

REGISTERED COMPANY NUMBER: 06477262 (England and Wales)
REGISTERED CHARITY NUMBER: 1125378

REPORT OF THE TRUSTEES AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2016
FOR
CHINA DIALOGUE TRUST



Chariot House Limited
Chartered Accountants
44 Grand Parade
Brighton
East Sussex
BN2 9QA

CHINA DIALOGUE TRUST

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FOR THE YEAR ENDED 31ST DECEMBER 2016

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CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31ST DECEMBER 2016**

The Trustees, who are also Directors of the Company for the purposes of the Company Law, present their annual report and audited financial statements for the year ended 31 December 2016.

INTRODUCTION

chinadialogue has a ten-year track record of disseminating high-quality information and promoting communication on environment and climate change in both Chinese and English. We provide a space for open discussion, with the aim of informing and educating people, and contributing to building equitable and constructive solutions to global environmental problems. We believe that this requires a common purpose across political, ideological and cultural boundaries. We foster that common purpose by providing our readers with independent and accurate information that may otherwise be difficult to access, and by facilitating tolerant and constructive dialogue.

chinadialogue researches, writes, commissions, edits and publishes bilingual news reports and analysis of environmental affairs. This stimulates the exchange of information and ideas both among Chinese and between Chinese and non-Chinese readers on multiple platforms. chinadialogue's primary vehicle is the website, www.chinadialogue.net, a unique bilingual platform for high-quality content that includes extended reports, policy briefs, blog posts and book reviews on environmental and climate change issues that affect China and the world.

chinadialogue is trusted for the independence, reliability and even-handedness it brings to reporting on issues that may be considered contentious. This has allowed us to build a network of distinguished Chinese and international contributors to whom we offer the chance to push the boundaries of debate and policy.

In addition, we publish a bimonthly print journal which is distributed to over 2,000 Chinese policymakers, political and business leaders and made available for download on our website. Furthermore, chinadialogue hosts the annual China Environmental Press Awards to recognise and honour the work of China's best environmental journalists. Our awards are highly valued for their integrity and encourage and support the increasing professionalisation of Chinese environmental journalism.

chinadialogue also manages its sister projects: The Third Pole, India Climate Dialogue and Diálogo Chino.

The Third Pole supports in-depth, non-partisan and original coverage of all aspects of water in the countries of the Himalayan and the Lancang-Mekong basin, to stimulate informed debate and to promote cooperation on transboundary river management. Over the years, the pioneering online forum, www.thethirdpole.net, has established a reputation as the source of accessible, high-quality and balanced material on transboundary water in the Himalayan region.

India Climate Dialogue provides access to accurate and unbiased reporting on climate change in India. The website, www.indiaclimatedialogue.net, offers a space for open discussion. The aim of this project is to inform and educate readers on climate change with particular reference to one of Asia's biggest economies and most diverse societies, and seeks to connect the climate debate in India with the global climate discussion.

China is Latin America's biggest lender, a major investor and trading partner. Understanding the wider effects of these burgeoning partnerships is of critical importance to China and Latin America. Despite their importance, Chinese operations in Latin America remain under-reported in the Latin American, Chinese and international media. Diálogo Chino aims to address this information gap by fostering better understanding and communication between academics, civil society, journalists, government and the business community in China and Latin America on the environmental and social impacts of China's activities in Latin America. All content is published in English, Spanish and Portuguese.

OBJECTIVES AND ACTIVITIES

Objectives and aims

The objects for which the Trust is established are:

- a. To advance the education of the public (including in particular the public of the People's Republic of China) in the conservation, protection and improvement of the physical and natural environment; and
- b. To promote for the benefit of the public the conservation, protection and improvement of the physical and natural environment and, in particular, but not so as to restrict the proceeding wording, the physical and natural environment in the People's Republic of China.

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31ST DECEMBER 2016**

OBJECTIVES AND ACTIVITIES

Activities, Achievements and Performance

Review of the period

In 2016, chinadialogue published 260 articles, 99 blog posts and six long form reports on environmental issues that affect China and the world. The website content represents an even balance of contributions from China and the rest of the world.

chinadialogue benefitted from environmental coverage on its sister websites, offering news and analysis from fresh perspectives and access to a new pool of contributors from South Asia and Latin America. Content with relevance for the respective readerships is translated into local languages and published across the websites.

This arrangement was particularly important for reporting on China's overseas environmental footprint which remains a key topic. chinadialogue co-published a series of articles with The Third Pole on the China-Pakistan Economic Corridor (CPEC), and a large data-journalism project on China's overseas coal power investments. chinadialogue also published a special edition journal with green perspectives on China's global influence, which was circulated in print in China and the UK and shared widely online.

The development of China's environmental laws and regulations continued to be an important focus of our coverage, with articles and blogs on new revisions to China's environmental impact assessment law, revisions to the Wildlife Protection Law that allows for local oversight of protected species farming and the exorbitant court costs required to take polluters to court in China. China's poorly defined laws on the storage of hazardous materials contributed to the Tianjin disaster according to a piece written by He Linlin and colleagues from China Youth Daily and won the "Best In-Depth Report" category at the 2016 China Environmental Press Awards.

chinadialogue increased its coverage of international climate change policy in the run up and during the G20 summit in Hangzhou and climate negotiations in Marrakech. Members of the chinadialogue editorial team and its sister website, India Climate Dialogue, were on-the-ground in Marrakech, offering real-time analysis as the details of the Paris Agreement were further developed.

