

**GARNER PLC
YEAR ENDED 31 DECEMBER 2007**

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**GARNER PLC YEAR ENDED 31 DECEMBER 2007
REPORT AND FINANCIAL STATEMENTS**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Bartle, CBE
A C Garner
B R Lakefield
S O'Brien (appointed 31 January 2007)
R G Robinson FCA

SECRETARY

R G Robinson FCA

REGISTERED OFFICE

6 Derby Street
London
W1J 7AD

BANKERS

Lloyds TSB plc
14 Church Street
Rugby
Warwickshire
CV21 3PL

AUDITORS

FW Stephens
Chartered Accountants
3rd Floor
24 Chiswell Street
London
EC1Y 4YX

NOMINATED ADVISERS

City Financial Associates Limited
46 Worship Street
London
EC2A 2EA

REGISTRARS

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

BROKERS

St Helen's Capital plc
15 St Helen's Place
London
EC3A 6DE

GARNER PLC
31 DECEMBER 2007
CHAIRMAN'S STATEMENT

At last year's AGM we set out our strategy of continuing to secure the team, broaden our client base and maintain profitability. All of this we achieved. Whilst the first half of 2007 proved strong and saw us winning a lot of assignments including from new clients, the second half had to be focused on delivery. The credit crunch affected all markets. Although we did not encounter poor trading, certainly client decision making took longer.

Whilst turnover for the year shows an increase of 19 per cent to £3,122,000 (2006: £2,612,000), the turnover for the second half was down on the same period last year. Profits decreased slightly (4.6 per cent) as a consequence of higher staff costs resulting in pre-tax profits of £494,000 (2006: £518,000). However, a lower tax charge means that post tax profits were up 10 per cent at £402,000 (2006: £365,000). Earnings per share are: 1.06p (2006: 0.97p).

Net debt at the year end has reduced to £1,183,000 (2006:£1,287,000) with the Group generating net cash flow of £104,000. This cash flow represented a reduction in borrowing of £25,000 and an increase in cash balances of £79,000. Net liabilities at the year end were £1,301,000 (2006:£1,703,000 as restated), an improvement of £402,000. We have now put in place a more advantageous banking arrangement designed to give us more operating headroom for growth.

The increase in our cost base was almost entirely a result of improving our reward strategy for our consultants in achieving key targets of both improved billing levels and broadening our client base. We were delighted to win another FTSE 10 client with whom there is the potential for a significant relationship. Of equal importance was the work of one of our colleagues who was very successful in winning volume business from clients' digital business assignments.

Adding to our client base is essential in protecting our commercial performance, and this remains a priority not only for 2008 but in the long term. It is worth noting that we increased our client list by five companies in different sectors in the first two months of 2008. Our expertise now stretches across technology, media, packaging, professional services, public sector and, of course, banking and real estate.

With reference to growing the team, we are being very selective. We will be announcing some additions during 2008 as we plan to launch a new specialist HR practice in April and a Digital Media practice in May.

Predictions for the future are not easy, not least because our clients are finding forecasting difficult too. Strategically, however, there are some good signs for Garner Plc. Our consultants have well established client relationships and more of our assignments are for work to be done overseas, e.g. Ireland, Germany and the Middle East.

Finally, we have been working on a new trading relationship with a leading US search firm about which I hope to make an announcement soon. This will enable us to leverage globally many of our UK client relationships. Overall, we think that we are in as strong a position as we could be with a good and committed team and costs under tight control. I look forward to sharing with you our progress at the half year.

J BARTLE

Chairman

28th March 2008

GARNER PLC
31 DECEMBER 2007
DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2007.

ACTIVITIES

The principal activity of the Group during the period was executive search.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Chairman's Statement on page 2 reviews the activities of the Group including a statement of recent and future developments.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 12.

The directors do not recommend payment of any dividends (2006: £Nil).

Retained losses carried forward are decreased by £402,000 (2006: £365,000, restated).

DIRECTORS

The directors who served during the year are as follows:

J Bartle, CBE
A C Garner
B R Lakefield
S O'Brien (appointed 31 January 2007)
R G Robinson
R S Hingley (resigned 31 January 2007)

Their interests in the shares of the company as defined by the Companies Act 1985, are shown in the Directors' Remuneration Report on pages 7 to 9.

R G Robinson retires by rotation, and being eligible, offers himself for re-election.

SUBSTANTIAL SHARE INTERESTS

As at 31 December 2007, the Company had been notified of the following interests in its issued share capital:

	Ordinary shares of 1.0p each	%
A C Garner	11,027,009	29.0
R Stanley	4,200,000	11.1
R G Robinson	3,101,748	8.2
TD Waterhouse Nominees Limited	1,875,924	4.9
Barclayshare Nominees	1,351,597	3.6

As far as the directors are aware, no other entities or individuals held 3% or more of the shares in issue.

EMPLOYEE INVOLVEMENT

The Group has well established communications and consultation procedures with all employees. These continually evolve to meet the changing needs of the business and are considered valuable by both management and staff.

GARNER PLC
31 DECEMBER 2007
DIRECTORS' REPORT

EMPLOYMENT OF DISABLED PERSONS

It is the Group's policy to give a full and fair consideration to the employment and promotion of disabled persons where they appear suitable, having regard to their particular aptitudes and abilities. Where existing employees become disabled it is the Group's policy to find them alternative suitable employment within the Group where possible.

RISKS AND UNCERTAINTIES

Key risks and uncertainties for the business are as follows:

- Staff retention

The Group has introduced a comprehensive employee incentive scheme and EMI scheme in 2007. It experienced zero attrition of revenue generating professionals within the year.

- Loss of client relationships

During the year the Group has expanded its new client base to mitigate fluctuations within the market and maintained its level of repeat contracts with significant existing clients.

