

GARNER PLC (formerly Constellation Corporation plc)

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GARNER PLC (formerly Constellation Corporation plc)

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

R G Robinson

REGISTERED OFFICE

6 Derby Street
London
W1Y 7HD

BANKERS

Lloyds TSB plc
14 Church Street
Rugby
Warwickshire
CV21 3PL

AUDITORS

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

NOMINATED ADVISERS

City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

REGISTRARS

Capita Registrars
Northern House
Wood some Park
Fenay Bridge
Huddersfield
HD8 0LA

BROKERS

City Financial Associates Limited
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

GARNER PLC (formerly Constellation Corporation plc)

CHAIRMAN'S STATEMENT

I ended my Chairman's Statement for 2005 with "prospects for the Company look better than they have for some considerable time, certainly for as long as I have been involved, with the early months of 2006 continuing the progress made in the last half of the year. The Board remains cautiously optimistic regarding trading prospects for the Group".

I am very pleased to report that the full and final results for 2006 reported herein demonstrate, as did the interim results, that this optimism was well founded.

Turnover for the year shows an increase of 65% to £2,612,000 (2005: £1,580,000) building strongly on the 23% increase shown in the previous year. Significantly, we have seen strong progress in each of the last 3 half year periods, further confirming that the description of 2005 as a "turnaround" year was not misplaced.

As a result of this growth, 2006 has delivered strong profit improvement; an operating profit of £567,000 (2005: £154,000) and pre-tax profit of £451,000 (2005: £46,000). In 2 years, therefore, we have seen a more than doubling of the Company's turnover.

The cost side of our operations, which is well controlled, has also grown with the appointment of additional consultants and researchers. As the profit growth illustrates, the carefully considered investment of this increased headcount has most certainly borne fruit.

I remain very encouraged and impressed by the quality and efforts of all those working at Garner in support of the continued sterling efforts of Andrew Garner and Sue O'Brien in leading the Company. It was a pleasure to invite Sue O'Brien to join our Board as a reflection of her major contribution to the Company's progress since joining.

We have a strong team of 9 consultants and the Company has an impressive client base with several repeat contracts with top FTSE 100 companies.

I would also like to thank and pay tribute to Roger Hingley who has now left the Board for all the hard work and effort he expended on our behalf over a number of years, many of them far from easy.

As a result of 2006's progress we are now starting to see some improvement in our balance sheet position, albeit with a long way still to go. Further improvement here continues to be a major focus of our attention, as does the management of our cash position and of our creditors.

Prospects remain good and the Board remain optimistic that the Company will continue to build on the progress made over the last 18 months. I thank all those involved and look forward to reporting further progress.

J BARTLE

Chairman

30th March 2007

GARNER PLC (formerly Constellation Corporation plc)

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated profit and loss account on page 12.

The directors do not recommend payment of any dividends (2005: £Nil).

Retained losses carried forward are decreased by £298,000 (2005: £46,000).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as follows:

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

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

A C Garner retires by rotation, and being eligible, offers himself for re-election. S O'Brien, being appointed in January 2007, offers herself for re-election at the Annual General Meeting.

SUBSTANTIAL SHARE INTERESTS

As at 31 December 2006, the Company had been notified of the following interests in its issued share capital:

	Ordinary shares of 1.0p each
A C Garner	11,027,009
Pershing Keen Nominees Limited	3,718,490
R Robinson	3,001,748
Vidacos Nominees Limited	1,960,000
L R Nominees Limited	1,585,720
TD Waterhouse Nominees Limited	1,485,697
HSDL Nominees Limited	1,380,841

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

SHARE CAPITAL MOVEMENTS

Movements in share capital are included in note 16 to the Balance Sheet.

EMPLOYEE INVOLVEMENT

The company 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 (formerly Constellation Corporation plc)

DIRECTORS' REPORT

EMPLOYMENT OF DISABLED PERSONS

It is the Company'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 Company's policy to find them alternative suitable employment within the Group where possible.

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 Company at 31 December 2006, calculated in accordance with the requirements of the Companies Act 1985, were 62 days (2005: 149 days). This represents the ratio, expressed in days, between the amounts invoiced to the Company in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting Standards and applicable law). The financial statements are required by law to 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. 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 Company'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 Company's auditors are aware of that information.

