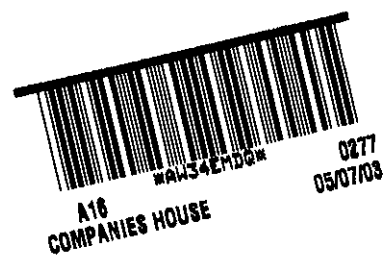


RAND Europe Cambridge Limited

Annual report

for the year ended 30 September 2002

Registered no. 2728021



RAND Europe Cambridge Limited

Annual report for the year ended 30 September 2002

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RAND Europe Cambridge Limited

Directors and advisors

Directors

H F Gunn	(resigned 6 June 2003)
H Barbas	(appointed 6 June 2003)
M van der Mandele	(appointed 6 June 2003)

Secretary and registered office

S E Dixon
c/o Legal Surfing Limited
11 Sturton Street
Cambridge
CB1 2SN

Registered auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers

ABN Amro Bank
250 Bishopsgate
London
EC2M 4AA

Directors report for the year ended 30 September 2002

The directors present their report and the audited financial statements for the year ended 30 September 2002.

Principal activities

The profit and loss account is set out on page 6.

The principal activities of the company are the provision of transport consultancy services.

Review of business and future developments

The directors are satisfied with the results for the year. Negotiations were completed during the first months of 2001 between the parent company Hague Consulting Group B.V. and RAND Europe about a possible merger between both companies. Following the merger HCG UK Limited was renamed RAND Europe Cambridge Limited on 17 January 2002.

Dividends and transfers to the reserves

The directors do not recommend the payment of a dividend (2001: £nil). The loss for the year ended 30 September 2002 of £ 75,772 (period ended 30 September 2001: profit of £ 373) will be transferred to reserves.

Directors

The directors of the company at 30 September 2002 are listed below:

H.F. Gunn

Directors' interests

No directors held any shares in the company at 30 September 2002.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

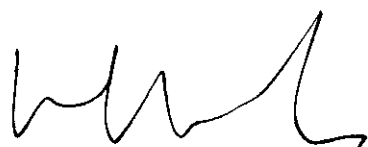
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

By order of the board



H Barbas
Director

RAND Europe Cambridge Limited

Independent auditors' report to the members of RAND Europe Cambridge Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet 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 in to 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Cambridge, 25 June 2003.

RAND Europe Cambridge Limited

Profit and loss account for the year ended 30 September 2002

		Year ended 30 September 2002 £	Period 1 January 2001 to 30 September 2001 £
	Notes		
Turnover - continuing operations	2	545,753	200,859
Cost of sales - continuing operations		(305,210)	(96,715)
Gross profit		240,543	104,144
Net operating expenses - continuing operations	3	(317,103)	(103,010)
Operating (loss)/profit - continuing operations		(76,560)	1,134
Interest receivable and similar income		-	26
(Loss)/profit on ordinary activities before taxation	6	(76,560)	1,160
Tax on (loss)/profit on ordinary activities	7	788	(787)
(Loss)/profit for the financial period	14,15	(75,772)	373

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

RAND Europe Cambridge Limited

Balance sheet as at 30 September 2002

	Notes	2002 £	2001 £
Fixed assets			
Intangible assets	8	3,900	5,850
Tangible assets	9	68,654	7,947
		<u>72,554</u>	<u>13,797</u>
Current assets			
Debtors	10	331,840	209,521
Cash at bank and in hand		15,974	42,023
		<u>347,814</u>	<u>251,544</u>
Creditors: amounts falling due within one year	11	<u>(534,693)</u>	<u>(303,894)</u>
Net current liabilities		<u>(186,879)</u>	<u>(52,350)</u>
Net liabilities		<u>(114,325)</u>	<u>(38,553)</u>
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account	14	<u>(114,327)</u>	<u>(38,555)</u>
Equity shareholders' deficit	15	<u>(114,325)</u>	<u>(38,553)</u>

The financial statements on pages 6 to 16 were approved by the board of directors on
12 June 2003 and were signed on its behalf by:


H Barbas
Director

Notes to the financial statements for the year ended 30 September 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been reviewed by the board of directors in accordance with Financial Reporting Standard ('FRS') 18, "Accounting Policies" and have been applied consistently, except in the case of FRS 19 "Deferred tax" which has been adopted for the first time this year, are set out below.

Basis of accounting

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

Going concern

The company continues to trade with the support of RAND Corporation, which has confirmed that it will continue to supply finance to the company to enable it to continue at its present level of activity for at least the next twelve months. For this reason, the directors consider it appropriate to prepare the accounts on a going concern basis.

Cash flow statement

The company has taken the exemption afforded by Financial Reporting Standard No 1 (revised) from publishing a cash flow statement on the basis that the company qualifies as a small company.

Tangible fixed assets

The cost of the tangible fixed assets is their purchase cost, together with any incidental cost of acquisition.

Depreciation is calculated so as to write off the cost of the tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates for this purpose are:

Fixtures and fittings	20 – 33 %
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Intangible fixed assets

Development expenditure relating to specific projects intended for commercial exploitation is carried forward as intangible fixed assets. Such expenditure is amortised against future projects over their expected useful life, which is normally a period of five years.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the period end. Foreign exchange differences arising during the period and on retranslation at the period end are taken to the profit and loss account in the period in which they arise.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied and the value of work done on contracts once their outcome can be assessed with reasonable certainty.

Long term contracts

Turnover on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts.

Deferred taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

The adoption of FRS19 this year has not resulted in any adjustments.

Pension scheme arrangements

The company contributes to the individual pension schemes of certain employees. The pension cost is the amount of contributions payable in the year.

