

Banner Business Services Limited
Annual Report
For the year ended 31 December 2012



Banner Business Services Limited

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Banner Business Services Limited

Company Details

Directors

S. R. Moate
M. J. Goddard
R. Costin

Company secretary

D. Rodwell

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2nd Floor
3 St James Court
Whitefriars
Norwich
NR3 1RJ

Bankers

National Westminster Bank Plc
Norwich City Office
45 London Street
Norwich
NR2 1HX

Solicitors

Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Registered office

Saint Crispins House
Duke Street
Norwich
Norfolk
NR3 1PD

Registered in England and Wales

03658750

Banner Business Services Limited

Directors' Report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2012

Principal activities and results

The Company's principal activity is managed procurement services, being the provision of long term contract management and procurement of office and business products for large, mid market and public sector customers

The loss for the year amounted to £318,000 (2011: £939,000) with revenue of £114,756,000 (2011: £113,113,000).

Business review

The office2office plc group's ("the Group") strategy, objectives and likely future developments in the business are reviewed in the Chairman's Statement and in the Chief Executive's Review in the Annual Report and Accounts of office2office plc, which do not form part of this report.

Future outlook

The Directors are confident that cost saving initiatives, together with sales growth, will result in future profits.

Dividends

No dividend was paid in the year (2011: £nil).

Principal risks and uncertainties

The Directors consider that the principal risks (including financial risks) and uncertainties are integrated with the principal risks of the Group and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are discussed within the Business and Financial Review in the Annual Report and Accounts of office2office plc which does not form part of this report

Key performance indicators ("KPIs")

The Group's operations are managed on a consolidated basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the office2office plc group, which includes the Company, is discussed within the Business and Financial Review in the Annual Report and Accounts of office2office plc which does not form part of this report

Directors

The following Directors held office during the year and up to the date of signing the financial statements -

M. J. Goddard
S. R. Moate
R. Costin

Directors' Report for the year ended 31 December 2012 (continued)

Directors' third party indemnity provision

A qualifying third-party indemnity provision as defined in s 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 (2011 £nil).

Employee involvement

The Company 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.

The Company operates a variety of schemes to allow employees to participate directly in the success of the business.

Equal opportunities

The Company 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. 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 best staff in the industry and the Company is committed to the principle of maximising every employee's potential. In selecting, training and promoting staff, the Company 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.

Creditor payment policy

It is the Company'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.

Environmental policy

The Company ensures that, in satisfying its customers' requirements, both the goods and services supplied and its own housekeeping comply with legislation and best practice. The Company continually reviews its environmental performance across the business. The Group's corporate social responsibility approach is set out within the Corporate Social Responsibility Statement in the Annual Report and Accounts of office2office plc, which does not form part of this report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Directors' Report for the year ended 31 December 2012 (continued)

Statement of Directors' responsibilities (continued)

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with s.418 of the Companies Act 2006, in the case of each Director in office at the date the Directors' Report is approved:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the 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 Company's auditors are aware of that information.

By order of the Board



M. J. Goddard
Director

24 September 2013

Banner Business Services Limited

Independent Auditors' Report to the Members of Banner Business Services Limited

We have audited the financial statements of Banner Business Services Limited for the year ended 31 December 2012 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows, the significant accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Banner Business Services Limited

Independent Auditors' Report to the Members of Banner Business Services Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Craig Douglas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich
25 September 2013

Banner Business Services Limited

Statement of Comprehensive Income for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Revenue		114,756	113,113
Cost of sales	3	(82,302)	(81,314)
Gross profit		32,454	31,799
Distribution costs	3	(15,919)	(15,702)
Administrative expenses (including central costs)	3	(15,638)	(15,951)
Operating profit		897	146
Finance costs	7	(946)	(669)
Loss before income tax		(49)	(523)
Analysed as			
Underlying profit before income tax*		961	861
Share option expense	23	(515)	(417)
Non-recurring costs	4	(495)	(967)
Loss before income tax		(49)	(523)
Income tax expense	8	(269)	(416)
Loss and total comprehensive income for the year attributable to owners of the Company		(318)	(939)

* Profit before income tax, non-recurring costs and share option expense

All amounts relate to continuing operations


Banner Business Services Limited

Balance Sheet

as at 31 December 2012

	Note	2012 £000	2011 £000
Assets			
Non-current assets			
Intangible assets	11	11,745	11,616
Property, plant and equipment	10	746	1,841
Deferred income tax asset	12	402	616
Retirement benefit asset	21	490	105
		13,383	14,178
Current assets			
Inventories	13	8,250	7,991
Trade and other receivables	14	55,036	50,371
Current income tax asset	19	129	38
Cash and cash equivalents	15	970	145
		64,385	58,545
Total assets		77,768	72,723
Equity			
Capital and reserves attributable to owners of the Company			
Ordinary shares	22	5,000	5,000
Retained earnings		11,386	11,202
Total equity		16,386	16,202
Non-current liabilities			
Borrowings	17	94	143
Provisions	20	495	917
		589	1,060
Current liabilities			
Borrowings	17	14,560	7,474
Trade and other payables	16	46,233	47,987
		60,793	55,461
Total liabilities		61,382	56,521
Total equity and liabilities		77,768	72,723

The financial statements comprising the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows, the significant accounting policies and the notes to the financial statements were approved for issue by the Board of Directors on 24 September 2013



