

# MALLETT

LONDON ♦ NEW YORK

---

Interim Report  
2009

# MALLETT PLC

## Interim Report for the six months ended 30th June 2009

### Chairman's Statement

Dear Shareholder

Our interim results for the six months ended 30th June 2009 show an operating loss of £0.8m (2008 - £0.3m) on turnover of £6.8m (2008 - £8.2m). The decline in trading over the same period for last year is a direct result of the global economic recession which took effect from September 2008. However, when compared to trading in the second half of last year, when the economic environment was similar, these results show a 72% increase in turnover and a 64% reduction in operating losses (excluding the inventory provision made at the end of 2008). Whilst, historically, Mallett's trading in the first half of the year is generally better than in the second half due to low trading in the summer months, the significantly improved trading over the second half of last year is encouraging.

I am also pleased to report that our focus on cash management during the first half of the year has led to a much improved cash position. At 30th June 2009 the Group had net debt of £0.8m which is a reduction of £1.5m on the net debt position at 1st January 2009 of £2.3m.

#### Antiques and Fine Art

The antiques and fine art trade has improved since the stagnation of the last quarter of last year but it remains fragile, as shown by Partridge Fine Art recently being placed in administration. With turnover for the six months ended 30th June 2009 of £6.5m, we are pleased with the level of trade we have managed in the first half. This includes £0.6m from the sale of a group of items through Christies at its Important English Furniture auction in June. We were encouraged that over 90% of the items sold for, in total, above the Christies estimate and in line with book value.

We have maintained a tight control over costs with reduced marketing spend and 20% lower staff numbers compared to the same period for last year, although costs associated with those leavers has increased administrative expenses compared to the same period for last year. Our anticipated move out of our Bond Street showroom to another Mayfair location has, however, not materialised and we intend to remain in the premises until the appropriate value for the lease is realised.

#### Meta

As noted at the start of the year, marketing of Meta has been significantly reduced and a second collection has been put on hold. Despite this, Meta turnover for the 6 months ended 30th June 2009 has increased to £331,000, which represents a 9% improvement on turnover of £304,000 for the 8 months from the launch of Meta in April 2008 to 31st December 2008.

We are also delighted that the quality of the Meta products has been recognised by the Victoria & Albert Museum who have selected two of Meta's pieces - the Fig Leaf Cabinet and Diamonds Are A Girl's Best Friend 1 - to be included in their Summer Exhibition, Telling Tales. Furthermore, the Fig Leaf Cabinet is the feature piece on the front of the exhibition's catalogue and website.

#### Balance sheet

Shareholders' equity at 30th June 2009 was £20.0m (31st December 2008 - £21.2m) which represents a reduction of £1.2m since the start of the year. This is principally due to losses after tax of £0.7m and exchange losses of £0.5m.

Inventories value at 30th June 2009 was £13.6m (31st December 2008 - £16.1m) which represents a reduction of £2.5m since the start of the year. This reduction is a result of our stock rationalisation programme which has included putting a number of items into auction. Our net debt position has improved significantly since the start of the year to £0.8m (31st December 2008 - £2.3m) through focussed cash management, despite the weakening of the dollar having a £0.5m adverse impact on our overall cash position. Our overdraft facility of £3.5m remains in place and we now feel we are in a good position to take advantage of any value buying opportunities that materialise in the second half of the year.

### **Dividends**

The loss after tax for the six months ended 30th June 2009 was £0.7m and therefore the Board has decided not to declare an interim dividend. A dividend of 2.8 pence per B Share was paid in the period to the remaining B Shareholders in respect of the B Share Continuing Dividend.

### **Principal Risks and Uncertainties**

The Group's operating results and liquidity are significantly influenced by a number of risk factors, many of which are not within its control. These have not changed from those set out in the Annual Report and Accounts for 2008. These include the strength of the UK and US economies and financial markets, the demand for antique furniture and works of art, the ability to attract and retain key personnel, competition, the value of artworks, foreign currency exchange rate movements and retirement benefit pension obligations. For a full discussion of these risks, please refer to page 11 of the Annual Report and Accounts for 2008, a copy of which can be downloaded from [www.mallettantiques.com](http://www.mallettantiques.com).

### **Outlook for the second half of the year**

We are encouraged by the improvement in the trading environment since the start of the year and the loss of a number of dealers from our sector recently should boost our market share. However, we are also aware that these are uncertain times and we are, therefore, cautious about prospects for the rest of the year and believe confidence will return to the art market slowly. We will continue to manage our cost base and inventory to maintain an appropriate cash position, which continues to improve, whilst looking to capitalise on any buying opportunities.