China's 13th Five-Year Plan (FYP) and the Twin Sessions in Beijing dominated coverage in early 2016, with an article on the new environmental targets, an explainer of the high-level terminology employed at the Twin Sessions, as well as a widely shared infographic. These articles were republished and promoted by FTChinese and prominent power-sector affiliated media outlets such as Beijixing. This was rounded off with a summary of China's greenest FYP to date and a piece highlighting how the 13th FYP has placed green finance at its heart.

On the interconnected topics of environmental health and pollution, chinadialogue coverage included a possible link between car exhaust and Alzheimer's disease, the dangerous legacy of coal mining in Jiangxi, the story of a toxic waste dump hidden beneath a pig farm in Jingjiang and an international study warning that one million people per year in China will die from smog-related diseases.

chinadialogue published several pieces on the marine environment, including a piece on the increase of "dead zones" across the world's oceans and the role of satellites and big data in enabling better policing of the oceans.

In the lead up and aftermath of the US elections, chinadialogue published widely read expert analysis and global perspectives on how Donald Trump's victory could jeopardise fragile efforts to green the global economy and might force climate leadership onto China. This included a discussion of what US environmental policy shifts mean for international efforts to address climate change.

China's plan to expand nuclear power generation marked one area of focus in 2016. We published pieces on the parallels between the challenges facing the Chinese and the global nuclear sector, China's nuclear export market, the risks of China's plans for inland nuclear sites and a review of the lessons from the Fukushima nuclear disaster.

Media workshops enable us to support journalists, by providing information, resources and networking opportunities, with the aim of improving the standard of science and environmental reporting. Over the last six months, chinadialogue has carried out two such workshops in order to build capacity for environmental reporting on the G20 summit and climate adaptation in China more broadly.

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31ST DECEMBER 2016**

OBJECTIVES AND ACTIVITIES

Activities, Achievements and Performance

Partnerships and collaborations

chinadialogue continues to expand its collaborations and partnerships, while maintaining and building on existing relationships.

Activities partnered with academic institutions have included a number of lectures and joint events, including staff speaking at Tsinghua University in Beijing, the New School in New York and Sheffield University. chinadialogue content has been cited and republished by American University, Delhi University, London School of Economics, University of Oxford and the University of Toronto. Over the reporting period, chinadialogue staff have given talks at Cambridge University, London School of Economics (audio) and Yale University. chinadialogue also co-organised a panel discussion on China's evolving relationship with Latin American countries at the Global South Unit at the London School of Economics.

chinadialogue held its seventh annual China Environmental Press Awards in May at Renmin University. The ceremony was followed by a workshop on capacity building for environmental journalists. This year's awards were covered by more media outlets than ever before, including ThePaper, Sohu, Sina News (over 100,000 views), NetEase, SupChina, The Guardian and the Global Investigative Journalism Network.

chinadialogue began a year-long partnership with the Guardian on a series looking at the legal and illegal trade of ivory and live elephants. The articles are published in English and Chinese on both websites and have so far covered the risk of extinction faced by elephants in Africa, the challenges of combating elephant poaching and the illegal ivory trade to China through new trade hubs like Singapore.

We will continue to seek new partnerships and networks of influence to allow us further to amplify the impact of our content.

Impact

chinadialogue uses several methods to measure its impact, including statistical analysis of the website, an annual user survey and anecdotal evidence of our influence.

During this reporting period www.chinadialogue.net saw a 15% increase in visits compared with the previous six month period. The website attracted 357,021 visits and 549,009 page views. Our top five readership locations were the US, mainland China (views from mainland China doubled in the second half of 2016), UK, Hong Kong and India (replacing Canada).

We continue to publish selected content on our social media channels, other publishing platforms and our weekly newsletter. The top four pieces posted on iFeng each attracted more than 100,000 clicks and pieces republished on Caixin often attract more than 4,000 clicks each. The chinadialogue newsletter has 10,973 subscribers, 53% of whom are based in mainland China, Taiwan and Hong Kong.

chinadialogue also provides an English news digest which highlights selected stories featured in the Chinese media from the previous week.

chinadialogue has 7,247 followers on Twitter, 4,992 likes on Facebook and 1,540 followers on our WeChat group. During the last year we also experimented with publishing our content on Chinese mobile news apps, including Yidianhao, produced by iFeng and Today's Headline.

chinadialogue has continued with its strategy of republishing the content associated with this editorial series throughout the year in our bimonthly print journal, which is distributed to policy makers, political and business leaders, academic and civil society organisations across China.

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31ST DECEMBER 2016**

OBJECTIVES AND ACTIVITIES

Activities, Achievements and Performance

According to the 2016 user survey, chinadialogue continues to enjoy a young, educated online readership, with 69% of our readers under the age of 40 and 94% of our readers have an undergraduate degree or above. Below are a few selected quotes from this year's user survey in response to the question:

"Has chinadialogue influenced your thinking, work or study? If yes, how?"

