

# Garner

PLC

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 318267)

## **Annual Report and Financial Statements**

For the year ended 31 December 2008

**GARNER PLC  
YEAR ENDED 31 DECEMBER 2008  
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**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**  
**REPORT AND FINANCIAL STATEMENTS**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J Bartle, CBE  
A C Garner  
B R Lakefield  
S O'Brien  
R G Robinson FCA

**SECRETARY**

R G Robinson FCA

**REGISTERED OFFICE**

6 Derby Street  
London  
W1Y 7AD

**BANKERS**

Lloyds TSB plc  
14 Church Street  
Rugby  
Warwickshire  
CV21 3PL

**AUDITORS**

FW Stephens  
Chartered Accountants & Registered Auditors  
Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

**NOMINATED ADVISERS**

Dowgate Capital Advisors 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**  
**YEAR ENDED 31 DECEMBER 2008**  
**CHAIRMAN'S STATEMENT**

For most PLC Chairmen, this is probably the most challenging Statement to write simply because although the requirement is to reflect on last year, in the meantime Garner plc (the "Company") has changed beyond recognition and the world has changed, too.

The last time we communicated was at the time of the admission document associated with the acquisition of the 'Norman Broadbent' businesses. At the risk of repeating the rationale behind the deal, we saw this as an opportunity to increase our scale and, alongside the agreement reached with the Preference Shareholders, strengthen our balance sheet. We believe history will record the decision to have proved sound although since December of last year life has been challenging.

The results for 2008 are that we made a Group profit after tax of £357,000 (2007: £402,000) based on an increased turnover of £3,274,000 (2007: £3,122,000). Group earnings per share fell to 0.88p (2007: 1.06p). It should be stressed that two factors played their part in this result. Firstly, we saw three weeks of Norman Broadbent turnover in December following the acquisition. Secondly, the Company benefited from the interest due from a VAT repayment of £191,000.

Comparing like with like, turnover from continuing operations was down to £2,683,000 (2007: £3,122,000) with an operating profit of £99,000 (2007: £609,000). Although revenues from continuing operations were down 14% compared with 2007, there has been a continued drive by the team to expand our client base. The company engaged with 21 new clients during the year across a range of sectors including media, education and retail. In addition, the introduction of the Norman Broadbent companies to the Group provides an established client base of over 250 businesses across sectors such as energy, professional services, pharmaceuticals, NHS and leadership consultancy. These new relationships combined with our proven ability to create repeat business from valued clients will provide a solid foundation to maximise future revenues.

The Group is now reporting a much stronger balance sheet than in previous years, with net assets at year end of £1,044,000 (2007: net liabilities of £1,301,000). The primary drivers of this movement were the conversion of 1,043,566 Preference Shares, recognised as a liability in 2007, into new equity plus an equity placement of 24,354,335 Ordinary Shares to fund the acquisition of Norman Broadbent. Net debt at year end reduced to £334,000 (2007: £1,183,000) representing a net cash flow of £849,000, which includes £731,000 from the equity placement.

Turning to non-financial matters, clearly a large part of 2008 was spent contemplating, negotiating and managing the process of acquiring Norman Broadbent. Combining this with running our business in light of the overall deterioration in the economy was difficult but with strong management, a good consulting team, prudent cost control and insightful leadership we performed well. I would like to offer my thanks to all those involved.

When the transaction was confirmed at the Company's general meeting in December it was worth noting that the combined business more than doubled our consultant base and placed the Group as a considerable force amongst Executive Search firms in the UK. Additionally it gave us a strong position in Interim Management, Leadership and HR Consulting. In Spain, we own 20% of the Norman Broadbent business which operates out of Madrid and Barcelona. I attend their board meetings and am proud to confirm that they have a strong market position in Spain.

At the time of the acquisition the initial strategy was to trade under both the Garner International and Norman Broadbent brands. In January 2009 the decision was made to rebrand the combined Executive Search business as Norman Broadbent, integrating within this our extremely successful human resource consulting which trades as "Garner HR". This decision was reached in view of the significant global reach of the Norman Broadbent name combined with the commercial benefits of running a solo brand.

As part of the Interim Statement for 2008 I talked of building relationships with Rhodes, a leading executive search firm in the United States. In the final analysis we withdrew from that possibility as the Norman Broadbent presence in Canada also covers North America.

It is not appropriate in these remarks to make predictions about the future and frankly, given the market, it would be foolish to do so. Suffice to say the global executive search business in the twenty five years of my acquaintance has seen nothing like these conditions before. Revenues were already falling in the second half of 2008 and trading conditions remain tough. Not surprisingly, cash management is at the very core of everything we are doing and in December we commenced a programme of cost efficiencies, strategic business planning and strong fiscal management that have established a robust integration strategy. We now have a streamlined and committed team who are fully engaged to meet the challenge ahead.

A C Garner  
Chairman  
25 June 2009

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**  
**DIRECTORS' REPORT**

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

**GENERAL INFORMATION**

Garner plc ('the Company') and its subsidiaries (together 'the Group') is a leading provider of Executive Search, Leadership and Interim Management. The Company is a public listed company incorporated in England. Its registered address is 6 Derby Street, Mayfair, London, W1J 7AD and its listing is on the AIM Market of the London Stock Exchange.

