RAND Europe Cambridge Limited

Annual report

for the year ended 30 September 2011

Registered no. 2728021

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Annual report
for the year ended 30 September 2011

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Directors and advisors

Directors

J C Grant
J A Thomson
R Fallon
H Pung
I McEwan
F Kelly

Secretary and registered office

I McEwan
Westbrook Centre
Milton Road
Cambridge
CB4 1YG

Registered auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers

Barclays Bank plc
Bene't Street
Cambridge
CB2 3PZ

Directors' report for the year ended 30 September 2011

The directors present their annual report and the audited financial statements for the year ended 30 September 2011

Principal activities

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

Review of business and future developments.

The results for the year are set out in the profit and loss account on page 8

This entity is run as a not for profit organisation Primarily the entity is based in Cambridge in the UK, but also operates an office in Brussels Revenues grew from £6 4 million in 2010 to £6 5 million in 2011, which was combined with a tight management of costs With a strong backlog of work in progress and increasing proposal opportunities, the outlook for the next financial year is encouraging

Following a meeting of the Trustees of Rand Europe, the decision has been taken to convert Rand Europe Cambridge Limited into a Community Interest Company Whilst a date for the transition to the new vehicle has yet to be determined the directors anticipate that this will be in the coming financial year No adjustments to the results or assets of this company have been necessary as a consequence of this decision

The directors have received confirmation of continued support from the RAND Corporation and consider the company to remain a going concern

The directors consider the principal operations, risks and uncertainties and key performance indicators to be materially the same as the parent company, the RAND Corporation Accordingly, the development, performance, and position of the company along with the principal risks are included in the RAND Corporation annual report, which does not form part of this report

Dividends and transfers to the reserves

The directors do not recommend the payment of a dividend (2010: £nil) The loss for the year ended 30 September 2011 of £210,420 (2010 £15,913) will increase the accumulated deficit carried forward

Directors' report for the year ended 30 September 2011 (continued)

Financial risk management

The directors consider, given the size of the company, the financial risks that are material for assessment of the company are limited to credit and currency risk. Responsibility for monitoring financial risk management is in the hands of the Board

Credit risk
On account of the largely public sector customer base, the company considers this a relatively low risk area The company has, however, implemented policies that require appropriate credit checks on potential customers before sales are made

Currency risk
The company does not currently use financial instruments to hedge its exposures to fluctuations in foreign exchange rates as a substantial natural hedge exists between its costs and revenues from European operations

Directors

The directors of the company who served during the whole of the financial year ended 30 September 2011 and up until the date of approval of the financial statements, unless otherwise stated were as listed below

J C Grant
J A Thomson (resigned 1 November 2011)
M Rich (appointed 1 November 2011)
R Fallon
H Pung
I McEwan
F Kelly (appointed 4 October 2010)

Directors' report for the year ended 30 September 2011 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

Statement on disclosure of information to the auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware

Each director has taken all the steps (such as inquiries of other directors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent Auditors

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force The auditors PricewaterhouseCoopers LLP will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which copies of this report and accounts are sent to members unless a resolution is passed under Section 511 of the Companies Act 2006 to the effect that their appointment be brought to an end

By order of the Board, date 15/12/2011

I McEwan
Company Secretary

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

We have audited the financial statements of RAND Europe Cambridge Limited for the year ended 30 September 2011 which comprise the Profit and Loss account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Simon Ormiston (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
20 December 2011

Profit and loss account for the year ended 30 September 2011

	Note	2011	2010
		£	£
Turnover	2	**6,521,847**	6,429,503
Cost of sales		**(1,662,985)**	(1,199,216)
Gross profit		**4,858,862**	5,230,287
Administrative expenses		**(5,022,848)**	(5,202,091)
Operating (loss) / profit		**(163,986)**	28,196
Interest payable and similar charges	3	**(46,434)**	(44,109)
Loss on ordinary activities before taxation	6	**(210,420)**	(15,913)
Taxation	7	-	-
Loss for the financial year	14, 15	**(210,420)**	(15,913)

All results above relate to continuing operations.

