SWIRE CHINESE LANGUAGE FOUNDATION

(a Company Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS

PERIOD FROM 12 MAY 2016 TO 31 JULY 2017

Company number: 10177824

Charity number: 1171995

SWIRE CHINESE LANGUAGE FOUNDATION

I N D E X

Period from 12 May 2016 to 31 July 2017

	Page
General information	2
Report of the Trustees	3
Independent examiner's report	6
Statement of financial activities (including an income and expenditure account)	7
Balance sheet	8
Notes to the financial statements	9

SWIRE CHINESE LANGUAGE FOUNDATION

GENERAL INFORMATION

Period from 12 May 2016 to 31 July 2017

Incorporated	12 May 2016
Charity number	1171995
Company number	10177824
Directors and Trustees	Professor Jane Duckett (Independent Trustee, appointed 21 September 2017) Dr Christian Toennesen (Independent Trustee, appointed 21 September 2017) Barnaby Swire (retired 21 September 2017) Samuel Swire (Chairman) Edward Watson (Executive Trustee)
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.
Independent examiner	G Spinks ACA CTA 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

The Trustees present their report and financial statements of the charity for the period 12 May 2016 to 31 July 2017, 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 Trustee 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 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 four Trustees, two of which are independent of John Swire & Sons. New Trustees are inducted by the Executive Trustee 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.

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

Risk management

The Foundation maintains a risk register, which is 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, the supply of good teachers and the Foundation's processes in selecting recipients of its grants.

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 success of the 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.

Objectives, activities for the public benefit and future plans

The object of the Foundation, as set out in the articles of association, 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."

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 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 circumstance. 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.

The host schools' plans 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 or Pre-U 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 some cases, these centres also collaborate with local universities to help 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, Liverpool, London, Manchester, Newcastle, Oxford and Sheffield, involving over 90 schools, teaching some 7,000 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 establish further centres in other cities and to fund a research project at one or more universities to measure the effectiveness and longer-term impact of the Foundation's grants, and the outputs and outcomes from the funded activities of the centres.

Financial review and reserves

The Foundation is entirely funded by John Swire & Sons, which contributed £774,303 to the Foundation during the financial period. The Foundation in turn made total commitments for £2,491,355 of grants payable and incurred expenses of £44,244 during the period. At the end of the period the reserves available for general purposes stood at a deficit of £1,761,296. The deficit reflects the fact that grants committed to for the next nine months (totalling £1,722,052), which will be paid in future periods, are recognised as an expense in these accounts. These grant payments have been funded by a donation of £6 million from John Swire & Sons received in September 2017. There are no restricted reserves. The Statement of Financial Activities is shown on page 7.

John Swire & Sons has committed to fund the Foundation for ten years. 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 at any time it has reserves to cover those commitments and John Swire & Sons has committed to support this policy. Whilst the reserves at the end of the period were in deficit, the Foundation received a donation of £6 million from John Swire & Sons in September 2017 in line with its policy to hold enough funds to cover the outstanding commitments. The commitments not provided for as a liability in the period are detailed in note 7.

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.

Declaration

I declare in my capacity of charity Trustee that:

The Trustees have approved the report above and have authorised me to sign it on their behalf.

S C SWIRE
Chairman of Trustees
1. 2. 2018

INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF SWIRE CHINESE LANGUAGE FOUNDATION

I report to the Trustees on my examination of the accounts of the Company for the period from 12 May 2016 to 31 July 2017.

Responsibilities and basis of report

As the charity Trustees of the Company (and also its directors for the purposes of company law) you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act'). You are satisfied that an audit is not required for this year under charity or company law and that an independent examination is needed.

Having satisfied myself that the accounts of the Company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of your charity's accounts as carried out under section 145 of the Charities Act 2011 ('the 2011 Act'). In carrying out my examination I have followed the Directions given by The Charity Commission under section 145(5)(b) of the 2011 Act.

An independent examination does not involve gathering all the evidence that would be required in an audit and consequently does not cover all the matters that an auditor considers in giving their opinion on the accounts. The planning and conduct of an audit goes beyond the limited assurance that an independent examination can provide. Consequently, I express no opinion as to whether the accounts present a 'true and fair' view and my report is limited to those specific matters set out in the independent examiner's statement.

Independent examiner's statement

I am qualified to undertake the examination by being a qualified member of the Institute of Chartered Accountants in England and Wales.

