

Registered no: 1599377

**BRITISH CLOTHING INDUSTRY  
ASSOCIATION LIMITED**  
**(A company limited by guarantee)**  
**Annual report for the year ended**  
**31 December 2005**



**BRITISH CLOTHING INDUSTRY  
ASSOCIATION LIMITED**  
(A company limited by guarantee)

**Annual report  
for the year ended 31 December 2005**

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**Directors' report  
for the year ended 31 December 2005**

The directors present their report and the audited financial statements for the year ended 31 December 2005.

**Directors and secretary**

The Members of the Council are treated as directors for the purpose of the Companies Act 1985; they are appointed in accordance with the Articles of Association and, with the exception of the Chairman, will retire at the conclusion of the Annual General Meeting in 2007 and at the conclusion of every alternate Annual General Meeting thereafter. The directors during the year were:

D M Anderson	
M Berwin	
A H Cundey	
T Edge CBE	
C W Gurteen	
P Lucas	
C J Lushey	(resigned 8.4.05)
J McAdam CBE	
M J Mensley	(resigned 18.2.05)
J H Miln	
J M Mott	
G Mullen	(appointed 2.11.05)
K C Scates	
M L F Strzelecki	
N F Sussman CBE D Litt	
C A Taylor	
R Veitch MBE	(resigned 4.8.05)
P R Warr	(resigned 4.8.05)
M F J Watson MBE	
I P Whetherly	
J J Wilford	

The Office of President was held by N F Sussman CBE D Litt.

The Office of Chairman was held by J McAdam CBE.

The Office of Vice Chairman was held by P Lucas, J J Wilford and J H Miln (from 15.9.05)

The Office of Treasurer was held by D M Anderson.

The Office of Secretary was held by J R Wilson OBE.

Registered Office 5 Portland Place, London W1B 1PW.

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## **Principal activity and review and future developments**

The results for the year are set out in the profit and loss account and show a deficit after taxation for the year of £213,143 (2004: deficit of £193,288). This has been transferred to reserves.

The principal activity of the Association is to encourage, promote, develop and protect the clothing industry of the United Kingdom in all its constituent parts.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

## **Prior year adjustment**

The prior year adjustment relates to the company fully adopting 'FRS 17 - Retirement Benefits' in the financial statements (notes 1 & 18). The adoption of FRS 17 has resulted in an decrease in the reported profit before taxation for 2004 of £7,000. In 2005, the deficit before taxation is £3,000 higher than would have been the case had FRS 17 not been adopted.

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. The directors are also responsible for preparing financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained in the summary of accounting policies. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the next annual general meeting.

## **By order of the council**

J R Wilson OBE  
Company secretary

2006

23rd May

**Independent auditors' report to the members of  
BRITISH CLOTHING INDUSTRY  
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We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

*We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.*

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

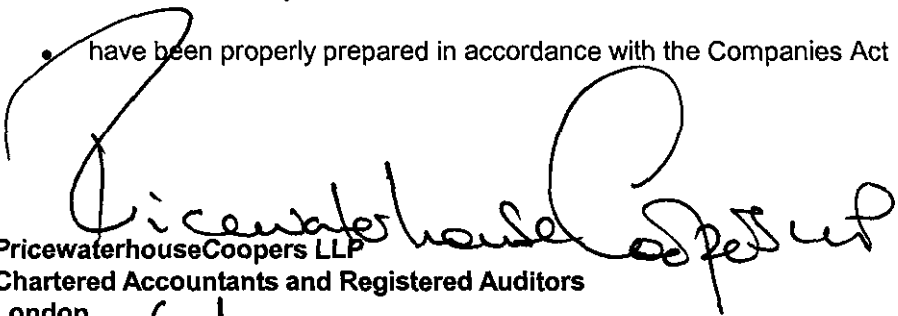
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**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

25 May 2006

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**Profit and loss account  
for the year ended 31 December 2005**

