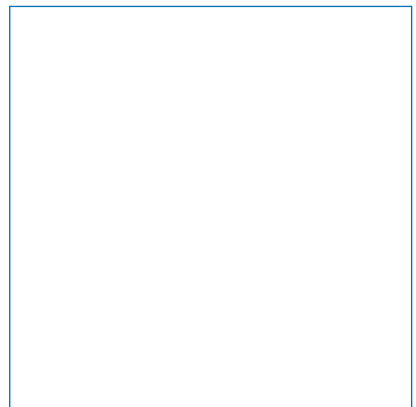
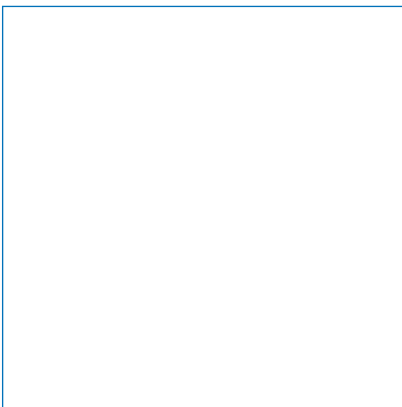
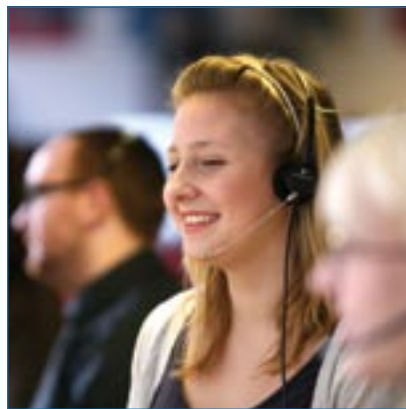




Delivering managed procurement and business critical services



Annual Report and Accounts **2008**

## Delivering managed procurement and business critical services

“Over the last 18 months, we have laid the foundations to transform office2office plc (o2o) into a leading managed services business focused on four brands – Banner Business Services, Accord, AccessPlus and Banner Document Services. Our aim is to deliver first rate service to our customers through managed procurement and business critical services.”

**S R Moate**

Chief Executive

25 February 2009

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The maintenance and integrity of the office2office website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Financial Highlights

	2008	2007
Revenue	£181.0m	£167.9m
Underlying profit before tax*	£12.1m	£11.6m
Profit before tax	£9.6m	£9.0m
Basic earnings per share	18.5p	17.4p
Net (debt)/funds	£(29.7)m	£6.4m
Final dividend proposed – payable 12 May 2009	£2.7m 7.5p per share	£2.4m 6.8p per share

\*Profit before tax, exceptional and non-recurring costs of £1.8m (2007: £2.3m), nil share option charges (2007: £0.2m) and amortisation of intangibles relating to acquisitions in the year of £0.6m (2007: nil).

## Chairman's Statement



**D J Callear** Chairman

I am pleased to report improved results for 2008 in line with our expectations. Challenging economic conditions, including unprecedented product cost pressures, were balanced by the positive impacts of our business restructuring and the acquisitions of TripleArc plc and Accord Office Supplies Limited and, given market conditions, margins have held up well across the Group. Following these acquisitions and the more recent document services partnership, o2o is now better positioned to drive forward its business with a more comprehensive range of products and services and a wider customer base.

## Results

Group revenue was £181.0m, up from £167.9m in 2007. Underlying profit before tax at £12.1m was up from £11.6m in 2007, before exceptional and non-recurring costs of £1.8m (2007: £2.3m), nil share option charges (2007: £0.2m) and amortisation of intangibles relating to acquisitions in the year of £0.6m (2007: nil). Profit before tax, after all such charges, was £9.6m (2007: £9.0m) and profit after tax was £6.6m (2007: £6.3m). Basic earnings per share were 18.5p (2007: 17.4p).

## Cash and net debt

Net cash generated from operating activities declined to £2.2m (2007: £5.4m). Net cash of £5.3m has been injected into the acquired businesses as a consequence of anticipated working capital movements together with a related interest charge of £1.3m (2007: nil). Accordingly, without the acquisitions, £8.8m would have been generated from operating activities.

Net debt was £29.7m at 31 December 2008 (2007: £6.4m net cash), reflecting the cost of the acquisitions of £34.1m and working capital support post acquisition, net of repayments made.

Committed borrowing facilities total £45.0m. The facilities, which are committed until April 2013, comprise a term loan (£25.0m) and an invoice discounting arrangement (up to £20.0m) on which we are charged interest at 1.1% over LIBOR and 0.9% over bank base rate, respectively.

The first repayment of £2.5m on the term loan is not due until April 2010 and will be repaid out of operating cashflows. Financial covenants are applied to the committed facilities with which the Group has complied to date with significant headroom.

## Dividends

The Board recommends a final dividend of 7.5p per share (2007: 6.8p), which, if approved at the annual general meeting (AGM), will be paid on 12 May 2009 to shareholders on the register at the close of business on 14 April 2009. Combined with the interim dividend paid in November 2008, this makes a total dividend per share of 11.0p (2007: 10.0p) and amounts to a distribution of £3.9m (2007: £3.6m). The total dividend, paid

and payable for the year is covered by earnings 1.7 times (2007: 1.7 times).

## Review of operations

In last year's annual report we stated both our intention to continue to improve business efficiency and our commitment to expand our routes to market through acquisition. In the year ended 31 December 2008 we achieved this by further streamlining activities and by the acquisitions of two complementary businesses: AccessPlus (through its parent company, TripleArc plc) and Accord Office Supplies Limited (Accord). In addition Banner Document Services Limited (BDS), our partnership with Shred Easy Limited (Shred Easy), which commenced trading subsequent to the end of the financial year, will add a further business critical service to our product portfolio. We believe that these achievements provide a platform for a more resilient business and increased shareholder value. Other than our option to acquire Shred Easy, we have no immediate plans for further material acquisitions.

Operationally, we have structured the Group around two broad areas of activity – managed procurement and business critical services. This new structure operates under four trading brands: Banner Business Services and Accord (managed procurement); and AccessPlus and Banner Document Services (business critical services). All are supported by o2o's integrated supply chain.

Trading volumes and margins across the Group held up well during the year, given market conditions. The substantial pressure from product cost increases attributable to energy, paper pulp and steel price inflation and, more recently, a weaker sterling was dealt with by determined negotiation with suppliers and passing unavoidable increases through to customers.

Year on year revenue in Banner Business Services (BBS), our core contract management business, grew by a modest 2.6% (excluding the year on year decline of £18.1m in MoD revenues) as the business focused on contract retention and mitigating the impact on 2008 of the withdrawal from MoD supply in the latter part of 2007.

A full review of Group operations is included in the Chief Executive's Review on pages 4–11.

## Board changes

I welcome Chris Batterham to the Board as non-executive Director and Chairman of the Audit Committee. Chris is a Chartered Accountant with significant experience as a finance director in the business services sector. He joined the Board on 27 June 2008, following the resignation of Peter Bertram on 24 April 2008, as reported last year.

## Employees

Once again, I would like to recognise the contribution to the success of o2o made by its employees and thank them for their commitment.

## Outlook

Following the integration of our recent acquisitions, we are focused on growing the enlarged Group, making it more efficient and improving its cash generating ability.

The various initiatives we have introduced and the actions we have taken continue to have a positive effect on the business. However, at the same time and like others, we are faced with more uncertain economic circumstances than we have seen before.

Through acquisition and partnership, o2o has succeeded in expanding its routes to market and this provides a more resilient business base from which it can build. The Group has a high concentration of customers under formal contracts and other supply arrangements in both the private and public sector. Further, we will continue to seek and find ways to improve the efficiency of its operations. Accordingly, whilst we acknowledge the continuing general economic uncertainty, we are confident that o2o is now positioned as well as it has ever been to drive forward its business.

## AGM

The AGM will be held at the Company's head office, St Crispins, Duke Street, Norwich on 23 April 2009 at 3.00 p.m. Notice of the AGM together with the proxy forms for use at the AGM, is being circulated with these financial statements.

## D J Callear

Chairman

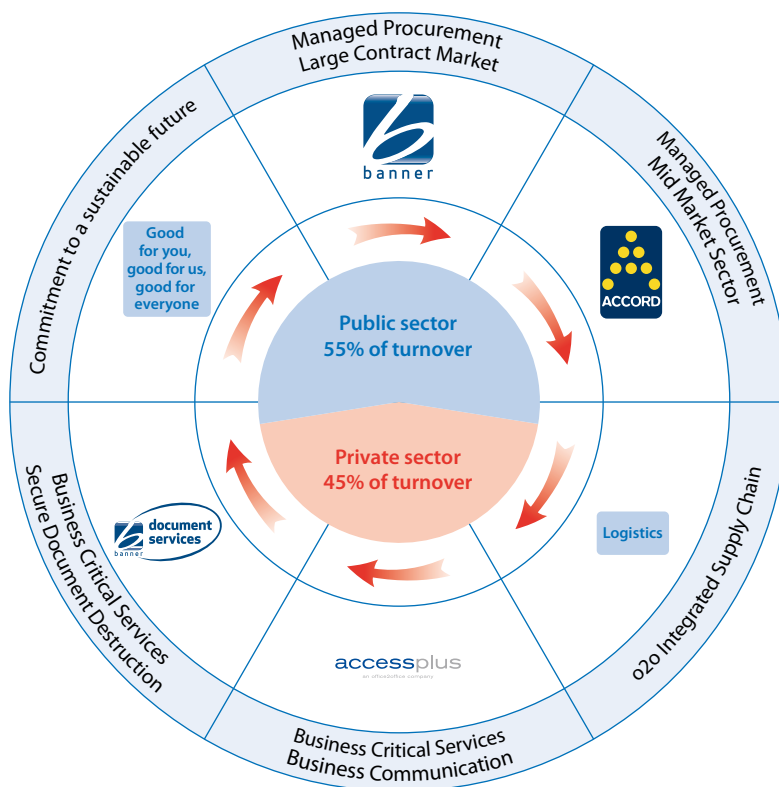
25 February 2009

## Chief Executive's Review



**Simon Moate** Chief Executive

Over the last 18 months we have laid the foundations to transform o2o into a leading managed services business focused on four brands – Banner Business Services, Accord, AccessPlus and Banner Document Services. Our aim is to deliver first rate service to our customers through managed procurement and business critical services.



## Strategy

Last year we stated that our key objectives for 2008 were to enlarge and diversify our customer base, expand our routes to market beyond traditional contract office supplies and extend our service and product ranges. These objectives have been achieved both organically and by taking advantage of suitable acquisition opportunities as referred to in the Chairman’s Statement.

Four trading brands covering the core activities of managed procurement and business critical services underpin the Group’s broadened activities:

- “Banner Business Services”, which has been at the core of o2o for many years, is a market leader for the managed procurement of office and business products for large private and public sector customers;
- “Accord” is our new managed procurement brand that trades alongside BBS but in the mid market sector;
- “AccessPlus” is the core of our new business critical services activity and provides innovative business communication and print management solutions to organisations seeking to

reduce costs and streamline business process outsourcing; and

- “Banner Document Services” is a partnership with Shred Easy and provides secure document destruction services. It is our second business critical services trading brand.

Through these broadened activities we are able to address a wider customer base and to sell a broader portfolio of business products and services to both contracted and non-contracted customers. Each activity is supported by our Group wide integrated supply chain.

## A changing market

In 2008 we experienced unprecedented cost price inflation, initially fuelled by the rise in the cost of oil, paper pulp and steel and, more recently, by the impact of a weaker sterling. These pressures continue and a key focus has been, and remains, to minimise the impact of this on our profitability.

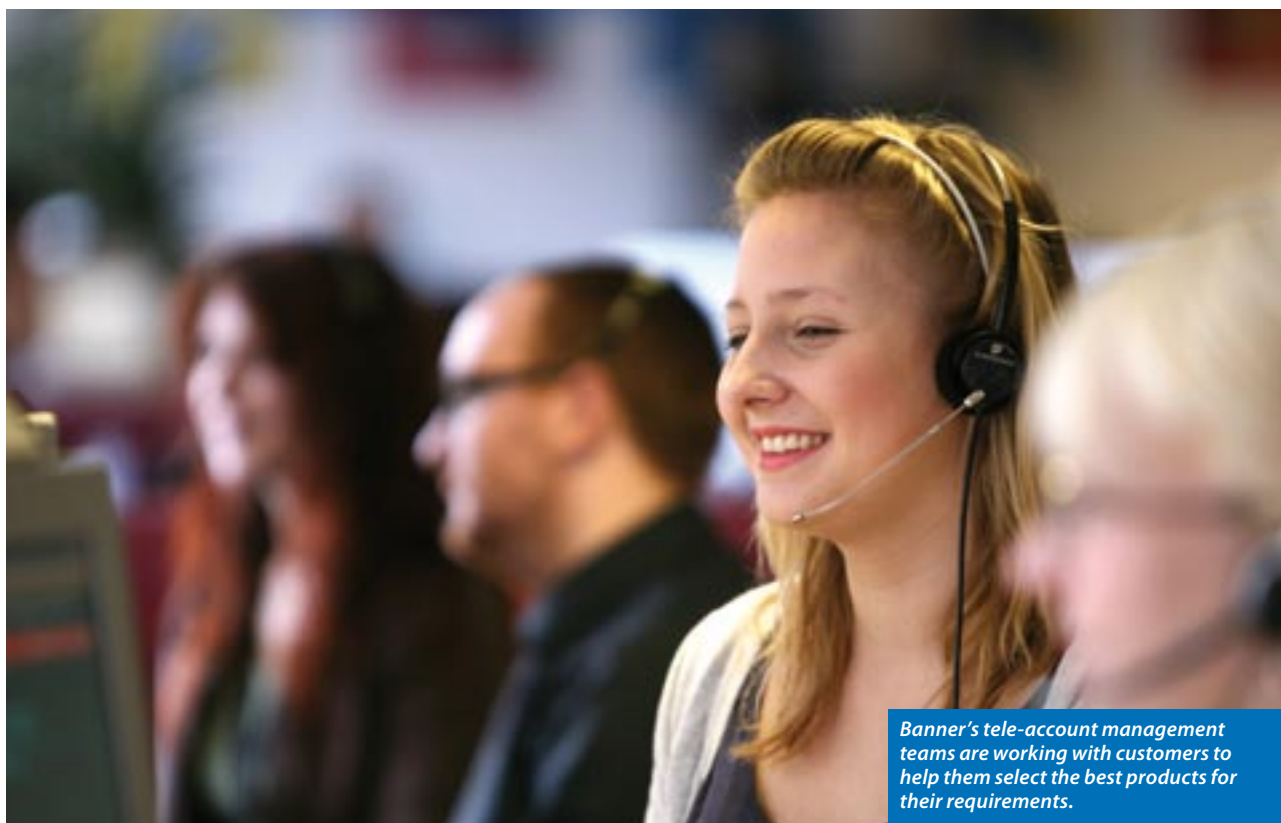
The scale and synergies derived from our acquisitions together with the benefits from restructuring the existing business have enabled greater control over our variable overheads and enhanced our ability to adapt to changed economic circumstances.

We continue to improve our customer focus and, further, we believe that the public sector, which forms a large part of our customer base, is relatively resilient in the current economic climate, at least in the short term.

## Moving forward

Delivering customer value is a key focus and a number of programmes, which are described below, ensure that we continue to deliver value and differentiate o2o from its competitors.

These programmes underline a Group wide trading ethic entitled ‘Good for you, good for us, good for everyone’. By embracing Corporate Social Responsibility (CSR), we can provide added value to our customers and, at the same time, create tangible benefits for our business and the environment. This is explained in more detail in the CSR Statement on pages 14 to 16.



*Banner's tele-account management teams are working with customers to help them select the best products for their requirements.*

BBS is a market leader in the provision of long term contract management and procurement of office and business products for large private and public sector customers. BBS accounts for around 80% of revenues from the managed procurement segment of our business. It is focused on delivering value to our customers and increasing value to o2o through a number of change programmes.

Firstly, BBS has shifted its customer services focus from a reactive to a proactive tele-account management team working with customers to gain an understanding of the challenges they face and to help them select the best products for their requirements. This initiative has been a great success in developing relationships and enhancing the quality of service. The benefits of efficient ordering and, consequently, reduced distribution costs are mutually enjoyed by BBS and its customers.

Further, BBS has revised its business model in response to changing customer needs. For example, the renewal of the BBS service agreement with Barclays Group incorporates a procurement model based on an open trading relationship. The renewal of this agreement supports the o2o strategy to seek long term, strategic customer relationships, based on managed services and shared interests.

In addition, waste management and environmentally preferred product initiatives have been extended and include:

- a waste audit programme in association with "Waste Watch", an environmental charity with over 20 years of experience. Waste Watch works with o2o to identify clear and realistic recommendations to improve waste management;
- our Green OPTIMISA™ system. This measures the environmental impact of a customer's office products contract including delivery vehicles (fuel, CO<sub>2</sub> emissions), paper (dispatch notes, pick lists, driver manifests, labels, etc) and packaging. Opportunities to reduce a customer's carbon footprint are identified and we work to make them happen;

- the Globe & Tick™ range of sustainable and environmentally friendly products. This is important to help customers meet their own green targets; and
- recycling initiatives, such as waste paper, electronic equipment and printer cartridges. The partnership with Shred Easy (detailed below) demonstrates the Group's commitment in this area and we intend to extend this range of services.

### Delivering managed services

In common with the rest of the industry, this has been a challenging year for BBS. Input cost prices have risen more quickly than we have seen for many years. Despite this, we have demonstrated resilience as contracts have been added and retained on re-tender without any significant losses.

### Looking forward

We have re-branded the business "Banner Business Services" to more closely reflect its market position. The strategy is now to build on the opportunities presented by managed procurement customers who trust the "Banner" brand and need complementary business critical services activities.



*Accord's end-to-end procurement, warehouse, pick & pack and direct distribution create a winning formula.*

The acquisition of Accord in June 2008 has enabled the integration of our existing mid market activities with it to create a single mid market managed procurement trading brand "Accord". The acquisition broadened our customer base in the mid market sector with immediate savings and improved margins from product range consolidation, the Group's purchasing power and integrated supply chain.

The acquisition of the Accord business provided us with an established and respected distributor of office products to an excellent customer base. It has a strong track record of sustained growth and real enthusiasm for realising the additional opportunities o2o provides through improved purchasing and the utilisation of the Group's supply chain.

Under a single sales management team, the Accord trading brand was launched and rolled out to customers in mid November. It has already delivered efficiencies without impacting on our ability to deliver a high quality service, a key differentiator in this part of the market.

### Looking forward

The mid market represents a growth opportunity for the Group. The purchasing power, national distribution and environmental programmes of o2o, combined with Accord's flexible approach, create a winning formula.

Organic growth will be achieved through proactively developing our existing accounts and attracting new customers with the Group's broader portfolio of business products and services.

Accord operates in a fragmented industry segment, which is presenting good opportunities for consolidation. It has a proven track record for making and successfully integrating small bolt-on acquisitions. Although the Group has no immediate plans for further material acquisitions the Accord team are able to respond to relevant opportunities should they arise.

**Business Critical Services | Business communication**



*AccessPlus' business communication and print management solutions reduce costs and streamline business process outsourcing (BPO).*

AccessPlus, which was acquired in May 2008, is the core of our new business critical services activity and provides innovative business communication and print management solutions to organisations seeking to reduce costs and streamline this element of business process outsourcing (BPO). Through an extensive range of integrated services, it delivers ongoing, sustainable cost savings right through the printed document and marketing communications supply chain.

Five core areas of operation cover every stage of the communications process:

- data solutions;
- document management;
- logistics;
- campaign delivery; and
- print management.

Since acquiring AccessPlus we have integrated o2o's existing print related operations with it and restructured the

management team with a focus on accountability, growth and efficiency. Synergies have included the utilisation of the Group's warehouse infrastructure following the closure of the AccessPlus warehouses in Leeds and Southampton and the transfer of a number of duplicated back office functions, notably finance, payroll and HR, into the o2o head office. BPO accounts for over two thirds of the AccessPlus turnover and continues to be a profitable and growing sector. AccessPlus has been successful in securing and expanding relationships with key customers and has also achieved some significant business wins from new customers. The following initiatives have been instrumental to this:

- the AccessPlus Skills Academy, where our people are trained to provide significant added value to our customers by adopting a consultative account management style and seeking to understand and develop the right solution for customers' needs; and
- a Customer Service Charter to promote AccessPlus' desire to be the best in the industry.

**Looking forward**

AccessPlus is a leading brand in the BPO and print management arena. Being a part of o2o provides more opportunities to attract large public and private sector accounts and, at the same time, has lowered purchasing costs by using the Group's purchasing power in print products and paper.

Customers generally and the public sector in particular, are being driven by sustainability and environmental directives. By stripping out waste and consolidating processes, we can help customers achieve major cost savings whilst simultaneously enhancing their 'green' credentials. This represents a great opportunity for o2o and we ensure that the sales teams elsewhere in the Group are fully aware of the benefits of AccessPlus' solutions to their customers.

## Business Critical Services | Secure document destruction



*Banner Document Services' mobile shredding vehicles collect and securely shred confidential documents on customer's premises.*

Our newly formed partnership, BDS, is the Group's trading brand in the secure document destruction market, a growing and profitable business services market sector. o2o owns 60% of the issued share capital of BDS with the remainder held by Shred Easy, a well established private company operating in the sector. Under the agreement with Shred Easy, o2o has the option to acquire both Shred Easy and the remaining shares of BDS.

BDS, which was incorporated in December 2008 and commenced trading in January 2009, utilises the o2o network across the UK and Ireland coupled with the existing plant facilities and infrastructure of Shred Easy. Using mobile shredding units to ensure both control and convenience it collects and securely shreds confidential documents on customer's premises.

In conjunction with Shred Easy, we have a fleet of "Urban Shredders", which are amongst the most advanced mobile shredding vehicles in the UK. They are small, light and quiet in use and are designed to deliver cost efficiency, reduced CO<sub>2</sub> emissions and other environmental benefits relative to the competition. The blend of expertise, resource and commercial opportunity that each party brings to this new venture provides the ingredients necessary for a successful business.

Our entry into this market in 2009, through BDS, presents a significant organic growth opportunity for the Group. There is an increasing demand from the o2o customer base for secure, on-site document destruction, driven by new legislation. Despite the current economic conditions, this is a fast growing and profitable sector.

### | The o2o integrated supply chain



*o2o's sophisticated vehicle route planning technology allows routes to be planned in a flexible, cost effective and environmentally friendly manner.*

The Group's integrated supply chain consolidates and leverages the Group's warehousing, distribution and purchasing activities to procure, pick and pack and nationally distribute over 15,000 office and other business products.

BBS, Accord and AccessPlus utilise the o2o integrated supply chain. It offers them supply chain management stretching from procurement, warehousing, pick and pack of products and national next day delivery.

