

Registered no: 1599377

**BRITISH CLOTHING INDUSTRY
ASSOCIATION LIMITED**

(A company limited by guarantee)

Annual report for the year ended

31 December 2003



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(A company limited by guarantee)

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for the year ended 31 December 2003**

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Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

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 2005 and at the conclusion of every alternate Annual General Meeting thereafter. The directors during the year were:

D M Anderson, M Berwin, C D Brewin, A H Cundey, I R Dewhirst, T C Dewhirst, T Edge CBE, C W Gurteen, A J Hughes, A J W Lewis OBE JP, G B Lodge (resigned 01.10.03), P Lucas, C J Lushey, J McAdam CBE, M J Mensley, J H Miln, J M Mott, M L F Strzelecki, N F Sussman CBE D Litt, C A G Uttley (resigned 10.6.03), R Veitch MBE, P R Warr, M F J Watson MBE, 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 C D Brewin, T C Dewhirst, A J W Lewis OBE JP, P Lucas.

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.

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 £280,231 (2002: deficit of £60,909). 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.

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Post Balance Sheet Events

It was agreed on 24 February 2004 to increase the lien granted over the trade and assets of British Fashion Council, guaranteeing financial support to the value of £950,000.

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 2003 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

7th September 2004

Report of the auditors to the members of BRITISH CLOTHING INDUSTRY ASSOCIATION LIMITED (A company limited by guarantee)

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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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.

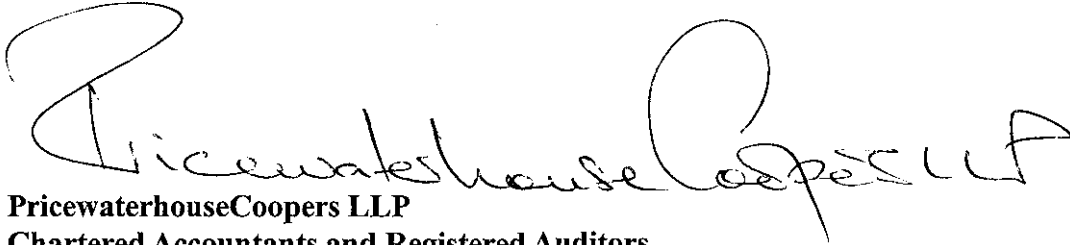
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 of the state of the Company's affairs as at 31 December 2003 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, which appears to read "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

10 September 2004

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**Profit and loss account
for the year ended 31 December 2003**

	Notes	2003 £	2002 £
Subscription income	2	169,495	250,580
Secretariat income		<u>291,850</u>	<u>255,999</u>
		461,345	506,579
Administrative expenses		<u>(826,980)</u>	<u>(847,485)</u>
Operating deficit		(365,635)	(340,906)
Release of KIF goodwill		-	215,668
Investment income	3	30,417	27,188
Net rental income	4	80,488	109,729
Loss on disposal of investments		<u>-</u>	<u>(61,787)</u>
Deficit on ordinary activities before taxation	7	(254,730)	(50,108)
Taxation on deficit on ordinary activities	8	(25,501)	(10,801)
Deficit for the year	16	<u>(280,231)</u>	<u>(60,909)</u>

Statement of total recognised gains and losses

		2003 £	2002 £
Deficit for the year	16	(280,231)	(60,909)
Revaluation of investments		183,033	(143,402)
Deferred taxation released		-	-
Total recognised loss for the year		<u>(97,198)</u>	<u>(204,311)</u>

Note of historical cost profits and losses

		2003 £	2002 £
Deficit for the year	16	(280,231)	(60,909)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amounts		5,265	5,265
Historical cost deficits for the year		<u>(274,966)</u>	<u>(55,644)</u>

All the above results derive from continuing operations.


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**Balance sheet
at 31 December 2003**

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	9	4,482,267	4,505,804
Investments	10	<u>1,349,903</u>	<u>1,166,870</u>
		<u>5,832,170</u>	<u>5,672,674</u>
Current assets			
Debtors	11	957,710	673,770
Cash at bank and in hand		<u>104,228</u>	<u>555,245</u>
		1,061,938	1,229,015
Creditors: amounts falling due within one year	13	<u>(383,637)</u>	<u>(319,521)</u>
Net current assets		<u>678,301</u>	<u>909,494</u>
Total assets less current liabilities		6,510,471	6,582,168
Provisions for liabilities and charges	14	<u>(73,759)</u>	<u>(48,258)</u>
Net assets		<u>6,436,712</u>	<u>6,533,910</u>
Members' funds			
Revaluation reserve - property	15	2,627,006	2,627,006
Revaluation reserve - investments	15	508,467	325,434
Profit and loss account	16	3,301,239	3,581,470
Total members' funds	17	<u>6,436,712</u>	<u>6,533,910</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 7th September 2004 and were signed on its behalf by:


J McAdam CBE
Chairman

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**Notes to the financial statements
for the year ended 31 December 2003**

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.