"It's a reminder of the importance of China in a wider range of issues than normally covered."

"It has been and still is fundamental in shaping my knowledge and views about China's environment, which is the major subject of my teaching and research. I recommend it to all my students and regularly discuss articles in my classes."

"It is an invaluable reference on China policy, covering both progress and challenges in a balanced way. A trustworthy source of background information on which we base strategy for our own projects."

chinadialogue's influence is enhanced by an extensive secondary footprint, through press interviews with our staff and the republishing and referencing of our content in a wide variety of other media. We greatly extend our outreach by publishing all our content under a Creative Commons license, thereby encouraging the syndication of our work. Our content continues to be widely cited and republished, both within China and internationally, by media outlets and organisations.

chinadialogue also maintains an active schedule of conferences, networking and media appearances around the world. Earlier this year, Isabel Hilton, chinadialogue's CEO and Editor, was a panellist at the Munich Security Conference session on risks in the Himalayas. She also chaired a discussion at Chatham House titled "Xi Jinping's Dream: What Drives China's Leader?" with Kerry Brown, one of our trustees and participated in a workshop on fossil fuel subsidies. She gave evidence to the House of Commons Public Administration and Constitutional Affairs Select Committee inquiry on China policy and security and advised the All Party Parliamentary China Group on UK-China policy.

Isabel Hilton's many media appearances on China-related subjects included interviews with BBC World Service, Climate Home, Dateline London, the Guardian, Midori House, Sky News, and Yibada, as well as with organisations such as the Frontline Club, International Bar Association and the Yale Center for Business and the Environment.

Charlotte Middlehurst spoke about China's climate challenges at an event organised by the China Exchange in London.

Ma Tianjie, Beijing's Operational Manager and Managing Editor, was featured on the popular Sinica podcast. Tianjie's media appearances have included interviews and commentary on ChinaFile, the Economist, Sina and Vice News.

Sam Geall's media appearances include interviews with BBC World Service, Financial Times, the Guardian, New York Times, Vice, Wired and WNYC. Sam also contributed to a conversation on China and the environment hosted by ChinaFile.

Tianjie and Sam Geall, chinadialogue's Executive Editor, attended the Climate Reality Shenzhen Climate Leader's Training Camp. Tianjie spoke at the breakout session titled "Climate, Water and Food" and Sam joined a panel discussion with former US Vice President Al Gore on "Clean Energy Innovation in China".

The Third Pole

The Third Pole continues to expand its influence and operations across South Asia. Themes for this year included fisheries management, melting glaciers, transboundary river cooperation, climate change, the future of hydropower, and a multimedia series on the Koshi River Basin.

The Third Pole organised media workshops across the region in partnership with the International Water Management Institute (IWMI). These workshops for journalists and experts include the Indus Basin Media Dialogue in Kathmandu, a workshop on the ecology of the Lower Ganga and another Indus Basin dialogue in India's Punjab province, which led to more balanced media coverage of the Indus River Treaty controversies that arose just weeks later as the government of India re-examined the agreement. The Third Pole also assisted IWMI with their media workshop in Kabul, Afghanistan.

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31ST DECEMBER 2016**

OBJECTIVES AND ACTIVITIES

Activities, Achievements and Performance

In 2016, The Third Pole's reach and influence has also grown through republication by other media across South Asia and the rest of the world, including such publications as the Bangkok Post, Business Standard, DAWN, Dhaka Tribune, Eco Business, Kashmir Observer, Online Khabar, Pakistan News Portal, Quartz India, Scroll India, South China Morning Post, the Wire and Viewsworld.

India Climate Dialogue

India Climate Dialogue readership and syndication activity has expanded over the past year through the use of social media, citations and republications, with content being picked up by the Huffington Post, The Quint, Scroll, Tech Investor News, the Wire, the Buddhist Times, The Citizen and Eco Business; as well as other organisations such as the Climate South Asia Network, the India Centre for Internet and Society, and the South Asia Network on Dams, Rivers and People. An article on Delhi's push for rooftop solar was retweeted by Delhi's Chief Minister Mr Arvind Kejriwal. At COP22 in Marrakech, Joydeep Gupta, India Climate Dialogue editor, was invited to moderate a session with over a dozen environmental ministers.

Diálogo Chino

Diálogo Chino readership grew 40% in 2016 compared to the previous year and made inroads into the Spanish, Latin American and international media, with press mentions and republications by Clarín (Argentina), Forbes (US), the Diplomat, the Ecologist, the Buenos Aires Herald and many more influential platforms. Internally, Diálogo Chino significantly increased cross-publication with chinadialogue, with the result that one particular article on the safety of Argentine beef exports reached an audience of around 200,000 on Chinese social media.

In September we attended the annual festival of the Fundación para el Nuevo Periodismo Iberoamericano (FNPI) in Medellín, Colombia, alongside which we hosted a meeting with investigative journalists from Peru, Ecuador and Venezuela. We agreed to establish a reporting network investigating Chinese economic activities in Latin America. We also co-organised an event with the London School of Economics' Global South Unit (GSU) entitled China in Latin America: sustainable development or exploitation? Isabel Hilton and Jin Jiaman of China's Global Environment Institute served as panellists. Alvaro Mendez, co-director of GSU, chaired the event.

