

MALLETT PLC

Interim Report for the 6 months ended 30th June 2008

Dear Shareholder

Our interim results for the six months ended 30th June 2008 show an operating loss of £328,000 (2007 – profit of £1,143,000). Whilst it is disappointing to report a trading loss for the group, these results have been significantly impacted by the launch of two exciting new ventures in the period which, it is hoped, will take Mallett forward into the next stage of the development of the group.

Launch of two businesses

Firstly, we launched Meta, our contemporary designs business, and its first range of products to the press at the Salone Internazionale del Mobile in Milan on 15th April. This was followed by a sales exhibition in New York from 12th to 16th May. The range features nine products from five leading contemporary designers – Hani Rashid, Tord Boontje, Matali Crasset, Barber Osgerby and Wales & Wales – and coverage in the media has been exceptional with over 100 articles in international press and specialist magazines. Interest has been encouraging with sales in the 1½ months since the sales launch in New York totalling £182,000. However, the complexity of some of the designs, combined with the use of rare materials and traditional production techniques which is a key aspect to all of Meta's products, led to a delay in the launch and an increase in the overall cost of the project to the launch in May from £1,000,000 to £1,300,000. Costs of £1,032,000 have been charged to the income statement in the first six months of this year and £482,000 is included in inventories.

Secondly, we launched James Harvey British Art in April as our picture gallery in new premises in Chelsea, London. Separating out our picture department from Mallett in this way gives it a separate platform from which to market itself and grow under the leadership of James Harvey. James has been with Mallett for eighteen years and has established himself as a knowledgeable and respected expert on British artists from the 17th century to the present day. The fit-out of the new premises took three months at a cost of £150,000, but since the launch in April the gallery has had total sales of £1,010,000 which is a 35% increase on the group's picture sales for the six months ended 30th June 2007.

Core business

Excluding Meta, the group made an operating profit of £522,000 (2007 - £1,143,000) on turnover of £7,983,000 (2007 - £10,666,000). The 54% reduction in operating profit compared to the same period for last year reflects the difficult trading conditions currently seen in the antique art market and more generally in the retail sector. In addition, it reflects a 50% increase in the rent on our Bond Street showroom. The operational review being undertaken by the Board is focussing both on our sales strategy to improve revenues and our cost base. We anticipate being able to report our conclusions from the review in the course of the second half of the year.

Dividend

As mentioned above, the significant launch costs of Meta has meant that the group has made a loss for the six months to 30th June 2008. The loss after tax for the group is £197,000 (2007 – profit of £1,035,000) and basic and diluted earnings per share is -1.45 pence (2007 – 7.60 pence). The Board has therefore decided not to declare an interim dividend for the six month period to 30th June 2008 (2007 – 2.4 pence).

Outlook for the second half

We expect little change in the trading conditions in the antique art market for the rest of the year. We will continue to market the finest antique furniture and works of art with a catalogue and two fair exhibitions in the second half of the year, whilst focusing on cost efficiencies. Meta intends to send out a catalogue featuring all nine of its products and have a London exhibition of the pieces in our Bond Street showroom during Frieze week, the most prestigious contemporary art fair in London, in October. We then plan to bring the two businesses together at Art Basel Miami Beach in December, the most important contemporary art and design show in the United States, with a combined Mallett/Meta exhibition showing the finest furniture designs through the ages.

For further information please contact:

Lanto Syngé, Chief Executive	020 7499 7411
Michael Smyth-Osbourne, Finance Director	020 7499 7411

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Unaudited Consolidated Interim Income Statement for the six months ended 30th June 2008

	Notes	6 months ended 30th June 2008 £'000	6 months ended 30th June 2007 £'000
Revenue		8,165	10,666
Operating (loss)/profit		(328)	1,143
Investment income (net)		31	303
(Loss)/Profit before tax		(297)	1,446
Tax	3	100	(411)
(Loss)/Profit for the period		(197)	1,035
Attributable to:			
Equity holders of the parent		(184)	1,037
Minority interests		(13)	(2)
		(197)	1,035
Basic and diluted earnings per share	4	-1.45p	7.60p

Unaudited Consolidated Statement of Recognised Income and Expenses

	6 months ended 30th June 2008 £'000	6 months ended 30th June 2007 £'000
(Loss)/Profit for the period	(197)	1,037
Exchange differences on translation of foreign operations	147	(109)
Actuarial (losses)/gains on the defined benefit pension scheme	(403)	193
Movement of deferred tax on actuarial gains	121	-
Merger investment costs	-	(52)
Total recognised income and expenses for the period	(332)	1,069

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Unaudited Consolidated Balance Sheet
at 30th June 2008