**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 2008 are set out in the consolidated income statement.

The directors do not recommend payment of any dividends (2007: £Nil).

Profits for the year amounted to £357,000 (2007: £402,000).

As disclosed in note 20, in December 2008 the Company acquired a 100% interest in three companies previously owned by BNB Recruitment Solutions Plc. The results of the acquired companies have been consolidated into these results from 3<sup>rd</sup> December 2008.

**DIRECTORS**

The directors who served during the year are as follows:

J Bartle, CBE  
A C Garner  
B R Lakefield  
S O'Brien  
R G Robinson

Their interests in the shares of the company are shown in the Directors' Remuneration Report on pages 7 to 9.

J Bartle retires by rotation, and being eligible, offers himself for re-election.

**SUBSTANTIAL SHARE INTERESTS**

As at 23 June 2009, the Company had been notified of the following significant interests in its issued share capital:

	<b>Ordinary shares of 1.0p each</b>	<b>%</b>
A C Garner	15,571,707	21.98
J Bartle	8,810,487	12.43
R G Robinson	5,053,019	7.13
C Auld	5,000,000	7.06
Productive Nominees Limited	4,500,000	6.35
J Sharma	3,797,000	5.36
B Lakefield	2,436,667	3.44

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**  
**YEAR ENDED 31 DECEMBER 2008**  
**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 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.
- Reduction in economic activity  
The acquisition of the Norman Broadbent brand has provided the Group with much greater market coverage from which to retain clients and develop new business in these difficult economic conditions.
- Performance of acquired business undertakings  
To ensure that the newly formed Group operates at full potential, management are continually reviewing all aspects of the business to identify cost saving synergies as well as incentivising staff to promote cross company integration. The future profitability and cash generating ability of the acquired business is key to ensuring that the Goodwill on acquisition is not impaired and obligations to settle the deferred consideration are satisfied.

**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 2008, calculated in accordance with the requirements of the Companies Act 1985, were 196 days (2007: 49 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. The reason for the significant increase in creditor days this year is due to a number of invoices received from professional advisors in December 2008 for fees relating to the acquisition of the Norman Broadbent subsidiaries totalling £610,000. These exceptional costs are included within the trade creditor balance at year end. Excluding these costs, creditor days relating to the actual trading of the business for 2008 were 53 days.

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**  
**DIRECTORS' REPORT**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 and article 4 of the IAS regulations. They are also responsible for the system of internal control for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

**STATEMENT OF DISCLOSURE TO AUDITOR**

(a) So far as the directors are aware, there is no relevant information of which the Group's auditors are unaware, and

(b) They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

**AUDITORS**

FW Stephens have expressed their willingness to continue in office as auditors and a resolution to reappoint them is being proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

R G ROBINSON

Secretary

25 June 2009

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**  
**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 2008.

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 two 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. The AIM committee consists of all non-executive directors, plus the Group Chief Executive Officer.

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 2008**  
**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 2008 which has been approved and adopted by the Board of Directors for submission to the shareholders.

**Composition**

J Bartle chaired the Remuneration Committee with R G Robinson 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*

No share options were issued to directors during the year.

*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 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.



**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**  
**DIRECTORS' REMUNERATION REPORT**

*Audited information:*

**Directors' Emoluments**

The emoluments of the directors of the company for the year ended 31 December 2008 were as follows:-

	<b>Salary and fees £000</b>	<b>Benefits £000</b>	<b>Pensions £000</b>	<b>Total 31 Dec 2008 £000</b>	<b>31 Dec 2007 £000</b>
<b>Executive Directors</b>					
A C Garner	300	12	-	312	307
S O'Brien	180	-	16	196	172
<b>Non-Executive Directors</b>					
J Bartle	20	-	-	20	20
R G Robinson	20	-	-	20	20
B R Lakefield	10	-	-	10	10
	<u>530</u>	<u>12</u>	<u>16</u>	<u>558</u>	<u>529</u>

J BARTLE

Chairman of the Remuneration Committee

25 June 2009

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF GARNER PLC**

We have audited the financial statements of Garner plc for the year ended 31 December 2008 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, Chairman's Statement and the table of Directors' Emoluments. 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 2008**

**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 2008 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, Chairman's Statement and table of Directors' Emoluments is consistent with the financial statements.

