

The Royal School of Needlework

Annual Report and Consolidated Financial Statements

31 August 2021

Company Registration Number
12192 (England and Wales)

Charity Registration Number
312774

Contents

Reports

Reference and administrative information	1
Report of the Council	2
Statement of corporate governance and internal control	16
Independent auditor's report	24

Financial statements

Consolidated statement of financial activities	29
Balance sheets	30
Consolidated statement of cash flows	31
Principal accounting policies	33
Notes to the financial statements	38

Reference and administrative information

Patron	HRH The Duchess of Cornwall
President	HRH The Duchess of Gloucester
Council Members	Mr Andrew Palmer – Chairman* Mrs Elizabeth Braakenburg Dyce Ms Nicola Clarke* Ms Miranda Corti - Honorary Treasurer* Prof Patsy Cullen Ms Victoria Farrow Mrs Morgan Fowles Ms Deborah Lamb Ms Eleri Lynn Ms Pip Wood Mrs Stephanie Wright* *Member of the Finance and Investment Committee
Chief Executive	Dr Susan Kay-Williams
Registered office	Apartment 12A Hampton Court Palace East Molesey Surrey KT8 9AU
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank plc 8/12 Church Street Walton on Thames Surrey KT12 2QX
Investment managers	J M Finn & Co 25 Copthall Avenue London EC2R 7AH
Company registration number	12192 (England and Wales)
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Chairman's Introduction Year to 31 August 2021

When academic year 2020-21 began it was with much uncertainty across the board. Students returned to their courses later than usual, the extra space that was needed to accommodate people safely-distanced, meant that onsite teaching of short courses was impossible and numbers had to be reduced for the Certificate and Diploma courses. All of this had a potentially serious impact on income and the Council agreed to accept a working budget for the year that was no better than had been achieved in 2019-20, potentially a loss year. However, the exceptional team at the RSN, under the leadership of the Chief Executive had other thoughts and challenged themselves to perform better than anticipated.

Through a combined approach of meeting need and offering new opportunities to people in very different time zones, the RSN team has, this year, done much to move the organisation forward through student support, online teaching, and offering an ancillary programme that had not previously been possible. Short courses filled as quickly as they were posted on the website and many had to be re-run and offered at different times to meet demand. Responding to this unprecedented demand, the RSN introduced two year-long courses to play to its strengths: that of technical excellence and multiple tutors all taught to the same standard who could deliver the course. Such was the demand that one filled twice, and the other course filled four times over and extra tutors were brought in.

While students had returned to Hampton Court Palace for the Certificate and Diploma it was less feasible to operate at the satellites, but there was still demand. After much planning it was decided to start offering the Certificate online in January 2021. This was a very bold step, something that had not been thought possible before, but this year the team and tutors have made it work. This course is now being taught from New Zealand to Chile and reaching many new people.

Introducing twice-monthly talks was another relevant idea. This enabled the RSN to engage with an even wider community, beyond those who can stitch. Fashion and textile enthusiasts, historians and students were all able to access the talks first live and later on demand, enabling the RSN to re-engage with some of its audience.

In 2020 one of the highlights of the year would have been the US Summer School. While this was cancelled many North American supporters left their payments with the RSN in the hope of something being possible a bit later. While travel was not possible in summer 2021, that did not stop the team developing the RSN's first online International Summer School which attracted many new stitchers as well as regular RSN attendees.

Finally the overall result was income exceeding expenditure and for this all the RSN team of staff and tutors are to be congratulated. However, as people begin to move around more, it could be a challenge to fill classes online so it will be a fine balancing act to continue meeting need and growing both the onsite and online aspects of the RSN's work.

Looking ahead, the next academic year will take the RSN into its 150th anniversary. This is a tremendous achievement and it will add further momentum and energy to the organisation to develop new ideas, new courses and new opportunities for the future. Having survived the last eighteen months, it is even more clear how the RSN can uphold its values of quality, tradition and innovation and play a major role not just in embroidery education and execution, but also through stitch to support mental health and wellbeing, and in the future of hand embroidery. There is much opportunity for the RSN to flourish.

Chairman's Introduction Year to 31 August 2021

This is my final year as Chair of the Royal School of Needlework: I will step down in 2022, and the search is currently on, to find my successor.

I couldn't let this moment pass without saying what an honour and a pleasure it has been to be a Trustee - and more recently Chair - of the RSN. The work that we do is quite extraordinary: whether it be in the Studio or in the Classroom. And the passion and energy shown by all who work for and with us is inspiring.

I would like to express my thanks to all those who have helped us - to all our Supporters, our Friends, our Tutors, and especially to Susan and her staff: thank you for all that you have done to ensure that we have a bright and exciting future.

I wish you all the very best for the next 150 years.

Andrew Palmer
Chairman

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 2021. 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 33 to 37 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) and comply with the Office for Students' Accounts Direction 2020/21.

ACTIVITIES AND ACHIEVEMENTS

The values of the RSN are Quality, Tradition and Innovation all of which have been demonstrated throughout the year through teaching, the practise of Stitch in the RSN Studio and promotion.

Public Benefit

During 2020-21 the RSN actively promoted stitch for mental health and wellbeing and this was appreciated by long-standing and new customers around the world. This year, classes and/or talks have been enjoyed by over 2,500 people. We have received many comments from people for whom their class was their only communication with the outside world during the second lockdown and for some, even during the periods in between it was their only social contact. For example a lady in France told us that she was in isolation and her time in weekly Technical Tuesday class was the only time she felt in contact with anyone else.

Since September 2020 the RSN has offered fortnightly talks. These are open to anyone for a donation and we have welcomed hundreds of people each time from diverse countries all over the world. We receive extensive encouragement on the night and afterwards, thanking the RSN for the talks for their range and content. There has been strong feedback to continue them, which we are doing through 2021-22.

The RSN is the international leader in technical hand embroidery and has currently around 40 active teachers all trained to the same standard, so we have played to our strengths to offer technical evening classes which have not previously been possible since the 1980s. This so met need that we had to put the class on four times on the same day. The RSN is the only embroidery organisation that has the capability of a team of tutors able to teach the same technique to the same standard.

In particular, being online means we have made ourselves more accessible to disabled people to participate because they do not have to overcome the transport challenges. Frances told us she only leaves the house to go to the doctor. Through the online classes and especially the Summer School she was able to fully participate in something, regardless of her disability and to meet with other people. Others acknowledged that by not having to pay for travel and accommodation they could take more classes.

ACTIVITIES AND ACHIEVEMENTS (continued)

Public Benefit (continued)

All of this shows that despite having no exhibitions this year, the RSN has offered a very wide range of public benefit.

Teaching

Short courses came to the fore this year. With ongoing lockdowns in different parts of the world and a reticence to go out even among those not locked down, short courses provided a great opportunity for people to do something with others, even if online. Over 900 people participated in short courses, excluding summer school and bespoke classes, with each person on average booking more than two classes. Tutors mixed the traditional with more innovative subject matter which was well received.

In particular, new for this year were evening classes, something the RSN has not offered since the end of the 1980s. As the base of the short course programme were two courses which ran across the year, one monthly and one weekly. These were aimed at building students' skill levels but also about building community and laying down a reliable base of income: Technical Tuesdays harnessed the RSN's particular skills of the highest technical standards and a group of teachers all taught to that same standard so three teachers ran four classes on the same day, while the monthly sampler programme was taught by one tutor. Both of these were well received and offered a solid base to the budgeted income.

Also lockdown offered opportunities to set courses at a range of times. Take-up will be reviewed to assist with planning going forward, although it will always be true to say that as soon as people start going out more, some of the times offered may become less popular.

