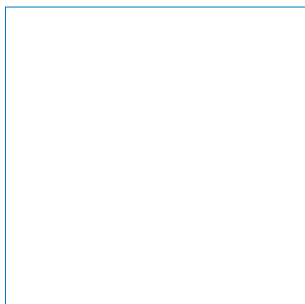
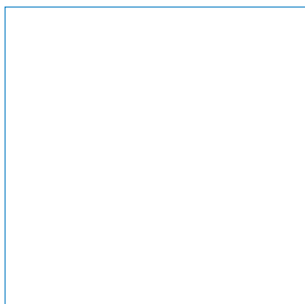
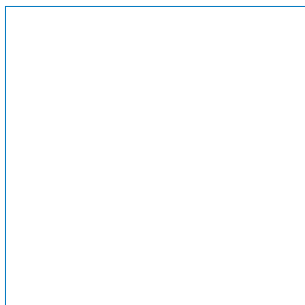
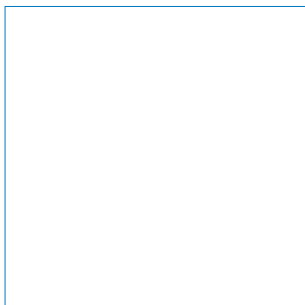




Delivering managed procurement and business critical services



Half Yearly Financial Report **2009**

Delivering managed procurement and business critical services

We continue to transform office2office plc (o2o plc) into a leading managed services business focused on four brands – Banner Business Services, Accord, AccessPlus and Banner Document Services. Our aim is to deliver first rate service to our customers through managed procurement and business critical services.

S R Moate
Chief Executive



accessplus
an office2office company



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Financial Highlights for the six months ended 30 June 2009

	HI 2009	HI 2008
Revenue	£96.0m	£84.0m
Underlying profit before income tax*	£6.4m	£5.6m
Profit before income tax	£4.5m	£5.6m
Basic earnings per share	9.1p	11.2p
Interim dividend - payable 13 November 2009	3.6p per share	3.5p per share
Net cash generated/(outflow) from operating activities	£3.9m	(£2.0m)
Net debt	£30.2m	£30.9m

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

Chairman's Statement

I am pleased to report the results for the six months to 30 June 2009.

Banner Business Services (BBS), which services public sector and large corporate contracts, performed resiliently during the period and secured a number of significant contract wins and retentions. Our new business process outsourcing and secure document destruction activities, which started in 2008, continue to make good progress in diversifying the service we offer customers. This, together with determined management action and further cost efficiencies, increased underlying profit before income tax by 13% to £6.4m (2008: £5.6m), despite significant product cost increases across the Group. Profit before tax, after exceptional costs and amortisation and share option charges, was £4.5m (2008: £5.6m).

Results

Revenue increased to £96.0m (2008: £84.0m), principally driven by the full six month contribution of £22.0m (2008: £6.9m) from AccessPlus, Accord and Banner Document Services. Gross profit was £29.8m (2008: £25.7m). The overall gross margin percentage improved slightly in the period to 31.0% (2008: 30.6%), mainly due to the accretive gross margin impact of our new business activities and despite significant product cost increases over the last nine months which we have not been able to recover in full in the period. Distribution costs were contained at £9.8m (2008: £9.7m) as continued efficiency gains effectively offset six months of cost from the new business activities of £1.1m (2008: £0.4m). Administrative expenses increased to £14.9m (2008: £10.1m) and included £5.4m (2008: £1.5m) from the new business activities, increased amortisation and share option charges of £0.6m (2008: £nil) and restructuring costs of £1.3m (2008: £nil), compensated for by savings of £1.0m.

Underlying profit before income tax increased to £6.4m (2008: £5.6m). The restructuring costs of £1.3m (2008: £nil), together with increased amortisation and share option charges of £0.6m (2008: £nil), resulted in profit before tax of £4.5m (2008: £5.6m). Profit after tax was £3.4m (2008: £4.0m) and basic earnings per share were 9.1p (2008: 11.2p).

Net cash generated from operating activities increased to £3.9m (2008: £2.0m outflow). Net indebtedness, after payment of the 2008 final dividend of £2.7m (2008: £2.4m), income tax of £1.6m (2008: £0.8m), and capital expenditure, including leased shredding vehicles for Banner Document Services, of £1.8m (2008: £0.1m), was £30.2m (2008: £30.9m). Debt management remains a prime focus and we expect to reduce net indebtedness by the end of the year.