KEY PERFORMANCE INDICATORS

The most significant performance indicators for the business are maintaining revenue levels and achieving profit growth. Management KPIs are:-

- Revenue per consultant
- Employee retention
- Client retention
- Repeat contracts
- New business retention
- Net client gains

CREDITOR PAYMENT POLICY

The Company and Group do not have a standard or code which deals specifically with the payment of suppliers. The Group does, however, endeavour to comply with the terms and conditions agreed with suppliers when orders are placed. Trade creditor days of the Group at 31 December 2007, calculated in accordance with the requirements of the Companies Act 1985, were 49 days (2006: 62 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

GARNER PLC
31 DECEMBER 2007
CORPORATE GOVERNANCE

As a company listed on the Alternative Investment Market of the London Stock Exchange, Garner plc is not required to comply with the Combined Code ("the Code") adopted by the UK Listing Authority in 1998. However, the Board of Directors has considered the effects of the Code and taken steps to comply with the Code insofar as it can be applied practically, given the size of the Group and the nature of its operations. At this stage, no action has been taken in respect of the revised code issued in June 2006.

The Audit Committee comprises all of the non-executive directors and meets as required.

The directors also acknowledge their responsibility for the Group's system of internal control of which the objectives are:

- a) Safeguarding Group assets.
- b) Ensuring proper accounting records are maintained.
- c) Ensuring that the financial information used within the business and for publication is reliable.

The key procedures that have operated during the financial year are set out below:

- a) The Board meets regularly to review all aspects of the Group's performance concentrating mainly on financial performance, business risks and development.
- b) A number of matters are reserved for the Board's specific approval including major capital expenditure, banking and dividend policy.

In establishing the systems of internal control, the directors have implemented a control environment, risk management procedures and reporting processes appropriate to the size of the Group. The system of internal control is designed to manage rather than eliminate risk. Further procedures will continue to be adopted in respect of all the Group's activities to further improve financial control.

Trading and cash flows can be unpredictable. However, after making appropriate enquiries the directors have formed a judgement that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Remuneration Committee consists of all the non-executive directors.

The remuneration of the non-executive directors is determined by the Board.

At present the committee annually reviews the level of directors' remuneration packages. Disclosure of directors' remuneration is provided in the Directors' Remuneration Report.

AIM COMPLIANCE COMMITTEE

In accordance with AIM Rule 31 the Group is required to have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules; seek advice from its nominated adviser ("Nomad") regarding its compliance with the AIM Rules whenever appropriate and take that advice into account; provide the Group's Nomad with any information it requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers; ensure that each of the Group's directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules; and ensure that each director discloses without delay all information which the Group needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director.

In order to ensure that these observations are being discharged, the Board has established a committee of the Board (the "AIM Committee"), chaired by Richard Robinson, a non-executive director of the Group.

Having reviewed relevant Board papers, and met with the Group's Executive Board and the Nomad to ensure that such is the case, the AIM Committee is satisfied that the Group's obligations under AIM Rule 31 have been satisfied during the period under review.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
DIRECTORS' REMUNERATION REPORT

As a company listed on the Alternative Investment Market of the London Stock Exchange, Garner plc is not required to provide the following, unaudited information. Although not required to, the directors have decided to provide corporate governance disclosures and the board has considered the principles and provisions of "The Combined Code: Principles of Good Governance and the Code of Best Practice" ("the Code").

The Remuneration Committee was established to keep under review the remuneration and terms of employment of executive directors and to recommend such remuneration and terms and changes thereof to the Board. The Remuneration Committee's composition, responsibilities and operation comply with the Combined Code. In forming its remuneration policy, the Remuneration Committee confirms that it has complied with the Combined Code.

An explanation of how the company has applied the principles and the extent to which the provisions in the Code have been complied with appears below.

Unaudited information:

Under the company's Articles of Association, the Board may delegate any of its powers, authorities and discretions to a sub-committee of the Board.

The Remuneration Committee comprises the non-executive directors. The Remuneration Committee is formally constituted with written terms of reference. No individual director participates when his own remuneration is under consideration.

In formulating its remuneration policy, the Remuneration Committee has given full consideration to the relevant sections of the Combined Code issued by the Committee on Corporate Governance.

There follows the full text of the Remuneration Report for the year ended 31 December 2007 which has been approved and adopted by the Board of Directors for submission to the shareholders.

Composition

R G Robinson chaired the Remuneration Committee with J Bartle being its other member.

Policy for Executive Directors

To attract, motivate and retain high calibre executives by rewarding them with appropriate salary, bonus scheme, benefits and share option packages.

a) Salary

Salaries are reviewed annually and the Remuneration Committee takes account of similar companies in its industry by reference to published information for similar jobs as well as individual performance.

b) Bonus

The company operates a discretionary bonus scheme for executive directors. The scheme is based on achieving agreed levels of profitability within the part of the Group they are directly involved with. Bonus payments are non-pensionable.

c) Benefits

When appropriate, executives are provided with medical insurance and life assurance.

d) Pension

The company pension scheme is available to all executive directors.

e) Share Options

888,099 share options were granted to S O'Brien during the year. No other directors have share option interests.

f) Service Contracts

A C Garner has a service contract that is subject to 12 months' notice by either party or, in the event of a takeover, notice to 9 June 2010 or 12 months whichever is the longer. S O'Brien has a service contract that is subject to 12 months notice by either party. The Remuneration Committee reviews each case of early

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
DIRECTORS' REMUNERATION REPORT

termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances taking care to ensure that poor performance is not rewarded.

Policy for Non-Executive Directors

The Board is responsible for determining the fees payable to non-executive directors. The executive director seeks to advise the Board on the level of fees based on external evidence of fees paid to non-executive directors of similar companies.

Non-executive directors are appointed initially on a fixed two year contract and thereafter on a year to year basis.

Directors' Interest in Contracts

Anderson Barrowcliff, of which R G Robinson is a partner, provides company secretarial services to the company. Apart from that there were no contracts subsisting at the end of the year in which a director of the company was materially interested.