M. J. Goddard
Director

Registered number 03658750

Banner Business Services Limited

Statement of Changes in Equity for the year ended 31 December 2012

	Note	Ordinary shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2011		5,000	11,788	16,788
Loss for the year		-	(939)	(939)
Total comprehensive loss for the year ended 31 December 2011		-	(939)	(939)
Employee share options:				
- value of employee services	23	-	351	351
- deferred tax on share options	8	-	2	2
		-	(586)	(586)
Balance at 31 December 2011		5,000	11,202	16,202

	Note	Ordinary shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2012		5,000	11,202	16,202
Loss for the year		-	(318)	(318)
Total comprehensive loss for the year ended 31 December 2012		-	(318)	(318)
Employee share options:				
- value of employee services	23	-	450	450
- deferred tax on share options	8	-	52	52
		-	184	184
Balance at 31 December 2012		5,000	11,386	16,386

Banner Business Services Limited

Statement of Cash Flows for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Cash flows from operating activities			
Cash (used in)/generated from operations	24	(5,848)	7,725
Interest paid		(946)	(669)
Income tax paid		(94)	(322)
Net cash (used in)/generated from operations		(6,888)	6,734
Cash flows from investing activities			
Purchase of property, plant and equipment		(307)	(701)
Capitalised software		(129)	-
Proceeds from disposal of property, plant and equipment		1,112	-
Net cash generated from/(used in) investing activities		676	(701)
Cash flows from financing activities			
Finance lease principal payments		(62)	(241)
Net cash used in financing activities		(62)	(241)
Net (decrease)/increase in cash and cash equivalents		(6,274)	5,792
Cash and cash equivalents at 1 January		(2,949)	(8,741)
Cash, cash equivalents and bank overdrafts at 31 December	15	(9,223)	(2,949)
Net debt at 31 December comprises:			
Cash, cash equivalents and bank overdrafts		(9,223)	(2,949)
Finance leases		(161)	(223)
Loan from ultimate parent company		(4,300)	(4,300)
Net debt at 31 December		(13,684)	(7,472)

Banner Business Services Limited

Significant Accounting Policies for the year ended 31 December 2012

General information

Banner Business Services Limited ("the Company") provides managed procurement services

The Company is a limited company and is incorporated and domiciled in the UK. The address of its registered office is Saint Crispins House, Duke Street, Norwich, Norfolk, NR3 1PD

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

Basis of preparation

The financial statements of Banner Business Services Ltd have been prepared on a going concern basis 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 2006 applicable to companies reporting under IFRS. The 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Recent accounting developments

Standards, amendments and interpretations effective for the first time in the year ended 31 December 2012

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

The following amendments to existing standards and interpretations were also effective for the current year, but the adoption of these amendments to existing standards and interpretations did not have a material impact on the Company.

- Amendment to IFRS 1 on hyperinflation and fixed dates
- Amendment to IFRS 7, 'Financial instruments: Disclosures'
- Amendment to IAS 12, 'Income taxes' on deferred tax

Standards, amendments and interpretations that are not yet effective and have not been early adopted

- Amendment to IAS 1, 'Financial Statement Presentation'
- Amendment to IAS 19, 'Employee benefits'
- Amendment to IAS 32, 'Financial instruments: Presentation'
- IAS 27 (revised 2011), 'Separate financial statements'
- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'

Standards, amendments and interpretations that are not yet effective and not currently relevant to the Company

- IAS 28 (revised 2011), 'Associates and joint ventures'
- Amendment to IFRS 1, 'First time adoption'
- IFRS 11, 'Joint arrangements'

Banner Business Services Limited

Significant Accounting Policies for the year ended 31 December 2012 (continued)

Revenue

Revenue comprises the fair value of sales to external customers, exclusive of VAT. Revenue is stated after deducting rebates, returns and other similar discounts. Revenue is recognised when the significant risks and rewards of ownership are transferred to a customer, which occurs on delivery of goods.

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 Directors consider that there is only one business segment, being managed procurement services. Therefore the disclosures for the primary segment have already been given in the financial statements. The Company operates in the United Kingdom only and all revenues by destination are attributable to the United Kingdom.

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 (the functional currency of the Company) 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.

Non-recurring costs

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 Company's financial performance. Transactions which may give rise to non-recurring costs are principally restructuring related and business start-up costs, costs in respect of key management changes, transaction costs incurred in respect of business combinations and costs associated with the closure of employee pension schemes.

Business combinations and goodwill

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

Costs associated with maintaining software are expensed as incurred. Development costs controlled internally and directly attributable to the design and testing of identifiable software are recognised as intangible assets when there is an ability and intention to use or sell the software product, completion of the software is reasonably certain and the expenditure attributable to the software during its development can be reliably measured. Directly attributable costs, that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Purchased software is recognised as an intangible asset at the fair value of the consideration paid to acquire it less provisions for amortisation and impairment.

Software is amortised on a straight line basis over its useful economic life of 3-5 years.

The amortisation charge in respect of software is recognised within administrative expenses.

Banner Business Services Limited

Significant Accounting Policies for the year ended 31 December 2012 (continued)

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).

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 for impairment, 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 Company 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

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.

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 Company'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.

Significant Accounting Policies for the year ended 31 December 2012 (continued)

Provisions

The Company 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.

Retirement benefit costs

The Company operates both defined benefit and defined contribution pension plans.

The Company is the contributing employer to 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 has 162 members and is closed to new members. The scheme is administered by trustee Directors of Banner Business Supplies (Pensions) Ltd, which is a wholly owned subsidiary of office2office (UK) plc, the parent Company.

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 Company 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. With effect from 1 January 2013, modifications to IAS 19 will no longer permit the use of the corridor approach, after which the full provision will be required for actuarial liabilities.

Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognised asset is limited to that for which the Company 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 21 to the financial statements.