**FW Stephens**

Chartered Accountants and Registered Auditors

25 June 2009

Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**CONSOLIDATED INCOME STATEMENT**

	Note			31 December 2008	31 December 2007
		Acquisition £000	Continuous Operations £000	Total £000	Total £000
<b>REVENUE</b>	2	591	2,683	3,274	3,122
<b>COST OF OPERATIONS</b>		(447)	(2,584)	(3,031)	(2,513)
<b>GROUP OPERATING PROFIT</b>		144	99	243	609
Net finance income/(cost)	4	-	107	107	(115)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	144	206	350	494
Tax expense	6	(9)	16	7	(92)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		135	222	357	402
Earnings per share - Basic	7			0.88p	1.06p
Earnings per share - Diluted	7			0.81p	1.01p

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

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**CONSOLIDATED BALANCE SHEET**

**As at 31 December 2008**

	Notes	2008 £000	2007 £000
Goodwill	9	7,049	959
Property, plant and equipment	10	<u>198</u>	<u>14</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,247</b>	<b>973</b>
Trade and other receivables	12	2,013	812
Cash and cash equivalents		<u>643</u>	<u>56</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>2,656</u></b>	<b><u>868</u></b>
<b>TOTAL ASSETS</b>		<b><u>9,903</u></b>	<b><u>1,841</u></b>
<b>Current Liabilities</b>			
Redeemable preference shares	14	-	1,213
Deferred consideration	19	1,060	-
Trade and other payables	13	2,681	561
Bank overdraft and interest bearing loans	19	556	850
Current tax liability		<u>87</u>	<u>195</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,384</b>	<b>2,819</b>
<b>Non-Current Liabilities</b>			
Deferred consideration	19	4,154	-
Interest bearing loans	19	<u>321</u>	<u>323</u>
<b>TOTAL LIABILITIES</b>		<b><u>8,859</u></b>	<b><u>3,142</u></b>
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<b><u>1,044</u></b>	<b><u>(1,301)</u></b>
Issued share capital	14	5,709	4,942
Share premium account	15	4,868	3,845
Retained earnings	15	<u>(9,533)</u>	<u>(10,088)</u>
<b>TOTAL EQUITY</b>		<b><u>1,044</u></b>	<b><u>(1,301)</u></b>

These financial statements were approved by the Board of Directors on 25 June 2009

Signed on behalf of the Board of Directors

A C GARNER  
 Director

R G ROBINSON  
 Director

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**COMPANY BALANCE SHEET**  
**As at 31 December 2008**

	Notes	2008	2007
		£000	£000
Investments	11	<u>7,229</u>	<u>1,225</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,229</b>	<b>1,225</b>
Trade and other receivables	12	696	2
Cash at bank & in hand		<u>84</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>780</u></b>	<b><u>2</u></b>
<b>TOTAL ASSETS</b>		<b><u>8,009</u></b>	<b><u>1,227</u></b>
<b>Current Liabilities</b>			
Redeemable preference shares	14	-	1,213
Deferred consideration	19	1,060	-
Trade and other payables	13	1,323	613
Current tax liability		1	-
Bank overdraft and interest bearing loans	19	<u>334</u>	<u>429</u>
<b>TOTAL CURRENT LIABILITES</b>		<b>2,718</b>	<b>2,255</b>
<b>Non-Current Liabilities</b>			
Deferred consideration	19	4,154	-
Interest bearing loans	19	321	323
<b>TOTAL LIABILITES</b>		<b><u>7,193</u></b>	<b><u>2,578</u></b>
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<b><u>816</u></b>	<b><u>(1,351)</u></b>
Issued share capital	14	5,709	4,942
Share premium account	15	4,868	3,845
Retained earnings	15	<u>(9,761)</u>	<u>(10,138)</u>
<b>TOTAL EQUITY</b>		<b><u>816</u></b>	<b><u>(1,351)</u></b>

These financial statements were approved by the Board of Directors on 25 June 2009

Signed on behalf of the Board of Directors

A C GARNER  
 Director

R G ROBINSON  
 Director

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**CONSOLIDATED CASH FLOW STATEMENT**

	Note	2008 £000	2007 £000
<b>Net cash from operating activities</b>	(i)	894	223
<b>Cash flows from investing activities and servicing of finance</b>			
Interest received/(paid)		107	(115)
Payments to acquire tangible assets		(3)	(2)
Acquisition of subsidiary, inclusive of cash acquired	(ii)	(566)	-
<b>Net cash used in investing activities</b>		<u>(462)</u>	<u>(117)</u>
<b>Cash flows from financing activities</b>			
Net cash inflow from equity placings		633	-
Repayment of secured loans		(94)	(181)
Advances from Directors		88	(31)
Payment of transaction costs		(272)	
(Decrease)/ Increase in invoice discounting		(198)	185
<b>Net cash from financing activities</b>		<u>157</u>	<u>(27)</u>
<b>Net increase in cash and cash equivalents</b>		589	79
<b>Net cash and cash equivalents at beginning of period</b>		<u>54</u>	<u>(25)</u>
<b>Net cash and cash equivalents at end of period</b>		<u><u>643</u></u>	<u><u>54</u></u>
<b>Analysis of net funds</b>			
Cash and cash equivalents		643	56
Bank overdraft		-	(2)
		<u>643</u>	<u>54</u>
Borrowings due within one year		(556)	(848)
Borrowings due after one year		(321)	(323)
Directors loan account		(100)	(66)
<b>Net funds</b>		<u><u>(334)</u></u>	<u><u>(1,183)</u></u>

**Note (i)**

**Reconciliation of operating profit to net cash from operating activities**

	Acquisition	Continuing Activities	Total 2008 £000	2007 £000
Operating profit	144	99	243	609
Depreciation of property, plant and equipment	5	5	10	4
Amortisation of loan arrangement fees	-	-	-	3
Decrease/(Increase) in trade and other receivables	513	(5)	508	(144)
Increase/(Decrease) in trade and other payables	221	11	232	(108)
Taxation paid	-	(99)	(99)	(141)
<b>Net cash from operating activities</b>	<u>883</u>	<u>11</u>	<u>894</u>	<u>223</u>

**Note (ii)**

**Acquisition of subsidiary, inclusive of cash acquired**

Cash paid	(200)	-
Cash acquired	(366)	-
	<u>(566)</u>	<u>-</u>

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

The consolidated financial statements of Garner plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 1985 applicable to Companies reported under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

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

The accounts have been prepared on a going concern basis. 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 2010.