Review of operations

Managed procurement

Revenue and profit at BBS held up well in the period and, as previously announced, BBS secured a new Ministry of Justice contract and retained its Barclays and NHS supply arrangements.

Chairman's Statement

BBS is currently engaged with a number of government departments to achieve savings as part of the public sector drive to streamline purchasing activity. The open book pricing principles pioneered in the BBS managed procurement model have been adopted in recent framework tenders and this presents a significant opportunity for BBS to retain and grow business.

Since the half year end, BBS has secured a number of new public sector contract awards, including DVLA, Metronet and the right to supply office products and computer consumables to the Central Buying Consortium framework, which represents local authorities from the Midlands to the South-East. In the corporate sector, BBS has won notable new contract supply arrangements with WS Atkins, Tui, Stagecoach and Berwin Leighton Paisner.

The softening in sales volumes and decline in gross margin percentages experienced in Q1 of this year by Accord, our mid market business servicing the private sector, stabilised by the end of Q2. Since then, the gross margin percentage has recovered to 2008 levels.

Business critical services

Our new business process outsourcing activities, trading under the AccessPlus brand, are continuing to benefit the Group. This wider service offering is proving attractive to BBS's corporate and public sector customers and a number of significant new contracts have been jointly secured by BBS and AccessPlus, including combined supply and service arrangements with NHS Direct, G4S and Shaw Trust. General economic conditions led to a decline in non-contracted print volumes at AccessPlus; cost saving measures have been implemented to combat this shortfall.

Banner Document Services, our secure document destruction business, successfully rolled out its first major supply arrangement with HMRC. A national infrastructure has been established and we are now actively marketing this service to our customer base.

Principal risks and uncertainties

A full review of the Group's principal risks and uncertainties is included in the 2008 Annual Report. These remain unchanged, other than the possibility of budgetary constraints within the public sector as highlighted below.

Outlook and dividends

The way that the businesses have responded to difficult trading conditions, combined with recent significant contract wins and some reduction in product cost pressures, gives the Board confidence in the Group's trading prospects. Whilst we are mindful that the public sector may come under tougher budgetary constraints in the medium term, we firmly believe that the strength of the core Banner brand, our open book managed procurement model and the Group's newly expanded service offering, ideally position office2office to manage these pressures and create new business opportunities from them.

In recognition of the improvement in underlying profit, despite the difficult trading conditions, the Board has concluded it appropriate to declare an interim dividend of 3.6p (2008: 3.5p). This will be payable on 13 November 2009 to shareholders on the register at close of business on 9 October 2009.

D J Callear
Chairman

Unaudited Consolidated Income Statement

for the six months ended 30 June 2009

	Note	Unaudited Six months ended 30 Jun 09 £000	Unaudited Six months ended 30 Jun 08 £000	Audited Year ended 31 Dec 08 £000
Revenue	4	96,026	84,002	180,999
Cost of sales		(66,268)	(58,314)	(124,168)
Gross profit		29,758	25,688	56,831
Distribution costs		(9,837)	(9,690)	(20,082)
Administrative expenses		(14,916)	(10,083)	(25,783)
Operating profit		5,005	5,915	10,966
Finance income		-	181	190
Finance costs		(501)	(452)	(1,549)
Profit before income tax		4,504	5,644	9,607
Analysed as:				
Underlying profit before income tax*		6,400	5,644	12,066
Share option (expense)/income		(151)	78	(23)
Exceptional and non-recurring costs	6	(1,257)	-	(1,812)
Amortisation		(488)	(78)	(624)
Profit before income tax		4,504	5,644	9,607
Income tax expense	7	(1,129)	(1,655)	(2,995)
Profit for the period		3,375	3,989	6,612
Profit attributable to:				
Equity holders of the Company		3,257	3,989	6,612
Minority interest		118	-	-
		3,375	3,989	6,612
Earnings per Ordinary share:				
Basic	8	9.1p	11.2p	18.5p
Diluted	8	9.1p	11.1p	18.5p

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

All amounts relate to continuing operations.

During the period a final dividend of 7.5p per Ordinary share was paid in respect of the year ended 31 December 2008. Subsequent to the period end, the Directors declared an interim dividend of 3.6p per Ordinary share which will be accounted for as an appropriation from retained earnings for the year to 31 December 2009.