Since 30 September 1996, all new employees have been eligible to join the Company'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.

Banner Business Services Limited

Significant Accounting Policies for the year ended 31 December 2012 (continued)

Share-based compensation

The office2office Group plc ("The Group"), of which the Company is a subsidiary, 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 over the shares of office2office Group plc (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 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 (other reserves). 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.

The Company makes charges to the income statement for any potential employer's national insurance liability on options granted, based on the Company'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.

At each balance sheet date, the Company revises its estimate of the number of options that are going to vest. The Company recognises the impact of any revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity (other reserves).

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 substantially 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.

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.

Banner Business Services Limited

Significant Accounting Policies for the year ended 31 December 2012 (continued)

Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

The Company classifies its financial assets and liabilities in the following categories at fair value through profit and loss, loans and receivables, and other financial assets. 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 Company 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 Company has an unconditional right to defer 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.

Dividends

Distributions to owners 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 Company. 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

	2012 £000	2011 £000
Loss before income tax	(49)	(523)
Add:		
Share option charges (note 23)	515	417
Non-recurring costs (note 4)	495	967
Underlying profit before income tax	961	861

Notes to the Financial Statements for the year ended 31 December 2012

1. Financial risk management

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

(a) Market risk

(i) Commodity price risk

The Company 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 Company to pass on these unavoidable cost price increases to customers as appropriate.

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

(ii) Cash flow and fair value interest rate risk

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

The Company's interest rate risk predominantly arises from short and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During 2011 and 2012, the Company's borrowings, other than in respect of finance leases, were all at variable rates and all borrowings were denominated in Sterling.

The Company does not currently hedge its exposure to interest rate movements but continues to keep this policy under review.

For the year ended 31 December 2012 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 Company's performance to interest rate risk. If interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £106,000 (2011: £108,000) 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 by the ultimate parent undertaking, office2office plc. 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 Company's diverse customer base.

(c) Liquidity risk

The table below analyses the Company'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.

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

1. Financial risk management (continued)

(c) Liquidity risk (continued)

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

At 31 December 2012 £000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	14,493	-	-	-
Finance leases	72	29	65	14
Trade and other payables	46,233	-	-	-
	60,798	29	65	14

At 31 December 2011 £000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	7,394	-	-	-
Finance leases	87	94	48	16
Trade and other payables	47,987	-	-	-
	55,468	94	48	16

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out centrally headed by office2office plc (the "Group") and where appropriate under policies approved by the Board of Directors of the parent undertaking. 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:

	2012 £000	2011 £000
Fixed-rate borrowings	161	223
Variable borrowings	14,493	7,394
	14,654	7,617

The fixed-rate borrowings comprise finance leases with an effective weighted average interest rate of 4.2% (2011: 5.0%) fixed for a weighted average period of 2.7 years (2011: 2.9 years).

Maturity profile of financial liabilities

	2012 £000	2011 £000
Within one year	14,560	7,474
Over one year and under two years	25	87
Between two and five years	60	44
After five years	9	12
	14,654	7,617

Currency risk profile of financial assets/liabilities

The Company 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 2012 and has not used any instruments to hedge foreign currency transactions.

Financial assets/liabilities are all Sterling denominated.

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

1. Financial risk management (continued)

Fair values of financial instruments

See note 17 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.

Committed undrawn facilities

The Company has the following undrawn borrowing facilities

	2012 £000	2011 £000
Gross undrawn committed confidential invoice discounting facility	7,529	14,000
Cash book overdraft	(2,822)	(3,094)
Net undrawn facilities	4,707	10,906
Bank balances	970	145
Available liquidity	5,677	11,051

As at 31 December 2012, the Company had drawn £7,371,000 (2011 £nil) against its committed invoice discounting facility. At that date the Company had a cash book overdraft of £2,822,000 (2011 £3,094,000) and bank balances of £970,000 (2011 £145,000). If all payments had cleared on the day of issue the Company would have had net undrawn facilities of £4,707,000 (2011 £10,906,000).

The confidential invoice discounting facility is a committed facility, subject to sufficient security from trade receivables, expiring in June 2015.

The Company has sufficient headroom to enable it to conform to covenants on its existing borrowings. The Company 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 2012 and up to the date of signing the financial statements.

Embedded derivatives

Management have undertaken a review of the Company for embedded derivatives and none were found (2011 nil).

Capital risk management

Capital risk management is managed on a Group basis by the ultimate parent undertaking, office2office plc. The Group's policy is to maintain a strong capital base, defined as facilities plus total shareholder's 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. 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 balance sheet.

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

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 Company 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 and discount rates used in the impairment reviews of goodwill

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 management's perceived risk.

The cash flows attributable to the cash-generating unit to which goodwill 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.

Income tax

The Company is subject to income tax in the United Kingdom. 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

Assets and liabilities

The preparation of the 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.

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

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2. Critical accounting estimates and judgements (continued)

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 21 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.

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.

3. Expenses by nature

	2012 £000	2011 £000
Inventories expensed	82,416	81,314
Employee benefit expense (note 5a)	20,757	19,414
Depreciation of property, plant and equipment (note 10)	290	415
Foreign exchange gains	(98)	(19)
Impairment to trade and other receivables	(16)	(317)
Non-recurring costs (note 4)	335	24
Operating lease payments	1,923	2,761
Other operating costs	8,252	9,375
Total cost of sales, distribution costs and administrative expenses	113,859	112,967

Included within the above figures, the Company bears the costs for central administrative expenses for the office2office Group amounting to £9,582,000 (2011 £10,085,000). The Company makes no recharge for these costs to other Group Companies.