	Notes	2005 £	2004 £ (as restated)
Subscription income	2	110,257	125,029
Emap		120,000	
Secretariat income		<u>256,285</u>	<u>279,897</u>
		486,542	404,926
Administrative expenses		<u>(811,265)</u>	<u>(781,474)</u>
<b>Operating deficit</b>		<b>(324,723)</b>	<b>(376,548)</b>
Investment income	3	37,061	40,995
Net rental income	4	51,736	61,493
Profit/(Loss) on disposal of investments		31,341	(6,225)
Other finance income	17	<u>12,000</u>	<u>18,000</u>
<b>Deficit on ordinary activities before taxation</b>	7	<b>(192,585)</b>	<b>(262,285)</b>
Release of provision		4,442	64,000
Provision for bad debts		(25,000)	
Taxation on deficit on ordinary activities	8	-	4,997
<b>Deficit for the year</b>	15	<u><b>(213,143)</b></u>	<u><b>(193,288)</b></u>

**Statement of total recognised gains and losses**

	Notes	2005 £	2004 £ (as restated)
Deficit for the year	15	(213,143)	(193,288)
Actuarial loss on pension scheme	17	(2,000)	(125,000)
Revaluation of investments		<u>137,046</u>	<u>119,750</u>
Total recognised (losses) for the year		(78,097)	(198,538)
Prior year adjustment – FRS 17		<u>209,000</u>	
<b>Total losses recognised since last annual report</b>		<u><b>130,903</b></u>	

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**Note of historical cost profits and losses**

	Notes	2005 £	2004 £ (as restated)
Deficit for the year	15	(213,143)	(193,288)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amounts		<u>5,265</u>	<u>5,265</u>
<b>Historical cost deficits for the year</b>		<u><b>(207,878)</b></u>	<u><b>(188,023)</b></u>

All the above results derive from continuing operations.



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**Balance sheet  
at 31 December 2005**

	Notes	2005 £	2004 £ (as restated)
<b>Fixed assets</b>			
Tangible assets	9	4,579,410	4,478,640
Investments	10	<u>1,304,598</u>	<u>1,463,458</u>
		<u>5,884,008</u>	<u>5,942,098</u>
<b>Current assets</b>			
Debtors: Falling due within one year	11	1,152,954	1,177,530
Cash at bank and in hand		<u>2,456</u>	<u>19,549</u>
		1,155,410	1,197,079
<b>Creditors: amounts falling due within one year</b>	12	<u>(673,579)</u>	<u>(700,241)</u>
<b>Net current assets</b>		<u>481,831</u>	<u>496,838</u>
<b>Total assets less current liabilities</b>		6,365,839	6,438,936
<b>Provisions for liabilities and charges</b>	13	<u>(68,762)</u>	<u>(68,762)</u>
<b>Net assets excluding pension surplus</b>		<u>6,297,077</u>	<u>6,370,174</u>
Pension surplus	17	204,000	209,000
<b>Net assets including pensions surplus</b>		<u>6,501,077</u>	<u>6,579,174</u>
<b>Members' funds</b>			
Revaluation reserve - property	14	2,627,006	2,627,006
Revaluation reserve - investments	14	765,263	628,217
Profit and loss account	15	3,108,808	3,323,951
<b>Total members' funds</b>		<u>6,501,077</u>	<u>6,579,174</u>

The financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes were approved by the board of directors on *23rd May* 2006 and were signed on its behalf by:



N F Sussman CBE D Litt.  
President

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**Notes to the financial statements  
for the year ended 31 December 2005**

**1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However compliance with SSAP19 'Accounting for investment properties', requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the note relating to tangible fixed assets below. A summary of the more important group accounting policies is set out below, together with an explanation of where they have not been applied consistently.

**Change in accounting policies**

In November 2000, the Accounting Standards Board issued FRS17, 'Retirement benefits'.

The company has fully adopted 'FRS 17 – Retirement Benefits' in the financial statements (note 19). In prior years the company has complied with the transitional disclosure requirements of this standard. The adoption of these standards represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 17 was to increase staff costs and other finance income by £15,000 (2004: £25,000) and £12,000 (2004: £18,000) respectively, to decrease profit for the year by £3,000 (2004: £7,000) and to increase the total recognised losses by £2,000 (2004: £125,000).

**Cash flow statement**

The company qualifies as a small company under the terms of section 247 of the Companies Act 1985. Consequently it is exempt under the provisions of Financial Reporting Standard 1 (revised) from publishing a cash flow statement.