Unaudited Statement of Consolidated Comprehensive Income

for the six months ended 30 June 2009

	Unaudited Six months ended 30 Jun 09 £000	Unaudited Six months ended 30 Jun 08 £000	Audited Year ended 31 Dec 08 £000
Profit for the period	3,375	3,989	6,612
Other comprehensive income:			
Currency translation differences	(146)	54	240
Total comprehensive income for the period	3,229	4,043	6,852
Total comprehensive income attributable to:			
Equity holders of the Company	3,111	4,043	6,852
Minority interest	118	-	-
	3,229	4,043	6,852

Unaudited Consolidated Balance Sheet

as at 30 June 2009

	Note	Unaudited 30 Jun 09 £000	Unaudited 30 Jun 08* £000	Audited 31 Dec 08* £000
Assets				
Non-current assets				
Intangible assets	9	58,836	59,781	59,263
Property, plant and equipment	9	3,960	2,895	2,599
Deferred income tax asset		1,249	1,464	1,197
		64,045	64,140	63,059
Current assets				
Inventories		8,522	9,263	8,371
Trade and other receivables		27,411	34,245	26,713
Cash and cash equivalents		1,866	2,957	2,691
		37,799	46,465	37,775
Total assets		101,844	110,605	100,834
Equity				
Equity attributable to owners of the Company				
Ordinary shares		363	363	363
Share premium account		5,009	5,009	5,009
Other reserves		140	100	286
Retained earnings		15,198	13,035	14,502
		20,710	18,507	20,160
Equity attributable to minority interest		118	-	-
Total equity		20,828	18,507	20,160
Non-current liabilities				
Borrowings	10	23,623	25,410	25,374
Deferred income tax liability		2,329	2,623	2,623
Provisions		2,194	1,572	2,143
Retirement benefit liability	11	973	1,098	1,044
		29,119	30,703	31,184
Current liabilities				
Trade and other payables		41,939	51,241	40,955
Borrowings	10	8,492	8,462	6,978
Current income tax liabilities		1,466	1,692	1,557
		51,897	61,395	49,490
Total liabilities		81,016	92,098	80,674
Total equity and liabilities		101,844	110,605	100,834

The half yearly financial report was approved by the Board of Directors on 26 August 2009.

*Restated to reflect fair value adjustments arising on acquisitions made in the six month period ended 30 June 2008 (see note 2). There is no impact on total equity.

Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009

	Note	Ordinary shares £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
Balance at 1 January 2008		363	5,009	46	11,489	16,907	-	16,907
Currency translation differences		-	-	54	-	54	-	54
Net income recognised directly in equity		-	-	54	-	54	-	54
Profit for the period		-	-	-	3,989	3,989	-	3,989
Total recognised income for the period ended 30 June 2008		-	-	54	3,989	4,043	-	4,043
Employee share options:								
- value of employee services		-	-	-	(77)	(77)	-	(77)
- deferred tax on share options		-	-	-	24	24	-	24
Sale of shares by employee benefit trust		-	-	-	37	37	-	37
Dividends and other appropriations:								
- Ordinary shares	13	-	-	-	(2,427)	(2,427)	-	(2,427)
		-	-	54	1,546	1,600	-	1,600
Balance at 30 June 2008		363	5,009	100	13,035	18,507	-	18,507

	Note	Ordinary shares £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
Balance at 1 January 2009		363	5,009	286	14,502	20,160	-	20,160
Currency translation differences		-	-	(146)	-	(146)	-	(146)
Net expenditure recognised directly in equity		-	-	(146)	-	(146)	-	(146)
Profit for the period		-	-	-	3,257	3,257	118	3,375
Total recognised income for the period ended 30 June 2009		-	-	(146)	3,257	3,111	118	3,229
Employee share options:								
- value of employee services		-	-	-	107	107	-	107
- deferred tax on share options		-	-	-	3	3	-	3
Sale of shares by employee benefit trust		-	-	-	10	10	-	10
Dividends and other appropriations:								
- Ordinary shares	13	-	-	-	(2,681)	(2,681)	-	(2,681)
		-	-	(146)	696	550	118	668
Balance at 30 June 2009		363	5,009	140	15,198	20,710	118	20,828

