
The Great Britain-China Centre

Annual Report and Accounts 2021-22

The Great Britain-China Centre

Annual report and accounts 2021-2022

For the period 1 April 2021 to 31 March 2022

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

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Report and Financial Statements
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The Great Britain-China Centre (Limited by Guarantee) Company Information

Directors

Sir Martin Davidson KCMG	- Chair
Mr Alan Black	- Vice Chair
Mr Richard Jackson	- Vice Chair & Treasurer
Mr Timothy Danaher	
Mr Luke Graham	
Mr Andrew Gwynne MP	
Ms Alicia Kearns MP	- Appointed 23 June 2022
Ms Alyson Pia MacRae	
Prof Katherine Morton	
Andrew Seaton	
Ms Marina Wheeler KC	
Mr Rod Wye	

Nominee Directors

Mr David Thompson	- British Council
Mr Andrew Pittam	- Foreign, Commonwealth and Development Office

Company Secretary

Ms Merethe Borge MacLeod

Registered number

01196043
(Registered in England and Wales)

Registered Office

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London
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Auditors

Comptroller and Auditor General
National Audit Office
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 2022. These accounts no longer include the results for the UK-China Forum because the Political Dialogues are 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, Commonwealth and Development Affairs with the consent of the Treasury and in accordance with the Companies Act 2006 and the HM Treasury Financial Reporting Manual to the extent that the manual does not conflict with the Act.

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, Commonwealth and Development Office (FCDO).

Principal activities

The company's principal activity during the year continued to be the support of a robust and effective UK relationship with China which furthers the UK's national interests, and facilitation of channels and platforms for candid bilateral dialogue.

Management Commentary:

Results

After taking into account the GiA of £500,000 (2020-21: £500,000) from the Foreign, Commonwealth and Development Office, the results for the year ending 31 March 2022 show an operating deficit of £3,954 (2020-21: surplus of £130,529).

The surplus in the prior year was mainly driven by the high income derived from the China Business Environment Programme (CBEP), a project due to end in March 2022. This project was planned during the coronavirus (COVID-19) travel restrictions and therefore was able to be implemented during the year. However, in April 2021, a 95% reduction in Official Development Assistance budget for China was announced, which led to the discontinuation of the Prosperity Fund mechanism that funded the CBEP. The programme entered an exit phase and the income derived in 2021-22 was at a lower value over a shorter timeframe.

Unlike CBEP, the Criminal Justice projects were seriously impacted by the COVID-19 outbreak in the UK and China since no travel between the two countries was possible. These projects were ticking over in 2020-21 and started to pick up again in 2021-22 as project activities originally involving travel and face-to-face meetings in China were transferred online. The company was successful in winning two smaller, but significant, in year projects which helped to bring the results for the year to a small deficit.

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

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

Directors

Directors who served on the Board during the year and who were Directors under the Companies Act 2006 are identified below.

Sir Martin Davidson KCMG	- Chair
Mr Alan Black	- Vice Chair
Mr Richard Jackson	- Vice Chair & Treasurer
Mr Timothy Danaher	- Appointed 7 October 2021
Dr William Godwin KC	- Resigned 24 June 2021
Mr Luke Graham	- Appointed 7 October 2021
Mr Andrew Gwynne MP	
Mr Charles Haswell	- Resigned 24 June 2021
Prof Jude Howell	- Resigned 24 June 2021
Ms Alyson Pia MacRae	
Prof Katherine Morton	- Appointed 7 October 2021
Dr Charles Quan Li	- Resigned 25 August 2022
Andrew Seaton	- Appointed 7 October 2021
Ms Marina Wheeler KC	
Mr Rod Wye	

Nominee Directors

Mr David Thompson	- British Council
Mr Rupert Ainley	- FCDO - Resigned 7 October 2021
Mr Andrew Pittam	- FCDO - Appointed 7 October 2021

None of the Directors are remunerated.

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. 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 FCDO Internal Audit Department to assist with this function.

During the year ended 31 March 2022 membership of the ARAC comprised:

Mr Richard Jackson	- ARAC Chair
Mr Luke Graham	- Appointed 7 October 2021
Mr Charles Haswell	- Resigned 24 June 2021
Dr Charles Quan Li	- Resigned 25 August 2022

The Executive Director, China-Britain Business Council Group Finance Director, NAO Audit Manager, BDO Senior Audit Manager, FCDO Head of Internal Audit and FCDO Internal Audit Manager were regular attendees. The GBCC Data Protection Officer is also invited to attend once per year.

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

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 £18,000 (2020-21: £14,050).

Creditors

The average time taken to pay invoices in the current year was 29 days (2020-21: 38 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 33 days (2020-21: 25 days), which reflects a resumption to more normal activity levels in the UK.

Events since Year End

In June 2022, the company was informed that its Overseas Development Assistance (ODA) funded GiA had been discontinued. The Board took the view that GBCC would not be able to continue operating without GiA from the FCDO, and started discussions on the possibility of GiA coming from non-ODA sources. During the period when the GiA was uncertain, the company took a number of measures to reduce its operating costs; the company vacated its offices at 14/15 Belgrave Square at the end of September 2022 and made further reductions to its operating costs through staff redundancies. The remaining staff moved to a hybrid home working model and the registered office address was changed to the offices of China-Britain Business Council.

The Statement of Financial Position at 31 March 2022 includes a provision for liabilities and charges of £11,000 (2020-21: £11,000) for dilapidation costs on exiting the office lease (See Note 13). Dilapidation costs were waived by the landlord on exiting the premises. The provision was released to the Statement of Comprehensive Net Expenditure in the year to 31 March 2023 and the costs of vacating the premises were charged to the statement during the same period.

After discussions with FCDO, the company has been provided with GiA funding from non-ODA funds of £340,000 for the year to 31 March 2023 and of £350,000 per annum for each of the following two years to 31 March 2025. As a result, the company remains in operation.

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

Going Concern

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

The Foreign, Commonwealth and Development Office grant-in-aid was confirmed at £340,000 for the 2022-2023 financial year and a further commitment of £350,000 per annum for the two years to March 2025. This will cover an estimated 49% of budgeted core costs for the two years to March 2025. The balance will be covered by earnings from ongoing externally funded projects, forecast sponsorship income and from reserves. The expected deficit for FY22-23 is of the order of £77,000 and the budget for FY23-24 shows a deficit of £62,000. With reserves of £574,275, and cash of £1,007,295 at the start of FY22-23, the company has the reserves and the cash to cover the planned deficits.

The Board keeps the issue of "Going Concern" under review and close liaison is maintained with the FCDO'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 mitigate them. With a commitment of GiA to 31 March 2025, the company can continue to plan and function on an ongoing basis whilst building on the strengths of the business and exploring additional opportunities as China opens up. It is the view of the Board that the Great Britain-China Centre will continue to operate as a going concern for a period of at least twelve months from the date that the 2021-22 accounts are certified by the Comptroller and Auditor General and for at least 31 March 2025, the period of the current GiA commitment.

Further information on Going Concern is contained within the Strategic Report in the GBCC Funding and Viability Statement on pages 10 to 12.

Losses and Special Payment

During the 2021-22 financial year GBCC incurred a foreign exchange gain of £4,187 (2020-21: loss £2,525). There were no other losses or special payments.

This report was approved by the Board on 26 January 2023.

Sir Martin Davidson
Chair

Date 22 March 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 22 March 2023

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, Commonwealth and Development Office. GBCC works to support a robust and effective UK relationship with China which furthers the UK's national interests by promoting greater UK China capabilities and by supporting dialogues and exchanges between political parties, legal experts and policymakers on key reform and rule of law issues. The UK government is unique in having GBCC as an "arms-length" public body that is differentiated from Her Majesty's Government (HMG) in its relations with Chinese institutions, but still working in the UK's national interest, to support the bilateral relationship.