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 material difference between the loss on ordinary activities before taxation and the retained loss for the years stated above, and their historical cost equivalents

Balance sheet as at 30 September 2011

	Note	2011 £	2010 £
Fixed assets			
Tangible assets	8	**326,692**	357,462
Current assets			
Debtors	9	**3,096,628**	2,122,363
Cash at bank and in hand		**318,710**	623,273
		3,415,338	2,745,636
Creditors amounts falling due within one year	10	**(2,507,401)**	(1,910,374)
Net current assets		**907,937**	835,262
Total assets less current liabilities		**1,234,629**	1,192,724
Creditors amount falling due after more than one year	11	**(1,546,436)**	(1,294,111)
Net liabilities		**(311,807)**	(101,387)
Capital and reserves			
Called up share capital	13	**2**	2
Profit and loss account	14	**(311,809)**	(101,389)
Total shareholders' deficit	15	**(311,807)**	(101,387)

The financial statements on pages 8 to 18 were approved by the board of directors, authorised for issue and were signed on its behalf by.

J C Grant
Director

20/12/2011

I McEwan
Director

20/12/2011

RAND Europe Cambridge Limited
Registered number 2728021

Notes to the financial statements for the year ended 30 September 2011

1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006 and 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", have been applied consistently and are set out below

Basis of accounting
The financial statements have been prepared in accordance with the historical cost convention

Going concern
The directors have obtained confirmation from the ultimate controlling party, RAND Corporation, that adequate funding will continue to be made available to enable the company to discharge its liabilities as they fall due and to enable it to continue at its present level of activity for at least the next twelve months With this support in place, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to reclassify fixed assets as current assets and to provide for further liabilities that may arise

Cash flow statement
As RAND Europe Cambridge Limited is a wholly owned subsidiary and its results are included within the consolidated financial statements of the ultimate holding company, RAND Corporation, which are publicly available, advantage has been taken of the exemption available under FRS 1 (revised 1996), "Cash flow statements", from the presentation of a cash flow statement

Tangible fixed assets and depreciation
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation The cost of the tangible fixed assets is their purchase cost, together with any incidental cost of acquisition Items over £350 are capitalised

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

Leasehold improvements	over the length of the lease plus extension already agreed with landlord
IT equipment, fixtures and fittings	20 – 25 % pa

1 Principal accounting policies (continued)

Financial instruments
The company does not have any financial instruments, other than debtors, creditors and cash Due to the short term nature of these balances, the company considers the fair value of these items to equal the carrying value

Foreign currencies
Monetary 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

Foreign currency transactions are translated at the exchange rate prevalent at the date of transaction Differences arising during the period are taken to the profit and loss account

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 value of work done on contracts once their outcome can be assessed with reasonable certainty and the recharge of out-of-pocket expenses

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

Cost of sales
Cost of sales includes cost of subcontractors and out-of-pocket expenses recharged to clients All staff costs are recorded as operating expenses

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" 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 substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Pension scheme arrangements
The company operates a defined contribution pension scheme. Contributions payable by the company to the scheme are charged to the profit and loss account

2 Turnover

The company has only one class of business The analysis of turnover by geographical area is set out below

	2011 £	2010 £
UK	**2,775,733**	3,546,715
Europe	**2,792,020**	1,899,862
Rest of the world	**954,094**	982,926
	6,521,847	6,429,503

3 Interest payable and similar charges

	2011 £	2010 £
Group interest	**46,434**	44,109
	46,434	44,109

4 Directors' emoluments

	2011 £	2010 £
Emoluments (excluding pension contributions)	**338,911**	313,376
Company contributions paid to money purchase pension scheme	**23,223**	22,439
Members of money purchase pension schemes	**3**	3
The amounts in respect of the highest paid director are as follows		
Aggregate emoluments	**141,130**	143,910
Company contributions paid to money purchase pension scheme	**9,230**	9,652

5 Employee information

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

	2011 Number	2010 Number
By activity		
Consultancy	**53**	51
Administration	**17**	16
	70	67

Staff costs (for the above persons)	2011 £	2010 £
Wages and salaries	**2,643,015**	2,639,174
Social security costs	**286,831**	308,715
Other pension costs	**205,263**	182,786
	3,135,109	3,130,675

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:	2011 £	2010 £
Depreciation charge for the year.		
- Tangible owned fixed assets	**99,831**	66,468
Auditors' remuneration		
- audit services	**26,022**	24,506
fees payable for other services		
- tax compliance	**5,100**	3,600
Hire of other assets – operating leases	**298,184**	302,760

7 Taxation

Tax on loss on ordinary activities

	2011	2010
	£	£
United Kingdom corporation tax charge at 20% (2010 21%)		
Current tax charge	-	-