**(b) Basis of consolidation**

The consolidated income statement and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2008. The results of subsidiaries acquired are included in the consolidated income statement from the date control passed. Intra-Group sales and profits are eliminated fully on consolidation.

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

**(c) Goodwill**

Goodwill arising on acquisition of subsidiaries is included in the balance sheet of the consolidated accounts as an asset at cost less impairment.

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.

**(d) Critical accounting judgements and estimates**

Impairment of goodwill – determining whether the goodwill is impaired requires estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future profitability expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Share Options – the fair value of options granted during the year was determined using the trinomial valuation model. The significant inputs into the model were share price at grant date, expected price, expected option life and risk free rate.

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**1. ACCOUNTING POLICIES (continued)**

**(e) Property, plant and equipment**

The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

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

**(f) 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.

**(g) Leases**

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

**(h) 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.

**(i) Investments**

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

**(j) 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.

**(k) 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 as incurred.

**(l) Share Option Schemes**

For equity-settled share-based payment transactions the group, in accordance with IFRS2, 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.

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**2. SEGMENTAL ANALYSIS**

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

<b>Class of business</b>	<b>Turnover</b>		<b>Profit before tax</b>		<b>Net assets/(liabilities)</b>	
	<b>Year ended 31 Dec 2008 £000</b>	<b>Year ended 31 Dec 2007 £000</b>	<b>Year ended 31 Dec 2008 £000</b>	<b>Year ended 31 Dec 2007 £000</b>	<b>Year ended 31 Dec 2008 £000</b>	<b>Year ended 31 Dec 2007 £000</b>
Executive search	3,274	3,122	373	677	1,044	(1,301)
Corporate central costs			(130)	(68)		
Interest receivable/(payable)			107	(115)		
			<u>350</u>	<u>494</u>		

<b>Geographical analysis by destination</b>	<b>Turnover</b>		<b>Profit/(loss) before tax</b>		<b>Net assets/(liabilities)</b>	
	<b>Year ended 31 Dec 2008 £000</b>	<b>Year ended 31 Dec 2007 £000</b>	<b>Year ended 31 Dec 2008 £000</b>	<b>Year ended 31 Dec 2007 £000</b>	<b>Year ended 31 Dec 2008 £000</b>	<b>Year ended 31 Dec 2007 £000</b>
United Kingdom	3,008	2,737	331	433	1,044	(1,301)
Europe	193	280	14	44	-	-
Other	73	105	5	17	-	-
	<u>3,274</u>	<u>3,122</u>	<u>350</u>	<u>494</u>	<u>1,044</u>	<u>(1,301)</u>

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

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>Year ended 31 December 2008 £000</b>	<b>Year ended 31 December 2007 £000</b>
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	10	4
Operating lease rentals:		
Land and buildings	142	120
Auditors' remuneration:		
Audit work	38	15
Non-audit work	8	1
	<u>198</u>	<u>140</u>

The Company audit fee in the year was £8,000 (2007: £4,000).

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**4. NET FINANCE INCOME/(COSTS)**

	<b>Year ended 31 December 2008 £000</b>	<b>Year ended 31 December 2007 £000</b>
Interest payable on bank loans and overdrafts	(84)	(115)
Interest receivable on VAT reclaim	191	-
	<u>107</u>	<u>(115)</u>

**5. STAFF COSTS**

	<b>Year ended 31 December 2008 No.</b>	<b>Year ended 31 December 2007 No.</b>
The average number of full time equivalent persons (including directors) employed by the Group during the period was as follows:		
Sales and related services	13	11
Administration	8	5
	<u>21</u>	<u>16</u>
	<b>£000</b>	<b>£000</b>
Staff costs (for the above persons):		
Wages and salaries	1,731	1,480
Social security costs	184	164
Pension costs	30	26
	<u>1,945</u>	<u>1,670</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 2008**

**6. TAX EXPENSE**

	<b>Year ended 31 December 2008 £000</b>	<b>Year ended 31 December 2007 £000</b>
Taxation is based on the profit for the year and comprises:		
United Kingdom corporation tax at 28% (2007: 30%) based on profit for the year	24	105
Under/(over) provision	(31)	(13)
	<u>(7)</u>	<u>92</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:

	<b>Year ended 31 December 2008 £000</b>	<b>Year ended 31 December 2007 £000</b>
<b>Profit on ordinary activities before taxation</b>	<u>350</u>	<u>494</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2007: 30%)	98	148
Effects of:		
Expenses not deductible	12	1
Adjustment in respect of prior year	(31)	-
Small Companies Relief	-	(22)
Utilisation of ACT brought forward	(13)	(23)
Utilisation of losses brought forward	(36)	-
Other adjustments	(37)	(12)
<b>Current tax (credit)/charge for the year</b>	<u>(7)</u>	<u>92</u>

**7. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE**

In accordance with IAS 33, earnings per ordinary share of 0.88p (2007: 1.06p) have been calculated by dividing the profit on ordinary activities after taxation and non-equity dividends of £357,000 (2007: £402,000) by 40,600,981 (2007: 37,968,937), 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 2008 (2007: nil) available for conversion. The share options granted through the EMI scheme and the issued warrants have been used to calculate the diluted earnings per ordinary share of 0.81p (2007: 1.01p).

**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 £179,000 (2007: profit of £47,000).

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**9. GOODWILL**

<b>Group</b>	<b>Goodwill £000</b>
<b>Cost</b>	
At 1 January 2008	959
Goodwill arising on acquisition (note 20)	6,090
	<hr/>
At 31 December 2008	7,049
	<hr/>
<b>Net book value</b>	
At 31 December 2008	7,049
	<hr/> <hr/>
At 31 December 2007	959
	<hr/> <hr/>

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.

As set out in accounting policy note 1 on page 16, the directors test the goodwill for impairment annually. The recoverable amount of the Group's cash generating units is calculated on the present value of their respective expected future cash flows, applying a weighted average cost of capital in line with businesses in the same sector. Post tax future cash flows are derived from approved budgets for the 2009 financial year. Management believe the forecasts are reasonably achievable.

By applying these tests the directors have concluded that goodwill is not impaired.

**GARNER PLC**  
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**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and buildings - leasehold</b>	<b>Fixtures and equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 January 2008	17	82	99
Additions	-	3	3
Acquisitions through business combinations	-	191	191
	<hr/>	<hr/>	<hr/>
At 31 December 2008	17	276	293
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 January 2008	7	78	85
Charge for the period	3	7	10
	<hr/>	<hr/>	<hr/>
At 31 December 2008	10	85	95
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2008	7	191	198
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2007	10	4	14
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group had no capital commitments as at 31 December 2008 (2007: £Nil).

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

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**11. INVESTMENTS**

<b>Company</b>	<b>Shares in Group undertakings £000</b>
<b>Cost</b>	
At 1 January 2008	4,743
Acquisition of subsidiary undertakings	6,004
	<hr/>
At 31 December 2008	10,747
	<hr/>
<b>Provision for impairment</b>	
At 1 January and 31 December 2008	3,518
	<hr/>
<b>Net book value</b>	
At 31 December 2008	7,229
	<hr/> <hr/>
At 31 December 2007	1,225
	<hr/> <hr/>

On 3<sup>rd</sup> December 2008, the Group acquired 100% of the shares in BNB Recruitment Consultancy Limited, Bancomm Limited and BNB Overseas Holdings Limited for a total consideration of £6,004,000. This consideration includes £590,000 legal, professional and advisory costs directly attributable to the acquisition.

**Principal Group investments:**

	<b>Country of incorporation or registration and operation</b>	<b>Principal activities</b>	<b>Description and proportion of shares held by the company</b>
Garner International Ltd	England and Wales	Executive search	100% ordinary shares
BNB Recruitment Consultancy Ltd	England and Wales	Executive search	100% ordinary shares
Bancomm Ltd	England and Wales	Executive search	100% ordinary shares
BNB Overseas Holdings Ltd	England and Wales	Executive search	100% ordinary shares

**Substantial Share Holdings:**

NBS Norman Broadbent SA*	Spain	Executive Search	20% ordinary shares
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\* The 20% shareholding in this company is owned by BNB Overseas Holdings Ltd, a wholly owned subsidiary of Garner plc.

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**12. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade and other receivables	1,651	747	-	-
Prepayments and accrued income	362	65	200	2
Other taxation and social security	-	-	288	-
Due from group undertakings	-	-	208	-
	<u>2,013</u>	<u>812</u>	<u>696</u>	<u>2</u>

**13. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables	1,147	98	631	10
Due to group undertakings	-	-	542	485
Other taxation and social security	216	108	-	-
Other payables	105	97	25	30
Directors loan account	100	66	66	66
Accruals	1,113	192	59	22
	<u>2,681</u>	<u>561</u>	<u>1,323</u>	<u>613</u>

**14. ISSUED SHARE CAPITAL**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised:</b>		
307,744,864 Ordinary shares of 1.0p each (2007: 293,783,056)	3,078	2,938
23,342,400 Deferred A shares of 4.0p each (2007: 23,342,400)	934	934
907,118,360 Deferred shares of 0.4p each (2007: 907,118,360)	3,628	3,628
1,745,226 Deferred B shares of 42.0p each (2007: Nil)	733	-
1,745,226 Preference shares of 50p each (2007: 1,745,226)	-	873
	<u>8,373</u>	<u>8,373</u>
<b>Allotted and fully paid:</b>		
70,855,541 Ordinary shares of 1.0p each (2007: 37,968,937)	709	380
23,342,400 Deferred A shares of 4.0p each (2007: 23,342,400)	934	934
907,118,360 Deferred shares of 0.4p each (2007: 907,118,360)	3,628	3,628
1,043,566 Deferred B shares of 42.0p each (2007: Nil)	438	-
	<u>5,709</u>	<u>4,942</u>