Directors' Interest in Shares and Options

Details of the interests of those directors that held office during the period, all of which are beneficial, in the shares of Garner plc on the dates specified are as follows:-

	31 December 2007		31 December 2006	
	Ordinary Shares	%	Ordinary Shares	%
	of 1.0p Each		of 1.0p Each	
A C Garner	11,027,009	29.0	11,027,009	29.0
R G Robinson	3,101,748	8.2	3,001,748	7.9
S O'Brien (appointed 31 January 2007)	928,571	2.4	928,571	2.4
B R Lakefield	770,000	2.0	700,000	1.8
J Bartle	477,153	1.3	477,153	1.3
R S Hingley (resigned 31 January 2007)	-	-	397,143	1.0

Under the Group's executive share option scheme the following directors have the right to acquire Ordinary shares:

	31 December 2007	31 December 2006
S O'Brien	888,099 share options at 5.63p	-

These options may be exercised over one third of the Shares under Option on each of the first, second and third anniversaries of the date of the grant in equal instalments. The options will expire on the tenth anniversary of the date of grant.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
DIRECTORS' REMUNERATION REPORT

Audited information:

Directors' Emoluments

The emoluments of the directors of the company for the year ended 31 December 2007 were as follows:-

	Salary and fees £000	Benefits £000	Pensions £000	Total 31 Dec 2007 £000	31 Dec 2006 £000
Executive Directors					
A C Garner	300	7	-	307	260
S O'Brien (appointed 31 January 2007)	160	-	12	172	-
Non-Executive Directors					
J Bartle	20	-	-	20	10
R G Robinson	20	-	-	20	10
R S Hingley (resigned 31 January 2007)	-	-	-	-	10
B R Lakefield	10	-	-	10	-
	<u>510</u>	<u>7</u>	<u>12</u>	<u>529</u>	<u>290</u>

Certain Directors waived part of their salary entitlements during the previous year. The amounts waived were as follows:

	31 December 2007 £000	31 December 2006 £000
J Bartle	-	10
R G Robinson	-	10
R S Hingley	-	10
B R Lakefield	-	15
	<u>-</u>	<u>45</u>

R G ROBINSON

Chairman of the Remuneration Committee

28th March 2008

GARNER PLC
YEAR ENDED 31 DECEMBER 2007

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GARNER PLC

We have audited the financial statements of Garner plc for the year ended 31 December 2007 which comprise the Group Income Statement, Group and Company Balance Sheets, Group Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Group's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 5 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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. This other information comprises only the Directors' Report and the Chairman's Statement. 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**GARNER PLC
YEAR ENDED 31 DECEMBER 2007**

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF GARNER PLC

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group's and the parent company's affairs as at 31 December 2007 and of the Group's profit 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 and Chairman's Statement is consistent with the financial statements.

FW Stephens

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Chartered Accountants and Registered Auditors

28th March 2008

24 Chiswell Street
London
EC1Y 4YX

GARNER PLC
YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED INCOME STATEMENT

	Note	31 December 2007 £000	31 December 2006 as restated £000
REVENUE	2	<u>3,122</u>	<u>2,612</u>
COST OF OPERATIONS		<u>(2,513)</u>	<u>(1,978)</u>
GROUP OPERATING PROFIT		609	634
Net finance costs	4	<u>(115)</u>	<u>(116)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	494	518
Tax expense	6	<u>(92)</u>	<u>(153)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>402</u>	<u>365</u>
Earnings per share - Basic	7	1.06p	0.97p
Earnings per share - Diluted	7	1.01p	0.97p

All activity arose from continuing operations.

There are no recognised gains and losses other than as stated above. Accordingly, no Statement of Total Recognised Gains and Losses is given.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year ended 31 December 2007	Year ended 31 December 2006 as restated
	£000	£000
Profit for the period	<u>402</u>	<u>365</u>
Prior Year Adjustment due to IFRS conversion	67	-
Total recognised income and expense for the period since last Annual Report	<u><u>469</u></u>	<u><u>365</u></u>

All other changes to equity are shown in note 17 – Reconciliation of movements in total equity. Therefore a Statement of Changes in Equity has not been included within these financial statements.

DETAILED RECONCILIATION OF RESTATED 2006 INCOME STATEMENT

	Note	Previous UK GAAP	Effect of transition to IFRS	Restated results as Per IFRS
		£000	£000	£000
Revenue		2,612		2,612
Cost of Operations		(2,045)	67	(1,978)
Group Operating Profit		<u>567</u>	<u>67</u>	<u>634</u>
Net finance costs		(116)	-	(116)
Profit on ordinary activities before taxation		<u>451</u>	<u>67</u>	<u>518</u>
Tax expenses		(153)	-	(153)
Profit for the financial year		<u><u>298</u></u>	<u><u>67</u></u>	<u><u>365</u></u>

Note (i)

Goodwill has been adjusted by £67,000, being the amortisation charge for the year. In line with IFRS, goodwill has not been amortised from the transition date, but has instead been subject to an impairment review. The review has indicated that goodwill is not impaired.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED BALANCE SHEET

As at 31 December 2007	Notes	2007		2006
		£000	£000	as restated £000
Goodwill	9		959	959
Property, plant and equipment	10		<u>14</u>	<u>16</u>
TOTAL NON-CURRENT ASSETS			973	975
Trade and other receivables	12	812		671
Cash and cash equivalents		<u>56</u>		<u>-</u>
TOTAL CURRENT ASSETS			<u>868</u>	<u>671</u>
TOTAL ASSETS			<u>1,841</u>	<u>1,646</u>
Current Liabilities				
Redeemable Preference Shares	15	1,213		1,213
Trade and other payables	14	561		700
Bank overdraft and interest bearing loans	20	850		688
Current tax liability		<u>195</u>		<u>244</u>
TOTAL CURRENT LIABILITIES			2,819	2,845
Non-Current Liabilities				
Interest bearing loans	20		<u>323</u>	<u>504</u>
TOTAL LIABILITIES			<u>3,142</u>	<u>3,349</u>
TOTAL ASSETS LESS TOTAL LIABILITIES			<u>(1,301)</u>	<u>(1,703)</u>
Issued share capital	15		4,942	4,942
Share premium account	16		3,845	3,845
Retained earnings	16		<u>(10,088)</u>	<u>(10,490)</u>
TOTAL EQUITY			<u>(1,301)</u>	<u>(1,703)</u>