During 2008 we have made our service more efficient by introducing:

- digital pen technology which allows our customer service and transport departments to follow the progress of goods in-transit and view an electronic copy of the delivery document within seconds of the customer signing it; and
- sophisticated vehicle route planning technology that allows our routes to be planned in a flexible, cost effective and environmentally friendly manner. Based on the success of pilot schemes, customers will enjoy a more efficient service and, alongside considerable cost savings, o2o will significantly reduce its carbon footprint by down sizing the fleet and reducing the number of vehicle-miles travelled.

### Looking forward

Our priorities for 2009 include the complete national rollout of the above initiatives, further improvements to customer service and the reduction of our carbon footprint by seeking more effective operational methods. Our aim is to shape our fleet into one of the most advanced and fit for purpose fleets in the industry to achieve the best in class supply chain e-commerce and business processes.

## Management and employees

### Management

As described above, our new structure creates four trading brands: Banner Business Services and Accord (managed procurement); and AccessPlus and Banner Document Services (business critical services). Each brand is supported by the o2o integrated supply chain.

The manager responsible for each brand, the supply chain and the Group human resource join Mark Cunningham and myself to form the Operations Executive team. We are charged with the responsibility for the day to day management of the Group. This is a strong team with clearly defined responsibilities to deliver both our operational and strategic objectives.

### Employees

We recognise that the continued success of o2o is a reflection of the success of our people and I would like to thank management and employees for their contribution and continued commitment.

We aim to recruit and retain the best people in our business sectors. o2o people have a broad range of talents and backgrounds. Customers rely on the combined efforts of over 900 people to manage relationships and to deliver the right products and services when and where they are needed.

## Future prospects

During 2009, our strategic objective is to improve on our position as a managed services business, by leveraging our newly acquired business process outsourcing capability and document destruction services into our existing and diverse range of customers.

We are focused on organic growth opportunities, the complete integration of our recent acquisitions and improving both the efficiency and the cash generation of the o2o Group.

### S R Moate

Chief Executive

25 February 2009

# Business and Financial Review

## Revenue and operating profit

Total revenue increased by £13.1m (7.8%) to £181.0m (2007: £167.9m). £31.1m of the increase came from the businesses acquired in 2008 (£25.2m relating to AccessPlus and £5.9m relating to Accord), partially offset by a decrease in revenue from the MoD of £18.1m and a net increase of £0.1m in other areas. Operating profit, before exceptional and non-recurring costs of £1.8m and a part-year charge for the amortisation of intangibles relating to acquisitions in 2008 of £0.6m, was £13.4m (2007: £11.7m before exceptional and non-recurring costs of £2.3m and share option charges of £0.2m) to which acquisitions made a contribution of £1.7m. Operating profit, after such items, was £11.0m (2007: £9.1m). The operating profit margin, before such costs, increased to 7.4% (2007: 7.0%).

Exceptional and non-recurring costs are those significant items that are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's operating performance. Transactions, which may give rise to exceptional and non-recurring costs, are principally restructuring related charges and costs in respect of key management changes. A full analysis of the exceptional and non-recurring costs is set out in note 5 to the financial statements.

## Tax

A full analysis of the tax charge for the year is set out in note 9 to the financial statements. The Group's effective tax rate in 2008 was 31.2% (2007: 30.4%). The amount of corporation tax payable for the year is £2.6m (2007: £2.5m).

## Shareholders' return

Basic earnings per share were 18.5p (2007: 17.4p). The total dividend paid and payable for the year of 11.0p per share (including the 3.5p interim dividend paid on 14 November 2008) is covered 1.7 times by earnings (2007: 1.7 times). Shareholders' equity at the end of the year was £20.2m (2007: £16.9m).

The middle-market quotation of the Company's Ordinary shares at the end of the financial year was 65.5p with a market capitalisation of £23.8m (including shares held by the employee benefit trust).

## Cash flow

As set out on page 38, the Group generated net cash from operating activities of £2.2m (2007: £5.4m). At 31 December 2008 net debt, incurred as a consequence of the acquisition activity referred to in the Chairman's Statement and the Chief Executive's Review, amounted to £29.7m compared to £6.4m cash at the start of the year.

The net debt of £29.7m is supported by committed borrowing facilities of £45.0m which are in place until April 2013. The facilities comprise a term loan (£25.0m) which is repayable over 5 years with the first instalment of £2.5m not being due until April 2010, and an invoice discounting arrangement (up to £20.0m) on which we are charged interest at 1.1% over LIBOR and 0.9% over bank base rate respectively. Financial covenants are applied to the committed facilities with which the Group has complied to date with significant headroom.

## Key contractual arrangements

The Group has always had a number of large customers. With our major customers, the o2o approach is to seek long term, strategic relationships, based on managed services and shared interests. The term for a typical supply arrangement is between 3 to 5 years and we often service customers for more than one contractual term.

A key aim for the Group in 2008 was to enlarge and diversify the customer base. This has been achieved both organically and by taking advantage of suitable acquisition opportunities. As a consequence, over the year the Group's reliance on any one individual customer has been reduced.

The Group has a wide range of suppliers and it is possible that the challenging economic conditions could impact some. However, the Group has limited exposure to the failure of any single supplier as the nature of the majority of products purchased is such that other options are normally available. The Group maintains flexibility with its suppliers by typically not making contractual volume commitments.

It is the Group's policy to negotiate, with each of its principal suppliers, terms of trade appropriate to the business and to operate within those terms once agreed. With a

wide range of suppliers, the terms of trade operated by the Group are diverse, with no standard characteristics prevailing.

The Group works in partnership with suppliers to ensure, as far as reasonably practicable, that its sourcing of products meets recognised standards of corporate social responsibility. The CSR statement on pages 14 to 16 gives a description of the approach o2o takes in this regard.

## Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out below:

### • Loss of a large customer

The Group has a number of large customers and is therefore potentially vulnerable to the loss of any one of these. Contingency plans are formulated and quantified before any large re-tenders are submitted so that the business is able to respond rapidly, with minimal disruption, to a large contract loss. This, coupled with a strategy of diversifying the customer base and widening the business portfolio at the same time as maintaining a high level of service, helps mitigate the risk;

### • Reduction in gross margins

Gross margins are adversely impacted by increases in cost prices, due to raw material costs, foreign currency exchange movements and customers reducing their demand. Last year saw significant rises in raw material costs particularly oil, paper pulp and steel. The Group has sought to mitigate the risk by passing these increases onto customers but some resistance and lag is inevitable. Widening the businesses portfolio of business products and services and driving efficiency improvements will mitigate the risk and a focus on customer profitability allows for the situation to be monitored;

### • Interruption of operations or IT services

The business is built around a proven service with reliance on our warehouses and IT infrastructure. A severe disruption in either of these areas would potentially have a high impact on the Group. In order to mitigate these risks we maintain appropriate insurance cover and disaster recovery plans;

### • Competitors

BBS operates in a highly competitive market. The risk exists therefore, that contracts are awarded on the basis of lowest price. The Group's strategy is to deliver a first rate, added-value service at competitive prices. Recent contract wins and retentions underpin our confidence that this approach is valued by our customers. The services provided by AccessPlus and BDS further extends the range that can be offered to customers helping to further differentiate the Group from its competitors;

Accord operates in the less formal mid market sector. The Group's purchasing scale, national distribution and complementary range of products and services, together with the flexible approach offered by Accord provides a distinct advantage in this sector;

### • Economic downturn

The Group is subject to facets of the current global economic slowdown such as the weakening of sterling leading to cost price pressure and the potential for lower levels of employment leading to reduced demand for some of the goods and services provided by the Group. The economic downturn could impact suppliers. However, the Group has limited exposure to the failure of any single supplier as the nature of the majority of products supplied is such that other sourcing or product options are normally available;

The Group also has limited exposure to the failure of customers. The Group's committed borrowing facilities afford some protection against increased funding requirements should they arise. In addition, the broader base of the business following the acquisitions in the year, the wide spread of customers and the public sector element of our account base helps to mitigate the risks in the wider economy; and

### • Financial risk management

The Group's activities expose it to a variety of financial risks, which include market risk (comprising currency risk, interest rate risk and price risk), credit risk and liquidity risk, the details of which are described in note 1 to the financial statements on pages 46 to 50.

## Key performance indicators (KPIs)

The KPIs which o2o regard as important measures for the Group business are gross margin, distribution and administration costs as a proportion of revenue, underlying net profit as a proportion of revenue and underlying earnings per share.

The KPIs presented for 2008 are shown for the Group overall and with an equivalent stated before the impact of acquisitions. The 2008 numbers excluding acquisitions are comparable to the numbers quoted for 2007.

	2008 (including acquisitions)	2008 (excluding acquisitions)	2007
<b>Gross margin %</b>	<b>31.4%</b>	30.9%	31.9%
Gross margin percentage is calculated as the margin expressed as a percentage of Group revenue. It is the measure of profitability of sales less their direct purchase cost and is a comparable measure with other companies.			
Excluding acquisitions, the gross margin % decreased by 1.0% due to unprecedented cost price inflation together with the impact of a weaker sterling, mitigated wherever possible by negotiation with suppliers and passing unavoidable increases on to customers. The gross margin % for the Group (including the acquisitions) is higher, at 31.4%, as both of the acquisitions traded at a higher % than BBS.			
<b>Distribution costs %</b>	<b>11.1%</b>	12.3%	12.9%
Distribution costs percentage is calculated as the cost associated with distribution (before exceptional and non-recurring costs of which there were none in 2008 (2007: £0.4m)) expressed as a percentage of Group revenue.			
Excluding acquisitions, the distribution cost % decreased by 0.6% due to the cost savings initiatives implemented towards the end of 2007. The % for the Group (including the acquisitions) is lower, at 11.1%, as both of the acquisitions operate at a lower cost % than BBS, with Accord, in particular, using wholesalers much more extensively.			
<b>Administration costs %</b>	<b>12.9%</b>	10.7%	12.2%
Administration costs percentage is calculated as the cost associated with administration (before £1.8m of exceptional and non-recurring costs (2007: £1.9m)) and amortisation £0.6m (2007: nil) expressed as a percentage of Group revenue.			
Excluding acquisitions, the administration cost % decreased by 1.5% due to the cost savings initiatives implemented towards the end of 2007. The % for the Group (including the acquisitions) is higher, at 12.9%, as both of the acquisitions operate at a higher cost % than BBS.			
<b>Underlying profit %</b>	<b>6.7%</b>	7.9%	6.9%
Underlying profit percentage is calculated as the underlying profit (before exceptional and non-recurring costs, share option costs and amortisation) expressed as a percentage of Group revenue.			
<b>Underlying earnings per share</b>	<b>24.1p</b>	n/a	22.0p
Underlying earnings per share is calculated as the profit on ordinary activities (before exceptional and non-recurring costs) after tax (excluding tax relief on exceptional and non-recurring costs) divided by the weighted average number of Ordinary shares in issue during the year.			

A health and safety management system has been put in place across all sites. An independent third party audits the operation of the system across all sites and rates our performance. The audit covers 11 main areas of review (the most significant being health and safety management system, control of contractors, fire safety

and risk assessment) which are then scored. In Autumn 2008, our performance was rated at 88%, which compares to an average for our industry sector of 85%.

### M A Cunningham

Finance Director

25 February 2009

# Corporate Social Responsibility Statement



*o2o offer an extensive range of environmentally preferred products under its own Globe & Tick™ trademark*

Corporate Social Responsibility (CSR) applies to all aspects of o2o's business and the Group is committed to maintaining responsible business practices. Sustainability is a cornerstone of o2o's commercial strategy and the Group's approach is reflected in its CSR policy which can be viewed on its website – [www.office2office.co.uk](http://www.office2office.co.uk).

The Board believes that being a responsible business is important to the Group's long-term success. A number of innovative CSR programmes have been developed as part of a Group wide trading ethic entitled 'Good for you, good for us, good for everyone'. By embracing CSR, we provide added value to our customers and, at the same time, create tangible benefits for other stakeholders and the environment.

o2o has adopted Business in the Community's reporting model for CSR. We are developing KPIs to measure and report our impact in the areas of workplace, community, environment and marketplace.

## Workplace

**Our employees are vital to the Group's performance in its competitive marketplace. Workplace programmes are in place to help the business deliver customer value by creating a positive internal culture. The Board is confident that employees will continue to rise to the opportunities and challenges ahead.**

### Employees

o2o recognises that its achievements are a reflection of the combined efforts of more than 900 employees and the broad range of talents they offer.

The Group aims to recruit and retain the best people in its market sectors, treat them fairly and with respect and provide them with a challenging yet rewarding work environment where their welfare and safety is a key priority.

Employees are encouraged and supported in their professional development to ensure competence in their roles. They are provided with on the job training ranging from mentoring and coaching through to in-house and external specialist courses. For example, the AccessPlus Skills Academy adds value by training employees to adopt a consultative account management style to better understand customer needs thereby helping to develop more appropriate solutions.

All employees are expected to maintain high standards of work and behaviour and to display integrity in their dealings with customers, suppliers and each other.

### Health, safety and welfare

o2o is committed to ensuring the health, safety and welfare of its employees and others affected by its business activities. o2o maintains awareness of the range of health and safety legislation relevant to its organisation and of the standards of proof required to demonstrate compliance.

An independent third party was appointed in October 2007 to advise on the statutory requirements and the implementation of a health and safety policy. As a result, a health and safety management system, with procedures to control and monitor health and safety performance, has been implemented.

All sites, other than AccessPlus and Accord, have been audited twice. The second audit confirmed that each site had improved considerably and the Group surpassed the industry sector average in the prevention of accidents and ill health. All senior operations managers now hold British Safety Council Level 1 certificates and the supervisors are responsible for regular health and safety checks. Fire, manual handling, display screen equipment and workplace task-specific risk assessments have been conducted at each site. In addition, the procedure for reporting accidents has been improved with the implementation of a new on-line accident form.

Initial site audits at AccessPlus and Accord were carried out in the last quarter of 2008 and identified the need for up-to-date training in manual handling, risk assessment, fire prevention and first aid. The operations managers at these sites will also be trained to BSC standards. A second audit for these sites is planned for 2009 with all o2o sites being audited annually.

## Community

**o2o recognises that how it recruits, purchases and invests can impact the community.**

Our new Group wide trading ethic identifies the social issues that are relevant to the communities within which its trading brands operate and we work in partnership with the community and voluntary sectors to make a positive contribution.

o2o will explore how it can further support employees to share time, skills and resources in support of their local communities and will continue to endeavour to offer placements for work experience to school children and university students.

## Environment

**o2o recognises the business benefits of integrating environmental strategy into core operations.**

The impact of o2o's trading activities on the environment has been assessed and an environmental management programme implemented. Objectives and targets based on the significant

aspects have been agreed and progress is measured through regular formal reviews. Full information on our environmental policy can be viewed on the website – [www.office2office.co.uk](http://www.office2office.co.uk).

The significant aspects include waste management and recycling, carbon emission reduction and the procurement of environmentally preferred products.

### Waste management and recycling

The Group's business activities inevitably involve packaging to ensure that products supplied to customers are protected during storage and transit. However, we closely monitor the use and re-use of packaging and we have programmes in place to reduce consumption and to increase the recycling of any waste.

Waste cardboard and plastic pallet wraps are baled for recycling by approved contractors to divert these materials from landfill. Research into new environmentally beneficial ways of packaging products for dispatch is ongoing.

"Waste Watch" is an environmental charity with over 20 years of experience. Waste Watch works with o2o and has implemented a waste audit programme that identifies clear and realistic recommendations for better waste management.

As part of the BDS secure paper collection, destruction and disposal service, shredded and declassified materials are taken to secure facilities where they are recycled for manufacture into low grade paper products. This "closed loop" recycling service delivers real environmental and commercial benefits from customer's confidential waste as well as ensuring its secure disposal.

Further, in conjunction with Shred Easy, we have a fleet of "Urban Shredders", which are amongst the most advanced mobile shredding vehicles in the UK. They are small, light, quiet in use and are designed to deliver cost efficiency, reduced CO<sub>2</sub> emissions and other environmental benefits.

### Carbon emission reduction

Many companies are now considering their "carbon footprint", a measurement of

# Corporate Social Responsibility Statement continued

the greenhouse gases produced by their operations. o2o has carried out research to improve data calculation methods and is now developing a programme to manage its carbon footprint.

Initiatives already implemented to help reduce carbon emissions include the more efficient use of vehicles by the Group:

- a new Group company car policy has been designed to create a recognised energy efficient fleet;
- the replacement of our current van fleet with vehicles incorporating stop-start technology will conserve fuel and reduce CO<sub>2</sub> emissions. In addition, a number of hybrid delivery vehicles are also being trialled. The Group continues to back load delivery vehicles to prevent otherwise empty vehicles; and
- sophisticated vehicle route planning technology has been adopted to allow routes to be planned in a flexible, cost effective and more environmental manner. This will help the Group to significantly reduce its carbon footprint by decreasing the fleet size and the number of vehicle-miles travelled.

## Environmentally preferred products

### Globe & Tick™

o2o offer an extensive range of environmentally preferred products under its own Globe & Tick™ trademark which includes products with a high proportion of genuinely recycled materials or designed with an environmental benefit.

During the year, the range has undergone a comprehensive reassessment by an external environmental specialist. As a result, a further 190 new products were selected to extend the range for 2009.

We continue to work with suppliers and customers to identify innovative products to be added to the range.

### Green OPTIMISA™

o2o's Green OPTIMISA™ system is designed to measure the environmental impact of a customer's office products consumption by analysing the end-to-end procurement process associated with it.

Environmental targets for reducing our carbon footprint are defined and we work closely with participating customers to achieve those targets.

## Accreditations and Certifications

**ISO 14001:2004** – o2o continues to improve its environmental standards and has set performance objectives and targets linking into three key components of the ISO 14001:2004 standard: prevention of pollution, continual improvement and environmental legislation compliance.

During the year, o2o was re-awarded the BOSS Federation Environment Certificate. The certificate is based on the requirements of ISO 14001:2004.

o2o are members of The May Day Network, a joint venture between the Carbon Trust and Business in the Community, set up to support businesses taking action on climate change. The network provides a hub for businesses to share their experiences in tackling the issue and to engage suppliers, customers and sector peers to do the same.

o2o has joined Supplier Ethical Data Exchange (SEDEX) and has category B membership. SEDEX is a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains.

## Marketplace

**o2o believe that business success comes through treating customers and suppliers fairly and with respect.**

The Group works in partnership with suppliers to ensure, as far as reasonably practicable, that its sourcing of products meets recognised standards of CSR. o2o is listed on the FTSE4Good Index which acknowledges companies that meet globally recognised CSR standards.

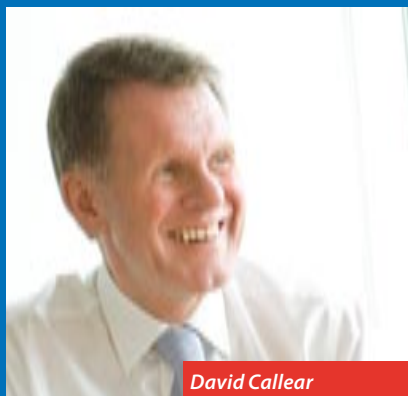
## Ethical sourcing

A set of minimum ethical sourcing requirements are being developed to be applied across the Group. Within this, o2o recognises that the issue of third world employment policies are both sensitive and complex. o2o takes a responsible approach to sourcing with its buyers visiting supplier's factories in Asia to ensure that acceptable standards of employment that are relevant to the country and culture, are being applied. In addition, an independent and accredited third party has recently

been engaged to audit overseas factories for health and safety, environmental and ethical considerations to both international and local standards.

All suppliers are required to demonstrate a commitment to improve environmental performance, offer products made of materials from sustainable sources and use recycled materials wherever feasible. Selected suppliers are asked to complete a questionnaire to help us assess their environmental credentials. Informed purchasing decisions are made and suppliers are encouraged to minimise the impact of their distribution by consolidating their deliveries to our stock holding centres.

# Board of Directors



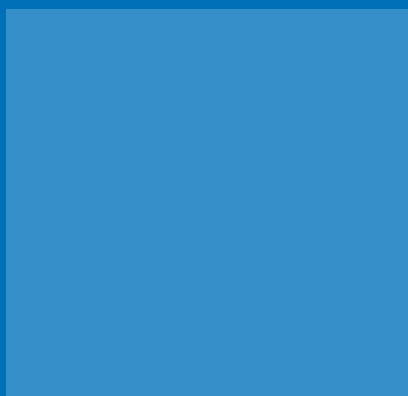
David Callear



Simon Moate



Jim Cohen



Mark Cunningham



Chris Batterham

## David Callear Chairman

David, aged 55, is a Chartered Accountant and joined o2o as Chairman in 2001. His career has been in financial and general management mainly with publicly quoted companies including chief executive positions with TIP Europe plc (Europe-wide vehicle rental) and Jeyes Group plc (international household products manufacture and supply). He currently holds a number of non-executive chairman roles working with the boards of private companies including RP Martin Holdings Ltd and Swift Technical Group Holdings Ltd.

## Simon Moate Chief Executive

Simon, aged 46, joined o2o as Chief Executive in July 2007. He was previously an executive director of Johnson Service Group plc, the managed services business, where as chief executive of the facilities management and specialist supplies division, he led and integrated a number of acquisitions. Prior to this he held a number of senior sales, marketing and operations roles with blue chip companies, including Well Well Well Ltd, Aramark plc, Provend Group plc and Coca Cola.

## Mark Cunningham Finance Director

Mark, aged 42, is a Chartered Accountant and joined Her Majesty's Stationery Office in 1994. He was appointed Finance Director of Banner Business Supplies Ltd (now Banner Business Services Ltd) in 1999, having previously worked as Finance Controller. Mark became Finance Director of o2o plc in December 2000.

## Jim Cohen Senior non-executive Director

Jim, aged 67, joined o2o in June 2004. He was a main board executive director of Balfour Beatty plc until his retirement in February 2007. Prior to joining Balfour Beatty plc in 1993, he held senior management positions with GTE and GEC and was a senior civil servant at the Department of Energy. In April 2007, Jim took on a non-executive role for the Swiss construction company, Implenia AG. He is also chairman of Empower Advisors Ltd, a private company, which is owned by Actis and provides interim power generation in sub-Saharan Africa.

## Chris Batterham Non-executive Director

Chris, aged 53, joined o2o in June 2008 and is a Chartered Accountant with significant experience in the business services sector. He was finance director of Unipalm plc, the first internet company to float on the London Stock Exchange, and, latterly, chief financial officer of Searchspace Group until 2005. He currently holds a number of non-executive directorships including SDL plc, DRS Data and Research Services plc, lomart plc and Betfair plc.

# Directors' Report

The Directors present their report and financial statements for the Group for the year ended 31 December 2008.

## Principal activity and results

The principal activity of the Company is that of a holding company. The Group's principal activity is delivering managed procurement and business critical services. Net profit after tax for the financial year was £6.6m (2007: £6.3m).

## Business review

The business review has been prepared in accordance with the requirements for a business review under the Companies Act 1985.

The business review's intent is to provide information to shareholders and should not be relied on by any other party or for any other purpose.

