

Lionbridge (UK) Limited

**Directors' report and financial
statements**

Registered number 1295207

For the year ended 31 December 2012

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activities

The principal activity of Lionbridge (UK) Limited is the provision of technical writing services

Review of the business and future prospects

Turnover for the year increased to £10,716,000 (2011 £9,539,000) and profitability also improved on the previous period. This was encouraging given current economic and trading conditions which remain challenging for all businesses. With new projects coming on stream in 2013 and the growth potential for our key accounts, the directors remain optimistic about future prospects.

Business performance monitors

Key Performance Indicators (KPIs) are used throughout the business to monitor, control and optimise performance. KPIs 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. The company manages such risks by seeking to build long-term relationships with large customer organisations and by staying focused on market conditions.

Dividends

The directors do not propose the payment of a dividend (2011 £Nil)

Directors

The directors who served during the year were as follows:

| | |
|--------------|-----------------------------|
| I Middlemiss | (resigned 28 February 2012) |
| CJ Wedgwood | |
| R Cowan | |
| C Voisey | (appointed 18 April 2012) |

Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office

Approved by the board of directors and signed on its behalf by



C Voisey
Director

Enterprise Centre
Coventry University Technology Park
Puma Way
Coventry
CV1 2TT

23 September 2013

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).

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 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 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 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
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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

We have audited the financial statements of Lionbridge (UK) Limited for the year ended 31 December 2012 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

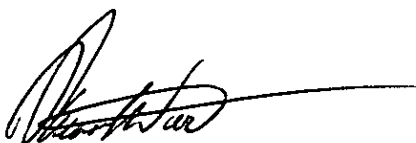
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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



Stuart Wood (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

23 September 2013

Profit and loss account
for the year ended 31 December 2012

| | <i>Note</i> | 2012 £000 | 2011 £000 |
|--------------------------------------------------------------------------------|-------------|----------------------------|----------------------------|
| Turnover | 2 | 10,716 | 9,539 |
| Cost of sales | | (8,784) | (7,788) |
| | | <hr/> | <hr/> |
| Gross profit | | 1,932 | 1,751 |
| Administrative expenses | | (1,773) | (1,621) |
| | | <hr/> | <hr/> |
| Operating profit | | 159 | 130 |
| Interest payable | 6 | (81) | (55) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | 3 | 78 | 75 |
| Tax on profit on ordinary activities | 7 | (37) | (40) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation and for the financial year | 13 | 41 | 35 |
| | | <hr/> | <hr/> |

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

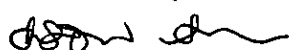
All results relate to continuing operations

The notes on pages 8 to 15 form part of these financial statements

Balance sheet
at 31 December 2012

| | <i>Note</i> | 2012 £000 | £000 | 2011 £000 | £000 |
|------------------------------------------------------|-------------|----------------------------|---------------------|----------------------------|---------------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 155 | | 179 |
| Current assets | | | | | |
| Debtors | 9 | 11,498 | | 9,313 | |
| Cash at bank and in hand | | 167 | | 367 | |
| | | <u>11,665</u> | | <u>9,680</u> | |
| Creditors Amounts falling due within one year | 11 | <u>(9,789)</u> | | <u>(7,869)</u> | |
| Net current assets | | | <u>1,876</u> | | <u>1,811</u> |
| Net assets | | | <u><u>2,031</u></u> | | <u><u>1,990</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | 1,549 | | 1,549 |
| Profit and loss account | 13 | | 482 | | 441 |
| Shareholders' funds | 14 | | <u><u>2,031</u></u> | | <u><u>1,990</u></u> |

These financial statements were approved by the board of directors on 23 September 2013 and were signed on its behalf by



C Voisey
Director

Company number 1295207

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

The company has financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the directors' report on page 1

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 | - | 2-5 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 other wholly owned entities which form part of the group. 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:

| | 2012 £000 | 2011 £000 |
|--------------------------|---------------|--------------|
| United Kingdom | 1,877 | 1,825 |
| Africa and Asia | 160 | 161 |
| Rest of Europe | 3,212 | 2,296 |
| United States of America | 5,467 | 5,257 |
| | <u>10,716</u> | <u>9,539</u> |

