As with other departments retail suffered this year with IT issues of systems not talking to each other, this had the effect of reducing the online sales against budget. However, counter sales were very good, exceeding last year due to a range of new products and sales to RSN students, tour visitors and Palace visitors.

Thanks to a small team of volunteers we have sold more donated product this year through the shop thanks to its presentation and packaging creating delightfully tempting offerings.

Work is ongoing to enhance the interface between the counter and online systems and then the next area to focus on will be how the online shop appears on computers and phones and how customers sort and select their purchases.

### **Fundraising declaration**

The RSN has to earn or raise its income. Earned income comes from the courses it runs as part of its charitable mission. Raised funds are sought to support core programmes such as the Future Tutors, bursaries for Future Tutor and Degree students and to enable the RSN to undertake new programmes such as the planned digitisation of the Collection and Archive and the creation of the RSN Stitch Bank. These funds are raised primarily from charitable trusts and livery companies. During this year we also asked our Friends and supporters to help us by adopting a stitch as part of the RSN Stitch Bank through a direct mail appeal. We also seek ongoing help through the Friends membership and asking our supporters for legacies.

## **ACTIVITIES AND ACHIEVEMENTS** (continued)

### **Fundraising declaration** (continued)

The RSN complies with the fundraising code and recognises GDPR requests of those who do not wish to receive fundraising requests. As stated above, individuals were specifically only asked for support towards the RSN Stitch Bank. The RSN has not received any fundraising complaints in 2018/19.

Donors this year have included a number of livery companies including the Worshipful Companies of Broderers, Dyers, Girdlers, Gold and Silver Wyre Drawers, Haberdashers, Needlemakers, charitable trusts including the Barbara Whatmore Charitable Trust, the Headley Foundation, the Eranda Rothschild Foundation, The Coats Foundation Trust, and those who wish to remain anonymous.

### **Review of overall performance**

This was a much-needed consolidation year, made more challenging by the IT systems needing more attention than had been planned. It also proved challenging for the Studio and the Day classes. We will be using the learning experiences of this year to take forward to try to build a stronger and more resilient organisation in the future, although this will take more than one year.

## **FUTURE DEVELOPMENTS**

### **The Year Ahead**

In 2019-20 the RSN will once again be outward looking starting with a stitched portrait of our Patron HRH The Duchess of Cornwall as part of the new exhibition *Faces and Figures in Embroidery*. Plans are already afoot for the second US summer school in July 2020 taking 12 tutors and 2 future tutors. We will also develop the Embroider a Selfie programme with a twist – to embroider a mantra defined as a word or phrase which gives strength/courage/self belief to the stitcher.

We are also starting to prepare for the anniversary in 2022. However, we will not be taking our eye off the fundamentals and working hard with day classes and the Studio to improve recent take up levels.

For example the Studio will be revisiting Decorex with a much more dynamic stand to show what we can do and following up with an open day for interior designers. They will also be working with Historic Royal Palaces to create classes based around motifs from the Bacton Altar Frontal/Elizabeth I's lost dress.

Meanwhile IT developments will continue to support and underpin many parts of the organisation.

## **FINANCIAL REVIEW**

### **Financial report for the year**

The consolidated statement of financial activities for the year shows a net surplus (before investment gains) of £142,916 (2017/18: deficit of £96,958).

The overall income for the year 2018/19 amounted to £2,357,491 (2017/18: £2,226,212), a year on year increase of 6%. Income from donations and legacies increased by 68% to £454,451 (2017/18: £271,043) mainly due to a donation of £250,000 from the HB Allen Charitable Trust upon their closure. Donations and legacies remain 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's income of £352,549 (2017/18: £358,150) decreased by 2%.

Income from charitable School activities amounted to £1,377,207 (2017/18: £1,414,116) a 3% decrease year on year. In the previous year income from charitable school activities had benefitted from the success of the 2018 US Summer School. Investment income of £173,284 (2017/18: £182,903) also decreased marginally.