CHARITABLE DONATIONS

Marie Curie

£1,000 (2005: £Nil)

GARNER PLC (formerly Constellation Corporation plc)

DIRECTORS' REPORT

AUDITORS

FW Stephens were appointed as auditors to the company on 8 January 2007 and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

R G ROBINSON

Secretary

30th March 2007

GARNER PLC (formerly Constellation Corporation plc)

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

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

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

GARNER PLC (formerly Constellation Corporation plc)

DIRECTORS' REMUNERATION REPORT

As a company listed on the Alternative Investment Market of the London Stock Exchange, Garner plc (formerly Constellation Corporation 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 Committee's composition, responsibilities and operation comply with the Combined Code. In forming its remuneration policy, the 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 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 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 2006 which has been approved and adopted by the Board of Directors for submission to the shareholders.

Composition

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

Policy for Executive Directors

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

a) Salary

Salaries are reviewed annually and the 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

There are no share options in existence at the year end.

f) Service Contracts

A C Garner has a service contract that is subject to 12 months notice by either party, and 36 months notice in the event of a takeover. The 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 (formerly Constellation Corporation plc)

DIRECTORS' REMUNERATION REPORT

Policy for Non-Executive Directors

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

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

Directors' Interest in Contracts

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

Directors' Interest in Shares and Options

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

	31 December 2006 Ordinary Shares of 1.0p Each	31 December 2005 Ordinary Shares of 0.1p Each
A C Garner	11,027,009	301,350,439
R G Robinson	3,001,748	-
B R Lakefield	700,000	35,000,000
J Bartle	477,153	6,000,000
R S Hingley	397,143	2,000,000

Audited information:

Directors' Emoluments

The emoluments of the directors of the company for the year ended 31 December 2006 were as follows:-

	Salary and fees £000	Benefits £000	Pensions £000	Total 31 Dec 2006 £000	31 Dec 2005 £000
Executive Director					
A C Garner	255	5	-	260	172
Non-Executive Directors					
J Bartle	10	-	-	10	-
R G Robinson	10	-	-	10	-
R S Hingley	10	-	-	10	-
B R Lakefield	-	-	-	-	-
	<u>285</u>	<u>5</u>	<u>-</u>	<u>290</u>	<u>172</u>

GARNER PLC (formerly Constellation Corporation plc)

DIRECTORS' REMUNERATION REPORT

Directors' Emoluments (continued)

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

	31 December 2006 £000	31 December 2005 £000
A C Garner	-	33
J Bartle	10	20
R G Robinson	10	15
R S Hingley	10	15
B R Lakefield	15	15
	<u> </u>	<u> </u>

R G ROBINSON

Chairman of the Remuneration Committee

30th March 2007

GARNER PLC (formerly Constellation Corporation plc)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GARNER PLC (formerly Constellation Corporation plc)

We have audited the financial statements of Garner plc (formerly Constellation Corporation plc) for the year ended 31 December 2006 which comprise the Group Profit and Loss Account, Group and Company Balance Sheets, Group Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared under 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 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

GARNER PLC (formerly Constellation Corporation plc)

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF GARNER PLC (formerly Constellation Corporation plc)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 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 is consistent with the financial statements.

FW Stephens

.....

Chartered Accountants and Registered Auditors

30th March 2007

24 Chiswell Street
London
EC1Y 4YX

GARNER PLC (formerly Constellation Corporation plc)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

	Note	31 December 2006 £000	31 December 2005 £000
TURNOVER	2	<u>2,612</u>	<u>1,580</u>
ADMINISTRATIVE EXPENSES		<u>(2,045)</u>	<u>(1,426)</u>
TOTAL OPERATING PROFIT		567	154
Interest payable and similar charges	4	<u>(116)</u>	<u>(108)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	451	46
Tax on profit on ordinary activities	6	<u>(153)</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		298	46
Dividends – including other finance charges in respect of non-equity shares		<u>-</u>	<u>-</u>
RETAINED PROFIT FOR THE YEAR		<u>298</u>	<u>46</u>
Profit per share - Basic and diluted	7	<u>0.97p</u>	<u>0.00p</u>

All activity arose from continuing operations.

There are no recognised gains and losses other than the gains for the current year and the losses for the current and previous years. Accordingly, no statement of total recognised gains and losses is given.

