esp2office

esp2office Limited

Annual Report and Accounts

For the year ended 31 December 2008

esp2office Limited

Registered number 04283047

Contents

Company Details

Directors
S. R. Moate (Chairman)
M. J. Goddard

Company secretary
D. Rodwell

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
The Atrium
St Georges Street
Norwich
NR3 1AG

Solicitors
Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Registered office
St Crispins
Duke Street
Norwich
NR3 1PD

Registered in England and Wales
04283047

Directors' Report

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

Principal activities and results
The Company's principal activity is managed procurement services, being the procurement of office and business products for mid market customers.

The profit for the year amounted to £251,000 (2007: £27,000) with revenue of £953,000 (2007: £2,028,000).

Business review
The office2office plc group ("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 further profit growth.

Dividends
The Directors do not propose the payment of a dividend (2007: £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 office2office plc group, which include those of the Company, are discussed within the Financial Review in the Annual Report and Accounts of office2office plc which does not form part of this report.

Key performance indicators ("KPIs")
The Directors manage the Group's operations 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 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

Directors third party indemnity provision
A qualifying third-party indemnity provision as defined in Section 309 B (1) of the Companies Act 1985 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.

Directors' Report

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

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 in 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 annual 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 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 of the profit or loss of the Company 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 Company 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

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 Company'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 Company's auditors are aware of that information.

Directors' Report

Independent auditors
A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the next general meeting of the Directors.

For and on behalf of the Board

D. Rodwell
Company Secretary
Date: 27 October 2009

Independent Auditors' Report to the Members of esp2office Limited

We have audited the financial statements of esp2office Limited for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the significant accounting policies and the related notes. These financial statements have been prepared under the significant accounting policies set out therein.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the annual report and 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 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Company Details. We consider the implications for our report if we become aware of any apparent misstatements 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. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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.

Independent Auditors' Report to the Members of esp2office Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and its profit and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich

Date: 30 October 2009

Income Statement
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Revenue	1	**953**	2,028
Cost of sales	3	**(480)**	(1,264)
Gross profit		**473**	764
Distribution costs	3	**(112)**	(224)
Administrative expenses	3	**2**	(514)
Profit before income tax		**363**	26
Analysed as:			
Underlying profit before income tax*		**363**	166
Exceptional and non-recurring costs	4	**-**	(140)
Profit before income tax		**363**	26
Income tax expense	7	**(112)**	1
Profit for the year attributable to equity shareholders	16	**251**	27

* *Profit before income tax and exceptional and non-recurring costs.*

All amounts relate to continuing operations.

Balance Sheet
as at 31 December 2008

	Note	2008 £000	2007* £000
Assets			
Non-current assets			
Property, plant and equipment	8	-	-
Deferred income tax asset	9	7	20
		7	20
Total assets		7	20
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	14	-	-
Retained earnings	16	(739)	(990)
Total equity		(739)	(990)
Current liabilities			
Trade and other payables	10	698	1,010
Current tax liabilities	12	48	-
		746	1,010
Total liabilities		746	1,010
Total equity and liabilities		7	20

** Restated to reflect the presentation of the balance sheet showing total assets and total equity and liabilities.*

The financial statements comprising the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the significant accounting policies and the notes to the financial statements were approved for issue by the Board of Directors on 27 October 2009.

M. J. Goddard
Director

Statement of Changes in Equity
for the year ended 31 December 2008

	Ordinary shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2007	-	(1,017)	(1,017)
Profit for the period	-	27	27
Total recognised income for the period ended 31 December 2007	-	27	27
Balance at 31 December 2007	-	**(990)**	**(990)**

	Ordinary shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2008	-	(990)	(990)
Profit for the period	-	251	251
Total recognised income for the period ended 31 December 2008	-	251	251
Balance at 31 December 2008	-	**(739)**	**(739)**

Cash Flow Statement
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Cash flows from operating activities			
Cash generated from operations	17	51	-
Income tax paid		(51)	-
Net cash generated from operating activities		-	-
Net movements in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

	2008 £000	2007 £000
Net funds at 31 December comprises:		
Cash and cash equivalents	-	-
Net funds at 31 December	-	-

Significant Accounting Policies
for the year ended 31 December 2008

General information

esp2office Limited ("the Company") provides managed procurement services, being the procurement of office and business products for mid market customers.

The Company is a limited company 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 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 esp2office Ltd 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 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.

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. In respect of this office2office plc and its subsidiaries have confirmed in writing that they are commited to providing the necessary level of financial support for a period of at least 12 months from the date of approval of the Company's financial statements for the year ended 31 December 2008.

Recent accounting developments

Standards, amendments and interpretations effective in 2008 and relevant to the Company'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 Company 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. It has not had any impact on the Company's financial statements.

Standards, amendments and interpretations effective in 2008 and not relevant to the Company's operations

- 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'.
- IFRIC 12, 'Service Concession Arrangements'.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

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

- 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 Company's Save As You Earn ("SAYE") schemes.

Significant Accounting Policies
for the year ended 31 December 2008

- 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 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.