These financial statements were approved by the Board of Directors on 28th March 2008

Signed on behalf of the Board of Directors

A C GARNER
 Director

R G ROBINSON
 Director

GARNER PLC
YEAR ENDED 31 DECEMBER 2007

COMPANY BALANCE SHEET
As at 31 December 2007

	Note	2007		2006
		£000	£000	as restated £000
Investments	11		1,225	1,225
TOTAL NON-CURRENT ASSETS			<u>1,225</u>	<u>1,225</u>
Other Receivables	12		2	6
TOTAL CURRENT ASSETS			<u>2</u>	<u>6</u>
TOTAL ASSETS			<u>1,227</u>	<u>1,231</u>
Current Liabilities				
Redeemable Preference Shares	15	1,213		1,213
Trade and other payables	14	613		430
Bank overdraft and interest bearing loans	20	<u>429</u>		<u>482</u>
TOTAL CURRENT LIABILITIES			2,255	2,125
Non-Current Liabilities				
Interest bearing loans	20		323	504
TOTAL LIABILITIES			<u>2,578</u>	<u>2,629</u>
TOTAL ASSETS LESS TOTAL LIABILITIES			<u>(1,351)</u>	<u>(1,398)</u>
Issued share capital	15		4,942	4,942
Share premium account	16		3,845	3,845
Retained earnings	16		(10,138)	(10,185)
TOTAL EQUITY			<u>(1,351)</u>	<u>(1,398)</u>

These financial statements were approved by the Board of Directors on 28th March 2008.

Signed on behalf of the Board of Directors

A C GARNER
 Director

R G ROBINSON
 Director

GARNER PLC
YEAR ENDED 31 DECEMBER 2007

RECONCILIATION OF GROUP EQUITY AT 1 JANUARY 2007

	Note	Previous UK GAAP £000	Effect of transition to IFRS £000	Restated results per IFRS £000
Goodwill		16	-	16
Property, plant and equipment	(i)	892	67	959
TOTAL NON-CURRENT ASSETS		<u>908</u>	<u>67</u>	<u>975</u>
Trade and other receivables		671	-	671
TOTAL CURRENT ASSETS		<u>671</u>	<u>-</u>	<u>671</u>
TOTAL ASSETS		<u>1,579</u>	<u>67</u>	<u>1,646</u>
Current Liabilities				
Redeemable Preference Shares		1,213	-	1,213
Trade and other payables		700	-	700
Bank overdraft and interest bearing loans		688	-	688
Current tax liability		244	-	244
TOTAL CURRENT LIABILITIES		<u>2,845</u>	<u>-</u>	<u>2,845</u>
Non-Current Liabilities				
Interest bearing loans		504	-	504
TOTAL LIABILITIES		<u>3,349</u>	<u>-</u>	<u>3,349</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>(1,770)</u>	<u>67</u>	<u>(1,703)</u>
Issued share capital		4,942	-	4,942
Share premium account		3,845	-	3,845
Retained earnings		(10,557)	67	(10,490)
TOTAL EQUITY		<u>(1,770)</u>	<u>67</u>	<u>(1,703)</u>

Note (i)

Goodwill has been adjusted by £67,000, being the amortisation charge for the year. In line with IFRS, goodwill has not been amortised from the transition date, but has instead been subject to an impairment review. The review has indicated that goodwill is not impaired.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
CONSOLIDATED CASH FLOW STATEMENT AND NOTES

	Note	2007 <u>£000</u>	2006 as restated <u>£000</u>
Net cash from operating activities	(i)	223	90
Cash flows from investing activities and servicing of finance			
Interest paid		(115)	(116)
Payments to acquire tangible assets		(2)	(20)
Net cash used in investing activities		<u>(117)</u>	<u>(136)</u>
Cash flows from financing activities			
Net cash inflow from equity placings		-	445
Repayment of secured loans		(181)	(174)
Repayment of advances from Directors		(31)	(300)
Increase in invoice discounting		187	96
Net cash from financing activities		<u>(25)</u>	<u>67</u>
Net increase in cash and cash equivalents		81	21
Net cash and cash equivalents at beginning of period		<u>(25)</u>	<u>(46)</u>
Net cash and cash equivalents at end of period		<u><u>54</u></u>	<u><u>(25)</u></u>
Analysis of net funds			
Cash and cash equivalents		56	-
Bank overdraft		(2)	(25)
		<u>54</u>	<u>(25)</u>
Borrowings due within one year		(848)	(663)
Borrowings due after one year		(323)	(504)
Directors loan account		(66)	(97)
Net funds		<u><u>(1,183)</u></u>	<u><u>(1,289)</u></u>

Note (i)

		2007 <u>£000</u>	2006 as restated <u>£000</u>
Reconciliation of operating profit to net cash from operating activities			
Operating profit		609	634
Depreciation of property, plant and equipment		4	4
Amortisation of loan arrangement fees		3	2
(Increase) in trade and other receivables		(144)	(368)
(Decrease) in trade and other payables		(108)	(182)
Taxation paid		(141)	-
Net cash from operating activities	(ii)	<u><u>223</u></u>	<u><u>90</u></u>