GARNER PLC (formerly Constellation Corporation plc)

CONSOLIDATED BALANCE SHEET
31 December 2006

	Notes	31 December 2006		31 December 2005	
		£000	£000	£000	£000
FIXED ASSETS					
Intangible assets - Goodwill	9		892		959
Tangible assets	10		16		-
			<u>908</u>		<u>959</u>
CURRENT ASSETS					
Debtors	12	671		303	
Investments	13	-		-	
Cash at bank and in hand		-		4	
		<u>671</u>		<u>307</u>	
CREDITORS: amounts falling due within one year	14	<u>(2,845)</u>		<u>(3,105)</u>	
NET CURRENT LIABILITIES			<u>(2,174)</u>		<u>(2,798)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(1,266)</u>		<u>(1,839)</u>
CREDITORS: amounts falling due after more than one year	15		<u>(504)</u>		<u>(678)</u>
NET LIABILITIES			<u><u>(1,770)</u></u>		<u><u>(2,517)</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		4,942		4,795
Share premium account	17		3,845		3,543
Profit and loss account	17		<u>(10,557)</u>		<u>(10,855)</u>
TOTAL SHAREHOLDERS' FUNDS			<u><u>(1,770)</u></u>		<u><u>(2,517)</u></u>

These financial statements were approved by the Board of Directors on 30th March 2007

Signed on behalf of the Board of Directors

A C GARNER
 Director

R G ROBINSON
 Director

GARNER PLC (formerly Constellation Corporation plc)

BALANCE SHEET 31 December 2006

	Notes	31 December 2006		31 December 2005	
		£000	£000	£000	£000
FIXED ASSETS					
Investments	11		1,225		1,225
CURRENT ASSETS					
Debtors	12	6		95	
Cash at bank and in hand		-		-	
		<u>6</u>		<u>95</u>	
CREDITORS: amounts falling due within one year	14	<u>(2,125)</u>		<u>(2,417)</u>	
NET CURRENT LIABILITIES			<u>(2,119)</u>		<u>(2,322)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(894)		(1,097)
CREDITORS: amounts falling due after more than one year	15		<u>(504)</u>		<u>(678)</u>
NET LIABILITIES			<u>(1,398)</u>		<u>(1,775)</u>
CAPITAL AND RESERVES					
Called up share capital	16		4,942		4,795
Share premium account	17		3,845		3,543
Profit and loss account	17		<u>(10,185)</u>		<u>(10,113)</u>
TOTAL SHAREHOLDERS' DEFICIT			<u>(1,398)</u>		<u>(1,775)</u>

These financial statements were approved by the Board of Directors 30th March 2007

Signed on behalf of the Board of Directors

A C GARNER
Director

R G ROBINSON
Director

GARNER PLC (formerly Constellation Corporation plc)**CONSOLIDATED CASH FLOW STATEMENT****Year ended 31 December 2006**

	Notes	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Net cash inflow from operating activities	(i)	90	148
Returns on investment and servicing of finance	(ii)	(116)	(108)
Capital expenditure and financial investment	(ii)	(20)	-
		<hr/>	<hr/>
Cash flow before use of liquid resources and financing		(46)	40
Financing	(ii)	67	(66)
		<hr/>	<hr/>
Increase / (decrease) in net cash in the period		<u>21</u>	<u>(26)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Increase / (decrease) in cash in the period		21	(26)
Net movement on secured loans		76	143
Directors loan repayment/(advance)		300	(80)
		<hr/>	<hr/>
Changes in net debt resulting from cash flows	(iii)	397	37
		<hr/>	<hr/>
Net debt at start of period	(iii)	(1,684)	(1,721)
		<hr/>	<hr/>
Net debt at end period	(iii)	<u>(1,287)</u>	<u>(1,684)</u>

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

(i) RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Operating profit	567	154
Depreciation	4	6
Amortisation	69	69
(Increase) / decrease in debtors	(368)	(128)
(Decrease) / increase in creditors	(182)	47
	<hr/>	<hr/>
Net cash inflow from operating activities	90	148
	<hr/> <hr/>	<hr/> <hr/>

(ii) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Returns on investments and servicing of finance		
Interest received	-	-
Interest paid	(116)	(108)
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	(116)	(108)
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(20)	-
	<hr/>	<hr/>
Net cash (outflow) from capital expenditure and financial investment	(20)	-
	<hr/> <hr/>	<hr/> <hr/>
Financing		
Net cash inflow from equity placings	445	-
Repayment of secured loans	(174)	(160)
Repayment of advances from Directors	(300)	80
Increase in invoice discounting	96	14
	<hr/>	<hr/>
Net cash inflow / (outflow) from financing	67	(66)
	<hr/> <hr/>	<hr/> <hr/>