- IFRS 7 (Amendment), Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments. The impact of adopting this amendment is currently being assessed

- 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 Company 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.

- 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 Company will apply IAS 1 (Revised) from 1 January 2009. 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 (Revised) is dependent upon the extent of qualifying expenditure from 1 January 2009 onwards and hence cannot currently be quantified.

- IFRIC 9 (Amendment), Re-assessment of Embedded Derivatives, and IAS 39 (Amendment), Financial Instruments: Recognition and Measurement. The adoption of these amendments is not expected to have a material impact on the Comapany's Financial Statements.

- 'Improvements to IFRSs' contains amendments to various existing standards, most being effective from 1 January 2009. The adoption of the remaining 'Improvements to IFRSs' is not expected to result in any changes to the Company's accounting policies.

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 19 (Amendment), 'Employee benefits'.
- IAS 27 (Revised), 'Consolidated and separate financial statements'.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements'.
- 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'.

Significant Accounting Policies
for the year ended 31 December 2008

Changes in accounting policy

Exceptional and non-recurring costs

During the period, the Company has modified the components of principal costs that are included within exceptional and non-recurring costs. This modification redefines the policy to reflect non-capitalised costs incurred in respect of business combinations. As a result of this change, there is no impact on the amounts as no such costs were incurred.

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 Company'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.

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.

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, managed procurement services, being the procurement of office and business products for mid market customers.. 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.

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

Assets under 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.

Significant Accounting Policies
for the year ended 31 December 2008

Operating leases

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.

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.

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 it's 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.

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 Company 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.

Significant Accounting Policies
for the year ended 31 December 2008

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 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 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.

Equity instruments: Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Dividends

Distributions to equity holders are disclosed as a component of the movement in shareholder's 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:

	2008	2007
	£000	£000
Profit before income tax	**363**	26
Add:		
Exceptional and non-recurring costs (note 4)	-	140
Underlying profit before income tax	**363**	166

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

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 no interest-bearing assets or borrowings in the form of cash and cash equivalents or short and long-term borrowings. Therefore interest income or cost is not sensitive to movements in interest rates.

(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.

(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.

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

At 31 December 2008 **£'000**	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	698	-	-	-

At 31 December 2007 **£'000**	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1,010	-	-	-

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

1. Financial risk management (continued)

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.

Fair values of financial instruments

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.

Embedded derivatives

Management have undertaken a review of the Company for embedded derivatives and none were found (2007: 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 balances with related parties.

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.

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.

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. Expenses by nature

	2008	2007
	£000	£000
Inventories expensed	480	1,264
Employee benefit expense (note 5a)	-	437
Depreciation of tangible fixed assets:		
- owned	-	23
Exceptional and non-recurring costs (note 4)	-	140
Operating lease payments:		
- plant and machinery	-	12
Other operating costs	110	126
Total cost of sales, distribution costs and administrative expenses	590	2,002

4. Exceptional and non-recurring costs

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

	2008	2007
	£000	£000
Compensation payments and executive recruitment costs	-	140

Compensation payments relate to amounts paid to ex-employees of the Company. These costs are considered to be exceptional in nature and not reflective of the underlying operating performance of the Company.

5a. Employee benefit expense

	2008	2007
	£000	£000
Wages and salaries	-	382
Social security costs	-	42
Pension costs- defined contribution (note 13)	-	13
Share options granted to Directors and employees	-	-
	-	437

None of the Directors or key management received any remuneration from the Company but were remunerated by other office2office plc Group companies for their services to the Group as a whole, as disclosed in the Group's consolidated financial statements.

No recharge for any of their services was made to the Company and it is not practicable to apportion their total remuneration for these services.

Two Directors are members of defined contribution pension schemes (2007: two)

5b. Average number of people employed

	2008	2007
	No	No
Average number of people (including Directors) employed:		
Sales and marketing	-	9

As at 31 December the Company had nil employees (2007: 1)

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

6. Auditor 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:

	2008 £000	2007 £000
Fees payable to Company's auditor for the audit of the Company	3	3

7. Income tax expense

	2008 £000	2007 £000
Current tax		
United Kingdom corporation tax at 28.5%	(99)	-
Deferred tax		
Origination and reversal of timing differences (see note 9)	(13)	2
Impact of change in United Kingdom tax rate	-	(1)
	(13)	1
	(112)	1

The Company 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	363	26
Income tax at the standard rate of UK corporation tax of 28.5% (2007: 30%)	(103)	(8)
Tax effects (at 28.5%/30%) of:		
Non deductible expenses	(9)	(5)
Losses brought forward not previously recognised	-	13
Impact of change in United Kingdom tax rate	-	1
Total tax charge for the year	(112)	1

Factors affecting tax charge for the year

On 1 April 2008, the UK corporation tax rate was reduced from 30% to 28%. Accordingly the effective tax rate for the year under review is 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 not deductible for tax purposes.