Certificate and Diploma

Certificate and Diploma is the backbone of the RSN's teaching programme in terms of number of participants from many different countries. With the lockdowns and changing rules even within the four countries of the UK the RSN needed to find new options. Studio Director and Head of Education Anne Butcher worked hard to redevelop the whole course so that we could effectively introduce new students to the RSN and the course, enabling them to really understand the standards and rigour of the course. A whole new introductory programme was developed comprising introduction to the RSN, to the course, to the first technique and to pieces from the Collection even before the students began to think about their project. There was then guidance on design, on framing up and sampling of basic stitches all before the students began. This extra effort has paid off and assessment of the pioneers' pieces showed that students had achieved the expected standard. This was all helped not just by the online teaching but by sharing images with the tutors via WhatsApp so that the tutor could enlarge the images to check the work.

The only technique which has proved more problematical online is silk shading. This is due to the differing specs of computers and screens so that a true colour representation is often difficult. After much consideration it has been decided to test out a small range of botanicals that can be pre colour-coded at base so that we are sure that the students have the right range of shades and it will give them more confidence in their shading, especially at this level it is about correct technique and achieving effective blending.

ACTIVITIES AND ACHIEVEMENTS (continued)

Certificate and Diploma (continued)

The course has been well received by students and we are now planning courses into 2022 for new starters on three time zones, recruited through online Open Days.

Meanwhile Hampton Court continued to offer onsite classes except during the main lockdown between January and March 2021.

International Summer School

While the uncertainties of the pandemic linger on, the RSN recognised that it was not going to be possible for its people – tutors or students – to travel even into the summer. So, to give people the opportunity to still feel like they were going to have a 'holiday' the RSN established the first online International Summer School. This reached 273 people across 17 countries for anything from 2 to 6 days. Of those, some 89 were experiencing their first RSN class, - some had booked for Lexington in 2020 but as that was cancelled, this was their first actual RSN experience. The event comprised classes, talks and receptions to try to make it as like the normal summer school experience as possible. Plus, the students not only received their kits they also received a relevant box of ancillary items to reinforce the professionalism of RSN stitch (hoops, binding to wrap them, tissue paper and a bag to keep work clean, pen, pencil and notebook for the details and a mug for the all-important breaks). All of this added to the event and response from customers was fantastic.

I just wanted to let you know what a fantastic presentation you organized for the summer school boxes! It was such a treat to see all the special goodies tucked in with the project kits. Additionally, the box arrived very quickly in the US so I've had plenty of time to read and reread the directions. With such a beginning, the courses will certainly be stellar!

Thanks for your hard work to make this so pleasant for me.

Donna Winn

Talks and Bespoke classes

Commencing in September 2020, the RSN decided to offer two talks a month online, one was more about the RSN and usually given by the Chief Executive and one was more about the Collection led by contextual studies lecturer Amy Hare. In the early days and through the winter lockdowns these reached many people, not just in this country but internationally. The highest number was over 600 people for one of the Collection lectures but audiences of 400 were not unusual. Over 1,750 people participated from a total of 35 countries including Chile, Ghana, South Africa, Russia and Singapore as well as those more usually linked to the RSN.

While the webinar format meant that no-one other than the presenters could be seen, this did not stop the audience from signing in to tell us where they were from and ask questions which were answered during the presentation. As such, this created a strong community and many of the audience have continued following the sessions live or via the recordings.

Once companies began to open up, the RSN returned to some of its partner organisations holding one-off face to face courses where large airy rooms existed and they have been well supported. This is something we plan to continue and expand in 2021-22.

ACTIVITIES AND ACHIEVEMENTS (continued)

Talks and Bespoke classes (continued)

All of these four areas helped the RSN to increase its income in 2020-21.

Core programmes

Degree

The Degree programme worked in a hybrid manner throughout the year. All students started on site although quickly second and third years were working offsite with online tuition and support. All went home during the second main lockdown but continued working. From Easter, first years returned although by then many second and third year students had abandoned their accommodation and established their studios at home so continued there until the end of the year. Through the year support for students was in excess of standard contact hours, which were already higher than for many other courses. With this support and the ability to carry on their work from home, students were motivated to achieve their best. This was something particularly noted by the External Examiner. This resulted in competition wins at the Bradford Textile Competition (First, Third and Commended in the embroidery category) and the third year achieved nine first class degrees and five upper seconds.

While inevitably some external projects had to be curtailed, students did have the opportunity to participate in a project with Sheme shoes and by the end of the year a number were working for couture houses at their sites. Students also participated in the Hand and Lock awards resulting in Degree students achieving three third places in Textile Art and Fashion.

Open Days for new students were held online and, by the end of the year, in person. These attracted the largest number of applicants ever as the course establishes its reputation. During the year the RSN also notified the University for the Creative Arts that we would be looking to change validating partners to Kingston University School of Art. This process will continue into 2021-22.

Future Tutors

As with the Degree, the Future Tutors began in class, taking over additional space when all were being taught, to achieve distancing requirements. During the January lockdown they transferred to online classes although some adjustments were needed to the planned timetable. They mostly returned after Easter although some classes were run with students in class and at home.

The two third year students worked with the Studio team to help create St Amphibalus's shrine canopy for St Albans Cathedral. Being able to work on this large project through all stages gave them a good understanding of large-scale pieces and their challenges.

The two graduating students both achieved distinction and have since commenced their teaching careers for the RSN.

The Future Tutors administrator chose to return to teaching at the end of the year and this gave the opportunity for the role to be reviewed and it was split into Course Leader and Course administrator, with new appointments being made at the beginning of the new academic year.

ACTIVITIES AND ACHIEVEMENTS (continued)

End of year celebrations

Thanks to the space afforded by the east Front Gardens of Hampton Court Palace the RSN was able to hold ceremonies for our graduating Certificate, Diploma, Future Tutor and Degree students. The first three of these were held on the same day when the Palace was not open to the public. Held in the gardens we also offered a direct broadcast on Instagram Live so that students from around the world could be a part of it. This was very well received, especially if they learned they had won a prize or special commendation.

For the Degree students RSN held an interim graduation on the east front lawn, inviting students, parents, and partners. Many students dressed for the part which was reciprocated by the Chief Executive. This event was very well received as it was not possible to have a full UCA graduation due to the Covid restrictions.

These celebrations, though simple in themselves and without the usual exhibitions, really helped the students to feel a proper sense of conclusion and achievement which is so vital in helping them to move on.

RSN Studio

The main project of the Studio this year was the creation of St Amphibalus's shrine canopy for St Alban's Cathedral. Working even through lockdowns, the Studio team worked as a bubble to achieve the work on time for the dedication of the shrine in its new location within the Cathedral. The challenges for creating this were the size of the piece and that it would be located over three metres above ground which meant using bolder techniques to stand out and give the desired effect. Now installed, the Cathedral staff and worshippers have thanked the RSN for their work and commented on how the piece glows in the light. This and the conservation of St Alban's shrine has started a very positive partnership and the Cathedral plans to bring additional pieces for cleaning and conservation over time to benefit from the specialist skills of the RSN Studio.

Other work during the year was as varied as ever from sampler conservation to the creation of door hangers for a special event. This year it was also possible to ensure the Future Tutors received all their training within the normal academic year.

Promotion

Social media has been at the heart of the RSN's promotion of its work in 2020-21. The RSN has grown its audiences significantly on Instagram, Facebook and YouTube. Marketing has used it extensively, along with selected other media to reach new people so that one third of those participating in the International Summer School were taking their first course with the RSN.