GBCC has expertise in working across the political, historical, cultural and linguistic barriers to facilitate dialogues and programmes that deliver sustainable results, including in areas of political sensitivity. To this end, GBCC traditionally 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. GBCC's experience and expertise in engaging critically but pro-actively with counterparts in China is central to the ability to support the effective engagement of key audiences in the UK.

GBCC works with institutions to facilitate dialogue on key topics relevant to the bilateral relationship and to implement projects and interventions to support Chinese reform initiatives that align with the UK's policy priorities and the broader bilateral strategies for selective engagement with China. GBCC's typical project model is to work either directly with party-state institutions or with China's leading academic experts, who in turn advise key policymakers on reform initiatives. Projects are designed to involve study tours to visit UK and European institutions, the facilitation of UK and international experts to share best practice experience with Chinese counterparts, joint workshops and training sessions, and have adjusted to online delivery during the pandemic and extended period of COVID-related restrictions in China.

Pro-reform engagement with Party-State actors in China has become challenged in the UK as development and reform increasingly takes place against a backdrop of increased authoritarianism and human rights violations.

The Chinese government aims to achieve a more efficient judicial system and facilitate domestic economic reform whilst retaining complete political control. The overall picture is very much of an evolving rule by law rather than rule of law, and there are clear limits to what reforms are possible under an authoritarian system. Moreover, in political cases or in whole regions such as Xinjiang and Tibet, the trend is firmly towards harsher repression and tougher sentences in the criminal justice system, and extensive use of arbitrary detention, forced labour and a number of other human rights abuses among the population in general.

The concerns are serious and significant, but it would be remiss not to recognise that the trends are contradictory and that reforms continue, albeit not along a linear liberalising trajectory. Whilst remaining cognisant of the wider more complex picture, GBCC is able to witness and contribute to the legal reform agenda and continue to believe that support and engagement can both help deepen and broaden reforms and keep bringing in international perspectives at a time when this is increasingly difficult but perhaps more needed than ever.

During the financial year, GBCC carried out a number of dialogues and project activities with Chinese and UK-based partners:

China Capabilities

The importance of increasing the UK's China capabilities has become increasingly clear over the past few years, and GBCC has expanded the portfolio of initiatives to respond to this need.

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

In July 2021, GBCC launched the Future Leaders Programme, a strategic initiative to prepare the UK's future political, government and business leaders to tackle the challenges and meet the opportunities accompanying China's rise. A first cohort of 25 mid-career policy and decision-makers from across Westminster, Whitehall departments and UK business participated in tailored courses on China, developed and delivered in close cooperation with the Oxford University China Centre. While the Programme's international components, including placements and fellowships in China, are suspended pending the resumption of travel to China alternatives to provide first-hand experience in East Asia for the participants are being explored, with the hope of offering this in the future. Recruitment and business sponsorship for the second cohort was completed in July 2022 when the second programme commenced.

GBCC continued to work with the FCDO China Capabilities Team to deliver two separate iterations of its Civil Service China Capabilities course, training a total of 62 civil servants from across ten Whitehall departments and agencies (BEIS, Cabinet Office, DEFRA, Department for Education, DIT, Home Office, HMT, MOD, British Council, Intellectual Property Office). The two-day intensive courses, designed by GBCC and delivered online by leading UK experts on China, featured a comprehensive and up-to-date programme covering China's political system, economic structure and industrial policy, foreign policy and issues including technology and climate. GBCC also delivered a bespoke one-day China Capability training event for the British Embassy in Vienna, as well as a half-day Masterclass for MPs and researchers for the All-Party Parliamentary China Group.

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 interlocutors, with the purpose of strengthening the ability of policy makers, politicians and businesses to effectively pursue effective UK interests and navigate the increasingly complex bilateral relationship with China. The dialogues have become unique platforms for open discussion on policy matters of concern to both sides, whilst supporting UK politicians to gain a deeper and more nuanced understanding of the Chinese system, and helping Chinese policymakers understand UK perspectives. The dialogues are held alternately in the UK and China, 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) / Communist Youth League (CYL). Since 2020, dialogues have been held online due to international travel restrictions, but with the aim to resume face-to-face dialogues when possible.

In December 2021, an online version of the Senior Leadership Forum was co-organised by GBCC and Chinese counterpart the IDCPC (International Department, Central Committee of the Chinese Communist Party (CPC). The UK delegation for the Dialogue was led by the Minister of State (Minister for Asia), The Rt Hon Amanda Milling MP, and consisted of mainly Members of Parliament across parties as well as UK business leaders. The Chinese delegation was led by Minister Song Tao, IDCPC, and consisted of senior officials from the National Development and Reform Commission (NDRC), Policy Research Office of the CPC Central Committee, Ministry of Commerce (MOFCOM), Ministry of Ecology and Environment, and other party-state departments. Discussions focused on common challenges such as climate change, global health and strengthening of the multilateral system, as well as areas of disagreement, most notably human rights violations especially in Xinjiang. Both sides agreed that the meeting helped enhance critical understanding of common interests and differences, and that continued dialogue is necessary to ensure open communication in the bilateral relationship.

In July 2021 GBCC and ACYF held a virtual Young Leaders Roundtable focusing on international climate cooperation in the run-up to COP26, with opening remarks and analysis from Xie Zhenhua, China's Special Climate Envoy. The UK delegation included MPs and representatives from the Conservatives, Labour, Liberal Democrats, Green Party and the Lord Mayor of London. The Chinese delegation included policy makers and academics in the climate change field as well as representatives from state-owned energy enterprises. Discussions focused on the importance of translating commitments and goals into deliverable policy and action plans, such as those relating to the decarbonisation of heat, transport and industry, how best to link

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

the aims of COP15 and COP26, the role of hydrogen in decarbonisation in China, and the viability of continued coal power financing along China's Belt and Road Initiative.

Criminal Justice Reform

GBCC has a 30-year track record of supporting reforms within China's legal system in areas of international human rights concern such as torture prevention, death penalty reduction, improved criminal procedures, and children's rights. Projects seek to promote judicial and legal professionalism through capacity-building and exposure to international best practice. GBCC works with influential academic and justice sector organisations to design and deliver projects that affect change on the ground and inform policies and legislative reform through evidence-based, coherent and transparent policy recommendations. Projects implemented on the ground and in partnership with Chinese institutions are, by political necessity, confined in scope to areas within the broad government-sanctioned reform agenda, and, as noted on page 6, undertaken with acute awareness of the ongoing breaches of fundamental freedoms and rights especially in political cases.

GBCC's criminal justice portfolio included several one-year and multi-year projects funded by the European Union through the European Initiative for Democracy and Human Rights (EIDHR), the Dutch government, and project funding from the FCDO, addressing issues such as: restricting the use of death penalty; improving criminal procedure in child sexual abuse cases; promoting fair trial through raising evidence standards in criminal cases; safeguarding the rights of defendants by improving judicial transparency; and protecting children in conflict with the law. Co-funding for the larger EU projects was granted by several embassies in Beijing.

Project implementation was delayed due to the ongoing COVID-19 situation, but GBCC adapted its local staff arrangements to address this situation and maintain communication with implementing partners while travel was not possible. Project implementation picked up in 2022 and GBCC is addressing delays by requesting no-cost extensions from the donors.

China Business Environment Programme

In April 2021, a 95% reduction in Official Development Assistance (ODA) budget for China was announced, which led to the discontinuation of the Prosperity Fund mechanism that funded the CBEP. An exit plan was agreed for final programme deliverables, stakeholder management and closing activities.

