
The Great Britain-China Centre

Annual Report and Accounts 2018-19

The Great Britain-China Centre Annual Report and Accounts 2018-19

Presented to Parliament pursuant to section 6 of the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009

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The Great Britain - China Centre (Limited by Guarantee)
Report and Financial Statements
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The Great Britain - China Centre (Limited by Guarantee)
Company Information
As at 31 March 2019

Directors

Sir Martin Davidson	- Chair
Mr Alan Black	- Vice Chair
Mr Richard Jackson	- Vice Chair & Treasurer
Rt Hon Liam Byrne MP	
Mr Christopher Fitzgibbon	
Mr William Godwin	
Mr Charles Haswell	
Prof Jude Howell	
Ms Victoria Prentis MP	

Nominee Directors

Mr Nicholas Thomas	- British Council
Mr Alex Pinfield	- Foreign and Commonwealth Office

Co-opted Members

Mr Matthew Rous
Mr Rod Wye

Company Secretary

Ms Merethe Borge MacLeod

Registered number

01196043
(Registered in England and Wales)

Registered Office

15 Belgrave Square
London
SW1X 8PS

Auditors

Comptroller and Auditor General
157 - 197 Buckingham Palace Road
London
SW1W 9SP

The Great Britain - China Centre (Limited by Guarantee) Directors' Report

The Directors present their report and financial statements for the period ended 31 March 2019. These accounts no longer include the results for the UK-China Forum because the Political Dialogues are now run through The Great Britain-China Centre and no transactions have gone through the Forum in the year. The information contained in the Directors' Report is not subject to audit.

The financial statements have been prepared in a form directed by the Secretary of State for Foreign and Commonwealth Affairs with the consent of the Treasury and in accordance with the Companies Act 2006 and the HM Treasury Financial Reporting Manual.

The Great Britain-China Centre

The Great Britain-China Centre (GBCC) was established in 1974, and is an executive non-departmental public body. It is a Private Company limited by Guarantee without share capital. The Organisation is registered in England and Wales and domiciled in the United Kingdom. GBCC receives grant-in-aid (GiA) from the Foreign and Commonwealth Office (FCO).

Principal activities

The company's principal activity during the year continued to be the promotion of closer cultural, professional, economic, educational, legal, judicial and other contacts between Britain and China and to encourage mutual knowledge and understanding.

Management Commentary:

Results

After taking into account the GiA of £500,000 (2017-18: £470,000) from the Foreign and Commonwealth Office, the results for the year ending March 2019 show an operating deficit of £56,201 (2017-18: deficit of £77,195).

The Directors consider GBCC's financial position to be satisfactory.

Directors

Directors who served on the Board during the year and who were Directors under the Companies Act 2006 are identified below. Co-opted members and the Company Secretary are not Directors.

Sir Martin Davidson	- Chair
Mr Alan Black	- Vice Chair
Mr Richard Jackson	- Vice Chair & Treasurer October 11, 2018
Rt Hon Liam Byrne MP	
Mr Christopher Fitzgibbon	- Resigned as Vice Chair & Treasurer October 11, 2018
Mr William Godwin	
Mr Richard Graham MP	- Resigned June 14, 2018
Mr Charles Haswell	- Appointed June 14, 2018
Prof Jude Howell	
Ms Victoria Prentis MP	- Appointed June 14, 2018

Nominee Directors

Ms Carma Elliot	- British Council, Resigned September 14, 2018
Mr Nicholas Thomas	- British Council, Appointed September 14, 2018
Mr Alex Pinfield	- FCO

None of the Directors are remunerated.

The Great Britain - China Centre (Limited by Guarantee) Directors' Report

Audit and Risk Assurance Committee

GBCC's Audit and Risk Assurance Committee (ARAC) is a sub-committee of the Board. ARAC ensures that GBCC adheres to the highest standards of propriety in the management of public funds and also promotes the development of internal control systems. During the year ended 31 March 2019 membership of the Audit Committee comprised:

Mr Christopher Fitzgibbon	- Resigned as ARAC Chair October 11, 2018
Mr Richard Jackson	- Appointed ARAC Chair October 11, 2018
Mr Charles Haswell	

The Executive Director, China Britain Business Council Group Finance Director, NAO Audit Manager, BDO Senior Audit Manager, FCO Head of Audit and FCO Deputy Head of Anti-Fraud and Corruption Unit are regular attendees. The ARAC considers management accounts and reserves, review of internal control, review of the risk register and any other relevant matters. As is the case with companies of its size, GBCC does not have its own internal audit function. It relies on FCO Internal Audit Department to assist with this function.

Equal Opportunities

GBCC is an equal opportunities employer and is committed to ensuring that there will be no unlawful discrimination against any person who works for or with the GBCC. The Equality Act 2010 is followed. Decisions on recruitment, selection, training, promotion and career management are based solely on objective and job related criteria.

Employee Information

Each member of staff has their performance against agreed objectives appraised annually. An integral part of this review requires the identification of training needs and the development of a training programme to address these needs.

Pension Liabilities

The treatment of pension liabilities is discussed under notes 2.8 and 16 in the Notes to the Financial Statements.

Audit Fee

The Directors confirm that the Comptroller and Auditor General is appointed as statutory auditor for the GBCC financial statements and that the auditors have not conducted any non-statutory audit work. The fee for the statutory audit was £11,000 (2017-18: £10,000).

Creditors

The average time taken to pay invoices in the current year was 28 days (2017-18: 28 days). The proportion of the aggregate amount owed to trade creditors at the year-end compared with the aggregate invoiced by suppliers during the year was equivalent to 48 days (2017-18: 58 days).

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Events since Year End

There have been no significant events after the reporting period which need to be noted in these financial statements.

Going Concern

The Directors and the Accounting Officer consider The Great Britain-China Centre to be a going concern.

The Foreign and Commonwealth Office grant-in-aid is confirmed at £500,000 for the 2019-20 financial year which will cover 74% of budgeted core operating costs. The balance will be covered by earnings from externally funded projects and sponsorship and if necessary from reserves.

The Board keeps the issue of "Going Concern" under review and close liaison is maintained with the FCO's China Department to ensure alignment with its China Strategy. Although it does not, and is not required to comply with the UK Corporate Governance code, GBCC follows best practice with regards to the consideration of viability and going concern and the Board has assessed forward strategy over a longer period than the 12 months required. The Board's scrutiny includes regular assessment of the main risks facing GBCC and management's methodology to address them. Management has assumed that an annual Viability Statement should cover a period of 3 years.

Further information on Going Concern is contained within the Strategic Report in the GBCC Funding and Viability Statement on pages 11 and 12.

This report was approved by the Board on 20 June 2019.

Sir Martin Davidson
Chair

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

The Great Britain - China Centre (Limited by Guarantee) Strategic Report

The Great Britain-China Centre (GBCC) is a non-departmental public body sponsored by the Foreign and Commonwealth Office. GBCC works to strengthen the UK-China relationship by building trust and supporting dialogues between government, judiciary and policy making actors on key rule of law and reform issues.

Working as a trusted partner with key Chinese institutions, GBCC has expertise in working across the political, historical, cultural and linguistic barriers to facilitate policy dialogue and design programmes that deliver sustainable results, including in areas of political sensitivity.

GBCC works with a range of official and academic partners in China, including the Supreme People's Court, the Supreme People's Procuratorate, the China Law Society, the International Department of the Communist Party Central Committee and the All-China Youth Federation (the external affairs arm of the Communist Youth League, which trains future leaders), as well as with academic partners mostly in China's top law schools.

The UK government is unique in China in having GBCC as an "arms-length" public body that is differentiated from HMG in its relations with Chinese party-state institutions and universities to pilot and champion legal and judicial reform. In this way, GBCC has for the past two decades assisted Chinese legal experts to bring about gradual change on sensitive issues of international concern such as death penalty reform and necessary reforms in the pre-trial detention system, as well as help with the training of judges and the exchange of best practice information with China as the country implements a variety of reforms to improve governance and the legal and regulatory environment.

GBCC's typical project model is to work either directly with party-state institutions or with China's leading academic experts, who play a role in advising government and the judiciary on areas for reform, and to design project proposals with them that meet the policy priorities of the UK (or sometimes EU) funding organisation as well as China's own reform agenda. Projects involve study tours to visit UK and European institutions, the facilitation of experts to China to share best practice experience, joint workshops and training sessions. The Chinese partners design reform and policy proposals tailored to Chinese circumstances, involving e.g. proposed revisions to laws or implementation regulations, Chinese Supreme Court guidance notices to lower courts, often after testing and pilot runs in provinces, publication of reform recommendations, training sessions and changes to governance practice.

GBCC's work with China over the past four decades demonstrates that it is possible for the UK to support China's development as a positive contributor to international law and global norms, through projects which are designed as partnerships of equals working on common goals and shared problems and opportunities. Our experience is that, despite the hard-line stance often taken publicly by senior members of Chinese officialdom, there continues to be an appetite for substantial technical reform to improve the judicial and legal system.

