

SWIRE CHINESE LANGUAGE FOUNDATION
(a Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2019

Company number: 10177824

Charity number: 1171995

SWIRE CHINESE LANGUAGE FOUNDATION

G E N E R A L I N F O R M A T I O N

Year ended 31 July 2019

Incorporated	12 May 2016
Charity number	1171995
Company number	10177824
Directors and Trustees	Professor Jane Duckett Dr Christian Toennesen Samuel Swire (Chairman) Edward Watson (Executive Director) John B Rae-Smith (Appointed on 14 February 2019)
Objects	The advancement of education for the benefit of the public, particularly (but without limitation) by the provision of grants for the advancement of the education of school, college and university students in the Chinese language.
Auditor	Dixon Wilson 22 Chancery Lane London WC2A 1LS
Registered address and principal office	Swire House 59 Buckingham Gate London SW1E 6AJ email: info@swireclf.org www.swireclf.org
Bankers	HSBC Bank Plc 8 Canada Square London E14 5HQ
Solicitors	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH

Year ended 31 July 2019

The Trustees present their report and financial statements of the charity for the year ended 31 July 2019, which includes the directors' report as required by company law. The financial statements have been prepared in accordance with the accounting policies set out in note 1 of the financial statements and with the Companies Act 2006, the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015). The report should be read in conjunction with the general information provided on page 2.

Swire Chinese Language Foundation (the Foundation) is a private company limited by guarantee, exempted from the requirement to use the word 'limited' in its title, incorporated on 12 May 2016 and registered as a charity. The company is governed by its memorandum and articles of association. In the event of the company being wound up, members are required to contribute an amount not exceeding £1.

Structure, Governance and Management

The Foundation aims to broaden the reach and spread of teaching Mandarin Chinese in the United Kingdom.

It is overseen by a Board of Trustees, who are Directors for the purposes of the Companies Act 2006 and Trustees for the purposes of the Charities Act 2011. The Trustees are also Members of the Foundation and, as such, vote in general meetings and have a liability of £1 in the event of dissolution. The Board, which is ultimately accountable for all the activities of the Foundation is responsible for setting policy and direction, and overseeing its execution. The Executive Director is responsible for execution of that policy, running the business of the Foundation with the support of an assistant.

Trustees are appointed by John Swire & Sons, the sole funder of the Foundation, for a renewable term of 5 years, with due regard being taken of the specific contribution they can make to the Board and to the Foundation, and of the recommendations of existing Trustees. There are currently five Trustees, two of which are independent of John Swire & Sons. A further independent Trustees is being sought. New Trustees are inducted by the Executive Director and given full access to Board papers and reports. They are also required to be conversant with the relevant guidelines for trustees and company directors, published by the Government, together with the Foundation's articles of association and its latest governance guidelines.

The Board meets at least three times annually with at least three Trustees, one of which must be independent, being present. Once a third independent Trustee has been appointed, at least two must be independent.

The Chairman of the Board liaises closely with the Foundation's sole benefactor, John Swire & Sons, to ensure that it is kept fully apprised of the Foundation's financial health and activities.

The Trustees, having regard to the Public Benefit Guidance published by the Charity Commission in accordance with section 17 of the Charities Act 2011, consider that the purpose and activities of the charity satisfy the requirements of the public benefit test set out in section 4 of the same Act.

Risk management

The Foundation maintains a risk register, which is regularly updated and reviewed by the Board at least annually. This register identifies the main risks to which the Foundation is exposed, deriving primarily from its own activities, from the activities of the recipients of its grants and the environment in which they operate. Amongst others, these risks relate to governance, finance, administration, reputation, compliance, the political environment, social attitudes, demand for the subject, the supply of good teachers, the Foundation's processes in selecting recipients of its grants and the ultimate sustainability of the Programme.

Year ended 31 July 2019

The Foundation updates its governance guidelines on a regular basis; it has strict controls in place regarding its finances, ensuring not only that it is funded to the extent of its commitments but also that grants are allocated within pre-agreed budgets and their use monitored termly; it seeks to maintain high standards of administration both internally and with regard to its relationships with beneficiaries; it monitors exposure to reputational risk deriving from its own activities and those of the organisations in receipt of its funds; its legal, financial and regulatory compliance is supported by its professional advisers and John Swire & Sons; it monitors the political environment and social attitudes particularly as they relate to education; it encourages and supports the training of teachers, the quality of whom are essential to the successful fulfilment of its aims; and it has a thorough process for the selection of the recipients of its grants.

As a rule, the Foundation itself seeks out suitable such recipients, which are primarily schools. They are selected for the commitment and enthusiasm of the head and support from the governors; the capability of their management; suitable physical resources; the experience the schools have in outreach, working with local schools; the ability to reach secondary, primary and possibly nursery pupils; the capability to make Mandarin Chinese a core-curriculum subject; their provision of in-house and external training schemes for teachers; and their willingness to offer placements for trainee teachers of Mandarin. Exceptionally it considers approaches initiated by schools that have not been approached.