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

8. Property, plant and equipment

2008	Short leasehold land and buildings £000	Plant and machinery £000	Office equipment £000	Total £000
Cost				
At 1 January 2008	27	10	65	102
At 31 December 2008	27	10	65	102
Accumulated depreciation				
At 1 January 2008	(27)	(10)	(65)	(102)
Charge for the year	-	-	-	-
At 31 December 2008	(27)	(10)	(65)	(102)
Net book amount				
At 31 December 2008	**-**	**-**	**-**	**-**

2007	Short leasehold land and buildings £000	Plant and machinery £000	Office equipment £000	Total £000
Cost				
At 1 January 2007	17	10	75	102
Transfers	10	-	(10)	-
At 31 December 2007	27	10	65	102
Accumulated depreciation				
At 1 January 2007	(16)	(10)	(53)	(79)
Charge for the year	(11)	-	(12)	(23)
At 31 December 2007	(27)	(10)	(65)	(102)
Net book amount				
At 31 December 2007	**-**	**-**	**-**	**-**
At 1 January 2007	**1**	**-**	**22**	**23**

9. Deferred income tax asset

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

	2008 £000	2007 £000
Tax effect of timing differences:		
Excess of qualifying depreciation over tax allowances	7	11
Unutilised losses	-	9
At 31 December	7	20

	2008 £000	2007 £000
At 1 January	**20**	19
Credited/(charged) to the income statement	**(13)**	2
Charged to the income statement - tax rate change	-	(1)
At 31 December	7	20

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

9. Deferred income tax asset (continued)

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

	2008 £000	2007 £000
Deferred tax assets:		
- to be recovered after more than 1 year	5	17
- to be recovered within 1 year	2	3
	7	20

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 period are shown below:

Deferred income tax assets	**Depreciation over tax allowances £000**	**Unutilised losses £000**	**Total £000**
At 1 January 2008	11	9	20
Charged to the income statement	(4)	(9)	(13)
At 31 December 2008	7	-	7

Deferred income tax assets	**Depreciation over tax allowances £000**	**Unutilised losses £000**	**Total £000**
At 1 January 2007	9	10	19
Credited /(charged) to the income statement	3	(1)	2
Charged to the income statement - tax rate change	(1)	-	(1)
At 31 December 2007	11	9	20

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..

10. Trade and other payables

	2008 £000	2007 £000
Accrued expenses and deferred income	-	(18)
Payables to related parties	(698)	(992)
	(698)	(1,010)

Payables to related parties are repayable on demand.

11. 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.

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

12. Current income tax liabilities

	2008 £000	2007 £000
Current income tax liabilities	(48)	-

13. Retirement benefits

The Company contributes to a group personal pension arrangement and to employees' own personal pension arrangements. In the year the contribution due was £nil (2007: £13,000).

14. Share capital

	2008		2007	
Authorised	**No.**	**£**	No.	£
Ordinary shares of £1 each	**1,000**	**1,000**	1,000	1,000

	2008		2007	
Allotted, called up and fully paid	**No.**	**£**	No.	£
Ordinary shares of £1 each	**1**	**1**	1	1

15. Options over the shares of the ultimate parent undertaking

	Number 1 Jan 08	Number granted	Number exercised	Number lapsed	**Number 31 Dec 08**	Exercise price per share	Exercisable from	Expiry date
SAYE scheme								
Date granted								
October 2004 (3yr)	3,312	-	-	(3,312)	-	171.6p	01.12.07	31.05.08
	3,312	-	-	(3,312)	-			

Options which expired in the year to 31 December 2008 reflected employees leaving the Company and the expiry of the term of exercise.

At 31 December 2008 there were no members of SAYE scheme.

The SAYE scheme was first introduced on October 2004. The exercise price was at 20% discount of the closing mid-market price on date of invitation. The schemes have either a three or five year vesting period.

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

	2008 IFRS2 £000	**2008 NI £000**	2007 IFRS2 £000	2007 NI £000
SAYE scheme				
Date granted				
October 2004 (3yr)	-	-	-	-
	-	-	-	-

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

16. Reserves

	Retained earnings £000
Balance at 1 January 2007	(1,017)
Profit for the year	27
Balance at 31 December 2007	**(990)**
Profit for the year	**251**
Balance at 31 December 2008	**(739)**

17. Cash generated from operations

	2008 £000	2007 £000
Profit before income tax	363	26
Adjustments for:		
Depreciation charge	-	23
Decrease in trade and other receivables	-	4
Decrease in trade payables and provisions	(312)	(53)
Total net cash inflow from operations	51	-

18. Analysis of movement in net funds/(debt)

The Company did not have any net funds/(debt) at any time during the period under review.

19. Guarantees and other financial commitments

Capital commitments

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

Operating lease commitments

The Company has no obligations under operating leases (2007: nil).

20. Related parties

esp2office Limited is a subsidiary of office2office (UK) plc, which is a subsidiary of office2office plc.

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

	2008 £000	2007 £000
Banner Business Services Limited	(698)	(992)

All movements in amounts due to and from related parties relate to the movement of cash , and other working capital transactions between group companies.

Notes to the Financial Statements
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21. Immediate and Ultimate controlling party

The company's immediate parent company is office2office (UK) plc, a company registered in England and Wales, 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 accounts are drawn up. These consolidated accounts are available from St Crispins, Duke Street, Norwich, NR3 1PD.