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

	2011	2010
	£	£
Loss on ordinary activities before tax	**(210,420)**	(15,913)
Loss on ordinary activities multiplied by the starting rate of corporation tax in the UK of 20% (2010 21%)	**(42,084)**	(3,342)
Effects of		
Expenses not deductible for tax purposes	**2,229**	4,092
Accelerated capital allowances and other timing differences	**(82)**	(7,811)
Losses carried forward	**39,937**	7,061
	-	-

A number of changes to the UK corporation tax system were announced in the 23 March 2011 budget On 29 March 2011 a reduction in the main rate of corporation tax to 26% from 1 April 2011 was substantively enacted and the reduction to 25% from 1 April 2012 was substantively enacted on 5 July 2011 Further reductions of 1% per annum thereafter to reduce the rate to 23% by 1 April 2014 were announced As these further changes had not been substantively enacted at the balance sheet date, they have accordingly not been included in these financial statements

8 Tangible fixed assets

	Leasehold improvements £	IT equipment, fixtures and fittings £	Total £
Cost			
At 1 October 2010	322,232	219,866	542,098
Additions	2,750	66,823	69,573
Disposals	-	(848)	(848)
At 30 September 2011	**324,982**	**285,841**	**610,823**
Accumulated depreciation			
At 1 October 2010	104,886	79,750	184,636
Charge for the year	44,009	55,822	99,831
Disposals	-	(336)	(336)
At 30 September 2011	**148,895**	**135,236**	**284,131**
Net book value			
At 30 September 2011	**176,087**	**150,605**	**326,692**
At 30 September 2010	217,346	140,116	357,462

9 Debtors

	2011 £	2010 £
Amounts falling due within one year		
Trade debtors	**1,127,412**	740,933
Other debtors	**238,163**	242,879
Amounts recoverable on contracts	**1,731,053**	1,138,551
	3,096,628	2,122,363

10 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	**660,967**	269,492
Amounts owed to group undertakings	**953,344**	625,100
Other taxation and social security	**126,640**	206,042
Accruals and deferred income	**174,072**	454,584
Payments on account	**592,378**	355,156
	2,507,401	1,910,374

Amounts owed to group undertakings are repayable on demand and are interest free

11 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Amounts owed to group undertakings	**1,546,436**	1,294,111
	1,546,436	1,294,111

Amounts owed to group undertakings were formalised under a loan agreement dated 12 January 2007. The loan together with any interest thereon is repayable after 12 months notice and the interest rate is LIBOR + 2 5% per annum payable quarterly Prior to 12 January 2007 no interest was due on the amount outstanding

12 Deferred taxation

An analysis of the company's unrecognised deferred tax assets and liabilities is provided below Deferred tax assets have not been recognised within these financial statements because there is insufficient certainty of recoverability The potential deferred tax liability was not provided on the grounds that the effect of so doing was immaterial

	2011 £	2010 £
Accelerated capital allowances	**(27,963)**	(25,905)
Other short term timing differences	**5,002**	3,286
Losses	**55,571**	16,416
	32,610	(6,203)

13 Called up share capital

	2011	2010
	£	£
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 reconciliation

	2011	2010
	£	£
At 1 October	**(101,389)**	(85,476)
Loss for the financial year	**(210,420)**	(15,913)
At 30 September	**(311,809)**	(101,389)

15 Reconciliation of movements in shareholders' deficit

	2011	2010
	£	£
Loss for the financial year	**(210,420)**	(15,913)
Opening shareholders' deficit	**(101,387)**	(85,474)
Closing shareholders' deficit	**(311,807)**	(101,387)

16 Financial commitments

At 30 September 2011 the company had annual commitments under non-cancellable operating leases for land and buildings as follows

	2011	2010
	£	£
Within two to five years	**249,302**	249,302
	249,302	249,302

17 Pensions

The company operates a defined contribution pension scheme for its employees The assets of the scheme are held separately from those of the company in an independently administered fund

The total pension cost for the year was £205,263 (2010 £182,786). At 30 September 2011 £25,012 (2010 £15,649) of contributions remained outstanding

18 Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exemption available under FRS 8 "Related party disclosures" not to disclose transactions with other group companies

19 Ultimate parent company

The immediate parent undertaking is RAND Europe, a charitable company registered in England RAND Europe is the parent undertaking of the smallest group of undertakings to consolidate these financial statements The consolidated financial statements of RAND Europe can be obtained from Companies House

As at 30 September 2011, the directors regard RAND Corporation, a charity registered in the USA, as the ultimate parent and controlling party RAND Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 September 2011 Copies of RAND Corporation's financial statements can be obtained from RAND Europe Cambridge Limited, Westbrook Centre, Milton Road, Cambridge, CB4 1YG