Recent results of GBCC's work include:

- Strengthened and expanded **trusted and sustainable relationships with key Chinese partners in the legal, judicial and academic sectors** in the interest of UK-China relations.
- Implemented projects resulting in **measurable progress in China's criminal justice system**, particularly in reducing the use of the death penalty and torture, setting up detention centres, lay visitor schemes, plea bargaining, and pilots for reducing pre-trial detention.
- Maintained **a coordinated relationship between the UK and Chinese judiciaries**, including a new dialogue mechanism and a joint expert working group on commercial dispute resolution.
- Created a **network of engaged British legal, judicial and academic experts** and representative bodies keen to participate in legal and judicial reform in China.
- Facilitated bespoke training for the Chinese judiciary on key legal reform issues such as insolvency law, people's assessor reform, plea bargaining and exclusion of illegal evidence.
- Served as the UK's docking point for coordinating and developing the space for **civil and commercial legal reform in China**.

The Great Britain - China Centre (Limited by Guarantee) Strategic Report

- Convened high-level thematic seminars on reform topics such as anti-money laundering, corporate governance and the internationalisation of legal services.
- Established the first and only **Centre for Common Law in China** in partnership with Renmin University Law School and Oxford University.
- **Promoted the UK's legal system and services to China** to foster international trade and investment.
- Enabled deeper, **more informed engagement of senior and future generations of UK Parliamentarians** and leaders with their Chinese counterparts.
- Served as a **consistent convenor of UK expertise for incoming Chinese policy-makers, legislators and political bodies** for a broad range of incoming visits of influential policy-making institutions, from the Central Party School, regional leaders, the judiciary and prosecutors.

During the financial year, GBCC carried out the following activities with Chinese partners:

Political and Economic Dialogues

Since 2007 GBCC has held regular political and economic dialogues involving cross-party groups of UK parliamentarians and senior Chinese officials selected from relevant party and state interlockers, with a purpose of deepening understanding between the policy-makers of both sides and building relationships for the future. The dialogues have become unique platforms for closed-door, informal and frank discussions, helping UK politicians to gain a deeper and more nuanced understanding of the Chinese system and China's reform priorities, helping Chinese policy-makers understand UK perspectives and improve their grasp of UK political culture, and feeding policy inputs into UK-Chinese relations. The dialogues are held alternately in China and the UK, organised by GBCC in partnership with the International Department of the Central Committee of the Communist Party of China (IDCPC), and the All China Youth Federation (ACYF). The initiatives are supported by corporate sponsors including BP and Prudential.

- The **10th anniversary Senior Leadership Forum** was held in Beijing and Wuhan in April 2018. GBCC assembled a strong UK delegation of 13 senior parliamentarians and senior civil servants, headed by the Rt Hon David Lidington CBE MP, Minister for the Cabinet Office and Chancellor of Duchy of Lancaster, a Forum alumnus. The Chinese side was headed by IDCPC Minister Song Tao, and in addition to the forum discussions themselves, there were calls on Chinese vice President Wang Qishan, and senior officials representing the National People's Congress and the Central Organisation Department.
- Following the agreement between the ACYF and GBCC to expand their cooperation to also include training, GBCC designed and facilitated a two-week bespoke **exchange and education course** in Oxford and in London for 15 ACYF-affiliated central and provincial leaders, civil servants and business executives.
- The ACYF delegation also participated in the **8th Young Leaders Roundtable** in London, meeting with between 12 UK politicians and policymakers from across the parties to discuss the transformational aspects of new technologies.
- In October 2018, GBCC piloted its first Cross-Whitehall China Ready training course, to support the growth of the UK's China capacities. The intensive course attracted 35 civil servants from nine government departments.
- In addition to the annual set dialogues and roundtables, GBCC holds regular briefings and discussions with leading policy-makers, think-tanks and academics. Recent such events include a high-level discussion with Forum alumnus and former Chair of the CPPCC, and Chair of the China Economic and Social Council Du Qinglin, and discussions with delegations from the Central Party School.

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Judicial Dialogues

GBCC leads the way on coordinating UK judicial engagement with China, acting as the partner of choice for both the UK Supreme Court as well as the Chinese Supreme People's Court, guiding the development of increasing judicial cooperation between the UK and China. Central to this work is the UK-China Judicial Roundtable, which brings together senior judges from both countries to develop better understanding of each other's systems, sharing experience and best practice.

- The 5th UK-China Judicial Roundtable was hosted by the Chinese Supreme People's Court and the Shanghai High People's Court in Shanghai in October 2018. The UK delegation was headed by The Rt Hon Lord Hodge, Justice of the Supreme Court, and on the Chinese side by Justice Pei Xianding from the SPC and President Liu Xiaoyu of the Shanghai High People's Court. The topic for this roundtable was cross-border judicial cooperation, especially with regards to people trafficking and the use of cross-border evidence, as well as cooperation between specialist financial courts.
- A direct result of this regular cooperation between the two countries' Supreme Courts has been the establishment of a **Joint Judicial Expert Working Group** set up between the Royal Courts of Justice and the Chinese Supreme People's Court. This annual meeting of senior judges focuses on bilateral judicial cooperation in the area of commercial dispute resolution.
- GBCC also works with the Supreme People's Court and local courts in China to strengthen the professionalism and independence of judges, as well as assisting in the development of **China's plea bargaining system**. GBCC's long-term cooperation with the Supreme People's Court and strong links with UK-based legal and judicial experts mean it is well placed to provide UK best practice and experience in this area, with GBCC hosting a delegation from the Supreme People's Court in January 2019 and facilitating the participation of UK experts at an international plea bargaining seminar in Qingdao in March 2019.

Criminal Justice Reform

GBCC continues to work to support domestic initiatives for a more effective criminal justice system in China. GBCC's approach aims to respond to areas of international human rights relevance and Chinese policy priorities by partnering with influential academic organisations and designing and delivering projects in which practical pilots are used to help test and develop policy. The combination of exchanges of good practices and experiences between academics, police, prosecutors, lawyers and judges in Europe and China together with the empirical research of academic partners on the ground have proved effective in influencing national-level legislation and policies.

In the past financial year, GBCC ran several one-year and multi-year projects focused on preventing torture and ill-treatment specifically during pre-trial detention and on improved evidence in criminal procedure. These projects were funded by the FCO, the European Union through the European Initiative for Democracy and Human Rights (EIDHR), and the Dutch government.

- One project focused on the procedural safeguards during the first 24 hours of police custody, especially audio-visual recording, interrogation and lawyer assistance, identification and exclusion of illegal evidence and custody records. A new electronic system was created by the Kunming Public Security Bureau to ensure compliance with procedural safeguards.
- Another project focused on the reduction of pre-trial detention rates through procedural improvements to bail hearings. Building on the momentum of previous work, the current project specifically seeks to strengthen the role of defence lawyers in such hearing procedures, as well as promote the use of alternative measures to detention such as conditional bail.
- A project with the Supreme People's Court as well as other partners on the improved role of evidence in criminal procedure was initiated, and will continue for the next three years.

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- GBCC supported a Supreme People's Court's (SPC) Magna Carta Fund project on the reform of China's plea-leniency system. GBCC organised a UK study trip for six representatives from the SPC in January 2019, focusing on gaining knowledge and experience of the UK's practices and safeguards to guarantee the 'voluntariness' of a suspect's guilty plea. In addition, GBCC accompanied two of the experts that participated in the study visit to the SPC's March 2019 conference in Qingdao on the UK's guilty plea system and how it protects the rights of defendants.

Rule of Law for Business – Prosperity Fund

Since 2014, GBCC has implemented a series of projects funded by the UK's cross-government prosperity fund. This work aims to strengthen the role and capability of China's legal system in supporting the development of the country's business environment, enabling fairer market access and advancing economic reform to support China's prosperity. The planned multiyear rule of law for business programme was brought to tender in late 2018. GBCC is part of a partnership that submitted a bid for the multiyear tender in February 2018, attending an interview at the British Embassy in Beijing along with partner organisations in March 2019. In May 2019, the FCO announced that the programme is being re-tendered. The new call came out in late May, and GBCC is re-tendering as part of the same partnership. The outcome is expected to be announced late in the 2019-2020 financial year, with initial inception work starting immediately after the bid winner is announced.

GBCC's work in this area builds on the strong relationship with key stakeholders, including the Supreme People's Court, the China Law Society and increasingly the Ministry of Justice. The development of GBCC's work in this area began in 2016 with GBCC being commissioned by the British Embassy Beijing to undertake a scoping exercise for a future multiyear rule of law for prosperity programme. During the 2017-18 financial year, the British Embassy commissioned GBCC to carry out a six month 'Transitional Year' project (September 2017-March 2018) to strengthen existing relationships and build new ones in order to develop a framework for informed and effective engagement for the rule of law for business agenda. Policy areas covered by the project included foreign investment legal reform, commercial dispute resolution, rule of law in the digital era, judicial reform, anti-corruption and corporate governance and common law on the Belt and Road.