For those who already know the RSN, the monthly e-news is a major source of sales with a regular spike of interest every time it is sent out. All the income-generating parts of the RSN have benefited from the work of the marketing team helping not simply to build audiences but also to build community.

ACTIVITIES AND ACHIEVEMENTS (continued)

Retail

Retail remained online throughout the year although people could organise to click and collect if they were going to be onsite. Inevitably the frenetic buying of first lockdown abated somewhat but there were steady sales through the year. The next challenge for retail will be to open up the physical shop at the weekends when Hampton Court Palace is open and to launch the special items for the anniversary.

RSN Friends

The number of Friends grew over the year as more people realised that they could benefit, regardless of geography. Friends receive discounts on classes, the International Summer School, the RSN shop and on the talks. Two of the talks in December and April were also made free for Friends as a special thank you to them for supporting the RSN. Both of these events were well attended.

Due to lockdown the winter newsletter was sent by email to most people, except those Friends who do not have the internet. While some Friends, especially those in the US, might prefer the virtual version to save postage, we also believe that many Friends use the physical version as a way to interest other people, passing it on to friends and family which in turn attracts a new audience, so it is planned to continue with the paper newsletter for most Friends.

Special Projects

During the year we brought back from furlough the team working on the RSN Stitch Bank and aimed for a revised launch date of September 2021. Prior to the public launch the RSN held introductions to the project for journalists so that they could promote it in preparation for launch. This proved an effective tool to reach not only news media but also other audiences such as curators and historians. The RSN Stitch Bank will be an ongoing activity and will be one of the legacy projects of the 150 anniversary.

IT

During the year we have further developed our IT capabilities. Our IT needs were probably seen at their most complex in all aspects of the International Summer School from the challenges of offering the different packages for booking through to offering multiple courses at the same time during two weeks in July. This will be an ongoing area for development.

Staffing

Over the course of the year all staff on furlough were brought back and then there was a review of needs leading to a further restructuring. As a result of the income realised this year and its potential for the future, the review of needs highlighted a requirement for additional staff with specific skills who will be engaged in 2021-22 in relation to IT, fundraising, promotion, and support for the Chief Executive. These additional posts will add vital manpower to support a team who have worked extremely hard over the last 18 months, well beyond their scheduled hours.

ACTIVITIES AND ACHIEVEMENTS (continued)

Fundraising declaration

The RSN has to raise or earn all its income. Earned income comes from the courses it runs as the central part of its charitable purpose. Funds are raised to support core programmes such as bursaries for Degree and Future Tutors, the core Future Tutor course and also for special projects such as the RSN Stitch Bank.

During the year the RSN has undertaken one appeal to Friends to support Student bursaries and has continued to fundraise from individuals and trusts for the RSN Stitch Bank and the Digitisation of the Collection programme. The RSN abides by the codes of the Fundraising regulator and GDPR requirements and removes from appeal mailings any person who requests this. This year the RSN received no fundraising complaints.

Donors to the RSN included many of the City Livery companies: Broderers, Dyers, Girdlers, Gold and Silver Wyre Drawers, Haberdashers and Needlemakers; and from charitable trusts: Barbara Whatmore Foundation, Radcliffe Trust, Newby Trust, Knights of the Round Table, Sainsbury Family Charitable Trusts, Arts Society Westminster, Arts Society Greater London Area, Coats Foundation Trust and the RK Trapp Family Foundation. The largest individual donation was £50,000 from an RSN Special Supporter.

The RSN is extremely grateful to all its supporters and customers.

Review of overall performance

The RSN team worked with passion and commitment to achieve the exceptional income and customer satisfaction this year. This was very much driven by two imperatives: the survival of the RSN but, more than that, meeting the need of current and new supporters across the world. The RSN realised it could provide teaching of a skill that could easily be done in lockdown, creating a community and camaraderie when so many people were limited to their own four walls.

Furthermore, in significantly developing the principal income generating programme, the Certificate and Diploma in Technical Hand Embroidery which is a unique course of the RSN, it has opened up this programme to the world and is now taught online in three time zones, enabling many more people to participate.

Beyond this, the two weeks of the International Summer School reached new heights in terms of outreach and engagement. We had so many positive comments and will repeat this - but with a number of differences in 2022.

The Trustees acknowledge and recognise the achievement of the small staff team in all they have done this year to stabilise the finances and to take the RSN forward.

FUTURE DEVELOPMENTS

The Year Ahead

The year 2021-22 will see the start of the RSN's 150th anniversary. It began with the launch of the RSN Stitch Bank in September 2021, featuring the first 150 stitches. The main event of the year will be the exhibition at the Fashion and Textile Museum from April to September 2022 and many of the activities of the anniversary year will be hung around this.

In the summer, the RSN will run its second International Summer School but this time will feature face to face classes at Hampton Court Palace as well as online classes for those who cannot travel. In this way we will keep the focus of the anniversary year as London, looking to travel internationally again for 2023. Smaller exhibitions will also be held in Ely Cathedral and in Sunbury and two pieces from the Collection will be travelling to the US for an exhibition.

We will also work on raising money to start the Digitisation programme and as a legacy programme of the anniversary the RSN wants to establish a community-based mental health and wellbeing programme based around stitch. The aim is to offer this to a range of communities initially as a pilot programme to show the opportunities that stitch can bring in terms of positive mental health and connectivity for those on their own.

Behind the scenes there will be more work on IT to enhance our capabilities, redeveloping the website and developing a stand-alone site for the Studio.

The RSN will also begin to consider how we might develop an MA programme and also how we re-present the Studio so that to external people it appears a stand-alone enterprise.

As a whole, the year will be an opportunity to promote the RSN across a range of platforms to reach new audiences because far from seeing it as an end, the anniversary is seen more as the launch of the next 150 years. The RSN will continue to demonstrate its values of Quality, Tradition and Innovation through Teaching, Conservation and new Commissions and through Promotion.

FINANCIAL REVIEW

Financial report for the year

The consolidated statement of financial activities for the year shows a net surplus (before investment gain and losses) of £109,195 (2019/20: deficit of £121,680).

The overall income for the year 2020/21 amounted to £2,272,430 (2019/20: £1,984,354), a year on year increase of 15%. Income from donations and legacies decreased by 10% to £430,171 (2019/20: £475,858). This includes £129,496 (2019/20: £187,659) of grant income from the Government Job Retention Scheme and other Local Government grants. 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 £288,112 (2019/20: £278,555) increased by 3% as the Studio activity started to increase in the second half of 2020/21.

Income from charitable School activities amounted to £1,405,564 (2019/20: £1,059,988) a 33% increase year on year due to the popularity of online learning and the International Summer School that was held in July 2021. Investment income decreased by 13% to £148,583 (2019/20: £169,953).

The restricted fund income of £177,142 (2019/20: £120,622) consisted of resources earmarked for the Degree and Future Tutor programmes, the RSN Stitch Bank and Collection and Archive Digitisation Campaigns. The increase compared with last year is mainly due to appeals to Friends in 2019/20 being focused on unrestricted donations following the Covid-19 pandemic. Restricted expenditure of £210,212 (2019/20: £180,204) 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 was £2,163,235 (2019/20: £2,106,034), an increase of 3%. Whilst variable staff costs increased in 2020/21 to help deliver the charitable School activities, fixed staff costs were lower as four full time posts were made redundant during 2019/20 as a result of the Covid-19 pandemic.