4 Non-recurring costs

The amounts recognised as non-recurring costs are as follows

	2012 £000	2011 £000
Compensation payments and executive recruitment costs	160	943
Business and strategic review costs	335	357
Net curtailment gain on cessation of defined benefit scheme	-	(333)
	495	967

Compensation payments relate to amounts paid to ex-employees of the Company. Business and strategic review costs relate to costs incurred by the Company 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 Company.

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

5a. Employee benefit expense

	2012 £000	2011 £000
Wages and salaries	17,877	17,203
Social security costs	1,774	1,673
Share based payments (note 23)	515	417
Pension costs - defined benefit (note 21)	(24)	(378)
- defined contribution (note 21)	615	499
	<u>20,757</u>	<u>19,414</u>

Included within the above figures are compensation payments to ex-employees of £160,000 (2011 £943,000)

Directors' remuneration

	2012 £000	2011 £000
Aggregate emoluments	675	638
Company pension contributions to money purchase scheme	54	51
	<u>729</u>	<u>689</u>

3 (2011 2) Directors accrued benefits under company money purchase pension schemes

Highest paid Director

	2012 £000	2011 £000
Aggregate emoluments	329	359
Company pension contributions to money purchase scheme	31	30
	<u>360</u>	<u>389</u>

Key management compensation

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

	2012 £000	2011 £000
Salaries and other short term employee benefits	1,622	1,642
Pension costs - defined contribution	125	132
Share based payments	261	269
	<u>2,008</u>	<u>2,043</u>

5b. Average number of people employed

	2012 Number	2011 Number
Average monthly number of people (including Directors) employed.		
Sales and marketing	156	155
Distribution	441	366
Administration	96	122
	<u>693</u>	<u>643</u>

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

6. Auditors' remuneration

Services provided by the Company's auditor and its associates

During the year the Company obtained the following services from the Company's auditor and its associates

	2012 £000	2011 £000
Fees payable to Company's auditor for the audit of the Company	31	28
Fees payable to the Company's auditor and its associates for other services expensed in the income statement		
- audit-related assurance services	25	-
- taxation compliance services	25	20
- taxation advisory services	17	-
	98	48

7. Finance income and costs

	2012 £000	2011 £000
Interest expense		
- bank loans and overdrafts	(441)	(242)
- finance lease liabilities	(12)	(11)
- other financial charges	(87)	(68)
- interest payable on intercompany loans	(97)	(97)
- customer procurement card charge	(309)	(251)
Finance costs	(946)	(669)

8. Income tax expense

	2012 £000	2011 £000
Current tax		
United Kingdom corporation tax on profits of the year	-	-
Adjustments in respect of prior years	3	(152)
	3	(152)
Deferred tax		
Origination and reversal of timing differences (see note 12)	138	424
Re-measurement of deferred tax - change in the UK tax rate	26	65
Adjustments in respect of prior years	102	79
	266	568
	269	416

Tax on items charged to equity

	2012 £000	2011 £000
Deferred tax charge on share options (see note 12)	(52)	(2)
	(52)	(2)

The standard rate of corporation tax changed from 26% to 24% with effect from 1 April 2012. The Company tax charge for the year differs from the standard rate of corporation tax of 24.5% (2011: 26.5%). The differences are explained below:

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

8. Income tax expense (continued)

	2012 £000	2011 £000
Loss before income tax	(49)	(523)
Income tax at the standard rate of UK corporation tax of 24.5% (2011: 26.5%)	12	139
Tax effects of		
Expenses not deductible for tax purposes	(95)	(28)
Transfer pricing adjustments	(54)	(34)
Group relief utilised without charge	(1)	(501)
Re-measurement of deferred tax - change in the UK tax rate	(26)	(65)
Adjustment in respect of prior years	(105)	73
Total tax charge for the year	(269)	(416)

Factors affecting future tax charges

The effective tax rate in the near future is anticipated to be similar to the standard rate of corporation tax

Impact of changes in tax rate

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 24%, which was substantively enacted on 26 March 2012 and was effective from 1 April 2012, and to 23% which was substantively enacted on 3 July 2012 and will be effective from 1 April 2013. A further reduction to the UK corporation tax rate has been announced reducing the rate to 21% by 1 April 2014 and 20% by 1 April 2015. The change had not been substantively enacted at the balance sheet date and therefore has not been reflected in these financial statements.

9. Dividends

No dividends were paid in the year (2011: £nil)

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

10. Property, plant and equipment

	Short leasehold land and buildings £000	Plant and machinery £000	Office equipment £000	Total £000
2012				
Cost				
At 1 January 2012	2,682	1,496	453	4,631
Additions at cost	-	-	307	307
Transfers	5	-	(5)	-
Transfer to Truline Logistics Limited	(1,729)	(1,054)	134	(2,649)
At 31 December 2012	958	442	889	2,289
Accumulated depreciation				
At 1 January 2012	(1,393)	(1,048)	(349)	(2,790)
Charge for the year	(107)	(22)	(161)	(290)
Transfers	1	-	(1)	-
Transfer to Truline Logistics Limited	906	628	3	1,537
At 31 December 2012	(593)	(442)	(508)	(1,543)
Net book amount				
At 31 December 2012	365	-	381	746

