

Garner

PLC

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

Interim Report for the Six Months ended 30 June 2008

GARNER PLC
INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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CHAIRMAN'S STATEMENT

I am pleased to announce the interim results for a period in which, despite the adverse economic conditions, our company has continued to make a profit after tax.

Highlights

- Gross revenues down 24% to £1,259,000
- Company continues to be profitable
- A record of 18 new clients signed up
- Third quarter trading marginally ahead of last year
- Alliance signed with Rhodes Associates, a top ten US executive search firm

As I indicated at the time of the final results in March 2008, our clients were uncertain as to their requirements for the first six months and the result was that turnover for the first half declined 24 per cent. to £1,259,000. Whilst this was in line with the prevailing economic conditions and our expectations it provided a challenge to the Company and its ability to withstand such adverse trading. I am pleased to say that in spite of the decline in revenues, our determined costs management has enabled us to remain profitable, with an operating profit in the first six months of £72,000 (2007: £367,201), a pre tax profit of £29,000 (2007: £312,744) and a post tax profit of £20,000 (2007: £ 219,000).

At our AGM earlier this year we stated our objective was to diversify our client base and not be reliant on one particular sector. This strategy has proved to be successful. Since the beginning of 2008 we have engaged with 18 new clients, which is a record in the history of our Company. More importantly, these new clients are from such diverse sectors that, as we stand, nearly 70% of our revenue is generated outside financial services.

One of the key strengths of Garner has been its ability to build long term relationships with its clients and thereby generate high levels of repeat business. The objective for the Garner team now, is to maintain that performance and to convert new clients into repeat business. The third quarter of 2008 has delivered strong performance and is ahead of the same period last year, albeit marginally. We anticipate, by nurturing our new clients, revenues for the whole of the second half of the year will be ahead of the first, which is the opposite of last year and hopefully returns Garner to the growth trend achieved in recent years.

On 21 May we announced the hiring of two replacement consultants, to start in the second half, in line with our diversification strategy. I am pleased to say that the HR practice is now making a significant contribution to our performance and we have also been able to expand our offering to

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financial services clients to include IT and back office senior management and functional roles, which is an area that is still in demand despite the recent market turmoil. We also referred to the Digital Media practice, which has been developed using existing internal resources and is proving to be a successful addition to our portfolio.

Our balance sheet position has shown a positive movement from total liabilities of £1,301,000 at 31 December 2007, to £1,271,000 as at 30 June 2008. However the challenging trading conditions of the first half had an adverse effect on our cash flow. The improvement in business towards the end of the period, as demonstrated by the significant increase in our debtor book, helped partially to offset this. The result of this was an increase in net debt to £1,415,000 from £1,183,000 as at 31 December 2007. Overall, our cash position is well controlled, debtors are being well managed and we continue to trade within our facilities.

In line with our focus on behalf of shareholders to improve our balance sheet position I am particularly pleased to announce that an agreement has been reached in principle, subject to shareholder approval, whereby the Preference Shareholders should be able to convert their holdings to Ordinary Shares. This will be put for approval by shareholders and Preference Shareholders at a forthcoming EGM, details of which we expect to issue in the near future. This would remove £1.213m of liabilities from the balance sheet.

We have spoken before of building an alliance with an American search firm to extend our geographical reach. This has been accomplished and I am delighted to announce a new relationship with Rhodes Associates based in New York and San Francisco ("Rhodes"). Rhodes, one of the top ten US firms by revenue, is a similar business to ours and clients have responded very favourably to the alliance. We will now be able to offer a presence in North America and provide a reciprocal presence for Rhodes in Europe. Revenues generated by the arrangement will be split between the two parties and, with no additional costs, so the benefit will flow straight through to our profits.

There are currently a number of acquisition opportunities in our sector that would complement our growth strategy and enhance our earnings stream. The board has been involved in several preliminary discussions to date and continues to explore opportunities as they arise.

The executive management and team at Garner continue to be enthusiastic and driven to succeed, which, to my mind says a great deal in today's business environment.

J Bartle
Chairman

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CONSOLIDATED INCOME STATEMENT
FOR THE 6 MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
	(unaudited) £000	(unaudited) £000	(audited) £000
REVENUE	1,259	1,662	3,122
COST OF OPERATIONS	(1,187)	(1,295)	(2,513)
GROUP OPERATING PROFIT	72	367	609
Net finance costs	(43)	(54)	(115)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	29	313	494
Tax expense	(9)	(94)	(92)
PROFIT FOR THE FINANCIAL PERIOD	20	219	402
Earnings per share - basic	0.05p	0.58p	1.06p
Earnings per share - diluted	0.05p	0.58p	1.01p
All activity arose from continuing operations			

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**CONSOLIDATED BALANCE
SHEET
AS AT 30 JUNE 2008**