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the Company as required by section 386 of the 2006 Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

I have no concerns and have come across no matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Gordon Spinks

G SPINKS ACA
Dixon Wilson
22 Chancery Lane
London WC2A 1LS
7 February 2018

SWIRE CHINESE LANGUAGE FOUNDATION

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

Period from 12 May 2016 to 31 July 2017

	Note	Unrestricted Income Fund £	Total funds 12 May 16 to 31 July 17 £
Income and endowments from:			
Donations and legacies	3	774,303	774,303
Total income		774,303	774,303
Expenditure on:			
Charitable activities	4	2,535,599	2,535,599
Total resources expended		2,535,599	2,535,599
Net income/(expenditure)		(1,761,296)	(1,761,296)
Net movement in funds		(1,761,296)	(1,761,296)
Total funds at 12 May 2016		-	-
Total funds at 31 July 2017		(1,761,296)	(1,761,296)

All amounts were derived from continuing activities.

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

The notes and accounting policies on pages 9 to 11 form part of these accounts.

SWIRE CHINESE LANGUAGE FOUNDATION **Company number: 10177824**

BALANCE SHEET

At 31 July 2017

	Note	Unrestricted Income Funds £	Total funds 2017 £
Current assets			
Cash at bank and in hand		5,000	5,000
		5,000	5,000
Liabilities:			
Creditors: amounts falling due within one year	5	(1,766,296)	(1,766,296)
Net current liabilities		(1,761,296)	(1,761,296)
Total assets less current liabilities		(1,761,296)	(1,761,296)
Net liabilities		(1,761,296)	(1,761,296)
Funds of the charity			
Unrestricted income funds		(1,761,296)	(1,761,296)
Total charity funds		(1,761,296)	(1,761,296)

The financial statements on pages 7 to 11 were approved by the Trustees on 1 . 2. 2018 and were signed on their behalf by:-

S C SWIRE
Chairman of Trustees
1 . 2 . 2018

1. Accounting policies

The principal accounting policies adopted, 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 Foundation'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 10 years. In September 2017, the Foundation received a donation of £6 million from John Swire & Sons as evidence of its commitment to fund the Foundation.

(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 measure or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

(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 Foundation's registered address is Swire House, 59 Buckingham Gate, London, SW1E 6AJ.

3. Income from donations and legacies

	Unrestricted Income Fund £	Total 2017 £
Donations and legacies		
Donations from John Swire & Sons	774,303	774,303

4. Analysis of charitable expenditure

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

	12 May 2016 to 31 July 2017 £
The Belvedere Academy	117,728
George Watson's College	256,529
Gosforth Academy	181,675
The Harris Federation	861,551
Jordanhill School	149,041
King Edward VI Aston School	89,000
The Manchester Grammar School	323,718
Newcastle High School for Girls	148,350
St Peter's College Radley	246,955
Tapton School	116,808
Total donations	2,491,355

Included in donations are amounts paid in the period of £769,303 and amounts committed to at the Balance Sheet date of £1,722,052.

Governance costs allocated to charitable activities:

Legal fees	32,082
Accountancy fees – accounts	2,000
Accountancy fees – Independent examination	750
Website costs	8,240
Travel costs	781
Office costs	195
Entertaining	183
Companies House fees	13
Total governance costs	44,244
Total resources expended	2,535,599

5. Creditors: amounts falling due within one year

	2017 £
Grants payable	1,722,052
Other creditors	44,244
	1,766,296

6. Related party transactions

During the period John Swire & Sons Limited, a company in which two of the Trustees had a participating interest, paid expenses on the Foundation's behalf totalling £41,494. At the year end £41,494 was owed to John Swire & Sons Limited.

The Foundation received donations during the period of £774,303 from John Swire & Sons Limited without conditions attached.

During the period, the Foundation paid no remuneration for the services of its Trustees. The services of the Executive Trustee were paid for by John Swire & Sons. The travel costs of £781 were met for three Trustees. Entertaining costs totalling £183 were also met for two Trustees.

7. 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 £4,122,753.

After the Balance Sheet date, a further grant of £33,000 was committed to for the 2017/18 academic year only.

8. Financial liabilities

The following are financial liabilities that qualify as basic financial instruments and are initially recognised at transaction value and subsequently measured at their amortised cost.

Financial liabilities	2017 £
Grants payable	1,722,052
Other creditors	41,494
	1,763,546