
The Great Britain-China Centre

Annual Report and Accounts 2022-23

The Great Britain-China Centre

Annual report and accounts 2022-2023

For the period 1 April 2022 to 31 March 2023

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

Ordered by the House of Commons to be printed on
14 December 2023



© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available on our website at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at
Kings Buildings
16 Smith Square
London
SW1P 3HQ.

ISBN 978-1-5286-4533-1

E03012003 12/23

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by the HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

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

	Page
Annual Report	
Company Information	1
Directors' Report	2 - 6
Strategic Report	7 - 13
Directors' Remuneration Report	14 - 17
Governance Statement	18 - 22
Statement of the Accounting Officer's & Directors' Responsibilities	23
The Certificate and Report of the Comptroller and Auditor General to the Members and the Houses of Parliament	24 - 28
Accounts	
Statement of Comprehensive Net Expenditure	29
Statement of Financial Position	30
Statement of Cash Flows	31
Statement of Changes in Taxpayers' Equity	32
Notes to the Financial Statements	33 - 45

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	
Ms Alyson Pia MacRae	
Prof Katherine Morton	
Mr 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

Kings Buildings
16 Smith Square
London
SW1P 3HQ

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 2023. 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 by promoting greater UK China capabilities and by supporting dialogues and exchanges between political parties, legal experts and policy makers on key reform and rule of law issues.

Management Commentary:

Results

In June 2022, the company was informed that its Official 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.

After discussions with FCDO, the company was 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 was able to remain in operation.

After taking into account the GiA of £340,000 (2021-22: £500,000) from the Foreign, Commonwealth and Development Office, the results for the year ending 31 March 2023 show an operating surplus of £1,887 (2021-22: deficit of £3,954).

After including GiA, the small operating surplus in FY22/23 and small operating deficit in FY21/22, although similar were achieved under very different operating circumstances.

The company entered FY21/22 at a time when the UK Official Development Assistance to China had been reduced by 95% and the China Business Environment Programme, a key project for GBCC, had been discontinued and was being wound down. The UK was starting to open up again after the UK's COVID lockdown, with social distancing measures being removed. GBCC launched its Future Leaders Programme in July of that year and continued to work with FCDO on its Civil Service China Capabilities courses. Other than the 'Plan B' COVID winter measures put in place that year, the UK remained largely open and projects

The Great Britain-China Centre (Limited by Guarantee)

Directors' Report (continued)

continued. However the situation in China was very different. China was operating a zero-COVID policy, it had locked its borders to foreign travellers and in China people remained largely in lockdown. To combat the situation in China, GBCC had spent the previous year planning how it could move its in-person Criminal Justice project activities online and was working closely with its partners in China on delivering these. Delivery in China remained slow and intermittent.

As the company moved into FY22/23, the UK had been through its last 'Plan B' COVID lockdown in Christmas 2022, following the spread of Omicron. The company was recruiting for the second year of its successful Future Leaders Programme in the UK and it was planning to continue its Criminal Justice project activities online in China, as the China zero-COVID policy continued. These plans were paused in June 2022 when the ODA funded GiA was discontinued and the company took stock and reduced its staffing and overhead costs. In the months that followed, the company continued to deliver on its projects in the UK and China and developed an enhanced set of Civil Service China Capabilities courses in the UK, which it delivered before the end of the year.

In December 2022, China lifted its zero-COVID policy. The company saw an almost immediate upturn in its activities on its Criminal Justice projects in China as travel between cities and in-person activities were once again possible. GBCC saw an increase in its income with 44% of its income being generated in the fourth quarter of FY22/23, which was in contrast with the previous six quarters where income was largely static. Delivery of projects has continued into FY23/24.

The Directors consider GBCC's financial position to be satisfactory; reserves and cash remaining constant year on year to March 2023 against a reduced GiA commitment until March 2025.

Sustainability

GBCC is exempt on de minimus grounds when reporting against the Greening Government Commitments, however the company is mindful of the role it has to play in reducing its emissions wherever possible.

Regularity of expenditure

In spending public money, GBCC complies by the principles of HM Treasury's Managing Public Money (MPM). All GBCC expenditure and underlying transactions comply with those principles.

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	
Mr Luke Graham	
Mr Andrew Gwynne MP	
Ms Alicia Kearns MP	- Appointed 23 June 2022
Ms Alyson Pia MacRae	
Prof Katherine Morton	
Dr Charles Quan Li	- Resigned 25 August 2022
Mr Andrew Seaton	
Ms Marina Wheeler KC	
Mr Rod Wye	

The Great Britain-China Centre (Limited by Guarantee)

Directors' Report (continued)

Nominee Directors

Mr David Thompson	- British Council
Mr Andrew Pittam	- FCDO

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 2023 membership of the ARAC comprised:

Mr Richard Jackson	- ARAC Chair
Mr Luke Graham	
Dr Charles Quan Li	- Resigned 25 August 2022

The Executive Director, Head of Finance and Operations, NAO 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.

Subsequent to the year end, Ms Alyson Pia MacRae became a member of the ARAC.

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.

The Great Britain-China Centre (Limited by Guarantee)

Directors' Report (continued)

Audit Fee (audited)

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 £21,000 (2021-22: £18,000).