The British Embassy in Beijing subsequently awarded GBCC a second 'transitional' project ("Transitional Year 2") in order to maintain and further build relationships and momentum for the multiyear programme. This second project was designed to primarily focus on the development of commercial dispute resolution in China, as this was identified as a key area of work for the upcoming multiyear programme as well as a necessary component in improving China's business environment. This project has so far implemented three activities; the translation of a UK government foreign investment White Paper in August 2018, the 3rd UK-China Rule of Law Roundtable in cooperation with the China Law Society in November 2018, and an academic roundtable hosted by the Centre for Common Law at Renmin University in March 2019, with several more activities to be completed in the 2019-2020 financial year.

GBCC Future Priorities

In January 2018 the GBCC Board approved a new five-year strategy for 2018-2023. The planned impact of the strategy is **Strengthened UK-China partnerships to advance rule of law and political dialogue**, with three outcomes:

1. **UK and Chinese political and policy-making actors are engaged in a robust and progressive relationship.**
2. **Partnerships and shared best practice in support of China's legal and judicial reform for a fair, transparent and accessible legal system across criminal, civil and commercial law.**

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3. UK and Chinese cooperation to strengthen the Rules-based International System that underpins international trade and respect for human rights.

The strategy, outlined in detail below, is accompanied by a Strategic Results Framework with outcome indicators. This framework was further developed during the financial year (2018-2019), and a more comprehensive impact practice implemented across the organisation. This will facilitate enhanced reporting on impact as progress is measured against key indicators, on both project and the organisational levels.

1. UK and Chinese political and policy-making actors are engaged in a robust and progressive relationship

As the UK's relationship with China evolves to represent the complexity of a modern partnership for the 21st Century with the world's second largest economy, it is essential UK and Chinese politicians and policy-makers are well equipped to engage across the full breadth of issues. This requires deeper and more sustained engagement by a greater range of individuals.

Over the past 10 years, GBCC has convened a series of dialogues and exchanges between politicians and officials, both senior decision-makers and leaders of the future. The UK-China Leadership Forum and the Young Leaders Roundtable provide non-state, non-partisan platforms for political leaders to engage in substantive discussions on political and socio-economic issues of the day, and to build lasting professional relationships.

We have built up a network of over 200 alumni in the UK and China, many of whom are in senior government and policy-making roles. The dialogues increase access and influence for the UK to high-level party-state actors in China, and secure political buy-in to support long-term cooperation and create new policy discussions.

We will continue to invest in our political and economic dialogues, starting from an upgrade of the 10th UK-China Leadership Forum in 2018 to expand high-level engagements with the new Chinese leadership, including with the International Department of the Communist Party of China (IDCPC) and the All-China Youth Federation (ACYF). We will significantly increase the level of corporate sponsorship in order to scale up the activities for more impactful, regularly structured engagements that bring together current and future generations of leadership.

2. Partnerships and shared best practice in support of China's legal and judicial reform for a fair, transparent and accessible legal system across criminal, civil and commercial law

China's current legal and judicial system has rapidly modernised since the reforms of the 1980s. Accession to the WTO in 2001 resulted in significant improvements to civil and commercial law but this has not kept pace with the increasingly complex needs of the world's second largest economy. There has been less progress in criminal justice reform which lags well behind international standards.

Since the 4th Plenum of the 18th Party Congress, the Party has made the integration of a law-based governance policy into the party-state political system a key priority. They aim to achieve fairer, more efficient access to justice and facilitate domestic economic reform whilst retaining complete political control.

Continued support to improvements to the criminal justice system is essential both to the UK in demonstrating global leadership but to also unlock sustainable economic reform. Perceptions of corruption, risks associated with a criminal justice system with a 99% conviction rate, and a frequently opaque and inconsistent regulatory and enforcement regime serve as a deterrent to foreign direct investment. More recently the complex relationship between law, policy-making and sustainable economic growth has grown in importance within Chinese political debate.

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GBCC has been implementing legal reform projects in close cooperation with key academic and justice sector practitioners in China since the 1990s, enabling us to build up the trust, partnerships and

reputation necessary for effective, reform-oriented engagement. We have also established the first mechanism for exchange between the UK and China's judiciaries in support of progress on commercial legal issues and core judicial reform. GBCC is the only UK organisation working across the full spectrum of civil and commercial legal and judicial issues, and is thus well placed to take on a more pronounced role in delivering key outcomes that are of interest to both China and the UK, both under the Prosperity Fund and other initiatives. Examples of shared challenges include the use of big data, the development of Artificial Intelligence, the provision of legal aid, and limited judicial resources.

3. UK and Chinese cooperation to strengthen the Rules-based International System that underpins international trade and respect for human rights

China has articulated a more assertive role in the international community, launching the Belt and Road Initiative, and new multilateral institutions such as the Asian Infrastructure Investment Bank. It is in the UK's wider interest that China supports the Rules-based International System which, amongst other issues, underpins international trade and investment, respect for human rights, gender equality, and poverty alleviation. UK-China cooperation on the Sustainable Development Goals, particularly SDG 16 on good governance, global institutions and rule of law, is another important aspect to support the adoption of international standards.

The UK's legal traditions are a powerful source of soft power that provides normative impact on the international stage and brings commercial benefit to the UK. As China goes global, there is a valuable opportunity for standard setting and legal cooperation between the UK and China, given the predominance of English law for international commerce, the use of highly specialised world-renowned English legal services, and the UK as a global leader in commercial dispute resolution courts and arbitration, all of which will be increasingly relevant especially in third countries along the Belt and Road and elsewhere.

GBCC's strong network of legal, judicial and academic partners in the UK and China enables us to play a convening role as interest in this space increases. The Centre for Common Law, a joint initiative between Renmin University Law School in Beijing, GBCC and the University of Oxford is one such platform for expertise. The landmark initiatives GBCC has developed between the UK and Chinese judiciaries, such as the expert working group on commercial dispute resolution and the annual rule of law roundtable with the China Law Society, are influential mechanisms that feed into this process.

It is recognised that the successful achievement of the strategic outcomes outlined above will require investment in GBCC's organisational capacity to deliver greater impact including:

- **Increase GBCC visibility and profile in the UK and Europe** by clear articulation of GBCC's technical expertise and access to influential networks and institutions in China in order to work with a broader group of stakeholders.
- **Diversify and increase funding streams.** GiA, Prosperity Fund and Magna Carta, EU and bilateral European funding and corporate sponsorship.
- **Building stronger staff capacities.** GBCC's staffing structure is currently strong on project management and event organisation; on leveraging large networks of legal professionals, academics, and politicians on both sides. GBCC needs to increase its technical skills in a number of areas including policy mapping and influencing, quality assurance and impact assessment. GBCC needs to better capture relevant implications and follow-up actions from its engagements, and must consider enhanced staffing in this regard. As GBCC's scope increases, there will also be a need for more streamlined back-office functions.

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- **Establishing a presence in China** will be even more imperative as the organisation seeks to scale up. In the short term, the delivery requirements of the prosperity fund will be a major driver. The potential impact of the INGO law will need to be factored in and may influence a GBCC presence in China.

GBCC Funding and Viability Statement

The Board keeps the issue of “Going Concern” under regular review at Board meetings, and close liaison is maintained with the FCO’s China Department to ensure alignment with its China strategy. Although it does not, and is not required to comply with the UK Corporate Governance code, GBCC follows best practice with regards to the consideration of viability and going concern and the Board has assessed the forward strategy of GBCC for the next three years (2019-2022). The Board’s scrutiny of GBCC’s strategy includes regular assessment of the main risks facing GBCC and management’s methodology to address them.

Although funding is the main risk to GBCC’s operation, the continued support from the FCO through the grant-in-aid (GiA), the growing importance to the UK of the work GBCC is undertaking, as well as GBCC’s unique position in facilitating semi-official dialogue and partnerships with the Chinese establishment, assures the Board that GBCC has sufficient support and relevance to continue its operation over the next three years. Increased efforts to raise funds from a variety of commercial and governmental sources, as well as improved impact assessment practices, further add to the organisation’s resilience and flexibility.

From November 2018 – March 2019, the FCO carried out a Tailored Review of GBCC. The aims of the Tailored Review, which followed the Cabinet Office’s “Tailored Reviews: guidance on reviews of public bodies”, provided a robust scrutiny of the continued need for the GBCC, both its functions and its form. The key finding of the review was that “...GBCC continues to perform an important function in the UK-China relationship; makes a positive contribution to UK priorities in China; and represents good value for money for the taxpayer.” The Review stated that “...GBCC does an impressive job in meeting most of the considerable requirements inherent in its status as an NDPB, particularly its strong showing on the requirements for ‘accountability for public money’ and ‘effective financial management’”. The Review found that the major risks to GBCC are financial; China’s possible graduation from ODA eligibility in, or around, 2023, would require a transformation of GBCC’s funding model, and the decision of the Board to draw on reserves for the past two years for strategic reasons is not sustainable going forward. These and other risks are further discussed within the Governance Statement in Risk Management on pages 16-19.

The Board has approved a new reserve policy that sets the objective for GBCC of building and maintaining reserves equivalent to 6 months operating expenses. The Directors assess GBCC’s prospects primarily through its financial planning process. As part of this, the Directors have considered the financial impact of a number of scenarios, including a sustained reduction in revenue over a three-year time horizon. With this in mind, the Board has approved a break-even budget and view this as a minimum target for the year 2019-20.