	Notes	30th June 2008 £'000	31st December 2007 £'000
Non-current assets			
Property, plant and equipment		<u>4,790</u>	<u>4,749</u>
Current assets			
Inventories		19,858	18,372
Trade and other receivables		5,360	3,701
Cash and cash equivalents		940	2,410
		<u>26,158</u>	<u>24,483</u>
Total assets		<u>30,948</u>	<u>29,232</u>
Equity			
Share capital		690	690
Capital redemption reserve		5,168	5,168
Own shares		(438)	(468)
Retained profits		19,610	20,761
Minority interests		(14)	(1)
		<u>25,016</u>	<u>26,150</u>
Total equity		<u>25,016</u>	<u>26,150</u>
Current liabilities			
Trade and other payables		3,753	2,447
Bank overdrafts and loans		1,519	363
Tax liabilities		131	86
		<u>5,403</u>	<u>2,896</u>
Non current liabilities			
Retirement benefit pension obligations		687	204
Deferred tax	2	<u>(158)</u>	<u>(18)</u>
		<u>529</u>	<u>186</u>
Total liabilities		<u>5,932</u>	<u>3,082</u>
Total equity and liabilities		<u>30,948</u>	<u>29,232</u>

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Unaudited Consolidated Cash Flow Statement for the six months ended 30th June 2008

	6 months ended 30th June 2008 £'000	6 months ended 30th June 2007 £'000
Net cash from operating activities	(1,581)	1,898
Returns on investment and servicing of finance	31	305
Tax paid	(222)	(3,102)
Capital expenditure and financial investment	(169)	(224)
B Share Scheme payments	-	(8,173)
Merger investment costs	-	(52)
Equity dividends paid	(832)	(1,628)
Effect of foreign exchange rate changes	147	(274)
Net decrease in cash for the period	<u>(2,626)</u>	<u>(11,250)</u>

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Unaudited Consolidated Interim Statement of changes in Shareholder' Equity
for the six months ended 30th June 2008

	Share Capital £'000	Capital Redemption Reserve £'000	Retained profits £'000	Own Shares £'000	Minority Interests £'000	Total £'000
At 1st July 2007	690	5,168	21,065	(457)	38	26,504
Loss in 6 months to 31st December 2007	-	-	(161)	-	-	(161)
Minority interest	-	-	(1)	-	(39)	(40)
Dividends paid in period	-	-	(332)	-	-	(332)
Actuarial gains	-	-	547	-	-	547
Deferred tax movement on actuarial gain	-	-	(222)	-	-	(222)
Return of cash to shareholders through B share scheme	-	-	(6)	-	-	(6)
Net movement in own shares	-	-	-	(11)	-	(11)
Net exchange loss	-	-	(129)	-	-	(129)
At 31st December 2007	<u>690</u>	<u>5,168</u>	<u>20,761</u>	<u>(468)</u>	<u>(1)</u>	<u>26,150</u>
Loss in 6 months to 30th June 2008	-	-	(197)	-	-	(197)
Minority interest	-	-	13	-	(13)	-
Dividends paid in period	-	-	(832)	-	-	(832)
Actuarial losses	-	-	(403)	-	-	(403)
Deferred tax movement on actuarial gain	-	-	121	-	-	121
Net movement in own shares	-	-	-	30	-	30
Net exchange gain	-	-	147	-	-	147
At 30th June 2008	<u>690</u>	<u>5,168</u>	<u>19,610</u>	<u>(438)</u>	<u>(14)</u>	<u>25,016</u>

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Statement of Directors' Responsibilities

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Notes to the Interim Report

1. These accounts have been prepared in accordance with IAS34. They are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the "Act"). The accounts for the year ended 31st December 2007 have been filed with the Registrar of Companies and have been reported on by auditors under Section 235 of the Act. The auditor's report on those accounts was not qualified and did not contain a statement under Section 237 (2) or (3) of the Act.
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% (2007 – 30%) taking into account £19,000 movement on deferred tax to the income statement.
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 13,604,465.
5. The directors have not declared an interim dividend (2007 – 2.4p).

Company Information

DIRECTORS	George M. Magan, F.C.A.*	<i>Chairman</i>
* <i>Non-executive</i>	Lanto M. Syngé	<i>Group CEO</i>
	Lord Daresbury*	
	James Heneage*	
	Giles H. Hutchinson Smith	
	Eloy Michotte*	
	M. Henry G. Neville	
	Michael Smyth-Osbourne	<i>Secretary</i>
	Thomas E. Woodham-Smith	
REGISTERED OFFICE	141 New Bond Street	
	London W1S 2BS	
COMPANY NUMBER	1838233	
WEBSITE	www.mallettantiques.com	