

Lionbridge (UK) Limited

**Directors' report and financial
statements**

Registered number 1295207

For the year ended 31 December 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of Lionbridge (UK) Limited is the provision of technical writing, translation and interpretation services

Review of the business and future prospects

Turnover during the year increased by 7% as the company returned to profit by winning new accounts and delivered higher gross margins

Business performance monitors

Key Performance Indicators (KPI's) are used throughout the business to monitor, control and optimise performance. KPI's include turnover growth, gross profit and operating profit. The company also analyses non-financial information such as customer feedback.

Risks and uncertainties

The company operates in a global market and therefore is exposed to competitive, general commercial and currency fluctuations risks.

Dividends

The directors do not propose to pay a dividend (2006 £Nil)

Directors

The directors who served during the year were as follows

I Middlemiss
CJ Wedgwood
P Doherty
R Cowan

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



I Middlemiss
Secretary

Copthall Terrace
Coventry
CV1 2FP

10 September 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Lionbridge (UK) Limited

We have audited the financial statements of Lionbridge (UK) Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

Independent auditors' report to the members of Lionbridge (UK) Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

10 September 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	2	9,745	9,138
Cost of sales		(7,381)	(7,060)
		<hr/>	<hr/>
Gross profit		2,364	2,078
Administrative expenses		(2,212)	(2,339)
		<hr/>	<hr/>
Operating profit/(loss)		152	(261)
Other interest receivable and similar income	6	17	11
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	3	169	(250)
Tax on profit/(loss) on ordinary activities	7	(83)	59
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation and for the financial year	13	86	(191)
		<hr/>	<hr/>

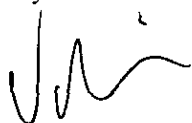
The company had no recognised gains or losses in either the current or preceding year other than the results shown above

All results relate to continuing operations

Balance sheet
at 31 December 2007

	<i>Note</i>	2007	2006
		£000	£000
Fixed assets			
Tangible assets	8	83	85
Current assets			
Debtors	9	6,493	10,396
Cash at bank and in hand		339	500
		6,832	10,896
Creditors Amounts falling due within one year	10	(5,028)	(9,180)
Net current assets		1,804	1,716
Net assets		1,887	1,801
Capital and reserves			
Called up share capital	12	1,549	1,549
Profit and loss account	13	338	252
Shareholders' funds	14	1,887	1,801

These financial statements were approved by the board of directors on 10 September 2008 and were signed on its behalf by



I Middlemiss
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

At 31 December 2006 the inter-company balances for which confirmations had not been obtained were intra-group creditors totalling £5,535,000 and intra-group debtors totalling £4,017,000

On 1 January 2007, all of the previously unreconciled intra-group balances were netted off and recorded simultaneously in the local Lionbridge books. The net effect for the UK was an intra-group creditor with a fellow Lionbridge subsidiary

Turnover

Turnover represents the sales value of work done and is recorded net of value added tax

Long term contracts

The amount of profit attributable to the stage of completion of long term contracts is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Tangible fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over the expected useful life as follows:

Computer equipment	-	3-5 years
Plant and machinery	-	3-5 years
Fixtures and fittings	-	3-5 years

Research and development

All development expenditure is written off to the profit and loss account in the period in which it is incurred.

Pension costs

The company operates a contributory money purchase personal pension scheme. The assets of the scheme are held separately from those of the company in a separately administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Related party transactions

As the company is a wholly owned subsidiary of Lionbridge Technologies Inc, the company has taken advantage of the exemption contained in FRS 8 "Related party disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Lionbridge Technologies Inc, within which this company is included, can be obtained from the address given in note 17.

Cash flow statement

Under FRS 1 "Cash flow statements", the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

2 Turnover

The analysis of turnover by geographical area is as follows:

	2007 £000	2006 £000
United Kingdom	7,039	6,343
Africa and Asia	82	170
Rest of Europe	2,458	2,206
United States of America	166	419
	<hr/> 9,745 <hr/>	<hr/> 9,138 <hr/>

The directors consider that the company operates in one business segment.

Notes (continued)

3 Notes to the profit and loss account

	2007 £000	2006 £000
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation of tangible fixed assets	61	119
Rentals payable under operating leases		
Plant and machinery	36	49
Land and buildings	160	174
Net foreign exchange expense	48	73
<i>Auditors remuneration</i>		
Audit of these financial statements including audit of financial statements of the ultimate UK parent undertaking	26	27
	<u> </u>	<u> </u>

4 Directors' remuneration

	2007 £000	2006 £000
Emoluments for services as directors	155	277
Company contributions to money purchase pension schemes	10	15
	<u> </u>	<u> </u>
	165	292
	<u> </u>	<u> </u>
		Number
Number of directors to whom benefits are accruing under money purchase pension schemes	2	3
	<u> </u>	<u> </u>

The aggregate of emoluments to the highest paid director was £85,907 (2006 £98,439) and company pension contributions of £5 366 (2006 £5,859) were made to a money purchase scheme on his behalf

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Management and administration	25	25
Technical and production staff	155	140
	<u>180</u>	<u>165</u>