GBCC’s GiA has been confirmed at £500,000 for 2019-2020, which is the same amount as for 2018-2019, a 6.4% increase on the £470,000 from 2017-18, and a return to the level of funding in 2016-2017. The GiA is provided by the FCO to enable GBCC to deliver important priorities such as the Annual Judicial Roundtable, and to be in a position to continue to deliver the Political Dialogues, to support key initiatives such as the Judicial Expert Working Group and the Common Law Centre, and the emerging relationships with the National People’s Congress and Ministry of Justice. The FCO also asks GBCC to support additional bilateral engagements throughout the year. It is likely that China will cease to be eligible for ODA funds in or around 2023. As GBCC’s GiA comes from ODA funds, this presents a risk to the organisation. Discussions on the implications to GBCC have already been initiated with the FCO at ministerial level and departmental levels, and this will remain a key issue going forward.

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In addition to the GiA, GBCC also raises programme funds from other sources, such as FCO specific funds such as the Magna Carta Fund and Transitional Prosperity Fund, global and China-specific EU calls, bilateral donors like the Dutch government, and corporate sponsorship. A number of these funds award grants annually and GBCC has been successful in recent years in obtaining such awards. The Board assess that the company will continue to be successful in securing similar awards over the next three years.

During the year, the Dutch Embassy granted GBCC £685,000 to implement a three-year long project on evidence in criminal procedure, starting in March 2019. GBCC is in dialogue about potential criminal justice projects with a number of other bilateral donors in Beijing, such as the French, German and Swiss Embassies and the Board assess the prospects of being awarded future grants is good.

Corporate Sponsorship for the political dialogues in 2019-20 of £65,000 has been obtained and a major sponsorship drive to secure additional higher level sponsorship with a longer-term commitment is underway.

GBCC actively monitors its cash reserves which over the year have reduced in line with the general fund. The Directors are of the opinion that the company has sufficient cash reserves for the foreseeable future.

The Directors therefore have a reasonable expectation that GBCC will be able to continue its operation and meet its liabilities as they fall due over the three-year period of the strategy.

Sir Martin Davidson
Chair

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date June 20, 2019

The Great Britain - China Centre (Limited by Guarantee) Remuneration Report

GBCC has a People and Performance Committee responsible for all aspects of staff recruitment, employment terms, conditions and remuneration. The committee is made up of the following members:

Sir Martin Davidson	– Chair
Prof Jude Howell	– Director
Mr Matthew Rous	– Co-opted Member
Rod Wye	– Co-opted Member

Merethe Borge MacLeod, the Executive Director, commenced permanent employment on September 4, 2017.

The People and Performance Committee reviews the remuneration of all GBCC staff including the Executive Director based on annual appraisals carried out by the staff line managers.

The Executive Director's remuneration details are given below. Merethe Borge MacLeod has joined the company's Group Personal Pension Scheme with Standard Life and makes a 6% personal contribution while GBCC makes a 6% Employers Contribution plus a proportion of the national insurance saving when employee contributions are made by salary sacrifice. These figures have been subject to audit:

	2019	2018
	£	£
Actual Salary paid in year	95,950	55,040
Gross salary on full time equivalent basis	95,950	95,000
Employer pension contributions	5,856	3,302
No performance related award was paid in the year ended March 19 (2017-18: £nil).		

The Government Financial Reporting Manual requires disclosure of the ratio between the median remuneration of GBCC's staff at year end and the remuneration of the highest paid director. Since the directors of the company are not remunerated the comparison is against the highest paid Executive who is the Executive Director. The fair pay disclosure has been subject to audit.

The calculation is based on the Full Time Equivalent staff of the reporting entity at the 31 March 2019 on an annualised basis and includes any temporary staff employed during the year.

	2019	2018
	£	(Restated)
	£	£
Median total of Employees (excl. director) remuneration	29,259	31,938
Pay multiple at 31 March	3.3	3

The pay multiple has been calculated using the ratio of the median total of employees remuneration (excluding Director) to the actual gross salary on a full time equivalent basis of the highest paid Executive.

The pay multiple has increased because the median salary has decreased during the current financial year after a reduction in staff numbers. Pay ranges from £18,000 to £95,950 (2017-18: £17,000- £95,000).

The Great Britain - China Centre (Limited by Guarantee) Remuneration Report

Staff Costs

Staff costs comprise:

	Permanently Employed Staff	Others	2018-19 £ Total	2017-18 £ Total
Wages and salaries	259,431	96,962	356,393	421,131
Social security costs	26,561	7,885	34,446	43,643
Other pension costs	19,467	4,237	23,704	39,299
	<u>305,459</u>	<u>109,084</u>	<u>414,543</u>	<u>504,073</u>

The average number of whole time equivalent persons employed during the year was as follows:

	Permanently Employed Staff	Others	2018-19 No. Total	2017-18 No. Total
Directly employed	<u>5</u>	<u>4</u>	<u>9</u>	<u>11</u>

The following table shows the number of staff by grade and gender. No staff, except the Executive Director, are of an equivalent grade to a Senior Civil Servant:

	Male	Female	Total
Executive Director	-	1	1
Employees	<u>2</u>	<u>6</u>	<u>8</u>

Sickness Absence data

The average number of sick days taken by staff in the year was 1.1 (2017-18: 3.8).

Sir Martin Davidson
Chair

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date June 20, 2019

The Great Britain - China Centre (Limited by Guarantee) Governance Statement

1. Board Membership

As at the end of March 2019, GBCC's Board of Directors had 13 members, including 11 directors and two co-opted members.

2. Overview of Board Structure and Performance

The GBCC Board played an active role in shaping GBCC's strategy for the future in close cooperation with the FCO. The Board had three sub-committees active during the year; the Audit and Risk Assurance Committee and the Strategy and Corporate Relations Committee, both chaired by a Vice-Chair, and the People and Performance Committee, chaired by the GBCC Chair, which offered guidance and support to the GBCC Executive Director (ED) and her team in the strategic development of the organisation.

The Audit and Risk Assurance Committee monitored and evaluated risks to the operation of the organisation, reviewed the accounts and accounting policies, and oversaw the development of a GDPR implementation plan.

The People and Performance Committee supported and advised the ED on people management, approved the annual performance appraisals of senior management (ED and Deputy Director), reviewed the relevance and appropriateness of staff remuneration and performance related pay increases and bonuses. The Committee also recruited a new Deputy Director who commenced employment in January 2019.

The Strategy and Corporate Relations Committee advised on the development of a fundraising strategy, and contributed knowledge and experience of fundraising including identification of potential sponsors.

Members of the public apply to join the GBCC Board in response to public advertisements and are chosen by the other Board members in open competition. They are chosen for their experience on UK-China relations in various fields, for their governance expertise and for the mix of skills and knowledge that the Board brings to GBCC.

The Board includes two Nominee Directors whose place on the Board is mandated in the Articles of Association. One Director is an appointee of the FCO and one of the British Council. In addition to the Nominee Director, the Board co-opts additional members from time to time to ensure that it has the optimum level of skills and knowledge required to support GBCC in its work.

The Vice-Chairs of GBCC and the Chair of the Audit and Risk Assurance Committee are elected from within the Board membership as is membership of the sub-committees.

Members of the Board have responsibility for ensuring that the GBCC complies with all statutory and administrative requirements for the use of public funds. Other important responsibilities of Board members include:

- Ensuring that high standards of corporate governance are observed at all times.
- Establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the responsible government minister.
- Ensuring that, in reaching decisions, the Board has taken into account any guidance issued by the sponsoring government department.

A full list of Board members who served in the year is presented in the Directors' Report on page 2.

The Great Britain - China Centre (Limited by Guarantee) Governance Statement

During 2018-19 the number of Board and Committee meetings with individual attendance was as follows:

Director	Board (4)		Audit and Risk Assurance Committee (4)		People and Performance Committee (2)		Strategy & Corporate Relations (3)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
L Byrne MP	4	2					2	0
M Davidson	4	4			2	2		
C Fitzgibbon	4	4	4	4				
R Graham MP	2	1						
A Black	4	4					2	2
W Godwin	4	2					2	2
R Jackson	4	4	4	4			2	2
J Howell	4	2			2	2		
V Prentis	2	1						
C Elliot	2	2						
N Thomas	2	1						
A Pinfield	4	2						
C Haswell	4	3	4	2			2	2
Co-Opted:								
R Wye	4	4			2	2		
M Rous	4	3			2	2		
Totals	52	39	12	10	8	8	10	8
Percentage		75%		83%		100%		80%

The Board meetings are governed by the GBCC Articles of Association which determine that a meeting is quorate if seven or more members attend. There is a Management Statement and Financial Memorandum between the FCO and GBCC, and a one-page MOU agreed between GBCC and the FCO China Department. All these four key governance documents were updated during the reporting period, in preparation for approval by the Board.