The restricted fund income of £152,584 (2017/18: £201,884) consisted of resources earmarked for the Degree and Future Tutor programmes, the RSN Stitch Bank and Collection and Archive Digitisation Campaigns. The decrease compared with last year is mainly due to two generous donations for the Campaign in 2017/18 totalling £60,000. Restricted expenditure of £234,689 (2017/18: £207,745) was incurred against the Degree and Future Tutor programmes, for the RSN Stitch Bank project 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 £2,214,575, 5% less than the previous year (2017/18: £2,323,170). This is mainly due to the additional costs of the US Summer school and the IT transformation project that both took place in the previous year.

Net realised and unrealised gains on investments for the year amounted to £146,237 (2017/18: £163,984). At the balance sheet date, net assets totalled £5,444,778 (2018: £5,155,625) of which £2,223,252 (2018: £2,171,675) are unrestricted.

The Royal School of Needlework has an investment of £100 (2017/18: £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 £11,332 (2017/18: deficit of £6,142).

**FINANCIAL REVIEW** (continued)

**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 2019/20, the maximum expenditure for five consecutive months would be in the region of £1,120,000. 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.

The charity has total reserves of £5,444,778 (2018: £5,155,625). This includes endowment funds and restricted funds of £2,828,428 (2018: £2,513,332) and £388,308 (2018: £465,828) respectively and designated funds of £610,000 (2018: £650,000). After deducting funds represented by tangible fixed assets and shareholders' funds, this leaves free reserves at 31 August 2019 of £1,588,618 (2018: £1,473,924). There is currently an excess of free reserves over the target level of £1,120,000. Given the current economic uncertainty, the Council is of the opinion that the level of free reserves held is prudent at this time.

At a meeting on 30 July 2019 the Council agreed that £610,000 should be formally designated towards the planned developments within the strategic plan. This is a reduction of £40,000 from the previous designation due to expenditure in 2018/19 on an extension of the IT Transformation Project. The Council will review this designation on an ongoing basis. The £610,000 of funds that are designated are for future strategic projects, including the ongoing RSN Stitch Bank project and digitisation of the archive.

**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:

<b>Council members (Directors)</b>	<b>Appointed / Retired</b>
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*	

\* 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 2019 held one £10 share (2018: 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.

### **Appointment to Council**

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

## **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

### **Appointment to Council** (continued)

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.

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.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

### **Statement of the Council's responsibilities** (continued)

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 2019, the RSN employed 13 full time and 15 part-time management and administrative staff and core teams of 8 part time stitchers in the studio and 19 part time tutors. In addition, there are around 20 volunteers who assist with the library, studio Talk and Tours, marketing and data entry.

### **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.

## STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

### Risk management (continued)

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 on short course income, staff efficiency and morale.** The appointment of a new full time IT Manager in 2018/19 has made a significant difference to the IT system and staff efficiency.
- ♦ **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.

### 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 £11,332 (2017/18: loss of £6,142).,

This report is approved by the Council on 23 January 2020 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 2019 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 2019 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 2019

### **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](http://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:

**Consolidated statement of financial activities (including the Income and Expenditure Account)** Year ended 31 August 2019