Final year activities focused primarily on commercial dispute resolution as a key issue for China's business environment reform. Seminars were undertaken with partners including the Centre for Common Law at Renmin University, China University of Political Science and Law China Arbitration Institute think tank, and the University of Durham. Thematic issues covered included recommendations on the revision of China's Arbitration Law; regulatory recommendations in relation to market access developments for foreign dispute resolutions in China's free trade zones; contributing international expertise on managing change of circumstances from the pandemic in relation to commercial contracts; China's mediation framework and alignment with international practice; and key issues in commercial courts including the role of technology and clash of jurisdictions. Key stakeholders included the PRC Ministry of Justice, the Supreme People's Court and specialised courts, and Chinese and international dispute resolution institutions and legal-judicial communities. GBCC established a UK-China working group of leading experts to develop policy and legislative recommendations on the liberalisation of ad hoc arbitration. A final discussion and evaluation seminar for key UK stakeholders from across the legal sector and government was held in late September and a joint UK-China research and recommendations report was finalised. This was an opportunity to review the positive results and partnerships supported by the Programme and to discuss UK-China commercial dispute resolution and business environment reform cooperation following the termination of the Programme. Even though there is no substantial funding available at this stage, there is a recognition from HM Government of the importance of continuing the cooperation and GBCC will continue to maintain working relationships both in China and the UK.

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

China and Global Legal Norms

In order to capitalise on the outcomes of CBEP, GBCC commissioned a report to analyse the mid-term impact of China's engagement with global legal norms and to engage relevant government, academic and judicial stakeholders in discussions on what this means for the UK. The Report contributes to engagement with Chinese legal and judicial institutions on alignment between reforms and the Rules Based International System (RBIS) and maps out the key areas of global legal norms that are central to the RBIS. These are areas where there may be divergence of interests between the UK and China but which nonetheless require coordination to address common problems of global governance, including health, global warming, trade, terrorism, and anti-corruption.

Engaging with China on Global Challenges and International Development

GBCC partnered with Wilton Park to hold a cross-government/ALB/civil society seminar on modalities and funding for continued engagement with China in changing circumstances. The discussions covered a broad range of issues, including China's journey from recipient to donor in international development; the state of UK-Chinese engagement; the development of HMG policy on China; and China's multidimensional global role. Building on this event, GBCC is planning for a series of agenda-setting dialogue series on China and Global Challenges, to highlight priorities for engagement and approaches to engaging in specific policy areas such as infectious diseases and health security, antimicrobial resistance, rule of law/global norms, climate change and environmental sustainability, food and agricultural systems, and in international development. GBCC and other interested parties are exploring funding for this dialogue series.

GBCC Strategy

Following the FCDO's reclassification of GBCC's GiA to non-ODA, the Board reviewed and restated the primary strategy of the organisation: **The Great Britain-China Centre's purpose is to support a robust and effective UK relationship with China which furthers the UK's national interests, and to facilitate candid bilateral dialogue and exchanges.**

The refresh of the integrated review, **Integrated Review Refresh 2023: Responding to a more contested and volatile world - GOV.UK (www.gov.uk)** was published on March 13 2023. It describes China as an "epoch-defining and systemic challenge" to the type of international order the UK wants to see in terms of security and values, but it also emphasises the need to have channels of direct contact and thus provides space for dialogue with Chinese interlocutors. IR2023 also recognises the need to build China Capabilities across government and commits to a doubling of funding for such initiatives.

GBCC's Strategy 2021-2025 is closely aligned with the goals of the Integrated Review for a rigorous but constructive relationship with China. The controversies around China's position on Russia's invasion of Ukraine, China's policies handling COVID-19 and its more assertive role in global fora, call for well-informed engagement across a broad spectrum of stakeholders. Track Two engagement is even more important at times when the bilateral relationship is difficult, as the channels of government-to-government dialogue deteriorate and the voices for disengagement grow stronger.

GBCC supports the UK's approach by:

- Strengthening the ability of policy makers, politicians and businesses to navigate the increasingly complex bilateral relationship with China and their ability to promote and pursue effectively UK interests
- Equipping UK officials and policy makers with knowledge of how the Chinese system works
- Providing the platforms for senior UK politicians and policymakers to meet their Chinese counterparts, voicing UK views and concerns

GBCC will build on its status as an NDPB, its long-standing relationships both in the UK and China as well as globally, and its ability to convene a broad set of Track Two platforms and channels for dialogue. By

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

improving understanding of how the Chinese system functions, we are growing a network of China-literate leaders able to coordinate and implement policy that serves the UK's long-term interests.

Exchanges on legal reform where possible, undertaken with acute awareness of ongoing breaches of fundamental freedoms and rights, brings unique partnerships and insights which in turn enables GBCC to function as an effective and multidimensional convener for UK stakeholders. GBCC will continue to support reform initiatives in areas of international human rights concern such as torture prevention, death penalty reduction and improved criminal procedures, as well as legal reforms to improve China's business environment and market access for UK business and investment, to strengthen and diversify channels of communication and enable UK stakeholders stay well informed about China's political stance and agenda.

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 FCDO'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 after the Statement of Financial Position date (2022-2025). With GiA now committed for the three years but at a lower level, the Board will assess the impact of this on the implementation of the Strategy amidst changing priorities and operating landscape. The Board's scrutiny includes regular assessment of the main risks facing GBCC and management's methodology to address them.

Traditionally funding has been the main risk to GBCC's operation, given the reliance of the business model on GiA from the FCDO. The commitment from the FCDO of the GiA of £340k for 2022-23, and £350k for the following two years to March 2025, allows GBCC to function for the full financial year and to plan ambitiously for the future. The 30% decrease however means that GBCC needs to raise increasing levels of external income from both institutional and commercial partners to deliver on its full strategy.

With continued GiA funding at the core, GBCC will continue to deliver those functions that are closely connected to its status as an NDPB, such as semi-official dialogues with Chinese institutions and interlocutors and building up the UK's skills and knowledge to interact effectively with Chinese counterparts, often referred to as "China Capabilities". GBCC will also continue to deliver and expand its externally funded project work and seek corporate funding for its activities.

The GBCC will work to improve HMG institutional understanding of how the Chinese system functions and grow a network of China-literate leaders able to coordinate and implement policy that serves the UK's long-term interests. The GBCC draws on an extensive range of China expertise and works closely with the FCDO on the Civil Service China Capability Course to enhance knowledge and expertise across Whitehall, covering key policy topics including China's economy, geopolitics and international relations, technology and security, domestic politics and party-state dynamics. Our regular China Insights webinar series features panels of subject matter experts bringing analysis and discussion to a broader audience. Our flagship capabilities initiative, the Future Leaders Programme connects parliamentarians, civil servants and business representatives in cohorts to enhance their capability to work with China across the full breadth of policy issues. The Programme combines knowledge building workshops, delivered in partnership with Oxford University China Centre, with bespoke engagement initiatives in China.

Although there has been some success in facilitating bilateral dialogues online during periods of COVID restrictions, this is more challenging since the building of trust and relationships require face-to-face interaction. Online dialogues and meetings have however allowed GBCC to maintain important political relationships, and as a result in-person dialogues are already under discussion to take place in 2023.

The majority of GBCC projects and initiatives have traditionally relied heavily on international travel and face-to-face exchanges. As the COVID pandemic unfolded, GBCC adjusted well to online delivery and was able to continue to implement a range of projects and initiatives virtually. Even as travel and in-person meetings resume, including in China, online platforms will remain an important delivery mechanism. Online

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

delivery works very well for technical exchange projects, and in some projects GBCC provides ongoing technical advice through a series of online meetings, as opposed to more intense and occasional face-to-face engagements. The number and location of participants and experts has also been expanded. As travel is resuming, in-person meetings, even if fewer than in the past, will consolidate these professional networks and relationships between stakeholders, but with online exchanges continuing alongside.