Public benefit

In shaping our objectives and planning our activities for the year, the Trustees have given consideration to the duties set out in section 17(5) of the Charities Act 2011 to have due regard to public benefit and to the Charity Commission Guidance on public benefit. In particular, the Trustees have considered how the planned activities will contribute to the overall aims and objectives that they have set.

The Trustees believe that the following paragraphs, specifically on the "Objectives and Aims" and "Activities, Achievements and Performance" for the year, relate in detail the benefit that the Charity provides to the public.

FINANCIAL REVIEW

Financial position

Our financial year runs from January 1st to December 31st.

In 2016, the charity ran a deficit of £45,060 on total expenditure of £1,105,447. The deficit relates to funding received in 2015 but delivered in the current year. At 31 December 2016, the charity held reserves of £322,757 (2015: £367,817).

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31ST DECEMBER 2016**

FINANCIAL REVIEW

Remuneration statement

- To set the pay and rewards properly for employees there is a need to make informed judgements as well as adhering to the China Dialogue Trust governance and constitutional arrangements.
- Trustees are legally and constitutionally responsible for setting rates of pay and this responsibility cannot and should not be wholly delegated to private agencies or independent experts.
- In deciding on levels of pay for all staff the following factors will be taken into account, the purpose aims and values of China Dialogue Trust, competences, the strategic plan and need, ability to pay, performance, the wider 'employment offer' and recruitment and retention. These factors are not exclusive and any decision will inevitably include an element of discretion on the part of trustees.

Financial Review

The trustees recognise the need to hold reserves to allow protection of core activities in the event of income shortfalls and to promote balanced, long-term strategic planning to enable the charity to carry out its objectives.

The trustees have in the year reviewed the needs, risks and opportunities faced by the charity, along with relevant financial forecasts and analyses. On the basis of this review the trustees recognised the need to hold a general reserve and the size of this reserve should be related to the level of ongoing financial commitments. The trustees decided that as a guide the organisation should keep its general reserves at a level of about three months of expenditure. Therefore the guide level of reserves at the end of December 2016 should be about £116,184. At the year end, the general reserves of the charity stood at £44,810 (2015: £133,109). Therefore the current level of general reserves is not considered sufficient and serious attempts are being made to address the situation.

FUTURE PLANS

In 2017, the China Dialogue Trust will continue to build on the work of the last nine years by further consolidating its reputation, extending its networks and building new partnerships. In particular, we aim to:

- publish approximately 300 feature-length articles, blogs and book reviews on chinadialogue, with an even balance of contributors from China and the rest of the world;
- publish a bi-monthly print journal aimed at Chinese policymakers, academics, journalists, as well as political, business and civil society leaders;
- publish a range of longer-form reports and policy briefs and contribute to third party platforms;
- extend the reach and influence of our prize for Chinese environmental journalism, driving up standards of environmental journalism in China and extending our reach and influence in Chinese print media;
- expand our links with civil society groups in China;
- form new relationships and partnerships;
- continue to meet a heavy schedule of lectures, talks, briefings and media appearances;
- expand the scale of activities of the other project websites.

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31ST DECEMBER 2016**

STRUCTURE, GOVERNANCE AND MANAGEMENT

i. Structure

chinadialogue is a project administered by the China Dialogue Trust. In addition, the Trust manages chinadialogue's sister websites - The Third Pole, India Climate Dialogue and Diálogo Chino.

The China Dialogue Trust (the Trust) was incorporated as a company limited by guarantee on 18 January 2008 and obtained charitable status on 6 August 2008. In accordance with a legal transfer of undertakings dated 23 October 2008, the assets and liabilities of China Dialogue Limited (Company Registration Number: 05825437) were transferred to the Trust as at midnight on 30 September 2008.

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. Under those Articles, the Trustees are elected at the Annual General Meeting to serve for a period of three years.

The Members have guaranteed to contribute a maximum of £1 each in the event of the company being wound up.

The Trust set up a trading subsidiary, China Dialogue Services (Company Registration Number: 8854972), which was incorporated on 21st January 2014. The trading subsidiary supports our growing revenue stream from translation services and occasional consultancy services.

China Dialogue Services took over the ownership of Dao Le Ge Environmental Consulting (Beijing) Co. Ltd at the end of December 2015.

ii. Governance

The Trust receives generous support from its executive, technical and editorial advisory boards. The executive board meets twice yearly to evaluate the governance of the charity and advise on its long-term strategy. The treasurer meets with the finance director and chief operating officer on a regular basis to review the accounts and assist with the financial management of the charity. The members of the executive board assist with fundraising and partnership building, while the technical advisory board offers expertise on the resilience of our online security and infrastructure, as well as making sure the website remains on the cutting edge of key digital trends. The editorial advisory board is available for consultation on editorial themes.

iii. Management

The Trustees meet regularly throughout the year and are inducted through detailed briefings.

New Trustees are recommended to the board by existing members or by the chief executive officer based on their experience and expertise of the charity's work.