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

Notes (continued)

3 Notes to the profit and loss account

| | 2012 £000 | 2011 £000 |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i> | | |
| Depreciation of tangible fixed assets | 112 | 99 |
| Rentals payable under operating leases | | |
| Plant and machinery | 24 | 27 |
| Land and buildings | 241 | 222 |
| Net foreign exchange (gain)/loss | - | (19) |
| <i>Auditor's remuneration</i> | | |
| Audit of these financial statements | 25 | 24 |
| Taxation compliance services | 7 | 7 |
| | <u> </u> | <u> </u> |

4 Directors' remuneration

| | 2012 £000 | 2011 £000 |
|---------------------------------------------------------|-------------------|-------------------|
| Emoluments for services as directors | 195 | 232 |
| Company contributions to money purchase pension schemes | 10 | 10 |
| Compensation for loss of office | 66 | - |
| | <u> </u> | <u> </u> |
| | 271 | 242 |
| | <u> </u> | <u> </u> |

| | Number | |
|----------------------------------------------------------------------------------------|-------------------|-------------------|
| Number of directors to whom benefits are accruing under money purchase pension schemes | 2 | 2 |
| | <u> </u> | <u> </u> |

Benefits in kind of £7 000 (2011 £8,000) have been included in the emoluments figure

Information regarding the highest paid director is as follows

| | 2012 £000 | 2011 £000 |
|---------------------------------------------------------|-------------------|-------------------|
| Emoluments for services as directors | 121 | 152 |
| Company contributions to money purchase pension schemes | 5 | 5 |
| | <u> </u> | <u> </u> |
| | 126 | 157 |
| | <u> </u> | <u> </u> |

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 | |
|--------------------------------|---------------------|------------|
| | 2012 | 2011 |
| Management and administration | 24 | 26 |
| Technical and production staff | 202 | 174 |
| | <u>226</u> | <u>200</u> |

The aggregate payroll costs of these persons are as follows

| | 2012 £000 | 2011 £000 |
|-----------------------------------|--------------|--------------|
| Wages and salaries | 6,707 | 6 092 |
| Social security costs | 702 | 637 |
| Other pension costs (see note 16) | 68 | 70 |
| | <u>7,477</u> | <u>6 799</u> |

6 Interest payable

| | 2012 £000 | 2011 £000 |
|-------|--------------|--------------|
| Group | <u>81</u> | <u>55</u> |

7 Tax on profit on ordinary activities

Analysis of charge in year

| | 2012 £000 | £000 | 2011 £000 | £000 |
|--------------------------------------------|--------------|-----------|--------------|-----------|
| <i>UK corporation tax</i> | | | | |
| Current tax on income for the year | <u>-</u> | | <u>-</u> | |
| Total current tax | | - | | - |
| <i>Deferred tax (see note 10)</i> | | | | |
| Origination/reversal of timing differences | 21 | | 23 | |
| Adjustment in respect of tax rate changes | <u>16</u> | | <u>17</u> | |
| | | 37 | | 40 |
| Tax on profit on ordinary activities | | <u>37</u> | | <u>40</u> |

Notes (continued)

7 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

| | 2012 £000 | 2011 £000 |
|-------------------------------------------------------------------|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 78 | 75 |
| | <hr/> | <hr/> |
| Current tax at 24.5% (2011 26.5%) | 19 | 20 |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | 3 | 2 |
| Capital allowances for year less than/(in excess) of depreciation | 3 | (20) |
| Utilisation of tax losses | (22) | (8) |
| Increase in other timing differences | (3) | 6 |
| | <hr/> | <hr/> |
| Total current tax charge (see above) | - | - |
| | <hr/> | <hr/> |