Corporate sponsorship from UK companies has contributed to the implementation of in-person political dialogues, and in recent years also initiatives to improve UK China Capabilities such as the Future Leaders Programme. GBCC is targeting both current and potential new sponsors for an ambitious programme of dialogues and China Capability initiatives. A global economic downturn may impact on the availability of corporate sponsorship but there are also signs that companies wish to demonstrate their commitment to the bilateral relationship and to raising China skills in the UK. The renewed commitment of GiA to GBCC is likely to support its ability to attract commercial sponsorship for such initiatives.

Institutional funding opportunities, from the UK as well as international donors, have been reducing in number and value due to the political and operational challenges of implementation. However, with a successful track record in obtaining external multi-year project grants and having been able to keep a number of projects and partnerships going during the difficult past few years, GBCC is in a unique position to obtain grants from the funds that do continue. Having a project manager on the ground in Beijing has enabled GBCC to continue to implement projects, strengthened partnerships and communication with the implementation partners and donors. GBCC currently implements three large externally financed projects, two supported by the EU and one by the Dutch embassy in Beijing. Given delays due to COVID, the two EU projects have been extended until December 2023 and the Dutch project is in the final stages of approval for a similar no-cost extension. The required co-funding for the two EU projects is only 5% of the total project budget (there is no co-funding requirement for the Dutch funded project), and this has largely been obtained from additional sponsors already. GBCC has strengthened a number of grant management processes, especially around procurement, finance and accounting, in order to respond robustly to different donors' requirements. These measures benefit GBCC as a whole, and puts GBCC in a good place for applying for funds and grants from global donors and foundations.

A medium-sized grant from the Swiss government lasting until March 2024 has recently been awarded, and additional EU grants are expected to be announced in March 2023. GBCC is still eligible for these European Initiative for Democracy and Human Rights (EIDHR) funds, and, if successful, a new EU project could begin in late Q3 or early Q4 2023-24. Continuous conversations with donors ensure that GBCC is aware of additional calls and also at times able to input into conversations about the funding needs and opportunities more generally. As China is starting to open up after COVID, the funding landscape may change yet again.

Implementation of projects and dialogues are undertaken in partnership with Chinese universities and institutions, and hence the level of implementation is therefore to a large extent reliant on the ability of the partners to conduct activities. Having a GBCC project manager on the ground in China is critical in assisting and monitoring implementation, but factors such as the political climate, the need for formal approvals even for online events, and continued lockdowns and other COVID-related restrictions has impacted on the level of implementation.

The budget for the year 2022-23 was presented to the Board in January 2022 and projected a deficit in the year of £20k after GiA of £500k. With the reduction of GiA to £340k, the Board took appropriate measures to reduce costs by closing its offices and move to a largely home-based hybrid working model, as well as making further redundancies during the year. The budget for 2023-24 takes account of the future commitment for GiA of £350k, extending to 2024-25, and shows a deficit of £62k, reflecting investment in growing the company's capacity to increase non GiA income.

With a commitment of GiA to 31 March 2025, the company can continue to plan and function on an ongoing basis whilst building on the strengths of the business and exploring additional opportunities as China opens up again and bilateral relations are set to resume in person. The continued importance to the UK of the

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

work GBCC is undertaking, GBCC's success in winning large multi-year grants, and the continued efforts to raise funds from commercial sources assure the Board that GBCC has sufficient support and relevance to continue its operation until March 2025. The Board has approved a reserve policy that sets the objective for GBCC of building and maintaining reserves equivalent to 6 months operating expenses, which is projected to be met in the year to March 2024. 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 around the political and operational reality of working in and with China in a post-COVID world.

GBCC actively monitors its cash reserves which over the year have substantially decreased as a result of pre-funded donor projects seeing a net cash outflow, the company increasing its pre-funding of university partners in China for activities they are to undertake in the future on donor projects, and there being a substantial reduction in accruals during the year resulting in a net cash outflow. The Directors are of the opinion that the company has sufficient cash reserves for the period of planned activity.

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 period of the strategy to March 2025.

Sir Martin Davidson
Chair

Date 22 March 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 22 March 2023

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

GBCC has a People and Performance Committee, which is a sub-committee of the Board. It makes recommendation to the Board on 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 (Resigned 24 June 2021)
Ms Marina Wheeler	– Director
Mr Rod Wye	– Director
Mr Matthew Rous	– Co-opted Member (Resigned 30 June 2021)
Mr Andrew Seaton	– Director (appointed 7 October 2021)

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 Committee also reviews the performance management processes. It recommends to the Board pay bands with reference to the FCDO pay bands and when considering bonuses it is mindful of the guidelines used by FCDO. Due to the financial uncertainty brought on by the pandemic, the Committee recommended to the Board to freeze salaries during the year.

Merethe Borge MacLeod, the Executive Director, commenced permanent employment on 4 September 2017. The Executive Director's remuneration in bands is 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:

	2022	2021
	£'000	£'000
In relation to the Executive Director:		
Salary paid in year and on a full-time equivalent basis (in bands)	95-100	95-100
Performance related pay (in bands)	5-10	5-10
Employer pension contributions	6.5	6.5
Total (in bands)	105-110	105-110

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce as well as earnings at the 25th and 75th quartile point. 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 as at 31 March on an annualised basis and includes any temporary staff employed during the year (excluding the highest paid director).

	2022	2021
Band of Highest-Paid Director's total remuneration (£'000)	100-105	100-105
Salary only Median £	31,597	34,193
Total pay and Benefits Median £	32,122	35,055
Salary only Lower Quartile £	29,000	27,504
Total pay and Benefits Lower Quartile £	29,000	28,849
Salary only Upper Quartile £	34,193	36,306
Total pay and Benefits Upper Quartile £	35,243	38,601

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

Pay multiples at 31 March:	2022	2021
Median Ratio	3.2	2.9
Ratio Lower Quartile	3.5	3.6
Ratio Upper Quartile	2.9	2.7

The pay multiple has been calculated using the ratio of the pay and benefits total relating to the employee whose remuneration is at the median, 25th and 75th quartile point (excluding the Executive Director) to the mid-point of the banded remuneration of the highest-paid Executive. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The median pay multiple has increased due to the change in salary mix of the entity's staff as a whole. It resulted from staff turnover and staff lost during the staff reduction programme carried out during the year and who were not replaced. The multiples at the 25th and 75th quartile remained unchanged. The remuneration of employees, excluding the highest-paid director, ranged from £26,000 to £56,350 (2020-21: £25,275 to £56,695) and in 2021-22 no employees received remuneration in excess of the highest-paid director (2020-21: none).

The percentage change in total salary and bonuses for the highest paid director and the staff average for 2021-22 were:

	Total salary and allowances	Bonus payments
Highest paid director	0%	0%
Staff average	-2%	-45%

Staff Costs

The following analysis of staff costs and staff numbers are subject to audit, with the exception of the gender split table.

Staff costs comprise:

	Permanently Employed Staff	Others	2021-22 £ Total	2020-21 £ Total
Wages and salaries	375,177	4,828	380,005	362,687
Social security costs	39,969	59	40,028	23,953
Other pension costs	20,495	-	20,495	22,814
	<u>435,641</u>	<u>4,887</u>	<u>440,528</u>	<u>409,454</u>

Average number of staff employed

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

	Permanently Employed Staff	Others	2021-22 No. Total	2020-21 No. Total
Directly employed	<u>7</u>	<u>1</u>	<u>8</u>	<u>10</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>5</u>	<u>7</u>

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

Exit packages

Exit packages are subject to audit.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. The following table shows the total cost of exit packages agreed by band and accounted for in 2021-22 (2020-21: none). £7,032 exit costs were paid in 2021-22, the year of departure (2020-21: £nil):

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£0-£10,000	-	2	2

Staff Turnover

Staff turnover in the year was 67% (2020-21: 20%) with higher than normal attrition caused by the financial uncertainty after the pandemic and the freezing of salaries and also the round of redundancies in the year.