The chief executive officer of the trust is Isabel Hilton, assisted in the London office by Jessica Jacoby, the chief operating officer and Laura Woodbury, the office assistant. The chinadialogue website is managed by editorial teams in London and Beijing. In London, the website is supported by John McGarrity, the deputy editor and Charlotte Middlehurst, the managing editor. In Beijing, the website is supported by Ma Tianjie, operational manager and managing editor, and Li Ying, deputy editor, as well as several junior editors.

The Third Pole website is managed by Joydeep Gupta, project director, in Delhi and Beth Walker, UK editor, in the London office. The website is also supported by a small editorial team in Delhi, as well as country coordinators in Bangladesh, Nepal and Pakistan. The Delhi office was closed in December 2015.

The India Climate Dialogue website is managed by Joydeep Gupta, project director, and Juhi Chaudhary, special correspondent in Delhi.

The Diálogo Chino website is managed by Cristina Veiga, editor, in São Paulo and Robert Soutar, managing editor, in London.

All of the websites are supported by Lushan Huang, the Production Manager. Sam Geall, the Executive Editor, offers strategic advice to the charity.

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31ST DECEMBER 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT

Risk management

The Trustees review all risks applicable to the Charity, especially the availability of funding in the current economic climate.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

06477262 (England and Wales)

Registered Charity number

1125378

Registered office

Suite 306
Grayston Centre
28 Charles Square
London
NI 6HT

Trustees

| | |
|-----------------|-----------------------|
| T M Copsey | |
| J T S Fenby | |
| Ms L K Genasci | |
| P J R Luff | |
| Mrs M Mehra | |
| Ms E A Wright | |
| Dr P G Clifford | |
| Mrs J-M Gescher | - appointed 9/2/2016 |
| Prof K Brown | - appointed 9/2/2016 |
| S C Tinton | - appointed 11/5/2016 |
| D T Burke | - appointed 1/3/2016 |

Company Secretary

Miss J C Jacoby

Senior Statutory Auditor

J Thacker FCA DChA

Independent auditors

Chariot House Limited
Chartered Accountants
44 Grand Parade
Brighton
East Sussex
BN2 9QA

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31ST DECEMBER 2016

REFERENCE AND ADMINISTRATIVE DETAILS

Contact Details

Chief Executive Officer
Isabel Hilton

Telephone number
020 7324 4767

Website
www.chinadialogue.net

Advisers

Bankers

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74 Goswell Road
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CafCash Ltd
Kings Hill
West Malling
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ME19 4TA

Solicitors

Stone King LLP
Boundary House
91 Charterhouse Street
London
EC1M 6HR

CHINA DIALOGUE TRUST

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31ST DECEMBER 2016**

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of China Dialogue Trust for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

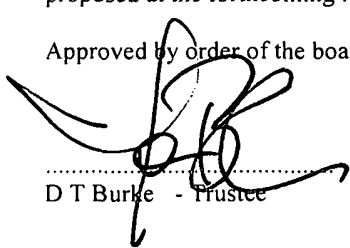
In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

The Auditors, Chariot House Limited, are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by order of the board of trustees on 16/02/2017 and signed on its behalf by:



.....
D T Burke - Trustee

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CHINA DIALOGUE TRUST

We have audited the financial statements of China Dialogue Trust for the year ended 31st December 2016 on pages thirteen to twenty four. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees Responsibilities set out on page ten, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31st December 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
CHINA DIALOGUE TRUST**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.



J Thacker FCA DChA (Senior Statutory Auditor)
for and on behalf of Chariot House Limited
Chartered Accountants
44 Grand Parade
Brighton
East Sussex
BN2 9QA

Date: 16 February 2017

CHINA DIALOGUE TRUST**STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31ST DECEMBER 2016**

| | | Unrestricted fund £ | Restricted funds £ | Total 2016 funds £ | Total 2015 funds £ |
|----------------------------------------|-----------|---------------------------|--------------------------|-----------------------------|-----------------------------|
| | Not es | | | | |
| INCOME AND ENDOWMENTS FROM | | | | | |
| Charitable activities | 3 | | | | |
| Enviroment and Climate Change | | 442,305 | 618,080 | 1,060,385 | 962,125 |
| Investment income | 2 | <u>2</u> | <u>-</u> | <u>2</u> | <u>1</u> |
| Total | | 442,307 | 618,080 | 1,060,387 | 962,126 |
| EXPENDITURE ON | | | | | |
| Charitable activities | 4 | | | | |
| Enviroment and Climate Change | | <u>464,734</u> | <u>640,713</u> | <u>1,105,447</u> | <u>854,682</u> |
| NET INCOME/(EXPENDITURE) | | (22,427) | (22,633) | (45,060) | 107,444 |
| Transfers between funds | 14 | <u>(65,872)</u> | <u>65,872</u> | <u>-</u> | <u>-</u> |
| Net movement in funds | | (88,299) | 43,239 | (45,060) | 107,444 |
| RECONCILIATION OF FUNDS | | | | | |
| Total funds brought forward | | 133,109 | 234,708 | 367,817 | 260,373 |
| TOTAL FUNDS CARRIED FORWARD | | <u>44,810</u> | <u>277,947</u> | <u>322,757</u> | <u>367,817</u> |

CONTINUING OPERATIONS


All income and expenditure has arisen from continuing activities.