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 June 2009

	Note	Unaudited Six months ended 30 Jun 09 £000	Unaudited Six months ended 30 Jun 08 £000	Audited Year ended 31 Dec 08 £000
Cash flows from operating activities				
Cash generated from/(used in) operations	12	6,004	(891)	5,636
Interest received		-	181	190
Interest paid		(475)	(436)	(1,487)
Interest element of finance lease repayments		(26)	(16)	(62)
Income tax paid		(1,563)	(793)	(2,030)
Net cash generated from/(used in) operating activities		3,940	(1,955)	2,247
Cash flows from investing activities				
Purchase of property, plant and equipment		(721)	(58)	(290)
Purchase of intangible assets		(61)	-	(17)
Acquisition of subsidiaries, including overdrafts		-	(19,949)	(21,438)
Net cash used in investing activities		(782)	(20,007)	(21,745)
Cash flows from financing activities				
Finance lease principal payments		(165)	(77)	(219)
Increase in borrowings		-	25,000	25,000
Repayment of borrowings		-	(12,613)	(12,613)
Sale of shares by employee benefit trust		10	-	37
Dividends paid to Company's shareholders	13	(2,681)	(2,427)	(3,676)
Net cash (used in)/generated from financing activities		(2,836)	9,883	8,529
Net increase/(decrease) in cash and cash equivalents		322	(12,079)	(10,969)
Cash, cash equivalents and bank overdrafts at 1 January		(4,006)	6,963	6,963
Cash, cash equivalents and bank overdrafts at period end		(3,684)	(5,116)	(4,006)

Net debt at period end comprises:

	£000	£000	£000
Cash, cash equivalents and bank overdrafts	(3,684)	(5,116)	(4,006)
Finance leases	(1,565)	(799)	(655)
Bank loans	(25,000)	(25,000)	(25,000)
Net debt at period end	(30,249)	(30,915)	(29,661)

Notes to the Interim Financial Information

for the six months ended 30 June 2009

1. General information

office2office plc (the Company) and its subsidiaries (the Group) provide managed procurement and business critical services. The Group operates in the United Kingdom and Republic of Ireland. The Company is a limited liability company incorporated and domiciled in the United Kingdom and is listed on the London Stock Exchange. The address of its registered office is St Crispins, Duke Street, Norwich, NR3 1PD.

The half yearly financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 were approved by the Board of Directors on 25 February 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

The half yearly financial report has been reviewed, not audited and was approved for issue by the Directors on 26 August 2009.

2. Basis of preparation

This half yearly financial report for the six months ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half yearly financial report should be read in conjunction with the annual report and accounts for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Provisional goodwill and fair value adjustments were made in the interim financial information for the 6 month period to 30 June 2008 and the year to 31 December 2008 in respect of the acquisitions of TripleArc plc on 15 May 2008 and

Accord Office Supplies Limited on 2 June 2008. Such adjustments have been finalised in the interim financial information at 30 June 2009. In accordance with IFRS 3 'Business combinations', such final adjustments have now been reflected in the financial information at 30 June 2008 and 31 December 2008. In respect of the financial information at 30 June 2008, the final adjustments have been to reduce property, plant and equipment by £268,000, increase intangibles-goodwill by £11,785,000, decrease intangibles-customer relationships by £10,219,000, increase intangibles-brands by £3,938,000, increase intangibles-software by £103,000, increase deferred income tax liability by £2,651,000, decrease inventories by £207,000, increase trade and other receivables by £809,000, increase provisions by £970,000, increase trade and other payables by £2,436,000 and decrease current income tax liabilities by £116,000. In respect of the financial information at 31 December 2008, the final adjustments have been to increase intangibles-goodwill by £3,113,000, increase trade and other payables by £490,000 and increase deferred income tax liability by £2,623,000. There is no material impact from these adjustments on the reported profit for either period.

The Group had net current liabilities as at 30 June 2009. The Group has traded profitably since the balance sheet date with the profits generated contributing to the funding of the Group's working capital requirements. In addition, the Group meets its day-to-day working capital requirements through sufficient and appropriate credit facilities that are committed until April 2013. The Group's forecasts indicate that it is able to operate within the level of its current facilities for the foreseeable future. Accordingly, the Directors, having made appropriate enquiries, consider it reasonable to assume that the Group and the Company have adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the interim financial information.

