

MALLETT PLC

Chairman's Statement

Dear Shareholder

The first six months of 2007 saw Mallett undertake a number of significant one-off events. We sold 550 items of stock through an auction at Sotheby's; we merged our restoration workshop with the restoration business, H J Hatfield & Sons Limited ("Hatfields"); and we successfully returned £8.7m to shareholders through a B Share Scheme and special interim dividend. In addition, we have appointed three new non-executive directors, Lord Daresbury, James Heneage and Eloy Michotte, and I am delighted to welcome them to the Board.

At the same time, trading continues to be challenging and unpredictable, but I am pleased to report an increase in profits over the same period for last year principally due to the impact of the Sotheby's stock sale.

Trading performance

Our interim results for the six months ended 30th June 2007 show an increase in turnover of 21% from the same period last year to £10,666,000 (2006 - £8,814,000) and an increase in operating profit of 3% to £1,143,000 (2006 - £1,112,000). These results include £2,151,000 (net of VAT) of turnover and £192,000 of operating profit from the Sotheby's stock sale, after taking account of the £1,533,000 provision made in the results for the year ended 31st December 2006.

Trading from our US operation has been strong but Group results have been adversely affected by the significantly weaker dollar than for the same period last year. Our picture department has also enjoyed a successful first six months of the year and this is an area we hope to expand over the next year. Trading from the UK operation has been slower than for the same period last year, excluding the one-off Sotheby's stock sale, reflecting fewer American visitors and the current dominant fashion for contemporary art.

Profit before tax for the six months ended 30th June 2007 has increased 25% over the same period last year to £1,446,000 (2006 - £1,156,000), buoyed by £195,000 of additional interest earned from the cash proceeds of the sale of Bourdon House, the majority of which we have now returned to shareholders. This has helped to increase basic and diluted earnings per share to 7.60 pence (2006 - 5.48 pence). Having paid a special interim dividend of 5 pence per share in June as part of the return of £8.7m to shareholders, the Board has approved a further interim dividend of 2.4 pence per share (2006 - 2.4 pence per share). This will be paid on 21st September 2007 to shareholders on the register on 24th August 2007.

Outlook for the second half

We expect little change in trading conditions for the second half of the year, with a slow start over the summer period, but improving in the fourth quarter of the year, all impacted by continued weakness in the dollar. We expect costs to increase in the run up to the exciting launch of our first range of contemporary designs products which is still planned for December and we expect a small contribution from Hatfields, which is now operating satisfactorily following the merger in April. In addition, we hope to finalise the level of contribution the company should make into the pension scheme in order to address the funding deficit and we will continue to reinvest the proceeds of the Sotheby's sale in new stock acquisitions.

G.M. Magan
Chairman

9th August 2007

Contact:	Lanto Synge (CEO)	020 7499 7411
	Michael Smyth-Osbourne (FD)	020 7499 7411

MALLET PLC

Consolidated Interim Income Statement for the 6 months ended 30th June 2007

	<i>Notes</i>	6 months ended 30th June 2007 £,000	6 months ended 30th June 2006 £,000
REVENUE		<u>10,666</u>	<u>8,814</u>
OPERATING PROFIT		1,143	1,112
Investment income (net)		<u>303</u>	<u>44</u>
PROFIT BEFORE TAXATION		1,446	1,156
Tax	3	<u>(411)</u>	<u>(401)</u>
PROFIT AFTER TAX		1,035	755
Minority Interest		<u>2</u>	<u>-</u>
PROFIT FOR THE PERIOD		<u>1,037</u>	<u>755</u>
Basic and diluted earnings per share	4	<u>7.60p</u>	<u>5.48p</u>

Consolidated Statement of Recognised Income and Expenses

	<i>Notes</i>	6 months ended 30th June 2007 £,000	6 months ended 30th June 2006 £,000
PROFIT FOR THE PERIOD		1,037	755
Exchange difference on translation of foreign operation		(109)	145
Actuarial gain on the defined benefit pension schemes		193	138
Merger investment costs		<u>(52)</u>	<u>-</u>
Total recognised income and expenses for the period		<u>1,069</u>	<u>1,038</u>

MALLETT PLC**Consolidated Balance Sheet
at 30th June 2007**

	<i>Notes</i>	30th June 2007 £,000	31st Dec 2006 £,000
NON-CURRENT ASSETS			
Property, plant and equipment		<u>4,756</u>	<u>4,656</u>
CURRENT ASSETS			
Inventories		17,442	19,033
Trade and other receivables		3,430	4,103
Cash and cash equivalents		4,861	16,175
		<u>25,733</u>	<u>39,311</u>
TOTAL ASSETS		<u>30,489</u>	<u>43,967</u>
EQUITIES AND LIABILITIES			
Share capital		690	690
Share premium account		-	5,168
Capital redemption reserve		5,168	-
Own shares		(457)	(494)
Revenue reserve		21,065	29,897
Minority Interests		38	-
TOTAL EQUITY		<u>26,504</u>	<u>35,261</u>
CURRENT LIABILITIES			
Trade and other payables		3,111	4,914
Tax liabilities		<u>276</u>	<u>2,934</u>
		<u>3,387</u>	<u>7,848</u>
NON-CURRENT LIABILITIES			
Retirement benefit pension obligations		925	1,126
Deferred tax	2	<u>(327)</u>	<u>(268)</u>
		<u>598</u>	<u>858</u>
TOTAL LIABILITIES		<u>3,985</u>	<u>8,706</u>
TOTAL EQUITY AND LIABILITIES		<u>30,489</u>	<u>43,967</u>