Creditors

The average time taken to pay invoices in the current year was 23 days (2021-22: 29 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 38 days (2021-22: 33 days), which reflects the significant upturn in activity in the fourth quarter of FY22/23 as 44% of the company's income was generated in that quarter.

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 £350,000 per annum for the two years to March 2025. This will cover an estimated 46% of budgeted core costs for the two years to March 2025. The balance is expected to be covered by earnings from ongoing externally funded projects, forecast sponsorship income and from reserves. Including GiA, the budgeted deficit for FY23/24 is £62,000 and the forecast for FY24/25 shows a deficit of £82,000. With reserves of £576,162, and cash of £1,038,783 at the start of FY23/24, the company has the reserves and the cash to cover the planned deficits.

The company has four major Criminal Justice projects that are due to complete during the FY23/24 and FY 24/25. Although the company is bidding for new projects to replace these, in June 2023 the Board agreed an investment plan which could see a reduction in the company's reserves by £330k over the two years to March 2025, with the aim to strengthen and diversify income generation for the future and to reduce forecast 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 2022-23 accounts are certified by the Comptroller and Auditor General and for at least until 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 (audited)

During the 2022-23 financial year GBCC incurred a foreign exchange loss of £5,773 (2021-22: gain £4,187). There were no other losses or special payments.

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

Indemnities or guarantees (audited)

GBCC did not enter into any agreements to provide an indemnity or guarantee during the reporting period.

Remote contingent liabilities (audited)

GBCC does not have any material remote contingent liabilities.

This report was approved by the Board on 12 October 2023.

Sir Martin Davidson
Chair

Date 5 December 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 5 December 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 His 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. Following the experiences from continued exchanges during the pandemic and especially COVID-related restrictions in China, many projects are now in a position to take advantage of both online as well as in-person delivery mechanisms.

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.

These human rights concerns are serious and significant, but it would be remiss not to recognise that some significant reforms continue, albeit not along a linear liberalising trajectory. Whilst remaining cognisant of the wider complex and contradictory 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.

GBCC continued to deliver a number of China Capability trainings funded by the FCDO and targeting both mid-level and senior levels of the civil service. A total of 90 civil servants from, prior to the machinery of

The Great Britain-China Centre (Limited by Guarantee)

Strategic Report (continued)

government changes in February 2023, eleven Whitehall departments and agencies (BEIS, Cabinet Office, DEFRA, Department for Education, DIT, FCDO, Home Office, HMT, MOD, British Council, Intellectual Property Office) participated in these courses during the reporting period. The courses, designed by GBCC and delivered in person and online by leading UK experts on China, covering China's political system, economic structure and industrial policy, foreign policy and issues including human rights, technology and climate.

GBCC's Future Leaders Programme, which brings together cohorts of mid-career policy and decision-makers from across Westminster, Whitehall departments and UK businesses, recruited its second cohort in 2022. The 25 participants joined comprehensive tailored courses on China and China policy, developed and delivered in close cooperation with the Oxford University China Centre, while recruitment and business sponsorship for the third cohort got underway. The Programme's original plans for exposure opportunities in China and/or the wider region was picked up again as travel resumed.

Political and Economic Dialogues

Since 2007 GBCC has held regular Track 1.5 political 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, with the resumption to face-to-face dialogues in the first quarter of FY23/24.

As COVID restrictions remained in place in China until December 2022, no in-person dialogues were possible during the reporting year. However, online meetings continued especially at the working/organisational level, most importantly with the new Minister Liu Jianchao who took office in June 2022. Meetings between GBCC Honorary President Sir David Lidington and Minister Liu led to preparations for the first in-person Senior Leadership Forum in the first quarter of FY23/24.

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 improving children's experience in criminal justice system. 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; reducing pre-trial detentions and improving detention conditions. Co-funding for the larger EU projects was granted by several embassies in Beijing.

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

With Beijing-based staff monitoring local situation and maintaining communication with implementing partners, and London-based staff planning travel to China to meet with partners and stakeholders, project implementation picked up significantly in 2023 after the end of the COVID-19 restrictions, and GBCC has addressed previous delays by requesting no-cost extensions from the donors of which one is agreed and the other under discussion. GBCC has also begun a new cycle of grant applications to the FCDO and European Union for projects to be implemented in the next few years.

GBCC also delivered a research report for Understanding China's Market Distorting Practices in the Electric Vehicle Sector, by the British Embassy Beijing. This project was developed in partnership with University of Nottingham.

Engaging with China on Global Challenges and International Development

In FY22/23, 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 bilateral dialogue and exchanges.**

GBCC's Strategy 2023-2025 was approved by the Board in October 2023:

GBCC Strategy 2023-2025

GBCC works to support a robust and effective UK relationship with China which furthers the UK's national interests, and to facilitate bilateral dialogue and exchanges

The Great Britain - China Centre (GBCC) is an independent, policy-focused organisation that works on the basis that the UK's interests are best served through maintaining a robust and effective relationship with China. GBCC is sponsored by the Foreign, Commonwealth and Development Office (FCDO) and has been operating as a Non-Departmental Public Body since 1974. GBCC builds on the FCDO's Grant-in-Aid funding to deliver a programme of core activities and attract external funding, thereby amplifying the impact of the public money it receives.