Net realised and unrealised gains on investments for the year amounted to £887,626 (2019/20: £22,433 net realised and unrealised losses). At the balance sheet date, net assets totalled £6,297,516 (2020: £5,300,695) of which £2,711,355 (2020: £2,158,779) are unrestricted.

The Royal School of Needlework has an investment of £100 (2019/20: £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 £8,572 (2019/20: deficit of £25,733).

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. During 2020/21, the Council reviewed the Charity's reserves policy and updated it to be five months' total expenditure at any one time plus the additional commitments on the licence at Hampton Court. In coming to this conclusion, the Council considered the nature of the charity's work and the discretionary nature of a significant proportion of income. They decided that it would be prudent to include the commitments in the licence in the reserves policy, given that it is such a significant part of the Charity's fixed costs. Based upon budgeted expenditure levels for 2021/22, the maximum expenditure for five consecutive months plus commitments on the Hampton Court licence would be in the region of £1,629,000. 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 £6,297,516 (2020: £5,300,695). This includes endowment funds and restricted funds of £3,275,767 (2020: £2,808,801) and £305,574 (2020: £328,295) respectively and designated funds of £610,000 (2020: £610,000). After deducting funds represented by tangible fixed assets and shareholders' funds, this leaves free reserves at 31 August 2021 of £2,057,035 (2020: £1,505,472). There is currently an excess of free reserves over the target level of £1,629,000. Given the current economic uncertainty, the Council is of the opinion that the level of free reserves held is prudent at this time.

The Council has continued to formally designate £610,000 towards the planned developments within the strategic plan (2020: £610,000). The Council will review this designation on an ongoing basis. The 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.

FINANCIAL REVIEW (continued)

Investment policy (continued)

During the year, the Council also considered and reaffirmed its risk appetite for the investments, which has been mandated as medium. During 2020/21, markets have continued to recover from the 23 March 2020 lows, and so by the charity's year end of 31 August 2021 the investment portfolio had risen to £6,181,660. Over the past year the portfolio has returned +18.7% (in total return and net of fees), outperforming the 18.3% return in the 70% FTSE All-Share/30% FTSE UK Gilts benchmark. The portfolio now has a 10 year annualised return of +8.9% compared to the benchmark return of 6.8% per annum and the CPI+3% return of 4.9%.

Since 31 August 2021 the value of investments held by the RSN has fluctuated as we move between hopes for a strong global economic recovery and fears of another Covid variant and higher inflation, while the ongoing Russian invasion of Ukraine has further unsettled investors' nerves. The overall value of the RSN's investments decreased by 9% in the first half of 2021/22 to £5,670,471 on 1 March 2022. The Finance and Investment Committee is continuing to monitor the portfolio and its risk appetite closely by holding regular meetings with the investment managers.

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 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 been provided with Charity Commission guidance on fundraising regulations. Council members are informed of training courses run by our advisors, which they may attend.

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.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

As at 31 August 2021, the RSN employed eight full time and 19 part-time management and administrative staff and core teams of four part time stitchers in the Studio and 17 part time tutors. In addition, there are around 20 volunteers who assist with the library, donated items, Studio Talk and Tours, marketing and data entry.

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 £8,572 (2019/20: loss of £25,733).

This report is approved by the Council on 16/02/2022 and signed on its behalf by:



Chairman



Chief Executive

Statement of Corporate Governance and Internal Control Year to 31 August 2021

The following statement is provided to enable readers of the annual report and financial statements of the Royal School of Needlework to obtain a better understanding of its governance and legal structure. The statement covers the period from 1 September 2020 to 31 August 2021 and up to the date of the approval of the annual report and financial statements.

The Royal School of Needlework endeavours to conduct its business;

1. Having due regard to the UK Corporate Governance Code 2018 in so far as it is applicable to the Higher Education Sector.
2. Complying with Office for Students on-going conditions or regulations and terms of conditions of funding as well as other regulatory responsibilities.

We have adopted the UK Corporate Governance Code. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider relevant to the Higher Education Sector.

The Trustees recognise that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

Legal Status

The Royal School of Needlework is a registered charity and a private company limited by shares. The trustees are the shareholders and their liability is limited to the value of shares held.

The Trustees, who are also Council Members and referred to as both in this report, confirm that they have due regard for the Charity Commission's guidance on public benefit and that the required statement appears elsewhere within these financial statements.

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:

Statement of Corporate Governance and Internal Control Year to 31 August 2021

Council members (Directors)	Appointed / Retired
Mr Andrew Palmer (Chairman)*	
Mrs Elizabeth Braakenburg Dyce	
Ms Nicola Clarke*	
Ms Miranda Corti (Honorary Treasurer)*	Appointed 5 October 2021 Appointed Honorary Treasurer 16 February 2022
Prof Patsy Cullen	
Mrs Caroline De Guitaut	Retired 21 April 2021
Ms Victoria Farrow	
Mrs Morgan Fowles	
Miss Samantha Hoe-Richardson (Honorary Treasurer)*	Retired 5 October 2021
Ms Deborah Lamb	
Ms Eleri Lynn	Appointed 5 October 2021
Ms Reena Pastakia	Retired 10 January 2022
Ms Pip Wood	Appointed 5 October 2021
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.

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

The Finance and Investment Committee, usually 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.

During the year working parties comprising Trustees and staff have looked at the RSN Strategic Plan and at the exhibition at the Fashion and Textile Museum in 2022.

Board of Trustees' interests

The Board of Trustees are shown above and except for any instance mentioned above have served throughout the year.

All Council Members at 31 August 2021 held one £10 share (2020: one £10 share) in the capital of the charitable company.

The Finance Director maintains a register of financial and personal interest of the members of the Council. This can be obtained by contacting Hannah Warwick at the RSN's registered office (see page 1).

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.

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/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the 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.

Meeting Procedures

Formal agendas, papers and reports are supplied to the Board of Trustees in a timely manner, prior to Council meetings. Briefings are also provided on an ad hoc basis. Reports include overall financial performance of the organisation together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety issues. The Council met formally 6 times in 2020/21.

The Royal School of Needlework has a strong and independent non-executive element and no individual or group dominates its decision-making process. The organisation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

Appointment to Council

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

Approximately biennially, the Council members undertake a skills analysis, the Chairman and the Chief Executive review the skills available, the likely retirement dates of Council members and the future needs of the charity in order to start searching for new potential Council members. As a result of that and the resignation of the academic Trustee, the Chief Executive and Chairman undertook the search for additional Trustees during 2020-21 and three appointments were made in October 2021.

Council Performance

The Council has made a strong contribution to the improvements made in 2020/21 through the setting of challenging targets with regular scrutiny of performance. There is strong performance management at Council meetings. The Council provides robust scrutiny and challenge. Trustees are pro-active in their oversight of the organisation and are involved in the planning and discharging of Council business.

Committees

Finance and Investment Committee

The Finance and Investment Committee is responsible to the Council of Trustees in discharging its responsibilities for monitoring the integrity of the RSN's financial statements, the effectiveness of financial controls with regard to internal risk assessment, the performance and objectivity of external auditors and the performance of investments.

Committees (continued)

Finance and Investment Committee (continued)

The Committee is responsible for the following:

- To appoint external auditors and agree the audit fee, meet with the external auditors to discuss the scope and nature of the audit and to discuss the findings included within the management letter and management responses.
- 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.
- To satisfy itself that satisfactory arrangements are in place to manage the RSN's investments and to monitor their performance

Internal Control

Scope of responsibility

The Council is ultimately responsible for the organisation's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Council has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets. The Chief Executive is also responsible for reporting to the Council any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure and can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of organisation policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the organisation for the year ended 31 August 2021 and up to the date of approval of the annual report and financial statements.