The notes form part of these financial statements

CHINA DIALOGUE TRUST**BALANCE SHEET**
AT 31ST DECEMBER 2016

| | | Unrestricted fund | Restricted funds | Total | 2016 funds | Total | 2015 funds |
|--------------------------------------------------|-----------|----------------------|---------------------|-----------------|---------------|-----------------|---------------|
| | Not es | £ | £ | £ | £ | £ | £ |
| FIXED ASSETS | | | | | | | |
| Tangible assets | 10 | 404 | - | 404 | | 2,061 | |
| Investments | 11 | <u>100</u> | <u>-</u> | <u>100</u> | | <u>100</u> | |
| | | 504 | - | 504 | | 2,161 | |
| CURRENT ASSETS | | | | | | | |
| Debtors | 12 | 16,402 | - | 16,402 | | 57,084 | |
| Cash at bank | | <u>86,007</u> | <u>277,947</u> | <u>363,954</u> | | <u>367,774</u> | |
| | | 102,409 | 277,947 | 380,356 | | 424,858 | |
| CREDITORS | | | | | | | |
| Amounts falling due within one year | 13 | <u>(58,103)</u> | <u>-</u> | <u>(58,103)</u> | | <u>(59,202)</u> | |
| NET CURRENT ASSETS | | <u>44,306</u> | <u>277,947</u> | <u>322,253</u> | | <u>365,656</u> | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>44,810</u> | <u>277,947</u> | <u>322,757</u> | | <u>367,817</u> | |
| NET ASSETS | | <u>44,810</u> | <u>277,947</u> | <u>322,757</u> | | <u>367,817</u> | |
| FUNDS | 14 | | | | | | |
| Unrestricted funds | | | | 44,810 | | 133,109 | |
| Restricted funds | | | | <u>277,947</u> | | <u>234,708</u> | |
| TOTAL FUNDS | | | | <u>322,757</u> | | <u>367,817</u> | |

The financial statements were approved by the Board of Trustees on 16/02/2017 and were signed on its behalf by:


D T Burke -Trustee

The notes form part of these financial statements

CHINA DIALOGUE TRUST**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31ST DECEMBER 2016**

| | Notes | 2016 £ | 2015 £ |
|---------------------------------------------------------------------------|-------|-------------------|-------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operations | 1 | <u>(3,822)</u> | <u>107,577</u> |
| Net cash provided by (used in) operating activities | | <u>(3,822)</u> | <u>107,577</u> |
| Cash flows from investing activities: | | | |
| Purchase of tangible fixed assets | | - | (723) |
| Interest received | | <u>2</u> | <u>1</u> |
| Net cash provided by (used in) investing activities | | <u>2</u> | <u>(722)</u> |
| | | <u> </u> | <u> </u> |
| Change in cash and cash equivalents in the reporting period | | <u>(3,820)</u> | <u>106,855</u> |
| Cash and cash equivalents at the beginning of the reporting period | | <u>367,774</u> | <u>260,919</u> |
| Cash and cash equivalents at the end of the reporting period | | <u>363,954</u> | <u>367,774</u> |

The notes form part of these financial statements

CHINA DIALOGUE TRUST

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2016

1. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2016 | 2015 |
|--------------------------------------------------------------------------------------------------|----------------|-----------------|
| | £ | £ |
| Net income/(expenditure) for the reporting period (as per the statement of financial activities) | (45,060) | 107,444 |
| Adjustments for: | | |
| Depreciation charges | 1,657 | 2,174 |
| Interest received | (2) | (1) |
| Decrease in debtors | 40,682 | 33,334 |
| Decrease in creditors | <u>(1,099)</u> | <u>(35,374)</u> |
| Net cash provided by (used in) operating activities | <u>(3,822)</u> | <u>107,577</u> |

CHINA DIALOGUE TRUST

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 2016**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) '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)' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

The financial statements do not contain consolidated financial information as the parent of a group. The subsidiary undertaking has been excluded from consolidation as its inclusion is not material for the purpose of giving a true and fair view.

Income

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

Where grants are received during the year under review but relate to a later period the amount is deferred under Grants in Advance in the Balance Sheet.

Grants from government and other agencies have been included as voluntary income where the money is given in response to an appeal or with greater freedom of use, for example monies for core funding.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Charitable activities and support costs

The costs of charitable activities comprise expenditure on the Trust's primary charitable purposes as described in the Trustees' Report. Such costs include the costs of maintaining, editing and developing the website.

Support costs represent indirect charitable expenditure. In order to carry out the activities of the Charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

These costs are allocated out to the activities they are supporting on the basis described in the notes.

Tangible fixed assets

All assets costing more than £250 and with an expected useful life exceeding one year are capitalised, and are stated at cost less depreciation.

All tangible fixed assets, are depreciated on the straight-line method over their estimated useful lives as follows:

Computer equipment - 3 years.