A review of board effectiveness was undertaken in March/April 2018 and considered by the Board at its April 2018 meeting. The Board discussed and accepted a set of recommendations to improve its performance including formalising its subcommittee structure and highlighting the skills needed for the Board to perform its functions. The subcommittee structure recommendations were implemented during 2018 and have delivered the anticipated improvements and the skills requirements informed the process of recruiting three new Board members in early 2019, out of a very strong pool of 109 applicants. The new Board members went to the Board for approval in April 2019.

3. Risk Management

The main risks to GBCC are analysed before each Board meeting in the form of a Risk Register, with an assessment of the likelihood of the risk materialising and the extent of the impact that could occur. A management response to the risks are then outlined and action plans to deal with them given if they materialise. This is updated and reviewed at each meeting of the Audit and Risk Assurance Committee and at each Board meeting.

The Great Britain - China Centre (Limited by Guarantee) Governance Statement

Financial risks

The main risk to GBCC throughout the year has been the risk of being unable to raise sufficient funds to support our ongoing project work in China.

GBCC delivery role in respect of the Prosperity Fund

The Cross-Government Prosperity Fund, and in particular the Fund's China Rule of Law for Business Programme (RoLB) is hugely relevant to GBCC's work, and offers an opportunity for significant engagement with key Chinese partners to advance the rule of law in China and improve the business environment for more sustainable economic growth and increased commercial opportunity. It is therefore a priority for GBCC to secure a significant delivery role. Given that GBCC is running a deficit in order to increase the chances of winning such a role, the Board was closely involved in the programme and bidding developments and GBCC's strategic decisions.

The funding level has been announced as £16.5 million on four thematic areas: commercial dispute resolution, intellectual property rights, anti-money laundering and investment environment. The tender was released on 13 December 2018 and the deadline for submitted proposals was 15 February 2019. GBCC submitted a bid as part of a consortium as required per the FCO's Prosperity Fund Global Framework model which requires large global suppliers to lead bids. The programme structure was divided into two workstreams. Workstream A sought to develop a policy engagement platform that would provide technical assistance to Chinese institutions on the four thematic areas. Workstream B would be a grants making facility that would be managed by the consortium lead with final decision-making provided by the British Embassy Beijing.

In the worst-case scenario, GBCC could be excluded from delivery, while much of GBCC's existing core business could end up being outsourced to a competitor organisation or consortium. HMG would thereby lose the advantage of leveraging the experience and relationship-building power of its arms-length body at the highest levels within the legal and judicial organs of China.

The consortium GBCC is a member of was selected for interview by the FCO and delivered a presentation on 27 March 2019. This indicated the GBCC consortium was selected down to the final two consortia out of a known four. In May 2019, the FCO announced that the programme is being re-tendered. The new call came out in late May, and GBCC is re-tendering as part of the same consortium. According to the FCO's schedule, the contracts are due to be signed with the successful consortium in September 2019 and the inception phase would begin immediately.

The approach GBCC took for participating in a bid submission was based on the MOU partnership agreement GBCC coordinated with partners, the Law Society, the Bar Council, the China Britain Business Council and GovRisk that sought a fair and representative role for all five organisations based on our specialist expertise, experience and unique and long term role in the UK-China rule of law and business environment field. All organisations have been delivering previous iterations of the Prosperity Fund and Transitional Year programme work to pave the way for the multiyear fund. This unique roles and contributions of our four organisation (as GovRisk joined the partnership later), was noted in the letter from the Rt Hon David Lidington CBE MP in response to our joint letters highlighting the risk of excluding the UK's specialist and representative institutions from delivery roles.

GBCC, in partnership with our core partners, undertook extensive efforts to ensure we put in place rigorous procedures to ensure full risk assessment and escalation procedures were in place for decision-making regarding the consortium approach. This included assessing partner and competitor organisations based on strategic vision, credit-worthiness, duty of care safeguards, impact track-record in the subject matter, experience in China, reputations in China and the UK, approach to working with SMEs and small non-profits and Value For Money; and values and commitment to advancing rule of law; supporting the UK-China relationship and ODA and Gender Equality Act compliance.

The Great Britain - China Centre (Limited by Guarantee)

Governance Statement

Based on these assessments, lengthy negotiations and organisational capacity it was decided that one lead contractor offered a higher quality vision, financial model and approach to partnership compared to the others, and subsequently it would be best if we only entered into a consortium with this organisation. This approach was agreed by all five organisations and a bid was submitted on this basis.

During the bidding preparation process, GBCC has also continued to invest efforts to develop its own capacity and expertise to respond to the multi-year call, as well as to nurture constructive bilateral engagement and partnerships, especially in relation to commercial dispute resolution, investment environment and underlying rule of law issues. In 2017-18, GBCC was commissioned by the British Embassy in Beijing to implement the first Transitional Year Programme and strengthening legal and judicial relationships to advance the multi-year programme objectives with five key Chinese partners. Following this, GBCC was commissioned to implement a Transitional Year Two Programme focusing on developing the quality and effectiveness of commercial dispute resolution outcomes in China. GBCC delivered the first activity in August 2018 and the programme is due to be completed in August 2019 with several activities due to take place in June and July 2019. This means overlap with the inception phase of the multi-year programme is likely and GBCC is paying close attention to ensuring the strategic delivery of the programme to ensure its effective integration.

Brexit/EU funding

The Board continued to consider the impact on GBCC from Brexit. Past grant income from the EU has been significant for the work of the GBCC in financing research partnerships to support advantageous policy change in China especially in the field of criminal justice. Since 2003 GBCC has either led or been a partner in eight multi-year contracts with a total income to GBCC over the period of approximately 5.4 million Euros (£4.3 million), mostly from the European Initiative for Democracy and Human Rights (EIDHR). The EU is a key source of funding for anti-death penalty work, as EU Member States seem to mainly outsource the provision of anti-death penalty work aid to the EU. For example, the last British Embassy Magna Carta Fund grant awarded to GBCC for anti-death penalty work was in 2015-2016 for a value of £30k. The Board views death penalty work as central to GBCC's continued work in the criminal justice area, especially as we can contribute with unique experiences, capacities and partnerships. EU funding is therefore not only of great importance financially, but also strategically, as the funds are large and multi-year, allowing GBCC to continue to act as a bridge between Chinese and European institutions.

GBCC currently only has one grant contract from the EU which is a two-year contract signed in December 2015 worth €400,000 which is valid from 1st April 2016 to 30th June 2019, with a possible extension. EIDHR calls for proposals issued in 2018 and 2019 remain open to organisations of all nationalities, which means that GBCC will not be in principle be excluded from such income sources after Brexit. While China is currently considered an upper middle income country, able to receive funding under Official Development Assistance (ODA), the EU is restructuring its financing instruments with a view of having new instruments in place by 2020. This is likely to lead to delays and further uncertainty for GBCC as a bidder. A related risk from Brexit is the impact on retaining and recruiting staff talent – e.g. our Senior Project Manager is from the EU. GBCC has also benefitted from being able to recruit key multilingual expert staff from EU countries without the need for visa formalities.

GBCC continues to stay in close touch with the EU Delegation in Beijing and other EU institutions to monitor the risk to GBCC from Brexit, and we continue to apply for EU bids. We are also seeking bilateral funding from other European countries. However, apart from the Dutch government, bilateral funding mechanisms are typically short term and small scale, and as such they cannot provide the same level of intervention as projects supported by the EU.

Budget overspend

The Board approved a budget deficit for the year of £75,097, conditional on an ambitious fundraising and sponsorship drive. They took the decision to invest some of the reserves to maintain staffing levels for the multi-year RoLB programme and for the Brexit uncertainties. The actual results for the year were better than expectations at a deficit of £56,201.

The Great Britain - China Centre (Limited by Guarantee) Governance Statement

While maintaining a relatively higher cost base there is a risk that the company will continue to run at a deficit for 2019-20. There is also a risk that commercially sponsored programmes like the Senior Leadership Forum run over budget or that sponsors drop out.

GBCC normally budgets conservatively including only contracted revenue. Spending profiles are monitored so that likely overspends are detected in time for corrective action. The company is therefore looking to break even for the current year or to make a surplus.

Political risks

Another major risk remains the political risk associated with the GBCC's work in China at a time when the Chinese government is tightening political and social controls in a number of areas, and in particular scrutinizing the activities of foreign-funded organisations.

Overall the standing of GBCC remains relatively secure: China's own legal and judicial reform programme has created greater opportunities for GBCC to work closely with official organisations in China including the Supreme People's Court and the China Law Society, an umbrella organisation under the Party's Political and Legal Affairs Commission, as well as with research partners such as the Centre for Criminal Justice Reform at Renmin University Law School, which has close connections with the Chinese judiciary and procuratorate. GBCC's operating model is to design projects that are feasible and practical, based not only on UK policy priorities but also on a thorough and deep understanding of China's own reform plans, choosing high-quality partners with integrity and strong track records of success.