		Unrestricted funds £	Restricted funds £	Endowment funds £	2019 Total funds £	2018 Total funds £
<b>Income and expenditure</b>	<b>Notes</b>					
<b>Income from:</b>						
Donations and legacies	1	51,867	152,584	250,000	<b>454,451</b>	271,043
Investment income	2	173,284	—	—	<b>173,284</b>	182,903
Income from trading activities	3	352,549	—	—	<b>352,549</b>	358,150
Charitable activities						
. School activities	4	1,377,207	—	—	<b>1,377,207</b>	1,414,116
<b>Total income</b>		<b>1,954,907</b>	<b>152,584</b>	<b>250,000</b>	<b>2,357,491</b>	<b>2,226,212</b>
<b>Expenditure on:</b>						
Raising funds	5	465,834	20,375	—	<b>486,209</b>	478,244
Charitable activities						
. Costs of school activities	6	1,507,877	214,314	6,175	<b>1,728,366</b>	1,844,926
<b>Total expenditure</b>		<b>1,973,711</b>	<b>234,689</b>	<b>6,175</b>	<b>2,214,575</b>	<b>2,323,170</b>
<b>Net (expenditure)/income before investment gains and losses</b>	8	<b>(18,804)</b>	<b>(82,105)</b>	<b>243,825</b>	<b>142,916</b>	<b>(96,958)</b>
Realised (losses)/gains on investments	11	(31,068)	(2,024)	(31,460)	<b>(64,552)</b>	6,154
Unrealised gains on investments	11	101,449	6,609	102,731	<b>210,789</b>	157,830
<b>Net movement in funds</b>		<b>51,578</b>	<b>(77,520)</b>	<b>315,096</b>	<b>289,153</b>	<b>67,026</b>
<b>Reconciliation of funds:</b>						
<b>Fund balances brought forward at 1 September 2018</b>		<b>2,171,675</b>	<b>465,828</b>	<b>2,513,332</b>	<b>5,150,835</b>	<b>5,083,809</b>
<b>Fund balances carried forward at 31 August 2019</b>		<b>2,223,252</b>	<b>388,308</b>	<b>2,828,428</b>	<b>5,439,988</b>	<b>5,150,835</b>



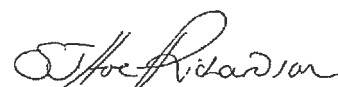
## Balance sheets 31 August 2019

	Notes	Group		Charity	
		2019 £	2018 £	2019 £	2018 £
<b>Fixed assets</b>					
Tangible assets	9	24,635	47,751	24,635	47,751
Investments	11	5,402,282	5,055,159	5,402,382	5,055,259
		<b>5,426,917</b>	<b>5,102,910</b>	<b>5,427,017</b>	<b>5,103,010</b>
<b>Current assets</b>					
Stocks	12	76,080	64,398	29,625	27,593
Debtors	13	116,688	137,353	182,539	205,110
Cash at bank and in hand		378,054	375,733	351,671	297,279
		<b>570,822</b>	<b>577,484</b>	<b>563,835</b>	<b>529,982</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(552,961)</b>	<b>(524,769)</b>	<b>(528,600)</b>	<b>(471,227)</b>
<b>Net current assets</b>		<b>17,861</b>	<b>52,715</b>	<b>35,235</b>	<b>58,755</b>
<b>Total net assets</b>		<b>5,444,778</b>	<b>5,155,625</b>	<b>5,462,252</b>	<b>5,161,765</b>
<b>Represented by:</b>					
<b>Capital and reserves</b>					
Called up share capital	15	280	290	280	290
Capital redemption reserve	16	4,510	4,500	4,510	4,500
		<b>4,790</b>	<b>4,790</b>	<b>4,790</b>	<b>4,790</b>
<b>The funds of the charity:</b>					
Endowment funds	17	2,828,428	2,513,332	2,828,428	2,513,332
Restricted funds	18	388,308	465,828	388,308	465,828
Unrestricted funds:					
• General fund		1,613,252	1,521,675	1,630,726	1,527,815
• Designated fund	19	610,000	650,000	610,000	650,000
		<b>5,439,988</b>	<b>5,150,835</b>	<b>5,457,462</b>	<b>5,156,975</b>
		<b>5,444,778</b>	<b>5,155,625</b>	<b>5,462,252</b>	<b>5,161,765</b>

Approved by the Council of Members on 23 January 2020 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 2019