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

(iii) ANALYSIS OF NET DEBT

	At 1 January 2006 £000	Cash flow £000	At 31 December 2006 £000
Cash in hand and at bank	4	(4)	-
Bank overdraft	(50)	25	(25)
	<hr/>	<hr/>	<hr/>
Total for cash at bank and overdraft	(46)	21	(25)
Debt due within one year	(563)	(99)	(662)
Debt due after one year	(678)	175	(503)
Directors loan account	(397)	300	(97)
	<hr/>	<hr/>	<hr/>
	(1,684)	397	(1,287)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Although the accounts disclose a net liabilities position as at 31 December 2006 the accounts have been prepared on a going concern basis due to current trading levels and cash generation being in excess of required payments to creditors. The group remains dependant on the continuing support of its bankers who have confirmed their intention to extend the existing facilities through to 31 May 2008.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2006. The results of subsidiaries sold and acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

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

Basis of preparation of the financial statements

Goodwill

Goodwill in respect of acquisitions arising after the introduction of FRS 10 "Goodwill and intangible assets" is shown as an asset and each acquisition is assessed to determine the useful economic life of the business and the goodwill. Goodwill relating to the acquisitions made by the Company is an inseparable part of the total value of the relevant business and such businesses if properly managed, should grow in value over the years and hence neither the value of the business nor the goodwill have a measurable economic life. Where it is considered that the value of the business or its goodwill do have a measurable economic life, the goodwill would be amortised through the profit and loss account by equal annual instalments over such useful economic life.

Goodwill arising from the acquisitions is amortised over 20 years. The directors consider this to be appropriate given the relatively high barriers of entry to the specialist field of executive search together with their commitment to investing in this business over the long term to sustain value.

The profit or loss on disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

Where the useful economic life does not exceed 20 years, goodwill would be subject to an impairment review at the end of the first full year after acquisition and at any other time if the directors believe that impairment may have occurred. Any impairment will be charged to the profit and loss account in the period in which it arises.

Pre FRS 10 goodwill has been written off directly to reserves as a matter of accounting policy, where the business to which this relates is subsequently disposed of such goodwill will be charged to the profit and loss account.

Tangible fixed assets

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

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

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

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 profit and loss account.

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Leases

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

Deferred taxation

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

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

Investments

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

Revenue Recognition

Revenue comprises the fair value of the sale of services, net of value-added tax, rebates and discounts. Revenue is recognised on the percentage completion basis, using pre-specified milestones to trigger invoices, typically in three stages, being retainer fee, shortlist and placement.

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 profit and loss account as incurred.

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

2. SEGMENTAL ANALYSIS

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

Class of business	Turnover		Profit before tax		Net liabilities	
	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2005 £000	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2005 £000	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2005 £000
Continuing operations:						
Executive search	2,612	1,580	636	224	(1,770)	(2,517)
Corporate central costs			(69)	(70)		
Interest payable			(116)	(108)		
Interest receivable			-	-		
			451	46		
Geographical analysis by destination	Turnover		Profit/(loss) before tax		Net liabilities	
	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2005 £000	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2005 £000	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2005 £000
United Kingdom	2,353	1,530	407	(4)	(1,770)	(2,517)
Europe	164	15	28	15	-	-
Other	95	35	16	35	-	-
	2,612	1,580	451	46	(1,770)	(2,517)

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

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
Owned assets	4	6
Amortisation of intangible fixed assets	69	69
Operating lease rentals:		
Land and buildings	120	152
Auditors' remuneration:		
Audit work – Group	15	15

The Company audit fee in the year was £4,000 (2005: £10,000).

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2006

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
On bank loans and overdrafts	116	108
	<u>116</u>	<u>108</u>

5. STAFF COSTS

	Year ended 31 December 2006 No.	Year ended 31 December 2005 No.
The average number of full time equivalent persons (including directors) employed by the Group during the period was as follows:		
Sales and related services	9	5
Administration	4	3
	<u>13</u>	<u>8</u>
	£000	£000
Staff costs (for the above persons):		
Wages and salaries	1,190	574
Social security costs	112	69
Pension costs	14	6
	<u>1,316</u>	<u>649</u>

The emoluments of the directors are disclosed as required by the Companies Act 1985 on page 8 in the Report on Remuneration. 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 (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Taxation is based on the profit for the year and comprises:		
United Kingdom corporation tax at 30% based on profit for the year	153	-
Adjustment in respect of previous years	-	-
	<u>153</u>	<u>-</u>