However, the Board continued to consider the possible impact on GBCC's operations of the law governing the operation of international NGOs which came into force on 1st January 2017. In the period since the INGO law was passed, GBCC has not been asked to register as an NGO, and to our knowledge our partners have not experienced difficulties implementing projects with us because of this. It seems clear that GBCC is not viewed as an NGO, but we continue to monitor this. GBCC's lack of a legal status in China however impacts on the decision of whether or not to establish a presence or recruit staff in China. We are still looking to the eventual delivery structure of the RoLB programme for a possible GBCC presence.

Programmatically, GBCC is indirectly affected by the INGO law and the narrowing of the scope for rule of law work in general. There are a decreasing number of organisations, both foreign and domestic, active in the rule of law field, and this leads to fewer opportunities to share experiences, a decreasing number and diversity of initiatives and pilot projects ongoing, and in the long term this may lead Chinese partners to re-focus on other areas.

Sir Martin Davidson
Chair

Date June 20, 2019

The Great Britain - China Centre (Limited by Guarantee)

Governance Statement

System of Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control and governance that supports the achievement of the GBCC's purpose and objectives whilst safeguarding public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it provides reasonable but not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of GBCC's 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. I confirm that the system of control has been in place at GBCC throughout the financial year ended March 31, 2019 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

GBCC operates administrative procedures including as far as possible the segregation of duties in a small organisation, and a system of delegation and accountability in proportion to our size. This has been enhanced during the year by the outsourcing of its financial management to a third party to obtain a breadth of expertise across a number of individuals. In particular, the procedures include:

- The drafting by the outsourced finance team of an annual budget prepared on a prudent basis, reviewed and amended by the Executive Director and approved by the Board.
- Regular scrutiny by the Audit and Risk Assurance Committee and the Board of the management accounts and the annual report and accounts, which is audited by the Comptroller and Auditor General.
- Formal project management disciplines in line with the requirements of the FCO and EU project procedures.
- A system of risk assessment and management.
- The regular sign-off of the accounts by the Executive Director and regular discussion with the outsourced finance team on all significant issues.

The FCO Internal Audit Department, which has responsibility for internal audit within GBCC, carried out anti-fraud training for all GBCC staff.

Following the General Data Protection Regulations (GDPR) coming into effect on May 25, 2018, GBCC is working closely with the FCO to ensure all personal data is processed in accordance with GDPR. GBCC takes a risk-based approach to compliance with GDPR, and endeavours to ensure that all personal data is accurate, secure and relevant to the work of GBCC. GBCC commissioned a GDPR Gap Analysis, and drew up a comprehensive GDPR Implementation Plan which is periodically reviewed by the Board.

The company has not suffered any lapses in protective security during the year and in particular has not suffered any data losses.

My review as Accounting Officer of the effectiveness of the system of internal control is informed by the oversight of the ARAC and I am also informed by the work of the NAO when it reviews GBCC's system of internal controls as part of its annual audit of GBCC's accounts, and take advice as necessary from Internal Audit. I confirm that GBCC complies with the Corporate Governance Code for central government departments in so far as the code is relevant to an organisation of GBCC's size and circumstances.

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date June 20, 2019

The Great Britain - China Centre (Limited by Guarantee)

Statement of the Accounting Officer's, & Directors' Responsibilities

Under the Government Resources and Accounts Act 2000, the Secretary of State of the Foreign and Commonwealth Office (with the consent of HM Treasury) has directed the Great Britain-China Centre, through the Accounting Officer, to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Great Britain-China Centre and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer and Directors are required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by Secretary of State (with the consent of HM Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Accounting Officer of the Foreign and Commonwealth Office has designated the Secretary as Accounting Officer of the Great Britain-China Centre. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Great Britain-China Centre's assets, are set out in *Managing Public Money* published by the HM Treasury.

The Directors and Accounting Officer have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Great Britain-China Centre's auditors are aware of that information. So far as we are aware, there is no relevant audit information of which the auditors are unaware. We also confirm that the annual report and accounts as a whole is fair, balanced and understandable and that we take personal responsibility for the annual report and accounts and judgments required for determining that it is fair, balanced and understandable.

Sir Martin Davidson
Chair

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date June 20, 2019

The Great Britain - China Centre (Limited by Guarantee)

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE GREAT BRITAIN-CHINA CENTRE

Opinion on financial statements

I certify that I have audited the financial statements of the Great Britain China Centre for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Great Britain China Centre in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Great Britain China Centre's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

The Great Britain - China Centre (Limited by Guarantee)

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE GREAT BRITAIN-CHINA CENTRE

Responsibilities of the Accounting Officer and Directors for the financial statements

As explained more fully in the Accounting Officer's and Directors' Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Great Britain China Centre's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

The Great Britain - China Centre (Limited by Guarantee)

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE GREAT BRITAIN-CHINA CENTRE

Other information

Management is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

June 26, 2019

The Great Britain - China Centre (Limited by Guarantee)
Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2019

	Notes	2019 £	2018 £
Income			
Revenue from customers	3,4	385,211	603,063
Exchange (loss)/ gain		(7,965)	9,635
Other revenue	6	908	1,697
		378,154	614,395
Expenditure			
Cost of activities		(291,624)	(484,583)
Administrative expenses		(643,078)	(677,483)
Total expenditure for the year	7	(934,702)	(1,162,066)
Net expenditure for the year		(556,548)	(547,671)
Taxation on interest received	9	(79)	(119)
Interest receivable		426	595
Comprehensive net expenditure for the year		(556,201)	(547,195)

Continuing operations

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

Other comprehensive expenditure

The company has no gains or losses other than the net expenditure for the above two financial years.

The notes on pages 29 to 39 form part of these financial statements.

The Great Britain - China Centre (Limited by Guarantee)
Statement of Financial Position as at 31 March 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	10	2,856	4,734
Intangible assets	11	26	343
		2,882	5,077
Current assets			
Trade and other receivables	12	232,953	212,239
Cash and cash equivalents	13	526,301	578,127
Total current assets		759,254	790,366
Total assets		762,136	795,443
Current liabilities			
Trade and other payables	14	(357,492)	(345,598)
Total assets less current liabilities		404,644	449,845
Provision for liabilities and charges	15	(11,000)	-
Total assets less liabilities		393,644	449,845
Statement of changes in taxpayer's equity			
General fund		393,644	449,845

These accounts are exempt from the requirements of Part 16 of the Companies Act 2006 by virtue of section 482 (non-profit-making companies subject to public sector audit) of that Act.

The financial statements were approved by the Board on 20 June 2019.

Sir Martin Davidson
Chair

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

The notes on pages 29 to 39 form part of these financial statements.

The Great Britain - China Centre (Limited by Guarantee)
Statement of Cash Flows for the Year Ended 31 March 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Comprehensive net expenditure for the year		(556,201)	(547,195)
Adjustments for:			
Depreciation of tangible assets	10	1,878	1,956
Amortisation of intangible assets	11	317	317
Loss on disposal of tangible assets		-	20
Interest received		(426)	(595)
Taxation	9	79	119
Provision	15	11,000	-
(Increase)/decrease in trade and other receivables	12	(20,714)	59,713
Increase/(decrease) in trade and other payables	14	11,928	(78,267)
Taxation paid on interest received		(113)	(192)
Net cash outflow from operating activities		(552,252)	(564,124)
Cash flows from investing activities			
Interest received		426	595
Net cash inflow from investing activities		426	595
Cash flows from financing activities			
Grants from FCO	17	500,000	470,000
Net cash inflows from financing activities		500,000	470,000
Net decrease in cash and cash equivalents		(51,826)	(93,529)
Cash and cash equivalents at the beginning of the year		578,127	671,656
Cash and cash equivalents at the end of the year	13	526,301	578,127
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand	13	526,301	578,127
		526,301	578,127

The Great Britain - China Centre (Limited by Guarantee)
Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2019

	Notes	2019 £	2018 £
Balance at the start of the year		449,845	527,040
Comprehensive net expenditure for the year		(556,201)	(547,195)
Grants from FCO	17	500,000	470,000
Balance at the end of the year		393,644	449,845

The Great Britain - China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2019

1. Statutory information

The Great Britain-China Centre (GBCC) was established in 1974, and is an executive non-departmental public body. It is a Private Company limited by Guarantee without share capital and is registered in England and Wales. The company's registered number is 01196043 and registered office is 15 Belgrave Square, London SW1X 8PS. The company's principal activity during the year continued to be the promotion of closer cultural, professional, economic, educational, legal, judicial and other contacts between Britain and China and to encourage mutual knowledge and understanding.

2. Accounting policies

2.1. Basis of preparation of financial statements

Under the legislative authority of the Secretary of State of the Foreign and Commonwealth Office (with the consent of HM Treasury), these financial statements have been prepared in accordance with IFRS as applied in accordance with the provisions of the Companies Act 2006 and in accordance with those parts of the Government Financial Reporting Manual (FREM) that do not conflict with the Companies Act 2006. Where the FREM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the GBCC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the GBCC are listed below. They have been applied consistently in dealing with items that are considered material in the accounts.

As at 31 March 2019, UK-China Forum was wholly controlled by the GBCC. The GBCC financial statements do not consolidate the results of the UK-China Forum as no significant transactions went through the company in the current or prior year.

2.2. Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards stated above and are prepared in sterling rounded to the nearest pound.