GBCC works in close partnership with HMG and other UK institutions including Parliament, political parties, the judiciary and the legal profession, academia and business. We facilitate UK-China bilateral dialogue and exchange, and we have developed the institutional capital, credibility and resilience necessary to navigate the increasing complexities of the UK-China relationship.

GBCC's Strategy 2023-2025 sets out GBCC's mission in response to the government's Integrated Review Refresh 2023: Responding to a more contested and volatile world (IR2023) as well as bilateral and geopolitical changes that directly affect GBCC's areas of engagement. The IR2023 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 with Chinese interlocutors and recognises the need to build increased China Capabilities at home. China continues to play

The Great Britain-China Centre (Limited by Guarantee)

Strategic Report (continued)

an influential role in international issues and institutions that are core to the UK's interests across a range of areas including climate change, health and global development, and the Chinese economy is an essential part of the global trading system and its institutions.

The broader geopolitical background, characterised by tensions between China and the US and Western-aligned countries, has led to increased interest in China. GBCC has a long history of maintaining connections throughout a from time to time turbulent bilateral relationship, and uses its experience and expertise in engaging critically but pro-actively with counterparts in China to support the effective engagement of key audiences in the UK. During the Strategy period 2023-2025, GBCC will continue to 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 platforms and channels for dialogue and exchange to support an effective UK-China relationship.

GBCC's Strategy for 2023-2025 supports the UK's China policy by:

1. Strengthening the UK's China Capabilities

There is broad consensus among government, politicians, businesses, and education institutions on the need to improve and increase the UK's China capabilities, and this ambition is clearly articulated in the IR2023. GBCC will continue to support the ability of policy makers, politicians and businesses to navigate the increasingly complex bilateral relationship with China to promote and pursue UK interests. GBCC draws on an extensive range of China expertise across the UK and globally to deliver tailored courses and programmes, working in partnership with FCDO/HMG on a number of bespoke China Capabilities courses for civil servants from across Whitehall departments and with the All-Party Parliamentary China Group on thematic China trainings for MPs and parliamentary researchers. GBCC's Future Leaders Programme brings together annual cohorts of mid-career policy and decision-makers from across Westminster, Whitehall departments and UK business for bespoke courses on China, developed and delivered in close cooperation with the Oxford University China Centre, and with plans also to include opportunities for placements and fellowships in China for participants.

2. Providing Platforms for Bilateral Dialogues

Track 1.5 dialogues complement the government's position, amplifying matters which are important to the UK and help UK stakeholders stay well informed about China's political stance and agenda, and as such they become even more important when bilateral relationships are difficult.

GBCC has a long track record of convening bilateral dialogues and exchanges with the Chinese party-state, drawing in a variety of voices from across the UK's political spectrum to ensure that discussion with Chinese counterparts is inclusive, diverse and long-sighted. GBCC's Senior Leadership Forum brings together cross-party groups of UK parliamentarians and senior Chinese party-state officials, to discuss matters of bilateral and geopolitical concern as well as identify areas for continued engagement.

3. Supporting Legal and Judicial Reform in China

GBCC's long history of supporting reforms within China's legal and criminal system is undertaken with acute awareness of ongoing breaches of fundamental rights and freedoms across China. While legal reform trends are contradictory, GBCC continues to believe that engagement for reform can deepen and broaden their reach as well as bringing in an international perspective at a time when this is increasingly difficult but perhaps more needed than ever.

Whilst remaining cognisant of the wider more complex picture, GBCC is able to contribute to important reform initiatives especially in areas of international human rights concern such as death penalty reduction, improved criminal procedures and better protection for disadvantaged groups, as well as legal reforms to improve China's business environment and market access for UK business and investment. Continued engagement with China's legal system demonstrates the UK's commitment to the rule of law globally, including holding China to its international obligations. Exchanges on legal reform also brings unique partnerships and insights which in turn enables GBCC to function as an effective and multidimensional convener for UK stakeholders.

The Great Britain-China Centre (Limited by Guarantee)

Strategic Report (continued)

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 updated strategy of GBCC until March 2025. The Board’s scrutiny includes regular assessment of the main risks facing GBCC and management’s methodology to address them, as well as return on investments in developing the funding pipeline.

With GiA now committed until March 2025, although at a lower level than in previous years, and with a number of externally-funded projects coming to an end in FY23/24 and FY 24/25, the Board has assessed the impact of these on the implementation of the Strategy amidst changing priorities and operating landscape, and approved an investment plan funded from reserves to strengthen and diversify the income generation pipeline. The plan has the aim of securing income generation over a period of 3 to 5 years.

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 £350k until 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. The investment plan aims to help mitigate the funding risk.

With continued GiA funding at the core, GBCC will deliver those functions that are closely connected to its status as an NDPB, such as semi-official dialogues with Chinese institutions and interlocutors, and contribute to 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.

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. GBCC draws on an extensive range of China expertise and works closely with the FCDO on various China courses for the civil service 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 flagship capabilities initiative, the Future Leaders Programme, connects cohorts of politicians, parliamentary researchers, civil servants and business representatives 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 plans for bespoke engagement initiatives in China. HMG funding for China Capabilities has increased in recent years and is set to double in FY24/25. GBCC is delivering a range of courses and investing in further professionalising organisational methodology as well as staff capacity to deliver courses and programmes in response to calls.

