

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 2007

GARNER PLC

INTERIM REPORT FOR THE 6 MONTHS TO 30 JUNE 2007

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CHAIRMAN'S STATEMENT

I am pleased to report further progress by the Company in the first 6 months of 2007.

Turnover has increased by just over 50% compared with the same period in 2006, to £1.662million from £1.104million.

Our costs have increased more or less in line with this growth, primarily reflecting our headcount increases in the second half of last year but, overall, we have seen strong progress in trading revenues and another significant increase in profitability. Our operating profit in this period was 28% higher than the same period last year (£367,000 versus £286,000) and our profit before tax was 34% higher (£313,000 versus £234,000).

So, whilst we continue to address diligently our cash management, debt reduction/ balance sheet issues, we continue to see strong trading progress. Witness four consecutive six-month periods of pre-tax profits with each six-months showing growth over the preceding six months.

We continue to build a stronger and more dynamic Company, so we see no reason why this significant progress should not continue for the immediate future. I congratulate all in the Company on this very positive performance and in the turnaround in the Company's fortunes that it represents.

J BARTLE

Chairman

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CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Six months ended 30 June 2007 (unaudited) £'000	Six months ended 30 June 2006 (unaudited) £'000	Year ended 31 December 2006 (audited) £'000
Turnover		1,662	1,104	2,612
Administrative expenses	4	(1,295)	(818)	(1,978)
Total operating profit		367	286	634
Interest payable and similar charges		(54)	(52)	(116)
Profit on ordinary activities before taxation	4	313	234	518
Taxation		(94)	-	(153)
Profit for the financial period	4	219	234	365
Dividends		-	-	-
Retained profit for the financial period	4	219	234	365
Earnings per share (pence) – Basic and diluted	2	0.58p	0.04p	1.19p

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CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007

		At 30 June 2007 (unaudited)		At 30 June 2006 (unaudited)		At 31 December 2006 (audited)	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets							
Tangible assets			22		1		16
Investments	5		959		959		959
			-----		-----		-----
			981		960		975
Current assets							
Debtors		991		573		671	
Cash at bank and in hand		-		-		-	
		-----		-----		-----	
		991		573		671	
Creditors: amounts falling due within one year		(3,035)		(3,243)		(2,845)	
		-----		-----		-----	
Net current liabilities			(2,044)		(2,670)		(2,174)
Total assets less current liabilities			(1,063)		(1,710)		(1,199)
Creditors: amounts falling due after more than one year			(421)		(593)		(504)
Provisions for liabilities and charges			-		-		-
			-----		-----		-----
Total assets less current liabilities			(1,484)		(2,303)		(1,703)
			=====		=====		=====
Capital and reserves							
Called up share capital			4,942		4,795		4,942
Share premium account			3,845		3,523		3,845
Profit and loss account	5		(10,271)		(10,621)		(10,490)
			-----		-----		-----
Shareholders' funds			(1,484)		(2,303)		(1,703)
			=====		=====		=====

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CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Six months ended 30 June 2007 (unaudited) £'000	Six months ended 30 June 2006 (unaudited) £'000	Year ended 31 December 2006 (audited) £'000
Net cash inflow/(outflow) from operating activities	i	12	(36)	90
Returns on investments and servicing of finance		(54)	(52)	(116)
Taxation		-	-	-
Capital expenditure and financial investment		(9)	-	(20)
Acquisitions and disposals		-	-	-
Net cash flow before use of liquid resources and financing		(51)	(88)	(46)
Financing		(112)	58	67
Increase / (decrease) in cash	ii	(163)	(30)	21

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NOTES TO THE CASH FLOW STATEMENT

I RECONCILIATION OF OPERATING PROFIT / (LOSS) TO NET CASH FLOW

	Six months ended 30 June 2007 (unaudited) £'000	Six months ended 30 June 2006 (unaudited) £'000	Year ended 31 December 2006 (audited) £'000
Operating profit for the period	367	286	634
Depreciation of tangible fixed assets	3	-	4
Amortisation	-	-	2
(Increase) / decrease in debtors	(320)	(270)	(368)
(Decrease) / increase in creditors	(38)	(52)	(182)
	-----	-----	-----
Net cash inflow / (outflow) from operating activities	12	(36)	90
	=====	=====	=====