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**14. ISSUED SHARE CAPITAL (continued)**

On 7<sup>th</sup> November 2008, the company granted to St Helen's Capital an option to subscribe for 798,762 Ordinary Shares of 1.0p each at an exercise price of 5.625p each. The option may be exercised in whole but not in part, at any time up to 31 March 2011 (Note 22).

On 2<sup>nd</sup> December 2008, in consideration of services provided in connection with the Acquisition, Conversion and Placing, the company granted 850,000 warrants. The warrants entitle the holders to subscribe for Ordinary Shares at a price of 3.0p per Share, at any time prior to 31 December 2011.

Prior to 2<sup>nd</sup> December 2008 there were 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 was classified under Current Liabilities. Payment was only to be made when the Company had sufficient distributable reserves. On 2<sup>nd</sup> December 2008 the authorised share capital of the company was altered by Special Resolution, which created 13,961,808 Ordinary Shares of 1.0p each and 1,745,226 Deferred B Shares of 42.0p each. The Preference Shareholders were then issued with the new shares created in exchange for the Preference Shares, which were then cancelled.

**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.

**Deferred B Shares of 42p each**

The Deferred B 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 the 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 B Shares.

**GARNER PLC**  
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**15. SHARE PREMIUM ACCOUNT AND RESERVES**

	<b>Share Premium Account £000</b>	<b>Retained Earnings £000</b>	<b>Total £000</b>
<b>Group</b>			
At 1 January 2008	3,845	(10,088)	(6,243)
Issue of ordinary shares and conversion of preference shares	1,029	-	1,029
Costs relating to issue and conversion of shares	(241)	-	(241)
Add-back accrued dividend on preference shares	-	156	156
VAT reclaimed on historic share placement costs	235	-	235
Share based payment expense	-	42	42
Profit for the period	-	357	357
	<hr/>	<hr/>	<hr/>
At 31 December 2008	<u>4,868</u>	<u>(9,533)</u>	<u>(4,665)</u>
	<hr/>	<hr/>	<hr/>
	<b>Share Premium Account £000</b>	<b>Retained Earnings £000</b>	<b>Total £000</b>
<b>Company</b>			
At 1 January 2008	3,845	(10,138)	(6,293)
Issue of ordinary shares and conversion of preference shares	1,029	-	1,029
Costs relating to issue and conversion of shares	(241)	-	(241)
Add-back accrued dividend on preference shares	-	156	156
VAT reclaimed on historic share placement costs	235	-	235
Share based payment expense	-	42	42
Profit for the period	-	179	179
	<hr/>	<hr/>	<hr/>
At 31 December 2008	<u>4,868</u>	<u>(9,761)</u>	<u>(4,893)</u>

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**16. RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Profit for the financial period	357	402
Issue of share capital	357	402
Premium on issue of ordinary shares and conversion of preference shares	767	-
Costs relating to issue and conversion of shares	1,029	-
Add back accrued dividend on preference shares	(241)	-
VAT reclaimed on historic share placement costs	156	-
Share based payment expense	235	-
	42	-
Net addition to shareholders' funds	2,345	402
Opening shareholders' (deficit)	(1,301)	(1,703)
Closing shareholders' surplus/ (deficit)	1,044	(1,301)

**17. COMMITMENTS**

**Operating leases**

At 31 December 2008, the Group had annual commitments under non-cancellable operating leases which expire as follows:

	<b>Land and buildings</b>	
	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
In less than one year	179	-
Between 2 and 5 years	120	-
In more than five years	-	120
	299	120

**18. 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 £30,000 (2007: £26,000). All costs were fully paid at the year end.

**GARNER PLC**  
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**19. 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 provided on the following page.

**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:**

£643,000 (2007: £56,000) 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.

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**19. FINANCIAL INSTRUMENTS (continued)**

**Financial liabilities**

**MATURITY PROFILE OF FINANCIAL LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Analysis of loan repayments				
<b>Current Liabilities</b>				
In one year or less or on demand:				
Bank overdrafts and interest bearing loans	556	850	334	429
Deferred Consideration (note 20)	1,060	-	1,060	-
Redeemable Preference Shares (note 14)	-	1,213	-	1,213
Directors' loan accounts	100	66	66	66
	<u>1,716</u>	<u>2,129</u>	<u>1,460</u>	<u>1,708</u>
<b>Non-Current Liabilities</b>				
In more than one year but not more than two years:				
Interest bearing loans	183	183	183	183
Deferred Consideration (note 20)	1,060	-	1,060	-
In more than two years but not more than five years:				
Interest bearing loans	138	140	138	140
Deferred Consideration (note 20)	3,094	-	3,094	-
	<u>4,475</u>	<u>323</u>	<u>4,475</u>	<u>323</u>
	<u>6,191</u>	<u>2,452</u>	<u>5,935</u>	<u>2,031</u>

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. The following debentures are also in place as security for the bank loans:

- Unlimited debenture dated 3<sup>rd</sup> November 2000 from Garner International
- Omnibus guarantee and set off agreement dated 6<sup>th</sup> November 2000 between the bank, Garner plc and Garner International.