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
CONSOLIDATED CASH FLOW STATEMENT AND NOTES

**Material adjustments to operating cashflows under IFRS
for the year ended 31 December 2006**

	Note	Previous UK GAAP	Effect of transition to IFRSs	Restated results per IFRS
		£000	£000	£000
Operating profit		567	67	634
Depreciation		4	-	4
Amortisation		69	(67)	2
(Increase) in trade and other receivables		(368)	-	(368)
(Decrease) in trade and other payables		(182)	-	(182)
Net cash from operating activities		<u>90</u>	<u>-</u>	<u>90</u>

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The adoption of International Financial Reporting Standards has resulted in the restatement of 2006 results to provide a like for like comparison. The financial impact of this change in reporting is detailed after each of the above financial reports.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Although the accounts disclose a net liabilities position as at 31 December 2007 the accounts have been prepared on a going concern basis due to current trading levels and cash generation being in excess of required payments to creditors. The Group remains dependant on the continuing support of its bankers who have confirmed their intention to extend the existing facilities through to 30 July 2008.

Basis of consolidation

The consolidated income statement and balance sheet include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2007. The results of subsidiaries sold and acquired are included in the consolidated income statement up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary assets and liabilities that exist at the date of acquisition are recorded at their provisional fair values reflecting their condition at that date.

Basis of preparation of the financial statements

Goodwill

Goodwill arising on acquisition of subsidiaries is included in the balance sheet of the consolidated accounts as an asset at cost less impairment. In previous years goodwill has been amortised over the economic life of the asset, subject to an impairment review in line with UK GAAP. However for 2007 in line with International Financial Reporting Standards, goodwill has not been amortised from the transition date, but has instead been subject to an impairment review.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The recoverable amount is calculated as a multiple of Earnings Before Interest and Taxation based on immediate past results using a multiple at the lower end of the range that would normally be applied to businesses within the same sector.

In further accordance with International Financial Reporting Standards, the 2006 comparative income statement and balance sheet results have had that year’s goodwill amortisation added back to provide a like for like comparison. A reconciliation between the 2006 published results and the 2006 comparative results in these accounts appears on page 13.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned:

Fixtures and Fittings	- 25% - 33% per annum on cost
Land & Buildings	- over 5, years straight line

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Foreign exchange

Transactions denominated in foreign currency are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the income statement account.

Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Deferred taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of those assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Investments

Fixed asset investments are stated at cost less provision for any impairment in value.

Revenue Recognition

Revenue comprises the fair value of the sale of services, net of value-added tax, rebates and discounts. Revenue is recognised on the percentage completion basis, using pre-specified milestones to trigger invoices.

Pensions

The Group operates a number of defined contribution funded pension schemes for the benefit of certain employees. The costs of the pension schemes are charged to the income statement account as incurred.

Enterprise Management Incentive Share Option Scheme

During the year Garner plc granted options on 1,758,437 new Ordinary Shares of 1.0p each to certain employees of Garner International Ltd. These options may be exercised over one third of the Shares under Option on each of the first, second and third anniversaries of the date of the grant in equal instalments. The options will expire on the tenth anniversary of the date of grant. These options are included in the calculation of the Group's fully diluted earnings per share.

For equity-settled share-based payment transactions the group, in accordance with IFRS2 (effective from 1 January 2006) measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date, using the trinomial method. The expense is apportioned over the vesting period of the financial instrument and is based on the numbers which are expected to vest and the fair value of those financial instruments at the date of grant. If the equity instruments granted vest immediately, the expense is recognised in full.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

2. SEGMENTAL ANALYSIS

The analysis by class of business of the Group's turnover, profit before taxation and net liabilities is set out below:

Class of business	Turnover		Profit before tax		Net liabilities	
	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 as restated £000	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 as restated £000
Continuing operations:						
Executive search	3,122	2,612	677	703	(1,301)	(1,703)
	<u> </u>	<u> </u>			<u> </u>	<u> </u>
Corporate central costs			(68)	(69)		
Interest payable			(115)	(116)		
			<u> </u>	<u> </u>		
			494	518		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical analysis by destination	Turnover		Profit/(loss) before tax		Net liabilities	
	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 as restated £000	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 as restated £000
United Kingdom	2,737	2,353	433	474	(1,301)	(1,703)
Europe	280	164	44	28	-	-
Other	105	95	17	16	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,122	2,612	494	518	(1,301)	(1,703)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Turnover by location is not materially different from turnover by destination.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2007 £000	Year ended 31 December 2006 as restated £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	4	4
Operating lease rentals:		
Land and buildings	120	120
Auditors' remuneration:		
Audit work – Group	15	15
Non-audit work	1	3
	<u> </u>	<u> </u>

The Company audit fee in the year was £4,000 (2006: £4,000).

The adoption of International Financial Reporting Standards has resulted in goodwill amortisation being replaced by an annual impairment review.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

4. NET FINANCE COSTS

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
On bank loans and overdrafts	115	116
	<u>115</u>	<u>116</u>
	<u>115</u>	<u>116</u>

5. STAFF COSTS

	Year ended 31 December 2007 No.	Year ended 31 December 2006 No.
The average number of full time equivalent persons (including directors) employed by the Group during the period was as follows:		
Sales and related services	11	9
Administration	5	4
	<u>16</u>	<u>13</u>
	£000	£000
Staff costs (for the above persons):		
Wages and salaries	1,480	1,190
Social security costs	164	112
Pension costs	26	14
	<u>1,670</u>	<u>1,316</u>
	<u>1,670</u>	<u>1,316</u>

The emoluments of the directors are disclosed as required by the Companies Act 1985 on page 9 in the Directors' Remuneration Report. The table of directors' emoluments has been audited and forms part of these financial statements. This also includes details of the highest paid director.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

6. TAX EXPENSE

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Taxation is based on the profit for the year and comprises:		
United Kingdom corporation tax at 30% based on profit for the year	105	153
Under/(over) provision	(13)	-
	<u>92</u>	<u>153</u>