As in-person political dialogues have re-started with the Senior Leadership Forum in June 2023, GBCC will build on this momentum to re-establish regular high-level political contact, taking into consideration the implications of the sanctions on UK politicians. Online exchanges may continue for more thematic discussions, underpinned by regular face-to-face meetings.

Online 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 has resumed, in-person meetings, even if fewer than in the past, consolidate these professional networks and relationships between stakeholders. Corporate sponsorship from UK companies has contributed to the implementation of initiatives to improve UK China Capabilities such as the Future Leaders Programme. Additional corporate sponsorship is needed to grow the Programme and offer more diverse

The Great Britain-China Centre (Limited by Guarantee)

Strategic Report (continued)

engagement opportunities, especially those involving travel. GBCC is actively targeting both current and potential new sponsors, and will also pilot a short China Capability course for businesses in 2023 to test the appetite in the market. A global economic downturn does seem to be impacting 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. It is hoped that the renewed commitment of GiA to GBCC will 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 funding mechanisms that do continue. Having a project manager on the ground in Beijing has enabled GBCC to continue to implement projects and strengthened partnerships and communication with the implementation partners and donors. GBCC currently implements four large externally financed projects, two supported by the EU, one by the Dutch embassy in Beijing, as well as another project financed by the Swiss embassy in Beijing lasting until March 2024 which was awarded in November 2022. Given delays due to COVID, the two EU projects have been extended until December 2023 and the Dutch project has 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 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.

GBCC is still eligible for 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.

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 moving to a largely home-based hybrid working model, as well as making further redundancies during the year. GBCC made a small surplus in 2022-23. 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, GBCC can continue to plan and function on an ongoing basis whilst building on the strengths of the business and exploring additional opportunities as bilateral relations are set to resume in person. The continued importance to the UK of the 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.

The Great Britain-China Centre (Limited by Guarantee)

Strategic Report (continued)

GBCC actively monitors its cash reserves which over the year have remained substantially unchanged. The amount of money received from donors in advance of project expenditure has increased over the financial year and is partly offset by net cash outflows as the company increased its pre-funding of university partners in China on these projects. Additionally, trade receivables have increased at the year-end but the impact on cash is reduced by an increase in creditors, reflecting the increased company activity in the final quarter of the year which hadn't impacted on cash at the year end.

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 5 December 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 5 December 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
Ms Marina Wheeler	– Director
Mr Rod Wye	– Director
Mr Andrew Seaton	– Director

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.

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:

	2023	2022
In relation to the Executive Director:	£'000	£'000
Salary paid in year and on a full-time equivalent basis (in bands)	100-105	95-100
Performance related pay (in bands)	5-10	5-10
Employer pension contributions	8.4	6.5
Total (in bands)	110-115	105-110

Fair Pay Disclosures (audited)

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 calculation is based on the full-time equivalent staff salary and total pay and Benefits (salary and performance pay and bonuses payable) 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).

	2023	2022
Band of Highest-Paid Director's total remuneration (£'000)	105-110	100-105
Salary only Median £	49,500	31,597
Total pay and Benefits Median £	54,500	32,122
Salary only Lower Quartile £	39,000	29,000
Total pay and Benefits Lower Quartile £	44,000	29,000
Salary only Upper Quartile £	60,000	34,193
Total pay and Benefits Upper Quartile £	65,000	35,243
Pay multiples at 31 March:	2023	2022
Median Ratio	2.0	3.2
Ratio Lower Quartile	2.4	3.5
Ratio Upper Quartile	1.7	2.9

The Great Britain-China Centre (Limited by Guarantee)

Directors' Remuneration Report (continued)

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 decreased due to the change in salary mix of the entity's staff as a whole. The financial management of the company was outsourced during the year ending 31 March 2022 and was brought in house at the start of the year ending 31 March 2023, changing the salary mix. The multiple at the 25th quartile decreased due to staff redundancies impacting lower paid staff and the multiple at the 75th quartile decreased due to the change in salary mix on bringing the financial management in house. The full time equivalent remuneration of employees, excluding the highest-paid director, ranged from £34,500 to £89,975 (2021-22: £26,000 to £56,350) and in 2022-23 no employees received remuneration in excess of the highest-paid director (2021-22: none).

The percentage change in total salary and bonuses for the highest paid director and the staff average for 2022-23 were:

	Total salary and allowances	Bonus payments
Highest paid director	5%	0%
Staff average	59%	629%

The change in staff average salary and allowances percentage results from a realignment of salaries to competitive levels since staff hadn't seen an incremental increase over the previous three financial years. The staff average bonus percentage increase resulted from bonuses being paid to more staff than in the previous year and on a flat rate basis as opposed to graduated payments based on salary.

Staff Costs (audited)

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	2022-23 £ Total	2021-22 £ Total
Wages and salaries	308,139	24,253	332,392	380,005
Social security costs	34,320	1,566	35,886	40,028
Other pension costs	21,825	-	21,825	20,495
	<u>364,284</u>	<u>25,819</u>	<u>390,103</u>	<u>440,528</u>

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

Average number of staff employed

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

	Permanently Employed Staff	Others	2022-23 No. Total	2021-22 No. Total
Directly employed	<u>5</u>	<u>1</u>	<u>6</u>	<u>8</u>

Staff by gender

The following table shows the number of staff by gender:

	Male	Female	Total
Executive Director	-	1	1
Employees	<u>2</u>	<u>4</u>	<u>6</u>

Staff by grade (audited)

No staff, except the Executive Director, are of an equivalent grade to a Senior Civil Servant.