The Group's strategy, objectives and likely future developments in the business are reviewed in the Chairman's Statement on pages 2 to 3 and in the Chief Executive's Review on pages 4 to 11. The KPIs are defined and the principal risks and uncertainties (including financial risks) facing the business are described in the Business and Financial Review on pages 12 to 13.

Where the annual report contains forward looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward looking statements or information.

## Dividends

An interim dividend of 3.5p (2007: 3.2p) per Ordinary share, amounting to £1.2m (2007: £1.1m), was paid on 14 November 2008 to shareholders on the register at close of business on 10 October 2008.

The Directors recommend a final dividend in respect of the year ended 31 December 2008 of 7.5p (2007: 6.8p) per Ordinary share, amounting to £2.7m (2007: £2.4m). If authorised at the AGM, the dividend will be paid on 12 May 2009 to shareholders on the share register at close of business on 14 April 2009.

The aggregate dividends recognised as appropriations of profit in the year ended 31 December 2008 amounted to £3.7m (2007: £3.5m).

## Acquisitions

On 15 May 2008, the acquisition of TripleArc plc at a total cost of £27.4m (£13.8m cash consideration and related acquisition costs and £13.6m of debt assumed), was declared wholly unconditional.

On 2 June 2008, the Company completed the acquisition of Accord Office Supplies Limited for a cost of £6.7m (£5.9m cash consideration and related acquisition costs and £0.8m of debt assumed).

These acquisitions are explained in more detail in the Chairman's Statement on pages 2 to 3, in the Chief Executive's Review on pages 4 to 11 and in the notes to the financial statements on pages 77 to 78.

## Share capital and substantial shareholders

The authorised and called-up share capital of the Group, together with details of the shares allotted during the year, are shown in note 25 of the financial statements.

There are no contracts of significance in place between the Group and its shareholders (2007: none).

The Company has been notified in accordance with Disclosure and Transparency Rule 5.1.2 of the Financial Services Authority that, as at 13 February 2009, the following shareholders owned more than 3% of the issued Ordinary share capital of the Company:

Aberforth Partners	8,570,000 shares	23.60%
Aviva Investors	3,343,934 shares	9.21%
Gartmore Investment	3,050,000 shares	8.40%
Bestinver	2,428,465 shares	6.69%
Baillie Gifford	2,172,705 shares	5.98%
F & C Asset Management	2,123,352 shares	5.85%
AXA Investment	1,550,460 shares	4.27%
M & G Investment Management	1,225,000 shares	3.37%
Insight Investment	1,095,022 shares	3.02%

The Directors have authority to allot the Company's unissued Ordinary shares (within the meaning of Section 80 Companies Act 1985) up to a maximum nominal amount of £121,030 (being one-third of the current issued Ordinary share capital) and the power to disapply pre-emption rights in respect of the allotment of shares (under Section 95 Companies Act 1985) up to an aggregate nominal value of £18,154 (representing 5% of the issued Ordinary share capital). In addition, the Directors have authority, on behalf of the Company, to make market purchases of up to 3,630,898 Ordinary shares of the Company (being 10% of the Company's Ordinary shares in issue).

These authorities were conferred by approval of separate resolutions at the Company's last AGM and are due to expire at the end of the forthcoming AGM. Separate resolutions to renew these authorities, details of which will be set out in the notice of meeting, will be proposed at the AGM on 23 April 2009.

## Directors

The following were Directors during 2008 and, unless where specified, held office throughout the period under review up to the date of signing these financial statements:

### D J Callear

Chairman<sup>1</sup>

### S R Moate

Chief Executive

### M A Cunningham

Finance Director

### J L Cohen

Non-executive Director<sup>2</sup>

### C M Batterham

Non-executive Director<sup>3</sup>  
(appointed 27 June 2008)

### P M Bertram

Non-executive Director<sup>3</sup>  
(resigned 24 April 2008)

<sup>1</sup>Chairman of the Board and of the Nomination Committee. Member of the Remuneration Committee.

<sup>2</sup>Chairman of the Remuneration Committee and senior independent Director. Member of the Audit Committee and Nomination Committee.

<sup>3</sup>Chairman of the Audit Committee. Member of the Remuneration Committee and Nomination Committee.

Biographical details of the Directors are shown on page 17.

Chris Batterham will offer himself for election being the first opportunity to do so since his appointment. No other re-elections are required under the three year rule of the Company's Articles of Association (the Articles).

## Corporate Governance

Details of the Corporate Governance arrangements are provided on pages 22 to 25.

## Directors' interests

Directors' interests are detailed in the Directors' Remuneration Report on pages 28 to 32.

## Directors' third-party indemnity provision

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 is in force for the benefit of each of the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year.

## Donations

No donations were made to any charitable or political organisation in the year (2007: £nil).

## Employee involvement

The Group has a policy of providing employees with information through corporate newsletters and regular meetings, which are held between management and employees to allow a free flow of information and ideas. A "Supplier Day" is hosted annually which provides an opportunity for relevant employees to meet with the Group's key suppliers and for the suppliers to showcase the new products included in the Group's catalogues.

The Group operates a long term incentive scheme for executive Directors and senior managers. Details are included in the Directors' Remuneration Report on pages 28 to 32.

The Group also has Save As You Earn schemes under which employees are granted an option to purchase Ordinary shares in the Company in either three or five years time, dependent upon their entering into a contract to make monthly contributions to a savings account over the relevant period. These savings are used to fund the option exercise. The initial schemes launched in 2004 and 2005 have an exercise price above the current market price. During the year 501,164 options, representing 1.38% of the issued Ordinary share capital, were granted. The exercise price was at a 20% discount to the share's market value at the date of invitation. The schemes are open to all Group employees including the executive Directors. Details of the executive Directors' participation are included in the Directors' Remuneration Report on pages 28 to 32.

During the year a low cost dealing service was launched which provides employees with a simple way of buying or selling o2o shares. Details of this service are available on the Company's website.

## Employee benefit trust (EBT)

As at 31 December 2008, the total number of Ordinary shares held by the EBT was 582,295 (1.60%) (2007: 624,248 (1.72%)) of the issued Ordinary share capital of the Company. Whilst held in trust, the shares do not attract any payment of dividends nor do they have any voting rights attached to them.

## Equal opportunities

The Group is fully committed to a policy that provides all employees irrespective of background or disability with equality of opportunity for employment, training, career development and selection on the basis of ability, qualifications and suitability for the job. Executive Directors, managers and employees are required to promote equality of opportunity and to take full account of the policy in their day-to-day work. The aim is to recruit the

# Directors' Report continued

best staff in the industry and the Group is committed to the principle of maximising every employee's potential. In selecting, training and promoting staff, the Group has to take account of the physically demanding nature of much of its work. Employees who become disabled will be retained and re-trained, where possible.

## Health and safety

o2o is committed to maintaining the health, safety and welfare of its employees. Details of the Group's health and safety activities are given on pages 14 to 16 of the CSR Statement.

## Creditor payment policy

It is the Group's policy to negotiate, with each of its principal suppliers, terms of trade appropriate to the business and to operate within those terms of payment once agreed. Trade creditor days based on the year end figures are 77 (2007: 69 days) for the enlarged Group. The Company has no trade creditors (2007: nil), being a holding company.

## Environmental policy

The Group ensures that, in satisfying its customers' requirements, both the goods and services supplied and its own housekeeping comply with legislation and best practice. The Group continually reviews its environmental performance across the business. Further details of the Group's environmental policies are provided in the CSR Statement on pages 14 to 16.

## Corporate Social Responsibility

A summary report on the Group's policies and objectives in respect of CSR is set out on pages 14 to 16.

## Principal risks and uncertainties

The Group's operations expose it to a variety of financial and other risks, a review of which is provided in the Business and Financial Review on pages 12 to 13. The Board has delegated the responsibility for monitoring financial risk management to the Audit Committee.

## Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report, the Directors' Remuneration 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 prepared the Group and Parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 19 of the annual report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report contained in the annual report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

## Statement of disclosure of information to auditors

So far as each of the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware and they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## Requirements of the Takeover Directive

The following are disclosed in accordance with the requirements of the Takeover Directive:

- the structure of the Company's share capital is disclosed in note 25 of the notes to the financial statements on page 71;
- there are no restrictions on the transfers of securities in the Company including limitations on the holdings of securities and requirements to obtain the approval of the Company or of other holders prior to a transfer of securities;

- there are no restrictions on voting rights other than for those shares held in the EBT, as referred to on page 19;
- the Directors are not aware of any agreements between holders of the Company's securities that may result in restrictions on the transfer of securities or on voting rights;
- the Directors' beneficial interests are disclosed on page 31 of the Directors' Remuneration Report. None of the Directors' interests carry special rights with regards to control of the Company;
- details of the Group employees' share save scheme are given on page 19;
- procedures for appointment to the Board are included on the Company's website ([www.office2office.co.uk](http://www.office2office.co.uk)) under Nomination Committee – Terms of reference;
- the Directors have authority to allot Ordinary shares of the Company, disapply pre-emption rights and make market purchases of Ordinary shares of the Company. Details of these authorities and their limitations are provided on page 19;
- the terms of the Company's committed borrowing facilities contain a change of control clause following a takeover bid that requires mandatory repayment of all outstanding monies and accrued interest. The Company does not have any other significant arrangements that contain change of control clauses; and
- there are no provisions for compensation for loss of office or employment in the agreements with Directors and employees.

## Independent auditors

The Audit Committee has considered and recommends the re-appointment of PricewaterhouseCoopers LLP (PwC) as auditors. A resolution proposing their re-appointment will be put to the forthcoming AGM.

For and on behalf of the Board

**D Rodwell**

Company Secretary

25 February 2009

# Corporate Governance Statement

## Statement of compliance with the Combined Code 2006

The Combined Code on Corporate Governance issued in June 2006 (the Combined Code) sets out standards of good corporate governance. The Combined Code is publicly available on the Financial Reporting Council's website [www.frc.org.uk](http://www.frc.org.uk).

The Directors consider that the Company has complied with the principles set out in section 1 of the Combined Code throughout the period with one exception as detailed below. The application of the principles of the Combined Code in the composition and operation of the Board, the remuneration of the Directors, shareholder relationships and procedures for financial reporting and internal control are described below.

## Directors and the Board

The Board comprises the Chairman, the Chief Executive, the Finance Director and two non-executive Directors.

The Chairman is responsible for leading the Board and ensuring there is timely and effective communication to and between Board members. The Chief Executive, supported by the senior management team is responsible for the day-to-day management of the Group and, once agreed by the Board as a whole, the development and implementation of strategy. The normal segregation of responsibilities between the Chairman and the Chief Executive has been set out in writing and approved by the Board. The Chairman's other main commitments are disclosed on page 17. A statement of Directors' responsibilities is given on page 20 of the Directors' Report. The respective responsibilities of directors and auditors is given on page 33 of the Independent Auditors' report to the members of office2office plc.

The non-executive Directors are free from any business or other relationship which could materially interfere with the exercise of their judgement and have no involvement with the day-to-day management of the Group. Peter Bertram had indicated that he would not stand for re-election at the 2008 AGM and

resigned in April 2008 in order to pursue his other business commitments. Consequently, Chris Batterham was appointed as non-executive Director in June 2008 and his biography is included on page 17. During the two month period between the resignation of Peter Bertram and the appointment of Chris Batterham, the Company only had one independent non-executive Director and was therefore in breach of provision A.3.2 of the Combined Code, which states that listed companies below the FTSE350 should have at least two independent non-executive directors. The Board considers both non-executive Directors to be independent and feels that their diverse experiences and backgrounds bring a depth of debate and alternative viewpoint to the Board. Jim Cohen is the senior independent non-executive Director. The terms and conditions of the non-executive Directors' appointments are available on request from the Company's registered office.

The Board operates formally through agenda-driven Board meetings, which are normally held on a monthly basis, usually at the Company's head office. The monthly agenda covers both operational and strategic matters. In the first half of the year sub-committees of the Board met on seven occasions to deal with matters relating specifically to the acquisition of TripleArc plc, a Class 1 transaction that was completed in May 2008. A further meeting of a sub-committee of the Board in July 2008 related to the compulsory acquisition of the remaining TripleArc plc shares. See page 77 for details.

Frequent informal dialogue between the Directors supplements the formal Board meetings. On a number of occasions during the year, the Chairman met with the non-executive Directors without the executive Directors present to discuss the performance of individual executive Directors and other senior managers. The non-executive Directors also met without the Chairman being present to discuss his performance.

The Board is responsible to shareholders for the management and control of the Group's activities, its strategic objectives, its system of corporate governance

and the stewardship of its resources. This is achieved by regular review of the key activities of the Group through the monthly management accounts, detailed reports and presentations. A Board pack comprising information to be reviewed and discussed is forwarded to all Board members in advance of the monthly meetings to allow the Directors to be fully prepared. On a daily basis, the Directors receive an email summary of the previous day's sales, with cumulative monthly figures and budget comparison. Additionally, the Board receives analyst and broker reports and is updated on any movements in major shareholdings. There is also a formal schedule of matters reserved for consideration and approval by the Board. Specific responsibilities have been delegated to Board committees as described below.

The Company Secretary reports to the Board and advises individual Directors as required on Board procedures and corporate governance matters. A procedure also exists for Directors to take independent professional advice at the Company's expense. Appropriate third party directors' and officers' insurance is maintained by the Company.

The Board undertakes a critical evaluation of itself and its committees on an annual basis. The Company Secretary prepared an independent assessment of the performance of the Board and its committees during the year, based on Higgs Performance Evaluation Guidance, and this was discussed with the Board in January 2009.

The Board concurred with the performance evaluation and was satisfied with the work and support provided by its committees. Following a review of the schedule of matters reserved for the Board and all of the committee's terms of reference, the Board agreed that no changes were necessary.

The main challenge facing the Board during 2008 was achieving a balance between the various strategic decisions made and, in the second part of the year, managing the actions taken in the face of uncertain economic circumstances. These decisions included growing the Company with two acquisitions in the

first half of the year, re-organising the management structure to enable growth into complementary business areas and diversifying further by entering into a partnership to provide a secure document destruction service. At the same time decisions were taken to ensure the business remained efficient through a further streamlining of resource and a business process improvement plan. The challenge necessitated formal and informal meetings in addition to the monthly scheduled meetings and the involvement of the Company's advisers and other external consultants where appropriate.

As in previous years the Board has kept abreast of operational matters via formal presentations and informal meetings with senior management. The Board feels that this not only improves communications, both in and out of the boardroom, but also helps in its understanding of the business. In turn, the Board has ensured that all employees are informed of the strategic and operational developments via the Chief Executive's quarterly newsletter and regular email. The Board is also kept up-to-date with changes in the regulatory environment. In April 2008, Macfarlanes LLP, the Company's lawyers, were invited to advise the Board on the impact on the Directors of the new Companies Act 2006 (CA 2006). Additionally, the Company Secretary briefs the Board as new provisions of the CA 2006 come into force and on other regulatory developments.

Under CA 2006, Directors must avoid any situations in which they have or could have a direct or indirect interest that conflicts with Company interests. Following shareholder approval at the 2008 AGM for amendments to the Articles, the Board has authority to approve any such conflict, as appropriate.

In accordance with the Company's Articles no more than one third of the Directors are required to retire at each AGM and all Directors are required to submit themselves for re-election at least once every three years. Directors appointed by the Board during the year are required to retire at the first AGM after their appointment and offer themselves for election. Accordingly, Chris Batterham will offer himself for election at the next AGM.

## Going concern

The Group has net current liabilities as at 31 December 2008. The Group has traded profitably since the balance sheet date with the profits generated contributing to the funding of the Group's working capital requirements. In addition, the Group meets its day-to-day working capital requirements through sufficient and appropriate credit facilities that are committed until April 2013. The Group's forecasts indicate that it is able to operate within the level of its current facilities for the foreseeable future. Accordingly, the Directors, having made appropriate enquiries, consider it reasonable to assume that the Group and the Company have adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

## Committees of the Board

Specific responsibilities are delegated to sub-committees of the Board. The composition of these sub-committees is provided below together with reference to reports on their activities. All other decisions are taken collectively by the Board.

The **Nomination Committee** is responsible for reviewing the size, structure and composition of the Board and making recommendations to the Board if it considers that any changes are required. It keeps succession plans under review and has a formal procedure for appointments to the Board and senior management team. The Nomination Committee includes both independent non-executive Directors and is chaired by David Callear. A report on its activities is given on page 26.

The **Remuneration Committee** reviews and makes recommendations on the Group's overall remuneration policy, including individual remuneration packages for executive Directors, the Chairman and senior management. It is also responsible for the review of the Company's share schemes and senior incentive plans. The Remuneration Committee comprises the independent non-executive Directors and, where appropriate, David Callear and is chaired by Jim Cohen. When necessary,

non-committee members are invited to attend by prior arrangement. A report on its activities is given on page 28.

The **Audit Committee** assists the Board in discharging its responsibilities effectively for financial reporting, risk review and internal control. It comprises the independent non-executive Directors and is chaired by Chris Batterham, who is a Chartered Accountant and has relevant financial expertise, as described in his biography on page 17. Non-committee members and the external auditors are invited to attend by prior arrangement. A report on its activities is given on page 27.

# Corporate Governance Statement continued

## Attendance at meetings

The number of full Board meetings and Committee meetings attended by each Director in 2008 was as follows:

	Full Board		Remuneration Committee		Audit Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
<b>Chairman</b>								
D J Callear	11	11	4	4	4	4*	2	2
<b>Executive Directors</b>								
S R Moate	11	11	4	2*	4	3*	2	1*
M A Cunningham	11	11	4	-	4	4*	2	1*
<b>Non-executive Directors</b>								
J L Cohen***	11	11	4	4	4	3	2	2
C M Batterham (appointed 27 June 2008)	6**	5	1**	1	2**	2	..**	-
P M Bertram (resigned 24 April 2008)	4**	3	3**	2	2**	2	..**	-

\* By invitation

\*\* Maximum number of meetings that could be attended due to timing of appointment/resignation

\*\*\* Senior independent non-executive Director

Sub-committees of the Board met on an additional 8 occasions during the year relating specifically to the acquisition of TripleArc plc.

As Board packs are issued in advance of the Board meetings, all Directors are kept informed of the matters to be discussed and have the opportunity to make their views known to the Chairman prior to the meeting if they are unable to attend. Minutes of meetings are circulated to the respective members of the Board or Committees.

## Directors' remuneration

The Directors' Remuneration Report on pages 28 to 32 includes details of remuneration policies and the remuneration of Directors.

## Relationship with shareholders

The Board, led by the Chairman, recognises the importance of effective communication and accountability to all shareholders and is kept informed of their views through frequent contact with the house-brokers and feedback from direct communications with, and presentations to, institutional investors and fund managers.

Each shareholder receives the annual report and financial statements containing the full year results and an interim report on the half year results. Following the announcement of results, presentations are given to the investment community in London and Edinburgh. The full year and half year reports and presentations are made available on the Company's website ([www.office2office.co.uk](http://www.office2office.co.uk)). Additionally, and in accordance with the Disclosure and Transparency Rules, interim management statements were released via the RNS news service in April and October 2008.

The Company's AGM takes place in Norwich and formal notification, together with the annual report and financial statements, is sent to shareholders at least 20 working days in advance of the meeting. All Board members are available, formally during the AGM and informally afterwards, for questions. Each item of business is the subject of a separate resolution. The collection and analysis of the proxy votes is handled independently by the Company's registrars. The Chairman announces the results of the proxy votes after shareholders have voted on a show of hands. These results are

also made available on the Company's website. Details of the 2009 AGM are set out in the notice of the meeting enclosed with this report.

In accordance with the FSA regulations on Class 1 transactions, a general meeting was convened in May 2008, in London, to obtain shareholder approval for the acquisition of TripleArc plc. Approval was unanimous and the results are available on the Company's website.

The Chairman and the senior independent Director are available to shareholders on all matters relating to governance and strategy. All members of the Board may be contacted through the Company's website.

## Internal control

The Board has overall responsibility for the Group's systems of internal controls and delegates the annual review of internal control processes and their effectiveness to the Audit Committee. The internal control systems are designed to meet the Group's needs and address the risks to which it is exposed. Such systems mitigate, rather than eliminate, the risks faced by the business and can only provide reasonable and not absolute

assurance against material mis-statement or loss. Necessary actions are taken to remedy any significant failings or weaknesses as they are identified when the Board reviews the effectiveness of the system of internal control.

The key elements of the Group's procedures and internal financial control framework are:

- the close involvement of the executive Directors in all aspects of the day-to-day operations, including regular meetings with senior staff from across the Group and a review of the monthly operational reports compiled by senior management;
- clearly defined responsibilities and limits of authority. The Board has responsibility for strategy and has adopted a schedule of matters which are required to be brought to it for decision;
- a comprehensive system of financial reporting, forecasting and budgeting. Detailed budgets are prepared annually for all parts of the business. Reviews occur through the management structure culminating in a Group budget which is considered and approved by the Board;
- Group management accounts are prepared monthly and submitted to the Board for review. Variances from budget and prior year are closely monitored and explanations are provided for significant variances. Detailed expense reports with comparisons against budget are issued monthly to cost centre managers to assist in cost control;
- a continuous process for identifying, evaluating and managing significant risks across the Group together with a comprehensive annual review of risks which covers both financial and non-financial areas; and
- an annual review of insurance cover for the Group including a review of disaster recovery plans for IT and the warehouses. The significant risks facing the business are considered to be the loss of a large customer or a major interruption of warehouse operations or IT services.

This process is in accordance with the Turnbull guidance and has been in place throughout the year under review and up to the date of approval of the annual report and financial statements.

## Corporate Social Responsibility

Measures to ensure responsible business conduct and the identification and assessment of risks associated with social, ethical and environmental matters are managed in conjunction with all other business risks and reviewed at regular meetings of the Board and senior management.

The Company has recently launched a new CSR initiative entitled 'Good for you, good for us, good for everyone' which aims to combine added value for customers with tangible benefits for the business and the environment.

A summary report on the Group's policies and objectives for CSR is set out on pages 14 to 16.

### D Rodwell

Company Secretary

25 February 2009

# Nomination Committee Report

## Role of the Nomination Committee

The Nomination Committee is a sub-committee of the Board and is responsible for all appointments to the Board, giving full consideration to succession plans and the leadership of the Group. It makes recommendations to the Board of any changes to the Board and its committees it considers necessary and also reviews the senior management structure. The Committee has a formal procedure for appointments to the Board and senior management team, which is available, together with the Committee's terms of reference, on the Company's website ([www.office2office.co.uk](http://www.office2office.co.uk)).

## Composition of the Nomination Committee

The Nomination Committee comprises the Chairman and the independent non-executive Directors. The Company Secretary is secretary to the Nomination Committee. The Committee meets to deal with assignments in accordance with Company needs and best practice in corporate governance.

## Main activities of the Nomination Committee

In 2008, the Nomination Committee met on two occasions for the sole purpose of finding a successor to Peter Bertram as non-executive Director. Following approaches and initial interviews, the Committee arranged for the short-listed candidates to meet with the Chief Executive prior to a formal recommendation being made to the Board. As the appointee would chair the Audit Committee, due consideration was given to the requirements of the Combined Code and the Financial Reporting Council's guidance on audit committees. Chris Batterham was appointed as non-executive Director on 27 June 2008.