	Notes	2019 £	2018 £
<b>Cash flows from operating activities:</b>			
Net cash provided by/(used in) operating activities	A	35,215	(210,269)
<b>Cash flows from investing activities:</b>			
Investment income		173,284	182,903
Purchase of tangible fixed assets		(5,282)	—
Proceeds from the disposal of investments		378,231	305,586
Repurchase of share capital		(10)	—
Purchase of investments		(614,462)	(279,773)
<b>Net cash (used in)/provided by investing activities</b>		<b>(68,239)</b>	<b>208,716</b>
<b>Change in cash and cash equivalents in the year</b>		<b>(33,024)</b>	<b>(1,553)</b>
Cash and cash equivalents at 1 September 2018		418,696	420,249
<b>Cash and cash equivalents at 31 August 2019</b>	B	<b>385,672</b>	<b>418,696</b>

### Notes to the statement of cash flows for the year to 31 August 2019

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

	2019 £	2018 £
<b>Net movement in funds (as per the statement of financial activities)</b>	<b>289,153</b>	<b>67,026</b>
<b>Adjustments for:</b>		
Depreciation charge	28,398	32,605
Gains on investments	(146,237)	(163,984)
Investment income	(173,284)	(182,903)
(Increase) in stocks	(11,682)	(6,122)
Decrease (increase) in debtors	20,665	(39,044)
Increase in creditors	28,192	82,153
Increase in capital redemption reserve	10	—
<b>Net cash used in operating activities</b>	<b>35,215</b>	<b>(210,269)</b>

#### B Analysis of cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	378,054	375,733
Cash held by investment managers	7,618	42,963
<b>Total cash and cash equivalents</b>	<b>385,672</b>	<b>418,696</b>

## **Principal accounting policies** Year to 31 August 2019

### **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 2019.

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 2020, 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.

### **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 £300,486 (2017/18: £73,167) 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 2019

### 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 2019

### **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 2019

### 1 Donations and legacies

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2019 £
<b>2019</b>				
Donations	44,887	152,584	250,000	<b>447,471</b>
Legacies	6,980	—	—	<b>6,980</b>
<b>Total funds</b>	<b>51,867</b>	<b>152,584</b>	<b>250,000</b>	<b>454,451</b>
	<i>Unrestricted funds £</i>	<i>Restricted funds £</i>	<i>Endowment funds £</i>	<i>Total 2018 £</i>
<b>2018</b>				
Donations	30,792	201,884	—	232,676
Legacies	38,367	—	—	38,367
<b>Total funds</b>	<b>69,159</b>	<b>201,884</b>	<b>—</b>	<b>271,043</b>

### 2 Investment income

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2019 £
<b>2019</b>				
Bank and deposit interest received	709	—	—	<b>709</b>
Income from listed investments	172,575	—	—	<b>172,575</b>
<b>Total funds</b>	<b>173,284</b>	<b>—</b>	<b>—</b>	<b>173,284</b>
	<i>Unrestricted funds £</i>	<i>Restricted funds £</i>	<i>Endowment funds £</i>	<i>Total 2018 £</i>
<b>2018</b>				
Bank and deposit interest received	658	—	—	658
Income from listed investments	182,241	—	—	182,241
<b>Total funds</b>	<b>182,899</b>	<b>—</b>	<b>—</b>	<b>182,899</b>

### 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 will donate 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 2019 £	Total 2018 £
<b>Turnover</b>	<b>361,645</b>	361,943
Cost of sales	(294,809)	(290,416)
<b>Gross profit</b>	<b>66,836</b>	71,527
Other operating income	564	7,837
Administrative expenses	(78,732)	(85,506)
<b>Operating loss</b>	<b>(11,332)</b>	(6,142)
Gift Aid donation to The Royal School of Needlework	—	—
<b>Retained loss for the financial year</b>	<b>(11,332)</b>	(6,142)