The differences between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Profit on ordinary activities before taxation	<u>494</u>	<u>518</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005: 30%)	148	155
Effects of:		
Expenses not deductible	1	(8)
Depreciation in excess of Capital Allowances	-	(1)
Small Companies Relief	(22)	(7)
Utilisation of ACT brought forward	(23)	-
Other adjustments	(12)	14
Current tax charge for the year	<u>92</u>	<u>153</u>

7. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

In accordance with IAS 33, earnings per ordinary share of 1.06p (2006: 0.97p) have been calculated by dividing the profit on ordinary activities after taxation and non-equity dividends of £402,000 (2006: £365,000) by 37,968,937 (2006: 30,594,733), being the weighted average number of ordinary shares in issue and ranking for dividend during the period. There were no preference shares at 31 December 2007 (2006: nil) available for conversion. The share options granted through the EMI scheme have been used to calculate the diluted earnings per ordinary share of 1.01p (2006: 0.97p).

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the income statement of the parent company is not presented as part of these accounts. The parent company's profit for the year amounted to £47,000 (2006: loss of £72,000).

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

9. GOODWILL

Group	Goodwill £000
Cost	
At 1 January and 31 December 2007	4,813
Amortisation	
At 1 January 2007 as restated	3,854
Charge for period	-
At 31 December 2006	3,854
Net book value	
At 31 December 2006	959
At 1 January 2006	959

Goodwill has been adjusted by £67,000 for the year ended 31 December 2006, being the amortisation charge for the year. In line with International Financial Reporting Standards, goodwill has not been amortised from the transition date, but has instead been subject to an impairment review by the directors of the group. The directors have concluded that goodwill is not impaired.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings - leasehold	Short leasehold improvements	Fixtures and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2007	17	-	80	97
Additions	-	-	2	2
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	17	-	82	99
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 January 2007	3	-	78	81
Disposals	-	-	-	-
Charge for the period	4	-	-	4
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	7	-	78	85
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2007	10	-	4	14
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2006	14	-	2	16
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group had no capital commitments as at 31 December 2007 (2006: £Nil).

The above assets are owned by Group companies; the Company has no fixed assets.

11. INVESTMENTS

Company	Shares in Group undertakings £000
Cost	
At 1 January and 31 December 2007	4,743
	<hr/>
Provision for impairment	
At 1 January and 31 December 2007	3,518
	<hr/>
Net book value	
At 31 December 2007	1,225
	<hr/> <hr/>
At 31 December 2006	1,225
	<hr/> <hr/>

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS (continued)

Principal Group investments

	Country of incorporation or registration and operation	Principal activities	Description and proportion of shares held by the company	Profit After Tax	Capital Funds
Garner International Limited	England and Wales	Executive search	100% ordinary shares	£355,000	£291,000

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade and other receivables	747	617	-	5
Prepayments and accrued income	65	54	2	1
	<u>812</u>	<u>671</u>	<u>2</u>	<u>6</u>

13. CURRENT ASSET INVESTMENTS

GROUP	Unquoted investments £000
Cost	
At 1 January 2007	50
Disposal of shares	(50)
At 31 December 2007	<u>-</u>
Provision	
At 1 January 2007	50
Release of provision on sale of shares	(50)
At 31 December 2007	<u>-</u>
Net book value	
At 31 December 2007	<u>-</u>
At 31 December 2006	<u>-</u>

During the year the Group sold its 100% holding of the preference share capital of Trac Communications Limited, a company incorporated in England and Wales.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Trade payables	98	112	10	38
Due to group undertakings	-	-	485	240
Other taxation and social security	108	169	-	-
Other payables	97	84	30	21
Directors' loan account	66	97	66	97
Accruals	192	238	22	34
	<u>561</u>	<u>700</u>	<u>613</u>	<u>430</u>

15. ISSUED SHARE CAPITAL

	2007	2006
	£000	£000
Authorised:		
293,783,056 Ordinary shares of 1.0p each	2,938	2,938
23,342,400 Deferred A shares of 4.0p each	934	934
907,118,360 Deferred shares of 0.4p each	3,628	3,628
1,745,226 Preference shares of 50p each	873	873
	<u>8,373</u>	<u>8,373</u>
Allotted and fully paid:		
37,968,937 Ordinary shares of 1.0p each	380	380
23,342,400 Deferred A shares of 4.0p each	934	934
907,118,360 Deferred shares of 0.4p each	3,628	3,628
	<u>4,942</u>	<u>4,942</u>

On 19th December 2007 options were granted under an Enterprise Management Incentive Scheme over 1,758,437 Ordinary Shares of 1.0p each at an exercise price of 5.63p each (Note 22).

GARNER PLC
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NOTES TO THE FINANCIAL STATEMENTS

15. ISSUED SHARE CAPITAL (continued)

In addition there are 1,043,566 5p preference shares of 50p each allotted and fully paid with a nominal value of £521,783. The value of these shares, along with their associated premium and accrued dividend is classified under Current Liabilities. Payment will only be made when the Company has sufficient distributable reserves.

5p (gross) Preference shares

The period for conversion of these shares expired on 31 December 2002. The Preference shares carried the right to a fixed cumulative preferential dividend of 5p (gross) per annum payable half yearly on 30 April and 31 October in each year in respect of the previous half year. The right to this dividend ceased on 30 June 2003 as the holders of the preference shares did not present their certificates for redemption by the due date in accordance with the requirements of the Articles of Association.

On a return of capital on a winding-up, the holders of the Preference shares will have a preferential right to repayment of 100p per share and all arrears of fixed cumulative dividend but will have no right to participate in any surplus.

The holders of the Preference shares will have the right to receive notice of and attend General Meetings of the Company, but will only be entitled to vote thereat if their fixed cumulative preferential dividend is six months or more in arrears, or if Convertible Preference shares required to be redeemed by the Company have not been redeemed, or if a receiver or administrative receiver to the Company has been appointed, or on a resolution of abrogating, varying or modifying any of their class rights or privileges or for the winding-up of the Company.