Institutions in receipt of grants from the Foundation agree to a set of general terms and conditions that have been drawn up with the support of the Foundation's solicitors.

Grant-making policy

Grants are given to schools and universities for the purpose of teaching Mandarin Chinese, training teachers for this and providing support for the same. This is done through centres set up for this purpose.

As a rule, beneficiary institutions shall be sought out by the Foundation and asked to put forward proposals as to how they could establish a Chinese language centre or activity that supported the aims of the Foundation, providing a five-year budget. At least two Trustees, including the Executive Director, will then, review such proposals before provisional approval is given; undertake a face-to-face meeting with the head of the institutions and approve any subsequent legal agreements between the institutions and SCLF.

The original and subsequent annual budgets of all institutions in receipts of grants are required to be agreed by at least three Trustees (including an independent one).

Objectives, activities for the public benefit and future plans

The object of the Charity is "the advancement of education for the benefit of the public particularly (but without limitation) by the provision of grants for the advancement of the education of school, college and university students in the Chinese language."¹

With this objective and having regard to the Charity Commission's guidance on public benefit, the Foundation has funded centres of excellence for teaching the language, and training teachers of it, in a number of cities across the country.

Secondary schools, which have been chosen and are funded by the Foundation, establish and run these centres in a manner that they consider most appropriate for their local circumstances. Generally, these schools hire Mandarin teachers to teach in the host school and surrounding secondary schools. They also teach in the primary schools that feed into those secondary schools. Both state and independent schools are involved, in some of the centres working in close collaboration. However, the focus is on the teaching of state-school pupils.

¹ As set out in the articles of association.

Year ended 31 July 2019

The plans of the lead schools in the various centres are subject to the approval of at least three Trustees, taking consideration of, the number of pupils and schools likely to be reached; how the subject can be fully integrated into the schools' curriculum and made self-sustaining without further external funding; how logistical and timetabling issues will be addressed; the potential for the project to raise the aspirations of, and open up opportunities for, pupils from deprived backgrounds; issues relating to teaching staff, including recruitment, training, pedagogy and standards; the potential for Chinese to be taught from an introductory level through to A level in a continuum; what methods will be used to assess pupils' progress; how technology will be used to support teaching; plans for teachers and pupils to visit China; and the proposed measures of success.

In collaboration with local centres, universities have also been helped to establish and run courses for trainee Mandarin teachers seeking a postgraduate certificate in education or equivalent qualification.

The first centres started at the beginning of the 2016/17 academic year and today there are centres in Birmingham, Edinburgh, Glasgow, Gosforth, Leeds, Liverpool, London, Manchester, Newcastle, Norwich, Oxford and Sheffield, involving three universities training teachers and 167 schools, teaching some 20,000 pupils from the ages of four to eighteen. Many of these schools are located in areas of considerable deprivation.

There are plans, to increase the activities of the centres that are already up and running; to increase collaboration with local universities; to raise teaching standards through action research within centres and collaboration between them; and to further explore ways in which our centres can ultimately become self-sustaining. The Foundation also continues to develop its methodology for measuring the impact of its grants and the outputs and outcomes from the funded activities of the centres.

Financial Review

The Foundation is entirely funded by John Swire & Sons, which contributed £5,730,073 (2018 - £6,000,000) to the Foundation during the financial period. The Foundation, in turn, made total commitments for £3,537,364 (2018 - £2,480,049) of grants payable and incurred expenses of £23,167 (2018 - £29,111) during the period. At the end of the period the reserves available for general purposes stood at £4,532,120 (2018 - £2,058,782). There are no restricted reserves. The Statement of Financial Activities is shown on page 6.

John Swire & Sons has committed to fund the Foundation for ten years from 1 August 2016. At the start of the academic year the Foundation submits a request for funding for the amount of its own commitments to its centres and its expected expenses. These commitments are generally for three years and, at the end of each year, extended for a further year. The Foundation has a policy to ensure that it has reserves at any time to cover those commitments and John Swire & Sons has committed to support this policy. The commitments not provided for as a liability in the period are detailed in note 6.

All centres are required to plan for self-sufficiency in their teaching of Mandarin and so are expected to no longer require funding at a certain point in the future, which point will vary from centre to centre. The centres therefore plan their budgets five years out and the Foundation takes account of these in its own planning, which is based on a ten-year profile of grant making. The uncertainties involved in such planning are recognised and due account taken of them.

The Trustees approved the report above on 31 JANUARY 2020

SWIRE CHINESE LANGUAGE FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES
(including an income and expenditure account)

Year ended 31 July 2019

	Note	2019	2018
		£	£
Income and endowments from:			
Donations and legacies	3	5,730,073	6,000,000
Total income		<u>5,730,073</u>	<u>6,000,000</u>
Expenditure on:			
Charitable activities	4	3,256,735	2,179,922
Total resources expended		<u>3,256,735</u>	<u>2,179,922</u>
Net income/(expenditure)		<u>2,473,338</u>	<u>3,820,078</u>
Total unrestricted income funds at 31 July 2018	2,058,782	(1,761,296)	
Total unrestricted income funds at 31 July 2019 (page 7)		<u>4,532,120</u>	<u>2,058,782</u>

All amounts were derived from continuing activities.