## Notes to the financial statements Year to 31 August 2019

### 3 Income from trading activities (continued)

In the year ended 31 August 2019, turnover includes £9,660 (2018: £11,630) 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 2019 £
<b>2019</b>				
Costs of trading subsidiary	373,541	—	—	<b>373,541</b>
Investment managers' fees	40,062	—	—	<b>40,062</b>
Advertising and literature	50,659	—	—	<b>50,659</b>
Fundraising costs	1,365	16,876	—	<b>18,241</b>
Travelling & other costs	207	3,499	—	<b>3,706</b>
<b>Total funds</b>	<b>465,834</b>	<b>20,375</b>	<b>—</b>	<b>486,209</b>
	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2018 £
<b>2018</b>				
Costs of trading subsidiary	375,802	—	—	<b>375,802</b>
Investment managers' fees	38,668	—	—	<b>38,668</b>
Advertising and literature	43,088	—	—	<b>43,088</b>
Fundraising costs	2,666	13,367	—	<b>16,033</b>
Travelling & other costs	437	4,216	—	<b>4,653</b>
<b>Total funds</b>	<b>460,661</b>	<b>17,583</b>	<b>—</b>	<b>478,244</b>

### 6 Costs of school activities

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2019 £
<b>2019</b>				
Staff costs	1,113,695	103,876	—	<b>1,217,571</b>
Other costs	394,182	110,438	6,175	<b>510,795</b>
<b>Total funds</b>	<b>1,507,877</b>	<b>214,314</b>	<b>6,175</b>	<b>1,728,366</b>
	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2018 £
<b>2018</b>				
Staff costs	973,943	85,581	—	<b>1,059,524</b>
Other costs	674,873	104,581	5,948	<b>785,402</b>
<b>Total funds</b>	<b>1,648,816</b>	<b>190,162</b>	<b>5,948</b>	<b>1,844,926</b>

## 7 Staff costs

	2019 £	2018 £
Wages and salaries	1,313,907	1,150,550
Social security costs	81,862	80,723
Pension costs	40,090	34,596
	<b>1,435,859</b>	<b>1,265,869</b>
Staff costs by function were as follows:		
Cost of school activities	1,217,571	1,059,524
Cost of raising funds	218,288	206,345
	<b>1,435,859</b>	<b>1,265,869</b>

The average monthly number of employees during the year was 52 (2018: 46) and on a full time equivalent basis was 28 (2018: 26).

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:

	2019	2018
£60,001 - £70,000	1	—
£90,001 - £100,000	1	1

No Council Members received reimbursement of travelling expenses in the year (2018: none).

No remuneration was paid to the Council Members in the year (2018: 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 £111,146 (2018: £106,886).

## 8 Net (expenditure) income before investment gains and losses

These are stated after charging:

	2019 £	2018 £
Depreciation	28,399	32,605
Auditor's remuneration		
· Charity audit	7,574	7,400
· Trading subsidiary audit	3,369	3,250
· Other services	1,044	1,642
Lease expenses		
· Land and buildings	125,927	122,685
· Other	14,991	16,660

## 9 Tangible fixed assets

Group and Charity	Leasehold improve- ments £	Office equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 September 2018	150,509	77,847	55,686	284,042
Additions	—	5,282	—	5,282
At 31 August 2019	150,509	83,129	55,686	289,324
<b>Depreciation</b>				
At 1 September 2018	127,765	74,346	34,180	236,291
Charge for year	22,744	2,198	3,456	28,398
At 31 August 2019	150,509	76,544	37,636	264,689
<b>Net book values</b>				
At 31 August 2019	—	6,585	18,050	24,635
At 31 August 2018	22,744	3,501	21,506	47,751

## 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.

## 10 Heritage assets (continued)

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

	2019 £	2018 £
Listed investments and cash holdings	5,402,282	5,055,159
<b>Group total</b>	<b>5,402,282</b>	<b>5,055,159</b>
Shares in subsidiary undertaking at cost	100	100
<b>Charity total</b>	<b>5,402,382</b>	<b>5,055,259</b>

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.