Exit packages (audited)

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 2022-23 (2021-22: 2). No exit costs were paid in 2022-23, the year of departure (2021-22: £7,032):

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£0-£10,000	<u>1</u>	<u>-</u>	<u>1</u>

Staff Turnover

Staff turnover in the year was 29% (2021-22: 67%) which, although lower than last year, is higher than normal and caused by the redundancies in the year related to uncertainties around government funding.

Contract costs

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 £78,853 (2021-22: £68,341). In addition, the company previously outsourced its financial management to CBBC in an arrangement that ended on 31 March 2022. The amount incurred during the year was £nil (2021-22: £62,000).

Sickness Absence data

The average number of sick days taken by staff in the year was 1.2 (2021-22: 1.3).

The Great Britain-China Centre (Limited by Guarantee)

Directors' Remuneration Report (continued)

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 5 December 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 5 December 2023

The Great Britain-China Centre (Limited by Guarantee)

Governance Statement

1. Board Membership

As at the end of March 2023, 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 4.

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. A further restructure was required in 2023 during the uncertainties surrounding the GiA which resulted in a reduction in staff numbers by two, which included one compulsory 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 and Chair effectiveness review wasn't undertaken in FY22/23 and is planned for the second half of FY23/24.

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. One Director retired, two Directors were re-elected for another 3-year term and one Vice-Chair was re-elected for another five-year term.

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.

The Great Britain-China Centre (Limited by Guarantee)

Governance Statement (continued)

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

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

A full list of Board members who served in the year, including appointment and resignation dates, is presented in the Directors' Report on page 3.

During 2022-23 the number of Board and Committee meetings with individual attendance was as follows:

Director	Board (10)		Audit and Risk Assurance Committee (4)		People and Performance Committee (3)		Business Development & Fundraising Committee (2)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
M Davidson	10	10			3	3	2	-
A Black	10	10					2	2
R Jackson	10	10	4	4			2	-
T Danaher	10	9					2	2
L Graham	10	3	4	3				
A Gwynne MP	10	2						
A Kearns MP	8	2						
A MacRae	10	7					1	1
K Morton	10	8						
C Quan Li	3	3	3	2				
A Seaton	10	7			3	3		
M Wheeler	10	7			3	3		
R Wye	10	9			3	2		
D Thomson	10	7						
A Pittam	10	9						
Totals	141	103	11	9	12	11	9	5
Percentage		73%		82%		92%		56%

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)

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 for FY23/24 and FY24/25, 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 travel resumes, 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 FCDO's 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, medium and large-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.

Operational risks

The pandemic greatly affected GBCC's operation but also led to innovation and new modes of cooperation with partners in China. The frequent changes in the operating environment experienced during the pandemic means GBCC is well placed 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 during COVID restrictions enabled the company to smoothly 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. With travel to China being possible again, renewing and diversifying partnerships is a key priority for GBCC staff.

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 pace of implementation the company will 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 Great Britain-China Centre (Limited by Guarantee)

Governance Statement (continued)

the funds. A balance between the risks of advancing funds with the risk of slow implementation needs to be struck, and contractual and practical safeguards have been put in place to reduce the risk of unrecoverable debts.

Staff numbers at GBCC were reduced to below 6 FTEs in 2022, but it is set to increase to 9 in 2023 as part of the Board's decision to invest in the pipeline. Dependence on 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 numbers.

Strategic risks

GBCC's projects and engagements are carried out against a background of a difficult and shifting bilateral relationship, and 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. Any potential physical or political risks to staff, Board members and external experts travelling to China for GBCC initiatives will need to be monitored.

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. There is broad consensus for China Capabilities work, and GBCC is able to offer neutral platforms for China engagement. 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 5 December 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 2023 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 its size. 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.

These procedures were enhanced by bringing the financial management of the company in-house. However, cost saving measures brought in during the year in the form of redundancies meant that segregation of duties was difficult to implement.

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". 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 5 December 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 5 December 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 5 December 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 certify that I have audited the financial statements of Great Britain-China Centre for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Great Britain-China Centre's:

- Statement of Financial Position as at 31 March 2023;
- 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 2023 and its net expenditure for the year then ended;
- 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 (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 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 opinions.

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

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report. 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.

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

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 parts of the Directors' Remuneration Report which are marked as subject to audit, 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
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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

Responsibilities of the directors for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Great Britain-China Centre from whom the auditor determines it necessary to obtain audit evidence;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Directors' Remuneration Report, in accordance with the Companies Act 2006; 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 intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the applicable law and 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Great Britain-China Centre's accounting policies.
- inquired 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 on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and

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

- 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 and Managing Public Money;
- inquired of management, the head of internal audit at the Foreign, Commonwealth and Development Office and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with 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. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Great Britain-China Centre's framework of authority and other legal and regulatory frameworks in which the Great Britain-China Centre operates. I focused 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

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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, I tested a sample of revenue from contracts with customers, including contract assets and contract liabilities to supporting documentation; I tested the bases and assumptions made in the calculation of these balances; and I reviewed the accounting treatment and disclosure for revenue; and
- I reviewed new transaction streams to confirm they are regular.