The Company should have redeemed any unconverted Convertible Preference shares on 30 June 2003. The amount payable on redemption would have been the sum of 100p for each 50p share plus any arrears or accruals of the fixed dividend thereon. The Company had insufficient distributable reserves at that time and therefore no redemption was possible.

Deferred Shares of 0.4p each

The Deferred Shares carry no right to dividends, distributions or to receive notice of or attend general meetings of the company. In the event of a winding up, the shares carry a right to repayment only after payment of capital paid up on Ordinary Shares plus a payment of £10,000 per Ordinary Share. The company retains the right to transfer or cancel the shares without payment to the holders thereof.

Deferred A Shares of 4p each

The Deferred A Shares carry no right to dividends or distributions or to receive notice of or attend general meetings of the company. In the event of a winding up, the shares carry a right to repayment only after the holders of Ordinary Shares have received a payment of £10 million per Ordinary Share. The company retains the right to cancel the shares without payment to the holders thereof. The rights attaching to the shares shall not be varied by the creation or issue of shares ranking parri passu with or in priority to the Deferred A Shares.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

16. SHARE PREMIUM ACCOUNT AND RESERVES

	Account £000	Earnings £000	Total £000
Group			
At 1 January as previously reported	3,845	(10,557)	(6,712)
Prior year adjustment	-	67	67
At 1 January 2007 as restated	<u>3,845</u>	<u>(10,490)</u>	<u>(6,645)</u>
Profit for the period		402	402
	<u>3,845</u>	<u>(10,088)</u>	<u>(6,243)</u>

The cumulative amount of goodwill from pre 27 July 1997 acquisitions which has been written off to Group reserves, after deducting goodwill attributable to subsidiary undertakings disposed of is £411,000 (2006: £411,000)

	Share Premium Account £000	Retained Earnings £000	Total £000
Company			
At 1 January 2007	3,845	(10,185)	(6,340)
Profit for the period	-	47	47
At December 2007	<u>3,845</u>	<u>(10,138)</u>	<u>(6,293)</u>

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

17. RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY

	2007	2006
	£000	As restated £000
Profit for the financial period	402	365
	<u>402</u>	<u>365</u>
Issue of share capital	-	147
Premium on issue of new shares	-	358
Costs of share issues	-	(56)
	<u>402</u>	<u>814</u>
Net addition to shareholders' funds	402	814
Opening shareholders' deficit	(1,703)	(2,517)
	<u>(1,703)</u>	<u>(2,517)</u>
Closing shareholders' deficit	(1,301)	(1,703)
	<u>(1,301)</u>	<u>(1,703)</u>

The impact of IFRS at the transition date has had no effect on the Group's equity.

18. COMMITMENTS

Operating leases

At 31 December 2007, the Group had annual commitments under non-cancellable operating leases which expire as follows:

	Land and buildings	
	2007	2006
	£000	£000
In more than five years	120	120
	<u>120</u>	<u>120</u>
	<u>120</u>	<u>120</u>

19. PENSION COSTS

The Group operated several defined contribution pension schemes for the business. The assets of the schemes were held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds and amounts to £26,000 (2006: £14,000). All costs were fully paid at the year end.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS

Derivatives and other financial instruments

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has not entered into any derivative transactions in the year. The Group does not trade in financial instruments.

The Group has taken advantage of the exemptions available under International Accounting Standard 22 not to provide numerical disclosures in relation to short-term receivables and payables.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group finances operations through bank borrowings and finance leases. At the year-end all of the Group's bank borrowings were at floating rates of interest. It is the Group's policy to have all borrowings at a floating rate of interest and this policy is reviewed periodically to ensure it is appropriate.

Liquidity risk

The Group's policy is to retain a balance between short-term flexibility, achieved through overdraft facilities, and longer term planning through longer-term instalment debt. At the year-end, 43% of bank borrowings were overdrafts.

The maturity profile of the Group's financial liabilities is given below.

Currency risk

The Group's policy is not to hedge transactions, and to buy and sell currency at spot rate where applicable. Each company has assets and liabilities in its native currency only.

Financial assets:

£56,000 (2006: nil) of cash at bank and in hand is held in the Group, all denominated in Sterling. All financial assets attract interest at floating rates, and are based on national bank offering rates.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

MATURITY PROFILE OF FINANCIAL LIABILITIES

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Analysis of loan repayments				
Bank overdrafts and interest bearing loans:				
Current Liabilities				
In one year or less or on demand	850	688	429	482
Non-Current Liabilities				
In more than one year but not more than two years	183	156	183	156
In more than two years but not more than five years	140	348	140	348
In more than five years	-	-	-	-
	323	504	323	504
Other Current Liabilities				
Redeemable Preference Shares:				
In one year or less or on demand (see below)	1,213	1,213	1,213	1,213
Directors' loan accounts				
In one year or less or on demand	66	97	66	97
	2,452	2,502	2,031	2,296

In accordance with the company's Articles of Association the redeemable preference shares are repayable on demand subject to the company having sufficient distributable reserves from which to make the payment.

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Group and by keyman and other insurance policies in respect of A C Garner and S O'Brien, by a deed of postponement from A C Garner in respect of all loans made to the Group and by separate all moneys guarantees of restricted amounts from A C Garner, J Bartle and B R Lakefield.

INTEREST RATE PROFILE

The interest rate profile of the Group's financial liabilities was:

	2007	2006
	£000	£000
Floating rate financial liabilities	1,173	1,192
Fixed rate financial liabilities	-	-
Non interest bearing financial liabilities		
- non equity shares	1,213	1,213
- directors' loan account	66	97
	2,452	2,502

Floating rate liabilities represent bank borrowings and overdrafts that bear rates of interest at between 2.0% and 3.5% above the base rate.