	2019 £	2018 £
Aggregate share capital and reserves of RSN Enterprises Limited	(17,374)	(6,042)

	2019 £	2018 £
<b>Listed investments &amp; cash holdings</b>		
Market value at 1 September	5,012,196	4,874,025
Additions at cost	614,462	279,773
Disposal proceeds	(378,231)	(305,586)
Realised (losses) gains	(64,552)	6,154
Unrealised gains	210,789	157,830
Market value at 31 August	5,394,664	5,012,196
Cash held by investment managers	7,618	42,963
	<b>5,402,282</b>	<b>5,055,159</b>

## Notes to the financial statements Year to 31 August 2019

### 11 Investments (continued)

Listed investments held at 31 August comprised the following:

	2019 £	2018 £
Fixed interest	871,060	783,134
UK equities	2,126,574	1,974,959
Overseas equities and equity funds	1,238,443	1,285,264
Other listed investments	1,158,587	968,839
	<b>5,394,664</b>	<b>5,012,196</b>
Listed investments at cost	<b>3,761,360</b>	<b>3,476,619</b>

### 12 Stocks

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Materials	29,625	27,593	29,625	27,593
Finished work and goods held for resale	46,455	36,805	—	—
	<b>76,080</b>	<b>64,398</b>	<b>29,625</b>	<b>27,593</b>

### 13 Debtors

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Trade debtors	20,723	23,602	10,870	6,645
Prepayments and accrued income	95,965	113,751	67,996	91,854
Amounts owed by subsidiary company	—	—	103,673	106,611
	<b>111,688</b>	<b>137,353</b>	<b>182,539</b>	<b>205,110</b>

### 14 Creditors: amounts falling due within one year

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Trade creditors	77,285	83,274	72,630	65,952
Other taxes and social security costs	35,724	26,587	30,286	19,010
Accruals and deferred income	439,952	414,908	425,684	386,265
	<b>552,961</b>	<b>524,769</b>	<b>528,600</b>	<b>471,227</b>

#### Deferred income (included above)

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Brought forward at 1 September	330,463	278,987	311,312	224,310
Deferred in the year	368,714	325,587	364,159	306,436
Released in the year	(317,680)	(274,111)	(298,529)	(219,434)
Carried forward at 31 August	<b>381,497</b>	<b>330,463</b>	<b>376,942</b>	<b>311,312</b>

## 15 Share capital

	Issued, called up and fully paid	
	2019 £	2018 £
Ordinary shares of £10 each	280	290

## 16 Capital redemption reserve

	2019 £	2018 £
451 Ordinary shares of £10 each (2018: 450)	4,510	4,500

## 17 Endowment funds

2019	At 1 September 2018 £	Income £	Expenditure £	Investment gains £	At 31 August 2019 £
Victoria Adams Fund	1,955,334	—	(5,875)	55,448	2,004,907
General Endowment Fund	532,440	—	—	15,099	547,539
Hilda Watson Fund	3,290	—	(100)	93	3,283
Charrington / Broderers Fund	3,392	—	(100)	96	3,388
Sheila Fraser Fund	—	—	—	—	—
Wendy Hogg Fund	18,876	—	(100)	535	19,311
HB Allen Fund	—	250,000	—	—	250,000
	2,513,332	250,000	(6,175)	71,271	2,828,428

2018	At 1 September 2017 £	Income £	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

- The Victoria Adams Fund is an expendable endowment fund for student scholarships and the general purposes of the charity;
- The General Endowment Fund provides for the training of students;
- The Hilda Watson Fund provides prizes for Silk Work;
- The Charrington / Broderers Fund provides prizes for students;
- The Sheila Fraser Fund is an expendable endowment to provide prizes for students;
- The Wendy Hogg Fund is an expendable scholarship / prize fund for students.
- The HB Allen Fund provides support for the Future Tutor programme.