Note 6 below contains a reconciliation between the 30 June 2006 and 31 December 2006 numbers previously reported and those reported in above note. This change is due to the requirement of the company to adopt International Financial Reporting Standards

II RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Six months ended 30 June 2007 (unaudited) £'000	Six months ended 30 June 2006 (unaudited) £'000	Year ended 31 December 2006 (audited) £'000
(Decrease) / increase in cash in the period	(163)	(30)	21
Directors' loan advance	-	(82)	300
Net movement on secured loans	110	101	76
	-----	-----	-----
Change in net debt resulting from cash flows	(53)	(11)	397
Net debt at the beginning of the period	(1,287)	(1,683)	(1,684)
	-----	-----	-----
Net debt at the end of the period	(1,340)	(1,694)	(1,287)
	=====	=====	=====

III ANALYSIS OF CHANGES IN NET DEBT

	At 31 December 2006 £'000	Cash flow £'000	At 30 June 2007 £'000
Cash at bank and in hand	-	-	-
Bank overdraft	(25)	(163)	(188)
	-----	-----	-----
Total for cash at bank and in hand	(25)	(163)	(188)
Debt due within one year	(662)	28	(634)
Debt due after more than one year	(503)	82	(421)
Directors loan account	(97)	-	(97)
	-----	-----	-----
	(1,287)	(53)	(1,340)
	=====	=====	=====

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INTERIM REPORT FOR THE 6 MONTHS TO 30 JUNE 2007

NOTES TO THE UNAUDITED INTERIM REPORT

1 BASIS OF PREPARATION

The results for the six months ended 30 June 2007, which are unaudited, have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The financial information set out in this document which has been neither audited nor reviewed by the auditors does not comprise the statutory accounts of the Company within the meaning of section 240(5) of the Companies Act 1985.

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.

2 EARNINGS PER ORDINARY SHARE

The calculation of the earnings per share is based on the profit attributable to ordinary shareholders of £219,000 (2006: £234,000) and the weighted average number of ordinary shares in issue during the period, being 37,968,937 (2005: 1,167,118,360).

The 30 June 2006 profit attributable to ordinary shareholders had been reported as £200,000 and used as the basis for calculating earnings per share. This number has now been restated to £234,000 due to the requirement for the company to comply with International Financial Reporting Standards. Note 4 below contains the details regarding this change.

The requirement for the company to comply with International Financial Reporting Standards has also resulted in the restatement of the profit attributable to ordinary shareholders for the year ended 31 December 2006 and therefore the earnings per share figure covering that period. Note 4 below contains details regarding this change.

3 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.

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INTERIM REPORT FOR THE 6 MONTHS TO 30 JUNE 2007

4 RECONCILIATION OF PROFIT

Reconciliation for the 6 months ended 30 June 2006

	Note	Previous UK GAAP £'000	Effect of transition to IFRSs £'000	IFRS £'000
Turnover		1,104	-	1,104
Administrative expenses	1	(852)	34	(818)
Total operating profit		----- 252	----- 34	----- 286
Interest payable and similar charges		(52)	-	(52)
Profit on ordinary activities before taxation		200	34	234
Taxation		-	-	-
Profit for the financial period		----- 200	----- 34	----- 234
Dividends		-	-	-
Retained profit for the financial period		----- 200	----- 34	----- 234

Reconciliation for the year ended 31 December 2006

	Note	Previous UK GAAP £'000	Effect of transition to IFRSs £'000	IFRS £'000
Turnover		2,612	-	2,612
Administrative expenses	1	(2,045)	67	(1,978)
Total operating profit		----- 567	----- 67	----- 634
Interest payable and similar charges		(116)	-	(116)
Profit on ordinary activities before taxation		451	67	518
Taxation		(153)	-	(153)
Profit for the financial period		----- 298	----- 67	----- 365
Dividends		-	-	-
Retained profit for the financial period		----- 298	----- 67	----- 365

Note 1: Goodwill has been adjusted by £34,000 for the 6 months ended 30 June 2006 and by £67,000 for the year ended 31 December 2006, being the amortisation charge for each period. 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. The review has indicated that goodwill is not impaired.