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, especially in the light of Covid and its impact 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. While known risks can be mitigated there will always be unanticipated events of which the ongoing Covid situation has been an unwelcome example.

Risk management (continued)

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

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

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

1. The change of validating partner. The RSN is moving from the University of the Creative Arts (UCA) to Kingston University (KU) as the validating partner. Any delays in this process could have a detrimental financial and reputational effect, so the teams on all sides are working hard to ensure this does not happen. It is planned that current students will be taught out under the current course with UCA and new 2022 students will be on the KU validated course.
2. The growing reliance on IT – we will mitigate this by upskilling staff, updating and enhancing the website, especially for 2022 to ensure we are digitally able to meet the interest we are generating
3. Customer confidence in attending physical classes – through the Covid period so far the RSN has managed physical classes, enabling them to keep going, except in full lockdowns, at Hampton Court and re-opening in the other UK satellites, however the risk is going forward in terms of people's confidence in coming to class with the rise of more transmissible strains of the virus. This will be monitored on a regular basis and will be compensated where possible with additional online classes.
4. Trying to do too much in the Anniversary year – this comes from the team's commitment to the organisation, so we will regularly review prioritising how we allocate our limited resources during the year for impact and ROI.

Review of effectiveness

As the Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive review of the effectiveness of the system of internal control is informed by:

- the work of the external auditors;
- the work of the senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the organisation's financial statements and regularity auditors in their management letters and other reports.

There are no significant internal control weaknesses reported for the period.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The senior management team and the Finance and Investment Committee also receive regular reports, which include recommendations for improvement. The Council agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Finance and Investment Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Board of Trustees, carried out the annual assessment for the year ended 31 August 2021 by considering documentation from the senior management team, and taking account of events since 31 August 2020.

Based on above and reports by the Chief Executive, the Council is of the opinion that the organisation has an adequate and effective framework for governance, risk management and control to manage the achievements of the organisation's objectives for the year ended 31 August 2021 and it has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the safeguarding of their assets".

Regularity, propriety, and compliance

The organisation has considered its responsibility to notify the Office for Students of material irregularity, impropriety and non-compliance with Office for Students terms and conditions of funding.

We confirm, on behalf of the organisation, that after due enquiry and to the best of its knowledge, the Council believes it is able to identify any material irregularity or improper use of funds by the organisation, or material non-compliance with terms and conditions of funding under the organisations financial regulations. As part of our consideration we have had due regard to our financial regulations. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement these will be notified to the Office for Students.

Statement of Corporate Governance and Internal Control Year to 31 August 2021

Going Concern

Details on Board's going concern assessment are set out on page 34.

Approved by order of the Board of Trustees and signed on its behalf by:



Chair

Date: 16/02/2022



Chief Executive

16/02/2022

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 2021 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 2021 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;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006;
- ◆ where applicable, funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- ◆ where applicable, funds provided by the OfS and by Research England have been applied in accordance with the relevant terms and conditions; and
- ◆ meet the requirements of the Office for Student's Accounts Direction 2020/21.

We have nothing to report in respect of the following matter in relation to which the OfS Accounts Direction 2020/21 requires us to report to you if, in our opinion:

- ◆ the charitable company's grant and fee income, as disclosed in note 1 to these financial statements has been materially misstated.

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

In auditing the financial statements, we have concluded that the Council Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and charitable parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Council Members with respect to going concern are described in the relevant sections of this report.

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, which is also the directors' report for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the report of the Council, which is also the directors' report for the purposes of company law, 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 (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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.

Auditor's responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ We obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements;
- ◆ We focused on specific laws and regulations which we considered may have a direct material effect on the accounts.
- ◆ We assessed the extent of compliance with the laws and regulations identified above through making enquiries of representatives of management and the review of minutes of Council meetings.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ Making enquiries of where management considers there was susceptibility to fraud and knowledge of actual, suspected and alleged fraud; and
- ◆ Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ Performed analytical procedures to identify any unusual or unexpected relationships;
- ◆ Tested and reviewed journal entries to identify unusual transactions;
- ◆ Tested the authorisation of expenditure;
- ◆ Gained an understanding of the processes in place for the management of the charitable company's investments; and
- ◆ Investigated the rationale behind significant or unusual transactions.

Auditor's responsibilities for the audit of the financial statements (continued)

How the audit was considered capable of detecting irregularities including fraud
(continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ Review of the minutes of meetings of those charged with governance;
- ◆ Enquiring of management as to actual and potential litigation and claims; and
- ◆ Agreeing accounts disclosures to underlying supporting documentation.

As a result of our procedures we did not identify any key audit matters relating to irregularities.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the parent charitable company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charity's Council Members, as a body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the parent charitable company's Members and the parent charitable company's Council Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company, the parent charitable company's Members as a body and the parent charitable company's Council Members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

16 March 2022

Consolidated statement of financial activities (including the Income and Expenditure Account) Year ended 31 August 2021

Income and expenditure	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2021 Total funds £	2020 Total funds £
Income from:						
Donations and legacies	1	253,029	177,142	—	430,171	475,858
Investments	2	148,583	—	—	148,583	169,953
Other trading activities	3	288,112	—	—	288,112	278,555
Charitable activities						
· School activities	4	1,405,564	—	—	1,405,564	1,059,988
Total income		2,095,288	177,142	—	2,272,430	1,984,354
Expenditure on:						
Raising funds	5	378,821	16,209	—	395,030	413,376
Charitable activities						
· Costs of school activities	6	1,574,202	194,003	—	1,768,205	1,692,658
Total expenditure		1,953,023	210,212	—	2,163,235	2,106,034
Net income/(expenditure) before investment gains and losses	8	142,265	(33,070)	—	109,195	(121,680)
Realised losses on investments	11	(184)	(5)	(209)	(398)	(136,571)
Unrealised gains on investments	11	410,495	10,354	467,175	888,024	114,138
Net movement in funds		552,576	(22,721)	466,966	996,821	(144,113)
Reconciliation of funds:						
Fund balances brought forward at 1 September 2020		2,158,779	328,295	2,808,801	5,295,875	5,439,988
Fund balances carried forward at 31 August 2021		2,711,355	305,574	3,275,767	6,292,696	5,295,875

Balance sheets 31 August 2021

	Notes	Group		Charity	
		2021 £	2020 £	2021 £	2020 £
Fixed assets					
Tangible assets	9	44,320	43,307	44,320	43,307
Investments	11	6,181,660	5,338,754	6,181,760	5,338,854
		6,225,980	5,382,061	6,226,080	5,382,161
Current assets					
Stocks	12	66,368	71,753	25,037	29,474
Debtors	13	137,430	133,595	215,950	197,682
Cash at bank and in hand		488,761	417,199	467,668	376,711
		692,559	622,547	708,655	603,867
Creditors: amounts falling due within one year	14	(621,023)	(655,580)	(585,441)	(593,794)
Net current (liabilities)/assets		71,536	(33,033)	123,214	10,073
Creditors due in more than one year	15	—	(48,333)	—	(48,333)
Total net assets		6,297,516	5,300,695	6,349,295	5,343,901
Represented by:					
Capital and reserves					
Called up share capital	16	240	260	240	260
Capital redemption reserve	17	4,580	4,560	4,580	4,560
		4,820	4,820	4,820	4,820
The funds of the charity:					
Endowment funds	18	3,275,767	2,808,801	3,275,767	2,808,801
Restricted funds	19	305,574	328,295	305,574	328,295
Unrestricted funds:					
. General fund		2,101,355	1,548,779	2,153,134	1,591,985
. Designated fund	20	610,000	610,000	610,000	610,000
		6,292,696	5,295,875	6,344,475	5,339,081
		6,297,516	5,300,695	6,349,295	5,343,901