**Profit and loss account**

In order that a true and fair view should be given in these financial statements, the board have set out a profit and loss account which shows the results for the year, but in a format other than the standard formats prescribed in the Companies Act 1985.

**Tangible fixed assets**

Tangible fixed assets (except investment property) are shown at cost less depreciation.

In accordance with SSAP19, investment properties are revalued and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of freehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

Freehold property is revalued and the aggregate surplus or deficit is transferred to a revaluation reserve. Freehold property is depreciated on a straight line basis over fifty years.

Fixtures, fittings and equipment are depreciated on a straight line basis over four years.

Motor vehicles are depreciated on a straight line basis over four years.

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**Fixed asset investments**

Fixed asset investments are shown at open market value and any surplus is credited to a revaluation reserve. Any temporary diminution in value is taken to the revaluation reserve. Any permanent diminution in value is written off through the profit and loss account.

**Deferred taxation**

Full provision had been made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur.

**Pension scheme**

The company operates a defined contribution pension scheme. The costs are charged to the profit and loss account in the year in which they are incurred.

The company operates a defined benefit pension scheme for former Knitting Industries Federation staff. The scheme is now closed to new members. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary.

**Rental income**

All rental agreements are operating leases.

**2 Subscription income**

Membership subscriptions are taken into income in the year to which they relate. Amounts received by the balance sheet date in respect of future years are deferred. All income is derived from UK operations.

**3 Investment income**

	2005	2004
	£	£
Interest receivable	68,806	68,215
Interest payable	(31,745)	(27,220)
	<u>37,061</u>	<u>40,995</u>

**4 Net rental income**

	2005	2004
	£	£
Rental income	214,347	203,529
Occupancy costs	(162,611)	(142,036)
	<u>51,736</u>	<u>61,493</u>

Net rental income represents amounts receivable from third parties in respect of their occupancy of parts of the company's freehold property at 5 Portland Place, London. The members of the council consider that, through its own occupancy of the remainder of the property, the company has

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foregone the opportunity of further potential rental receipts of approximately £106,000(2004: £106,000).

**5 Directors' emoluments**

None of the directors received any emoluments or accrued any benefits under the defined benefit pension scheme for their services during the year (2004: £nil).

**6 Employee information**

The average monthly number of persons (excluding directors) employed by the company during the year was:

	2005 Number	2004 Number
Administration	<u>14</u>	<u>14</u>
	2005 £	2004 £ (as restated)
<b>Staff costs (for the above persons)</b>		
Salaries	393,431	389,595
Social security	52,132	50,981
Other pension costs	43,686	51,322
	<u>489,249</u>	<u>491,898</u>

**7 Deficit on ordinary activities before taxation**

The deficit on ordinary activities before taxation is stated after charging:

	2005 £	2004 £
Depreciation of tangible assets	20,758	18,455
Auditors' remuneration - audit fees	<u>10,900</u>	<u>9,000</u>

Fees paid to PricewaterhouseCoopers LLP for non-audit services in the UK were £5,900 (2004: £5,000). This related to tax advisory services.

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**8 Taxation on deficit on ordinary activities**

**(a) Analysis of charge in the year**

	2005	2004
	£	£
<b>Current</b>		
United Kingdom corporation tax at 30% (2004: 30%)		
<b>Deferred</b>		
Transfer to deferred taxation	-	2,799
Over provision in prior year	-	(7,796)
	<u>-</u>	<u>(4,997)</u>

**(b) Factors affecting tax charge for the year**

The tax for the year differs from than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005	2004
	£	£
		(as restated)
Deficit on ordinary activities before tax	<u>(213,143)</u>	<u>(198,285)</u>
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(63,943)	(59,486)
Effects of:		
Permanent differences	-	(2,809)
Capital allowances in excess of depreciation	-	(2,799)
Losses carried forward not recognised	63,943	62,993
Other timing differences	-	2,101
Deferred tax movement	-	-
Tax charge for the period (note 8a)	<u>-</u>	<u>-</u>

The company has accumulated tax losses carried forward of approximately £1,426,067 (2004: £1,278,264).