The aggregate payroll costs of these persons are as follows

	£000	£000
Wages and salaries	4,929	4,457
Social security costs	490	455
Other pension costs (see note 16)	53	61
	<u>5,472</u>	<u>4,973</u>

6 Other interest receivable and similar income

	2007	2006
	£000	£000
Bank interest receivable	<u>17</u>	<u>11</u>

Notes (continued)

7 Tax on profit/(loss) on ordinary activities

Analysis of charge/(credit) in year

	2007	2006
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	6	-
Adjustments in respect of prior years	-	5
Total current tax	6	5
<i>Deferred tax (see note 11)</i>		
Origination/reversal of timing differences	71	(57)
Adjustment in respect of previous years	(14)	(7)
Adjustment in respect of tax rate changes	20	-
	77	(64)
Tax on profit/(loss) on ordinary activities	83	(59)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2006 higher) than the standard rate of corporation tax in the UK (30% (2006 30%)). The differences are explained below

	2007	2006
	£000	£000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	169	(250)
Current tax at 30% (2006 30%)	51	(75)
<i>Effects of</i>		
Expenses not deductible for tax purposes	25	18
Capital allowances for year (in excess of)/less than depreciation	(30)	36
(Utilisation of tax losses)/increase in losses carried forward	(40)	35
Decrease in other timing differences	-	(14)
Adjustments to tax charge in respect of previous years	-	5
Total current tax charge (see above)	6	5

Factors that may affect future charges

The corporation tax rate applicable to the company changed from 30% to 28% on 1 April 2008

Notes (continued)

8 Tangible assets

	Computer equipment	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost				
At beginning of year	-	1,020	384	1,404
Additions	49	9	1	59
Disposals	-	(13)	(9)	(22)
Transfers	1 186	(952)	(234)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,235	64	142	1,441
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	-	1,019	300	1,319
Charge for the year	50	7	4	61
Disposals	-	(13)	(9)	(22)
Transfers	1 128	(967)	(161)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,178	46	134	1,358
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2007	57	18	8	83
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	-	1	84	85
	<hr/>	<hr/>	<hr/>	<hr/>

9 Debtors

	2007 £000	2006 £000
Trade debtors	1,871	1,573
Amounts recoverable on contracts	409	506
Amounts owed by group undertakings	3,834	7,862
Deferred tax asset (see note 11)	278	355
Other debtors	1	2
Prepayments and accrued income	100	98
	<hr/>	<hr/>
	6,493	10 396
	<hr/>	<hr/>

Notes (continued)

10 Creditors Amounts falling due within one year

	2007 £000	2006 £000
Payments received on account	660	466
Trade creditors	227	278
Amounts owed to group undertakings	3,284	7 586
Taxation and social security	486	414
Accruals and deferred income	371	436
	<u>5,028</u>	<u>9 180</u>
Taxation and social security comprises		
VAT creditor	330	282
Social security and payroll taxes	150	132
Corporation tax	6	-
	<u>486</u>	<u>414</u>

11 Deferred taxation

	Deferred tax asset £000
At beginning of year	355
Charge to the profit and loss account	(77)
At end of year	<u>278</u>

The amounts provided for deferred taxation are set out below

	2007 £000	2006 £000
Difference between accumulated depreciation and capital allowances	111	270
Other timing differences	3	9
Trading losses carried forward	164	76
	<u>278</u>	<u>355</u>

The deferred tax assets of £278,000 (2006 £355,000) will be used against future trading profits of the company

12 Share capital

	2007 £000	2006 £000
<i>Authorised, allotted, issued and fully paid</i>		
1 549 049 ordinary shares of £1 each	<u>1,549</u>	<u>1 549</u>

Notes (continued)

13 Profit and loss account

	£000
At beginning of year	252
Profit for the financial year	86
	<hr/>
At end of year	338
	<hr/>

14 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit/(loss) for the financial year being the net addition to/(reduction in) shareholders' funds	86	(191)
Shareholders' funds at beginning of the year	1,801	1,992
	<hr/>	<hr/>
Shareholders' funds at end of the year	1,887	1,801
	<hr/>	<hr/>

15 Annual commitments under operating leases

The company had annual commitments under non cancellable operating leases as follows

	Land and buildings		Other	
	2007 £000	2006 £000	2007 £000	2006 £000
Operating leases which expire				
Within one year	18	11	14	1
Within two to five years	83	106	9	34
	<hr/>	<hr/>	<hr/>	<hr/>
	101	117	23	35
	<hr/>	<hr/>	<hr/>	<hr/>

16 Pensions

The company operates a contributory money purchase personal pension scheme. Contributions made by the company to this scheme are charged against the profit and loss account as they accrue. The amount outstanding at the year end was £11,218 (2006 £11,956).

Notes *(continued)*

17 Ultimate holding company and parent companies

The company is a wholly owned subsidiary undertaking of Technical Publications Management Services Limited, a company incorporated in Great Britain

The company's ultimate UK holding company is Lionbridge Investments (UK) Limited, a company incorporated in Great Britain

The ultimate holding company and ultimate controlling party is Lionbridge Technologies, Inc, a company incorporated in the USA. Copies of the consolidated financial statements of Lionbridge Technologies, Inc are available from

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