	Short leasehold land and buildings £000	Plant and machinery £000	Office equipment £000	Total £000
2011				
Cost				
At 1 January 2011	2,382	1,676	1,695	5,753
Additions at cost	598	175	75	848
Transfers	(5)	3	2	-
Transfer in from Alpha Office	8	-	2	10
Disposals	(301)	(358)	(1,321)	(1,980)
At 31 December 2011	2,682	1,496	453	4,631
Accumulated depreciation				
At 1 January 2011	(1,466)	(1,270)	(1,619)	(4,355)
Transfers	(4)	3	1	-
Charge for the year	(224)	(139)	(52)	(415)
Disposals	301	358	1,321	1,980
At 31 December 2011	(1,393)	(1,048)	(349)	(2,790)
Net book amount				
At 31 December 2011	1,289	448	104	1,841

The net book value of fixed assets held under finance leases was £181,000 (2011 £197,000) for the Company

Notes to the Financial Statements
for the year ended 31 December 2012 (continued)

11. Intangible assets

2012	Goodwill £000	Software £000	Total £000
Cost and Net Book Amount			
At 1 January	11,616	-	11,616
Additions	-	129	129
At 31 December	11,616	129	11,745

2011	Goodwill £000	Software £000	Total £000
Cost and Net Book Amount			
At 1 January	11,616	-	11,616
At 31 December	11,616	-	11,616

Impairment of goodwill

In accordance with IAS 36, 'Impairment of Assets', the Company 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.

A review was undertaken at 31 December 2012 to assess whether the carrying value of goodwill was impaired by reference to value in use calculations. The value in use calculations use cash flow projections based on financial budgets and forecasts as approved by the Board of Directors for a five year period and then into perpetuity based on no changes to the underlying strategy of the business. Cash flow projections beyond the five year period are extrapolated using the estimated growth rate referred to below, and are considered appropriate as it is expected that there will be no significant changes in the operation of these businesses.

The key assumptions in the value-in-use calculation were

- cash flow projections for the five year period are based upon recent observable performance of the Group, including budgeted gross margin and expected operating cash inflows,
- the pre-tax weighted average cost of capital (WACC) for the Group is 12.4% (2011: 12.0%). The Group believes that the risk profiles relating to each business segment are not significantly different, hence the same WACC is universally applied across all cash-generating units, and
- long-term growth rate of 2.5% which is not greater than the long-term growth assumption for the sector.

Whilst management believe the assumptions are realistic, it is possible an impairment would be identified if any of the above key assumptions were changed significantly. For instance, factors which could cause impairment are

- significant underperformance relative to the forecast results,
- a further deterioration in the wider economy; and
- an increase in the Group's WACC.

The value-in-use is based upon anticipated discounted future cash flows. Management believe the assumptions used are appropriate, but in addition have conducted sensitivity analysis to determine the changes in assumptions that would result in an impairment.

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.

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

12 Deferred income tax asset

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

	2012 £000	2011 £000
Tax effect of timing differences		
Excess of qualifying depreciation over tax allowances	55	143
Employee share schemes	384	291
Retirement benefit obligations	(113)	(26)
Provisions	76	208
At 31 December	402	616
At 1 January	616	1,182
Charged to the income statement	(266)	(568)
Credited to equity (note 8)	52	2
At 31 December	402	616

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

	2012 £000	2011 £000
Deferred tax assets		
- to be recovered after more than 1 year	398	620
- to be recovered within 1 year	4	(4)
	402	616

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

The movements in deferred tax assets during the year are shown below

Deferred income tax assets/(liabilities)	Depreciation over tax allowances £000	Temporary differences £000	Retirement benefit obligations £000	Share options £000	Total £000
At 1 January 2012	143	208	(26)	291	616
Charged to the income statement	(88)	(132)	(87)	41	(266)
Credited to equity	-	-	-	52	52
At 31 December 2012	55	76	(113)	384	402
Deferred income tax assets/(liabilities)	Depreciation over tax allowances £000	Temporary differences £000	Retirement benefit obligations £000	Share options £000	Total £000
At 1 January 2011	220	452	210	300	1,182
Charged to the income statement	(77)	(244)	(236)	(11)	(568)
Credited to equity	-	-	-	2	2
At 31 December 2011	143	208	(26)	291	616

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

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

13. Inventories

	2012 £000	2011 £000
Finished goods and goods for resale	8,250	7,991

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

The Company consumed £82,416,000 (2011 £81,314,000) of inventories during the year

The provision to reflect net realisable value being less than cost decreased by £261,000 (2011 £298,000) during the year

14. Trade and other receivables

	2012 £000	2011 £000
Trade receivables	11,546	14,490
Less provision for impairment	(142)	(433)
Trade receivables net	11,404	14,057
Prepayments and accrued income	2,598	3,559
Other receivables	53	53
Receivables from related parties	40,981	32,702
	55,036	50,371

All of the above amounts are due within one year

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

Receivables from related parties are repayable on demand.

Credit risk in respect to trade receivables is limited due to the Company'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 Sterling

Trade receivables that are less than 2 months past due, amounting to £4,498,000 (2011 £4,400,000) are not considered impaired. As of 31 December 2012, trade receivables of £6,760,000 (2011 £9,160,000) were past due but not impaired. The ageing analysis of these trade receivables (by reference to due date) is as follows

	2012 £000	2011 £000
Up to 1 month past due	3,691	6,299
Over 1 month past due	3,069	2,861
	6,760	9,160

As of 31 December 2012, trade receivables of £288,000 (2011 £930,000) were impaired and partially provided for. The amount of the provision against such impaired trade receivables was £142,000 as of 31 December 2012 (2011 £433,000). The individually impaired receivables mainly relate to issues arising from the current economic climate. The ageing of these receivables is as follows

	2012 £000	2011 £000
0 to 3 months overdue	109	386
3 to 6 months overdue	65	298
Over 6 months overdue	114	246
	288	930

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

14. Trade and other receivables (continued)

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

	2012 £000	2011 £000
At 1 January	433	899
Decrease in provision for receivables impairment	(16)	(317)
Transfer debtors/provision to subsidiary companies	(235)	-
Receivables written off during the year as uncollectable	(40)	(149)
At 31 December	142	433

The creation and release of provision for impaired receivables have been included in 'cost of sales' in the 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 Company does not hold any collateral as security.

