

Lionbridge (UK) Limited

**Directors' report and financial
statements**

Registered number 1295207

For the year ended 31 December 2008

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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 in the year reduced by 13% as the translation business commenced a transition to another Lionbridge Technologies Inc. subsidiary. This transition will continue during 2009. Profitability in the year increased, however, as a result of a reduction in administration expenses. Regarding 2009 prospects, new technical writing business won during early 2009 is likely to compensate for the translation business turnover that is being transferred.

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. The company operates in a global market and therefore is exposed to competitive, general, commercial and currency fluctuation 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 to pay a dividend (2007: £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.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors 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:


I Middlemiss
Secretary

Copthall Terrace
Coventry
CV1 2FP

23 October 2009

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 2008 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 Director's Report and 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 2008 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

27 October 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	8,437	9,745
Cost of sales		(6,602)	(7,381)
		<hr/>	<hr/>
Gross profit		1,835	2,364
Administrative expenses		(1,662)	(2,212)
		<hr/>	<hr/>
Operating profit		173	152
Other interest receivable and similar income	6	32	17
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	205	169
Tax on profit on ordinary activities	7	(68)	(83)
		<hr/>	<hr/>
Profit on ordinary activities after taxation and for the financial year	13	137	86
		<hr/> <hr/>	<hr/> <hr/>

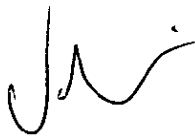
The company had no recognised gains or losses in either the current or preceding year other than the results shown above.

All results relate to continuing operations.

Balance sheet
at 31 December 2008

	<i>Note</i>	2008 £000	2007 £000	2007 £000	2007 £000
Fixed assets					
Tangible assets	8		62		83
Current assets					
Debtors	9	6,134		6,493	
Cash at bank and in hand		40		339	
		<u>6,174</u>		<u>6,832</u>	
Creditors: Amounts falling due within one year	10	<u>(4,212)</u>		<u>(5,028)</u>	
Net current assets			<u>1,962</u>		<u>1,804</u>
Net assets			<u>2,024</u>		<u>1,887</u>
Capital and reserves					
Called up share capital	12	1,549		1,549	
Profit and loss account	13	475		338	
Shareholders' funds	14	<u>2,024</u>		<u>1,887</u>	

These financial statements were approved by the board of directors on 23 October 2009 and were signed on its behalf by:



I Middlemiss
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	-	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:

	2008 £000	2007 £000
United Kingdom	5,740	7,039
Africa and Asia	57	82
Rest of Europe	2,275	2,458
United States of America	365	166
	<hr/> 8,437 <hr/>	<hr/> 9,745 <hr/>

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

Notes (continued)

3 Notes to the profit and loss account

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation of tangible fixed assets	49	61
Rentals payable under operating leases:		
Plant and machinery	33	36
Land and buildings	172	160
Net foreign exchange expense	(115)	48
<i>Auditors remuneration</i>		
Audit of these financial statements including audit of financial statements of the ultimate UK parent undertaking	27	26

4 Directors' remuneration

	2008 £000	2007 £000
Emoluments for services as directors	182	155
Company contributions to money purchase pension schemes	10	10
	192	165
	Number	
Number of directors to whom benefits are accruing under money purchase pension schemes	2	2

The aggregate of emoluments to the highest paid director was £98,435 (2007: £85,907) and company pension contributions of £5,366 (2007: £5,366) 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	
	2008	2007
Management and administration	26	25
Technical and production staff	152	155
	<u>178</u>	<u>180</u>

The aggregate payroll costs of these persons are as follows:

	£000	£000
Wages and salaries	4,807	4,929
Social security costs	506	490
Other pension costs (see note 16)	61	53
	<u>5,374</u>	<u>5,472</u>

6 Other interest receivable and similar income

	2008	2007
	£000	£000
Bank interest receivable	<u>32</u>	<u>17</u>

7 Tax on profit on ordinary activities

Analysis of charge in year

	2008		2007	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	<u>9</u>		<u>6</u>	
Total current tax		9		6
<i>Deferred tax (see note 11)</i>				
Origination/reversal of timing differences	80		71	
Adjustment in respect of previous years	(20)		(14)	
Adjustment in respect of tax rate changes	<u>(1)</u>		<u>20</u>	
		59		77
Tax on profit on ordinary activities		<u>68</u>		<u>83</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 (2007: lower) than the standard rate of corporation tax in the UK (28.5% (2007: 30%)). The differences are explained below:

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	205	169
	<hr/>	<hr/>
Current tax at 28.5% (2007: 30%)	59	51
<i>Effects of:</i>		
Expenses not deductible for tax purposes	31	25
Capital allowances for year in excess of depreciation	(17)	(30)
Utilisation of tax losses	(64)	(40)
	<hr/>	<hr/>
Total current tax charge (see above)	9	6
	<hr/>	<hr/>

Factors that may affect future charges

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

8 Tangible assets

	Computer equipment £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost</i>				
At beginning of year	1,235	64	142	1,441
Additions	28	-	-	28
Disposals	(696)	(22)	(19)	(737)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	567	42	123	732
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	1,178	46	134	1,358
Charge for the year	40	5	4	49
Disposals	(696)	(22)	(19)	(737)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	522	29	119	670
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2008	45	13	4	62
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	57	18	8	83
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Debtors

	2008 £000	2007 £000
Trade debtors	1,375	1,871
Amounts recoverable on contracts	479	409
Amounts owed by group undertakings	3,999	3,834
Deferred tax asset (see note 11)	219	278
Other debtors	1	1
Prepayments and accrued income	61	100
	<u>6,134</u>	<u>6,493</u>

10 Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Payments received on account	295	660
Trade creditors	135	227
Amounts owed to group undertakings	3,207	3,284
Taxation and social security	344	486
Accruals and deferred income	231	371
	<u>4,212</u>	<u>5,028</u>

Taxation and social security comprises:

VAT creditor	188	330
Social security and payroll taxes	147	150
Corporation tax	9	6
	<u>344</u>	<u>486</u>

11 Deferred taxation

	Deferred tax asset £000
At beginning of year	278
Charge to the profit and loss account	(59)
	<u>219</u>
At end of year	<u>219</u>

Notes (continued)

11 Deferred taxation (continued)

The amounts provided for deferred taxation are set out below:

	2008 £000	2007 £000
Difference between accumulated depreciation and capital allowances	94	111
Other timing differences	4	3
Trading losses carried forward	121	164
	<u>219</u>	<u>278</u>

The deferred tax assets of £219,000 (2007: £278,000) will be used against future trading profits of the company.

12 Share capital

	2008 £000	2007 £000
Authorised, allotted, issued and fully paid: 1,549,049 ordinary shares of £1 each	<u>1,549</u>	<u>1,549</u>

13 Profit and loss account

	£000
At beginning of year	338
Profit for the financial year	137
	<u>475</u>
At end of year	<u>475</u>

14 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial year being the net addition to shareholders' funds	137	86
Shareholders' funds at beginning of the year	1,887	1,801
	<u>2,024</u>	<u>1,887</u>
Shareholders' funds at end of the year	<u>2,024</u>	<u>1,887</u>

Notes (continued)

15 Annual commitments under operating leases

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

	Land and buildings		Other	
	2008	2007	2008	2007
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	40	18	5	14
Within two to five years	66	83	24	9
	<u>106</u>	<u>101</u>	<u>29</u>	<u>23</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 £12,280 (2007: £11,218).

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:

1050 Winter Street
 Suite 2300
 Waltham, MA 02451
 USA