

# MALLETT PLC

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## Press release

8<sup>th</sup> December 2006

### Mallett PLC

Mallett PLC has exchanged contracts on the purchase of the freehold property at 49 Clapham High Street, London for £1.9 million. Completion is expected to be on 10<sup>th</sup> January 2007 and it is anticipated that a substantial part of the purchase price will ultimately be financed by a bank loan.

Paula Hunt, who has provided more than 30 years of service to Mallett, including over 10 years on the Board, will be leaving Mallett at the end of 2006. The Board would like to thank her for her valuable contribution to the Group over that time.

A letter is being sent to shareholders today giving more detail on both of these announcements and some details on three other initiatives being undertaken by the Group. A full transcript of that letter is given below.

A copy of the letter has been submitted to the FSA and will shortly be available for inspection at the Document Viewing Facility which is situated at 25 The North Colonnade, Canary Wharf, London E14 5HS

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## **Directors**

George M. Magan, F.C.A.\* (Chairman)  
Lanto M. Synge (Group Chief Executive)  
Paula C. Hunt  
Giles H. Hutchinson Smith  
M. Henry G. Neville  
Michael A. Smyth-Osbourne  
Thomas E. Woodham-Smith

*\* Non-executive director*

8<sup>th</sup> December 2006

Dear Shareholder

**Please note that this letter is for information purposes only and does not require any action on your part.**

### **1. Introduction**

Your Board today is pleased to announce four initiatives which it believes will enhance the long term growth and value of the Group.

This letter is intended to provide you with details on each of the initiatives and also provide an update on the sale of Bourdon House and on the future composition of the Board following a number of changes during this year.

### **2. The initiatives**

#### **2.1 *Proposed merger of Mallett's antiques restoration department with H.J. Hatfield & Sons ("Hatfields")***

Mallett PLC ("Mallett") and Gurr Johns Limited ("Gurr Johns") have signed a non-legally binding Memorandum of Understanding to merge their respective antiques restoration businesses.

Gurr Johns' restoration business, Hatfields, is a long established and highly respected restoration business with four employees, approximately 1,200 clients and a particular reputation for the restoration of metalwork and French and Italian furniture. Gurr Johns' principal business is an art valuation and advisory business based in London, New York and Paris, with approximately 10,000 clients worldwide.

Mallett's restoration team of six employees is also highly respected, focussing on the restoration of fine English furniture. A merger with Hatfields will establish a market leading multi-skilled restoration business which will be able to benefit from the significant client base of both Mallett and Gurr Johns to offer a restoration service that covers a wide range of decorative art.

It is intended that Mallett will own 60% and Gurr Johns will own 40% of the merged entity, which will be called H.J. Hatfield & Sons Limited. It is currently anticipated that the shareholders will inject £100,000 into the merged entity, pro rata to their shareholding, and thereafter it is expected that the business will finance itself from its operating cashflows. A further announcement will be made when the merger arrangements have been finalised.

## ***2.2 The purchase of a freehold property in Clapham, London for £1.9 million***

We have today announced that Mallett has exchanged contracts with Sheppard Day Developments LLP to purchase the freehold property at 49 Clapham High Street, London for £1.9 million. The property will be used predominantly by the antiques restoration team and will be the location of the Hatfields operation if the merger with Hatfields proceeds. The remaining space will be used for storage and exhibitions and rented to other third parties as appropriate.

Mallett's restoration team has been established in Bourdon House for many years. Following the announcement on 31<sup>st</sup> August 2006 of the sale of Bourdon House, which is expected to complete by 22<sup>nd</sup> December 2006, a comprehensive search has been undertaken within the rental, leasehold and freehold market to find suitable premises in which to relocate the restoration team.

Your Board has decided that this property represents the most appropriate premises, in terms of size and location, to minimise the property cost associated with the restoration team and storage facilities and maximise the growth potential of the restoration team.

Completion of the transaction is expected to be on 10<sup>th</sup> January 2007. It is anticipated that a substantial part of the purchase price will ultimately be financed by a bank loan and that Hatfields and other third parties will rent the space they use at a market rate to ensure shareholder value is maximised.

## ***2.3 The commissioning and marketing of contemporary designs by leading and upcoming designers***

Your Board has approved spending of up to £1 million in developing a line of contemporary furniture and decorative arts. This will employ traditional materials, reflecting the high quality of the antique furniture we have traditionally offered to our clients. We believe that this strategic development responds to the trend within the broader art market towards collecting contemporary art and design.

Given our in-depth understanding of materials, techniques, and of the craftsmen still available to produce such highly-finished works, Mallett is in a strong position to create pieces of exceptional quality and aesthetic originality. We have commissioned an international group of leading contemporary architects and designers to develop a range of products exclusively for Mallett.

Your Board is confident that this new collection will find an enthusiastic response not only from our present clientele, who understand and support the costs associated with

the development of labour-intensive pieces, but also from the younger collector focusing on signed and numbered editions of contemporary art and design.

#### **2.4 *The sale of selected items of stock from Bourdon House through an auction at Sotheby's on 9<sup>th</sup> March 2007***

As shown by the initiatives described above and the sale of Bourdon House announced in August, your Board is looking to respond to the changing market conditions to maintain the long term growth of the Group.

To this end, the Board has asked Sotheby's to host an auction of selected items of stock from Bourdon House, valued in the region of £3.5 million, on 9<sup>th</sup> March 2007. The proceeds of the sale will be reinvested in stock which fits the future direction of the Group.

### **3. Bourdon House**

Shareholder approval was received at an Extraordinary General Meeting on 25<sup>th</sup> September for the sale of Bourdon House to Richemont Holdings (UK) Limited for £14.25 million.

Your Board is now considering the uses for the cash proceeds from the sale taking into account the investment opportunities described above and other cash requirements of the Group. We have not finalised the amounts required for all the cash requirements, but it is likely that a substantial portion of the after tax cash proceeds will be returned to shareholders.

### **4. Board composition**

Your Board has announced today that Paula Hunt will be leaving Mallett at the end of 2006. Paula has provided more than 30 years of service to Mallett, including more than 10 years on the Board, and the Board would like to thank her for her valuable contribution to the Group over that time.

We are now actively looking to recruit two new independent non-executive directors to the Board following the departures of Sir Keith Stuart, the Hon. Mrs Laura Weinstock and Simon de Zoete last month. This will bring the Board composition back in line with the Combined Code as it applies to companies outside the FTSE 350. We believe the addition of two new independent non-executive members to the expertise and experience of the current members of the Board will provide the ideal combination to take the Group forward over the coming years. This will bring a return to the stability and continuity in the Board that has served your company so well over the years.

### **5. Conclusion**

2006 has seen the Group successfully undertaking the largest transaction in its history while trading conditions have remained challenging throughout the year. Your Board feels confident that the new initiatives described above, combined with a continued

focus on our core business of dealing in high quality antique furniture and works of art, will enhance the long term prospects of the Group.

Yours sincerely

**George M. Magan**  
Chairman

*If you have sold or transferred all your shares in Mallett PLC, please forward this letter at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for the transmission to the purchaser or transferee.*