

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2001



Company number 3334141

REPORT AND FINANCIAL STATEMENTS

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REPORT OF THE DIRECTORS

For the year ended 31 July 2001

The Directors present their report and audited financial statements for the year ended 31 July 2001.

Principal activities

The company delivers library services and computer services to The Arts Institute at Bournemouth and short computer courses to the local community, including businesses.

Review of business and future outlook

The company was established in March 1997 and spent the first 12 months constructing a purpose built library and learning centre to deliver its services, with trade commencing in April 1998. Since the commencement of trading, profits have increased steadily from £5,000 in the initial period 17 March 1997 to 31 July 1998 to £107,000 for the year to 31 July 2001.

Business outside the group structure is being developed but the company remains firmly committed to its main customer, The Arts Institute at Bournemouth.

Shareholders

At 31 July 2001, the company had authorised share capital of £3,000,000 of which £2,410,002 was issued to The Arts Institute at Bournemouth.

Auditors

The company's auditors are Deloitte & Touche. The reappointment of Deloitte & Touche was confirmed at the Annual General Meeting held on 6 December 2001.

Post balance sheet events

There have been no significant post balance sheet events.

Directors

The Directors who served during the period were as follows:

Ms Lindsay Hoyer Millar

Mr Stuart Bartholomew

Mr David Bradley (Resigned 6/12/00)

Ms Anke M Harris

Mr Malcolm W Liddle continued to serve as Company Secretary.

REPORT OF THE DIRECTORS (Continued)
For the year ended 31 July 2001

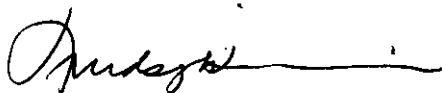
Statement of the Directors' Responsibilities

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 as at the end of the financial year and of its profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. 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.

Approved by the Board of Directors
and signed on behalf of the Board by:



LINDSAY HOYER MILLAR

Director
Date: 8th March 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIB LIBRARY LTD

We have audited the financial statements of AIB Library Ltd for the year ended 31 July 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes 1 to 23. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

Date: 20 March 2002

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2001

Basis of preparation, accounting and consolidation

These financial statements have been prepared in accordance with applicable Accounting Standards. They also take into account, as far as possible, the statement of recommended practice (SORP): *Accounting in Further & Higher Education Institutions* and LSC circular 01/04 which set out the guidelines with which the company's sole shareholder, The Arts Institute at Bournemouth, must comply.

The financial statements are prepared in accordance with the historical cost convention.

Recognition of income

Operating income is credited to the accounts in the period in which the service is delivered. All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions.

Tangible fixed assets

Assets acquired with the aid of specific grants are capitalised and depreciated in accordance with the policies set out below, with the related grant being credited to a deferred grant account and released to the income and expenditure account over the expected useful economic life of the related asset.

a. Freehold land and buildings

Freehold land and buildings are included in the balance sheet at the cost to the company. Freehold land is not depreciated but freehold buildings are depreciated over their useful economic life, estimated at 50 years. This depreciation has been applied from 1 August 1998.

Buildings under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

b. Computer and other equipment

Computer and other equipment costing less than £250 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

All equipment purchased from The Arts Institute at Bournemouth is being written off over the remaining life as listed in The Arts Institute at Bournemouth's books at the time of sale. All new equipment is depreciated on a straight line basis over its remaining useful life to the company, as follows:

Computer equipment	- 3 years
Other equipment	- 5 years *
Furniture	- 10 years

* Except where this is obviously not the case, when a unique life span will be applied. It is anticipated that this will apply only to high cost, one-off items.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 July 2001

Leased assets

The company currently owns no leased assets. However, the policy set out below will apply if at some future date such assets are purchased.

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing arrangements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the assets had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Fixed Asset Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Pension schemes

Retirement benefits to employees of the company are provided by the Local Government Superannuation Scheme (LGSS). This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. Variations from regular costs are spread over the expected average remaining working lifetime of members of the scheme after making allowances for further withdrawals. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method.

Taxation

The company is subject to corporation tax and VAT as set out in UK law.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

PROFIT & LOSS ACCOUNT
For the year ended 31 July 2001

	Notes	2001 £'000	2000 £'000
Turnover: continuing operations			
Provision of services to The Arts Institute at Bournemouth	1	680	616
Grant income	2	12	21
Other operating income	3	49	54
		<u>741</u>	<u>691</u>
Staff costs	4	171	188
Other operating expenses	6	269	280
Depreciation	9	193	180
		<u>633</u>	<u>648</u>
Operating profit: continuing operations		108	43
Covenant to parent	7	(77)	(4)
		<u>31</u>	<u>39</u>
Tax on profit on ordinary activities	8	0	0
Profit on ordinary activities after taxation	14	<u>31</u>	<u>39</u>

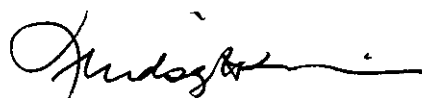
There have been no recognised gains or losses, other than the profit for the period, in either the current or the prior year. Hence, a Statement of Total Recognised Gains and Losses has not been prepared.