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**9 Tangible fixed assets**

	Investment Pr	Freehold Prop	Fixtures, fittin	Motor vehicle:	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2005	4,027,500	447,500	60,786	39,477	4,575,263
Additions		120,000	1,528		121,528
Disposals			(39,681)		(39,681)
<b>At 31 December 2005</b>	<b><u>4,027,500</u></b>	<b><u>567,500</u></b>	<b><u>22,633</u></b>	<b><u>39,477</u></b>	<b><u>4,657,110</u></b>
<b>Depreciation</b>					
At 1 January 2005	-	26,850	56,522	13,251	96,623
Charge for year		8,950	1,938	9,870	20,758
Disposals			(39,681)		(39,681)
<b>At 31 December 2005</b>		<b><u>35,800</u></b>	<b><u>18,779</u></b>	<b><u>23,121</u></b>	<b><u>77,700</u></b>
<b>Net book value</b>					
<b>At 31 December 2005</b>	<b><u>4,027,500</u></b>	<b><u>531,700</u></b>	<b><u>3,854</u></b>	<b><u>16,356</u></b>	<b><u>4,579,410</u></b>
At 31 December 2004	<u>4,027,500</u>	<u>420,650</u>	<u>4,264</u>	<u>26,226</u>	<u>4,478,640</u>

The Investment property and freehold property was re-valued at open market value as at 31 December 2004, on the basis of open market value for existing use by independent qualified valuers. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by Hutchinson Morrison Childs, a firm of independent Chartered Surveyors.

In accordance with SSAP 19 it is not necessary to perform a revaluation for the year ending 31 December 2005.

The historical cost of the property is £1,962,729.

The Directors do not consider that the value of the building has changed materially since the date of the last valuation.

**10 Investments**

	£
<b>Listed securities</b>	
Valuation at 1 January 2005	1,463,458
Sold	(295,906)
Revaluation	137,046
<b>Valuation at 31 December 2005</b>	<b><u>1,304,598</u></b>

The securities in the portfolio are listed on recognised investment exchanges.

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**11 Debtors**

	2005	2004
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	1,135,124	1,139,738
Other debtors	651	4,910
Prepayments and accrued income	17,179	32,882
	<u>1,152,954</u>	<u>1,177,530</u>

Included within Trade debtors is a balance of £971,202 (2004: £887,826) owed by the British Fashion Council. This balance is secured by a lien over the assets and trade of the British Fashion Council. The British Fashion Council has agreed to pay the amount due in three instalments. The first, for £300,000 was paid at the end of January 2006 and the second instalment is due at the end of April 2006. The date for the third and final instalment is yet to be agreed.

**12 Creditors: amounts falling due within one year**

	2005	2004
	£	£
Bank overdraft	332,197	314,657
Trade creditors	314,336	244,572
Other creditors	698	698
Taxation and social security	16,349	20,895
Accruals and deferred income	10,000	119,419
	<u>673,580</u>	<u>700,241</u>

The overdraft is secured on the investment securities.

**13 Provisions for liabilities and charges**

Deferred taxation provided in the financial statements and the total potential liability, are as follows:

	Amount provided	
	2005	2004
	£	£
Capital gain/ revaluation	126,807	126,807
Excess of tax allowances over depreciation	75,886	75,886
Corporation tax losses	(133,931)	(133,931)
	<u>68,762</u>	<u>68,762</u>

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<b>Deferred taxation</b>	£
At 1 January 2005	68,762
Other deferred tax	-
<b>At 31 December 2005</b>	<b><u>68,762</u></b>

Total unprovided deferred tax amounts to £[xxx] (2004: £518,963).

**14 Revaluation reserve**

	<b>Property</b>	<b>Investments</b>	<b>Total</b>
	£	£	£
At 1 January 2005	2,627,006	628,217	3,255,223
Revaluation in the year	-	137,046	137,046
<b>At 31 December 2005</b>	<b><u>2,627,006</u></b>	<b><u>765,263</u></b>	<b><u>3,392,269</u></b>

**15 Profit and loss account**

	£
At 1 January 2005 as restated	3,114,951
Prior year adjustment – FRS 17	209,000
<b>Profit and loss reserve as restated</b>	<b>3,323,951</b>
Actuarial loss for the year	(2,000)
Deficit for the year	(213,143)
<b>At 31 December 2005</b>	<b><u>3,108,808</u></b>

**16 Reconciliation of movement in members funds**

	<b>Members Fund</b>
	£
At 1 January 2005 as previously reported	6,370,174
Prior year adjustment – FRS 17	209,000
<b>Members funds as restated</b>	<b>6,579,174</b>
Deficit for the year	(213,143)
Recognised gains for the year	137,046
Actuarial loss on pension scheme	(2,052)
<b>At 31 December 2005</b>	<b><u>6,501,025</u></b>



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**17 Pensions and similar obligations**

The BCIA operates a defined contribution pension scheme.