RAND Europe Cambridge Limited

2 Turnover

The analysis of turnover by geographical area is set out below:

	Year ended 30 September 2002 £	Period 1 January 2001 to 30 September 2001 £
UK	425,592	81,170
Europe	110,432	35,675
Australia	7,185	71,599
Israel	1,020	12,415
Others	1,524	-
	<u>545,753</u>	<u>200,859</u>

3 Net operating expenses

	Year ended 30 September 2002 £	Period 1 January 2001 to 30 September 2001 £
Continuing expenses		
Administrative expenses	<u>317,103</u>	<u>103,010</u>

4 Directors' emoluments

	Year ended 30 September 2002 £	Period 1 January 2001 to 30 September 2001 £
Emoluments (including pension contributions and benefits in kind)	<u>-</u>	<u>-</u>

None of the directors received any benefits from the company during the year.

RAND Europe Cambridge Limited

5 Employee information

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

	Year ended 30 September 2002 Number	Period 1 January 2001 to 30 September 2001 Number
By activity		
Consultancy	8	3
Administration	1	1
	<u>9</u>	<u>4</u>
	2002	2001
	£	£
Staff costs (for the above persons)		
Wages and salaries	274,547	67,648
Social security costs	27,526	6,329
Other pension costs	21,352	3,357
	<u>323,425</u>	<u>77,334</u>

6 (Loss)/profit on ordinary activities before taxation

	Year ended 30 September 2002 £	Period 1 January 2001 to 30 September 2001 £
(Loss)/profit on ordinary activities before taxation is stated after charging :		
Depreciation charge for the year:		
- Tangible owned fixed assets	10,324	4,373
Amortisation of intangible assets	1,950	1,950
Auditors' remuneration for audit services	3,600	2,500
Auditors' remuneration for other services	2,500	2,000
Hire of other assets - operating leases	<u>57,000</u>	<u>28,000</u>

RAND Europe Cambridge Limited

7 Taxation

Tax on (loss)/profit on ordinary activities:

	Year ended 30 September 2002 £	Period 1 January 2001 to 30 September 2001 £
United Kingdom corporation tax charge at 5% (2001: 10%)		
Current	(3)	787
Under/over provision in respect of prior years:		
Current	(785)	-
	<u>(788)</u>	<u>787</u>

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 30 September 2002 £	Period 1 January 2001 to 30 September 2001 £
(Loss)/profit on ordinary activities before tax	<u>(76,560)</u>	<u>1,160</u>
Profit on ordinary activities multiplied by starting rate in the UK 5% (2001: 10%)	(3,828)	116
Effects of:		
Expenses not deductible for tax purposes	1,038	1,573
Accelerated capital allowances and other timing differences	2,787	(902)
Adjustments to tax charge in respect of previous period	(785)	-
	<u>(788)</u>	<u>787</u>

RAND Europe Cambridge Limited

8 Intangible fixed assets

	Development costs £
Cost	
At 1 October 2001 and 30 September 2002	32,500
Amortisation	
At 1 October 2001	26,650
Charge for the year	1,950
At 30 September 2002	28,600
Net book value at 30 September 2002	3,900
Net book value at 30 September 2001	5,850

9 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 October 2001	46,879
Additions	71,031
At 30 September 2002	117,910
Depreciation	
At 1 October 2001	38,932
Charge for the year	10,324
At 30 September 2002	49,256
Net book value at 30 September 2002	68,654
Net book value at 30 September 2001	7,947

RAND Europe Cambridge Limited

10 Debtors

	2002	2001
	£	£
Amounts falling due within one year		
Trade debtors	80,968	76,957
Other debtors	63,662	19,246
Amounts recoverable on contracts	184,404	111,300
Corporation tax recoverable	2,806	2,018
	331,840	209,521

11 Creditors

Amounts falling due within one year

	2002	2001
	£	£
Trade creditors	56,423	34,772
Other taxation and social security	-	2,398
Amounts owed to fellow companies	423,653	240,172
Accruals and deferred income	48,193	25,765
VAT payable	6,424	-
Corporation tax payable	-	787
	534,693	303,894

RAND Europe Cambridge Limited

12 Deferred taxation

The amounts of unrecognised deferred tax (assets)/liabilities are as follows:

	Amount unrecognised 2002 £	Amount unrecognised 2001 £
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	4,095	(933)
Losses	(16,438)	-
Short term timing differences	(2,068)	690
	(14,411)	(243)

13 Called up share capital

	2002 £	2001 £
Authorised		
100,000 ordinary shares of £ 1 each	100,000	100,000
Allotted, called up and fully paid		
2 ordinary shares of £ 1 each	2	2

14 Profit and loss account

	£
At 1 October 2001	(38,555)
Loss for the year	(75,772)
At 30 September 2002	(114,327)

RAND Europe Cambridge Limited

15 Reconciliation of movements in shareholders' deficit

	2002	2001
	£	£
Opening shareholders' deficit	(38,553)	(38,926)
(Loss)/profit for the financial period	(75,772)	373
Closing shareholders' deficit	<u>(114,325)</u>	<u>(38,553)</u>

16 Financial commitments

At 30 September 2002 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2002	2001
	Land and buildings	Land and buildings
	£	£
Within one year	57,000	-
Within two to five years	-	28,000
Over five years	-	-
	<u>-</u>	<u>-</u>

17 Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exemption available under FRS8 (related party transactions) not to disclose transactions with other group companies.

The company has received funding from RAND Europe, a charity based in Holland. This funding totalled £423,653 at the year end.

18 Ultimate parent company

The immediate parent undertaking is RAND Europe (UK), a charitable company registered in England.

As at 30 September 2002, the directors regard RAND Corporation, a charity in the USA as the ultimate controlling party. Copies of RAND Corporation's financial statements can be obtained from Stichting RAND Europe, Newtonweg 1, 2333 CP Leiden, The Netherlands.