### D J Callear

Chairman of the Nomination Committee

25 February 2009

# Audit Committee Report

## Role of the Audit Committee

The Audit Committee is a sub-committee of the Board whose responsibilities include:

- reviewing the interim report, the annual report and accounts, results announcements of the Group and any other formal announcements relating to the Group's financial performance and recommending them to the Board for approval;
- reviewing the Group's systems of internal financial control, risk management policies and procedures;
- monitoring and reviewing the requirement for an internal audit function;
- considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the Board in relation to their appointment;
- monitoring and reviewing the effectiveness and independence of the external auditors, agreeing the nature and scope of their audit, their remuneration and considering their reports on the Group's accounts and systems of internal financial control and risk management; and
- monitoring the Group's whistle-blowing procedures.

## Composition of the Audit Committee

The Audit Committee comprises both independent non-executive Directors whose biographical details are included on page 17 and their remuneration on pages 28 to 32. Chris Batterham, Chairman of the Audit Committee, is a Chartered Accountant. Non-committee members and the Company's external auditors are invited to attend meetings as and when appropriate. At least once each year, representatives of PwC meet the Audit Committee without any executive Directors being present. The Company Secretary is secretary to the Audit Committee. The Committee's terms of reference are available on the Company's website ([www.office2office.co.uk](http://www.office2office.co.uk)).

## Main activities of the Audit Committee

The Audit Committee met on four occasions in 2008 with other Board members and the auditors attending as required. Three of these meetings were to review the 2007 full year results and the 2008 half year results prior to recommending them to the Board for approval. The Committee also reviewed the results announcements and presentations to investors and received reports from the external auditors on their work. In December 2008, the Committee met PwC who set out their audit approach and procedures, including matters relating to scope, auditor independence and fees for the full year audit. At the same meeting, the Committee reviewed the whistle-blowing policy, the risk register and considered the need for an internal audit function.

### Review of risk management and internal control

The risk register profiles the Group's risk, after taking into account any mitigating controls, based on likelihood of occurrence and impact on the business. The main risks are set out on pages 12 to 13 of the Business and Financial Review.

### Internal audit function

The Committee recognises that o2o is now a much enlarged group and a more complex structure operating in a considerably changed economic environment. Following the review of the risk register in December 2008, the Committee has agreed that a structured approach to providing assurance on risk and control is now required and that an internal audit function would be the most appropriate way of achieving this. It is intended to make a formal appointment as soon as possible.

### Review of whistle-blowing policy

No concerns were reported in the year and following a review of the policy, the Committee did not consider that any changes were necessary. The policy is available on the Company's website ([www.office2office.co.uk](http://www.office2office.co.uk)).

## Independence of external auditors

The Audit Committee monitors the independence and objectivity of PwC by keeping under review the relationship between the Group and PwC and ensuring Group policy is followed in relation to the provision of non-audit services.

The Committee meets with the external auditors to review and approve audit scope and fees and obtain written confirmation of their independence. Following the audit, the Committee meets with PwC without the executive Directors being present and also discusses the efficiency of the audit process with the executive Directors.

Group policy on the provision of non-audit services requires that, other than for corporate taxation services, approval is sought from the Committee in advance of any engagement. The Committee will consider, taking into account the scope of the work and level of fees involved, whether the provision of such non-audit services impairs the independence and objectivity of PwC.

Prior to their appointment to undertake the financial due diligence on the acquisition of TripleArc plc, the Committee considered whether PwC's independence would be impaired as the fees of £178,000 were considerably larger than the normal annual audit fee for the Group. However, as the due diligence was to be carried out by a separate team, the Committee considered that appointing PwC was the most appropriate choice.

### C M Batterham

Chairman of the Audit Committee

25 February 2009

# Directors' Remuneration Report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. It outlines the membership and workings of the Remuneration Committee, together with details of Directors' remuneration in respect of the year ended 31 December 2008. In accordance with the Regulations, a resolution to approve this report will be proposed at the forthcoming AGM.

## Remuneration Committee and its terms of reference

The Remuneration Committee is a sub-committee of the Board and membership comprises the Chairman and the non-executive Directors, who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement. The Chairman of the Remuneration Committee is Jim Cohen. When necessary, non-committee members are invited to attend by prior arrangement. The Committee met four times in the year.

The principal function of the Committee is to make recommendations to the Board regarding the Company's policy on the remuneration, benefits and terms of employment of the executive Directors and the Chairman of the Company. In addition, the Committee assists the Board in ensuring that the Group's executive management are recruited, developed and remunerated in an appropriate fashion. In determining remuneration packages and policies, due regard is given to any legal requirements, the provisions of the Combined Code (2006), the Listing Rules of the Financial Services Authority and the Directors' Remuneration Report Regulations 2002. The Committee uses Hewitt New Bridge Street Consultants LLP and Macfarlanes LLP as its professional advisers on executive remuneration and employee share schemes.

The Committee's terms of reference are available on the Company's website ([www.office2office.co.uk](http://www.office2office.co.uk)).

## Executive Directors' remuneration

Remuneration policy in respect of executive Directors is designed to ensure that the Group achieves its potential and increases shareholder value. In respect of basic salary, the objective is to ensure that the Group retains and attracts high calibre executives with the skills, experience and motivation necessary to direct and manage the affairs of the Group. Annual bonuses and long term incentive schemes are seen as an important part of each Director's total remuneration and are designed to drive and reward exceptional performance.

The current remuneration package of the executive Directors consists of basic salary, annual bonus, long term incentive schemes, taxable benefits, SAYE option schemes and pension arrangements. These are described in more detail below.

The executive Directors' basic salaries are reviewed annually by the Committee, taking into account the performance of the individual, changes in their responsibilities, the Group's performance against financial objectives and, when deemed appropriate, information from independent remuneration consultants' sources on levels of salary for similar jobs. In September 2008, the Committee recommended to the Board an increase in the executive Directors' salaries to reflect their part in driving the Board's acquisitive strategy, their increased executive responsibility of an enlarged group and the achievement of 2007 full year and 2008 half year results against a toughening economic backdrop.

The annual cash bonus scheme for executive Directors in 2008 was based on achieving profit targets and personal objectives. The maximum bonus potential was 60% of basic salary. The actual profit achieved was below these targets. However, Simon Moate and Mark Cunningham have each been awarded a bonus to recognise their performance in the restructuring and acquisition activity. Details of the bonuses paid are on page 30.

Each year the Committee reviews the arrangements and may recommend different targets or performance conditions to keep the objectives aligned with shareholder interests.

Pension contributions of up to 10% of basic salary were made to the personal pension schemes of the current executive Directors.

Simon Moate's service agreement, dated 8 May 2007 with an effective appointment date of 30 July 2007, is terminable on 12 months' notice by either party, with the right for the Company to make a payment in lieu of salary and benefits, excluding bonus, for any unexpired period of notice.

Mark Cunningham's service agreement of 23 June 2004 was amended with effect from 1 January 2008 to reflect a 12 month notice period by either party, with the right for the Company to make a payment in lieu of salary and benefits, excluding bonus, for any unexpired period of notice. His other terms and conditions of employment are unchanged.

## Save As You Earn share option scheme (SAYE)

The Group operates an Inland Revenue approved SAYE scheme open to all employees and in which both executive Directors participate. Details are provided on page 32.

## Long term incentive plans

The Company currently operates a long term incentive plan, the Performance Share Plan (PSP), as detailed below. The Company also has a Deferred Share Bonus Plan (DSBP) which has been inactive since inception. Both these plans were approved by shareholders in November 2005 following a review by an independent adviser and consultation with shareholders and the Association of British Insurers (ABI). In line with ABI guidelines, awards granted under this plan are subject to dilution limits.

## Performance Share Plan

The PSP rules allow awards over Ordinary shares, subject to performance criteria as detailed below and vesting in three years, to be made to individuals in any year of a value of up to 100% of basic salary. In exceptional circumstances the Remuneration Committee has discretion to increase the award to up to 200% of basic salary. In accordance with the scheme rules, the number of Ordinary shares awarded are calculated by reference

to the three day average of the closing mid-market quotation of the Company's share price prior to the award date. The exercise price of options under the PSP scheme is 0.1p per share.

Mark Cunningham currently holds awards over 212,705 Ordinary shares following grants made in December 2005, April 2006 and April 2008, based on an average share price of 256.0p, 247.67p and 168.75p respectively.

Simon Moate currently holds awards over 366,406 Ordinary shares following grants made in September 2007 and April 2008 based on an average share price of 189.0p and 168.75p respectively. In September 2008, as part of his salary review, the Remuneration Committee recommended that an additional award is made to Simon Moate representing 50% of his salary. However, the Company has been in a prohibited period since this recommendation and the award is likely to be made after the announcement of the preliminary results in February 2009. Further details of the awards are given on page 31 and in note 26 to the financial statements.

The PSP will reward participants by reference to performance criteria based, in equal proportion, on (i) a comparative measure of total shareholder return (TSR) against the companies in the FTSE Small Cap Index and (ii) the Company's earnings per share (EPS) growth. The combined use of TSR and EPS targets is intended to incentivise participants to deliver substantial real earnings growth in addition to generating above market returns for shareholders.

The portion of any award based on TSR will, other than as discussed below, vest 25% for median performance, with full vesting at the upper quartile level (and the proportion vesting increasing on a straight-line basis between these points). TSR will be measured over a three year performance period.

The balance of the award will be based on the Company's EPS growth. For awards granted in 2005 and 2006, this part of the award will vest 25% if EPS grows by an average of 4% per annum more than the increase in RPI over a three year performance period. If EPS grows by an average of 15% per annum more than

the increase in RPI over the period, this portion of the award will vest in full.

The PSP award granted to Simon Moate, on joining the Company, was an enhanced award. That portion based on TSR will vest 40% for median performance with full vesting at the upper quartile. That portion based on EPS will vest 50% if EPS grows by an average of 4% per annum more than the increase in RPI over a three year performance period. If EPS grows by an average of 8% per annum more than the increase in RPI over the same period, this portion of the award will vest in full.

Having consulted with the major institutional investors, the ABI and Research Recommendations and Electronic Voting (RREV) in November 2007, the Remuneration Committee reassessed the performance conditions to provide a common incentive to the senior management team. As such, for the PSP awards granted in April 2008, that portion based on EPS will vest 50% if EPS grows by an average of 4% per annum more than the increase in RPI over a three year performance period. If EPS grows by an average of 8% per annum more than the increase in RPI over the same period, this portion of the award will vest in full.

For EPS growth between the lower and upper levels quoted above, the proportion vesting will increase on a straight-line basis. EPS growth will be measured over a three year period.

In the event of a takeover, all awards granted under the PSP vest or become exercisable to the extent that the performance targets have been achieved, as determined by the Remuneration Committee. In the event of a re-organisation the awards may be exchanged for options over shares in the new holding company on such terms determined by the Committee.

The initial tranche of awards granted in December 2005 vested in December 2008 to the extent that, over the three year period, an EPS growth of 28.12% had been achieved. This equated to 36.4% of the award under the EPS element vesting, being a total of 20,921 shares to 7 participants. 2,987 of these shares related to Mark Cunningham but due to

the current prohibited period have yet to be exercised. No awards vested under the TSR element.

## Chairman and non-executive Directors

David Callear's and Jim Cohen's service agreements were renewed during 2007 to run for a further three years ending on 28 June 2010. Chris Batterham's service agreement which commenced on 27 June 2008 also runs for three years and ends on 26 June 2011. All of these service agreements are terminable on three months' notice by either the Company or the relevant Director. The Chairman's and non-executive Directors' remuneration is non-pensionable.

The remuneration of the non-executive Directors is determined by the Chairman and the executive Directors and the remuneration of the Chairman is determined by the Remuneration Committee. In both cases and following consultation with Hewitt New Bridge Street Consultants LLP, salary increases were awarded in April 2008 to reflect the increased time commitment and responsibilities of the roles.

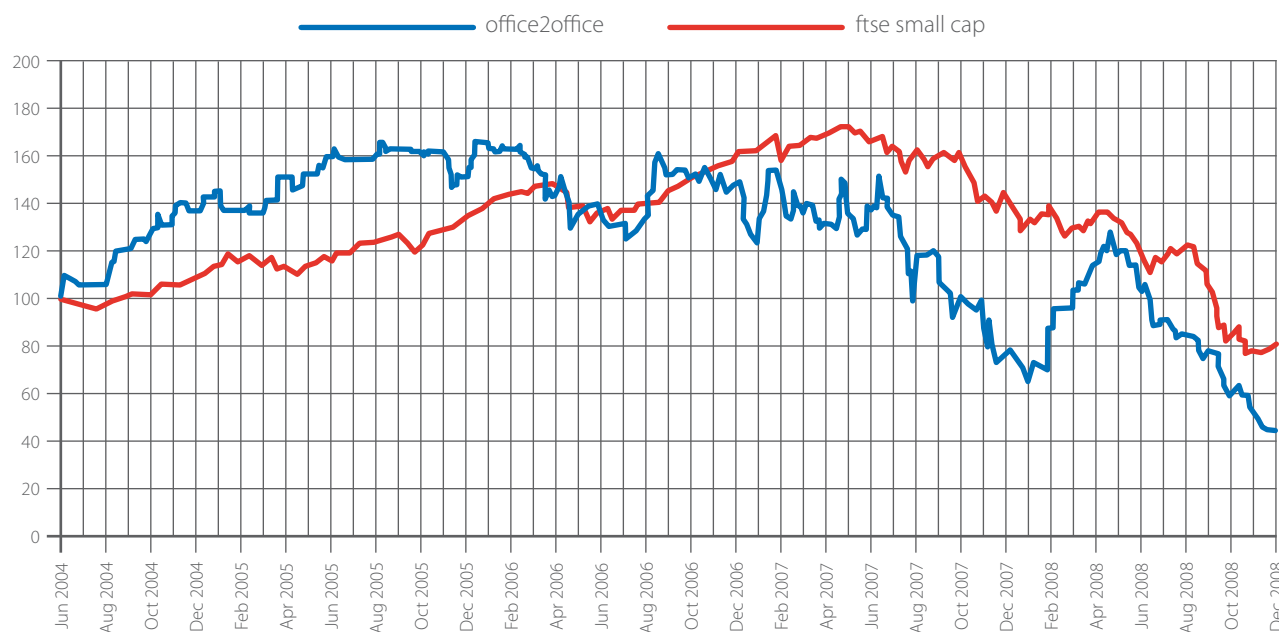
The Chairman and non-executive Directors are not eligible to participate in any of the Company's share option or Group bonus schemes.

# Directors' Remuneration Report continued

## Performance graph

The graph below shows o2o's total shareholder return performance compared to the FTSE Small Cap index, of which o2o was, until 17 December 2007, a constituent member. The values indicated in the graph show the share price growth plus reinvested dividends from a £100 hypothetical holding of Ordinary shares in o2o and in the index from flotation to 31 December 2008.

29 June 2004 to 31 December 2008



## Directors' remuneration earned in 2008 – audited

The emoluments of the Directors (excluding pension contributions) are shown below:

	2008 Salary /fees £000	2008 Allowances and benefits in kind £000	2008 Annual bonus £000	2008 Total £000	2007 Total £000
<b>Chairman</b>					
D J Callar	139	-	-	139	213
<b>Executive</b>					
M A Cunningham	159	11	12	182	219
S R Moate (appointed July 2007)	241	10	15	266	180
<b>Subtotal</b>	<b>400</b>	<b>21</b>	<b>27</b>	<b>448</b>	<b>399</b>
<b>Non-executive</b>					
J L Cohen	56	-	-	56	52
C M Batterham (appointed June 2008)	25	-	-	25	-
P M Bertram (resigned April 2008)	18	-	-	18	48
<b>Subtotal</b>	<b>99</b>	<b>-</b>	<b>-</b>	<b>99</b>	<b>100</b>
<b>Total</b>	<b>638</b>	<b>21</b>	<b>27</b>	<b>686</b>	<b>712</b>

Other allowances and benefits in kind provided to executive Directors comprise car benefits, family private health care, permanent health insurance and life assurance at the rate of four times annual salary.

No amounts have been waived in the current or prior year.

In addition to the amounts disclosed above, in 2007, £146,000 was paid to R C Peck (former Chief Executive who resigned in February 2007).

## Directors' pensions – audited

Pension contributions reflect amounts payable to defined contribution personal pension schemes.

The contributions payable to personal pension schemes in the year are shown below:

	Pension contributions 2008	2007
M A Cunningham	16	15
S R Moate (appointed July 2007)	24	9
	<b>40</b>	24

## Directors' interests – unaudited

The beneficial interests of the Directors and their immediate families in the share capital of o2o at the year end are set out below:

	Number of Ordinary shares 2008	2007
D J Callar	350,991	350,991
M A Cunningham	1,086,562	1,086,562
S R Moate	11,000	11,000
	<b>1,448,553</b>	1,448,553

There have been no changes in the Directors' interests between 31 December 2008 and the date of this report.

No Director had any material interest in any contract of significance with the Group during the period under review. The Directors confirm that they have not given any pledges of o2o shares.

## Long term incentive plans – audited

Awards granted to Directors under the PSP were as follows:

	1 Jan 08	Granted	Exercised	Lapsed	31 Dec 08	Exercise price per share	Exercisable from	Expiry date
<b>M A Cunningham</b>								
2005 PSP Award	16,406	-	-	13,419	<b>2,987</b>	0.1p	21.12.08	21.06.09
2006 PSP Award	21,605	-	-	-	<b>21,605</b>	0.1p	24.04.09	24.10.09
2008 PSP Award	-	188,113	-	-	<b>188,113</b>	0.1p	24.04.11	24.10.11
	<b>38,011</b>	<b>188,113</b>	-	<b>13,419</b>	<b>212,705</b>			
<b>S R Moate</b>								
2007 PSP Award	232,907	-	-	-	<b>232,907</b>	0.1p	11.09.10	11.03.11
2008 PSP Award	-	133,499	-	-	<b>133,499</b>	0.1p	24.04.11	24.10.11
	<b>232,907</b>	<b>133,499</b>	-	-	<b>366,406</b>			

The awards granted during the year were made on 24 April 2008. The market price of Ordinary shares at the date of grant was 171.25p.

## Directors' Remuneration Report continued

Beneficial options granted to Directors under the SAYE scheme were as follows:

	1 Jan 08	Granted	Exercised	Lapsed	31 Dec 08	Exercise price per share	Exercisable from	Expiry date
M A Cunningham	5,521	-	-	5,521	-	171.6p	01.12.07	31.05.08
	-	8,039	-	-	<b>8,039</b>	119.4p	01.05.11	30.11.11
S R Moate	-	14,069	-	-	<b>14,069</b>	119.4p	01.05.13	30.11.13

Lapsed awards were not exercised due to the share price at the end of the exercise period being lower than option price.

The closing market price of Ordinary shares at 31 December 2008 was 65.5p. The shares traded in the range 62.5p to 195p during the year.

The details and the performance criteria in respect of the above schemes are discussed on pages 28 and 29.

### **J L Cohen**

Chairman of the Remuneration Committee

25 February 2009

# Independent Auditors' Report to the members of office2office plc

We have audited the Group and parent Company (the Company) financial statements (the financial statements) of office2office plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and Company balance sheets, the consolidated and Company statements of changes in shareholders' equity, the consolidated and Company cash flow statements, the significant accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

## Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the

financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive's Review and the Business and Financial Review that is cross referred from the business review section of the Directors' Report.

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 review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Business and Financial Review, the Corporate Social Responsibility Statement, the Directors' Report, the Corporate Governance Statement, the Nomination Committee Report, the Audit Committee Report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## 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 and the part of the Directors' Remuneration Report to be audited. 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 Group's and 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 and the part of the Directors' Remuneration Report to be audited are free from material mis-statement, 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 and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008, and of its profit and cash flows for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2008 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

## PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
Norwich

25 February 2009

# Consolidated Income Statement for the year ended 31 December 2008

	Note	2008 £000	2007 £000
<b>Revenue</b>	3	<b>180,999</b>	167,862
Cost of sales	4	<b>(124,168)</b>	(114,276)
<b>Gross profit</b>		<b>56,831</b>	53,586
Distribution costs	4	<b>(20,082)</b>	(22,082)
Administrative expenses	4	<b>(25,783)</b>	(22,386)
<b>Operating profit</b>		<b>10,966</b>	9,118
Finance income		<b>190</b>	512
Finance costs		<b>(1,549)</b>	(627)
Finance costs - net	8	<b>(1,359)</b>	(115)
<b>Profit before income tax</b>		<b>9,607</b>	9,003
Analysed as:			
Underlying profit before income tax*		<b>12,066</b>	11,579
Share option expense	26	<b>(23)</b>	(243)
Exceptional and non-recurring costs	5	<b>(1,812)</b>	(2,333)
Amortisation	13	<b>(624)</b>	-
Profit before income tax	3	<b>9,607</b>	9,003
Income tax expense	9	<b>(2,995)</b>	(2,733)
<b>Profit for the year attributable to equity shareholders</b>	27	<b>6,612</b>	6,270
<b>Earnings per Ordinary share attributable to equity shareholders</b>			
Basic	11	<b>18.5p</b>	17.4p
Diluted	11	<b>18.5p</b>	17.3p

\* Profit before income tax, exceptional and non-recurring costs, amortisation and share option expense.

All amounts relate to continuing operations, including the impact of business combinations arising during the year.

The Company has elected to take exemption under section 230 of the Companies Act 1985 to not present the parent Company's income statement. The profit for the parent Company for the year was £4,276,000 (2007: £4,275,000).

# Consolidated and Parent Company Balance Sheets

as at 31 December 2008

	Note	Consolidated		Company	
		2008 £000	2007* £000	2008 £000	2007* £000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	13	56,150	13,607	-	-
Property, plant and equipment	12	2,599	1,740	-	-
Investments in subsidiaries	14	-	-	7,705	7,682
Deferred income tax asset	15	1,197	1,316	-	-
		<b>59,946</b>	16,663	<b>7,705</b>	7,682
<b>Current assets</b>					
Inventories	16	8,371	6,513	-	-
Trade and other receivables	17	26,713	20,052	9,303	8,861
Cash and cash equivalents	18	2,691	6,963	159	1
		<b>37,775</b>	33,528	<b>9,462</b>	8,862
<b>Total assets</b>		<b>97,721</b>	50,191	<b>17,167</b>	16,544
<b>Equity</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Ordinary shares	25	363	363	363	363
Share premium account	27	5,009	5,009	5,009	5,009
Other reserves	27	286	46	-	-
Retained earnings	27	14,502	11,489	11,769	11,109
<b>Total equity</b>		<b>20,160</b>	16,907	<b>17,141</b>	16,481
<b>Non-current liabilities</b>					
Borrowings	20	25,374	410	-	-
Provisions	23	2,143	602	-	-
Retirement benefit liability	24	1,044	1,133	-	-
		<b>28,561</b>	2,145	-	-
<b>Current liabilities</b>					
Trade and other payables	19	40,465	30,242	26	25
Borrowings	20	6,978	177	-	-
Current income tax liabilities	22	1,557	720	-	38
		<b>49,000</b>	31,139	<b>26</b>	63
<b>Total liabilities</b>		<b>77,561</b>	33,284	<b>26</b>	63
<b>Total equity and liabilities</b>		<b>97,721</b>	50,191	<b>17,167</b>	16,544

\* Restated to reflect the presentation of the balance sheet showing total assets and total equity and liabilities and, in respect of the Company, the adoption of IFRIC 11.