I communicated relevant identified laws and regulations and potential risks of fraud 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.

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 auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 11 December 2023

Comptroller and Auditor General

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 2023

	Notes	2023 £	2022 £
Income			
Revenue from customers	3,4	1,009,594	668,718
Exchange (loss)/ gain		(5,773)	4,187
Other revenue		450	1,398
		1,004,271	674,303
Expenditure			
Purchase of goods and services		(660,494)	(356,045)
Administrative expenses		(654,502)	(802,792)
Total expenditure for the year	6	(1,314,996)	(1,158,837)
Net expenditure for the year		(310,725)	(484,534)
Taxation	8	(30,535)	(19,504)
Interest receivable		3,147	84
Comprehensive net expenditure for the year		(338,113)	(503,954)

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 33 to 45 form part of these financial statements.

The Great Britain-China Centre (Limited by Guarantee)
Statement of Financial Position as at 31 March 2023

	Notes	2023 £	2022 £
Non-current assets			
Property, plant and equipment	9	-	642
Total non-current assets		-	642
Current assets			
Trade and other receivables	10	451,898	250,240
Cash and cash equivalents	11	1,038,783	1,007,295
Total current assets		1,490,681	1,257,535
Total assets		1,490,681	1,258,177
Current liabilities			
Trade and other payables	12	(914,519)	(672,902)
Total assets less current liabilities		576,162	585,275
Non-current liabilities			
Provision for liabilities and charges	13	-	(11,000)
Total assets less liabilities		576,162	574,275
Taxpayer's equity			
General fund		576,162	574,275

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 12 October 2023.

Sir Martin Davidson
Chair

Date 5 December 2023

Merethe Borge MacLeod
Executive Director, Company Secretary and Accounting Officer

Date 5 December 2023

The notes on pages 33 to 45 form part of these financial statements.

The Great Britain-China Centre (Limited by Guarantee)
Statement of Cash Flows for the Year Ended 31 March 2023

	Notes	2023 £	2022 £
Cash flows from operating activities			
Comprehensive net expenditure for the year		(338,113)	(503,954)
Adjustments for:			
Depreciation of tangible assets	9	68	160
Loss on disposal of tangible assets	6	574	-
Interest received		(3,147)	(84)
Taxation	8	30,535	19,504
Provisions	13	(11,000)	-
(Increase) in trade and other receivables	10	(202,708)	(54,113)
Increase/(decrease) in trade and other payables	12	227,578	(104,300)
Taxation paid		(15,422)	(39,774)
Net cash outflow from operating activities		<u>(311,635)</u>	<u>(682,516)</u>
Cash flows from investing activities			
Interest received		3,123	84
Net cash inflow from investing activities		<u>3,123</u>	<u>84</u>
Cash flows from financing activities			
Grant-in-Aid	17	340,000	500,000
Net cash inflows from financing activities		<u>340,000</u>	<u>500,000</u>
Net increase/(decrease) in cash and cash equivalents		31,488	(182,477)
Cash and cash equivalents at the beginning of the year		1,007,295	1,189,772
Cash and cash equivalents at the end of the year	11	<u>1,038,783</u>	<u>1,007,295</u>

The Great Britain-China Centre (Limited by Guarantee)
Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2023

	Notes	2023 £	2022 £
Balance at the start of the year		574,275	578,229
Comprehensive net expenditure for the year		(338,113)	(503,954)
Grant-in-Aid from FCDO	17	340,000	500,000
Balance at the end of the year		576,162	574,275

The Great Britain-China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2023

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 the support of 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 policy makers on key reform and rule of law issues.

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 (FReM) that do not conflict with the Companies Act 2006. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the GBCC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the GBCC are listed below. They have been applied consistently in dealing with items that are considered material in the accounts. The GBCC has made an accounting policy decision to apply relevant requirements of HM Treasury's Financial Reporting Manual (FreM) when preparing the financial statements, to the extent this is consistent with the Companies Act 2006. This application of the FreM extends to the financial statements only, except for the inclusion of specific FreM-derived disclosures within the Annual Report, including but not limited to exit packages, staff numbers and fair pay disclosures.

As at 31 March 2023, 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 £1,038,783 and reserves £576,162 at 31 March 2023, 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.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

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.

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).

2. Accounting policies (continued)

2.9. Leases (continued)

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.

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.

2. Accounting policies (continued)

2.11. Revenue from contracts with customers (continued)

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

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

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

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

2.12. 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 when the cash is received.

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.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

2. Accounting policies (continued)

2.13. Current and deferred taxation (continued)

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.

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 20).

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.