## 18 Restricted funds

	At 1 September 2018 £	Income £	Expenditure £	Investment gains £	Transfers between funds £	At 31 August 2019 £
<b>2019</b>						
Janet Churm Fund	161,689	—	(51,569)	4,585	—	114,705
Degree Building Improvements	19,266	—	(7,416)	—	—	11,850
Future Tutor Programme	36,534	64,766	(84,978)	—	—	16,322
Degree Programme	—	31,140	(31,140)	—	—	-
Campaign HCP New Rooms	28,887	—	(16,790)	—	—	12,097
Collection & Digitisation Appeal	140,924	17,275	(3,153)	—	—	155,046
Embroider a Selfie	14,566	—	(370)	—	—	14,196
Other Campaign Funds	35,973	39,403	(39,273)	—	—	36,103
Other Restricted Legacy	27,989	—	—	—	—	27,989
	465,828	152,584	(234,689)	4,585	—	388,308

	At 1 September 2017 £	Income £	Expenditure £	Investment gains £	Transfers between funds £	At 31 August 2018 £
<b>2018</b>						
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.
- 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.

## 18 Restricted funds (continued)

- 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 2018 £	New Designations £	Utilised/ released £	At 31 August 2019 £
<b>2019</b>				
Futures campaign	650,000	—	(40,000)	<b>610,000</b>
	At 1 September 2017 £	New Designations £	Utilised/ released £	At 31 August 2018 £
<b>2018</b>				
Futures campaign	800,000	—	(150,000)	<b>650,000</b>

The Futures campaign fund comprises monies set aside for various campaign projects. During 2018/19 £40,000 (2017/18: £150,000) of this fund was utilised for the RSN IT transformation project.



## 20 Analysis of net assets between funds

Group	Share-holders funds £	Restricted funds £	Un-restricted funds £	Endowment funds £	Total 2019 £
Tangible fixed assets	—	8,900	15,734	—	24,634
Investments	—	327,144	2,246,710	2,828,428	5,402,282
Current assets	4,790	79,948	486,083	—	570,822
Creditors: amounts falling due within one year	—	(27,684)	(525,276)	—	(552,960)
Total net assets	4,790	388,308	2,223,252	2,828,428	5,444,778

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

Charity	Share-holders funds £	Restricted funds £	Un-restricted funds £	Endowment funds £	Total 2019 £
Tangible fixed assets	—	8,900	15,734	—	24,634
Investments	—	327,144	2,246,810	2,828,428	5,402,382
Current assets	4,790	79,948	479,097	—	563,835
Creditors: amounts falling due within one year	—	(27,684)	(500,915)	—	(528,599)
Total net assets	4,790	388,308	2,240,726	2,828,428	5,462,252

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

## 21 Operating lease commitments

As at 31 August 2019, the group and charity had the following future minimum payments under non-cancellable operating leases:

2019	Land and buildings £	Equipment £	2019 £
Operating lease payments due:			
within the next year	211,136	14,866	226,002
between two and five years	382,805	37,241	420,046
	593,941	52,107	646,048

## 21 Operating lease commitments (continued)

2018	Land and buildings £	Equipment £	2018 £
Operating lease payments due:			
within the next year	142,539	14,866	157,405
between two and five years	—	52,107	52,107
	142,539	66,973	209,512

## 22 Related party transactions

RSN Enterprises Limited has donated its taxable profits of £nil for the year ended 31 August 2019 via Gift Aid to the charity (2018: £nil).

At 31 August 2019, £103,673 is due by RSN Enterprises Limited to the charity (2018: £106,611).

Council Members paid an aggregate of £5,394 (2018: £878) for classes and events, £152 (2018: £35) for Friends' subscriptions at standard un-discounted rates and donations of £nil (2018: £175).

## 23 Comparative statement of financial activities for the year ended 31 August 2018

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