The financial statements comprising the consolidated income statement, the consolidated and parent Company balance sheets, the consolidated and parent Company statements of changes in shareholders' equity, the consolidated and parent Company cash flow statements, the significant accounting policies and the notes to the financial statements were approved for issue by the Board of Directors on 25 February 2009.

**D J Callear**

Chairman

25 February 2009

# Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2008

	Note	Ordinary shares £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
<b>Balance at 1 January 2007</b>		363	5,009	(11)	9,472	14,833
Currency translation differences		-	-	57	-	57
Net income recognised directly in equity		-	-	57	-	57
Profit for the period		-	-	-	6,270	6,270
<b>Total recognised income for the period ended 31 December 2007</b>		-	-	57	6,270	6,327
Employee share options:						
- value of employee services		-	-	-	232	232
- deferred tax on share options		-	-	-	(49)	(49)
- proceeds from exercise of share options		-	-	-	2	2
Purchase of shares by employee benefit trust		-	-	-	(958)	(958)
Deferred tax charged directly to equity upon change of United Kingdom corporation tax rate		-	-	-	(24)	(24)
Dividends and other appropriations:						
- Ordinary shares	10	-	-	-	(3,456)	(3,456)
		-	-	57	2,017	2,074
<b>Balance at 31 December 2007</b>		<b>363</b>	<b>5,009</b>	<b>46</b>	<b>11,489</b>	<b>16,907</b>

	Note	Ordinary shares £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
<b>Balance at 1 January 2008</b>		363	5,009	46	11,489	16,907
Currency translation differences		-	-	240	-	240
Net income recognised directly in equity		-	-	240	-	240
Profit for the period		-	-	-	6,612	6,612
<b>Total recognised income for the period ended 31 December 2008</b>		-	-	240	6,612	6,852
Employee share options:						
- value of employee services		-	-	-	45	45
- deferred tax on share options		-	-	-	(5)	(5)
Sale of shares by employee benefit trust		-	-	-	37	37
Dividends and other appropriations:						
- Ordinary shares	10	-	-	-	(3,676)	(3,676)
		-	-	240	3,013	3,253
<b>Balance at 31 December 2008</b>		<b>363</b>	<b>5,009</b>	<b>286</b>	<b>14,502</b>	<b>20,160</b>

# Parent Company Statement of Changes in Shareholders' Equity

for the year ended 31 December 2008

	Note	Ordinary shares £000	Share premium account £000	Retained earnings £000	Total equity £000
<b>Balance at 1 January 2007</b>					
- as previously stated		363	5,009	9,152	14,524
- prior year adjustment in respect of IFRIC 11 (share options)		-	-	1,853	1,853
- as restated		363	5,009	11,005	16,377
Profit for the period		-	-	4,275	4,275
<b>Total recognised income for the period ended 31 December 2007</b>		-	-	4,275	4,275
Credit to reserves for share based payments		-	-	243	243
Purchase of shares by employee benefit trust		-	-	(958)	(958)
Dividends and other appropriations:					
- Ordinary shares	10	-	-	(3,456)	(3,456)
		-	-	104	104
<b>Balance at 31 December 2007</b>		<b>363</b>	<b>5,009</b>	<b>11,109</b>	<b>16,481</b>

	Note	Ordinary shares £000	Share premium account £000	Retained earnings £000	Total equity £000
<b>Balance at 1 January 2008</b>					
Profit for the period		-	-	4,276	4,276
<b>Total recognised income for the period ended 31 December 2008</b>		-	-	4,276	4,276
Credit to reserves for share based payments		-	-	23	23
Sales of shares by employee benefit trust		-	-	37	37
Dividends and other appropriations:					
- Ordinary shares	10	-	-	(3,676)	(3,676)
		-	-	660	660
<b>Balance at 31 December 2008</b>		<b>363</b>	<b>5,009</b>	<b>11,769</b>	<b>17,141</b>

# Consolidated and Parent Company Cash Flow Statements

for the year ended 31 December 2008

	Note	Consolidated		Company	
		2008 £000	2007 £000	2008 £000	2007 £000
<b>Cash flows from operating activities</b>					
Cash generated from/(used in) operations	28	5,636	8,394	(441)	(238)
Interest received		190	512	276	313
Interest paid		(1,487)	(595)	-	-
Interest element of finance lease repayments		(62)	(32)	-	-
Income tax paid		(2,030)	(2,857)	(38)	-
Net cash generated from/(used in) operating activities		2,247	5,422	(203)	75
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(307)	(184)	-	-
Acquisition of subsidiaries, including overdrafts*		(21,438)	-	-	-
Dividends received		-	-	4,000	4,000
Net cash (used in)/generated from investing activities		(21,745)	(184)	4,000	4,000
<b>Cash flows from financing activities</b>					
Finance lease principal payments		(219)	(151)	-	-
Increase in borrowings		25,000	-	-	-
Repayment of borrowings*		(12,613)	-	-	-
Sale/(purchase) of shares by employee benefit trust		37	(958)	37	(958)
Dividends paid to Company's equity shareholders	10	(3,676)	(3,456)	(3,676)	(3,456)
Net cash generated from/(used in) financing activities		8,529	(4,565)	(3,639)	(4,414)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(10,969)</b>	673	<b>158</b>	(339)
Cash and cash equivalents at 1 January		6,963	6,290	1	340
<b>Cash, cash equivalents and bank overdrafts at 31 December</b>	18	<b>(4,006)</b>	6,963	<b>159</b>	1

## Net (debt)/funds at 31 December comprises:

	Consolidated		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Cash, cash equivalents and bank overdrafts	(4,006)	6,963	159	1
Finance leases	(655)	(587)	-	-
Bank loans	(25,000)	-	-	-
<b>Net (debt)/funds at 31 December</b>	<b>(29,661)</b>	6,376	<b>159</b>	1

\*Net cash outflow from acquisition of subsidiaries which comprises the cost of the acquisitions, bank overdrafts and loans was £34,051,000.

# Significant Accounting Policies for the year ended 31 December 2008

## General information

office2office plc (the Company) and its subsidiaries (the Group) provide managed procurement services and business critical services. The Group operates in the United Kingdom and Republic of Ireland. During the year the Group acquired control of TripleArc plc and Accord Office Supplies Limited (Accord). For details of the activities of TripleArc plc and Accord refer to note 31.

The Company is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is St Crispins, Duke Street, Norwich, NR3 1PD.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## Basis of preparation

The consolidated financial statements of office2office plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 1985 and 2006 as applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

## Recent accounting developments

### *Standards, amendments and interpretations effective in 2008 and relevant to the Group's operations*

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation in the Group or Company's financial statements. This has been applied in these financial statements.
- IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions'. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This has been applied in these financial statements.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19, 'Employee benefits' on the amount of the defined benefit plan surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group has applied IFRIC 14 from 1 January 2008. It has not had any impact on the Group or Company's financial statements.

### *Standards, amendments and interpretations effective in 2008 and not relevant to the Group's operations*

- IFRIC 12, 'Service Concession Arrangements'.
- IFRS 4, 'Insurance contracts'.
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial

reporting in hyper-inflationary economies'.

- IFRIC 9, 'Re-assessment of embedded derivatives'.

### *Amendments and interpretations to existing standards that are not effective for 2008 and have not been early adopted*

- IFRS 8, 'Operating segments'. This supersedes IAS 14, 'Segmental reporting', under which segments were identified and reported on risk and return analysis. This standard is effective for annual periods beginning on or after 1 January 2009, and introduces new rules on the disclosure of operating results by business segment. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting procedures. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail, but the current view is that it is likely that the number of reporting segments will not increase.
- IFRS 2 (Amendment), 'Share-based payments'. Effective for annual periods beginning on or after 1 January 2009, with the main changes relating to the treatment of vesting conditions and cancellations. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's Save As You Earn (SAYE) schemes.
- IFRS 3 (Revised), 'Business combinations'. This standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009. This standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the

# Significant Accounting Policies for the year ended 31 December 2008

parent Company's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The impact of IFRS 3 as revised is dependent on the extent of business combinations from 1 January 2010 and cannot currently be quantified.

- IAS 1 (Revised), 'Presentation of financial statements'. Effective for annual periods beginning on or after 1 January 2009. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group and Company will apply IAS 1 (revised) from 1 January 2009, subject to endorsement by the EU. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IAS 23 (Revised), 'Borrowing costs'. Effective for annual periods beginning on or after 1 January 2009. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The impact of IAS 23 is

dependent upon the extent of qualifying expenditure from 1 January 2009 onwards and hence cannot currently be quantified.

- IAS 36 (Amendment), 'Impairment of assets'. Effective for annual periods beginning on or after 1 January 2009. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009, subject to endorsement by the EU.
- IAS 19 (Amendment), 'Employee benefits'. Effective for annual periods beginning on or after 1 January 2009. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The Group will apply IAS 19 (Amendment) from 1 January 2009, subject to endorsement by the EU.

## *Amendments and interpretations to existing standards that are not effective for 2008 and not relevant for the Group's operations*

- IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27 (Amendment), 'Consolidated and separate financial statements'.
- IAS 27 (Revised), 'Consolidated and separate financial statements'.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements'.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement on eligible hedged items'.
- Annual improvements to IFRSs. There are a number of minor amendments to IFRSs which become effective for periods beginning on or after 1 January 2009.
- IFRIC 13, 'Customer loyalty programmes relating to IAS 18, Revenue'.
- IFRIC 15, 'Agreements for construction of real estates'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IFRIC 17, 'Distributions of non-cash assets to owners'.
- IFRIC 18, 'Transfer of assets from customers'.

## **Changes in accounting policies**

### *Adoption of IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions'*

A prior year adjustment has been made following the adoption of IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' which is effective from 1 January 2008 for the Group's financial statements, whereby the share options issued in respect of Group subsidiary entities are reflected in the Company's financial statements as a capital contribution, increasing the investment carrying amount and crediting retained earnings. Investment in subsidiaries and retained earnings as at 31 December

# Significant Accounting Policies for the year ended 31 December 2008

2006 and retained profits for the year to 31 December 2007 were increased by £1,853,000 and £243,000 respectively.

## *Exceptional and non-recurring costs*

During the period, the Group has modified the components of principal costs that are included within exceptional and non-recurring costs. This modification redefines the policy to include non-capitalised costs incurred in respect of business combinations. As a result of this change, £163,000 of non-capitalised costs in respect of business combinations have been included. There is no impact on the prior year amounts as no such costs were incurred in the prior year.

Exceptional and non-recurring costs are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional and non-recurring costs are principally restructuring related costs (including non capitalised costs incurred in respect of business combinations and potential business combinations) and costs in respect of key management changes.

## **Basis of consolidation**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The subsidiary undertakings included within these financial statements are shown in note 14 to the financial statements.

The purchase method of accounting is used to account for the acquisition

of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses on transactions between Group companies are also eliminated but are considered for impairment purposes in respect of the asset transferred. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

## **Revenue**

Revenue is measured by reference to the fair value of consideration received by the Group from goods supplied and services provided to external customers. Revenue is stated after deducting rebates, returns and other similar discounts, and after eliminating sales between Group companies and is exclusive of value added tax. Revenue is recognised upon the performance of services or when the significant risks and rewards of ownership are transferred to a customer, which occurs on delivery of goods as further described below:

### (a) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and

rewards of ownership of the goods which is generally upon delivery of the products to the customer, except where formal bill and hold arrangements are in place when the sale is recognised when an invoice is raised;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is generally upon delivery of the goods to the customer, except where formal bill and hold arrangements are in place, as above;
- the amount of revenue can be measured reliably, based on customer agreed purchase orders;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably, based on purchase orders.

### (b) Provision of services

When the outcome of a transaction involving the provision of services can be estimated reliably, revenue associated with the transaction is recognised on the basis of performance of contractual obligations and to the extent that the right to consideration has been earned. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the balance sheet date can be measured reliably and is estimated by reference to the percentage completion of the requested service (or component parts thereof) to be provided; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

# Significant Accounting Policies for the year ended 31 December 2008

Where a contract for goods or services involves delivery of several different elements and is not fully delivered or performed by the year end, revenue is recognised based on the proportion of the fair value of the elements delivered to the fair value of the overall contract.

## (c) Dividend income

Dividend income is recognised when the right to receive payment is established.

## Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those operating in other economic environments.

Based on risks and returns the Directors consider that the primary reporting format is by business segment. The secondary reporting format is by geographical analysis by origin and destination.

## Foreign currency translation

The financial information in this report is presented in sterling, the functional and presentational currency of the Company, rounded to the nearest thousand.

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. All realised foreign exchange differences are taken to the income statement. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date and are recognised as a separate component of equity.

The results and financial position of the Group entities (none of which has the currency of a hyper-

inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

## Business combinations and goodwill

The Group recognises intangible assets as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets acquired and the selection of an appropriate cost of capital. The useful lives of intangible assets are estimated and amortisation charged on a straight-line basis.

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets/net liabilities of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the Group's share of the net assets/net liabilities of the acquired entity (i.e. a discount on acquisition) then the difference is credited to the Consolidated Income Statement in the period of acquisition.

At the acquisition date of a subsidiary, goodwill acquired is recognised as an asset and is

allocated to each of the cash-generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill acquired up to 31 December 2003 was capitalised and amortised over its useful economic life. As permitted by IFRS1, 'First-time Adoption of International Financial Reporting Standards', the classification and accounting treatment of business combinations made prior to 1 January 2004 has not been amended on transition to IFRS.

## Other intangible assets

### Customer relationships

Customer relationships are recognised as intangible assets at the fair value of the consideration paid to acquire them less provisions for amortisation and impairment. The fair value attributed to the customer relationships acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted post tax weighted average cost of capital at the time of the acquisition for that business combination. The residual values of customer relationships are assumed to be nil.

Customer relationships are reviewed for impairment if conditions exist that indicate a review is required. Amortisation is provided so as to write off the cost of the customer relationships over the expected economic lives of the asset in equal instalments as follows:

Customer relationships arising on the acquisition of:

TripleArc plc (AccessPlus)  
10 years

Accord  
10 years

# Significant Accounting Policies for the year ended 31 December 2008

## Brands

Brands are recognised as intangible assets at the fair value of the consideration paid to acquire them less provisions for amortisation and impairment. The fair value attributed to the brands acquired through a business combination is determined by discounting the expected future cash flows that would be generated by a royalty stream in respect of the brands, at the risk adjusted post tax weighted average cost of capital at the time of the acquisition for that business combination. The residual values of brands are assumed to be nil.

Brands are reviewed for impairment if conditions exist that indicate that a review is required. Amortisation is provided so as to write off the cost of the brands over the expected economic lives of the asset in equal instalments as follows:

TripleArc plc (AccessPlus)  
10 years

Accord  
10 years

## Software

Software is included at cost and amortised on a straight-line basis over its useful economic life of 3 to 5 years.

The amortisation charge in respect of customer relationships, brands and software is recognised within administration expenses.

## Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of

assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in respect of goodwill are not subsequently reversed.

## Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs include expenditure that is directly attributable to the acquisition of the items. The assets' residual values and useful lives are reviewed annually and adjusted as appropriate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation commences in the month that the assets are fully installed and commissioned and is provided on a straight-line basis at rates calculated to write off the cost,

less estimated residual value, of each asset over its expected useful life, as follows:

### Short leasehold land and buildings

– over the lease term

### Plant and machinery

– over 4 to 15 years

### Office equipment

– over 3 to 10 years

Assets in the course of construction are stated at historical costs. Such assets are not depreciated or reviewed for impairment. Upon completion of the assets, costs are transferred to the appropriate fixed asset categorisation and commence being depreciated.

## Investments

In the Company's financial statements, investments in subsidiary undertakings are initially stated at cost, being the fair value of the consideration given. Investments are reviewed annually for impairment and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## Leased assets

Assets held under finance leases, as defined under IAS 17, 'Leases', are capitalised and included as part of property, plant and equipment. They are depreciated over their useful lives or the lease term (if shorter). The capital elements of future obligations under finance leases are included as liabilities in the balance sheet. The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

# Significant Accounting Policies for the year ended 31 December 2008

Benefits received and receivable as an incentive to enter a lease are spread evenly over the lease term.

## Inventories

Inventories comprise of finished goods and goods held for resale and are stated at the lower of cost or net realisable value. Cost includes all expenditure directly attributable to bringing each product to its present location and condition on a first in first out method. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

## Cash and cash equivalents

Cash and cash equivalents shown on the balance sheet comprise cash balances and deposits with banks that have a maturity of three months or less from the date of inception.

Bank overdrafts are shown within borrowings and loans in current liabilities on the balance sheet, but are included as a component of cash and cash equivalents for the purposes of the cash flow statement as they form an integral part of the Group's cash management.

Bank overdrafts include cash book overdrafts and confidential invoice discounting arrangements whereby the amount borrowed is limited to a proportion of the trade receivables.

## Provisions

The Group makes provision for liabilities when it has a legal or constructive obligation arising from a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not discounted on the basis of materiality.

Provisions for dilapidations represent the current estimated costs to repair leased properties which are required to be made good before the properties are returned at the end of the leases. Provision is made on a property by property basis and the timing of the utilisation will differ for each property.

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease. Where material the leases are discounted to their present value.

## Retirement benefit costs

Group companies operate both defined benefit and defined contribution pension plans.

The Group maintains a defined benefit pension scheme for former employees of Her Majesty's Stationery Office, which requires contributions to be made to a separately administered fund. The scheme currently has 163 members and is closed to new members. The scheme is administered by trustee Directors of Banner Business Supplies (Pensions) Limited, which is a wholly owned subsidiary of office2office (UK) plc, a subsidiary company of office2office plc.

The net surplus or deficit of the defined benefit pension scheme is calculated in accordance with IAS 19, 'Employee Benefits', based on the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are determined in the currency in which the benefits will be paid, and have terms to maturity approximating to the terms of the related pension liability.

The Group has, in respect of IAS 19 and IFRS 1, adopted the corridor approach to account for its pension scheme liability. As a result, all cumulative actuarial gains and losses at the date of transition to IFRS (1 January 2004) have been taken directly to reserves. In respect of actuarial gains and losses that arise subsequent to that date, to the

extent that, cumulatively, they exceed 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan from the accounting period following the year of exceeding the corridor. Otherwise, the accumulated actuarial gains and losses are not recognised.

Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognised asset is limited to that for which the Group can benefit in future, for example, by refunds or a reduction in contributions.

The cost charged to administrative expenses in the income statement consists of current service cost, interest cost, expected return on plan assets, past service cost and the impact of any settlements or curtailments, as well as actuarial gains or losses to the extent that they are recognised.

A valuation is performed annually by an independent actuary. Further details in respect of the assumptions used in providing the valuation are included in note 24 to the financial statements.

Since 30 September 1996, all new employees have been eligible to join the Group's personal pension scheme, which is a defined contribution scheme. Contributions to defined contribution arrangements are charged to the income statement in the period in which they fall due.

## Share-based compensation

The Group operates a number of share-based compensation schemes including a SAYE scheme which is open to all employees. The fair value of the employee services received in exchange for the grant of options (approximated by reference to the fair value of the option granted) is recognised as an expense. The fair value of the option is measured at grant date and spread over the

# Significant Accounting Policies for the year ended 31 December 2008

vesting period (which is the period over which all of the specified vesting conditions are to be satisfied) through the income statement with a corresponding increase in equity. The fair value of the share options and awards are measured using an option-pricing model taking into account the terms and conditions of the individual schemes. The fair value of options awarded under schemes with market based performance conditions is estimated using a Monte-Carlo model. The fair value of options awarded under schemes with non-market based performance conditions is estimated using a Black-Scholes model.

Shares purchased through the employee benefit trust (EBT) are held at cost and treated as treasury shares and are deducted from shareholders' equity. The right to a dividend on these shares has been waived.

The Group makes charges to the income statement for any potential employer's national insurance liability on options granted, based on the Director's best estimate of the fair value of the options granted at the balance sheet date and spread over the vesting period of the option.

The fair value of the options granted under the various schemes has been accounted for in the Group's financial statements. Where these amounts are in respect of subsidiaries they are accounted for as an adjustment to the investment carrying value in the Company.

At each balance sheet date, the Company revises its estimate of the number of options that are going to vest. The Group recognises the impact of any revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds on exercise of options, net of any directly attributable transaction costs, are credited to share capital (at nominal value) and share premium when the options are exercised.

## Current and deferred income tax

The tax charge for the period comprises both current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of previous periods, and is calculated on the basis of tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the balance sheet liability method on temporary differences between the tax bases of assets and liabilities and their carrying value for accounting purposes.

Deferred tax is determined on a non-discounted basis using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Where the intrinsic value of a share option exceeds the fair value, the corresponding deferred tax on the excess is recognised directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference.

## Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual

provisions of the instrument.

The Group classifies its financial assets and liabilities in the following categories: at fair value through profit and loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of its financial assets at initial recognition.

### Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within cost of sales. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement.

### Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer

## Significant Accounting Policies for the year ended 31 December 2008

settlement of the liability for at least 12 months after the balance sheet date.

### Trade payables

Trade payables are not interest bearing and are recognised initially at fair value and subsequently measured at amortised cost.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### Investments

In accordance with IAS 39, available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. If the fair value can subsequently be measured by reference to third party information, such as an offer to purchase, the financial asset is revalued to this fair value. Any gains or losses arising from the revaluation to fair value are recognised as other gains or losses in the income statement. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

### Dividends

Distributions to equity holders are disclosed as a component of the movement in shareholders' equity. A liability is recorded for a final dividend when the dividend is approved by the Company's

shareholders. Interim dividends are recognised in the period they are paid.

### Use of non-GAAP profit measures

The Directors believe that the use of underlying profit before income tax provides a clearer understanding of the performance of the Group. This measure is used for internal performance analysis. Underlying profit is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to IFRS measurements of profit.

Underlying profit is calculated as follows:

	2008 £000	2007 £000
Profit before income tax	9,607	9,003
Add:		
Share option charges (note 26)	23	243
Exceptional and non-recurring costs (note 5)	1,812	2,333
Amortisation of intangibles (note 13)	624	-
<b>Underlying profit before income tax</b>	<b>12,066</b>	<b>11,579</b>

In respect of periods prior to the year ended 31 December 2008, amortisation of intangibles did not form part of the calculation of underlying profit before income tax because it was considered immaterial.

### Parent company profit and loss account

The Company has elected to take the exemption under Section 230 of the Companies Act 1985 to not present the parent Company profit and loss account.