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INTERIM REPORT FOR THE 6 MONTHS TO 30 JUNE 2007

5 RECONCILIATION OF EQUITY Reconciliation of equity as at 30 June 2006

	Previous UK GAAP £'000	£'000	Effect of transition to IFRSs £'000	£'000	IFRSs £'000
Fixed assets					
Tangible assets		1		-	1
Investments		925		34	959
		-----		-----	-----
		926		34	960
Current assets					
Debtors	573		-		573
Cash at bank and in hand	-		-		-
	-----		-----		-----
	573		-		573
Creditors: amounts falling due within one year	(3,243)		-		(3,243)
	-----		-----		-----
Net current liabilities		(2,670)		-	(2,670)
		-----		-----	-----
Total assets less current liabilities		(1,744)		34	(1,710)
		-----		-----	-----
Creditors: amounts falling due after more than one year		(593)		-	(593)
		-----		-----	-----
Provisions for liabilities and charges		-		-	-
		-----		-----	-----
Total assets less current liabilities		(2,337)		34	(2,303)
		=====		=====	=====
Capital and reserves					
Called up share capital		4,795		-	4,795
Share premium account		3,523		-	3,523
Profit and loss account		(10,655)		34	(10,621)
		-----		-----	-----
Shareholders' funds		(2,337)		34	(2,303)
		=====		=====	=====

Investments, which represent goodwill, have been adjusted by £34,000, 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. The review has concluded that goodwill is not impaired.

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INTERIM REPORT FOR THE 6 MONTHS TO 30 JUNE 2007

5 RECONCILIATION OF EQUITY (CONT)

Reconciliation of equity as at 31 December 2006

	Previous UK GAAP £'000	Effect of transition to IFRSs £'000	IFRSs £'000
Fixed assets			
Tangible assets	16	-	16
Investments	892	67	959
	-----	-----	-----
	908	67	975
Current assets			
Debtors	671	-	671
Cash at bank and in hand	-	-	-
	-----	-----	-----
	671	-	671
Creditors: amounts falling due within one year	(2,845)	-	(2,845)
	-----	-----	-----
Net current liabilities	(2,174)	-	(2,174)
	-----	-----	-----
Total assets less current liabilities	(1,266)	67	(1,199)
Creditors: amounts falling due after more than one year	(504)	-	(504)
Provisions for liabilities and charges	-	-	-
	-----	-----	-----
Total assets less current liabilities	(1,770)	67	(1,703)
	=====	=====	=====
Capital and reserves			
Called up share capital	4,942	-	4,942
Share premium account	3,845	-	3,845
Profit and loss account	(10,557)	67	(10,490)
	-----	-----	-----
Shareholders' funds	(1,770)	67	(1,703)
	=====	=====	=====

Investments, which represent goodwill, have been adjusted by £67,000, 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. The review has concluded that goodwill is not impaired.

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INTERIM REPORT FOR THE 6 MONTHS TO 30 JUNE 2007

6 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS
As at 30 June 2006

	Previous UK GAAP £'000	Effect of transition to IFRSs £'000	IFRSs £'000
Operating profit for the period	252	34	286
Depreciation of tangible fixed assets	-	-	-
Amortisation	34	(34)	-
(Increase) / decrease in debtors	(270)	-	(270)
(Decrease) / increase in creditors	(52)	-	(52)
	-----	-----	-----
Net cash inflow / (outflow) from operating activities	(36)	-	(36)
	=====	=====	=====

As at 31 December 2006

	Previous UK GAAP £'000	Effect of transition to IFRSs £'000	IFRSs £'000
Operating profit for the period	567	67	634
Depreciation of tangible fixed assets	4	-	4
Amortisation	69	(67)	2
(Increase) / decrease in debtors	(368)	-	(368)
(Decrease) / increase in creditors	(182)	-	(182)
	-----	-----	-----
Net cash inflow / (outflow) from operating activities	90	-	90
	=====	=====	=====

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OFFICERS AND PROFESSIONAL ADVISERS

Directors	J Bartle A C Garner B R Lakefield R G Robinson S A O'Brien
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 3rd Floor 24 Chiswell Street London EC1Y 4YX
Nominated Advisers	City Financial Associates Limited 46 Worship Street London EC2A 2EA
Registrars	Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TU
Brokers	City Financial Associates Limited 46 Worship Street London EC2A 2EA
Solicitors	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA

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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.