Contract costs

The company's arrangement to outsource its financial management to China-Britain Business Council came to an end on 31 March 2022 and was moved in house. The amount incurred during the year was £62,000 (2020-21: £56,913).

Sickness Absence data

The average number of sick days taken by staff in the year was 1.3 (2020-21: 6.8).

Staff Policies on Disability

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. Decisions on recruitment, selection, training, promotion and career management are based solely on objective and job-related criteria. The company is committed to making appropriate provisions in order to retain disabled employees.

Sir Martin Davidson
Chair

Date 22 March 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 22 March 2023

The Great Britain-China Centre (Limited by Guarantee)

Governance Statement

1. Board Membership

As at the end of March 2022, GBCC's Board of Directors had 14 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 FCDO. The Board had three sub-committees active during the year; the Audit and Risk Assurance Committee and the Business Development and Fundraising 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 monitored the implementation of data protection compliance. It reviewed the systems audit of the GBCC-FCDO Relationship Management, and made recommendations for both GBCC and FCDO which were reviewed and agreed for implementation at ARAC and Board. A fuller description of the ARAC's responsibilities is included in the Directors' Report on page 3.

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 and advised on general staffing levels. An organisational re-structure was carried out in early 2022 to reduce the number of core staff to eight given the changing funding landscape, and especially given the discontinuation of the Prosperity Fund. The process concluded without the need for any compulsory redundancies since one staff member opted for voluntary redundancy.

The Business Development and Fundraising Committee advised on the development of business and fundraising strategy. It contributed knowledge and experience of fundraising including identification of potential sponsors and advised on the formulation of corporate sponsorship criteria, especially in relation to the Future Leaders Programme. In addition, it provided advice on online strategies and relations management.

A Board effectiveness review and skills mapping was carried out in early 2021, and the outcomes fed into the recruitment process for new Board members appointed in October 2021. As part of that review, the Board also agreed revisions to Board meeting proceedings to increase Board time to focus on the implementation of the business plan and income generation.

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. Two Directors who were scheduled to retire in June 2020 agreed to stay on for an extra year, to add continuity during a difficult year and to allow the recruitment of new Directors to take place in 2021 instead. Three new Directors joined the Board in October 2021.

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 FCDO and one of the British Council.

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:

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

- 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, including appointment and resignation dates, is presented in the Directors' Report on page 3.

During 2021-22 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)		Business Development & Fundraising Committee (2)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
M Davidson	4	4			2	2	2	2
A Black	4	4					2	2
R Jackson	4	4	4	4			2	-
T Danaher	2	2					2	2
W Godwin	2	2						
L Graham	2	2	2	1				
A Gwynne MP	4	1						
C Haswell	2	2	2	2				
J Howell	2	2			1	1		
A MacRae	4	3					2	1
K Morton	2	1						
C Quan Li	4	3	4	4				
A Seaton	2	2			1	1		
M Wheeler	4	3			2	2		
R Wye	4	3			2	2		
D Thomson	4	2						
R Ainley	2	-						
A Pittam	2	2						
Co-Opted:								
M Rous	1	1			1	1		
Totals	55	43	12	11	9	9	10	7
Percentage		78%		92%		100%		70%

The Board meetings are governed by the GBCC Articles of Association which determine that a meeting is quorate if seven or more members attend.

GBCC is committed to ensuring high standards of conduct in all that it does. The company's Whistle Blowing policy is designed to make it easy for workers to make disclosures, without fear of retaliation and there are clearly defined channels to raise concerns both internally and externally to the company.

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

The Board monitored the COVID-related office re-entry plan and the accompanying risk assessment for returning to the office, which were updated throughout the year.

3. Risk Management

The main risks to GBCC, financial, operational and strategic, are analysed before each Board meeting in the form of a Risk Register, with a traffic light assessment of the likelihood of the risk materialising and the extent of the impact that could occur. A management response to the risks is 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.

Financial risks

GBCC's GiA has been committed from FY22-25, but at a lower level (£340k-£350k) than in previous years (£500k). The 30% decrease however means that GBCC needs to raise increasing levels of external income from both institutional and commercial partners. As China opens up and travel is resuming, there are more opportunities for GBCC to continue to deliver against its strategy. Further cuts to the GiA or changes in funding policy would be existential to the organisation.

The Future Leaders Programme has been successfully implemented since 2021 with funding from British companies, and in previous years political dialogues were also funded in part by companies. Sponsorship decisions are made on a yearly basis however and priorities can shift. As travel and face to face dialogues become possible again the funding level required to respond to these opportunities increases.

GBCC also raises project funds for specific China Capabilities initiatives from HMG/FCDO. China Capabilities is a stated priority of FCDO and HMG funding mechanisms going forward is currently under discussion.

There are decreasing sources and levels of funding for projects on legal reform and rule of law, due to the lack of progress at a national level, operational challenges of implementation, and since China is likely to cease to be eligible for ODA funding in the medium term. Large-scale funding mechanisms such as the China Business Environment Programme have been discontinued and have been replaced by relatively small scale project funds.

GBCC is one of the very few organisations still able to implement legal cooperation projects in China, and manages to obtain small and medium-sized grants from external donors. Brexit has not yet led to GBCC being ineligible to apply for relevant EU funds, and GBCC continues to get grants from both EU and non-EU member states. GBCC's re-structuring in 2022 took this funding shift into account.

Operational risks

The pandemic has greatly affected GBCC's operation but also led to innovation and new modes of cooperation with partners in China. The frequent changes over the past three years means GBCC is set up to deal with both remote and in-person implementation and engagements and the combination of in-person and online events is likely to continue long-term. The Launchpad office with one full-time staff in Beijing enables GBCC to operate pro-actively whatever the COVID situation is. The move to homeworking in March 2020 was smooth, and in turn enabled the company to transition to permanent home/hybrid working in September 2022.

The lack of travel to China over the past years has however led to a very high degree of reliance on a small number of implementation partners, as it is difficult to forge new partnerships without physical interaction. Once travel to China is possible again for GBCC staff, renewing and diversifying partnerships is a key priority.

The GBCC advances project funds to partners in China to cover project staff and activity costs. Given the complex bureaucratic rules for project expenditure especially at Chinese universities, in order to ensure

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

pace of implementation most likely have to continue to advance funds to project partners. If project implementation does not progress according to plan however, it can be difficult for GBCC to retrieve the funds. A balance between the risks of advancing funds with the risk of slow implementation needs to be struck, and legal and practical safeguards put in place in all projects to reduce the risk of unrecoverable debts.

Staff numbers at GBCC have been reduced to below 6 FTEs. Dependence on such a small number of staff could mean insufficient capacity to deliver especially in the event of staff turnover and/or illness. It can also affect staff well-being since the governance and administrative requirements on GBCC do not decrease despite cuts to the GiA and a reduction in staff.

Strategic risks

GBCC's projects and engagements are carried out against a background of an increasingly difficult bilateral relationship, with a worsening human rights situation in China and especially in Xinjiang and Tibet, the deterioration of freedoms in Hong Kong and breaches to the Sino-British Joint Declaration. In addition, the UK sanctioned four Chinese officials and one government-controlled company in response to the human rights abuses in Xinjiang, and the Chinese government counter-sanctioned UK MPs, organisations, academics, and one barristers' chambers. A tense bilateral relationship exacerbates the risks associated with the GBCC's work in China, and has the potential to impact negatively on the appetite for China-related engagement amongst key stakeholder groups and in particular UK parliamentarians. There is however broad consensus for China Capabilities work, and GBCC is able to offer neutral platforms for China engagement.