Notes to the Interim Financial Information

for the six months ended 30 June 2009

3. Accounting policies

The accounting policies applied are consistent with those of the annual report and financial statements for the year ended 31 December 2008, as described in the annual report and accounts with the exception of the adoption as of 1 January 2009 of standards, amendments and interpretations described below:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits 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' are required to be shown in a performance statement. 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). The Group has elected to present two statements. The interim financial information has been prepared under the revised disclosure requirements.
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Management have confirmed that the Group operates in two distinct segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

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

The following amendments to existing standards and interpretations were also effective for the current period, but the adoption of these amendments to existing standards and interpretations did not have a material impact on the interim financial information of the Group.

- IFRS 1 (amendment), 'First-time adoption of IFRS'; and IAS 27 (amendment), 'Consolidated and Separate Financial Statements'.
- IFRS 2 (amendment), 'Share Based Payment' – Vesting Conditions and Cancellations.
- IAS 23, 'Borrowing costs' – as revised.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 32, 'Financial instruments: presentation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

Notes to the Interim Financial Information

for the six months ended 30 June 2009

4. Segmental information

IFRS 8, 'Operating Segments', replaces IAS 14, 'Segment Reporting', and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The operating segments are identified on the basis of internal reports regularly reviewed by the Board of Directors, the Board of Directors being the chief operating decision-maker, in order to allocate resources to the segments and to assess their respective performance.

The Board considers the business from a service perspective. The Group is organised into two main business segments:

- managed procurement; and
- business critical services.

The business units of each reportable segment, Banner Business Services and Accord in respect of managed procurement and AccessPlus and Banner Document Services in respect of business critical services, do not qualify as reportable segments as decisions about the allocation of resources and the assessment of performance are not made at this level.

The Board assesses the performance of the operating segments based on a measure of adjusted earnings before interest, income tax and amortisation (EBITA). This measurement basis excludes the effects of exceptional and non-recurring expenditure from the operating segments, such as restructuring costs. Other information provided to the Board, except as noted below, is measured in a manner consistent with that in the financial statements.

Total assets exclude the bank balance of office2office plc, which is managed for the basis of dividend distributions. This is part of the reconciliation to total balance sheet assets.

	Managed procurement £000	Business critical services £000	Total £000
Six months ended 30 June 2009			
Revenue	78,511	17,515	96,026
Adjusted EBITA	6,716	1,384	8,100
Six months ended 30 June 2008			
Revenue	75,740	8,262	84,002
Adjusted EBITA	7,034	368	7,402
Total assets			
30 June 2009	54,309	47,534	101,843
30 June 2008	59,880	50,724	110,604

Notes to the Interim Financial Information

for the six months ended 30 June 2009

4. Segmental information (continued)

A reconciliation of total adjusted EBITA to profit before income tax is provided as follows:

	Six months ended 30 Jun 09 £000	Six months ended 30 Jun 08 £000
Adjusted EBITA for reportable segments:	8,100	7,402
Group costs	(1,199)	(1,487)
Finance income	-	181
Finance costs	(501)	(452)
Underlying profit before income tax	6,400	5,644
Share option expense	(151)	78
Exceptional and non-recurring costs	(1,257)	-
Amortisation	(488)	(78)
Profit before income tax	4,504	5,644

Reportable segments' assets are reconciled to total assets as follows:

	30 Jun 09 £000	30 Jun 08 £000	31 Dec 08 £000
Total segment assets	101,843	110,604	100,675
Cash and cash equivalents	1	1	159
Total assets per balance sheet	101,844	110,605	100,834

5. Seasonality

The Group operates in markets where no significant seasonal or cyclical variations in sales are experienced during the financial year.

Notes to the Interim Financial Information

for the six months ended 30 June 2009

6. Exceptional and non-recurring costs

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

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

	Six months ended 30 Jun 09 £000	Six months ended 30 Jun 08 £000	Year ended 31 Dec 08 £000
Redundancy and compensation payments	842	-	921
Non capitalised costs in respect of business combinations	-	-	163
Business and strategic review costs	415	-	728
	1,257	-	1,812

Redundancy and compensation payments relate to amounts paid to ex-employees of Group companies.

Business and strategic review costs relate to costs incurred by the Group in relation to management's commitment to improve operational efficiency. These costs are considered to be exceptional in nature and not reflective of the underlying operating performance of the Group.