Approved by the Council of Members on 16/02/2022 and signed on its behalf by:



Andrew Palmer
Chairman



Miranda Corti
Honorary Treasurer

The Royal School of Needlework: Company Registration Number 12192

Consolidated statement of cash flows Year to 31 August 2021

	Notes	2021 £	2020 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(58,102)	(193,362)
Cash flows from investing activities:			
Investment income		148,583	169,953
Purchase of tangible fixed assets		(13,639)	(28,571)
Proceeds from the disposal of investments		763,930	807,633
Purchase of investments		(811,122)	(653,932)
Net cash provided by investing activities		87,752	295,083
Cash flows from financing activities:			
Repurchase of share capital		(20)	(20)
Increase in capital redemption reserve		20	50
New loan financing		—	50,000
Repayment of loan		(50,000)	—
Net cash provided by financing activities		(50,000)	50,030
Change in cash and cash equivalents in the year		(20,350)	151,751
Cash and cash equivalents at 1 September 2020		537,423	385,672
Cash and cash equivalents at 31 August 2021	B	517,073	537,423

Notes to the statement of cash flows for the year to 31 August 2021

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

	2021 £	2020 £
Net movement in funds (as per the statement of financial activities)	996,821	(144,113)
Adjustments for:		
Depreciation charge	12,626	9,899
(Gains)/losses on investments	(887,626)	22,433
Investment income	(148,583)	(169,953)
Decrease in stocks	5,385	4,327
Increase in debtors	(3,835)	(16,907)
(Decrease)/increase in creditors	(32,890)	100,952
Net cash used in operating activities	(58,102)	(193,362)

B Analysis of cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	488,761	417,199
Cash held by investment managers	28,312	120,224
Total cash and cash equivalents	517,073	537,423

Consolidated statement of cash flows Year to 31 August 2021

C Reconciliation of net debt

	At 1 September 2020 £	Cash flows £	At 31 August 2021 £
Cash at bank and in hand	537,423	(20,350)	517,073
Bank loan	(50,000)	50,000	—
Total cash and cash equivalents	487,423	29,650	517,073

Principal accounting policies Year to 31 August 2021

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 2021.

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.

In addition to the above, the ongoing impact of the global coronavirus pandemic is being kept under review. During 2020/21, the RSN has continued to adapt its activities to offer a blended in-person and online model of teaching. However, it is not currently possible to evaluate all the potential future implications for the Charity's activities, beneficiaries, funders, suppliers and the wider economy. There is a risk that estimates used in the accounts, particularly with respect to the value of listed investments (see note 11) may be subject to a greater degree of uncertainty and volatility.

As set out in these accounting policies under "going concern", the Council has considered the impact of the pandemic on the charity and has concluded that although there may be some negative consequences, it is appropriate for the charity to continue to prepare its accounts on the going concern basis.

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 RSN currently has unrestricted reserves that are £428k in excess of the level set in its reserves policy. Cash flow is being monitored closely and in recent years there has been no need to liquidate investments. 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 2022, the most significant areas that affect the carrying value of the assets held by the charity are maintaining a blended model of online and in-person classes, 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 surplus of £1,005,393 (2019/20: £107,750 surplus) 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, grants, 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.

Principal accounting policies Year to 31 August 2021

Income recognition (continued)

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).

Principal accounting policies Year to 31 August 2021

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 cost greater than £1,000 are capitalised.

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.

Principal accounting policies Year to 31 August 2021

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.

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 2021

1 Donations and legacies

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2021 £
2021				
Donations	51,118	176,142	—	227,260
Legacies	72,415	1,000	—	73,415
Grants	129,496	—	—	129,496
Total funds	253,029	177,142	—	430,171
	<i>Unrestricted funds</i> £	<i>Restricted funds</i> £	<i>Endowment funds</i> £	<i>Total</i> 2020 £
2020				
Donations	134,527	120,662	—	255,189
Legacies	33,010	—	—	33,010
Grants	187,659	—	—	187,659
Total funds	355,196	120,662	—	475,858

2 Investment income

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2021 £
2021				
Bank and deposit interest received	87	—	—	87
Income from listed investments	148,496	—	—	148,496
Total funds	148,583	—	—	148,583
	<i>Unrestricted funds</i> £	<i>Restricted funds</i> £	<i>Endowment funds</i> £	<i>Total</i> 2020 £
2020				
Bank and deposit interest received	642	—	—	642
Income from listed investments	169,311	—	—	169,311
Total funds	169,953	—	—	169,953

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 any 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.

3 Income from trading activities (continued)

RSN Enterprises Limited – Statement of comprehensive income

	Total 2021 £	Total 2020 £
Turnover	292,185	290,210
Cost of sales	(204,531)	(225,756)
Gross profit	87,654	64,454
Other operating income	635	564
Administrative expenses	(96,861)	(90,751)
Operating loss	(8,572)	(25,733)
Gift Aid donation to The Royal School of Needlework	—	—
Retained loss for the financial year	(8,572)	(25,733)

In the year ended 31 August 2021, turnover includes £4,708 (2020: £12,219) 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 2021 £
2021				
Costs of trading subsidiary	299,423	—	—	299,423
Investment managers' fees	45,284	—	—	45,284
Advertising and literature	26,649	—	—	26,649
Fundraising costs	6,648	14,434	—	21,082
Travelling & other costs	817	1,775	—	2,592
Total funds	378,821	16,209	—	395,030
	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2020 £
2020				
Costs of trading subsidiary	316,507	—	—	316,507
Investment managers' fees	41,703	—	—	41,703
Advertising and literature	29,255	—	—	29,255
Fundraising costs	11,222	11,717	—	22,939
Travelling & other costs	1,439	1,533	—	2,972
Total funds	400,126	13,250	—	413,376

6 Costs of school activities

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2021 £
2021				
Staff costs	1,122,001	92,768	—	1,214,769
Other costs	452,201	101,235	—	553,436
Total funds	1,574,202	194,003	—	1,768,205

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2020 £
2020				
Staff costs	1,140,888	84,517	—	1,225,405
Other costs	376,816	82,437	8,000	467,253
Total funds	1,517,704	166,954	8,000	1,692,658

7 Staff costs

	2021 £	2020 £
Wages and salaries	1,218,456	1,240,297
Social security costs	83,465	84,637
Pension costs	49,039	53,475
	1,350,960	1,378,409
Staff costs by function were as follows:		
Cost of school activities	1,214,769	1,225,405
Cost of raising funds (fundraising and trading subsidiary)	136,191	153,004
	1,350,960	1,378,409

The average monthly number of employees during the year was 48 (2020: 54) and on a full time equivalent basis was 26 (2020: 29).

Redundancy costs totalling £nil were incurred in the year as a result of restructuring during the Covid-19 pandemic (2020: £15,350). The RSN has given regard to the “Guidance on decisions taken about severance payments in HEI’s” published by the Committee of University Chairs when determining severance pay.

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:

	2021	2020
£90,001 - £95,000	—	1
£95,001 - £100,000	1	—

Pension contributions in respect of these employees were £4,995 (2020: £4,333).

7 Staff costs (continued)

No Council Members received reimbursement of travelling expenses in the year (2020: none).

No remuneration was paid to the Council Members in the year (2020: 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 £116,906 (2020: £105,537).