All of the financial instruments are held in the UK in Sterling.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of book values and fair values of the Group's financial liabilities which are all denominated in sterling:

	2007		2006	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Bank overdraft	-	-	-	-
Bank loan	1,173	1,173	1,192	1,192
Directors' loan	66	66	97	97
	<u>1,239</u>	<u>1,239</u>	<u>1,289</u>	<u>1,289</u>
Non-equity share redemption value	1,213	1,213	1,213	1,213
	<u>2,452</u>	<u>2,452</u>	<u>2,502</u>	<u>2,502</u>

The fair value of cash at bank and in hand is not materially different from its book value.

21. RELATED PARTY TRANSACTIONS

In previous years A C Garner has made various loans to the Group to assist in working capital requirements. At 31 December 2007 the balances on these loans were £66,000 (2006: £97,000). These loans are non-interest bearing and at the Balance Sheet date none of these loans had any agreed repayment terms.

In addition, A C Garner has guaranteed £150,000 of bank overdraft and J Bartle and B R Lakefield have jointly guaranteed a further £100,000 of bank overdraft.

22. ENTERPRISE MANAGEMENT INCENTIVE SHARE OPTION SCHEME

The measurement requirements of IFRS2 have been implemented in respect of share-options that were granted after 7 November 2002. The expense recognised for share based payments made during the year is shown in the following table;

	2007 £000	2006 £000
Total expenses arising from equity settled share-based transactions	-	-

The share-based payment plan is described below. There have been no cancellations or modifications to this plan since 19 December 2007 when the options were granted.

Garner plc Executive Share Option Scheme

In accordance with the Executive Share Option Scheme, approved share options over Ordinary Shares of 1.0p each were granted to eligible employees who devote at least 25 hours per week, or if less at least 75% of their working time to the performance of duties or employment with the company.

The exercise price of the options is equal to the market price of the shares at the date of grant. The options may be exercised on the first, second and third anniversary of the date of the grant in equal amounts.

If the option holder ceases employment for any reason, the option may not be exercised, unless the Board permits. The approved options will be forfeited where they remain unexercised, at the end of their respective contractual lives of eight, nine or ten years.

GARNER PLC
YEAR ENDED 31 DECEMBER 2007
NOTES TO THE FINANCIAL STATEMENTS

The fair value of share options granted is estimated at the date of grant using a trinomial pricing model, taking into account all the terms and conditions upon which the options were granted.

Movements in Issued Share Options during the Year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

	2007	2007 WAEP	2006	2006 WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	1,758,437	5.63p per share	-	-
Forfeited /cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the year end	1,785,437	5.63p per share	-	-
Exercisable at the end of the year	-	-	-	-

The weighted average share price on the date of exercise for share options exercised during the year was 0.94p. The options outstanding at 31 December 2007 had a weighted average share price of 0.94p, and a weighted average remaining contractual life of 10 years.

Inputs to the trinomial Valuation Model

The fair value of share options granted is estimated at the time of grant using a trinomial pricing model, taking into account all the terms and conditions upon which the options were granted.

The following table lists the inputs to the trinomial model in 2007:

Expected dividend yield	0%
Expected volatility	70%
Contractual life of the options	8-10 years
Weighted average risk free interest rate	4.73%
Weighted average fair value	5.63p

The expected volatility was estimated by reference to the historical volatility of the company's share price.

The risk free rate of return is estimated as the yield on zero coupon UK government bonds of a term consistent with the contractual life of the options granted.

GARNER Plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 70th Annual General Meeting of Garner plc will be held at the Trafalgar Room II, Institute of Directors, 116 Pall Mall, London, SW1Y 5ED at 2.30pm on 21 May 2008 to consider and, if thought fit, pass the following resolutions, of which 1 to 4 will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution:

Ordinary Business

- 1 To receive and adopt the statement of accounts of the Company for the year ended 31st December 2007 together with the reports of the Directors and Auditors thereon.
- 2 To re-elect R G Robinson as a Director of the Company who retires and offers himself for re-election.
- 3 To appoint FW Stephens as Auditors to act as such until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors of the Company to fix their remuneration.
- 4 That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of £125,298; and this authority will expire at the conclusion of the next Annual General Meeting of the Company save that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.
- 5 That the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by resolution 4 above as if Section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an issue in favour of the holders of ordinary shares in the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to exclusions or other arrangements which the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or exchange in any territory; and
 - (b) the allotment (otherwise in pursuant to subparagraph (a) above) of equity securities up to a maximum aggregate nominal amount of £75,180, and the power hereby granted shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry but otherwise in accordance with the foregoing provisions of this power in which case the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board:

R G ROBINSON

Secretary

28th March 2008

Registered office:

6 Derby Street
London
W1J 7AD

www.garnerinternational.com

Notes:

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to exercise his/her rights to attend, speak and vote at the meeting instead of him/her. The proxy need not be a member of the Company. More than one proxy may be appointed to exercise the rights attaching to different shares held by the member, but a member may not appoint more than one proxy to exercise rights attached to any one share. A form of proxy is enclosed with this notice for use at the meeting.
- 2 To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may photocopy this form. Please indicate in the box next to the proxy's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 3 To be valid a form of proxy, together with a power of attorney or other authority, if any, under which it is executed or a notarially certified copy thereof, must be deposited at the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting or adjourned meeting.
- 4 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- 5 In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
- 6 The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members 48 hours before the time for holding the meeting shall be entitled to attend and vote, whether in person or by proxy, at the meeting, in respect of the member of ordinary shares registered in their name at that time. Changes to entries in the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting. If the meeting is adjourned, entitlements to attend and vote will be determined by reference to the register of members of the Company 48 hours before the time of the adjourned meeting.
- 7 Completion and return of the form of proxy will not preclude members from attending or voting in person at the meeting if they so wish.