**INTEREST RATE PROFILE**

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

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Floating rate financial liabilities	877	1,173
Fixed rate financial liabilities	-	-
Non interest bearing financial liabilities		
- non equity shares	-	1,213
- deferred consideration	5,214	-
- directors' loan account	100	66
	<u>6,191</u>	<u>2,452</u>

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.

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**YEAR ENDED 31 DECEMBER 2008**

**19. FINANCIAL INSTRUMENTS (continued)**

**FAIR VALUES OF FINANCIAL 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:

	2008		2007	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Bank overdraft	-	-	2	2
Bank loan	877	877	1,171	1,171
Directors' loan	100	100	66	66
Deferred consideration	5,214	5,214	-	-
	<u>6,191</u>	<u>6,191</u>	<u>1,239</u>	<u>1,239</u>
Non-equity share redemption value	-	-	1,213	1,213
	<u>6,191</u>	<u>6,191</u>	<u>2,452</u>	<u>2,452</u>

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

**20. ACQUISITIONS OF SUBSIDIARIES**

On 3<sup>rd</sup> December 2008, the Group acquired 100% of the shares in BNB Recruitment Consultancy Limited, Bancomm Limited and BNB Overseas Holdings Limited for a total consideration of £6,004,000, including professional and advisory costs. The principal activity of all three companies is that of executive search.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date and the major classes of consideration transferred. The values of assets and liabilities have been determined at acquisition date using fair values:

	BNB Recruitment Consultancy £000	Bancomm £000	BNB Overseas Holdings £000	TOTAL £000
Property, plant & equipment	189	2	-	191
Trade & other receivables	1,544	104	63	1,711
Cash & cash equivalents	(615)	249	-	(366)
Trade & other payables	(1,322)	(300)	-	(1,622)
	<u>(204)</u>	<u>55</u>	<u>63</u>	<u>(86)</u>
Net identifiable assets & liabilities				
Goodwill on acquisition (note 9)				<u>6,090</u>
				<u>6,004</u>
Consideration:				
Cash on acquisition date				200
Deferred cash consideration (note 19)				5,214
Professional & advisory costs re: acquisition				<u>590</u>
				<u>6,004</u>

**GARNER PLC**  
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**20. ACQUISITIONS OF SUBSIDIARIES (continued)**

The principle reasons for the acquisition were to increase the client base within the UK and to extend the Group's presence abroad. The Norman Broadbent brand is widely recognised and it has a strong executive search practice in a number of sectors, which does not compete with existing business. The acquired companies have operations in the UK, USA, Canada and Dubai in addition to holding an interest in an associate business in Spain. The company agreed an aggregate purchase price of £5,414,000 for 100% of issued share capital, based on net assets of the three BNB subsidiaries at 30<sup>th</sup> September 2008. The acquisition was completed on 3<sup>rd</sup> December 2008.

**Consideration:**

The company has agreed to pay an aggregate purchase price before professional and advisory costs of £5,414,000 to acquire the three subsidiaries. This consideration is payable as follows:

- £200,000 was paid in cash on acquisition date
- Payments equivalent to royalty income receivable by BNB Overseas Holdings Limited during the year, net of tax is paid directly to the vendor.
- Quarterly payments over a period of up to 60 months from 30<sup>th</sup> September 2008, based on a proportion of actual revenues as against projected revenues of the Enlarged Group.

In the event that the total amounts paid by the company to the vendor during the 30 month period from 30<sup>th</sup> September 2008 is less than £2,800,000 then the company must pay the full amount of the shortfall at that time. If the total amount paid during the period of 60 months from 30<sup>th</sup> September 2008 is less than £5,414,000 then the company must pay the shortfall at that time.

If any shortfall payment due in respect of the period of 30 months from 30<sup>th</sup> September 2008 is not paid in accordance with the Acquisition Agreement then the vendor will have the right to acquire all intellectual property rights relating to the Norman Broadbent name and brand for £1.

**Professional & advisory costs:**

The group incurred costs directly attributable to the acquisition of £590,000 which have been included within goodwill. These costs included fees payable to professional advisors and also an allocation of staff costs and administrative expenditure that the directors believe is a true reflection of the work carried out to complete the acquisition.

**IFRS 3 Considerations:**

IFRS 3 requires that any separately identifiable intangibles, the cost of which can be accurately measured, should be disclosed independently from residual goodwill on acquisition. The residual goodwill represents the future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised.

To determine the gross consideration payable for the Norman Broadbent subsidiaries, the directors assessed the future profit/cash generating potential of the group. The key assets to drive this were deemed to be:

- a globally recognised and respected search brand;
- a team of consultants with knowledge, experience and strong client relationships across a diverse range of markets;
- a well established and efficient administrative and support infrastructure.