Lord Daresbury  
Chairman

For further information please contact:

Giles Hutchinson Smith, Chief Executive  
Michael Smyth-Osbourne, Finance Director

020 7499 7411  
020 7499 7411

# MALLET PLC

## Condensed Consolidated Income Statement (unaudited) for the six months ended 30th June 2009

---

	Six months ended 30th June 2009 £'000	Six months ended 30th June 2008 £'000
Revenue	6,784	8,165
Cost of sales	(6,606)	(7,479)
Gross profit	<u>178</u>	<u>686</u>
Other operating income	1	-
Distribution costs	(122)	(182)
Administrative expenses	(897)	(832)
Operating loss	<u>(840)</u>	<u>(328)</u>
Investment income	51	48
Finance costs	(31)	(17)
Loss before tax	<u>(820)</u>	<u>(297)</u>
Tax	147	100
Loss for the period	<u>(673)</u>	<u>(197)</u>
Attributable to:		
Equity holders of the parent	(702)	(184)
Minority interests	29	(13)
	<u>(673)</u>	<u>(197)</u>
Basic and diluted earnings per share	<u>(4.98)p</u>	<u>(1.45)p</u>

All of the activities of the Group are classed as continuing.

## Condensed consolidated Statement of Recognised Income and Expenses (Unaudited) for the six months ended 30th June 2009

---

	Six months ended 30th June 2009 £'000	Six months ended 30th June 2008 £'000
Loss for the period	(673)	(197)
Exchange differences on translation of foreign operations	(492)	147
Actuarial loss on retirement benefit pension obligations	(36)	(403)
Movement of deferred tax on actuarial loss	11	121
Net loss recognised directly in equity	<u>(517)</u>	<u>(135)</u>
Total recognised income and expenses for the period	<u>(1,190)</u>	<u>(332)</u>

# MALLETT PLC

## Condensed Consolidated Balance Sheet (unaudited)

at 30th June 2009

	30th June 2009 £'000	31st December 2008 £'000
<b>Non-current assets</b>		
Property, plant and equipment	4,684	5,126
Deferred tax	1,975	1,763
	<u>6,659</u>	<u>6,889</u>
<b>Current assets</b>		
Inventories	13,608	16,085
Trade and other receivables	4,009	4,294
Cash and cash equivalents	1,097	273
	<u>18,714</u>	<u>20,652</u>
<b>Total assets</b>	<u>25,373</u>	<u>27,541</u>
<b>Equity</b>		
Share capital	3,243	3,243
Capital redemption reserve	2,615	2,615
Own shares	(462)	(442)
Retained profits	14,574	15,795
Minority interests	22	(7)
	<u>19,992</u>	<u>21,204</u>
<b>Total equity</b>	<u>19,992</u>	<u>21,204</u>
<b>Current liabilities</b>		
Trade and other payables	2,273	2,346
Bank overdrafts and loans	1,854	2,537
	<u>4,127</u>	<u>4,883</u>
<b>Non current liabilities</b>		
Retirement benefit pension obligations	1,254	1,454
	<u>5,381</u>	<u>6,337</u>
<b>Total liabilities</b>	<u>5,381</u>	<u>6,337</u>
<b>Total equity and liabilities</b>	<u>25,373</u>	<u>27,541</u>

# MALLET PLC

## Condensed consolidated Cash Flow Statement (unaudited) for the six months ended 30th June 2009

	Six months ended 30th June 2009 £'000	Six months ended 30th June 2008 £'000
<b>Operating loss</b>	<b>(840)</b>	<b>(328)</b>
Adjustments for:		
Depreciation	144	128
Net exchange adjustments	297	-
Movements in working capital:		
Decrease/(increase) in inventories	2,477	(1,486)
Decrease in receivables	(88)	(1,659)
(Decrease)/increase in payables	(217)	1,764
Cash generated by operations	<u>1,773</u>	<u>(1,581)</u>
Tax received/(paid)	308	(222)
<b>Net Cash from Operating Activities</b>	<u><b>2,081</b></u>	<u><b>(1,803)</b></u>
<b>Investing Activities</b>		
Interest received	51	48
Interest paid	(31)	(17)
Purchase of property, plant and equipment	-	(169)
<b>Net Cash from/(used in) Investing Activities</b>	<u><b>20</b></u>	<u><b>(138)</b></u>
<b>Financing Activities</b>		
Purchases of own shares	(100)	-
Dividends paid	-	(832)
B share scheme payments	(2)	-
Effect of foreign exchange rate changes	(492)	147
<b>Net Cash used in Financing Activities</b>	<u><b>(594)</b></u>	<u><b>(685)</b></u>
<b>Net increase/(decrease) in cash and Cash Equivalents</b>	<b>1,507</b>	<b>(2,626)</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>(2,264)</b>	<b>2,047</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<u><b>(757)</b></u>	<u><b>(578)</b></u>