	As at 30 June 2008 (unaudited) £000	As at 30 June 2007 (unaudited) £000	As at 31 December 2007 (audited) £000
Goodwill	959	959	959
Property, plant and equipment	14	22	14
TOTAL NON-CURRENT ASSETS	973	981	973
Trade and other receivables	1,069	991	812
Cash and cash equivalents	-	-	56
TOTAL CURRENT ASSETS	1,069	991	868
TOTAL ASSETS	2,042	1,972	1,841
TOTAL CURRENT LIABILITIES	(2,990)	(3,035)	(2,819)
Non-current liabilities	(323)	(421)	(323)
TOTAL LIABILITIES	(3,313)	(3,456)	(3,142)
TOTAL ASSETS LESS TOTAL LIABILITIES	(1,271)	(1,484)	(1,301)
Issued share capital	4,944	4,942	4,942
Share premium account	3,853	3,845	3,845
Retained earnings	(10,068)	(10,271)	(10,088)
TOTAL EQUITY	(1,271)	(1,484)	(1,301)

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CONSOLIDATED CASH FLOW STATEMENTS AND NOTES

	Notes	Six months ended 30 June 2008 (unaudited) £000	Six months ended 30 June 2007 (unaudited) £000	Year ended 31 December 2007 (audited) £000
Net cash from operating activities	(i)	(192)	12	223
Cash flows from investing activities and servicing of finance				
Interest paid		(43)	(54)	(115)
Payments to acquire tangible assets		(3)	-	(2)
Net cash used in investing activities		(46)	(54)	(117)
Cash flows from financing activities				
Net cash inflow from equity placings		10	-	-
Repayment of secured loans		-	(112)	(181)
Payment/(repayment) of advances from directors		90	-	(31)
Increase in invoice discounting		78	(9)	187
Net cash from financing activities		178	(121)	(25)
Net increase in cash and cash equivalents		(60)	(163)	81
Net cash and cash equivalents at beginning of period		56	(25)	(25)
Net cash and cash equivalents at end of period		(4)	(188)	56
Analysis of net funds				
Cash and cash equivalents		-	-	56
Bank overdraft		(4)	(188)	(2)
		(4)	(188)	54
Borrowings due within one year		(932)	(634)	(848)
Borrowings due after one year		(323)	(503)	(323)
Directors loan account		(156)	(97)	(66)
Net funds		(1,415)	(1,422)	(1,183)

Note (i)

Reconciliation of operating profit to net cash from operating activities

	Six months ended 30 June 2008 (unaudited) £000	Six months ended 30 June 2007 (unaudited) £000	Year ended 31 December 2007 (audited) £000
Operating profit	72	367	609
Depreciation of property plant and equipment	3	3	4
Amortisation of loan arrangements fees	3	-	3
(Increase) in trade and other receivables	(257)	(320)	(144)
(Decrease) in trade and other payables	77	(38)	(108)
Taxation paid	(90)	-	(141)
Net cash from operating activities	(192)	12	223

NOTES TO THE UNAUDITED INTERIM REPORT

1 BASIS OF PREPARATION

The results for the six months ended 30 June 2008, which are unaudited, have been prepared under the historical cost convention.

The financial information contained in this interim report has been prepared in accordance with the accounting policies as set out in the Company's accounts for the year ended 31 December 2007, and utilises accounting policies consistent with International Financial Reporting Standards adopted for use in the European Union ("IFRS").

The financial information set out in this document has not been audited or reviewed by our auditors and neither this interim report nor the financial information contained in it constitutes statutory accounts of the Company within the meaning of section 240(5) of the Companies Act 1985.

2 BASIS OF CONSOLIDATION

The group financial statements consolidate those of the Company and of its subsidiary undertaking Garner International Limited, a company incorporated in England and Wales. Profits or losses on intra-group transactions are eliminated in full.

3 EARNINGS PER ORDINARY SHARE

The calculation of the earnings per share is based on the profit attributable to ordinary shareholders of £20,000 (2007: £219,000) and the weighted average number of ordinary shares in issue during the period, being 38,061,315 (2007: 37,968,937).

4 COPIES OF THE UNAUDITED INTERIM REPORT

Copies of this report are available on request from the Company's registered office at 6 Derby Street, London, W1J 7AD and on the web site www.garnerinternational.com.

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OFFICERS AND PROFESSIONAL ADVISERS

Directors	J Bartle A C Garner B R Lakefield S A O'Brien R G Robinson
Secretary	R G Robinson
Registered Office	6 Derby Street London W1J 7AD
Bankers	Lloyds TSB plc 14 Church Street Rugby Warwickshire CV21 3PL
Auditors	FW Stephens 3 rd Floor 24 Chiswell Street London EC1Y 4YX
Nominated Advisers	Dowgate capital Advisers Limited 46 Worship Street London EC2A 2EA
Registrars	Capita Registrars Northern House Wood Some Park Fenay Bridge Huddersfield HD8 0LA
Brokers	St. Helen's Place Capital 15 St Helen's Place London EC3A 6DE

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AIM Compliance Committee

In accordance with AIM Rule 31 the Company 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 Company’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 Company’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 Company 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 obligations 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 Company.

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