MALLETT PLC

**Consolidated Cash Flow Statement
for the 6 months ended 30th June 2007**

	6 months ended 30th June 2007 £,000	6 months ended 30th June 2006 £,000
Net cash from operating activities	1,898	1,462
Returns on investment and servicing of finance	305	44
Tax paid	(3,102)	(321)
Capital expenditure and financial investment	(224)	(75)
B Share Scheme payments	(8,173)	-
Merger investment costs	(52)	-
Equity dividends paid	(1,628)	(938)
Exchange differences	<u>(274)</u>	<u>145</u>
Net (decrease)/increase in cash for the period	<u>(11,250)</u>	<u>317</u>

MALLETT PLC

Consolidated interim statement of changes in shareholders' equity for the 6 months ended 30th June 2007

	Share capital £'000	Share premium £'000	Capital redempt- ion reserve £'000	Revalua- tion reserve £'000	Own shares £'000	Revenue reserve £'000	Minority interests £'000	Total £'000
Balances at 30 th June 2006	690	5,168	-	1,018	(480)	20,729	-	27,125
Income in 6 months to 31 st December 2006						8,951		8,951
Deferred taxation				(12)		(187)		(199)
Net exchange profit						64		64
Transfer to income statement on disposal of property				(987)				(987)
Net (purchase)/ write off of investments in own shares					(14)			(14)
Actuarial gains						653		653
Equity dividends paid						(332)		(332)
Transfer on revalued assets				(19)		19		-
Balances at 31 st December 2006	690	5,168	-	-	(494)	29,897	-	35,261
Income in 6 months to 30 th June 2007						1,035		1,035
Minority Interest						2	(2)	-
Equity dividends paid						(1,628)		(1,628)
Merger investment costs						(52)		(52)
Net exchange loss						(108)		(108)
Actuarial gain						193		193
Return of cash to shareholders through B Share Scheme		(5,168)	5,168			(8,274)		(8,274)
Minority Interest							40	40
Net (purchase)/ write off of investments in own shares					37			37
Balances at 30 th June 2007	690	-	5,168	-	(457)	21,065	38	26,504

On 8th June 2007 the Company issued 13,800,060 B Shares of 37.45 pence each to its shareholders on the register on 7th June 2007 out of the share premium account. Those shareholders then had the choice of receiving 58 pence per B Share by way of a dividend or by way of a repurchase offer, as set out in a Circular to Shareholders dated 14th May 2007. On 15th June 2007, following elections received from shareholders, dividends totalling £3,953,000 became payable in respect of 6,816,000 B Shares, which were then converted into deferred shares of negligible value, and 6,837,000 B Shares were repurchased for a total cost of £3,965,000 and were cancelled. 147,000 B Shares remain outstanding which have been reclassified under current liabilities.

MALLETT PLC

Notes to the Interim Report

1. These accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

The interim statement for the six months are unaudited and do not constitute statutory accounts for the purposes of the Companies Acts. The accounts for the year ended 31st December 2006 have been filed with the Registrar of Companies and the auditors' report on those accounts was not qualified.

2. The deferred tax asset reflects the tax recoverable on the defined benefit obligations.
3. Taxation has been provided for at an estimated rate of 30% (2006 – 30%) taking into account £59,000 movement on deferred tax.
4. Basic and diluted earnings per share have been calculated on the profits for the period after taxation and divided by the weighted average number of shares in issue during the period of 13,640,144.
5. The directors have declared an interim dividend of 2.4p (net) (2006 – 2.4p) per ordinary share payable on 21st September 2007 to shareholders on the register on 24th August 2007.

Company Information

DIRECTORS	George M. Magan, F.C.A.*	<i>Chairman</i>
<i>*Non-executive</i>	Lanto M. Synge	<i>Group CEO</i>
	Lord Daresbury*	
	James Heneage*	
	Giles H. Hutchinson Smith	
	Eloy Michotte*	
	M. Henry G. Neville	
	Michael Smyth-Osbourne	Secretary
	Thomas E. Woodham-Smith	

REGISTERED OFFICE 141 New Bond Street
London W1S 2BS

COMPANY NUMBER 1838233

WEBSITE www.mallettantiques.com