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. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

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.

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3 Investment income

	2003 £	2002 £
Interest receivable	<u>30,417</u>	<u>27,188</u>

4 Net rental income

	2003 £	2002 £
Rental income	213,495	238,465
Occupancy costs	<u>(133,007)</u>	<u>(128,736)</u>
	<u>80,488</u>	<u>109,729</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 foregone the opportunity of further potential rental receipts of approximately £106,000 (2002: £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 (2002: £nil).

6 Employee information

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

	2003 Number	2002 Number
Administration	<u>15</u>	<u>16</u>

	2003 £	2002 £
Staff costs (for the above persons)		
Salaries	393,080	403,196
Social security	50,138	42,766
Other pension costs	<u>25,298</u>	<u>25,944</u>
	<u>468,516</u>	<u>471,906</u>

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7 Deficit on ordinary activities before taxation

The deficit on ordinary activities before taxation is stated after charging/(crediting):

	2003 £	2002 £
Amortisation of goodwill	-	(215,668)
Depreciation of tangible assets	29,511	29,365
Auditors' remuneration - audit fees	<u>6,000</u>	<u>5,500</u>

Fees paid to PricewaterhouseCoopers LLP for non-audit services in the UK were £5,000 (2002: £3,100). This related to tax advisory services.

8 Taxation on deficit on ordinary activities

(a) Analysis of charge in the year

	2003 £	2002 £
Current		
United Kingdom corporation tax at 30% (2002: 30%):	-	-
Under provision in prior year	-	469
Deferred		
Transfer to deferred taxation	<u>25,501</u>	<u>10,332</u>
	<u>25,501</u>	<u>10,801</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:

	2003 £	2002 £
Deficit on ordinary activities before tax	<u>(254,730)</u>	<u>(50,108)</u>
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(76,419)	(15,032)
Effects of:		
Permanent differences (release surplus arising from KIF assets merged)	-	(64,700)
Capital allowances in excess of depreciation	1,058	3
Losses carried forward not recognised	75,361	79,729
Adjustments to tax in respect of previous years	-	469
Deferred tax movement	<u>25,501</u>	<u>10,332</u>
Tax charge for the period (note 8a)	<u>25,501</u>	<u>10,801</u>

The company has accumulated tax losses carried forward of approximately £1,083,000 (2002: £800,000).

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9 Tangible fixed asset

	Investment Property	Freehold Property	Fixtures, fittings and equipment	Motor vehicles	Total £
Cost or valuation					
At 1 January 2003	4,027,500	447,500	54,811	31,574	4,561,385
Additions	-	-	5,975	-	5,975
At 31 December 2003	4,027,500	447,500	60,786	31,574	4,567,360
Depreciation					
At 1 January 2003	-	8,950	43,169	3,462	55,581
Charge for year	-	8,950	10,937	9,624	29,511
At 31 December 2003	-	17,900	54,106	13,086	85,092
Net book value					
At 31 December 2003	4,027,500	429,600	6,680	18,488	4,482,268
At 31 December 2002	4,027,500	438,550	11,642	28,112	4,505,804

The Investment property and freehold property was valued at open market value as at 31 December 1999, 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.

This valuation was incorporated into the accounts and the resulting surplus on revaluation was taken to the revaluation reserve (see note 15).

The historical cost of the property is £1,842,729 (2002: £1,842,729).

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

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10 Investments

£

Listed securities

Valuation at 1 January 2003

1,166,870

Revaluation

183,033

Valuation at 31 December 2003

1,349,903

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

11 Debtors

	2003 £	2002 £
Amounts falling due within one year:		
Trade debtors	739,332	573,893
Other debtors	164,145	49,465
Prepayments and accrued income	54,233	50,412
	<u>957,710</u>	<u>673,770</u>

Included within Trade debtors is a balance of £620,063 (2002: £388,947) owed by the British Fashion Council. This balance is secured by a lien over the assets and trade of the British Fashion Council.

12 Industry Forum Adaptation programme

Included within Other debtors, is an amount of £140,172 (2002: £37,605) representing the current net position on the Textiles and Clothing Industry Forum Adaptation programme, in which BCIA participates as lead collaborator and agent. The balance is analysed as follows:

	2003 £	2002 £
Recoverable expenditure	1,575,082	1,000,589
Grant income from DTI	(1,085,631)	(681,382)
Contributions from other collaborators	(349,279)	(281,602)
Balance at 31 December	<u>140,172</u>	<u>37,605</u>

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13 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	298,001	237,819
Other creditors	698	698
Taxation and social security	469	-
Accruals and deferred income	84,469	81,004
	<u>383,637</u>	<u>319,521</u>