Deferred tax asset

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

8 Tangible assets

| | Computer equipment | Plant and machinery | Fixtures and fittings | Total |
|-----------------------|-----------------------|------------------------|-----------------------------|-------|
| | £000 | £000 | £000 | £000 |
| <i>Cost</i> | | | | |
| At beginning of year | 684 | 35 | 49 | 768 |
| Additions | 70 | 4 | 16 | 90 |
| Disposals | (41) | (12) | - | (53) |
| At end of year | 713 | 27 | 65 | 805 |
| <i>Depreciation</i> | | | | |
| At beginning of year | 534 | 20 | 35 | 589 |
| Charge for the year | 104 | 3 | 5 | 112 |
| Disposals | (39) | (12) | - | (51) |
| At end of year | 599 | 11 | 40 | 650 |
| <i>Net book value</i> | | | | |
| At 31 December 2012 | 114 | 16 | 25 | 155 |
| At 31 December 2011 | 150 | 15 | 14 | 179 |

9 Debtors

| | 2012 £000 | 2011 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 1,078 | 625 |
| Amounts recoverable on contracts | 635 | 547 |
| Amounts owed by group undertakings | 9,441 | 7 750 |
| Other debtors | 71 | 106 |
| Deferred tax asset (see note 10) | 172 | 209 |
| Prepayments and accrued income | 101 | 76 |
| | 11,498 | 9 313 |

10 Deferred taxation

| | Deferred tax asset £000 |
|---------------------------------------|-------------------------------|
| At beginning of year | 209 |
| Charge to the profit and loss account | (37) |
| At end of year | 172 |

Notes (continued)

10 Deferred taxation (continued)

The elements of deferred taxation are set out below

| | 2012 £000 | 2011 £000 |
|--------------------------------------------------------------------|--------------|--------------|
| Difference between accumulated depreciation and capital allowances | 32 | 31 |
| Other timing differences | 18 | 23 |
| Trading losses carried forward | 122 | 155 |
| | <hr/> | <hr/> |
| Deferred tax asset (see note 9) | 172 | 209 |
| | <hr/> | <hr/> |

11 Creditors. Amounts falling due within one year

| | 2012 £000 | 2011 £000 |
|----------------------------------------|--------------|--------------|
| Payments received on account | 160 | 467 |
| Trade creditors | 346 | 429 |
| Amounts owed to group undertakings | 8,741 | 6,445 |
| Taxation and social security | 245 | 208 |
| Accruals and deferred income | 297 | 320 |
| | <hr/> | <hr/> |
| | 9,789 | 7,869 |
| | <hr/> | <hr/> |
| Taxation and social security comprises | | |
| Social security and payroll taxes | 245 | 208 |
| | <hr/> | <hr/> |

12 Share capital

| | 2012 £000 | 2011 £000 |
|----------------------------------------|--------------|--------------|
| <i>Allotted, issued and fully paid</i> | | |
| 1,549,049 ordinary shares of £1 each | 1,549 | 1,549 |
| | <hr/> | <hr/> |

13 Profit and loss account

| | £000 |
|-------------------------------|-------|
| At beginning of year | 441 |
| Profit for the financial year | 41 |
| | <hr/> |
| At end of year | 482 |
| | <hr/> |

Notes (continued)

14 Reconciliation of movements in shareholders' funds

| | 2012 £000 | 2011 £000 |
|-----------------------------------------------------------------------------|--------------|--------------|
| Profit for the financial year being the net addition to shareholders' funds | 41 | 35 |
| Shareholders' funds at beginning of the year | 1,990 | 1,955 |
| Shareholders' funds at end of the year | 2,031 | 1,990 |

15 Annual commitments under operating leases

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

| | Land and buildings 2012 £000 | 2011 £000 | Other 2012 £000 | 2011 £000 |
|-------------------------------|------------------------------------|--------------|-----------------------|--------------|
| Operating leases which expire | | | | |
| Within one year | 4 | - | - | 2 |
| Within two to five years | 227 | 194 | 12 | 11 |
| | <u>231</u> | <u>194</u> | <u>12</u> | <u>13</u> |

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 £14,440 (2011 £13,200)

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. which include the results of the company are available from

1050 Winter Street
Suite 2300
Waltham, MA 02451
USA