After three years of COVID-related restrictions and next to no face-to-face engagement, the risks physical and political risks around travelling to China for GBCC initiatives will need to be monitored as China starts to open up again.

The current bilateral relationship and wider geopolitical shifts are balanced by opportunities, and the necessity for proactive and diverse engagement with China is greater than ever. Having operated in the bilateral space since 1974, GBCC has developed the institutional capital and resilience to navigate the complexities of the UK-China relationship. GBCC's long history and ability to work across political, cultural and linguistic barriers has built trust among stakeholders on both sides. GBCC has to the extent it has been possible retained strong relationships both in the UK and in China, and is in a good place to build on this going forward.

In sum, the Board continued to consider the possible impact on GBCC's operations of the shifting political landscape and the bilateral relationship but considers GBCC's work to remain not only feasible but increasingly relevant.

Sir Martin Davidson
Chair

Date 22 March 2023

The Great Britain-China Centre (Limited by Guarantee)
Governance Statement (continued)
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 31 March 2022 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. During the year, this was enhanced by the outsourcing of its financial management during the year, and post year end by the subsequent hiring the outsourcing manager on a permanent basis. In particular, the procedures include:

- The drafting by the finance function 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 FCDO 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 finance function on all significant issues.

Following the EU General Data Protection Regulations (GDPR) coming into effect on 25 May 2018, GBCC has worked closely with the FCDO to ensure all personal data is processed in accordance with the GDPR, and, since 31 January 2020 the UK GDPR successor framework. GBCC takes a risk-based approach to data protection compliance, and endeavours to ensure that all personal data is accurate, secure and relevant to the work of GBCC. In mid-2020, GBCC undertook a review and update of data protection policies and procedures with the assistance of an external data protection consultancy, who remain available for ongoing support and enquiries as needed. An operational audit of data protection compliance conducted by the FCDO Internal Audit Department and completed in January 2021, gave GBCC an Overall Performance Assurance Opinion rating of "substantial". During the year, GBCC staff representatives attended a monthly data protection meeting for FCDO NDPB's led by the FCDO's Data Protection Officer, exchanging best practice and contributing towards continuous improvement. A member of the FCDO's Transparency & Data Team attends the ARAC once per year.

My review as Accounting Officer of the effectiveness of the system of internal control is informed by the oversight of the ARAC, advice received as necessary from Internal Audit, and I take account of the results of the annual audit undertaken by the NAO. 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 22 March 2023

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, Commonwealth and Development Office (with the consent of HM Treasury) has directed the Great Britain-China Centre, 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 Companies Act 2006 primarily and then 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, Commonwealth and Development Office has appointed 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.

Sir Martin Davidson
Chair

Date 22 March 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 22 March 2023

The Great Britain-China Centre (Limited by Guarantee)

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS AND THE HOUSES OF PARLIAMENT

Opinion on financial statements

I have audited the financial statements of the Great Britain-China Centre for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statements which comprise the Great Britain-China Centre's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of the Great Britain-China Centre's affairs as at 31 March 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements and regularity of Public Sector Bodies 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 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Great Britain-China Centre in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Great Britain-China Centre's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, 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 when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this certificate.

The Great Britain-China Centre (Limited by Guarantee)

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS AND THE HOUSES OF PARLIAMENT

Other Information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's certificate thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

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

- the Strategic Report and the Directors' Report been prepared in accordance with applicable legal requirements; and
- the information given in the Strategic Report and the 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

In the light of the knowledge and understanding of the Great Britain-China Centre and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

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 parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- a corporate governance statement has not been prepared by the parent company; or
- I have not received all of the information and explanations I require for my audit;

Responsibilities of the directors and accounting officer for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

The Great Britain-China Centre (Limited by Guarantee)

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS AND THE HOUSES OF PARLIAMENT

- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Great Britain-China Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Great Britain-China Centre's accounting policies.
- Inquiring of management, the head of internal audit at the Foreign, Commonwealth and Development Office and those charged with governance, including obtaining and reviewing supporting documentation relating to the Great Britain-China Centre's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Great Britain-China Centre's controls relating to the Great Britain-China Centre's compliance with the Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money and the Framework Agreement with the Foreign, Commonwealth and Development Office.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Great Britain-China Centre for fraud and identified the greatest potential for fraud in the following areas: revenue recognition; posting of unusual journals; complex transactions; and bias in management estimates.

The Great Britain-China Centre (Limited by Guarantee)

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS AND THE HOUSES OF PARLIAMENT

In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Great Britain-China Centre's framework of authority as well as other legal and regulatory frameworks in which the Great Britain-China Centre operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Great Britain-China Centre. The key laws and regulations I considered in this context included Companies Act 2006, Government Resources and Accounts Act 2000, Managing Public Money, the Framework Agreement with the Foreign, Commonwealth and Development Office, employment law and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- in addressing the risk of fraud through revenue recognition, testing a sample of revenue from contracts with customers, including contract assets and contract liabilities to supporting documentation; testing the bases and assumptions made in the calculation of these balances; reviewing the accounting treatment and disclosure for revenue; and
- review of new transaction streams to confirm they are regular.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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.

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.

The Great Britain-China Centre (Limited by Guarantee)

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS AND THE HOUSES OF PARLIAMENT

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 24 March 2023

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

The Great Britain-China Centre (Limited by Guarantee)
Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2022

	Notes	2022 £	2021 £
Income			
Revenue from customers	3,4	668,718	497,239
Exchange gain/ (loss)		4,187	(2,525)
Other revenue		1,398	800
		674,303	495,514
Expenditure			
Purchase of goods and services		(356,045)	(192,565)
Administrative expenses		(802,792)	(627,672)
Total expenditure for the year	6	(1,158,837)	(820,237)
Net expenditure for the year		(484,534)	(324,723)
Taxation	8	(19,504)	(45,137)
Interest receivable		84	389
Comprehensive net expenditure for the year		(503,954)	(369,471)

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 31 to 43 form part of these financial statements.

The Great Britain-China Centre (Limited by Guarantee)
Statement of Financial Position as at 31 March 2022

	Notes	2022 £	2021 £
Non-current assets			
Property, plant and equipment	9	642	802
Total non-current assets		642	802
Current assets			
Trade and other receivables	10	250,240	196,264
Cash and cash equivalents	11	1,007,295	1,189,772
Total current assets		1,257,535	1,386,036
Total assets		1,258,177	1,386,838
Current liabilities			
Trade and other payables	12	(672,902)	(797,609)
Total assets less current liabilities		585,275	589,229
Non-current liabilities			
Provision for liabilities and charges	13	(11,000)	(11,000)
Total assets less liabilities		574,275	578,229
Taxpayer's equity			
General fund		574,275	578,229

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 26 January 2023.

Sir Martin Davidson
Chair

Date 22 March 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 22 March 2023

The notes on pages 31 to 43 form part of these financial statements.