## 1. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Market risk

#### (i) Currency risk

The Group operates in the United Kingdom and Republic of Ireland and, accordingly, has limited exposure to foreign exchange risk. Currency risk is managed by matching, where possible, cash inflows and outflows denominated in Euros.

The Group does not currently hedge any foreign currency transactions but continues to keep this policy under review.

Management have considered and concluded that a movement of 10% would be a reasonable benchmark over which to determine the sensitivity of the Group's performance to foreign exchange rate risk. For the year ended 31 December 2008, if the Euro had weakened/strengthened by 10% against sterling with all other variables held constant, post-tax profit for the year would have been £8,000 (2007: £6,000) lower/higher, as a result of foreign exchange gains/losses on translation of the Euro-denominated monetary assets and liabilities at fair value through profit or loss.

#### (ii) Commodity price risk

The Group has exposure to changes in commodity prices such as steel, oil and paper, which form a constituent part of many of the products sold. It is the policy of the Group to pass on these unavoidable cost price increases to customers as appropriate.

The Group does not currently hedge its exposure to commodity prices but continues to keep this policy under review.

#### (iii) Cash flow and fair value interest rate risk

The Group has interest-bearing assets in the form of cash and cash equivalents. Therefore interest income is sensitive to movements in interest rates.

The Group's interest rate risk predominantly arises from short and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2007 and 2008, the Group's borrowings, other than in respect of finance leases, were all at variable rates and all borrowings were denominated in sterling.

The Group continues to keep its policy of not hedging its exposure to interest rate movements under review.

For the year ended 31 December 2008 management have considered and concluded that a movement of 100 basis points would be a reasonable benchmark over which to determine the sensitivity of the Group's performance to interest rate risk. If interest rates on currency-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £122,000 (2007: £nil) lower/higher, as a result of higher/lower interest expense on floating rate borrowings.

### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and transactions with third party customers as well as credit exposure to customers, including outstanding receivables and committed transactions.

For banks and financial institutions only independently rated parties with a minimum rating of 'A' are accepted in normal circumstances.

Internally, customers are rated according to financial position, history of trading and other factors. Individual credit limits are based on internal and external ratings, in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Concentrations of credit risk with respect to trade receivables are limited due to the Group's diverse customer base.

# Notes to the Financial Statements for the year ended 31 December 2008

## (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts shown are contractual (including interest), undiscounted cash flows.

### At 31 December 2008

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	7,710	3,441	24,083	-
Finance leases	324	136	271	6
Trade and other payables	40,465	-	-	-
	<b>48,499</b>	<b>3,577</b>	<b>24,354</b>	<b>6</b>

### At 31 December 2007

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance leases	208	112	300	49
Trade and other payables	30,242	-	-	-
	<b>30,450</b>	<b>112</b>	<b>300</b>	<b>49</b>

The Group's overall risk management programme focuses as an objective on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out centrally and where appropriate under policies approved by the Board of Directors. The policies adopted are described above.

There have been no breaches in the contractual terms of the amounts shown above.

## Interest rate risk profile of financial liabilities

The interest rate risk profile of financial liabilities was as follows:

	2008 £000	2007 £000
Fixed-rate borrowings	655	587
Variable-rate borrowings	31,697	-
	<b>32,352</b>	587

The fixed-rate borrowings comprise finance leases with an effective weighted average interest rate of 7.4% (2007: 4.8%), fixed for a weighted average period of 1.9 years (2007: 2.8 years).

In addition to short-term borrowing facilities, the Group arranged a loan on 16 April 2008 of £25,000,000 for the purpose of funding the Group's acquisition strategy. The loan is repayable in instalments over five years, with interest charged at a floating rate linked to LIBOR. A maturity analysis is provided at note 20 to the financial statements.

## Maturity profile of financial liabilities

	2008 £000	2007 £000
Within one year	6,978	177
Over one year and under two years	2,617	91
Between two and five years	22,751	272
After five years	6	47
	<b>32,352</b>	587

# Notes to the Financial Statements for the year ended 31 December 2008

## Currency risk profile of financial assets/liabilities

The Group did not have a material profit and loss account exposure to foreign exchange gains or losses on monetary assets and liabilities denominated in foreign currencies at 31 December 2008 and has not used any instruments to hedge foreign currency transactions.

Financial assets/liabilities relating to cash balances and overdrafts held at financial institutions are at floating rates denominated in the currency held below:

	2008 £000	2007 £000
Sterling - deposits	2,271	6,692
Sterling - bank overdrafts	(6,697)	-
	(4,426)	6,692
Euro - deposits	420	271
	(4,006)	6,963

There is no currency risk relating to other financial assets or liabilities.

## Fair values of financial instruments

See note 20 for consideration of the differences between the carrying amount and the fair value of borrowings. The fair value of other financial assets and liabilities is not materially different to their book value due to the short term maturity of the instruments.

The Group holds a 60% interest in Banner Document Services Limited, with an option to purchase the remaining 40%, and has an option to acquire Shred Easy Limited, the entity that holds the remaining 40% of Banner Document Services Limited. The option price is based upon market values prevailing at the date of the agreement (November 2008) and is not considered to have a value to the Group as at 31 December 2008, given the short period of time that has elapsed since the date of the agreement.

## Committed undrawn facilities

The Group has the following undrawn borrowing facilities:

	2008 £000	2007 £000
Gross undrawn committed confidential invoice discounting facility	20,000	15,000
Cash book overdraft	(6,697)	-
Net undrawn facilities	13,303	15,000
Bank balances	2,691	6,963
<b>Available liquidity</b>	<b>15,994</b>	<b>21,963</b>

As at 31 December 2008, the Group had not drawn against its committed invoice discounting facility. At that date the Group had a cash book overdraft of £6,697,000 and bank balances of £2,691,000. If all payments had cleared on the day of issue the Group would have had net available liquidity of £15,994,000.

The confidential invoice discounting facility is a committed facility, subject to sufficient security from trade receivables, expiring in April 2013.

The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings. The Group has sufficient working capital and undrawn financing facilities to service its operating activities and finance further suitable acquisition opportunities should they arise.

There have been no breaches in the covenants on borrowings in the year ended 31 December 2008 and up to the date of signing the financial statements.

## Embedded derivatives

Management have undertaken a review of the Group for embedded derivatives and none were found (2007: nil).

## Capital risk management

The Group's policy is to maintain a strong capital base, defined as facilities plus total shareholders' equity, so as to

maintain investor, creditor and market confidence and to sustain future development of the business. Within this overall policy, the Group seeks to maintain an optimum capital structure by a mixture of debt and retained earnings. Funding needs are reviewed periodically and also each time a significant acquisition is made. A number of factors are considered which include the net debt/EBITDA ratio, future funding needs (usually potential acquisitions) and Group banking arrangements (including the monitoring of covenants over current funding arrangements). There were no changes to the Group's approach to capital management during the year.

The primary source of funding for the Group is bank borrowings.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio, calculated as net debt divided by total capital. Total debt is calculated as total borrowings (including current and non current borrowings, less cash) as shown in the balance sheet. Total capital is calculated as equity as shown in the consolidated balance sheet.

	2008 £000	2007 £000
Total borrowings (note 20)	<b>(32,352)</b>	(587)
Less: cash and cash equivalents (note 18)	<b>2,691</b>	6,963
Net debt	<b>(29,661)</b>	6,376
Total equity	<b>20,160</b>	16,907
Total capital	<b>20,160</b>	16,907
<b>Gearing ratio</b>	<b>1.47</b>	-

The increase in the gearing ratio during 2008 is a result of facilities drawn down to fund the acquisition of TripleArc plc and Accord.

## 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Determination of cash flows, discount rates used in business combinations and impairment reviews of goodwill and other intangibles

Discount rates are determined by management for the purpose of valuing fair values of intangible assets arising on business combinations, and to determine the net present value of cash flows in respect of annual impairment reviews of goodwill, and other intangibles when appropriate.

The discount rates used for the purpose of impairment reviews are based on the appropriate cost of capital adjusted for managements' perceived risk.

The cash flows attributable to the cash-generating unit to which goodwill (and, when appropriate, other intangibles) is allocated are based on the Directors' best estimates of future profitability and the resulting cash flows.

While management believe the discount rates and cash flows used are the most appropriate rates, changes in these assumptions could result in impairment of goodwill, other intangibles, or in the fair value of intangibles in respect of business combinations differing to the values recorded.

### Income tax

The Group is subject to income tax in both the United Kingdom and the Republic of Ireland. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (see note 9).

### Assets and liabilities

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed

to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### **Impairment of inventories**

Where necessary, provision is made for obsolete, slow-moving and damaged stock. This provision represents the difference between the cost of the stock and its estimated market value, based upon stock turn rates, market conditions and trends in consumer demand (see note 16).

### **Allowances for doubtful receivables**

Allowances are made for doubtful receivables for estimated losses resulting from the subsequent inability of customers to make required payments. If the financial conditions of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods (see note 17).

### **Pensions**

The determination of the pension benefit obligation and expense for the defined benefit pension plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in note 24 to the financial statements and include, amongst others, the discount rate, the expected long-term rate of increase in future compensation levels and expected mortality rates. A portion of the plan assets are invested in equity securities. The equity markets have experienced volatility, which has affected the value of the pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Assumptions are based on actual historical experience and external data regarding compensation and discount rate trends. While the Directors believe that the assumptions are appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation and the future expense (see note 24).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Share based payments**

The fair value of options awarded under schemes with market based performance conditions is estimated using a Monte-Carlo model. The fair value of options awarded under schemes with non-market based performance conditions is estimated using a Black-Scholes model. These models require the use of estimates and forward looking projections.

# Notes to the Financial Statements for the year ended 31 December 2008

## 3. Segmental analysis

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and associated costs, taxation related assets/liabilities, intangible assets and related amortisation and head office salary and premises costs. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period, including acquisitions through business combinations.

(a) Primary reporting format – business segments

At 31 December 2008, the Group is organised into two main business segments:

- managed procurement services; and
- business critical services

The segment results for the year ended 31 December 2008 are as follows:

	Managed procurement services £000	Business critical services £000	Unallocated £000	Group £000
<b>Revenue</b>	<b>151,125</b>	<b>29,874</b>	<b>-</b>	<b>180,999</b>
Operating profit	11,046	945	(1,025)	10,966
Finance costs - net	-	-	(1,359)	(1,359)
<b>Profit before income tax</b>	<b>11,046</b>	<b>945</b>	<b>(2,384)</b>	<b>9,607</b>
Analysed as:				
Underlying profit before income tax	12,739	1,711	(2,384)	12,066
Share option expense	(2)	(21)	-	(23)
Exceptional and non-recurring costs	(1,503)	(309)	-	(1,812)
Amortisation	(188)	(436)	-	(624)
<b>Profit before income tax</b>	<b>11,046</b>	<b>945</b>	<b>(2,384)</b>	<b>9,607</b>

Other segmental items included in the income statement are as follows:

	Managed procurement services £000	Business critical services £000	Unallocated £000	Group £000
Depreciation	(638)	(216)	-	(854)
Amortisation	(188)	(436)	-	(624)

The segment assets and liabilities at 31 December 2008 are as follows:

	Managed procurement services £000	Business critical services £000	Unallocated £000	Group £000
Assets	53,367	44,195	159	97,721
Liabilities	(41,720)	(35,816)	(25)	(77,561)
<b>Net assets/(liabilities)</b>	<b>11,647</b>	<b>8,379</b>	<b>134</b>	<b>20,160</b>
<b>Capital expenditure</b>				
- tangible assets (note 12)	210	111	-	321
- intangible assets (note 13)	6,868	36,299	-	43,167
	<b>7,078</b>	<b>36,410</b>	<b>-</b>	<b>43,488</b>

# Notes to the Financial Statements for the year ended 31 December 2008

Segment assets and liabilities are reconciled to the Group assets and liabilities as follows:

	Assets £000	Liabilities £000
Unallocated:		
Cash and cash equivalents	159	-
Accrued expenses	-	(25)
Segment assets/liabilities	97,562	(77,536)
<b>Total</b>	<b>97,721</b>	<b>(77,561)</b>

For the year ended 31 December 2007, the Directors reported that there was a single operating segment, relating to the equivalent for the year ended 31 December 2008, described above as managed procurement services, accordingly no comparative information is provided. The activities relating to business critical services commenced when TripleArc plc was acquired on 15 May 2008.

(b) Secondary reporting format – geographical segments

	Revenue		Profit before income tax		Total assets	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
United Kingdom	178,052	165,396	10,856	9,061	96,338	49,302
Republic of Ireland	2,947	2,466	110	57	1,383	889
	<b>180,999</b>	167,862	<b>10,966</b>	9,118	<b>97,721</b>	50,191
Net interest			(1,359)	(115)		
<b>Profit before income tax</b>			<b>9,607</b>	9,003		

Revenue and profit before tax by geographical area is stated by origin, which is not materially different from the analysis by destination. Expenditure on tangible fixed assets of £321,000 (2007: £184,000) was incurred in the United Kingdom. Expenditure on intangible fixed assets of £43,167,000 (2007: £62,000) was incurred in the United Kingdom. No amounts in respect of expenditure on tangible or intangible fixed assets were incurred in the Republic of Ireland.

## 4. Expenses by nature

	2008 £000	2007 £000
Inventories expensed	124,048	114,083
Employee benefit expense (note 6a)	25,689	25,426
Depreciation of tangible fixed assets:		
- owned	535	533
- leased	319	241
Amortisation of intangible assets	624	20
Exceptional and non-recurring costs (note 5)	1,812	2,333
Foreign exchange losses	120	193
Operating lease payments:		
- plant and machinery	2,202	1,948
- other	1,958	1,891
Other operating costs	12,726	12,076
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>170,033</b>	158,744

# Notes to the Financial Statements for the year ended 31 December 2008

## 5. Exceptional and non-recurring costs

The amounts recognised as exceptional and non-recurring costs are as follows:

	2008 £000	2007 £000
Compensation payments and executive recruitment costs	921	1,626
Non capitalised costs in respect of business combinations	163	-
Business and strategic review costs	728	707
	<b>1,812</b>	<b>2,333</b>

Compensation payments relate to amounts paid to ex-employees of Group companies. Prior year amounts include executive recruitment costs incurred in appointing a new Chief Executive Officer. Non capitalised costs in respect to business combinations are costs incurred which did not qualify to be capitalised. Business and strategic review costs relate to costs incurred by the Group in relation to management's commitment to improve operational efficiency. These costs are considered to be exceptional in nature and not reflective of the underlying operating performance of the Group.

## 6a. Employee benefit expense

	2008 £000	2007 £000
Wages and salaries	22,667	22,172
Social security costs	2,190	2,094
Share based payments (note 26)	45	232
Pension costs - defined benefit (note 24)	229	164
- defined contribution (note 24)	558	764
	<b>25,689</b>	<b>25,426</b>

Included within the above figures are compensation payments to ex-employees of £921,000 (2007: £1,626,000).

### Key management compensation

The employment costs of key management personnel (including executive Directors) during the year were as follows:

	2008 £000	2007 £000
Salaries and other short term employee benefits	1,862	1,562
Pension costs - defined contribution	140	99
Share based payments	341	182
	<b>2,343</b>	<b>1,843</b>

In respect to key management, there were £nil (2007: £128,989) compensation payments to ex-employees of Group companies included in salaries and employee benefits as at 31 December 2008. A detailed numerical analysis of Directors' remuneration and share options forms part of these financial statements. This analysis is included in the Directors' Remuneration Report on pages 28 to 32 and shows the highest paid Director and the number of Directors accruing benefits under money-purchase personal pension schemes.

## 6b. Average number of people employed

	2008	2007
Average number of people (including executive Directors) employed:		
Sales and marketing	395	312
Production and distribution	469	491
Administration	139	69
	<b>1,003</b>	<b>872</b>

# Notes to the Financial Statements for the year ended 31 December 2008

As at 31 December 2008 the Group had 922 employees (2007: 778).

The Company has no employees (2007: nil).

## 7. Auditor remuneration

### Services provided by the Company's auditor and its associates

During the year the Group (including its overseas subsidiary) obtained the following services from the Company's auditor and its associates:

Group	2008 £000	2007 £000
Fees payable to Company's auditor for the audit of the Company and consolidated financial statements	45	45
Fees payable to the Company's auditor and its associates for other services expensed in the income statement:		
- audit of Company's subsidiaries pursuant to legislation	85	45
- tax services	36	18
	<b>166</b>	108
Fees payable to the Company's auditor and its associates for other services capitalised:		
- other services pursuant to legislation	175	-
	<b>341</b>	108

## 8. Finance income and costs

	2008 £000	2007 £000
Interest expense:		
- bank loans and overdrafts	(979)	-
- finance lease liabilities	(62)	(32)
- other financial charges	(348)	(54)
- customer procurement card charges	(160)	(541)
Finance costs	<b>(1,549)</b>	(627)
Finance income:		
- interest income on short-term bank deposits	190	512
<b>Net finance costs</b>	<b>(1,359)</b>	(115)

## 9. Income tax expense

	2008 £000	2007 £000
<b>Current tax</b>		
United Kingdom corporation tax at 28.5%	(2,637)	(2,508)
Adjustments in respect of prior periods	(167)	-
	<b>(2,804)</b>	(2,508)
<b>Deferred tax</b>		
Origination and reversal of temporary differences (see note 15)	(191)	(155)
Impact of change in United Kingdom tax rate	-	(70)
	<b>(191)</b>	(225)
	<b>(2,995)</b>	(2,733)

# Notes to the Financial Statements for the year ended 31 December 2008

## Tax on items charged to equity

	2008 £000	2007 £000
Deferred tax charge on share options (see note 15)	(5)	(48)
Impact of change in United Kingdom tax rate	-	(25)
	<b>(5)</b>	<b>(73)</b>

The Group tax charge for the year differs from the standard rate of corporation tax of 28.5% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit before income tax	<b>9,607</b>	9,003
Income tax at the standard rate of UK corporation tax of 28.5%	<b>(2,738)</b>	(2,701)
Tax effects (at 28%/30%) of:		
Non deductible expenses	<b>(185)</b>	(45)
Other permanent differences	<b>95</b>	83
Adjustment in respect of prior periods	<b>(167)</b>	-
Impact of change in United Kingdom tax rate	-	(70)
<b>Total tax charge for the year</b>	<b>(2,995)</b>	<b>(2,733)</b>

## Factors affecting tax charge for the year

On 1 April 2008, the UK corporation tax rate was reduced from 30% to 28%. Accordingly the Group profit for the period is taxed at an effective rate of 28.5% (2007: 30%).

## Factors affecting future tax charges

The effective tax rate is anticipated to continue to exceed the standard rate due to the incidence of expenses (principally relating to an element of amortisation of intangible assets) not deductible for tax purposes.

Details with regard to the availability of tax losses that may be offset against future taxable profits are given in note 15.

## 10. Dividends

	2008 £000	2007 £000
Amounts recognised as distributions in the period in respect of:		
Ordinary shares – interim dividend 2008 – 3.5p per share	<b>(1,249)</b>	-
Ordinary shares – final dividend 2007 – 6.8p per share	<b>(2,427)</b>	-
Ordinary shares – interim dividend 2007 – 3.2p per share	-	(1,149)
Ordinary shares – final dividend 2006 – 6.4p per share	-	(2,307)
	<b>(3,676)</b>	<b>(3,456)</b>

The Directors have proposed a final dividend of 7.5p per Ordinary share, payable on 12 May 2009 to shareholders on the register at the close of business on 14 April 2009. The dividend has not been included as a liability as at 31 December 2008.

# Notes to the Financial Statements for the year ended 31 December 2008

## 11. Earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of Ordinary shares in issue during the year excluding Ordinary shares held by the employee benefit trust.

	2008	2007
Profit attributable to equity holders of the Company (£000)	<b>6,612</b>	6,270
Weighted average number of Ordinary shares in issue ('000)	<b>35,695</b>	35,975
<b>Basic earnings per share (pence per share)</b>	<b>18.5</b>	17.4

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. The Company has one category of dilutive potential Ordinary shares, being share options. For share options, a calculation is undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
Profit attributable to equity holders of the Company (£000)	<b>6,612</b>	6,270
Weighted average number of Ordinary shares in issue ('000)	<b>35,695</b>	35,975
Adjusted for share options ('000)	<b>121</b>	253
Weighted average number of Ordinary shares for diluted earnings per share ('000)	<b>35,816</b>	36,228
<b>Diluted earnings per share (pence per share)</b>	<b>18.5</b>	17.3

### (c) Adjusted earnings per share

Adjusted earnings per share is calculated by dividing profit before exceptional and non-recurring costs and amortisation attributable to equity holders of the Company by the weighted average number of Ordinary shares in issue during the year excluding Ordinary shares held by the employee benefit trust.

	2008	2007
Profit attributable to equity holders of the Company (£000)	<b>6,612</b>	6,270
Amortisation	<b>624</b>	-
Exceptional and non-recurring costs (net of tax)	<b>1,350</b>	1,633
Profit before exceptional and non-recurring costs and amortisation attributable to equity holders of the Company (£000)	<b>8,586</b>	7,903
Weighted average number of Ordinary shares in issue ('000)	<b>35,695</b>	35,975
<b>Adjusted earnings per share (pence per share)</b>	<b>24.1</b>	22.0

# Notes to the Financial Statements for the year ended 31 December 2008

## 12. Property, plant and equipment

### Group

2008	Short leasehold land & buildings £000	Plant & machinery £000	Office equipment £000	Assets under construction £000	Total £000
<b>Cost</b>					
At 1 January 2008	1,841	1,664	2,424	-	5,929
Additions arising on business combinations (note 31)	957	106	330	-	1,393
Additions at cost	45	159	117	-	321
Disposals	-	(14)	(2)	-	(16)
<b>At 31 December 2008</b>	<b>2,843</b>	<b>1,915</b>	<b>2,869</b>	<b>-</b>	<b>7,627</b>
<b>Accumulated depreciation</b>					
At 1 January 2008	(1,033)	(951)	(2,205)	-	(4,189)
Charge for the year	(230)	(336)	(288)	-	(854)
Disposals	-	14	1	-	15
<b>At 31 December 2008</b>	<b>(1,263)</b>	<b>(1,273)</b>	<b>(2,492)</b>	<b>-</b>	<b>(5,028)</b>
<b>Net book amount</b>					
<b>At 31 December 2008</b>	<b>1,580</b>	<b>642</b>	<b>377</b>	<b>-</b>	<b>2,599</b>
<b>2007</b>					
<b>Cost</b>					
At 1 January 2007	1,841	1,515	2,289	100	5,745
Additions at cost	-	49	135	-	184
Transfers	-	100	-	(100)	-
<b>At 31 December 2007</b>	<b>1,841</b>	<b>1,664</b>	<b>2,424</b>	<b>-</b>	<b>5,929</b>
<b>Accumulated depreciation</b>					
At 1 January 2007	(776)	(731)	(1,908)	-	(3,415)
Charge for the year	(257)	(220)	(297)	-	(774)
<b>At 31 December 2007</b>	<b>(1,033)</b>	<b>(951)</b>	<b>(2,205)</b>	<b>-</b>	<b>(4,189)</b>
<b>Net book amount</b>					
<b>At 31 December 2007</b>	<b>808</b>	<b>713</b>	<b>219</b>	<b>-</b>	<b>1,740</b>
<b>At 1 January 2007</b>	<b>1,065</b>	<b>784</b>	<b>381</b>	<b>100</b>	<b>2,330</b>

The net book value of Group fixed assets held under finance leases was £464,000 (2007: £627,000). Depreciation charged in the period on these assets amounted to £319,000 (2007: £241,000).

