

City Legal Translations International Limited

Directors' Report and Financial Statements

30 June 1998

Registered Number 1924124



City Legal Translations International Limited

Directors' report and financial statements

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City Legal Translations International Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 1998.

Business review and results

The principal activities of the Company comprise the provision of professional translations.

The profit on ordinary activities before taxation amounted to £71,846 (1997: £32,730). After taxation and dividends, a profit of £956 (1997: £8,124) was transferred to reserves.

The results for the year are set out on page 4 of the financial statements.

Dividends

The Directors propose a final dividend of £56,000 (1997: £15,300).

Directors

The Directors who served during the year were:

D H Immanuel (Chairman)

A R Horn

R Rubio

City Legal Translations International Limited

Directors' report *(continued)*

Directors' interests

No Director held any interests in the shares of the Company.

D H Immanuel, A R Horn and R Rubio are Directors of the Company's holding company, Intereurope Technology Services plc, and their interests are disclosed in the Report of the Remuneration Committee of that company for the year ended 30 June 1998.

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 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 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.

Year 2000 Compliance

Year 2000 compliance issues are being considered, including issues connected with suppliers and customers. The estimated costs of compliance are not considered material to the Company and will be treated as normal revenue expenditure or capitalised in accordance with the Company's usual accounting policies as appropriate.

A task force has been established to ensure as far as possible that the Company is Year 2000 compliant within the required timescale. The task force reports progress regularly to the Board.

This report was approved by the Board of Directors on 23 February 1999


A R Horn
Secretary

21-23 East Street
Fareham
Hampshire PO16 0BZ

City Legal Translations International Limited

Report of the auditors to the members of City Legal Translations International Limited.

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of Directors and Auditors

As described on page 2, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 as at 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

11 March 1999

Dukes Keep
Marsh Lane
Southampton
Hampshire
SO14 3EX

City Legal Translations International Limited

Profit and loss account for the year ended 30 June 1998

	Note(s)	Year ended 30 June 1998 £	1 January 1997 to 30 June 1997 £
Turnover	2	347,292	137,065
Cost of sales		<u>(160,133)</u>	<u>(54,499)</u>
Gross profit		187,159	82,566
Administrative expenses	3,5,6	<u>(115,313)</u>	<u>(49,836)</u>
Profit on ordinary activities before taxation		71,846	32,730
Taxation on profit on ordinary activities	4	<u>(14,890)</u>	<u>(9,306)</u>
Profit on ordinary activities after taxation		56,956	23,424
Dividends paid and proposed on equity shares		<u>(56,000)</u>	<u>(15,300)</u>
Retained profit for the period		956	8,124
Retained profit brought forward		<u>9,406</u>	<u>1,282</u>
Retained profit carried forward		<u>10,362</u>	<u>9,406</u>

There are no recognised gains or losses other than the profit for the period as reported above. There is also no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents. All the above results relate to continuing activities.

City Legal Translations International Limited

Balance sheet

at 30 June 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Tangible assets	7		9,564		27,445
Current assets					
Debtors	8	64,625		29,153	
Cash at bank and in hand		20,254		6,059	
		<u>84,879</u>		<u>35,212</u>	
Creditors: amounts falling due within one year	9	<u>(83,081)</u>		<u>(52,251)</u>	
Net current assets/(liabilities)			<u>1,798</u>		<u>(17,039)</u>
Net assets			<u>11,362</u>		<u>10,406</u>
Capital and reserves					
Called up share capital	11	1,000		1,000	
Profit and loss account		<u>10,362</u>		<u>9,406</u>	
Equity shareholder's funds	12		<u>11,362</u>		<u>10,406</u>

These financial statements were approved by the Board of Directors on 23 February 1999 and were signed on its behalf by:


A R Horn

Director

City Legal Translations International Limited

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 under the historical cost convention, in accordance with applicable accounting standards.

Related Party Transactions

As the Company is a wholly-owned subsidiary undertaking of Intereurope Technology Services plc, the Company has taken advantage of the exemption contained in FRS 8 and has, therefore, not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Intereurope Technology Services plc, within which this Company is included, may be obtained from that Company's registered office at 21-23 East Street, Fareham, Hampshire PO16 0BZ.

Depreciation

Depreciation is provided by the Company so as to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Equipment, fixtures and fittings	-	3 to 5 years
Software	-	2 years
Motor vehicles < 4 years old at purchase date	-	4 years
Motor vehicles > 4 years old at purchase date	-	2 years

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation under the liability method only to the extent that it is probable that an actual liability will crystallise.

Leases

Assets held under finance lease and the related lease obligations are recorded in the balance sheet at the fair value of the leased asset at the inception of the lease. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental charges on operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

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Notes (continued)

Pension scheme

Pension costs are charged to the profit and loss account so as to recognise the cost of pensions on a systematic and rational basis over employees' working lives.