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

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Profit on ordinary activities before taxation	<u>451</u>	<u>46</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005: 30%)	135	14
Effects of:		
Expenses not deductible for tax purposes	4	3
Adjustment to losses group relieved	(20)	(17)
Capital allowances	(2)	-
Other adjustments	<u>36</u>	<u>-</u>
Current tax charge for the year	<u>153</u>	<u>-</u>

7. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

In accordance with FRS 14, earnings per ordinary share of 0.97p (2005: 0.00p) has been calculated by dividing the profit on ordinary activities after taxation and non-equity dividends of £298,000 (2005: £46,000) by 30,594,733 (2005: 1,045,967,675), 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 2006 (2005: nil) available for conversion and so diluted earnings per ordinary share is also 0.97p.

8. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the year amounted to £72,000 (2005: loss of £64,000).

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2006

9. INTANGIBLE FIXED ASSETS

Group	Goodwill £000
Cost	
At 1 January and 31 December 2006	4,813
Amortisation	
At 1 January 2006	3,854
Charge for period	67
At 31 December 2006	3,921
Net book value	
At 31 December 2006	892
At 1 January 2006	959

Goodwill arising from the acquisitions is amortised over 20 years. The directors consider this to be appropriate given the relatively high barriers of entry to the specialist field of executive search together with their commitment to investing in this business over the long term to sustain value.

The directors have reviewed goodwill for impairment and consider that no adjustment is necessary to the carrying value at this time.

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

10. TANGIBLE FIXED ASSETS

	Land and buildings - leasehold	Short leasehold improvements	Fixtures and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2006	-	64	76	140
Additions	17	-	4	21
Disposals	-	(64)	-	(64)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	17	-	80	97
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 January 2006	-	64	76	140
Disposals	-	(64)	-	(64)
Charge for the period	3	-	1	4
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	3	-	77	80
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2006	14	-	3	17
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2005	-	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group had no capital commitments as at 31 December 2006 (2005: £Nil). These assets are owned by Group companies; the Company has no fixed assets.

11. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £000
Cost	
At 1 January and 31 December 2006	4,743
	<hr/>
Provision for impairment	
At 1 January and 31 December 2006	3,518
	<hr/>
Net book value	
At 31 December 2006	1,225
	<hr/> <hr/>
At 31 December 2005	1,225
	<hr/> <hr/>

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

11. FIXED ASSET INVESTMENTS (continued)

Principal Group investments

	Country of incorporation or registration and operation	Principal activities	Description and proportion of shares held by the company	Profit After Tax	Capital Deficiency
Garner International Limited	England and Wales	Executive search	100% ordinary shares	£436,000	£64,000

12. DEBTORS

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Trade debtors	612	171	-	-
Amounts owed by group undertakings	-	-	-	94
Other debtors	5	96	5	-
Prepayments and accrued income	54	36	1	1
	<u>671</u>	<u>303</u>	<u>6</u>	<u>95</u>

13. CURRENT ASSET INVESTMENTS

GROUP	Unquoted investments £000
Cost	
At 1 January and 31 December 2006	<u>50</u>
Provision	
At 31 December 2006 and 2005	<u>50</u>
Net book value	
At 31 December 2006	<u>-</u>
At 31 December 2005	<u>-</u>

The Group holds 100% of the preference share capital of Trac Communications Limited, a company incorporated in England and Wales. The Directors estimate the value of this investment to be £Nil (2005: £Nil). The shares are convertible on the request of the Company into ordinary shares representing 16% of the equity capital of Trac Communications Limited.

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank loans and overdraft (note 21)	688	614	482	526
Trade creditors	112	417	38	284
Due to group undertakings	-	-	240	25
Corporation tax payable	244	91	-	-
Other taxation and social security	169	285	-	-
Other creditors	84	22	21	-
Preference share conversion	1,213	1,228	1,213	1,228
Directors loan account	97	397	97	317
Accruals	238	51	34	37
	<u>2,845</u>	<u>3,105</u>	<u>2,125</u>	<u>2,417</u>

Bank loans and overdrafts are secured on the trade debtors of the company. The value of trade debtors in note 12 is £612,000 (2005:£172,000). Accruals include a sum for bonus of £176,000 (2005: nil)

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank loans	<u>504</u>	<u>678</u>	<u>504</u>	<u>678</u>

A maturity analysis of the above borrowings and further details of bank loans, debentures and other loans are given in note 21.