Chief Executive Remuneration

	2021 £	2020 £
Basic salary	99,893	86,657
Salary sacrifice arrangements	(3,996)	(3,466)
Bonus	—	3,750
Pension contribution	8,991	7,799
Total remuneration after salary sacrifice	104,888	94,740

The RSN has given regard to the “Higher Education senior staff remuneration code” published by the Committee of University Chairs when determining senior staff remuneration. Staff who are part of the pension scheme operate under a salary sacrifice arrangement where they give up an amount of salary and in return the charity makes an equivalent contribution directly into their pension on their behalf.

The Chief Executive’s remuneration shown in year was considered and reviewed by the Council.

The Chief Executive’s basic salary as a multiple of the median of all staff was 2.3 (2020: 2.2)

The Chief Executive’s total remuneration as a multiple of the median of all staff was 2.3 (2020: 2.3)

8 Net (expenditure) income before investment gains and losses

These are stated after charging:

	2021 £	2020 £
Depreciation	12,626	9,898
Auditor’s remuneration		
. Charity audit	8,955	8,872
. Trading subsidiary audit	2,088	2,705
. Other services	1,696	2,983
Lease expenses		
. Land and buildings	188,222	189,224
. Other	15,460	15,260

9 Tangible fixed assets

Group and Charity	Leasehold improve- ments £	Office equipment £	Fixtures and fittings £	Total £
Cost				
At 1 September 2020	150,509	97,000	70,386	317,895
Additions	—	13,639	—	13,639
At 31 August 2021	150,509	110,639	70,386	331,534
Depreciation				
At 1 September 2020	150,509	81,516	42,563	274,588
Charge for year	—	7,700	4,926	12,626
At 31 August 2021	150,509	89,216	47,489	287,214
Net book values				
At 31 August 2021	—	21,423	22,897	44,320
At 31 August 2020	—	15,484	27,823	43,307

10 Heritage assets

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

The Collection of textiles comprises objects almost all of which have been donated to the RSN and which are mostly examples of embroidery, with some examples of lace. Whilst there are a few pieces from the 16th century, most date from the 19th and 20th centuries.

They comprise many embroidery techniques from the UK and around the world. Also included are a number of pieces worked by the RSN and its students, especially from the original Diploma course, which ran from the late 19th century until 1960, which have been given back to the RSN by the families.

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

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

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

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

11 Investments

	2021 £	2020 £
Listed investments and cash holdings	6,181,660	5,338,754
Group total	6,181,660	5,338,754
Shares in subsidiary undertaking at cost	100	100
Charity total	6,181,760	5,338,854

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.

	2021 £	2020 £
Aggregate share capital and reserves of RSN Enterprises Limited	(52,679)	(43,107)

	2021 £	2020 £
Listed investments & cash holdings		
Market value at 1 September	5,218,530	5,394,664
Additions at cost	811,122	653,932
Disposal proceeds	(763,930)	(807,633)
Realised losses	(398)	(136,571)
Unrealised gains	888,024	114,138
Market value at 31 August	6,153,348	5,218,530
Cash held by investment managers	28,312	120,224
	6,181,660	5,338,754

Listed investments held at 31 August comprised the following:

	2021 £	2020 £
Fixed interest	814,363	857,095
UK equities	2,118,989	1,805,953
Overseas equities and equity funds	1,732,633	1,302,806
Other listed investments	1,487,363	1,252,676
	6,153,348	5,218,530
Listed investments at cost	3,861,799	3,595,554

At 31 August 2021, listed investments included the following individual holding deemed material when compared with the overall valuation of listed investments as at that date:

	Percentage %	Value £
Scottish Mortgage Investment Trust	5.8	358,336

11 Investments (continued)

Since 31 August 2021 the value of investments held by the RSN has fluctuated as we move between hopes for a strong global economic recovery and fears of another Covid variant and higher inflation, while the ongoing Russian invasion of Ukraine has further unsettled investors' nerves. The overall value of the RSN's investments decreased by 9% in the first half of 2021/22 to £5,670,471 on 1 March 2022. The Finance and Investment Committee is continuing to monitor the portfolio and its risk appetite closely by holding regular meetings with the investment managers.

12 Stocks

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Materials	25,037	29,474	25,037	29,474
Finished work and goods held for resale	41,331	42,279	—	—
	66,368	71,753	25,037	29,474

13 Debtors

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Trade debtors	12,745	18,619	4,479	8,400
Prepayments and accrued income	124,685	114,976	121,638	100,013
Amounts owed by subsidiary company	—	—	89,833	89,269
	137,430	133,595	215,950	197,682

14 Creditors: amounts falling due within one year

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Bank loans	—	1,667	—	1,667
Trade creditors	32,731	82,852	26,470	43,767
Other taxes and social security costs	44,002	31,964	29,076	27,563
Accruals and deferred income	544,290	539,097	529,895	520,797
	621,023	655,580	585,441	593,794

Deferred income (included above)

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Brought forward at 1 September	457,716	381,497	447,621	376,942
Deferred in the year	324,829	379,854	324,829	369,760
Released in the year	(289,284)	(303,635)	(279,189)	(299,081)
Carried forward at 31 August	493,261	457,716	493,261	447,621

14 Creditors: amounts falling due within one year (continued)

Deferred income (included above)

Deferred income is fees received in advance of the course taking place and donations received for the following academic year.

15 Creditors due in more than one year

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Bank loans	—	48,333	—	48,333
	—	48,333	—	48,333

Included in creditors falling due in more than one year in 2020 was a loan received on 3 July, 2020 under the Bounce Back Loan Scheme created by the UK Government in response to Covid-19. The loan was interest free if repaid within one year from the date the loan was drawn and was repaid in July 2021.

The above loan was repayable as follows:

	Group		Charity	
	2021 £	2020 £	2021 £	2020 £
Within one year	—	1,667	—	1,667
Within two to five years	—	48,333	—	48,333
	—	50,000	—	50,000

15 Share capital

	Issued, called up and fully paid	
	2021 £	2020 £
Ordinary shares of £10 each	240	260

16 Capital redemption reserve

	2021 £	2020 £
458 Ordinary shares of £10 each (2020: 456)	4,580	4,560

17 Endowment funds

	At 1 September 2020 £	Income £	Expenditure £	Investment gains £	At 31 August 2021 £
2021					
Victoria Adams Fund	1,989,415	—	—	330,742	2,320,157
General Endowment Fund	545,288	—	—	90,654	635,942
Hilda Watson Fund	3,270	—	—	544	3,814
Charrington / Broderers Fund	3,374	—	—	561	3,935
Wendy Hogg Fund	18,482	—	—	3,073	21,555
HB Allen Fund	248,972	—	—	41,392	290,364
	2,808,801	—	—	466,966	3,275,767
	At 1 September 2019 £	Income £	Expenditure £	Investment losses £	At 31 August 2020 £
2020					
Victoria Adams Fund	2,004,907	—	(7,250)	(8,242)	1,989,415
General Endowment Fund	547,539	—	—	(2,251)	545,288
Hilda Watson Fund	3,283	—	—	(13)	3,270
Charrington / Broderers Fund	3,388	—	—	(14)	3,374
Wendy Hogg Fund	19,311	—	(750)	(79)	18,482
HB Allen Fund	250,000	—	—	(1,028)	248,972
	2,828,428	—	(8,000)	(11,627)	2,808,801