3. Segment information

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

	Revenue	Expenditure	Net
	£	£	£
2022-23	<u>1,009,594</u>	<u>(660,494)</u>	<u>349,100</u>
	Revenue	Expenditure	Net
	£	£	£
2021-22	<u>668,718</u>	<u>(356,045)</u>	<u>312,673</u>

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

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

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:

2022-23						
	Grant based			Contract based		
	UK	Europe	China	UK	China	Total
	£	£	£	£	£	£
Government	264,525	-	49,911	-	45,123	359,559
EU and other European	-	330,711	202,424	-	-	533,135
Non-Government	-	-	-	116,900	-	116,900
	<u>264,525</u>	<u>330,711</u>	<u>252,335</u>	<u>116,900</u>	<u>45,123</u>	<u>1,009,594</u>
Point in time	264,525	-	-	-	-	264,525
Over time	-	330,711	252,335	116,900	45,123	745,069
	<u>264,525</u>	<u>330,711</u>	<u>252,335</u>	<u>116,900</u>	<u>45,123</u>	<u>1,009,594</u>

2021-22						
	Grant based			Contract based		
	UK	Europe	China	UK	China	Total
	£	£	£	£	£	£
Government	-	-	93,767	151,611	-	245,378
EU and other European	-	275,565	56,730	-	-	332,295
Non-Government	-	-	-	91,045	-	91,045
	<u>-</u>	<u>275,565</u>	<u>150,497</u>	<u>242,656</u>	<u>-</u>	<u>668,718</u>
Point in time	-	-	-	54,625	-	54,625
Over time	-	275,565	150,497	188,031	-	614,093
	<u>-</u>	<u>275,565</u>	<u>150,497</u>	<u>242,656</u>	<u>-</u>	<u>668,718</u>

The amount of revenue recognised in the period that related to contract liabilities at the start of the period was £438,408 (2021-22: £300,571).

5. Unsatisfied long-term contracts

The unsatisfied performance obligation relating to long-term grant based contracts is £1,252,863. 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 84% of the total with the remaining 16% to be taken in the subsequent financial year.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

6. Expenditure

	Notes	2023 £	2022 £
Staff Costs			
Wages and salaries		332,392	380,005
Social security costs		35,886	40,028
Other pension costs		21,825	20,495
		<u>390,103</u>	<u>440,528</u>
Rentals under operating leases		18,170	33,673
Service charges and rates		12,208	24,228
Outsourced financial management	17	-	62,000
Contract staff in China	17	78,853	68,341
Professional fees		44,599	66,640
Irrecoverable VAT		31,172	35,115
Auditors' remuneration		21,000	18,000
Running costs		57,755	54,107
Non-cash items:			
Depreciation	9	68	160
Loss on disposal of fixed assets		574	-
Purchase of goods and services	3	<u>660,494</u>	<u>356,045</u>
		<u>1,314,996</u>	<u>1,158,837</u>

The audit fee for the current year is £21,000 (2021-22: £18,000) 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:

	2023 No.	2022 No.
Administration and activities	5	8
Contract Staff	<u>2</u>	<u>1</u>
Total	<u>7</u>	<u>9</u>

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

8. Taxation

Analysis of tax charge for the year	2023	2022
	£	£
Current tax on trading profits	29,447	15,422
Adjustment for prior years	(861)	3,945
Total current tax	28,586	19,367
Deferred tax	2023	2022
	£	£
Origination and reversal of timing differences	1,949	994
Adjustment for prior years	-	(857)
Total deferred tax charge	1,949	137
Tax on net expenditure for the year	30,535	19,504

The tax assessed for the year is lower than (2021-22: lower) than the standard rate of corporation tax in the UK of 19% (2021-22: 19%). The differences are explained below:

	2023	2022
	£	£
Net expenditure before taxation	(307,578)	(484,450)
Net expenditure before taxation multiplied by the standard tax in the UK of 19% (2021-22: 19%).	(58,440)	(92,046)
The differences are explained below:		
Income not subject to tax	(119,243)	(82,434)
Expenses not subject to tax	140,208	95,133
Excess of depreciation over capital allowances	(365)	88
Expenses not deductible for tax purposes	4,636	675
Impact of grant-in-aid on taxation	64,600	95,000
Prior year adjustment	(861)	3,088
Total tax charge for the year	30,535	19,504

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

9. Property, plant and equipment

2022-23	Office equipment £
Cost	
At 1 April 2022 and 31 March 2023	9,209
Disposals	(8,925)
At 31 March 2023	<u>284</u>
Depreciation	
At 1 April 2022	8,567
Charged in year	68
Disposals	(8,351)
At 31 March 2023	<u>284</u>
Net book value	
At 31 March 2023	-
At 31 March 2022	<u>642</u>
2021-22	Office equipment £
Cost	
At 1 April 2021 and 31 March 2022	<u>9,209</u>
Depreciation	
At 1 April 2021	8,407
Charged in year	160
At 31 March 2022	<u>8,567</u>
Net book value	
At 31 March 2022	<u>642</u>
At 31 March 2021	<u>802</u>

10. Trade and other receivables

	2023 £	2022 £
Amounts falling due within one year:		
Trade receivables	184,604	21,925
Deposits and advances	150,567	102,933
Other debtors	-	2,417
Corporation tax	875	-
Prepayments	14,535	27,629
Contract assets	98,894	90,964
Deferred tax asset (Note 14)	<u>2,423</u>	<u>4,372</u>
	<u>451,898</u>	<u>250,240</u>

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

10. Trade and other receivables (continued)

The value of contract assets at the year-end has remained similar values to that of the previous financial year since the company won two projects during the year (2021-22: two) which were awarded with similar project values to the previous year, and with project end dates coinciding with the financial year end, similar to the previous year.