The Great Britain-China Centre (Limited by Guarantee)
Statement of Cash Flows for the Year Ended 31 March 2022

	Notes	2022 £	2021 £
Cash flows from operating activities			
Comprehensive net expenditure for the year		(503,954)	(369,471)
Adjustments for:			
Depreciation of tangible assets	9	160	465
Profit on disposal of tangible assets	6	-	(750)
Interest received		(84)	(389)
Taxation	8	19,504	45,137
(Increase)/decrease in trade and other receivables	10	(54,113)	(47,295)
(Decrease)/increase in trade and other payables	12	(104,300)	19,378
Taxation paid		(39,774)	(19,000)
Net cash outflow from operating activities		<u>(682,561)</u>	<u>(371,925)</u>
Cash flows from investing activities			
Proceeds from sale of tangible assets		-	750
Interest received		84	389
Net cash inflow from investing activities		<u>84</u>	<u>1,139</u>
Cash flows from financing activities			
Grant-in-Aid	17	500,000	500,000
Net cash inflows from financing activities		<u>500,000</u>	<u>500,000</u>
Net (decrease)/increase in cash and cash equivalents		(182,477)	129,214
Cash and cash equivalents at the beginning of the year		1,189,772	1,060,558
Cash and cash equivalents at the end of the year	11	<u>1,007,295</u>	<u>1,189,772</u>

The Great Britain-China Centre (Limited by Guarantee)
Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2022

	Notes	2022 £	2021 £
Balance at the start of the year		578,229	447,700
Comprehensive net expenditure for the year		(503,954)	(369,471)
Grant-in-Aid from FCDO	17	500,000	500,000
Balance at the end of the year		<u>574,275</u>	<u>578,229</u>

The Great Britain-China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2022

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 Kings Buildings, 16 Smith Square, London SW1P 3HQ. The company's principal activity during the year continued to be advancing UK objectives on China, including through bilateral dialogues to encourage open and direct discussion on areas of cooperation and concern; strengthen the UK's China knowledge and capabilities; and deliver projects to support legal and judicial reform in China.

2. Accounting policies

2.1. Basis of preparation of financial statements

Under the legislative authority of the Secretary of State of the Foreign, Commonwealth and Development 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 (FRoM) that do not conflict with the Companies Act 2006. Where the FRoM 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 2022, 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 years.

2.2. Going Concern

The Directors assess whether the use of the going concern assumption is deemed appropriate, considering whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The Directors make this assessment in respect of a period at least one year from the signing date of these financial statements. The Directors have considered the effects of the reduction in the GiA in reaching their conclusions, preparing an annual budget, and monitoring performance against it. The company maintains levels of reserves to meet unexpected obligations and forecasts that adequate resources are maintained in ensuring that the company remains operational for the foreseeable future. The company has cash of £1,007,295 and reserves £574,275 at 31 March 2022, and projects the reserves level at 31 March 2024 to be sufficient to cover 6 months operating expenditure, in line with its policy. The financial statements have therefore been prepared on a going concern basis as discussed in the Strategic Report within these financial statements on pages 10 to 12.

2.3. 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.

2.4. 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 as allowed by IAS 16.

The Great Britain-China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2022

2. Accounting policies (continued)

2.5. 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:

Office equipment	20% on the reducing balance
------------------	-----------------------------

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.

2.7. Foreign currencies

Transactions in foreign currencies are translated at the Wall Street On Demand accounting rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the Oanda.com 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

All new employees were enrolled into a GBCC defined pension contribution scheme with Standard Life from 1 January 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. Leases

For any new contracts entered into, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company,
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use,
- considering its rights within the defined scope of the contract the company has the right to direct the use of the identified asset throughout the period of use. The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The company currently has no leases that are to be recognised under IFRS 16 (see Note 15 Leases and Note 22 Events after the reporting period in relation to the offices).

Measurement and recognition of leases

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term.

The Great Britain-China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2022

2. Accounting policies (continued)

2.10. 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.

In addition, when taking out contracts with third parties, management has to make a judgement whether a contract contains a lease. In addition, when the company has an option to extend a lease or terminate a lease early, management has to determine whether or not an option would be reasonably certain to be exercised. In determining whether it is likely to exercise the option, management will take into consideration all facts and circumstances, including their past practice and any additional costs that will be incurred to change the asset should the option be exercised in order to determine the lease term.

2.11. Revenue from contracts with customers

Revenue is recognised under IFRS 15 - 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. Since these contracts reimburse time spent and rechargeable third party costs the only consideration is included in the transaction price. 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 contract. The value of this contract asset corresponds directly to the value to the customer of performance obligations completed at that date.

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.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2022

2. Accounting policies (continued)

2.11. Revenue from contracts with customers (continued)

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.

2.12. 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 FCDO 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, as stipulated in IFRS 9, the simplified approach is applied to the impairment of trade receivables.

2.13. Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Net Expenditure.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all condition for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The Great Britain-China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2022

2. Accounting policies (continued)

2.14. Segment information

Segmental information is defined in IFRS 8. 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 service or contract based.

2.15. Financial instruments

IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items (see Note 18).

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 is normally the transaction price excluding transaction costs).

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.

2.16. Future accounting standards

One accounting standard has been issued but is not yet effective, IFRS 17: Insurances, which becomes effective for accounting periods beginning on or after 1 January 2023.

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2022

2. Accounting policies (continued)

2.16. Future accounting standards (continued)

It is anticipated that the introduction of the IFRS 17 will have immaterial impact on the company's financial statements.

3. Segment information

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

	Revenue £	Expenditure £	Net £
2021-22	668,718	(356,045)	312,673
	Revenue £	Expenditure £	Net £
2020-21	497,239	(192,565)	304,674

Expenditure relates to the purchase of goods and services from third parties which are attributable to revenue from customers.

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:

	2021-22		Contract based		Total £
	Grant based EU £	China £	UK £	China £	
Government	-	93,767	151,611	-	245,378
EU	275,565	56,730	-	-	332,295
Non-Government	-	-	91,045	-	91,045
	275,565	150,497	242,656	-	668,718
Point in time	-	-	54,625	-	54,625
Over time	275,565	150,497	188,031	-	614,093
	275,565	150,497	242,656	-	668,718
	2020-21		Contract based		Total £
	Grant based EU £	China £	UK £	China £	
Government	-	4,918	428,106	-	433,024
EU	47,190	10,580	-	-	57,770
Non-Government	-	-	6,445	-	6,445
	47,190	15,498	434,551	-	497,239
Point in time	-	-	33,925	-	33,925
Over time	47,190	15,498	400,626	-	463,314
	47,190	15,498	434,551	-	497,239

The amount of revenue recognised in the period that related to contract liabilities at the start of the period was £300,571 (2020-21: £64,873).

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2022

5. Unsatisfied long-term contracts

The unsatisfied performance obligation relating to long-term grant based contracts is £1,801,231. 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 46% of the total with the remaining 54% to be taken in the subsequent financial year.

6. Expenditure

	Notes	2022 £	2021 £
Staff Costs			
Wages and salaries		380,005	362,687
Social security costs		40,028	23,953
Other pension costs		20,495	22,814
		<u>440,528</u>	<u>409,454</u>
Rentals under operating leases		33,673	37,546
Service charges and rates		24,228	26,534
Outsourced financial management	17	62,000	56,913
Contract staff in China		68,341	-
Professional fees		66,640	26,554
Irrecoverable VAT		35,115	7,909
Auditors' remuneration		18,000	14,050
Running costs		54,107	48,997
Non-cash items:			
Depreciation	9	160	465
Profit on disposal of fixed assets		-	(750)
Purchase of goods and services (Note 3)		356,045	192,565
		<u>1,158,837</u>	<u>820,237</u>

Social Security costs in 2020-21 included a reversal of £16,000 accrued costs relating to Employer Allowances expected to be repaid by the company to HMRC. These were reversed since the company received confirmation that the company was entitled to claim the allowances and no repayment was due.

The audit fee for the current year is £18,000 (2020-21: £14,050) and no non-audit work has been carried out by the external auditors.

The company became VAT registered in September 2020 and has both taxable and non-taxable supplies. Irrecoverable VAT is the proportion of input VAT on general activities that is attributable to the non-taxable supplies.