# MALLET PLC

## Condensed Consolidated Interim Statement of changes in Shareholders' Equity (Unaudited)

for the six months ended 30th June 2009

	Share Capital £'000	Capital Redemption Reserve £'000	Retained profits £'000	Own Shares £'000	Minority Interests £'000	Total £'000
At 1st January 2008	3,243	2,615	20,761	(468)	(1)	26,150
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 losses	-	-	121	-	-	121
Net movement in own shares	-	-	-	30	-	30
Net exchange gain	-	-	147	-	-	147
<b>At 30th June 2008</b>	<b>3,243</b>	<b>2,615</b>	<b>19,610</b>	<b>(438)</b>	<b>(14)</b>	<b>25,016</b>
Loss in 6 months to 31st December 2008	-	-	(4,082)	-	-	(4,082)
Minority interest	-	-	(7)	-	7	-
Actuarial losses	-	-	(929)	-	-	(929)
Deferred tax movement on actuarial losses	-	-	259	-	-	259
Net movement in own shares	-	-	-	(4)	-	(4)
Net exchange gain	-	-	944	-	-	944
<b>At 31st December 2008</b>	<b>3,243</b>	<b>2,615</b>	<b>15,795</b>	<b>(442)</b>	<b>(7)</b>	<b>21,204</b>
Loss in 6 months to 30th June 2009	-	-	(673)	-	-	(673)
Minority interest	-	-	(29)	-	29	-
B share continuing dividend	-	-	(2)	-	-	(2)
Actuarial losses	-	-	(36)	-	-	(36)
Deferred tax movement on actuarial losses	-	-	11	-	-	11
Net movement in own shares	-	-	-	(20)	-	(20)
Net exchange loss	-	-	(492)	-	-	(492)
<b>At 30th June 2009</b>	<b>3,243</b>	<b>2,615</b>	<b>14,574</b>	<b>(462)</b>	<b>22</b>	<b>19,992</b>

# MALLET PLC

## Statement of Directors' Responsibilities for the six months ended 30th June 2009

---

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).

## Notes to the Condensed Consolidated Financial Statements (unaudited) for the six months ended 30th June 2009

---

### 1. Basis of Preparation

The condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union. They are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The accounts for the year ended 31st December 2008 have been filed with the Registrar of Companies and have been reported on by auditors under Section 235 of the Companies Act 1985. The auditor's report on those accounts was not qualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

### 2. Significant Accounting Policies

The condensed financial statements are presented on the basis of the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

### 3. Segmental Reporting

The Group's primary business activity is the sale of antiques and fine art from locations in the UK and the US. The results from these two locations are shown in the table below. In addition, the Group restores furniture through its subsidiary, H J Hatfield & Sons Limited, and designs and manufactures contemporary furniture and works of art through its subsidiary, Meta. The results of these two businesses are shown in Other in the table below.

Transfer pricing between segments are set on an arm's length basis. Segmental assets and liabilities consist of property, plant and equipment, trade receivables, payables, cash at bank and inventories.

# MALLET PLC

## 3. Segmental Reporting (continued)

Segmental information – continuing operations

<i>6 months ended 30th June 2009</i>	<b>Antiques and Fine Art</b>		<b>Other</b>	<b>Total</b>
	<b>UK</b>	<b>US</b>		
	<b>£'000</b>	<b>£'000</b>		
<b>Income &amp; expenses information</b>				
External sales by sales outlet	3,692	2,631	461	6,784
Depreciation and amortisation	(64)	(80)	-	(144)
Operating loss	(313)	(421)	(106)	(840)
<b>Balance sheet information</b>				
Capital expenditure	-	-	-	-
Total assets	15,671	9,343	359	25,373
Total liabilities	5,004	226	151	5,381
<i>6 months ended 30th June 2008</i>	<b>Antiques and Fine Art</b>		<b>Other</b>	<b>Total</b>
	<b>UK</b>	<b>US</b>		
	<b>£'000</b>	<b>£'000</b>		
<b>Income &amp; expenses information</b>				
External sales by sales outlet	5,748	2,113	304	8,165
Depreciation and amortisation	(65)	(63)	-	(128)
Operating profit/(loss)	686	(209)	(805)	(328)
<b>Balance sheet information</b>				
Capital expenditure	169	-	-	169
Total assets	19,915	9,866	1,167	30,948
Total liabilities	5,585	148	199	5,932

## 4. Deferred Tax

The deferred tax asset reflects the tax recoverable on the defined benefit obligations and accelerated tax losses.

## 5. Tax

Taxation has been provided for at an estimated rate of 28% (2008 – 30%) taking into account £202,000 movement on deferred tax to the income statement.

## 6. Basic and Diluted Earnings per Share

Basic and diluted earnings per share have been calculated on the losses for the period after taxation and divided by the weighted average number of shares in issue during the period of 13,529,409.

## 7. Dividends

The directors have not declared an interim dividend (2008 – nil). A dividend of 2.8 pence per B Share was paid in the period to the remaining B Shareholders in respect of the B Share Continuing Dividend.

# MALLETT PLC

## Company Information

---

DIRECTORS  
*\*Non-executive*

Lord Daresbury\* (Chairman)  
Giles H. Hutchinson Smith (Chief Executive)  
James Heneage\*  
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](http://www.mallettantiques.com)