7. Income taxes

Income tax expense is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year, as adjusted to reflect estimated disallowable expenses. The estimated average annual tax rate used for the six month period to 30 June 2009 of 25.1% (30 June 2008: 29.3%) is based on the prevailing current tax rate of 28% (six months ended 30 June 2008: 29%) as adjusted for the estimated impact of expenses permanently disallowable for income tax and other permanent differences.

Notes to the Interim Financial Information

for the six months ended 30 June 2009

8. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of Ordinary shares in issue during the period, excluding Ordinary shares held by the employee benefit trust which do not qualify for receipt of dividends.

	Six months ended 30 Jun 09	Six months ended 30 Jun 08	Year ended 31 Dec 08
Profit attributable to equity holders of the Company (£000)	3,257	3,989	6,612
Weighted average number of Ordinary shares in issue (thousands)	35,751	35,688	35,695
Basic earnings per share (pence per share)	9.1	11.2	18.5

(b) Diluted

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

	Six months ended 30 Jun 09	Six months ended 30 Jun 08	Year ended 31 Dec 08
Profit attributable to equity holders of the Company (£000)	3,257	3,989	6,612
Weighted average number of Ordinary shares in issue (thousands)	35,751	35,688	35,695
Adjusted for share options (thousands)	89	163	121
Weighted average number of Ordinary shares for diluted earnings per share (thousands)	35,840	35,851	35,816
Diluted earnings per share (pence per share)	9.1	11.1	18.5

Notes to the Interim Financial Information

for the six months ended 30 June 2009

9. Capital expenditure

	Property, plant and equipment* £000	Intangible assets* £000
Six months ended 30 June 2009		
Opening net book amount as at 1 January 2009	2,599	59,263
Additions	1,796	61
Depreciation and amortisation	(435)	(488)
Closing net book amount as at 30 June 2009	3,960	58,836
Six months ended 30 June 2008		
Opening net book amount as at 1 January 2008	1,740	13,607
Acquisition of subsidiaries	1,393	46,252
Additions	90	-
Depreciation and amortisation	(328)	(78)
Closing net book amount as at 30 June 2008	2,895	59,781

*Restated to reflect final goodwill and fair value adjustments arising on acquisitions made in the six month period ended 30 June 2008 (see note 2).

In the six months to 30 June 2008, the Group acquired intangible assets in relation to its acquisitions of TripleArc plc and Accord Office Supplies Limited of £46,252,000.

Notes to the Interim Financial Information

for the six months ended 30 June 2009

10. Borrowings and loans

	30 Jun 09 £000	30 Jun 08 £000	31 Dec 08 £000
Non-current	(23,623)	(25,410)	(25,374)
Current	(8,492)	(8,462)	(6,978)
	(32,115)	(33,872)	(32,352)
Opening amount as at 1 January	(32,352)	(587)	(587)
Acquisition of subsidiaries	-	(14,684)	(14,684)
Increase in finance lease borrowings	(1,075)	-	(42)
Decrease/(increase) in borrowings	1,312	(18,601)	(17,039)
Closing amount at period end	(32,115)	(33,872)	(32,352)

The Group arranged a loan on the 16 April 2008 of £25m for the purpose of funding the Group's acquisition strategy. The loan is repayable in instalments over five years commencing from April 2010, with interest charged at a floating rate linked to LIBOR. In addition the Group has a committed confidential invoice discounting facility of £20m which expires in April 2013.

The Group has the following undrawn borrowing facilities:

	30 Jun 09 £000	30 Jun 08 £000	31 Dec 08 £000
Gross undrawn committed confidential invoice discounting facility	20,000	20,000	20,000
Cash book overdraft	(5,550)	(7,058)	(6,697)
Net undrawn facilities	14,450	12,942	13,303

The gross committed confidential invoice discounting facility of £20m is subject to the availability of qualifying trade receivables.

Notes to the Interim Financial Information

for the six months ended 30 June 2009

11. Retirement benefit liability

The Group is the contributing employer to a defined benefit pension scheme which is closed to new members. The contributions paid in the period were £272,000 (2008: £160,000).

The latest full actuarial valuation was carried out on 31 July 2007 and updated to 30 June 2009 by a qualified independent actuary. The pension disclosures have been determined on the basis of the results of this valuation.