15 Cash and cash equivalents

	2012 £000	2011 £000
Cash at bank and in hand	970	145

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

	2012 £000	2011 £000
Cash at bank and in hand	970	145
Bank overdrafts (note 17)	(10,193)	(3,094)
	(9,223)	(2,949)

16. Trade and other payables

	2012 £000	2011 £000
Trade payables	24,053	23,700
Social security and other taxes	3,249	2,029
Accrued expenses and deferred income	7,884	8,673
Payables to related parties	11,047	13,585
	46,233	47,987

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

17. Borrowings

	2012 £000	2011 £000
Non-current		
Finance leases	94	143
Current		
Loan from ultimate parent company	4,300	4,300
Bank overdraft	10,193	3,094
Finance leases	67	80
	14,560	7,474
Total borrowings	14,654	7,617

Loan from ultimate parent company

During the year the Company had an interest bearing loan of £4,300,000 (2011 £4,300,000) from office2office plc, and incurred interest charges of £97,000 (2011 £97,000) at 1.75% above bank base rate

Bank overdraft

The bank overdraft represents cash book overdrafts and amounts drawn against a confidential invoice discounting facility that is committed to 2015

The bank overdraft is repayable on demand and denominated in Sterling

The fair value of the current borrowings equals their carrying amounts, as the impact of discounting is not significant

Finance leases

The fair value of the Company'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

	Minimum lease payments	
	2012 £000	2011 £000
Within one year	72	87
In more than one year, but not more than five years	94	143
In more than five years	14	15
	180	245

	Future Finance Charges	
	2012 £000	2011 £000
Within one year	5	7
In more than one year, but not more than five years	9	12
In more than five years	5	3
	19	22

	Net minimum lease payments	
	2012 £000	2011 £000
Within one year	67	80
In more than one year, but not more than five years	85	131
In more than five years	9	12
	161	223

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

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

18. 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

19. Current income tax asset

	2012 £000	2011 £000
Current income tax asset	129	38

20. Provisions

	Property dilapidations £000	Onerous leases £000	Total £000
1 January 2012	(527)	(390)	(917)
Credited to the income statement	32	390	422
31 December 2012	(495)	-	(495)

Maturity profile of provisions

	2012 £000	2011 £000
Current	-	(447)
Non-current	(495)	(470)
31 December	(495)	(917)

The property dilapidation provision relates to various property leases held by Banner Business Services Limited. The provision is expected to be fully utilised by 2019

21. Retirement benefit asset/liability

The Company is the contributing employer to a defined benefit pension scheme, The Banner Business Services 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 Ltd 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 Pension Scheme (TSOPS). The scheme is funded by the payment of contributions to a separately administered trust fund. The scheme currently has 162 members and was closed to future accrual on 31 December 2011

The latest full actuarial valuation was carried out on 31 July 2010 and updated to 31 December 2012 by Punter Southall Limited, 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 2012 amounted to £13,101,000 (2011 £11,854,000)

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

21. Retirement benefit asset/liability (continued)

Company contributions in respect of the defined benefit pension scheme for the year were £361,000 (2011 £505,000). Company contributions in 2013 are expected to be approximately £300,000.

The Company also incurred £615,000 (2011 £499,000) in respect of company personal pension arrangements and employees' own personal pension arrangements for staff recruited by The Stationery Office Limited since 30 September 1996 at rates varying between 6% and 15% of pensionable earnings.

The outstanding accrual in respect of pension contributions at 31 December 2012 was £166,000 (2011 £203,000).

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

	2012 £000	2011 £000
Present value of funded obligations	(13,878)	(12,476)
Fair value of plan assets	13,101	11,854
	(777)	(622)
Unrecognised actuarial losses	1,267	727
Asset in the balance sheet	490	105

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

	Expected return p.a.		2012 £000	2011 £000
	2012 %	2011 %		
Equities	6.0%	6.0%	9,919	9,116
Bonds	3.0%	3.0%	2,033	1,195
Property	5.0%	5.0%	634	979
Other	0.3%	0.3%	515	564
			13,101	11,854

The amounts recognised in the income statement are as follows:

	2012 £000	2011 £000
Current service cost	-	(219)
Scheme interest cost	(614)	(735)
Expected return on plan assets	638	752
Curtailment - removal of ill health allowance	-	222
Curtailment - removal of salary link	-	394
Net actuarial gains recognised in the year	-	(36)
Income recognised in the income statement as administrative expenses	24	378

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

	2012 £000	2011 £000
Fair value of plan assets at 1 January	11,854	11,299
Expected return on plan assets	638	752
Actuarial gain/(loss)	398	(700)
Employer contribution	361	505
Member contributions	-	75
Benefits paid	(150)	(77)
Fair value of plan assets at 31 December	13,101	11,854

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

21. Retirement benefit asset/liability (continued)

The movement in the defined benefit obligation is as follows

	2012 £000	2011 £000
Defined benefit obligations at 1 January	(12,476)	(13,010)
Current service cost	-	(219)
Interest cost	(614)	(735)
Member contributions	-	(75)
Actuarial gains	(938)	870
Benefits paid	150	77
Curtailment - removal of ill health allowance	-	222
Curtailment - removal of salary link	-	394
Present value of funded obligations at 31 December	(13,878)	(12,476)

The principal actuarial assumptions were as follows

	2012 % pa	2011 % pa
Discount rate	4.6	5.0
Expected rate of return on plan assets	5.3	5.3
Future salary increases	n/a	n/a
Future pension increases		
- transferred from TSOPS	2.4	2.5
- earned in Scheme	3.1	3.2
Inflation - RPI	3.1	3.2
Inflation - CPI	2.4	2.5

The expected return on plan assets for 2012 is based on market expectations at 31 December 2012 for returns over the entire life of the obligation.