The directors believe that it is not possible to separate and accurately measure the above assets independently as they are all linked and contribute wholly to the cash generating ability of the group. As such the balance has been recognised as residual goodwill on the balance sheet.

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**YEAR ENDED 31 DECEMBER 2008**

**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 2008 the balances on these loans were £100,000 (2007: £66,000). 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 £200,000 of bank loans and overdraft.

In relation to the acquisition of BNB Recruitment Consultancy Limited, Bancomm Limited and BNB Recruitment Overseas Holdings Limited in December 2008, A C Garner has personally guaranteed the payment of up to £500,000 of the consideration due to the vendor in respect of the purchase price. The guarantee reduces on a pound-for-pound basis as purchase consideration received by the vendor exceeds £1,000,000.

**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;

Total expenses arising from equity settled share-based transactions:	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Garner plc Executive Share Option Scheme	24	-
St Helens Options	18	-

The share-based payment plans are described below:

**Garner plc Executive Share Option Scheme**

In accordance with the Executive Share Option Scheme, approved share options over Ordinary Shares of 1.0p each are 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.

There have been no cancellations or modifications to this plan since 19 December 2007 when the options were granted.

**St Helens Options**

On 7<sup>th</sup> November 2008, the company granted to St Helen's Capital an option to subscribe for 798,762 Ordinary Shares of 1.0p each at an exercise price of 5.625p each, the market price of the shares at the date of grant. The option may be exercised in whole but not in part, at any time up to 31 March 2011. 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.

The total number of options outstanding and exercisable under share arrangements as at 31<sup>st</sup> December 2008 was as follows:

	Options Outstanding		Options Exercisable	
	Number of shares	Weighted avg. remaining life (yrs)	Weighted avg. exercise price (p)	Number exercisable
Executive Share Option Scheme	1,758,437	9.0	5.625	1,758,437
St Helens Options	798,762	2.3	5.625	798,762

**GARNER PLC**  
**YEAR ENDED 31 DECEMBER 2008**

**22. ENTERPRISE MANAGEMENT INCENTIVE SHARE OPTION SCHEME (continued)**

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Executive Share Option Scheme		St Helens Options	
	Weighted avg. exercise price (p)	Number of options	Weighted avg. exercise price (p)	Number of options
<b>2008:</b>				
Balance at 1 <sup>st</sup> January 2008	5.625	1,758,437	-	-
Granted	-	-	5.625	798,762
Exercised	-	-	-	-
Lapsed	-	-	-	-
<b>Balance at 31<sup>st</sup> December 2008</b>	<b>5.625</b>	<b>1,758,437</b>	<b>5.625</b>	<b>798,762</b>

**Warrants:**

In consideration of services provided in connection with the acquisition of the Norman Broadbent companies, the Company granted 850,000 warrants to Dowgate on the basis of 1 warrant for 1 Ordinary Share. Total warrants existing at 31<sup>st</sup> December 2008 over 1p Ordinary Shares in the Company are summarized below.

	Warrants	
	Weighted avg. exercise price (p)	Number of warrants
<b>2008:</b>		
Balance at 1 <sup>st</sup> January 2008	-	-
Granted	3.00p	850,000
Exercised	-	-
Lapsed	-	-
<b>Balance at 31<sup>st</sup> December 2008</b>	<b>3.00p</b>	<b>850,000</b>

**Inputs to the trinomial Valuation Model**

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

The following table lists the inputs to the trinomial model in 2008 & 2007:

	<b>2008</b>	<b>2007</b>
Expected dividend yield	0%	0%
Expected volatility	85%	70%
Contractual life of the derivative	3 years	8-10 years
Weighted avg. risk free interest rate	3.99%	4.73%
Weighted avg. fair value	5.625%	5.625%

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 71<sup>st</sup> Annual General Meeting of Garner plc will be held in the Rugby Room at the East India Devonshire Sports & Public Schools Club, 16 St James's Square, London, SW1Y 4LH at 2.00pm on 22 July 2009 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 31<sup>st</sup> December 2008 together with the reports of the Directors and Auditors thereon.
- 2 To re-elect J Bartle, who is retiring by rotation in accordance with the articles of the Company and who offers himself for re-election as a Director of the Company.
- 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 £1,000,000; 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.

#### **Special Business**

- 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;
  - (b) the allotment (otherwise in pursuant to subparagraph (a) above) of equity securities up to a maximum aggregate nominal amount of £360,000, 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

25 June 2009

## GARNER PLC

Registered office:  
6 Derby Street  
London  
W1J 7AD

[www.garnerinternational.com](http://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 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 is enclosed with this notice for use at the meeting.
- 2 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 4TU not less than 48 hours before the time for holding the meeting or adjourned meeting.
- 3 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.
- 4 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.
- 5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the direction of all of the other corporate representatives for the shareholder at the meeting, then on a poll those corporate representatives will give directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.
- 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.

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.

**Garner**

6 Derby Street <sup>PLC</sup>  
Mayfair  
London W1J 7AD