The amounts recognised in the balance sheet are determined as follows:

	30 Jun 09 £000	30 Jun 08 £000	31 Dec 08 £000
Present value of funded obligations	(10,333)	(12,370)	(10,487)
Fair value of plan assets	7,157	7,939	7,128
	(3,176)	(4,431)	(3,359)
Unrecognised actuarial losses	2,203	3,333	2,315
Liability in the balance sheet	(973)	(1,098)	(1,044)

The amounts recognised in the income statement are as follows:

	30 Jun 09 £000	30 Jun 08 £000	31 Dec 08 £000
Current service cost	(96)	(139)	(256)
Scheme's interest cost	(289)	(289)	(578)
Expected return on plan assets	219	303	605
Amortisation of net loss over 20 years	(32)	-	-
Expenses recognised in income statement as administrative expenses	(198)	(125)	(229)

The principal actuarial assumptions were as follows:

	30 Jun 09 % pa	30 Jun 08 % pa	31 Dec 08 % pa
Discount rate	6.3	5.5	5.5
Expected rate of return on plan assets	6.1	7.0	6.1
Future salary increases	2.9	3.2	2.9
Future pension increases	2.9	3.2	2.9
Inflation	3.5	3.6	2.9

Notes to the Interim Financial Information

for the six months ended 30 June 2009

12. Cash generated from / (used in) operations

	Six months ended 30 Jun 09 £000	Six months ended 30 Jun 08 £000	Year ended 31 Dec 08 £000
Profit before income tax	4,504	5,644	9,607
Adjustments for:			
Amortisation	488	78	624
Depreciation charge	435	328	854
Interest receivable	-	(181)	(190)
Interest and similar charges payable	501	452	1,549
Share option expense/(income)	107	(40)	45
Increase in inventories	(151)	(1,788)	(898)
(Increase)/decrease in trade and other receivables	(698)	(1,399)	5,352
Increase/(decrease) in trade payables and provisions	818	(3,985)	(11,307)
Total net cash inflow/(outflow) from operations	6,004	(891)	5,636

13. Dividends

	Six months ended 30 Jun 09 £000	Six months ended 30 Jun 08 £000	Year ended 31 Dec 08 £000
Amounts recognised as a distribution in the period in respect of:			
Ordinary shares – final dividend 2008 – 7.5p per share	(2,681)	-	-
Ordinary shares – interim dividend 2008 – 3.5p per share	-	-	(1,249)
Ordinary shares – final dividend 2007 – 6.8p per share	-	(2,427)	(2,427)
	(2,681)	(2,427)	(3,676)

The Directors have declared, post 30 June 2009, an interim dividend of 3.6p per Ordinary share, payable on 13 November 2009 to shareholders on the register at the close of business on 9 October 2009. This dividend has not been included as a liability as at 30 June 2009.

Statement of Directors' Responsibilities

The Directors confirm that the interim financial information included in the half yearly financial report has been prepared in accordance with IAS 34 as adopted by the European Union and that the Chairman's Statement includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- An indication of the important events that have occurred during the first six months and their impact on the half yearly financial report, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months of the year and any material changes in the related party transactions described in the last annual report.

The Directors of office2office plc are listed in the Annual Report and Accounts for the year ended 31 December 2008, since when there have been no changes. A list of current Directors is maintained on the office2office plc website: www.office2office.co.uk.

By order of the Board

S R Moate

Chief Executive

26 August 2009

M A Cunningham

Finance Director

Forward-looking statements

Certain statements in this half yearly report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. As these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Independent Review Report to office2office plc

Introduction

We have been engaged by the Company to review the interim financial information in the half yearly financial report for the six months ended 30 June 2009, which comprises the consolidated income statement, statement of consolidated comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes to the interim financial information. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial information.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2 to the interim financial information, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The interim financial information has been prepared in accordance with IAS 34, "Interim financial reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the interim financial information in the half yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. We do not, in producing this report, 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 review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report to office2office plc

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information in the half yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich
26 August 2009

Notes:

(a) The maintenance and integrity of the office2office plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half yearly report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Company Details

Directors

D J Callear

Chairman

J L Cohen

Senior independent non-executive Director

C M Batterham

Independent non-executive Director

S R Moate

Chief Executive

M A Cunningham

Finance Director

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Notes

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