CHINA DIALOGUE TRUST

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED **FOR THE YEAR ENDED 31ST DECEMBER 2016**

1. ACCOUNTING POLICIES - continued

Taxation

The Charity is considered to pass the tests set out in paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation Taxes Purposes. Accordingly the Charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Fund accounting

The Charity has various types of funds for which it is responsible:-

Unrestricted funds - are donations and other incoming resources receivable or generated for the objects of the Charity without further specified purpose and are available as general funds.

Restricted funds - comprise monies raised for, or their use restricted to, a specific purpose or contributions subject to donor imposed conditions.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged on a straight-line basis over the lease term.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

2. INVESTMENT INCOME

| | 2016 | 2015 |
|--------------------------|----------|----------|
| | £ | £ |
| Deposit account interest | <u>2</u> | <u>1</u> |

3. INCOME FROM CHARITABLE ACTIVITIES

| | Activity | 2016 | 2015 |
|----------------------------------------|-------------------------------|------------------|----------------|
| | | £ | £ |
| Project Income - Other Fees Receivable | Enviroment and Climate Change | 10,666 | 53,508 |
| Grants and Donations | Enviroment and Climate Change | <u>1,049,719</u> | <u>908,617</u> |
| | | <u>1,060,385</u> | <u>962,125</u> |

CHINA DIALOGUE TRUST**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2016****3. INCOME FROM CHARITABLE ACTIVITIES - continued**

Grants received, included in the above, are as follows:

| | 2016 | 2015 |
|----------------------------------------------|------------------|----------------|
| | £ | £ |
| European Climate Foundation | - | 34,951 |
| Sigrid Rausing Trust | 100,000 | 100,000 |
| Stiftung Mercator | - | 35,275 |
| Rockefeller Brothers Foundation | 71,693 | 61,444 |
| Henry Luce Foundation | 68,493 | 33,723 |
| Climateworks Foundation | 201,778 | 202,326 |
| Department for International Development | 184,602 | 170,201 |
| Pulitzer Centre | 3,468 | - |
| MacArthur Foundation | - | 40,674 |
| Marmot Trust | - | 4,000 |
| ADM Capital Foundation | - | 22,206 |
| Subsidiary - China Dialogue Services Limited | 5,805 | 9,179 |
| Peter Luff | - | 500 |
| Network for Social Change | - | 15,107 |
| Chadwyck Healey | - | 10,000 |
| K R Foundation | - | 29,278 |
| Climate Action Network | 372 | - |
| Oak Foundation | 137,382 | - |
| ICS Brazil | 2,570 | - |
| Other Grants | 273,556 | 139,753 |
| | <u>1,049,719</u> | <u>908,617</u> |

4. CHARITABLE ACTIVITIES COSTS

| | Direct costs | Support costs (See note 5) | Totals |
|--------------------------------|----------------|-------------------------------|------------------|
| | £ | £ | £ |
| Environment and Climate Change | <u>991,789</u> | <u>113,658</u> | <u>1,105,447</u> |

5. SUPPORT COSTS

| | Management £ |
|--------------------------------|-----------------|
| Environment and Climate Change | <u>113,658</u> |

Support costs, included in the above, are as follows:

CHINA DIALOGUE TRUST**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2016****5. SUPPORT COSTS - continued****Management**

| | 2016 Enviroment and Climate Change £ | 2015 Total activities £ |
|----------------------------------------------|--------------------------------------------------|--------------------------------------|
| Establishment | 30,490 | 25,211 |
| Office | 7,246 | 23,352 |
| Legal and Professional | 5,107 | 1,632 |
| Accountancy | 32,542 | 20,646 |
| Other | 7,040 | 6,479 |
| Website | 25,495 | 22,593 |
| Audit | 4,080 | 4,300 |
| Depreciation of tangible and heritage assets | <u>1,657</u> | <u>2,174</u> |
| | <u>113,657</u> | <u>106,387</u> |

6. NET INCOME/(EXPENDITURE)

Net income/(expenditure) is stated after charging/(crediting):

| | 2016 £ | 2015 £ |
|------------------------------------|--------------|--------------|
| Depreciation - owned assets | 1,657 | 2,174 |
| Auditors' remuneration | 2,040 | 2,150 |
| Auditors' remuneration - non audit | <u>2,040</u> | <u>2,150</u> |

7. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31st December 2016 nor for the year ended 31st December 2015.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31st December 2016 nor for the year ended 31st December 2015.

CHINA DIALOGUE TRUST**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2016****8. STAFF COSTS**

Staff Costs during the year were as follows :

| | 2016 | 2015 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Salaries and Wages | 287,136 | 269,336 |
| Social security costs | 30,599 | 28,330 |
| Pension costs | <u>13,185</u> | - |
| | <u>330,920</u> | <u>297,666</u> |

The average number of employees (excluding temporary and agency staff) analysed by function was as follows:

| | 2016 | 2015 |
|----------------------|----------|----------|
| | Number | Number |
| Editorial staff | 7 | 7 |
| Administration staff | <u>1</u> | <u>1</u> |
| | <u>8</u> | <u>8</u> |

One employee received remuneration in the band £70,000 - 80,000 (2015: one).

Key Management remuneration totalled £85,647.

9. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

| | Unrestricted fund £ | Restricted funds £ | Total funds £ |
|------------------------------------|---------------------------|--------------------------|-----------------------|
| INCOME AND ENDOWMENTS FROM | | | |
| Charitable activities | | | |
| Environment and Climate Change | 317,265 | 644,860 | 962,125 |
| Investment income | <u>1</u> | <u>-</u> | <u>1</u> |
| Total | <u>317,266</u> | <u>644,860</u> | <u>962,126</u> |
| EXPENDITURE ON | | | |
| Charitable activities | | | |
| Environment and Climate Change | <u>235,109</u> | <u>619,573</u> | <u>854,682</u> |
| Total | <u>235,109</u> | <u>619,573</u> | <u>854,682</u> |
| NET INCOME/(EXPENDITURE) | <u>82,157</u> | <u>25,287</u> | <u>107,444</u> |
| RECONCILIATION OF FUNDS | | | |
| Total funds brought forward | <u>50,952</u> | <u>209,421</u> | <u>260,373</u> |
| TOTAL FUNDS CARRIED FORWARD | <u><u>133,109</u></u> | <u><u>234,708</u></u> | <u><u>367,817</u></u> |

CHINA DIALOGUE TRUST

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2016

10. TANGIBLE FIXED ASSETS

| | Computer equipment £ |
|--------------------------------------------|----------------------------|
| COST | |
| At 1st January 2016 and 31st December 2016 | <u>8,012</u> |
| DEPRECIATION | |
| At 1st January 2016 | 5,951 |
| Charge for year | <u>1,657</u> |
| At 31st December 2016 | <u>7,608</u> |
| NET BOOK VALUE | |
| At 31st December 2016 | <u>404</u> |
| At 31st December 2015 | <u>2,061</u> |

11. FIXED ASSET INVESTMENTS

| | Unlisted investments £ |
|--------------------------------------------|------------------------------|
| MARKET VALUE | |
| At 1st January 2016 and 31st December 2016 | <u>100</u> |
| NET BOOK VALUE | |
| At 31st December 2016 | <u>100</u> |
| At 31st December 2015 | <u>100</u> |

There were no investment assets outside the UK.

The company's investments at the balance sheet date in the share capital of companies include the following:

China Dialogue Services Limited

Nature of business: translation and interpretation

| | |
|-----------------|----------------|
| Class of share: | % |
| Ordinary | holding 100 |

| | | |
|--------------------------------|------------|------------|
| | 2016 | 2015 |
| | £ | £ |
| Aggregate capital and reserves | <u>100</u> | <u>100</u> |

CHINA DIALOGUE TRUST**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2016****12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2016 | 2015 |
|------------------------------------|---------------|---------------|
| | £ | £ |
| Amounts owed by group undertakings | - | 9,179 |
| Other debtors | 12,805 | 38,238 |
| VAT | - | 1,147 |
| Prepayments and accrued income | <u>3,597</u> | <u>8,520</u> |
| | <u>16,402</u> | <u>57,084</u> |

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 | 2015 |
|------------------------------------|---------------|---------------|
| | £ | £ |
| Trade creditors | 17,809 | 13,693 |
| Amounts owed to group undertakings | 18,997 | - |
| Social security and other taxes | 15,720 | 8,786 |
| Other creditors | 1,497 | - |
| Accrued expenses | <u>4,080</u> | <u>36,723</u> |
| | <u>58,103</u> | <u>59,202</u> |

14. MOVEMENT IN FUNDS

| | At 1/1/16 | Net movement | Transfers | At 31/12/16 |
|---------------------------|----------------|-----------------|---------------|----------------|
| | £ | in funds | between funds | £ |
| | | £ | £ | |
| Unrestricted funds | | | | |
| General fund | 133,109 | (22,427) | (65,872) | 44,810 |
| Restricted funds | | | | |
| Other | 162,027 | 99,881 | - | 261,908 |
| Third Pole | - | 9,878 | - | 9,878 |
| Dialogo Chino | 13,941 | (79,813) | 65,872 | - |
| India Climate Dialogue | <u>58,740</u> | <u>(52,579)</u> | <u>-</u> | <u>6,161</u> |
| | 234,708 | (22,633) | 65,872 | 277,947 |
| TOTAL FUNDS | <u>367,817</u> | <u>(45,060)</u> | <u>-</u> | <u>322,757</u> |

CHINA DIALOGUE TRUST**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2016****14. MOVEMENT IN FUNDS - continued**

Net movement in funds, included in the above are as follows:

| | Incoming resources £ | Resources expended £ | Movement in funds £ |
|---------------------------|----------------------------|----------------------------|---------------------------|
| Unrestricted funds | | | |
| General fund | 442,307 | (464,734) | (22,427) |
| Restricted funds | | | |
| Other | 405,271 | (305,390) | 99,881 |
| Third Pole | 184,602 | (174,724) | 9,878 |
| Dialogo Chino | 28,207 | (108,020) | (79,813) |
| India Climate Dialogue | - | (52,579) | (52,579) |
| | 618,080 | (640,713) | (22,633) |
| TOTAL FUNDS | <u>1,060,387</u> | <u>(1,105,447)</u> | <u>(45,060)</u> |

15. RELATED PARTY DISCLOSURES

There were no related party transactions for the year ended 31st December 2016.