### Company

The Company has no tangible fixed assets.

# Notes to the Financial Statements for the year ended 31 December 2008

## 13. Intangible assets

### Group

2008	Goodwill £000	Customer relationships £000	Brands £000	Software £000	Total £000
<b>Cost</b>					
At 1 January 2008	13,607	28	-	-	13,635
Additions arising on business combinations (note 31)	33,668	5,430	3,938	103	43,139
Additions at cost	-	-	-	28	28
<b>At 31 December 2008</b>	<b>47,275</b>	<b>5,458</b>	<b>3,938</b>	<b>131</b>	<b>56,802</b>
<b>Amortisation</b>					
At 1 January 2008	-	(28)	-	-	(28)
Amortisation for the year	-	(357)	(243)	(24)	(624)
<b>At 31 December 2008</b>	<b>-</b>	<b>(385)</b>	<b>(243)</b>	<b>(24)</b>	<b>(652)</b>
<b>Net book amount</b>					
<b>At 31 December 2008</b>	<b>47,275</b>	<b>5,073</b>	<b>3,695</b>	<b>107</b>	<b>56,150</b>

2007	Goodwill £000	Customer relationships £000	Total £000
<b>Cost</b>			
At 1 January 2007	13,545	28	13,573
Additions	62	-	62
<b>At 31 December 2007</b>	<b>13,607</b>	<b>28</b>	<b>13,635</b>
<b>Amortisation</b>			
At 1 January 2007	-	(8)	(8)
Amortisation for the year	-	(20)	(20)
<b>At 31 December 2007</b>	<b>-</b>	<b>(28)</b>	<b>(28)</b>
<b>Net book amount</b>			
<b>At 31 December 2007</b>	<b>13,607</b>	<b>-</b>	<b>13,607</b>
<b>At 1 January 2007</b>	<b>13,545</b>	<b>20</b>	<b>13,565</b>

The amortisation charge is reflected within administration expenses in the consolidated income statement.

The customer relationships, brands and software were acquired as a component of business combinations (note 31).

### Company

The Company had no intangible assets.

### Impairment of goodwill

In accordance with IAS 36, 'Impairment of Assets', the Group regularly monitors the carrying value of its goodwill and reviews it annually or more regularly if there are indications that goodwill may be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and goodwill is allocated to these cash-generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

## Notes to the Financial Statements for the year ended 31 December 2008

The components of goodwill by business segment are shown below:

	2008 £000	2007 £000
Managed procurement services	18,775	13,607
Business critical services	28,500	-
	<b>47,275</b>	13,607

A review was undertaken at 31 December 2008 to assess whether the carrying value of goodwill was impaired by reference to value in use calculations. The calculation was based on financial budgets approved by the Board covering a five year period and extended thereafter at growth rates of 2% to 3%, as the Directors are of the opinion that a period into perpetuity reflects the underlying benefits expected to be derived from the development of the business over the long-term. The assumed growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

The post tax discount rate applied to the cash flow projections approximates to the Group's post tax weighted average cost of capital, being 9.4%. As the risks relating to each cash-generating unit are considered to be broadly equivalent, the discount rate of 9.4% is applied to each cash-generating unit.

The impairment review was undertaken by comparing the carrying value of goodwill with the recoverable amount (by reference to value in use calculations) of the cash-generating units to which the goodwill has been allocated. Management concluded that no impairment was indicated.

Customer relationships, brands and computer software have 9.5, 9.5 and 2.5 years respectively before the assets are written down in full.

# Notes to the Financial Statements for the year ended 31 December 2008

## 14. Investment in subsidiaries

Company	2008 £000	2007 £000
At 1 January		
- as previously stated	7,682	5,586
- prior year adjustment in respect of IFRIC 11 (share options)	-	1,853
- as restated	7,682	7,439
Options granted to employees of subsidiary undertakings	23	243
<b>At 31 December</b>	<b>7,705</b>	<b>7,682</b>

The Directors consider that the carrying value of the investment is supported by the value of the underlying assets.

Details of the subsidiaries are as follows:

Name of company	Nature of business	Country of incorporation	% Holding	
			Company	Subsidiary
office2office (UK) plc	Non trading holding company	England	100%	
Olive1 Limited	Non trading holding company	England	100%	
Banner Business Services Limited	Managed procurement services	England		100%
first2office Limited	Managed procurement services	England		100%
esp2office Limited	Managed procurement services	England		100%
image2office Limited	Business critical services	England		100%
Banner Business Supplies (Ireland) Limited	Managed procurement services	Republic of Ireland	100%	
Banner Document Services Limited	Business critical services	England		60%
Alpha Office Limited	Managed procurement services	England		100%
Accord Office Supplies Limited	Managed procurement services	England		100%
TripleArc Limited	Business critical services	Republic of Ireland		100%
AccessPlus Holdings Limited	Non trading holding company	England		100%
AccessPlus Marketing Services Limited	Business critical services	England		100%
AccessPlus Marketing Logistics Limited	Business critical services	England		100%
Banner Business Supplies Limited	Non trading	England		100%
Banner Business Supplies (Pensions) Limited	Non trading - trustee for pension scheme only	England		100%
Alpha Data Supplies Limited	Non trading	England		100%
Alpha Stationers Limited	Non trading	England		100%
Alpha Litho Limited	Non trading	England		100%
Colebrook Services Limited	Non trading	England		100%
File-It Limited	Non trading	England		100%
AccessPlus Limited	Non trading	England		100%
AccessPlus Print Management Limited	Non trading	England		100%
TripleArc UK Limited	Non trading	England		100%
GL2 Limited	Non trading	England		100%
Godfrey Lang Limited	Non trading	England		100%
West Riding Business Forms Limited	Non trading	England		100%

### Minority interests

The Company holds a 60% holding in Banner Document Services Limited that was set up in partnership with Shred Easy Limited, refer to note 31.

Banner Document Services Limited commenced trading in January 2009.

# Notes to the Financial Statements for the year ended 31 December 2008

## 15. Deferred income tax asset

The deferred income tax asset recognised in the financial statements is as follows:

	Group	
	2008 £000	2007 £000
Tax effect of timing differences:		
Excess of qualifying depreciation over tax allowances	153	198
Employee share schemes	206	228
Retirement benefit obligations	292	317
Temporary differences	521	538
Unutilised tax losses carried forward	25	35
	<b>1,197</b>	1,316

	Group	
	2008 £000	2007 £000
<b>At 1 January</b>	1,316	1,614
Charged to the income statement (note 9)	(191)	(155)
Charged to the income statement - tax rate change	-	(70)
Arising on business combinations	77	-
Credited to equity (note 9)	(5)	(48)
Credited to equity - tax rate change	-	(25)
<b>At 31 December</b>	<b>1,197</b>	1,316

The deferred income tax asset is estimated to be recoverable as follows:

	Group	
	2008 £000	2007 £000
Deferred income tax assets:		
- to be recovered after more than 1 year	1,143	1,279
- to be recovered within 1 year	54	37
	<b>1,197</b>	1,316

Deferred income tax assets and liabilities are only offset where there is a legally enforceable right to offset and there is an intention to settle the balances net.

# Notes to the Financial Statements for the year ended 31 December 2008

The movements in deferred tax assets during the period are shown below:

## Group

Deferred income tax assets	Depreciation over tax allowances £000	Temporary differences £000	Retirement benefit obligations £000	Tax losses £000	Share options £000	Total £000
At 1 January 2008	198	538	317	35	228	<b>1,316</b>
Charged to income statement	(98)	(17)	(25)	(34)	(17)	<b>(191)</b>
Arising on business combinations	53	-	-	24	-	<b>77</b>
Charged to equity	-	-	-	-	(5)	<b>(5)</b>
<b>At 31 December 2008</b>	<b>153</b>	<b>521</b>	<b>292</b>	<b>25</b>	<b>206</b>	<b>1,197</b>

Deferred income tax assets	Depreciation over tax allowances £000	Temporary differences £000	Retirement benefit obligations £000	Tax losses £000	Share options £000	Total £000
At 1 January 2007	216	595	393	62	348	<b>1,614</b>
Charged to income statement	(4)	(19)	(53)	(24)	(55)	<b>(155)</b>
Charged to income statement - tax rate change	(14)	(38)	1	(3)	(16)	<b>(70)</b>
Charged to equity	-	-	-	-	(48)	<b>(48)</b>
Charged to equity - tax rate change	-	-	(24)	-	(1)	<b>(25)</b>
<b>At 31 December 2007</b>	<b>198</b>	<b>538</b>	<b>317</b>	<b>35</b>	<b>228</b>	<b>1,316</b>

Deferred income tax assets are recognised for tax losses and short term timing differences to the extent that the realisation of the related tax benefit through future taxable profits is profitable.

## Company

The Company has no provided or unprovided deferred tax balances.

## 16. Inventories

Group	2008 £000	2007 £000
Finished goods and goods for resale	<b>8,371</b>	6,513

The difference between cost of goods purchased or production cost of stocks and their replacement cost is not material.

The Group consumed £124,048,000 (2007: £114,083,000) of inventories during the year.

The provision to reflect net realisable value being less than cost increased by £215,000 (2007: decreased by £40,000) during the year.

## Company

The Company held no inventories.

# Notes to the Financial Statements for the year ended 31 December 2008

## 17. Trade and other receivables

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade receivables	25,678	17,924	-	-
Less: provision for impairment	(2,021)	(772)	-	-
Trade receivables net	23,657	17,152	-	-
Prepayments and accrued income	2,901	2,900	-	-
Other receivables	155	-	-	-
Receivables from related parties	-	-	9,303	8,861
	<b>26,713</b>	<b>20,052</b>	<b>9,303</b>	<b>8,861</b>

All of the above amounts are due within one year.

Receivables from related parties are repayable on demand. Included within receivables from related parties is a loan from Banner Business Services Limited for £4,300,000 upon which interest is charged at a rate of 1.75% above Bank of England base rate per annum.

There is no difference between the amounts disclosed above and their fair values.

Credit risk in respect to trade receivables is limited due to the Group's customers being predominantly comprised of large companies and public sector entities. As a result, the Directors consider that no further credit risk provision is required in excess of the normal provision for doubtful receivables.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Sterling	25,573	20,031	9,303	8,861
Euro	1,140	21	-	-
	<b>26,713</b>	<b>20,052</b>	<b>9,303</b>	<b>8,861</b>

### Group

Trade receivables that are less than 2 months past due are not considered impaired. As of 31 December 2008, trade receivables of £11,821,000 (2007: £8,911,000) were past due but not impaired. The ageing analysis of these trade receivables (by reference to due date) is as follows:

	2008 £000	2007 £000
Up to 3 months	11,821	8,911

As of 31 December 2008, trade receivables of £3,506,000 (2007: £1,684,000) were impaired and partially provided for. The amount of the provision against such impaired trade receivables was £2,021,000 as of 31 December 2008 (2007: £772,000). The individually impaired receivables mainly relate to issues arising from the current economic climate. The ageing of these receivables is as follows:

	2008 £000	2007 £000
0 to 6 months overdue	1,934	1,311
Over 6 months overdue	1,572	373
	<b>3,506</b>	<b>1,684</b>

# Notes to the Financial Statements for the year ended 31 December 2008

Movements on the Group provision for impairment of trade receivables are as follows:

	2008 £000	2007 £000
At 1 January	772	635
Arising on business combinations	1,070	-
Increase in provision for receivables impairment	474	177
Receivables written off during the year as uncollectable	(295)	(40)
<b>At 31 December</b>	<b>2,021</b>	<b>772</b>

The creation and release of provision for impaired receivables have been included in 'cost of sales' in the consolidated income statement. Amounts charged to the provision are written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## Company

The Company has no trade receivables.

## 18. Cash and cash equivalents

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Cash at bank and in hand	2,691	6,963	159	1

The effective average interest rate on overnight deposits for the year ended 31 December 2008 was 5.4% (2007: 5.5%).

Cash, cash equivalents and bank overdrafts include the following for the purpose of the cash flow statement:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Cash at bank and in hand	2,691	6,963	159	1
Bank overdrafts (note 20)	(6,697)	-	-	-
	<b>(4,006)</b>	6,963	<b>159</b>	1

## 19. Trade and other payables

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade payables	(28,111)	(11,015)	-	-
Social security and other taxes	(2,802)	(2,448)	-	-
Accrued expenses and deferred income	(9,552)	(16,779)	(25)	(24)
Payables to related parties	-	-	(1)	(1)
	<b>(40,465)</b>	(30,242)	<b>(26)</b>	(25)

## 20. Borrowings

	Group	
	2008 £000	2007 £000
<b>Non-current</b>		
Bank borrowings	(25,000)	-
Finance leases	(374)	(410)
	<b>(25,374)</b>	<b>(410)</b>
<b>Current</b>		
Bank overdrafts	(6,697)	-
Finance leases	(281)	(177)
	<b>(6,978)</b>	<b>(177)</b>
<b>Total borrowings</b>	<b>(32,352)</b>	<b>(587)</b>

The Company does not have any borrowings.

### Bank borrowings

Bank borrowings mature in 2013 and bear interest at a floating rate in the range of 95 to 125 basis points above LIBOR annually. Bank borrowings are secured by an all assets debenture and a cross company guarantee on all assets of the Group. The Company forms part of the cross guarantee structure.

The bank overdraft represents cash book overdrafts and amounts drawn against a confidential invoice discounting facility that is committed to 2013.

The repayment profile of bank borrowings (including overdrafts) is as follows:

	Bank borrowings	
	2008 £000	2007 £000
Within one year or on demand	(6,697)	-
Between one and two years	(2,500)	-
Between two and three years	(2,500)	-
Between three and four years	(7,500)	-
Between four and five years	(12,500)	-
	<b>(31,697)</b>	<b>-</b>

The borrowings are denominated in sterling.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank borrowings	(25,000)	-	(25,096)	-

The fair value of the current borrowings equals their carrying amounts, as the impact of discounting is not significant. The fair values of bank borrowings are based on cash flows discounted using a rate based on the borrowing rate at 31 December 2008 of 3.3%, being LIBOR plus 1.1%.

# Notes to the Financial Statements for the year ended 31 December 2008

## Undrawn committed borrowing facilities

	2008 £000	2007 £000
Gross undrawn committed confidential invoice discounting facility	20,000	15,000
Cash book overdraft	(6,697)	-
<b>Net undrawn facilities</b>	<b>13,303</b>	15,000

As at 31 December 2008 the Group has a committed but undrawn confidential invoice discounting facility of £20,000,000 (2007: £15,000,000), subject to sufficient security from trade receivables. The facility is at a floating rate and is due for renewal in April 2013.

As at 31 December 2008, the Group had not drawn against its committed invoice discounting facility. At that date the Group had a cash book overdraft of £6,697,000. If all payments had cleared on the day of issue the Group would have had net undrawn facilities of £13,303,000.

## Finance leases

The fair value of the Group's lease obligations approximate to their carrying value.

Future minimum lease payments under finance leases, together with the future finance charges and present value of the net minimum lease payments are as follows:

Group	Minimum lease payments	
	2008 £000	2007 £000
Within one year	324	208
In more than one year, but not more than five years	408	413
In more than five years	6	49
	<b>738</b>	670

Group	Future finance charges	
	2008 £000	2007 £000
Within one year	43	31
In more than one year, but not more than five years	40	50
In more than five years	-	2
	<b>83</b>	83

Group	Net minimum lease payments	
	2008 £000	2007 £000
Within one year	281	177
In more than one year, but not more than five years	368	363
In more than five years	6	47
	<b>655</b>	587

Finance leases are secured upon the assets to which the lease agreement relates.

# Notes to the Financial Statements for the year ended 31 December 2008

## 21. Financial instruments by category

Cash and cash equivalents and trade and other receivables (excluding prepayments) are classified as loans and receivables for the purpose of IFRS 7.

Borrowings, finance leases and trade and other payables (excluding statutory liabilities) are classified as other financial liabilities at amortised cost for the purpose of IFRS 7.

## 22. Current income tax liabilities

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Current income tax liabilities	(1,557)	(720)	-	(38)

## 23. Provisions

	Property dilapidations 2008 £000	Onerous leases 2008 £000	Total 2008 £000
At 1 January 2008	(602)	-	(602)
Arising on business combinations	-	(970)	(970)
Charged to the income statement	(53)	(518)	(571)
<b>At 31 December 2008</b>	<b>(655)</b>	<b>(1,488)</b>	<b>(2,143)</b>

### Maturity profile of provisions

	2008 £000	2007 £000
Current	(322)	-
Non-current	(1,821)	(602)
<b>At 31 December</b>	<b>(2,143)</b>	<b>(602)</b>

### Company

The Company has no provisions.

## 24. Retirement benefit liability

### Group

The Group is the contributing employer to a defined benefit pension scheme, The Banner Business Supplies Pension Scheme (BBS scheme), all the members of which were formerly employed by Her Majesty's Stationery Office and were members of the Principal Civil Service Pension Scheme who first elected to transfer funds accrued to The Stationery Office Limited Scheme and subsequently elected to transfer funds accrued to the BBS scheme.

The BBS scheme commenced on 1 August 2000 when the funds were transferred in by The Stationery Office Limited. The scheme is funded by the payment of contributions to a separately administered trust fund. The scheme currently has 163 members and is closed to new members.

The latest full actuarial valuation was carried out on 31 July 2008 and updated to 31 December 2008 by Mercer LLC, a qualified independent actuary. The pension costs have been determined on the basis of the results of this valuation.

The fair value of the BBS scheme assets at 31 December 2008 amounted to £7,128,000.

Group contributions in respect of the defined benefit pension scheme for the period were £318,000 (2007: £341,000). Group contributions in 2009 are expected to be approximately £540,000.

## Notes to the Financial Statements for the year ended 31 December 2008

The Group also incurred £558,000 (2007: £764,000) in respect of Group personal pension arrangements and employees' own personal pension arrangements for staff recruited by The Stationery Office Limited and Group companies since 30 September 1996 at rates varying between 6% and 15% of pensionable earnings.

The outstanding accrual in respect of defined contribution pension contributions at 31 December 2008 was £342,000 (2007: £463,000).

The amounts recognised in the balance sheet in respect of the BBS scheme are determined as follows:

	2008 £000	2007 £000
Present value of funded obligations	(10,487)	(10,413)
Fair value of plan assets	7,128	8,542
	(3,359)	(1,871)
Unrecognised actuarial losses	2,315	738
<b>Liability in the balance sheet</b>	<b>(1,044)</b>	<b>(1,133)</b>

The amounts included in the fair value of plan assets are as follows:

	2008 £000	2007 £000
Equities	5,691	7,004
Bonds	627	513
Property	30	256
Other	780	769
	7,128	8,542

The amounts recognised in the income statement are as follows:

	2008 £000	2007 £000
Current service cost	(256)	(235)
Scheme interest cost	(578)	(497)
Expected return on plan assets	605	568
<b>Expenses recognised in the income statement as administrative expenses</b>	<b>(229)</b>	<b>(164)</b>

The movement in the fair value of plan assets is as follows:

	2008 £000	2007 £000
Fair value of plan assets at 1 January	8,542	7,651
Expected return on plan assets	605	568
Actuarial losses	(2,283)	(102)
Employer contribution	318	341
Member contributions	104	126
Benefits paid	(158)	(42)
<b>Fair value of plan assets at 31 December</b>	<b>7,128</b>	<b>8,542</b>

# Notes to the Financial Statements for the year ended 31 December 2008

The movement in the defined benefit obligation is as follows:

	2008 £000	2007 £000
Defined benefit obligations at 1 January	(10,413)	(9,587)
Current service cost	(256)	(235)
Interest cost	(578)	(497)
Member contributions	(104)	(126)
Actuarial gains/(losses)	706	(10)
Benefits paid	158	42
<b>Present value of funded obligations at 31 December</b>	<b>(10,487)</b>	<b>(10,413)</b>

The principal actuarial assumptions were as follows:

	2008 %pa	2007 %pa
Discount rate	5.5	5.5
Actual rate of return on plan assets	(19.1)	7.9
Expected rate of return on plan assets	6.1	7.0
Future salary increases	2.9	3.2
Future pension increases	2.9	3.2
Inflation	2.9	3.2

The expected return on plan assets for 2009 is based on market expectations at 12 January 2009 for returns over the entire life of the obligation.

The weighted average life expectancy derived from mortality tables used to determine benefit obligations were:

	2008 Years	2007 Years
Male member aged 65 (current life expectancy)	22.0	21.9
Female member aged 65 (current life expectancy)	24.9	24.8
Male member aged 45 (life expectancy at age 65)	23.1	23.0
Female member aged 45 (life expectancy at age 65)	25.9	25.8

History of experienced gains and losses:

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Present value of funded obligations	(10,487)	(10,413)	(9,587)	(8,768)	(6,948)
Fair value of plan assets	7,128	8,542	7,651	6,323	4,808
<b>Deficit in the plan</b>	<b>(3,359)</b>	<b>(1,871)</b>	<b>(1,936)</b>	<b>(2,445)</b>	<b>(2,140)</b>
Difference between expected and actual return on scheme assets:					
Amount (£000)	(2,283)	(102)	417	744	104
Percentage of scheme assets	(32%)	(1%)	5%	12%	2%
Experience gains and losses on scheme liabilities:					
Amount (£000)	(199)	(436)	14	180	(195)
Percentage of scheme liabilities	(2%)	(4%)	0%	2%	(3%)

At 31 December 2008, the unrecognised actuarial losses were in excess of 10% of the present value of the funded obligations. Accordingly under IAS 19 the Group will amortise the unrecognised actuarial losses over the average remaining working lives of the members of the scheme commencing in the year ended 31 December 2009.

## Company

The Company has no retirement benefit liabilities.

# Notes to the Financial Statements for the year ended 31 December 2008

## 25. Share capital

	2008		2007	
	No.	£	No.	£
<b>Authorised</b>				
Ordinary shares of 1p each	50,000,000	500,000	50,000,000	500,000

	2008		2007	
	No.	£	No.	£
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	36,308,984	363,090	36,308,984	363,090

582,295 Ordinary shares are held by the EBT (2007: 624,248), for which the right to receive dividends has been waived. These shares have been deducted in arriving at the allotted, called up and fully paid share capital above.