The trust has no recognised gains or losses other than those included above.

BALANCE SHEET

At 31 July 2019

	Note	2019 £	2018 £
Current assets			
Debtors		-	1,969
Cash at bank and in hand		8,109,247	4,542,210
		<u>8,109,247</u>	<u>4,544,179</u>
Liabilities:			
Creditors: amounts falling due within one year	5	(3,545,821)	(2,422,785)
Net current assets		4,563,426	2,121,394
Creditors: amounts falling due after one year	5	(31,306)	(62,612)
Net assets		<u>4,532,120</u>	<u>2,058,782</u>
Funds of the charity			
Unrestricted income funds		4,532,120	2,058,782
Total charity funds		<u>4,532,120</u>	<u>2,058,782</u>

The Trustees approved the accounts on 31 JANUARY 2020

SWIRE CHINESE LANGUAGE FOUNDATION

STATEMENT OF CASH FLOWS

Year ended 31 July 2019

	2019	2018
	£	£
Net movement in funds	2,473,338	3,820,078
Decreased / (increase) in debtors	1,969	<i>(1,969)</i>
Increase in creditors	1,091,730	<i>719,101</i>
Net cash provided by operating activities	<u>3,567,037</u>	<u>4,537,210</u>
Change in cash and cash equivalents	3,567,037	4,537,210
Cash and cash equivalents brought forward	<u>4,542,210</u>	<u>5,000</u>
Cash and cash equivalents carried forward	<u>8,109,247</u>	<u>4,542,210</u>

SWIRE CHINESE LANGUAGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2019

1. Accounting policies

The principal accounting policies adopted, and areas of judgement and key sources of estimation uncertainty in the preparation of the financial statements, are as follows:

(a) Basis of preparation and assessment of going concern

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006 and the Charities Act 2011.

Swire Chinese Language Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

The Trustees consider that there are no material uncertainties about the trust's ability to continue as a going concern for the next 12 months and foreseeable future based on the expectation that John Swire & Sons will continue to fund the Foundation for the next eight years.

(b) Fund accounting policy

Unrestricted funds are general funds that are available for use at the Trustees' discretion in furtherance of the objectives of the charity.

(c) Incoming resources

All income is recognised in the statement of financial activities when the Swire Chinese Language Foundation has:

- entitlement to the income;
- it is probable that the income will be received; and
- the amount of the income can be measured reliably.

Donations are recognised when the Foundation has entitlement to the income, there is reasonable assurance of receipt and the amount of income can be measured reliably.

(d) Expenditure recognition

Liabilities are recognised as soon as there is a legal or constructive obligation committing the Foundation to the expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the Foundation. This is accrued once the recipient has been notified of the grant award.

(e) Irrecoverable VAT

Irrecoverable VAT is charged against the expenditure heading for which it was incurred.

(f) Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

SWIRE CHINESE LANGUAGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2019

(g) Financial instruments

The Foundation only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

2. Legal status

The Foundation is a company limited by guarantee, incorporated in England and Wales, and has no share capital. The Trust's registered address is Swire House, 59 Buckingham Gate, London, SW1E 6AJ.

3. Income from donations and legacies

	2019 £	2018 £
Donations and legacies		
Donations from John Swire & Sons	5,730,073	6,000,000

Donations and legacies in both years relate to unrestricted income.

4. Analysis of charitable expenditure

The charity does not undertake any activity directly but meets its charitable purposes by making donations and grants.

	2019 £	2018 £
Total donations	3,233,568	2,150,811
<i>Governance costs allocated to charitable activities:</i>		
Legal fees	4,052	11,837
Accountancy fees – accounts	565	550
Accountancy fees – audit	4,900	5,348
Website costs	1,641	7,843
Travel costs	1,317	1,062
Entertaining	1,555	-
Management fees	8,474	-
Sundry expenses	663	2,471
Total governance costs	23,167	29,111
Total resources expended	3,256,735	2,179,922

SWIRE CHINESE LANGUAGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2019

5. Creditors	2019	2018
	£	£
Amounts falling due within one year		
Grants payable	3,506,059	2,417,437
Other creditors	39,762	5,348
	<u>3,545,821</u>	<u>2,422,785</u>
Amounts falling due after one year		
Grants payable	31,306	62,612
	<u>3,577,127</u>	<u>2,485,397</u>

6. Contingent liability

At the Balance Sheet date, the Foundation had recognised nine months of grants payable subject to a termination clause. The additional grants payable, contingent to the termination clause not being exercised for the next three academic years totals £7,887,165 (2018 - £5,746,129).

7. Recent events

In December 2019, the Foundation received further funding from John Swire & Sons of approximately £3.5 million.