	2012 £000	2011 £000
Actual return on plan assets	1,036	52

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

	2012 Years	2011 Years
Male member aged 65 (current life expectancy)	22.2	22.1
Female member aged 65 (current life expectancy)	24.3	24.2
Male member aged 45 (life expectancy at age 65)	23.6	23.5
Female member aged 45 (life expectancy at age 65)	25.9	25.8

History of experience gains and losses

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of funded obligations	(13,878)	(12,476)	(13,010)	(12,762)	(10,487)
Fair value of plan assets	13,101	11,854	11,299	9,181	7,128
Deficit in the plan	(777)	(622)	(1,711)	(3,581)	(3,359)
Experience adjustments arising on scheme assets	(398)	(700)	938	1,172	(2,283)
Experience adjustments arising on scheme liabilities	-	768	-	-	(199)

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

22. Ordinary shares

	2012		2011	
	Number	£	Number	£
Issued and fully paid				
Ordinary shares of £1 each	2	2	2	2
Deferred shares of £1 each	1	1	1	1
	3	3	3	3
Allotted and called up				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
	5,000,003	5,000,003	5,000,003	5,000,003

23. Options over the shares of the ultimate parent undertaking

	Number 1 Jan 12	Number transferred	Number granted	Number exercised	Number expired	Number 31 Dec 12	Exercise price per share	Exercisable from	Expiry date
Performance Share Plan									
Date granted									
March 2009	160,606	-	-	(80,303)	(80,303)	-	0 1p	02 03 12	04 03 13
April 2009	254,493	-	-	(50,898)	(203,595)	-	0 1p	30 04 12	30 04 13
May 2010	641,961	-	-	-	(43,891)	598,070	0 1p	21 05 13	21 05 14
June 2011	1,466,796	-	-	-	-	1,466,796	0 1p	20 06 14	20 06 15
September 2012	-	-	935,622	-	-	935,622	0 1p	18 09 15	18 09 16
SAYE scheme									
Date granted									
April 2008 (5yr)	99,035	-	-	-	(1,406)	97,629	119 4p	01 05 13	31 10 13
December 2011 (3yr)	249,257	1,849	-	-	(14,638)	236,468	116 8p	01 01 12	01 07 15
December 2011 (5yr)	73,452	3,082	-	-	(16,694)	59,840	116 8p	01 01 12	01 07 17
	2,945,600	4,931	935,622	(131,201)	(360,527)	3,394,425			
	Number 1 Jan 11	Number transferred	Number granted	Number exercised	Number expired	Number 31 Dec 11	Exercise price per share	Exercisable from	Expiry date
Performance Share Plan									
Date granted									
December 2007	189,566	-	-	(25,781)	(163,785)	-	0 1p	01 04 11	11 03 11
April 2008	542,649	-	-	(73,800)	(468,849)	-	0 1p	24 04 11	24 10 11
March 2009	160,606	-	-	-	-	160,606	0 1p	02 03 12	04 03 13
April 2009	254,493	-	-	-	-	254,493	0 1p	30 04 12	30 04 13
May 2010	669,292	-	-	-	(27,331)	641,961	0 1p	21 05 13	21 05 14
June 2011	-	-	1,466,796	-	-	1,466,796	0 1p	20 06 14	20 06 15
SAYE scheme									
Date granted									
October 2005 (5yr)	9,179	-	-	-	(9,179)	-	224 4p	01 12 10	31 05 11
April 2008 (3yr)	150,781	6,431	-	(105,322)	(51,890)	-	119 4p	01 05 11	31 10 11
April 2008 (5yr)	84,966	19,696	-	-	(5,627)	99,035	119 4p	01 05 13	31 10 13
December 2011 (3yr)	-	-	252,339	-	(3,082)	249,257	116 8p	01 01 12	01 07 15
December 2011 (5yr)	-	-	73,452	-	-	73,452	116 8p	01 01 12	01 07 17
	2,061,532	26,127	1,792,587	(204,903)	(729,743)	2,945,600			

Options which expired in the year to 31 December 2012 reflected employees leaving the Company, non-achievement of performance conditions and the expiry of the term of exercise. Options which transferred during the year related to employees moving between subsidiary group companies of office2office plc.

At 31 December 2012, there were 15 members (2011: 17 members) with an average option holding of 200,033 (2011: 148,462) of the performance share plan and 102 members (2011: 106) with average holdings of 3,862 (2011: 3,979) of the Save-As-You-Earn (SAYE) scheme.

The performance share plan was 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 the Group's earnings per share growth and, for awards made up to 2010, a comparative measure of total shareholder return (TSR) against the companies in the FTSE Small Cap Index. For awards made in 2011 the TSR measure has been replaced by growth in share price. On 18 September 2012, awards were granted over 935,622 shares based on a weighted average share price, of the three days prior to award, of 137.5p per share. 131,201 options were exercised during the year under review. The weighted average share price as at the date of exercise was 138.9p per share. The weighted average remaining contractual life is 1.7 years.