The bank loans relate to advances from Lloyds TSB plc. The loans bear interest rates of between 2% and 3.5% per annum above bank base rate. The loans together with the overdraft, are secured by a letter of set off and guarantee between the bank, the Company and Garner International Limited over all assets.

16. CALLED UP SHARE CAPITAL

	2006	2005
	£000	£000
Authorised:		
293,783,056 Ordinary shares of 1.0p each	2,938	-
23,342,400 Deferred A shares of 4.0p each	934	-
3,871,526,560 Ordinary shares of 0.1p each	-	3,872
907,118,360 Deferred shares of 0.4p each	3,628	3,628
1,745,226 Preference shares of 50p each	873	873
	<u>8,373</u>	<u>8,373</u>
Allotted and fully paid:		
37,968,937 Ordinary shares of 1.0p each	380	-
23,342,400 Deferred A shares of 4.0p each	934	-
1,167,118,360 Ordinary shares of 0.1p each	-	1,167
907,118,360 Deferred shares of 0.4p each	3,628	3,628
	<u>4,942</u>	<u>4,795</u>

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

16. CALLED UP SHARE CAPITAL (continued)

There are also 1,043,566 5p preference shares of 50p each allotted and fully paid with a nominal value of £523,783. The value of these shares, along with their associated premium and accrued dividend is classified under Creditors: amounts falling due within one year.

Capital Reconstruction

On 27 June 2006 an Extraordinary General Meeting was convened for the purposes of authorising the restructuring of the Company's share capital. The restructuring took place on the 3 July 2006 as follows:

1,167,120,000 Ordinary shares of 0.1p were converted to 233,424 £5 shares. These £5 shares were then converted to 23,342,400 shares of 5p and further converted to 23,342,400 Ordinary shares of 1p and 23,342,400 Deferred A shares of 4p.

Following this reconstruction 14,626,537 Ordinary shares of 1p were issued for the following consideration:

	Nominal Value £000	Consideration £000
Placing of 3,785,714 1p ordinary shares at 3.5p per share	38	133
New issue of 857,143 1p ordinary shares at par	9	9
Issue of 9,983,680 1p ordinary shares in respect of Debt capitalisation	100	349
	<u>147</u>	<u>491</u>

5p (gross) Preference shares

The period for conversion of these shares has now passed and so they are no longer convertible. The Preference shares carry the right to a fixed cumulative preferential dividend of 5p (gross) per annum payable half yearly on 30 April and 31 October in each year in respect of the previous half year. The right to this dividend ceased on 30 June 2003.

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

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

The Company should have redeemed any unconverted Convertible Preference shares on 31 January 2003. The amount payable on redemption would have been the sum of 100p for each 50p share plus any arrears or accruals of the fixed dividend thereon. The Company had insufficient distributable reserves at this time and therefore no redemption was possible. The conversion period has now expired and so the Convertible Preference shares are no longer convertible.

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

17. SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £000	Other reserve £000	Profit and loss account £000	Total £000
At 1 January 2006	3,543	-	(10,855)	(7,312)
Profit for the period	-	-	298	298
Share issues	344	-	-	344
Expenses of share issues	(42)	-	-	(42)
	<u>3,845</u>	<u>-</u>	<u>(10,557)</u>	<u>(6,712)</u>

The cumulative amount of goodwill from pre 27 July 1997 acquisitions which has been written off to Group reserves, after deducting goodwill attributable to subsidiary undertakings disposed of is £411,000 (2005: £411,000).

Company	Share premium account £000	Other reserve £000	Profit and loss account £000	Total £000
At 1 January 2006	3,543	-	(10,113)	(6,570)
Loss for the period	-	-	(72)	(72)
Share issues	344	-	-	344
Expenses of share issues	(42)	-	-	(42)
	<u>3,845</u>	<u>-</u>	<u>(10,185)</u>	<u>(6,340)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

21. 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 debtors and trade creditors 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 Financial Reporting Standard No. 13 not to provide numerical disclosures in relation to short-term debtors and creditors.

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

Interest rate risk

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

Liquidity risk

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

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

Currency risk

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

Financial assets:

£nil (2005: £4,000) 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.