14 Provisions for liabilities and charges

	£
Deferred taxation	
At 1 January 2003	48,258
Other deferred tax	25,501
At 31 December 2003	<u>73,759</u>

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

	Amount provided		Total potential liability	
	2003 £	2002 £	2003 £	2002 £
Unrealised profit on investments	126,807	90,240	126,807	90,240
Capital gain on revaluation	-	-	799,196	799,196
Excess of tax allowances over depreciation	80,883	91,949	80,883	91,949
Corporation tax losses	(133,931)	(133,931)	(357,797)	(243,691)
	<u>73,759</u>	<u>48,258</u>	<u>649,089</u>	<u>737,694</u>

15 Revaluation reserve

	Property £	Investments £	Total £
At 1 January 2003	2,627,006	325,434	2,952,440
Revaluation in the year	-	183,033	183,033
At 31 December 2003	<u>2,627,006</u>	<u>508,467</u>	<u>3,135,473</u>

16 Profit and loss account

	£
At 1 January 2003	3,581,470
Deficit for the year	(280,231)
At 31 December 2003	<u>3,301,239</u>

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17 Reconciliation of movement in members funds

	Members Funds £
At 1 January 2003	6,533,910
Deficit for the year	(280,231)
Other recognised gains for the year	183,033
At 31 December 2003	<u>6,436,712</u>

18 Pensions and similar obligations

The BCIA operates a defined contribution pension scheme. The cost of the scheme was £25,298 (2002: £25,944).

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 the scheme was £Nil (2002: £4,101). 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 2003 (2002: 31 December 2003) by Scottish Widows Actuarial Services. The principal assumptions used by the actuary were:

	2003	2002
Rate of increase in salaries	3.0%	3.0%
Rate of increase in pensions in payment	2.7%	2.2%
Discount rate	5.4%	5.4%
Inflation assumption	2.7%	2.2%
Deferred pension revaluation	2.7%	2.2%

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

	Long-term rate of return expected at 31.12.03	Value at 31.12.03 £	Long-term rate of return expected at 31.12.02	Value at 31.12.02 £
Equities	7.8%	288,000	7.5%	235,000
Bonds	4.9%	762,000	4.7%	763,000
Other	4.9%	64,000	4.7%	174,000
		<u>1,114,000</u>		<u>1,172,000</u>

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18 Pensions and similar obligations (continued)

The following amounts at 31 December 2003 were measured in accordance with the requirements of FRS 17:

	2003	2002
	£	£
Total market value of assets	1,114,000	1,172,000
Present value of scheme liabilities	(773,000)	(747,000)
Surplus in scheme	<u>341,000</u>	<u>425,000</u>

If the amounts had been recognised in the financial statements, the group's net assets and reserves at 31 December 2003 would be as follows:

	2003	2002
	£	£
Net assets excluding pension surplus	6,436,712	6,533,910
Pension surplus	341,000	425,000
Net assets including pension surplus	<u>6,777,712</u>	<u>6,958,910</u>

The following amounts would have been recognised in the financial statements in the year to 31 December 2003 under the requirements of FRS 17:

	2003
	£
Charge to operating profit:	
Current service cost	(28,000)
Total charge	<u>(28,000)</u>
Other finance income:	
Expected return on pension scheme assets	59,000
Interest on pension scheme liabilities	(40,000)
Net return	<u>19,000</u>
Statement of total recognised gains and losses:	
Actual return less expected return on pension scheme assets	(1,000)
Experience gains and losses arising on the scheme liabilities	(45,000)
Changes in assumptions underlying the present value of the scheme liabilities	(29,000)
Actuarial gain/(loss)	<u>(75,000)</u>

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18 Pensions and similar obligations (continued)

	2003 £
Movement in surplus during the year:	
Surplus in scheme at beginning of year	425,000
Movement in year:	
Current service cost	(28,000)
Contributions	0
Other finance income	19,000
Actuarial gains/(losses)	(75,000)
Surplus in scheme at end of year	<u>341,000</u>

Details of experience gains and losses for the year to 31 December 2003:

	2003
Difference between the expected and actual return on scheme assets:	
Amount	£(1,000)
Percentage of present value of scheme assets	0%
Experience gains and losses on scheme liabilities:	
Amount	£(45,000)
Percentage of present value of scheme liabilities	6%
Total amount recognised in statement of total recognised gains and losses:	
Amount	£(75,000)
Percentage of present value of scheme liabilities	10%

There are no comparatives for the 'amounts that would have been recognised in the financial statements' and 'details of experience gains and losses' sections of the FRS17 disclosures. It has not been possible to obtain the information from the Company's actuary to make the necessary disclosures.

The trustees are considering the future operation of the scheme and so the directors consider that the additional cost of obtaining the above disclosure information outweighs any benefits from its inclusion in the annual report.

19 Limit of liability

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