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

23. Options over the shares of the ultimate parent undertaking (continued)

The SAYE scheme was first introduced in October 2004. The exercise price is determined at a 20% discount of the closing mid-market price on date of invitation. The schemes have either a three or five year vesting period. The weighted average remaining contractual life is 2.0 years (2011: 3.0 years).

Expiry date	Grant	Exercise price per share	2012	2011
2013	2008-09	23.1p	97,629	514,134
2014	2010	0.1p	598,070	641,961
2015	2011	17.1p	1,703,264	1,716,053
2016	2012	0.1p	935,622	-
2017	2011	116.8p	59,840	73,452
			3,394,425	2,945,600

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

	2012 IFRS2 £000	2012 NI £000	2011 IFRS2 £000	2011 NI £000
Performance Share Plan				
Date granted				
April 2008	-	-	26	-
March 2009	2	3	(12)	-
April 2009	-	-	(55)	(1)
May 2010	(222)	(32)	187	32
June 2011	546	82	204	35
September 2012	82	12	-	-
SAYE scheme				
Date granted				
October 2005 (5yr)	-	-	(8)	-
April 2008 (3yr)	-	-	4	-
April 2008 (5yr)	7	-	5	-
December 2011 (3yr)	31	-	-	-
December 2011 (5yr)	4	-	-	-
	450	65	351	66

The following valuation assumptions have been applied in respect of schemes introduced in the current year. The assumptions in respect of prior year schemes may be found in the prior year annual report.

Performance share plan – September 2012 option value information

Fair value per option*	£1.05
Option exercise price	£0.001
Weighted average share price	£1.375
Valuation assumptions	
Expected option term	3.25 years
Expected volatility	22.9%
Expected dividend yield	8.2%
Risk free interest rate	0.9%

* Estimated using the Black-Scholes option pricing models.

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

All of the above relate to equity settled share-based payment transactions.

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

24 Cash (used in)/generated from operations

	2012	2011
	£000	£000
Loss before income tax	(49)	(523)
Adjustments for		
Depreciation	290	415
Interest and similar charges payable	946	669
Share option expense	450	351
Increase in inventories	(259)	(2,772)
(Increase)/decrease in trade and other receivables	(4,665)	4,896
(Decrease)/increase in trade payables and provisions	(2,561)	4,689
Total net cash (outflow)/inflow from operations	(5,848)	7,725

25. Analysis of movement in net debt

	At 1 January 2012	Cash flow	Non-cash movements	At 31 December 2012
	£000	£000	£000	£000
Cash and cash equivalents	145	825	-	970
Borrowings – current	(7,394)	(7,099)	-	(14,493)
	(7,249)	(6,274)	-	(13,523)
Finance leases – current	(80)	62	(49)	(67)
Total current debt	(7,329)	(6,212)	(49)	(13,590)
Finance leases – non-current	(143)	-	49	(94)
Total non-current debt	(143)	-	49	(94)
Net debt	(7,472)	(6,212)	-	(13,684)

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

26. Guarantees and other financial commitments

Capital commitments

There are no amounts contracted for but not provided in the financial statements (2011 £nil)

Operating lease commitments

	Land and buildings		Other	
	2012	2011	2012	2011
	£000	£000	£000	£000
Amounts payable under non-cancellable operating leases				
Within one year	1,961	1,849	1,811	1,317
Between two and five years	3,664	4,154	3,508	2,250
Over five years	778	1,331	200	8
	6,403	7,334	5,519	3,575

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 £17,500,000 subject to facility at 31 December 2012. The directors do not expect any material loss to the Company to arise in respect of the guarantees.

Banner Business Services Limited

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

27. Related parties

Directors' and key management compensations are disclosed in note 5

Banner Business Services Limited is a subsidiary of office2office (UK) plc, which is a subsidiary of office2office plc

During the year Banner Business Services Limited had an interest bearing loan of £4,300,000 (2011 £4,300,000) from office2office plc and incurred interest equivalent to 1.75% (2011 1.75%) above bank base rate

During the year the Company had the following transactions with office2office plc and its subsidiaries

	2012	2011
	£000	£000
Purchases of goods and services	(418)	(515)
Interest paid	(97)	(97)
	<u>(515)</u>	<u>(612)</u>

As at the 31 December the following amounts were due to/(from) the Company from/(to) office2office plc and its subsidiaries

	2012	2011
	£000	£000
office2office plc	(5,654)	(9,670)
office2office (UK) plc	16,888	17,308
Banner Business Services (Ireland) Limited	(1,658)	(1,146)
first2office Limited	(274)	(308)
esp2office Limited	707	707
image2office Limited	(1,031)	(865)
Alpha Office Limited	(573)	(616)
Banner Document Services Limited	(2,235)	(980)
TripleArc Group Limited	11,378	9,857
Accord Office Services Limited	1,131	1,006
AccessPlus Marketing Logistics Limited	1,085	675
AccessPlus Marketing Services Limited	(5,006)	2,421
Truline Logistics Limited	10,876	728
	<u>25,634</u>	<u>19,117</u>

Other than as disclosed above, all other movements in amounts due to and from related parties relate to the movement of cash between group companies

28. Immediate and Ultimate controlling party

The Company's immediate parent company is office2office (UK) plc and the Directors consider that the Company's ultimate parent undertaking and controlling party is office2office plc, a company registered in England and Wales. Office2office plc is both the smallest and largest company for which group financial statements are drawn up. These consolidated financial statements are available from Saint Crispins House, Duke Street, Norwich, Norfolk, NR3 1PD.