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2006

21. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

MATURITY PROFILE OF FINANCIAL LIABILITIES

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Analysis of loan repayments				
Bank loans and overdrafts:				
In one year or less or on demand	688	614	482	526
In more than one year but not more than two years	156	156	156	156
In more than two years but not more than five years	348	468	348	468
In more than five years	-	54	-	54
Debentures and other loans:				
In one year or less or on demand	1,213	1,228	1,213	1,228
Directors' loan accounts				
In one year or less or on demand	97	397	97	317
	<u>2,502</u>	<u>2,917</u>	<u>2,296</u>	<u>2,749</u>

The Group had no undrawn committed borrowing facilities at the year end (2005: nil).

INTEREST RATE PROFILE

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

	2006 £000	2005 £000
Floating rate financial liabilities	1,192	1,292
Fixed rate financial liabilities	-	-
Non interest bearing financial liabilities		
- non equity shares	1,213	1,228
- directors loan account	97	397
	<u>2,502</u>	<u>2,917</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.

GARNER PLC (formerly Constellation Corporation plc)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

21. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	2006		2005	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Bank overdraft	-	-	50	50
Bank loan	1,192	1,192	1,242	1,242
Directors loan	97	97	397	397
	<u>1,289</u>	<u>1,289</u>	<u>1,689</u>	<u>1,689</u>
Non-equity share redemption value	1,213	1,213	1,228	1,228
	<u>2,502</u>	<u>2,502</u>	<u>2,917</u>	<u>2,917</u>

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

22. RELATED PARTY TRANSACTIONS

During the year the directors acquired 1p ordinary shares in the Group, by way of a placing or debt capitalisation as follows:

	No. of shares
A C Garner	11,027,009
R G Robinson	3,001,748
B R Lakefield	700,000
J Bartle	477,153
R S Hingley	397,143

During the previous year A C Garner loaned the Group £80,000 in addition to the loans made by himself and some of the other directors to assist with its working capital requirements. The balances on these loan accounts at 31 December 2006 were: A C Garner £147,000 (2005:£372,000), J Bartle £nil (2005: £12,500) and R S Hingley £nil (2005: £12,500). 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 overdraft and J Bartle and B R Lakefield have jointly guaranteed a further £100,000 of bank overdraft.

During the year ended 31 December 2002, the Company obtained acquisitions advisory services of £48,000 from Anderson Barrowcliff where R G Robinson is a partner. This amount was settled by conversion of debt to equity during the year.

GARNER Plc (Formerly Constellation Plc)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 69th Annual General Meeting of Garner plc (formally Constellation Corporation Plc) will be held at the registered office of Field Fisher Waterhouse, 35 Vine Street, London, EC3N 2AA at 2.00pm, Tuesday 8th May 2007 for the following purposes:

Ordinary Business

- 1 To receive and adopt the statement of accounts of the Company for the year ended 31st December 2006 together with the reports of the Directors and Auditors thereon.
- 2 To re-elect A C Garner as a Director of the Company who retires and offers himself for re-election.
- 3 To elect S O'Brien as a Director, who upon appointment in January 2007 automatically offers herself for election
- 4 To appoint FW Stephens as Auditors to act as such until the conclusion of the next Annual General Meeting of the Company at which the requirements of Section 241 (1) of the Companies Act 1985 will be complied with and to authorise the Directors of the Company to fix their remuneration.

Special Business

To consider and, if thought fit, to pass the following Resolutions, Resolution 5 being proposed as an Ordinary Resolution and Resolution 6 as a Special Resolution

- 5 That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of £125,298; and this authority will expire at the conclusion of the next Annual General Meeting of the Company save that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.
- 6 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 5 above as if Section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an issue in favour of the holders of ordinary shares in the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to exclusions or other arrangements which the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or exchange in any territory; and
 - (b) the allotment (otherwise in pursuant to subparagraph (a) above) of equity securities up to a maximum aggregate nominal amount of £37,590, 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

30th March 2007

Registered office:
6 Derby Street
London
W1J 7AD

www.garnerinternational.com

Notes:

- 1 A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member. A form of proxy is enclosed.
- 2 To be effective, completed forms of proxy and the power of attorney or other authority (if any) under which they are signed or a copy of that power or authority certified notarially or in accordance with the Powers of Attorney Act 1971 must be lodged in accordance with the instructions printed thereon, not later than 48 hours before the time appointed for the meeting or any adjourned meeting.
- 3 Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he wish to do so.
- 4 The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those members registered in the register of members of the Company as at 10.00a.m. on 4 May 2007 shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at this meeting.