## 26. Share options

	Number 1 Jan 08	Number granted	Number exercised	Number expired	Number 31 Dec 08	Exercise price per share	Exercisable from	Expiry date
<b>Senior managers' scheme</b>								
<b>Date granted</b>								
October 2004	50,000	-	-	-	50,000	1.0p	08.10.06	08.10.14
<b>Managers' scheme</b>								
<b>Date granted</b>								
October 2004	9,763	-	(2,809)	-	6,954	1.0p	08.10.06	08.10.14
<b>Performance share plan</b>								
<b>Date granted</b>								
December 2005	117,292	-	(6,795)	(60,579)	49,918	0.1p	21.12.08	21.06.09
April 2006	102,506	-	-	(32,498)	70,008	0.1p	24.04.09	24.10.09
September 2007	232,907	-	-	-	232,907	0.1p	11.09.10	11.03.11
December 2007	189,566	-	-	-	189,566	0.1p	01.04.11	01.10.11
April 2008	-	636,705	-	-	636,705	0.1p	24.04.11	24.10.11
June 2008	-	89,740	-	-	89,740	0.1p	30.06.11	30.10.11
<b>Executive bonus plan</b>								
<b>Date granted</b>								
December 2005	36,968	-	(3,117)	-	33,851	0.1p	21.12.08	21.06.09
April 2006	30,857	-	-	-	30,857	0.1p	24.04.09	24.10.09
<b>SAYE scheme</b>								
<b>Date granted</b>								
October 2004 (3yr)	314,415	-	(21,328)	(293,087)	-	171.6p	01.12.07	31.05.08
October 2004 (5yr)	175,802	-	-	(29,653)	146,149	171.6p	01.12.09	31.05.10
October 2005 (3yr)	64,142	-	-	(64,142)	-	224.4p	11.11.08	11.05.09
October 2005 (5yr)	33,711	-	-	(23,815)	9,896	224.4p	11.11.10	11.05.11
April 2008 (3yr)	-	301,399	-	(45,975)	255,424	119.4p	08.04.11	08.10.11
April 2008 (5yr)	-	199,765	-	(11,253)	188,512	119.4p	08.04.13	08.10.13
	1,357,929	1,227,609	(34,049)	(561,002)	1,990,487			

Options which expired in the year to 31 December 2008 reflected employees leaving the Group, non-achievement of performance conditions and the expiry of the term of exercise.

At 31 December 2008, there was 1 member (2007: 1 member) of the senior managers' scheme; there were 2 members (2007: 3 members) of the managers' scheme, with average option holdings of 3,477 shares; there were 9 members (2007: 8 members) of the performance share plan, with average option holdings of 140,983 shares; there were 3 members (2007: 3 members) of the executive bonus plan, with average option holdings of 21,569 shares; there were 180 members of the SAYE scheme, with average holdings of 3,333 shares.

# Notes to the Financial Statements for the year ended 31 December 2008

The senior managers' scheme was introduced on 8 October 2004 to reward key employees for their contribution to the enhancement of the Group's longer term future and their commitment to the Group over a sustained period. There are no performance conditions attached. There is no weighted average remaining contractual life.

The managers' scheme was introduced on 8 October 2004 to encourage and reward managers for their continued contribution to the Group's success. Financial performance conditions apply to the exercise of the options based on profit expectations set by the Board. 2,809 options were exercised during the year under review. The weighted average share price as at the date of exercise was 183.25p per share. There is no weighted average remaining contractual life.

The performance share plan and executive bonus plan were introduced on 21 December 2005 to incentivise senior management relative to the long-term strategy of the Group. Financial performance conditions apply to exercise of the options, based on a comparative measure of total shareholder return against the companies in the FTSE Small Cap Index, and the Company's earnings per share growth. On 24 April 2008 and 30 June 2008, awards were granted over 726,445 shares based on a weighted average share price of 168.0p. 9,912 options were exercised during the year under review. The weighted average share price as at the date of exercise was 63.75p per share. The weighted average remaining contractual life is 1.9 years.

The SAYE scheme was first introduced in October 2004. The exercise price is determined at a 20% discount to the closing mid-market price on the date of invitation. The schemes have either a three or five year vesting period. On 8 April 2008, an award was granted over 501,164 shares based on a weighted average share price of 149.25p. 21,328 options were exercised during the year under review. The weighted average share price as at the date of exercise was 179.0p per share. The weighted average remaining contractual life is 2.6 years.

The IFRS 2 and associated national insurance costs, before tax, incurred in relation to the above schemes were as follows:

	2008 IFRS 2 £000	2008 NI £000	2007 IFRS 2 £000	2007 NI £000
<b>Senior managers' scheme</b>				
<b>Date granted</b>				
October 2004	-	(14)	-	(7)
<b>Managers' scheme</b>				
<b>Date granted</b>				
October 2004	-	(2)	-	-
<b>Performance share plan</b>				
<b>Date granted</b>				
December 2005	(10)	(8)	36	(2)
April 2006	5	(5)	27	(1)
September 2007	85	4	25	4
December 2007	38	5	2	-
April 2008	65	(6)	71	17
June 2008	14	7	-	-
<b>Executive bonus plan</b>				
<b>Date granted</b>				
December 2005	13	(2)	13	-
April 2006	10	(1)	10	-
<b>SAYE scheme</b>				
<b>Date granted</b>				
October 2004 (3yr)	(178)	-	29	-
October 2004 (5yr)	13	-	5	-
October 2005 (3yr)	(36)	-	10	-
October 2005 (5yr)	(7)	-	4	-
April 2008 (3yr)	23	-	-	-
April 2008 (5yr)	10	-	-	-
	<b>45</b>	<b>(22)</b>	<b>232</b>	<b>11</b>

# Notes to the Financial Statements for the year ended 31 December 2008

The following valuation assumptions have been applied:

<b>Senior managers' scheme – October 2004 option value information</b>	
Fair value per option*	£2.04
Valuation assumptions	
Expected option term	2 years
Expected volatility	27.1%
Expected dividend yield	3.7%
Risk free interest rate	4.69%
<b>Managers' scheme – October 2004 option value information</b>	
Fair value per option*	£2.04
Valuation assumptions	
Expected option term	2 years
Expected volatility	27.1%
Expected dividend yield	3.7%
Risk free interest rate	4.69%
<b>Performance share plan – December 2005 option value information</b>	
Fair value per option**	£1.06
Valuation assumptions	
Expected option term	4 years
Expected volatility	26.0%
Expected dividend yield	3.6%
Risk free interest rate	4.22%
<b>Performance share plan – April 2006 option value information</b>	
Fair value per option**	£0.98
Valuation assumptions	
Expected option term	4 years
Expected volatility	26.5%
Expected dividend yield	4.0%
Risk free interest rate	4.55%
<b>Performance share plan – September 2007 option value information</b>	
Fair value per option**	£1.07
Valuation assumptions	
Expected option term	3.25 years
Expected volatility	26.7%
Expected dividend yield	5.0%
Risk free interest rate	4.92%
<b>Performance share plan – December 2007 option value information</b>	
Fair value per option**	£0.63
Valuation assumptions	
Expected option term	3.5 years
Expected volatility	30.2%
Expected dividend yield	7.8%
Risk free interest rate	4.63%
<b>Performance share plan – April 2008 option value information</b>	
Fair value per option**	£0.96
Valuation assumptions	
Expected option term	3.25 years
Expected volatility	35.4%
Expected dividend yield	5.8%
Risk free interest rate	4.0%
<b>Performance share plan – June 2008 option value information</b>	
Fair value per option**	£1.12
Valuation assumptions	
Expected option term	3.25 years
Expected volatility	36.1%
Expected dividend yield	5.9%
Risk free interest rate	4.0%

# Notes to the Financial Statements for the year ended 31 December 2008

<b>Executive bonus plan – December 2005 option value information</b>	
Fair value per option**	£1.06
Valuation assumptions	
Expected option term	4 years
Expected volatility	26.0%
Expected dividend yield	3.6%
Risk free interest rate	4.22%
<b>Executive bonus plan – April 2006 option value information</b>	
Fair value per option**	£0.98
Valuation assumptions	
Expected option term	4 years
Expected volatility	26.5%
Expected dividend yield	4.0%
Risk free interest rate	4.55%
<b>SAYE 3 year scheme – October 2004 option value information</b>	
Fair value per option*	£0.61
Valuation assumptions	
Expected option term	3.25 years
Expected volatility	30.2%
Expected dividend yield	3.9%
Risk free interest rate	4.69%
<b>SAYE 5 year scheme – October 2004 option value information</b>	
Fair value per option*	£0.70
Valuation assumptions	
Expected option term	5.25 years
Expected volatility	34.1%
Expected dividend yield	3.9%
Risk free interest rate	4.76%
<b>SAYE 3 year scheme – October 2005 option value information</b>	
Fair value per option*	£0.77
Valuation assumptions	
Expected option term	3.25 years
Expected volatility	26.7%
Expected dividend yield	3.2%
Risk free interest rate	4.31%
<b>SAYE 5 year scheme – October 2005 option value information</b>	
Fair value per option*	£0.89
Valuation assumptions	
Expected option term	5.25 years
Expected volatility	30.1%
Expected dividend yield	3.2%
Risk free interest rate	4.32%
<b>SAYE 3 year scheme – April 2008 option value information</b>	
Fair value per option*	£0.36
Valuation assumptions	
Expected option term	3.25 years
Expected volatility	34.6%
Expected dividend yield	6.6%
Risk free interest rate	4.0%
<b>SAYE 5 year scheme – April 2008 option value information</b>	
Fair value per option*	£0.34
Valuation assumptions	
Expected option term	5.25 years
Expected volatility	31.8%
Expected dividend yield	6.6%
Risk free interest rate	4.51%

\* Estimated using Black-Scholes option pricing method.

\*\* Estimated using the Monte-Carlo simulation and Black-Scholes option pricing methods.

Expected volatility was determined by reference to historic share price information of similar companies.

# Notes to the Financial Statements for the year ended 31 December 2008

## 27. Reserves

	Group			Company		
	Share premium £000	Retained earnings £000	Other reserves £000	Share premium £000	Retained earnings £000	Other reserves £000
Balance at 1 January 2007						
- as previously stated	5,009	9,472	(11)	5,009	9,152	-
- prior year adjustment in respect of IFRIC 11 (share options)	-	-	-	-	1,853	-
- as restated	5,009	9,472	(11)	5,009	11,005	-
Foreign exchange differences	-	-	57	-	-	-
Profit for the year	-	6,270	-	-	4,275	-
Employee share options:						
- value of employee services	-	232	-	-	243	-
- deferred tax on share options	-	(49)	-	-	-	-
- proceeds from share options	-	2	-	-	-	-
Purchase of shares by EBT	-	(958)	-	-	(958)	-
Deferred tax charged directly to equity upon change of United Kingdom corporation tax rate	-	(24)	-	-	-	-
Dividends	-	(3,456)	-	-	(3,456)	-
<b>Balance at 31 December 2007</b>	<b>5,009</b>	<b>11,489</b>	<b>46</b>	<b>5,009</b>	<b>11,109</b>	<b>-</b>
Foreign exchange differences	-	-	240	-	-	-
Profit for the year	-	6,612	-	-	4,276	-
Employee share options:						
- value of employee services	-	45	-	-	23	-
- deferred tax on share options	-	(5)	-	-	-	-
Sales of shares by EBT	-	37	-	-	37	-
Dividends	-	(3,676)	-	-	(3,676)	-
<b>Balance at 31 December 2008</b>	<b>5,009</b>	<b>14,502</b>	<b>286</b>	<b>5,009</b>	<b>11,769</b>	<b>-</b>

### Share premium reserve

The share premium reserve represents the difference between the nominal value of the shares issued and the amount received for them. This is a non-distributable reserve.

### Other reserves

Other reserves relate to foreign exchange translation differences on the net assets of overseas subsidiaries. This is a non-distributable reserve.

### Minority interests

As described in note 14, the Company owns 60% of the £10 called up share capital of Banner Document Services Limited. The minority interest included within the consolidated balance sheet is £4.

## 28. Cash generated from operations

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Profit before income tax	9,607	9,003	4,276	4,313
Adjustments for:				
Amortisation	624	20	-	-
Depreciation	854	774	-	-
Interest received	(190)	(512)	(276)	(313)
Interest and similar charges paid	1,549	627	-	-
Income from investments	-	-	(4,000)	(4,000)
Share option expense	45	232	-	-
(Increase)/decrease in inventories	(898)	1,469	-	-
Decrease/(increase) in trade and other receivables	5,352	(1,548)	(441)	(238)
Decrease in trade payables and provisions	(11,307)	(1,671)	-	-
<b>Total net cash inflow/(outflow) from operations</b>	<b>5,636</b>	<b>8,394</b>	<b>(441)</b>	<b>(238)</b>

# Notes to the Financial Statements for the year ended 31 December 2008

## 29. Analysis of movement in net funds/(debt)

Group	At 1 January 2008 £000	Cash flow £000	Business combinations* £000	Non-cash movements £000	At 31 December 2008 £000
Cash and cash equivalents	6,963	(4,272)	-	-	<b>2,691</b>
Borrowings – current	-	(6,697)	-	-	<b>(6,697)</b>
	6,963	(10,969)	-	-	<b>(4,006)</b>
Finance leases – current	(177)	219	(107)	(216)	<b>(281)</b>
Total current funds/(debt)	6,786	(10,750)	(107)	(216)	<b>(4,287)</b>
Borrowings – non-current	-	(12,387)	(12,613)	-	<b>(25,000)</b>
Finance leases – non-current	(410)	-	(150)	186	<b>(374)</b>
Total non-current debt	(410)	(12,387)	(12,763)	186	<b>(25,374)</b>
<b>Net funds/(debt)</b>	<b>6,376</b>	<b>(23,137)</b>	<b>(12,870)</b>	<b>(30)</b>	<b>(29,661)</b>

\*Excludes cash and cash equivalents acquired through business combinations.

Non-cash movements relates to the movement of finance leases between non-current and current and new finance lease agreements taken out during the period.

### Company

	At 1 January 2008 £000	Cash flow £000	At 31 December 2008 £000
Cash and cash equivalents	1	158	159

## 30. Guarantees and other financial commitments

### Capital commitments

There are no amounts contracted for but not provided in the financial statements (2007: nil).

### Bank guarantees

The Company is a member of the Group banking arrangement under which it is party to unlimited cross-guarantees in respect of the banking facilities of other Group undertakings, amounting to £25,000,000 subject to facility as at 31 December 2008. The Directors do not expect any material loss to the Company to arise in respect of the guarantees.

### Operating lease commitments

Group	Land & Buildings		Other	
	2008 £000	2007 £000	2008 £000	2007 £000
Total commitments under non-cancellable operating leases payable in respect of leases expiring:				
Within one year	<b>1,769</b>	1,939	<b>1,717</b>	1,365
Between two and five years	<b>4,848</b>	6,064	<b>2,059</b>	1,294
Over five years	<b>2,086</b>	3,125	-	-
	<b>8,703</b>	11,128	<b>3,776</b>	2,659

### Company

The Company has no obligations under operating leases.

## 31. Business combinations

On 15 May 2008, the Group acquired control of TripleArc plc for a consideration of £13.8m, including costs. TripleArc plc is the parent company of the AccessPlus Group. AccessPlus provides business process outsourcing to companies looking to reduce the costs of their print marketing and communication.

The acquisition of TripleArc plc has been accounted for using the acquisition method of accounting.

The fair values of assets and liabilities acquired relating to TripleArc plc were as follows:

	Carrying amount £000	Fair value adjustment £000	Provisional fair value £000
Customer relationships	-	4,468	4,468
Brands	-	3,200	3,200
Software	-	103	103
Goodwill	34,640	(34,640)	-
Property, plant and equipment	1,516	(268)	1,248
Deferred tax asset	107	(28)	79
Inventories	889	(207)	682
Trade and other receivables	10,174	(103)	10,071
Trade and other payables	(16,940)	(3,832)	(20,772)
Current income tax liability	(116)	116	-
Bank overdraft	(1,000)	-	(1,000)
Bank loans	(12,613)	-	(12,613)
Obligations under finance leases	(197)	-	(197)
<b>Net liabilities assumed</b>			<b>(14,731)</b>
<b>Satisfied by:</b>			
Cash consideration			12,486
Directly attributable costs			1,283
			<b>13,769</b>
<b>Provisional goodwill arising</b>			<b>28,500</b>
<b>Net cash outflow arising in period under review on acquisition:</b>			
Cash consideration			(12,486)
Directly attributable costs			(1,283)
Bank overdraft			(1,000)
Bank loans			(12,613)
			<b>(27,382)</b>

The fair value adjustments relate to the alignment of the accounting policies to those of the Group, adjustments to accrue for liabilities relating to the period prior to the acquisition and the recognition of intangible assets in connection with customer relationships, brands and software.

In accordance with the requirements of IFRS 3 'Business Combinations' the above fair value adjustments are provisional and will be finalised within 12 months from the acquisition date.

The goodwill arising on the acquisitions is primarily attributable to cost synergies arising from the combination.

# Notes to the Financial Statements for the year ended 31 December 2008

On 2 June 2008, the Group acquired control of Accord Office Supplies Limited (Accord) for a consideration of £5.9m, including costs. Accord is an office products dealer based in the south-west of England, which supplies the mid market corporate sector.

The acquisition of Accord has been accounted for using the acquisition method of accounting.

The fair values of assets and liabilities acquired relating to Accord were as follows:

	Carrying amount £000	Fair value adjustment £000	Provisional fair value £000
Customer relationships	-	962	962
Brands	-	738	738
Goodwill	1,086	(1,086)	-
Property, plant and equipment	155	(10)	145
Deferred tax liability	(2)	-	(2)
Inventories	278	-	278
Trade and other receivables	1,962	(20)	1,942
Trade and other payables	(2,406)	(33)	(2,439)
Current income tax liability	(63)	-	(63)
Bank overdraft	(814)	-	(814)
Obligations under finance leases	(60)	-	(60)
<b>Net liabilities assumed</b>			<b>687</b>
<b>Satisfied by:</b>			
Cash consideration			5,750
Directly attributable costs			105
			<b>5,855</b>
<b>Provisional goodwill arising</b>			<b>5,168</b>
<b>Net cash outflow arising in period under review on acquisition:</b>			
Cash consideration			(5,750)
Directly attributable costs			(105)
Bank overdrafts			(814)
			<b>(6,669)</b>

The fair value adjustments relate to the alignment of the accounting policies to those of the Group and the recognition of intangible assets in connection with customer relationships and brands.

In accordance with the requirements of IFRS 3 'Business Combinations' the above fair value adjustments are provisional and will be finalised within 12 months from the acquisition date.

The goodwill arising on the acquisitions is primarily attributable to cost synergies arising from the combination.

Since acquisition, TripleArc plc and Accord have contributed revenues of £25,195,000 and £5,940,000 and operating profits before exceptional and non-recurring costs (£235,000 and £45,000 respectively) of £1,323,000 and £366,000 respectively.

If both the acquisitions had occurred on 1 January 2008, consolidated revenue would have been £199,934,000 and the consolidated profit before exceptional costs, fair value adjustments and tax for the year ended 31 December 2008 would have been £10,604,000 (exceptional costs being £4,975,000 and fair value adjustments of £4,484,000).

If only the acquisition of TripleArc plc had taken place and had occurred on 1 January 2008, consolidated revenue would have been £189,032,000 and the consolidated profit before exceptional costs, fair value adjustments and tax for the year ended 31 December 2008 would have been £10,120,000 (exceptional costs being £3,408,000 and fair value adjustments of £4,397,000).

If only the acquisition of Accord had taken place and had occurred on 1 January 2008, consolidated revenue would have been £160,766,000 and the consolidated profit before exceptional costs, fair value adjustments and tax for the year ended 31 December 2008 would have been £11,149,000 (exceptional costs being £35,000 and fair value adjustments of £87,000).

On 9 November 2008, the Group acquired a 60% interest in Banner Document Services Limited. The consideration of £6 was in consideration of ordinary shares at par value as the company had not commenced trading at the point of acquiring the shareholding. Banner Document Services Limited commenced trading in January 2009. Accordingly the fair value of the assets acquired equals the fair value of the consideration paid.

There were no business combinations for the year ended 31 December 2007.

# Notes to the Financial Statements for the year ended 31 December 2008

## 32. Related parties

### Group

Directors' and key management compensations are disclosed in note 6.

### Company

During the year the Company had the following transactions with its subsidiaries:

	2008 £000	2007 £000
Dividends received	4,000	4,000
Interest received	276	312
	<b>4,276</b>	4,312

As at the 31 December the following amounts were due to the Company from its subsidiaries:

	2008 £000	2007 £000
Banner Business Services Limited	9,303	8,861

## 33. Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

# Five Year Summary

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Revenue	<b>180,999</b>	167,862	165,897	150,897	141,769
Operating profit - before goodwill amortisation, exceptional costs and share option expenses	<b>13,425</b>	11,694	11,872	11,534	10,390
Goodwill amortisation	<b>(624)</b>	-	-	-	-
Exceptional costs	<b>(1,812)</b>	(2,333)	(392)	-	(3,324)
Share option expenses	<b>(23)</b>	(243)	(768)	(869)	(216)
Profit on ordinary activities before interest	<b>10,966</b>	9,118	10,712	10,665	6,850
Net interest payable	<b>(1,359)</b>	(115)	(367)	(430)	(675)
<b>Profit before tax</b>	<b>9,607</b>	9,003	10,345	10,235	6,175
<b>Capital employed:</b>					
Shareholders' funds	<b>20,160</b>	16,907	14,833	10,288	4,862

## Statistics:

Adjusted earnings per Ordinary share*	<b>24.1p</b>	22.0p	20.9p	20.2p	16.8p
Basic earnings per Ordinary share	<b>18.5p</b>	17.4p	20.2p	20.2p	7.8p
Diluted earnings per Ordinary share	<b>18.5p</b>	17.3p	19.7p	19.7p	7.8p
Dividends per share	<b>11.0p</b>	10.0p	9.6p	9.3p	4.1p
Share price (period end)	<b>65.5p</b>	119.5p	243.5p	260.0p	242.5p

\*Adjusted earnings per Ordinary share before goodwill amortisation and exceptional costs have been disclosed to give a clearer understanding of the Group's underlying trading performance.

# Shareholder Information

## Financial calendar 2009

Announcement of final results for the year ended 31 December 2008	<b>26 February 2009</b>
Annual General Meeting	<b>23 April 2009</b>
Payment of final dividend on Ordinary shares to shareholders on the share register at the close of business on 14 April 2009	<b>12 May 2009</b>

## Registrar and transfer office

Enquiries about administrative matters relating to shareholding and dividends should be addressed to the Company's registrars.

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0LA

Telephone +44 (0) 870 162 3100  
or by email to:  
ssd@capitaregistrars.com

## Share price

Information concerning the day to day movement of the share price of the Company can be found on our website [www.office2office.co.uk](http://www.office2office.co.uk) or that of the London Stock Exchange [www.prices.londonstockexchange.com](http://www.prices.londonstockexchange.com). The share price can also be found in the appropriate sections of national newspapers under the classification 'Support Services' and under the ticker code 'OFF.L' or 'OFF'.

## Unsolicited mail

As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. To reduce the amount of unsolicited mail you receive, contact:

The Mailing Preference Service  
FREEPOST 22  
London W1E 7EZ

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Website [www.mpsonline.org.uk](http://www.mpsonline.org.uk)

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