The company also participates in a defined benefit pension scheme, the KIF scheme for former KIF staff, providing benefits based on final pensionable salary. The cost of both schemes was £43,686 (2004: £51,322).

The assets of the scheme are held separately from those of the company in a trustee-administered fund. The pension cost of the KIF scheme is assessed in accordance with the advice of an independent qualified actuary.

The latest actuarial valuation of the scheme in accordance with FRS17 was carried out as at 31 December 2005 (2004: 31 December 2004) by Paul Weaver & Co Actuaries & Consultants.. The principal assumptions used by the actuary were:

	2005	2004	2003
	%	%	%
Rate of increase in salaries	3.0	3.0	3.0
Rate of increase in pensions in payment	2.8	2.7	2.7
Discount rate	4.7	5.2	5.4
Inflation assumption	2.8	2.7	2.7
Deferred pension revaluation	2.8	2.7	2.7

The assets of the scheme and the expected rate of return were:

	Long-Term Rate of return expected at 31 December 2005	Value at 31 December 2005	Long-Term Rate of return expected at 31 December 2004	Value at 31 December 2004	Long-Term Rate of return expected at 31 December 2003	Value at 31 December 2003
Equities	7.5	227,470	7.6	189,000	7.8	288,000
Bonds	4.3	524,241	4.7	487,000	4.9	762,000
Other	4.8	24,336	4.7	15,000	4.9	64,000
		<u>776,047</u>		<u>691,000</u>		<u>1,114,000</u>

The following amounts at 31 December 2005 were measured in accordance with the requirements of FRS 17:

	2005	2004
	£	£
Total market value of assets	776,047	691,000
Present value of scheme liabilities	(572,099)	(482,000)
Surplus in scheme	<u>203,948</u>	<u>209,000</u>

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The following amounts have been recognised in the financial statements in the year to 31 December 2005 under the requirements of FRS 17:

	2005 £	2004 £
Charge to operating profit:		
Current service cost	<u>(15,000)</u>	<u>(25,000)</u>
Total charge	(15,000)	(25,000)
Other finance income:		
Expected return on pension scheme assets	38,000	60,000
Interest on pension scheme liabilities	<u>(26,000)</u>	<u>(42,000)</u>
Net return	12,000	18,000
Statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets	48,000	3,000
Experience gains and (losses) arising on the scheme liabilities	50,000	(115,000)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(100,000)</u>	<u>(13,000)</u>
Actuarial (loss)	(2,000)	(125,000)
	2005 £	2004 £
Movement in surplus during the year:		
Surplus in scheme at beginning of year	209,000	341,000
Movement in year:		
Current service cost	(15,000)	(25,000)
Contributions		-
Other finance income	12,000	18,000
Actuarial (losses)	<u>(2,000)</u>	<u>(125,000)</u>
Surplus in scheme at end of year	204,000	209,000

**BRITISH CLOTHING INDUSTRY  
ASSOCIATION LIMITED  
(A company limited by guarantee)**

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Details of experience gains and losses for the year to 31 December 2005:

	2005	2004
<b>Difference between the expected and actual return on scheme assets:</b>		
Amount	£	£
Percentage of present value of scheme assets	48,000	(3,000)
	6%	0%
<b>Experience gains and losses on scheme liabilities:</b>		
Amount	50,000	(115,000)
Percentage of present value of scheme liabilities	9%	(24%)
<b>Total amount recognised in statement of total recognised gains and losses:</b>		
Amount	(2,000)	(125,000)
Percentage of present value of scheme liabilities	(0)%	(26%)

**18 Limit of liability**

The liability of the Members is limited by guarantee to £1 each.