Cash flow statement

The Company has taken advantage of the exemption available under FRS1 (revised 1996) not to prepare a cash flow statement as its parent undertaking, Intereurope Technology Services plc, has prepared a consolidated cash flow statement.

2 Turnover

The Company has only one class of business, that of professional translators and all turnover was to UK customers.

3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is arrived at after charging the following:

	Year ended 30 June 1998	6 months ended 30 June 1997
	£	£
Interest on hire purchase agreements	-	948
Depreciation	9,604	3,369
Auditors' remuneration - audit	1,200	1,000
- non audit	840	-

4 Taxation

The charge in the profit and loss account is calculated as follows:

	Year ended 30 June 1998	6 months ended 30 June 1997
	£	£
Corporation tax 21% (1997 32.05%)	5,727	9,306
Group relief at 31% (1997: 31%)	13,620	-
Adjustment relating to an earlier year	(4,457)	-

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Notes *(continued)*

5 Directors' emoluments

In the opinion of the Directors, it is not practicable to apportion emoluments among the various Directorships within the Group. Accordingly, the emoluments of D H Immanuel (Chairman) and A R Horn who were also directors of Intereurope Technology Services plc, are reported in the financial statements of that company.

6 Employee numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Year ended 30 June 1998	6 months ended 30 June 1997
	£	£
Management and administrative staff	<u>5</u>	<u>2</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 1998	6 months ended 30 June 1997
	£	£
Wages and salaries	38,610	16,571
Social security costs	2,882	2,159
Other pension costs (see note 15)	336	1,218
	<u>41,828</u>	<u>22,107</u>

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Notes (continued)

7 Tangible fixed assets

	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost			
As at 1 July 1997	48,980	26,350	75,330
Additions	1,439	-	1,439
Disposals	(28,421)	(26,350)	(54,771)
	<hr/>	<hr/>	<hr/>
At 30 June 1998	21,998	-	21,998
	<hr/>	<hr/>	<hr/>
Depreciation			
As at 1 July 1997	31,251	16,634	47,885
Disposals	(28,421)	(16,634)	(45,055)
Charge for year	9,604	-	9,604
	<hr/>	<hr/>	<hr/>
At 30 June 1998	12,434	-	12,434
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 1998	9,564	-	9,564
	<hr/>	<hr/>	<hr/>
At 30 June 1997	17,729	9,716	27,445
	<hr/>	<hr/>	<hr/>

At 30 June 1998 there was no capital expenditure contracted for (1997: £nil).

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Notes (continued)

8 Debtors

	30 June 1998	30 June 1997
	£	£
Trade debtors	63,940	28,153
Sundry debtors	582	1,000
Prepayments	104	-
	<u>64,626</u>	<u>29,153</u>

9 Creditors: amounts falling due within one year

	30 June 1998	30 June 1997
	£	£
Trade creditors	39,807	18,798
Amounts owed to group undertakings	34,639	1,614
Other creditors including taxation and social security:		
Corporation tax	5,727	14,286
Other taxation	504	7,606
Social security	590	547
Hire purchase agreements	-	4,946
Accruals and deferred income	1,814	4,454
	<u>83,081</u>	<u>52,251</u>

Amounts owed to group undertakings are unsecured, interest-free and are repayable on demand.

10 Deferred taxation

At 30 June 1998 the company had a deferred tax asset of £577 (1997: £765) which has not been reflected in these financial statements.

	30 June 1998	30 June 1997
	£	£
Accelerated capital allowances	<u>577</u>	<u>765</u>

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Notes *(continued)*

11 Share capital

	Authorised £	Allotted, called up and fully paid £
At 30 June 1998 and 30 June 1997		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12 Reconciliation of movement in shareholder's funds

	Year ended 30 June 1998 £	6 months ended 30 June 1997 £
Profit for the period	56,956	23,424
Dividends	<u>(56,000)</u>	<u>(15,300)</u>
Net addition to shareholder's funds	956	8,124
Opening shareholder's funds at beginning of period	<u>10,406</u>	<u>2,282</u>
Closing equity shareholder's funds at end of period	<u>11,362</u>	<u>10,406</u>

13 Ultimate parent undertaking

The Company's ultimate parent undertaking is Intereurope Technology Services plc, which is registered in England, and the financial statements of which may be obtained from the Company's registered office.

The Company's results are included in the group financial statements of Intereurope Technology Services plc which is the only group undertaking to prepare group financial statements.

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Notes *(continued)*

14 Contingent Liabilities

The Company is party to a group VAT registration with certain other group undertakings. At 30 June 1998, the contingent liability relating thereto amounted to £12,386 (1997: £nil).

15 Pension Costs

The Company, together with its parent undertaking and fellow subsidiary undertakings, operates a contributory defined benefit pension scheme for the majority of their permanent employees. Liabilities and future funding rates are assessed in accordance with the advice of independent actuaries. The latest actuarial valuation of the scheme was undertaken on 6 April 1997. Full details are disclosed in the financial statements of Intereurope Technology Services plc.