2.3. Non-current assets

Non-current assets costing over £1,000 are capitalised. Given their value, depreciated historic cost is used as a proxy for fair value for all categories of property, plant and equipment.

2.4. Depreciation

Depreciation is provided on all non-current assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Computer hardware	25% straight line
Fixtures, fittings and office equipment	20% on the reducing balance

2.5. Amortisation

Software licences and related consultancy are valued at cost and are treated as intangible assets. They are amortised over 4 years on a straight line basis.

2.6. Cash and cash equivalents

Cash is represented by cash in hand and balances with banks on deposit with instant access. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

2. Accounting policies (continued)

2.7. Foreign currencies

Transactions in foreign currencies are translated at the European Commission's official monthly accounting rate (InforEuro) prevailing in the month of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the European Commission's official monthly accounting rate of exchange ruling at the end of the financial year. All differences are taken to the Statement of Comprehensive Net Expenditure.

2.8. Pensions

The company is a member of the Principal Civil Service Pension Scheme (PCSPS) and the Alpha Pension Scheme and for accounting purposes it is treated as a defined contribution pension scheme. Contributions are charged to the Statement of Comprehensive Net Expenditure as they become payable in accordance with the rules of the scheme. The PCSPS scheme also has defined benefits. The PCSPS was closed to all new GBCC employees from April 1, 2014.

All new employees were enrolled into a GBCC defined pension contribution scheme with Standard Life from January 1, 2016. Once the contributions have been paid the company has no further payment obligations to this scheme. Contributions are charged to the Statement of Comprehensive Net Expenditure as they become payable in the same way as the PCSPS scheme.

2.9. Accounting estimates and judgements

In the preparation of the financial statements, management has made judgements, estimates and assumptions that affect the amount reported as revenue and expenditure during the year. The most significant judgements are made in recognising revenues and costs relating to service delivery contracts where revenue is recognised throughout the lifetime of the contract. In these contracts, revenue is based on actual chargeable time expended in preparing and delivering the contract activities plus rechargeable third party costs, including expert costs and other activity based charges. The main judgements are around management's view of the recoverability of time and third party costs and when to recognise revenue. Where third party costs are deemed irrecoverable they are charged to the Statement of Comprehensive Net Expenditure.

2.10. Revenue from contracts with customers

GBCC's contracts with customers are service delivery in nature. Grant based contracts require the completion of a series of activities and reports and the smaller non-grant based contracts will generally have a single performance obligation. Where the company receives sponsorship income this will generally be associated with the delivery of a single activity.

Grant based contracts are initially priced on the basis of anticipated hours to complete the activities within the contract plus anticipated rechargeable third party costs. The performance obligations are met over time as the activities are progressed. Revenue is recognised based on the hours actually spent in progressing the contract compared to the total number of hours expected to complete the contract plus agreed rechargeable third party costs. This is considered a faithful depiction of the transfer of services and represents the amount to which GBCC would be entitled based on its performance to date. Where the contract duration is longer than one year, the customer will generally make payment in advance giving rise to significant contract liabilities. Grant based contracts of less than one year are either due for payment in advance of the contract commencement or at the end of the contract. Contract assets will arise where a contract crosses financial years or when payment is due at the end of the contact.

2. Accounting policies (continued)

2.10. Revenue from contracts with customers (continued)

Non-grant based contracts including sponsorships, will generally have a single performance obligation. Revenue is recognised at a single point in time on the completion of that performance obligation. Where possible, GBCC will seek to obtain payment in advance of the performance obligation being met. When payment is received for a performance obligation in the next financial year this will give rise to a contract liability.

For most contracts the performance obligations are tailored to the specific requirements of the contract and do not have an alternative use. The time expended on a contract is therefore not transferrable and, in the unlikely event that a customer were to cancel a contract prior to completion, GBCC would require payment to be received for the time spent in progressing the contract to that point.

Within the Statement of Financial Position a contract asset and contract liability have been recognised:

- Contract asset – the difference between the amount invoiced to the customer and the latest milestone achieved. An accompanying receivable will be recognised if the customer has yet to pay the invoice. This balance will also include recognition of a receivable for costs which have been incurred to support milestones that have not yet been fully achieved. Any impairment relating to this balance will be measured, presented and disclosed in relation to IFRS 9.
- Contract liability – the difference between the invoiced income and the latest achieved contracted milestone. An accompanying receivable will be recognised if the customer has yet to pay the invoice.

2.11. Income and expenditure

Income, other than revenue from contracts with customers, is recognised in the period in which it is receivable and expenditure is charged in the period to which it relates. Grant-in-aid received from the FCO is treated as financing through the Statement of Changes in Taxpayers' Equity.

The cost of unpaid leave is accrued at the end of the financial year and credit loss provisions are only made on specific amounts receivable.

2.12. Segment information

GBCC operates within a single business segment. It is not possible to separately identify the business activities and the net assets into operating segments.

Business performance is reported to the Board at a summarised level which is not materially different to the financial statements.

It is the company's policy to seek funding from governmental and non-governmental institutions. Governmental funding will take the form of grants and non-governmental funding will be non-grant or contract based.

The Great Britain - China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2019

2. Accounting policies (continued)

2.13. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through Statement of Comprehensive Net Expenditure, which are initially measured at fair value (which is normally the transaction price excluding transaction costs). If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Derecognition of financial assets occurs if the contractual rights to the cash flows from the asset expire or substantially all of the risks and rewards of ownership of the financial asset have been transferred out of the company. Derecognition of financial liabilities occurs when the contractual obligation is discharged or cancelled or expires.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.14. Adoption of new standards

IFRS9 Financial Instruments is applied by HM Treasury in the Government Financial Reporting Manual (FRM) from 2018-19. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting. As GBCC has only simple financial assets and liabilities, such as cash, trade payables and trade receivables, the impact of IFRS 9 on the current or prior year is not material.

IFRS 15 Revenue From Contracts With Customers was adopted on April 1, 2018. HM Treasury have mandated that the public sector retrospectively apply IFRS 15 with the cumulative effect being recognised as an adjustment to the opening general fund within taxpayers equity. The impact of the adoption of the standard on revenue was assessed and no adjustment is required in respect of the prior year. The impact on the Statement of Financial Position is to separately disclose contract assets within trade and other receivables and contract liabilities within trade and other payables for the current year only. The prior year comparative remains under the previous accounting basis, as required by HM Treasury reporting guidelines.

2.15. Future accounting standards

One accounting standard that has been issued but is not yet effective, IFRS 16: Leases, which becomes effective for accounting periods beginning after January 1, 2019.

IFRS 16 comes in to effect in 2019-20. It requires the recognition of a right of use asset and corresponding lease liability on the face of the Statement of Financial Position for leases in excess of 12 months duration. GBCC are in the process of negotiating a multi-year lease, which will require GBCC to show a material asset and liability on the Statement of Financial Position.

The Great Britain - China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2019

3. Segment information

The company operates in a single business segment and has not produced an operating segment analysis. The analysis by geography is:

2018-19	Revenue	Expenditure	Net
	£	£	£
UK	76,120	(91,068)	(14,948)
EU	28,788	(11,162)	17,626
China	280,303	(189,394)	90,909
	<u>385,211</u>	<u>(291,624)</u>	<u>93,587</u>

2017-18 (represented)	Revenue	Expenditure	Net
	£	£	£
UK	41,445	(52,310)	(10,865)
EU	238,519	(171,821)	66,698
China	323,099	(260,452)	62,647
	<u>603,063</u>	<u>(484,583)</u>	<u>118,480</u>

The 2017-18 figures have been represented to show a like-for-like comparison to the current year analysis.

The company has significant income from the UK Government in China.

4. Disaggregation of revenue from contracts with customers

The company derives revenue from the provision of project based services to customers at a point in time and over time in the following major project types and geographical regions:

2018-19	Grant based		Non-grant based		Total
	EU	China	UK	China	
	£	£	£	£	
Government	-	175,831	6,930	-	182,761
EU	28,788	-	-	-	28,788
Non-Government	-	-	69,190	104,472	173,662
	<u>28,788</u>	<u>175,831</u>	<u>76,120</u>	<u>104,472</u>	<u>385,211</u>
Point in time	-	-	69,675	104,472	174,147
Over time	28,788	175,831	6,445	-	211,064
	<u>28,788</u>	<u>175,831</u>	<u>76,120</u>	<u>104,472</u>	<u>385,211</u>

2017-18	Grant based		Non-grant based		Total
	EU	China	UK	China	
	£	£	£	£	
Government	-	253,608	-	-	253,608
EU	238,519	-	-	-	238,519
Non-Government	-	-	41,445	69,491	110,936
	<u>238,519</u>	<u>253,608</u>	<u>41,445</u>	<u>69,491</u>	<u>603,063</u>
Point in time	-	-	35,000	69,491	104,491
Over time	238,519	253,608	6,445	-	498,572
	<u>238,519</u>	<u>253,608</u>	<u>41,445</u>	<u>69,491</u>	<u>603,063</u>

The Great Britain - China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2019

5. Unsatisfied long-term contracts

The unsatisfied performance obligation relating to long-term grant based contracts is £809,884. The future revenue recognition will be based on the completion of activities and the time spent in performing the obligations under the contract. Although the timing of the activities are uncertain at the Statement of Financial Position date, the anticipated revenue recognition in the next year is 33% of the total with the remaining 67% to be split evenly over the following two years.