BALANCE SHEET

As at 31 July 2001

	Notes	£'000	2001 £'000	£'000	2000 £'000
FIXED ASSETS					
Tangible assets	9		2,300		2,499
CURRENT ASSETS					
Debtors	10	369		170	
Cash at bank and in hand		25		52	
		<u>394</u>		<u>222</u>	
CREDITORS: amounts falling due within one year					
	11	<u>(26)</u>		<u>(54)</u>	
NET CURRENT ASSETS			368		168
TOTAL ASSETS LESS CURRENT LIABILITIES			<u><u>2,668</u></u>		<u><u>2,667</u></u>
Deferred grants	12		161		191
Share capital	13		2,410		2,410
Profit and loss account	14		97		66
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u><u>2,668</u></u>		<u><u>2,667</u></u>

These financial statements were approved by the Directors on 8 March 2002 and were signed on their behalf by:



LINDSAY HOYER MILLAR

Director

CASH FLOW STATEMENT
For the year ended 31 July 2001

	Notes	2001 £'000	2000 £'000
Cash (outflow) / inflow from operating activities	17	(10)	45
Returns on investments and servicing of finance	19	1	0
Taxation		0	0
Capital expenditure and financial investment	19	(18)	(263)
Management of liquid resources		0	0
Financing		0	0
Decrease in cash		<u>(27)</u>	<u>(218)</u>

Reconciliation of net cash flow to movement in net funds

Decrease in cash in the period	18	<u>(27)</u>
Movement in net funds in period		(27)
Net funds as at 1 August 2000		52
Net funds as at 31 July 2001	18	<u>25</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2001

	2001 £'000	2000 £'000
1. PROVISION OF SERVICES TO THE ARTS INSTITUTE AT BOURNEMOUTH		
Provision of library services	483	451
Provision of computer services	182	151
Provision of other services	15	14
Total	680	616
2. GRANT INCOME		
Release of capital grant	12	21
3. OTHER OPERATING INCOME		
Short courses	7	15
Other commercial income	1	1
Other income	41	38
Total	49	54
4. STAFF COSTS		
The total number of persons (including senior post holders) employed at any time during the year by the company was 25 (2000 : 22). This figure expressed as average full-time equivalents, was:		
	number	number
Library staff	11	12
Other staff	-	1
Total	11	13
	£'000	£'000
Staff costs for the above persons were:		
Library services	171	158
Other services	0	30
Total	171	188
Wages and salaries	151	166
Social security costs	8	8
Other pension costs	12	14
Total	171	188
Employment costs for staff on permanent contracts	164	150
Employment costs for staff on short-term and temporary contracts	7	38
Total	171	188

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2001

	2001 £'000	2000 £'000
5. EMOLUMENTS OF DIRECTORS		
Emoluments (including pension contributions and benefits in kind)	<u>Nil</u>	<u>Nil</u>
6. OTHER OPERATING EXPENSES		
Administration charges levied by The Arts Institute at Bournemouth	86	81
Library costs	107	113
Computer costs	13	16
Administration and central services	11	2
Premises costs	52	57
Other income generating activities	0	11
Total	<u><u>269</u></u>	<u><u>280</u></u>
Other operating expenses include:		
Auditors' remuneration		
external audit	<u>3</u>	<u>2</u>
7. DEED OF COVENANT		
Paid net to The Arts Institute at Bournemouth	77	4
Income tax (reclaimable by The Arts Institute at Bournemouth)	-	-
Total	<u><u>77</u></u>	<u><u>4</u></u>
8. TAXATION		

The profits of the company are covenanted to its holding entity, The Arts Institute at Bournemouth, which has charitable status under the Education Act (1982). Therefore, the Directors do not believe that the Company was liable for any corporation tax arising out of its activities during the year or in the preceding periods.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2001

9. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Computer equipment £'000	Other equipment £'000	Total £'000
Cost or valuation				
At 1 August 2000	2,053	280	489	2,822
Additions	0	25	2	27
Disposals	0	(97)	0	(97)
At 31 July 2001	2,053	208	491	2,752
Depreciation				
At 1 August 2000	91	119	113	323
Charge for period	60	81	52	193
Disposals	0	(64)	0	(64)
At 31 July 2001	151	136	165	452
Net book value at 31 July 2001	1,902	72	326	2,300
Net book value at 31 July 2000	1,962	167	370	2,499
Financed by capital grant	154	5	2	161
Other	1,748	67	324	2,139
At 31 July 2001	1,902	72	326	2,300

10. DEBTORS

Amounts falling due within 1 year		
Debtors	4	11
Taxation	1	3
Amounts due from The Arts Institute at Bournemouth	364	156
Total	369	170

11. CREDITORS

Amounts falling due within 1 year		
Trade creditors	19	12
Other creditors, including taxation and social security	1	6
Accruals and deferred income	6	36
Total	26	54

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2001

	2001 £'000	2000 £'000
12. DEFERRED GRANTS		
At 1 August 2000		
Land & buildings	159	139
Equipment	32	44
	-----	-----
	191	183
	=====	=====
Transfers		
Land & buildings	0	25
Equipment	(18)	4
	-----	-----
	(18)	29
	=====	=====
Released to profit and loss account		
Land & buildings	(5)	(5)
Equipment	(7)	(16)
	-----	-----
	(12)	(21)
	=====	=====
At 31 July 2001		
Land & buildings	154	159
Equipment	7	32
	-----	-----
Total	161	191
	=====	=====

13. CALLED UP SHARE CAPITAL

Authorised:		
Ordinary shares of £1 each	3,000	3,000
	=====	=====
Called up, allotted and fully paid:		
Ordinary shares of £1 each	2,410	2,410
	=====	=====

On incorporation, the authorised share capital was 100 £1 ordinary shares of which 2 were issued for cash to the subscribers. In January 1999 the authorised share capital was increased to 3,000,000 £1 ordinary shares and a further 2,410,000 shares were issued at par for cash to The Arts Institute at Bournemouth.

14. PROFIT AND LOSS ACCOUNT

At 1 August 2000	66	27
Profit on continuing operations after depreciation of assets at valuation (see page 6)	31	39
	-----	-----
At 31 July 2001	97	66
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2001

	2001 £'000	2000 £'000
15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Opening shareholders' funds	2,476	2,437
Net addition to shareholders' funds	107	39
	-----	-----
Closing shareholders' funds	2,583	2,476
	=====	=====

16. PENSIONS AND OTHER SIMILAR OBLIGATIONS

The Company's employees belong to the Local Government Superannuation Scheme (LGSS) which is a defined benefit and funded scheme.

The assets are held in separate trustee administered funds. The pension cost is assessed every three years in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuation of the scheme was as at 31 March 1998. The assumptions that have the most significant effect on the valuations and other relevant data are as follows:

Nominal annual rate of return on investments	7.50%
Nominal annual rate of increase in salaries	5.25%
Nominal annual rate of increase in pensions	5.25%
Market value of the assets at the date of last valuation	£738m

The actuarial value of the assets represented 93.4% of the accrued liabilities of the scheme assessed on an ongoing basis.

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES

Profit on continuing operations after depreciation of assets at valuation	107	39
Depreciation (note 9)	193	180
Deferred capital grants released to income (note 12)	(12)	(21)
Loss on disposal of tangible fixed assets	6	0
Increase in debtors	(275)	(33)
Decrease in creditors	(28)	(120)
Interest receivable	(1)	0
	-----	-----
Net cash (outflow) / inflow from operating activities	(10)	45
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2001

18. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2000 £'000	Cashflows £'000	At 31 July 2001 £'000
Cash in hand, at bank	52	(27)	25
Total	52	(27)	25

	2001 £'000	2000 £'000
19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT		
Returns on investments and servicing of finance		
Interest received	1	0
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(27)	(292)
Sales of tangible fixed assets	27	29
Deferred capital grants transferred to parent	(18)	0
Net cash outflow for capital expenditure and financial investment	(18)	(263)

20. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

21. CAPITAL COMMITMENTS

The company had £nil outstanding capital commitments as at 31 July 2001 (2000 : £nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2001

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained within FRS8 not to disclose related party transactions as its parent company produces consolidated accounts which are publicly available. Copies of the consolidated accounts are available from:

The Arts Institute at Bournemouth
Wallisdown
Poole
Dorset
BH12 5HH

23. ULTIMATE CONTROLLING PARTY

The Arts Institute at Bournemouth is the ultimate controlling party through its interest in the share capital of the company.