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

18 Restricted funds

	At 1 September 2020 £	Income £	Expenditure £	Investment gains £	Transfers between funds £	At 31 August 2021 £
2021						
Janet Churm Fund	62,254	—	(43,019)	10,349	—	29,584
Degree Building Improvements	5,386	—	(5,386)	—	—	—
Future Tutor Programme	—	67,541	(67,541)	—	—	—
Degree Programme	—	42,551	(42,551)	—	—	—
Campaign HCP New Rooms	10,056	—	(2,041)	—	—	8,015
Collection & Digitisation	158,255	52,620	(4,815)	—	—	206,060
Embroider a Selfie	11,363	—	(2,467)	—	—	8,896
Stitch Bank	52,992	14,430	(42,392)	—	—	25,030
Other Restricted Legacy	27,989	—	—	—	—	27,989
	328,295	177,142	(210,212)	10,349	—	305,574

	At 1 September 2019 £	Income £	Expenditure £	Investment losses £	Transfers between funds £	At 31 August 2020 £
2020						
Janet Churm Fund	114,705	—	(51,980)	(471)	—	62,254
Degree Building Improvements	11,850	—	(6,464)	—	—	5,386
Future Tutor Programme	16,322	40,234	(56,556)	—	—	—
Degree Programme	—	25,940	(25,940)	—	—	—
Campaign HCP New Rooms	12,097	—	(2,041)	—	—	10,056
Collection & Digitisation	155,046	2,961	(325)	—	573	158,255
Embroider a Selfie	14,196	—	(2,833)	—	—	11,363
Stitch Bank	—	51,527	(34,065)	—	35,530	52,992
Other Campaign Funds	36,103	—	—	—	(36,103)	—
Other Restricted Legacy	27,989	—	—	—	—	27,989
	388,308	120,662	(180,204)	(471)	—	328,295

- 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 and other 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.

19 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 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 2021/22.
- g) The Embroider a Selfie fund is a project to introduce stitch to young people.
- h) The Stitch Bank fund is a project that aims to digitally conserve and preserve every stitch in the world, becoming the biggest repository of stitch in the world. The first phase went live in 2021/22.
- i) 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 funds have now all been transferred to separate restricted project funds, as detailed above.
- j) The Other Restricted Legacy Fund relates to a legacy received in 2016/17, which will provide support for the Future Tutor Programme.

20 Designated funds

	At 1 September 2020 £	New Designations £	Utilised/ released £	At 31 August 2021 £
2021				
Futures campaign	610,000	—	—	610,000
	At 1 September 2019 £	New Designations £	Utilised/ released £	At 31 August 2020 £
<i>2020</i>				
<i>Futures campaign</i>	<i>610,000</i>	<i>—</i>	<i>—</i>	<i>610,000</i>

The Futures campaign fund comprises monies set aside for various campaign projects. During 2020/21 and 2019/20 no funds were utilised because expenditure on projects has been funded by restricted income that has been raised in current and prior years. The designated funds continue to be kept under review by the trustees so that they can be re-purposed and used as and when they are needed.

21 Analysis of net assets between funds

Group	Share- holders funds £	Restricted funds £	Un- restricted funds £	Endowment funds £	Total 2021 £
Tangible fixed assets	—	8,015	36,305	—	44,320
Investments	—	29,584	2,876,309	3,275,767	6,181,660
Current assets	4,820	308,500	379,239	—	692,559
Creditors: amounts falling due within one year	—	(40,525)	(580,498)	—	(621,023)
Creditors falling due in more than one year	—	—	—	—	—
Total net assets	4,820	305,574	2,711,355	3,275,767	6,297,516

Group	Share- holders funds £	Restricted funds £	Un- restricted funds £	Endowment funds £	Total 2020 £
Tangible fixed assets	—	15,441	27,866	—	43,307
Investments	—	326,672	2,203,281	2,808,801	5,338,754
Current assets	4,820	28,832	588,895	—	622,547
Creditors: amounts falling due within one year	—	(42,650)	(612,930)	—	(655,580)
Creditors falling due in more than one year	—	—	(48,333)	—	(48,333)
Total net assets	4,820	328,295	2,158,779	2,808,801	5,300,695

Charity	Share- holders funds £	Restricted funds £	Un- restricted funds £	Endowment funds £	Total 2021 £
Tangible fixed assets	—	8,015	36,305	—	44,320
Investments	—	29,584	2,876,409	3,275,767	6,181,760
Current assets	4,820	308,500	395,335	—	708,655
Creditors: amounts falling due within one year	—	(40,525)	(544,916)	—	(585,441)
Creditors falling due in more than one year	—	—	—	—	—
Total net assets	4,820	305,574	2,763,133	3,275,767	6,349,294

Charity	Share- holders funds £	Restricted funds £	Un- restricted funds £	Endowment funds £	Total 2020 £
Tangible fixed assets	—	15,441	27,866	—	43,307
Investments	—	326,672	2,203,381	2,808,801	5,338,854
Current assets	4,820	28,832	570,216	—	603,868
Creditors: amounts falling due within one year	—	(42,650)	(551,145)	—	(593,795)
Creditors falling due in more than one year	—	—	(48,333)	—	(48,333)
Total net assets	4,820	328,295	2,201,985	2,808,801	5,343,901

22 Operating lease commitments

As at 31 August 2021, the group and charity had the following future minimum payments under non-cancellable licences and operating leases:

2021	Land and buildings £	Equipment £	2021 £
Operating lease payments due:			
within the next year	202,209	13,836	216,045
between two and five years	380,817	8,538	389,355
	<u>583,026</u>	<u>22,374</u>	<u>605,400</u>
2020	<i>Land and buildings</i> £	<i>Equipment</i> £	2020 £
Operating lease payments due:			
within the next year	187,332	14,866	202,198
between two and five years	183,736	22,374	206,110
	<u>371,068</u>	<u>37,240</u>	<u>408,308</u>

23 Related party transactions

RSN Enterprises Limited donates any profits via Gift Aid to the charity. During the year the RSN Enterprises Limited was loss making and so no donation was made (2020: £nil).

At 31 August 2021, £89,833 is due by RSN Enterprises Limited to the charity (2020: £89,269).

Council Members paid an aggregate of £2,970 (2020: £1,703) for classes and events, £190 (2020: £114) for Friends' subscriptions at standard un-discounted rates and donations of £473 (2020: £1,451).

24 Comparative statement of financial activities for the year ended 31 August 2020

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2020 Total funds £
Income and expenditure					
Income from:					
Donations and legacies	1	355,196	120,662	—	475,858
Investments	2	169,953	—	—	169,953
Other trading activities	3	278,555	—	—	278,555
Charitable activities					
. School activities	4	1,059,988	—	—	1,059,988
Total income		<u>1,863,692</u>	<u>120,662</u>	<u>—</u>	<u>1,984,354</u>
Expenditure on:					
Raising funds	5	400,126	13,250	—	413,376
Charitable activities					
. Costs of school activities	6	1,517,704	166,954	8,000	1,692,658
Total expenditure		<u>1,917,830</u>	<u>180,204</u>	<u>8,000</u>	<u>2,106,034</u>
Net (expenditure)/income before investment gains and losses	8	(54,138)	(59,542)	(8,000)	(121,680)
Realised losses on investments	11	(62,920)	(2,870)	(70,781)	(136,571)
Unrealised gains on investments	11	52,585	2,399	59,154	114,138
Net movement in funds		(64,473)	(60,013)	(19,627)	(144,113)
Reconciliation of funds:					
Fund balances brought forward at 1 September 2019		<u>2,223,252</u>	<u>388,308</u>	<u>2,828,428</u>	<u>5,439,988</u>
Fund balances carried forward at 31 August 2020		<u>2,158,779</u>	<u>328,295</u>	<u>2,808,801</u>	<u>5,295,875</u>