6. Other revenue

	2019	2018
	£	£
Miscellaneous	908	1,697
	<u>908</u>	<u>1,697</u>

7. Expenditure

	Notes	2019	2018
		£	£
Staff Costs			
Wages and salaries		356,393	421,131
Social security costs		34,446	43,643
Other pension costs		23,704	39,299
		<u>414,543</u>	<u>504,073</u>
Rentals under operating leases		39,675	45,748
Service charges and rates		28,538	30,694
Outsourced financial management		35,000	-
Professional fees		13,435	26,345
Running costs		87,692	58,330
Non-cash items			
Depreciation & amortisation	10,11	2,195	2,273
Loss on disposal of assets		-	20
Auditors' remuneration		11,000	10,000
Provision provided for in year	15	11,000	-
Purchase of goods and services		291,624	484,583
		<u>934,702</u>	<u>1,162,066</u>

The audit fee for the current year is £11,000 (2017-18: £10,000) and no non-audit work has been carried out.

8. Employees

Average number of employees during the year:

	2019	2018
	No.	No.
Administration and activities	5	7
Contract Staff	5	4
Total	<u>10</u>	<u>11</u>

9. Taxation on interest received

	2019	2018
	£	£
UK corporation tax at 20%	79	119

Corporation tax is payable on the gross interest income received by the company. The tax charge in the current year is different to the corporation tax liability (Note 14) due to an overcharge in the prior year.

The Great Britain - China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2019

10. Tangible fixed assets

2018-19	Computers	Office equipment	Total
	£	£	£
Cost			
At 1 April 2018	7,346	2,949	10,295
Disposals	-	-	-
At 31 March 2019	<u>7,346</u>	<u>2,949</u>	<u>10,295</u>
Depreciation			
At 1 April 2018	4,179	1,382	5,561
Charge for the year	1,565	313	1,878
Disposals	-	-	-
At 31 March 2019	<u>5,744</u>	<u>1,695</u>	<u>7,439</u>
Net book value			
At 31 March 2019	<u>1,602</u>	<u>1,254</u>	<u>2,856</u>
At 31 March 2018	<u>3,167</u>	<u>1,567</u>	<u>4,734</u>
2017-18	Computers	Office equipment	Total
	£	£	£
Cost			
At 1 April 2017	25,573	2,949	28,522
Disposals	(18,227)	-	(18,227)
At 31 March 2018	<u>7,346</u>	<u>2,949</u>	<u>10,295</u>
Depreciation			
At 1 April 2017	20,826	991	21,817
Charge for the year	1,565	391	1,956
Disposals	(18,212)	-	(18,212)
At 31 March 2018	<u>4,179</u>	<u>1,382</u>	<u>5,561</u>
Net book value			
At 31 March 2018	<u>3,167</u>	<u>1,567</u>	<u>4,734</u>
At 31 March 2017	<u>4,747</u>	<u>1,958</u>	<u>6,705</u>

The Great Britain - China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2019

11. Intangible assets

2018-19	Total £
Cost	
At 1 April 2018	1,267
Disposals	-
At 31 March 2019	<u>1,267</u>
Depreciation	
At 1 April 2018	924
Charge for the year	317
Disposals	-
At 31 March 2019	<u>1,241</u>
Net book value	
At 31 March 2019	<u>26</u>
At 31 March 2018	<u>343</u>
2017-18	Total £
Cost	
At 1 April 2017	14,709
Disposals	(13,442)
At 31 March 2018	<u>1,267</u>
Depreciation	
At 1 April 2017	14,045
Charge for the year	317
Disposals	(13,438)
At 31 March 2018	<u>924</u>
Net book value	
At 31 March 2018	<u>343</u>
At 31 March 2017	<u>664</u>

All intangibles relate to software.

The Great Britain - China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2019

12. Trade and other receivables

	2019	2018
	£	£
Trade receivables	73,469	145,005
Deposits and advances	5,639	-
Prepayments	14,868	28,427
Accrued income	-	38,807
Contract assets	138,977	-
	<u>232,953</u>	<u>212,239</u>

If the prior year was restated £38,807 would have been moved from accrued income to contract assets. In the year the full opening balance has been transferred to trade receivables. The closing contract asset is all new contract asset.

13. Cash and cash equivalents

	2019	2018
	£	£
Balances at 1 April	578,127	671,656
Net change in cash	(51,826)	(93,529)
	<u>526,301</u>	<u>578,127</u>

Cash is broken down between balances at Commercial Banks and Cash in Hand as follows:

	2019	2018
	£	£
Commercial banks	525,940	577,181
Cash in hand	361	946
	<u>526,301</u>	<u>578,127</u>

14. Trade and other payables

	2019	2018
	£	£
Corporation tax	85	119
Other taxes, social security	9,954	12,316
Trade payables	37,817	99,503
Other payables	5,834	23,751
Accruals and deferred income	66,051	209,909
Contract liabilities	237,751	-
	<u>357,492</u>	<u>345,598</u>

At the year end, contract liabilities includes £180,808 (2017-18: £nil) and accruals and deferred income includes £nil (2017-18: £95,118) relating to grant money received in advance which is included in the cash balance at the year-end (see note 13).

If the prior year was restated £160,433 would have been moved from deferred income to contract liabilities. In the year the full opening trade payable balance has not been impacted. The closing contract liability includes £85,103 that was included in accruals and deferred income at the start of the year.

The Great Britain - China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2019

15. Provision for liabilities and charges

	2019 £	2018 £
Balance brought forward	-	-
Provided in the year	11,000	-
Balance carried forward	11,000	-

Provision of £11,000 (2017-18: £nil) relate to dilapidations on current leasehold premises.

16. Pensions

The GBCC was admitted to the Principal Civil Service Pension Scheme (PCSPS) on September 1, 2002. The accrued benefits for staff members of the Centre's previous by analogy scheme were transferred to the PCSPS. It is a condition that on admission to the PCSPS, the Centre is required to pay each year an accruing superannuation liability charge for the staff members in the scheme. The charge for the year was £6,161 (2017-18: £20,959) and the contribution rate was 22.1% (2017-18: 20.9%). The PCSPS scheme was closed to new entrants from April 1, 2014.

A defined contribution pension scheme with Standard Life was set up for new entrants from January 1, 2016. The charge for the year was £17,543 (2017-18: £18,340) at a contribution rate of 6% (2017-18: 6%).

At March 31, 2019, pension contribution liability of £3,282 (2017-18: £5,335) is included in other payables (see note 14).

17. Related party transactions

The FCO is regarded as a related party. GBCC is an Executive Non Departmental Body (NDPB) of the FCO and is exempt from disclosing related party transactions. In 2018-19, GBCC received £500,000 grant-in-aid (2017-18: £470,000) from the FCO and had various other material transactions with it.

The UK-China Forum (UKCF) is also regarded as a related party. A former GBCC Director and the Accounting Officer are members of the UKCF Board. In 2018-19 no administration fees were processed through the UK China Forum as the company has ceased to be used for Political dialogues (2017-18: £67) and GBCC had no recoverable expenses in 2018-19 (2017-18: £nil).

The All Party Parliamentary China Group (APPCG) is also regarded as a related party. The GBCC provided employee services to the APPCG and this was governed by a memorandum of understanding between GBCC and APPCG. The administration fee for employee services with the APPCG for 2018-19 amounted to £795 (2017-18: £753) and is recorded in other income.

The Great Britain China Education Trust (GBCET) is also regarded as a related party. The GBCC provides employee services to the GBCET. The transactions for employee services with the GBCET for 2018-19 amounted to £6,445 (2017-18: £6,445). There were no recoverable expenses.

18. Financial commitments

There were no financial commitments as at March 31, 2019 (March 31, 2018: £26,599).

19. Directors interests

There are no relevant director's interests.

The Great Britain - China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2019

20. Financial instruments

Financial assets comprise of receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently held at amortised cost after an appropriate provision for expected credit loss.

Financial liabilities comprise trade and other payables, and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

GBCC's cash requirements are agreed at least a year in advance and so the liquidity position is controllable. There is some credit and market risk but these are relatively small. The company's credit risk and liquidity risk are also managed by receiving funding in advance of expenditure wherever possible. In practice, the GiA and multi-year grant based awards are received prior to related expenditure taking place.

The company has a significant level of foreign expenditure and so the company is exposed to foreign exchange risk. This risk is mitigated by seeking to make payments in GBP wherever possible or the company making payments from its foreign currency denominated bank accounts.

21. Guarantee status

The company is limited by guarantee and in the event of a winding up, each Ordinary Member is liable to contribute an amount not exceeding £1.

22. Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There are no events to report.

The Board and Accounting Officer authorised these financial statements for issue on the date on which the accounts are certified by the Comptroller and Auditor General.

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