11. Cash and cash equivalents

	2023	2022
	£	£
Balances at 1 April	1,007,295	1,189,772
Net change in cash	31,488	(182,477)
	<u>1,038,783</u>	<u>1,007,295</u>

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

	2023	2022
	£	£
Commercial banks	1,038,719	1,006,762
Cash in hand	64	533
	<u>1,038,783</u>	<u>1,007,295</u>

12. Trade and other payables

Amounts falling due within one year:

	2023	2022
	£	£
Corporation tax	29,447	15,408
Other taxes, social security	42,635	27,437
Trade payables	52,712	63,102
Other payables	2,746	2,726
Accruals	104,406	51,339
Contract liabilities	682,573	512,890
	<u>914,519</u>	<u>672,902</u>

At the year end, contract liabilities includes £682,573 (2021-22: £512,890) relating to 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 increased since the donors advanced a significant amount of funding during the year.

13. Provision for liabilities and charges

	2023	2022
	£	£
As at the start of the year	11,000	11,000
Released to Statement of Comprehensive Net Expenditure	(11,000)	-
Balance brought forward and carried forward	<u>-</u>	<u>11,000</u>

As at 31 March 2023 the company requires no provisions (2021-22: £11,000). The provision at the start of the year related to dilapidations on leasehold offices, 14/15 Belgrave Square, which were closed in September 2022. On exiting the premises the company wasn't required to incur dilapidation charges and the provision was therefore released to the Statement of Comprehensive Net Expenditure.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

14. Deferred taxation

	2023	2022
	£	£
Deferred capital allowances	735	775
Other timing differences	1,687	3,597
Deferred tax asset (Note 10)	<u>2,423</u>	<u>4,372</u>

The company has no unused tax losses or credits.

On 24 May 2021 the Finance (No. 2) Bill became substantively enacted. The bill made a provision to increase the rate of corporation tax from 19% to 25% from 1 April 2023. Where a company has taxable profits exceeding £250,000 the rate of corporation tax will be 25%, with a small profits rate of 19% where taxable profits are £50,000 or less. Marginal relief is brought in to provide a gradual increase in the tax rate of companies where taxable profit lies between £50,001 and £250,000.

In the year to 31 March 2024, the company expects its taxable profits to be less than £50,000. The company has used an effective tax rate of 19%

15. Leases

At the start of the year, the company had an office lease for its premises at 14/15 Belgrave Square which was an implied lease without notice. Due to the nature of the terms of the lease, the company didn't recognise any right-of-use asset and related lease liability. It also didn't charge any interest to the Statement of Comprehensive Net Expenditure during the year. This arrangement continued until the office was closed in September 2022. The cost of rentals under short term leases charged to the Statement of Comprehensive Net Expenditure during the year is shown in Note 6.

As at 31 March 2023, the company licences the use of storage space and meeting room space on agreements with a short notice period. These licences 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 (2021-22: £nil).

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 £21,825 (2021-22: £20,495) at a contribution rate of 6% (2021-22: 6%). The expected contributions to the plan in the next annual reporting period is £26,167.

At 31 March 2023, pension contribution liability of £nil (2021-22: £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 2022-23 GBCC received £340,000 grant-in-aid (2021-22: £500,000) from the FCDO. During the year the company had various other material transactions with the Department which is a major customer of the company. This included the provision of China Capability services.

The UK-China Forum (UKCF), a dormant company, is also regarded as a related party. The GBCC Chair and the Accounting Officer are members of the UKCF Board along with a former GBCC Board member. In 2022-23 no administration fees were processed through the UKCF as the company has ceased to be used for political dialogues (2021-21: £nil) and GBCC had no recoverable expenses in 2022-23 (2021-22: £nil).

The Great Britain-China Centre (Limited by Guarantee)

Notes to the Financial Statements for the Year Ended 31 March 2023

17. Related party transactions (continued)

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, until the arrangement ended during the financial year. The administration fee for employee services with the APPCG for 2022-23 amounted to £434 (2021-22: £645) and is recorded in other income. As at the financial year end GBCC was due £nil (2021-22: £nil) 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 2022-23 amounted to £6,000 (2021-22: £6,445). As at the financial year end GBCC was due £3,860 (2021-22: £nil) from GBCET in relation to these services.

The China-Britain Business Council (CBBC) is considered to be a related party as CBBC's Chief Executive Officer, Andrew Seaton, is a member of the GBCC Board. 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 £78,853 (2021-22: £68,341). In addition the company incurred £3,758 (2021-22: £nil) on renting meeting room space from CBBC and on consultancy services. The company incurred financial management charges of £nil (2021-22: £62,000) as the arrangement for these services ceased in the previous financial year. As at the financial year end GBCC owed £2,935 (2021-22: £nil) to CBBC in relation to these services.

Board directors are considered to be related parties. Katherine Morton and Rod Wye are directors of the company and were engaged to provide speaker and course facilitation services as experts in their respective fields. All fees were on the same commercial basis as other experts engaged in the same services. The amounts paid during the year were £8,400 (2021-22: £4,450) and £1,400 (2021-22: £400) respectively.

18. Financial commitments

As at the year end, there were no financial commitments (31 March 2022: £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, 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.

The Great Britain-China Centre (Limited by Guarantee)
Notes to the Financial Statements for the Year Ended 31 March 2023

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.

22. Events after the reporting period

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

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.