7. Employees

Average number of employees during the year:

	2022 No.	2021 No.
Administration and activities	8	9
Contract Staff	1	1
Total	<u>9</u>	<u>10</u>

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2022

8. Taxation

Analysis of tax charge for the year	2022	2021
	£	£
Current tax on trading profits	15,422	34,525
Adjustment for prior years	3,945	15,121
Total current tax	19,367	49,646
Deferred tax	2022	2021
	£	£
Origination and reversal of timing differences	994	3,983
Adjustment for prior years	(857)	(8,492)
Total deferred tax charge/ (credit)	137	(4,509)
Tax on net expenditure for the year	19,504	45,137

The tax assessed for the year is lower than (2020-21: lower) than the standard rate of corporation tax in the UK of 19% (2020-21: 19%). The differences are explained below:

	2022	2021
	£	£
Net expenditure before taxation	(484,450)	(324,334)
Net expenditure before taxation multiplied by the standard tax in the UK of 19% (2020-21: 19%).	(92,046)	(61,623)
The differences are explained below:		
Income not subject to tax	(82,434)	(12,053)
Expenses not subject to tax	95,133	16,400
Excess of depreciation over capital allowances	88	(1,442)
Expenses not deductible for tax purposes	675	2,226
Impact of grant-in-aid on taxation	95,000	95,000
Prior year adjustment	3,088	6,629
Total tax charge for the year	19,504	45,137

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2022

9. Property, plant and equipment

2021-22	Office equipment £
Cost	
At 1 April 2021 and 31 March 2022	9,209
Depreciation	
At 1 April 2021	8,407
Charge for the year	160
At 31 March 2022	8,567
Net book value	
At 31 March 2022	642
At 31 March 2021	802
2020-21	Office equipment £
Cost	
At 1 April 2020	10,295
Disposals	(1,086)
At 31 March 2021	9,209
Depreciation	
At 1 April 2020	9,028
Charge for the year	465
Disposals	(1,086)
At 31 March 2021	8,407
Net book value	
At 31 March 2021	802
At 31 March 2020	1,267

10. Trade and other receivables

	2022 £	2021 £
Amounts falling due within one year:		
Trade receivables	21,925	73,220
Deposits and advances	102,933	44,728
Other debtors	2,417	-
Prepayments	27,629	12,703
Contract assets	90,964	61,104
Deferred tax asset (Note 14)	4,372	4,509
	250,240	196,264

The value of contract assets at the year-end has increased compared to the prior year since the activity on contracts with milestones completed at the year-end has increased and so has the number of contracts.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2022

11. Cash and cash equivalents

	2022	2021
	£	£
Balances at 1 April	1,189,772	1,060,558
Net change in cash	(182,477)	129,214
	<u>1,007,295</u>	<u>1,189,772</u>

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

	2022	2021
	£	£
Commercial banks	1,006,762	1,189,238
Cash in hand	533	534
	<u>1,007,295</u>	<u>1,189,772</u>

12. Trade and other payables

Amounts falling due within one year:

	2022	2021
	£	£
Corporation tax	15,408	35,815
Other taxes, social security	27,437	37,318
Trade payables	63,102	23,866
Other payables	2,726	2,690
Accruals	51,339	136,072
Contract liabilities	512,890	561,848
	<u>672,902</u>	<u>797,609</u>

At the year end, contract liabilities includes £515,909 (2020-21: £550,113) relating to grant money received in advance which is included in the cash balance at the year-end (see Note 11).

The contract liabilities arose from funds being advanced by donors for the completion of future performance obligations. The contract liabilities has decreased since the performance obligations have been carried out at a faster rate than the increase in further funding during the year.

13. Provision for liabilities and charges

	2022	2021
	£	£
Balance brought forward and carried forward	<u>11,000</u>	<u>11,000</u>

Provision of £11,000 (2020-21: £11,000) relate to dilapidations on leasehold offices, 14/15 Belgrave Square. Subsequent to the date of the Statement of Financial Position, the company has exited the premises and incurred £nil dilapidation charges. The provision brought forward and carried forward was released to the Statement of Comprehensive Net Expenditure in the year to 31 March 2023.

14. Deferred taxation

	2022	2021
	£	£
Deferred capital allowances	775	955
Other timing differences	3,597	3,554
Deferred tax asset (Note 10)	<u>4,372</u>	<u>4,509</u>

The company has no unused tax losses or credits.

The Great Britain-China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2022

15. Leases

As at the 31 March 2022, the company had an office lease for its premises at 14/15 Belgrave Square which was an implied lease without notice. This arrangement continued until the office was closed mid-way through the year ending 31 March 2023. The company also held leases of low-value underlying assets. These leases are being charged to the Statement of Comprehensive Net Expenditure on a straight line basis.

At the statement of financial position date, the company does not have any commitments to leases which have not commenced (2020-21: £nil).

Due to the nature of the terms of the premises lease, the company has not recognised any right-of-use asset and related lease liability. It also has not charged any interest to the Statement of Comprehensive Net Expenditure during the year. The cost of rentals under operating leases charged to the Statement of Comprehensive Net Expenditure during the year is shown in Note 6.

16. Pensions

A defined contribution pension scheme with Standard Life was set up for new entrants from 1 January 2016. The charge for the year was £20,495 (2020-21: £22,814) at a contribution rate of 6% (2020-21: 6%). The expected contributions to the plan in the next annual reporting period is £22,784.

At 31 March 2022, pension contribution liability of £nil (2020-21: £nil) is included in other payables (see Note 12).

17. Related party transactions

The FCDO is regarded as a related party. GBCC is an Executive Non-Departmental Body (NDPB) of the FCDO and in 2021-22 GBCC received £500,000 grant-in-aid (2020-21: £500,000) from the FCDO. During the year the company 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 2021-22 no administration fees were processed through the UKCF as the company has ceased to be used for political dialogues (2020-21: £nil) and GBCC had no recoverable expenses in 2021-22 (2020-21: £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 2021-22 amounted to £645 (2020-21: £800) and is recorded in other income. As at the financial year end GBCC was due £nil (2020-21: £4,797) from the APPCG.

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 2021-22 amounted to £6,445 (2020-21: £6,445). There were no outstanding transactions at the financial year end (2020-21: £nil).

The Great Britain-China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2022

17. Related party transactions (continued)

The financial management of the company is considered to be a key management function. The financial management of the company was contracted to China-Britain Business Council (CBBC) up until 31 March 2022 when the contract ended and the services taken in house. The amount incurred during the year was £62,000 (2020-21: £56,913). Also during the year, the company utilised the services of CBBC's staff in China to assist in running its projects. The amount incurred during the year was £68,341 (2020-21: £43,453) and the company owed CBBC £nil (2020-21: £3,427) in relation to these services. CBBC's Chief Executive Matthew Rous (Resigned 7 June 2021) and Andrew Seaton (Appointed 7 October 2021) were members of the Board during the year.

18. Financial commitments

As at the year end, there were no financial commitments (31 March 2021: £nil).

19. Directors interests

There are no relevant director's interests.

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 sterling 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. In addition, GBCC and FCDO entered into a Framework Agreement in March 2021 which states that in the event of the winding up of the company FCDO shall put in place arrangements to ensure the orderly winding up of the GBCC.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2022

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.

After the year end, the company was informed that the grant-in-aid funding it received out of Overseas Development Assistance (ODA) budgets would cease. The Board took the view that GBCC would not be able to continue operating without GiA and commenced discussions on the possibility of GiA coming from non-ODA sources. During this period of discussion the company took a number of cost saving measures including serving notice to its landlord to close its offices in Belgrave Square as well as making further staff redundancies. The office has since been closed and the remaining staff have moved to a hybrid home working model.

After discussions with FCDO, the company has been provided with GiA funding from non-ODA funds at an amount of £340,000 for the year to 31 March 2023 and a commitment of £350,000 per annum for the following two years to 31 March 2025. As a result, the company remains in operation and currently has no plans to open an office in the foreseeable future.

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.

