Mallett Plc

Annual Report & Accounts 2013

MALLETT

LONDON • NEW YORK

The specific wood used in furniture-making during the Hanoverian dynasty is defined by its colour, richness, grain and density. This report highlights four of the most important and desirable woods that cabinet-makers relied on – mahogany, walnut, satinwood and rosewood – setting out what defines each of them and why they are much cherished in the antique furniture market.

MAHOGANY *(front cover)*

Mahogany dominated furniture making for 150 years from the early part of the 18th century and was at its height of fashion during the reigns of George II and George III. It was hugely treasured for its rich, red-brown colour in solid carved pieces and flaming grain patterns on flat pieces. Its use for strong shaped elements, as in chair making or crisply carved ornament equalled its other great virtue, that it could be polished to a glorious finish.

Its high point is marked by certain great furniture designers. William Kent was certainly the first great exponent of Mahogany, and Thomas Chippendale, who almost certainly spent his youth working on designs and cabinet making for Kent's grand projects will always be synonymous with the great age of mahogany. His designs, as documented in his *The Gentleman and Cabinet-Makers Director* of 1754' explored the most elaborate forms that mahogany would allow displayed in the latest fashions as expected by his clients.

Mahogany is grown in the Caribbean and South America. The mainland mahogany is lighter and lends itself to decorative figuring and has become known as Honduras Mahogany. One of the distinct features of the Honduras mahogany is the exceptional grain, which shows the struggle and strains the tree went through. To think of a few extreme weather scenarios that effected the trees growth, hurricanes, draughts and floods have all caused the different types of grain such as flame, fiddle or mottled.

The prolific use of mahogany continued well into the 19th century, firms such as Gillows and Morgan and Saunders imported mahogany and continued to make pieces of grand design for every sort of purpose.

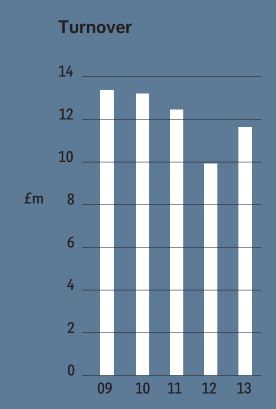
Right, a rare George III mahogany secretaire, England circa 1765

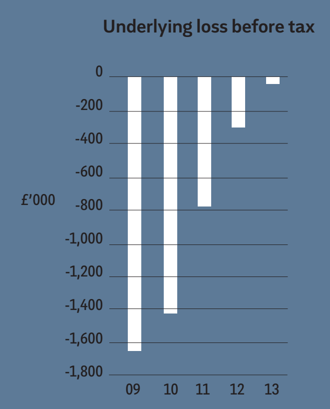
Contents

Mallett is a global luxury retail brand specialising in the finest pieces of furniture and works of art, primarily from the 18th century and Regency periods.

2013 Highlights

- → Turnover increased by 16% to £11.8m (2012 – £10.2m)
- → Underlying trading performance improved to a break even profit position (2012 – underlying loss before tax of £0.3m)
- → Reported profit before tax £0.5m (2012 – reported loss before tax of £0.1m)
- → Successful sale of the Group's freehold property in Clapham, London for £2.65m generating a profit of £0.6m.
- → A special dividend recommended of 12.7pence per share





Chairman's Statement

2013 has been a mixed year at the top end of the decorative arts market, with some encouraging signs of a recovery in the US but with the UK and European market remaining stubbornly depressed. Our strategy of promoting the Mallett brand in the emerging markets of China and Brazil is proving successful.

Lord Daresbury *Chairman*

Our results for 2013 show another improvement on the previous year with underlying trading achieving a break-even result compared to an underlying trading loss before tax in 2012 of £0.3m. This has been achieved through a 16% increase in turnover to £11.8m from £10.2m in 2012.

The reported profit before tax of £0.5m (2012 – loss before tax of £0.1m) includes £0.6m for the profit on the sale of our freehold property in Clapham, London. The property was sold for £2.65m and I am pleased to report that, as a result of this very successful sale, the Board proposes to return £1.75m of the sale proceeds to shareholders. This equates to 12.7p per share and we are recommending this as a special dividend for approval at our AGM on 27 May 2014.

After a slow third quarter of the year, Mallett US continued the surge in sales it saw in the first half of the year, resulting in full year sales more than double the prior year at £6.8m (2012 – £3.1m). Furthermore, this represents the second highest sales total from the US showroom since it opened in 2003. For this reason, we have reviewed our planned sub-letting of part of the US showroom and for the moment are retaining it in its entirety to maximise the potential in the US market.

Our strategy of targeting new geographical areas has proved successful with sales in China of over £1m in the year (2012 – £0.1m). The recruitment of a local agent in Hong Kong plus targeted visits by our Chief Executive has proved successful in promoting the Mallett brand to the right client base in China, and this is a model we intend to replicate in other emerging markets, such as Brazil and in the Middle East.

The other exciting development is our new website which we plan to launch in the Spring. It will be a multi-lingual, high quality website offering authority, education and energy on our products and the decorative arts market in general. It will be the key marketing tool in promoting our brand around the globe and supporting our sales team, and it will also be used as a direct sales tool by enabling clients to purchase directly online.

We believe the structure and strategy we now have in place is targeted at the growth areas of the decorative arts market and will allow us to grow our sales and profits, and I am pleased to say Michael Smyth-Osbourne is staying with us as Finance Director to help with the next phase of our development.

Daresbury

Lord Daresbury
Chairman

WALNUT

Walnut was the cherished wood of the early decades of the 18th century, the time of the Queen Anne and George I, and between the Age of Oak and introduction of exotic timbers such as mahogany from the west.

The walnut tree is a deciduous tree that grows throughout the world but the use of walnut in furniture making was primarily due to it being an indigenous wood of England and Europe. The air dried timber could be used in a multiple of ways although it is at its most splendid when veneered on cabinet furniture and often arranged in repeating patterns. The skill of the craftsman was to choose the best veneers to achieve the most striking patterns.

Furniture made with simple lines, perfectly proportioned and veneered with highly grained and carefully selected walnut, or crisply carved in the solid was greatly prized and has never been much out of fashion over the ensuing 300 years.

Right, George I parcel gilt burr-walnut bureau bookcase, England circa 1725.

SATINWOOD

Satinwood was the most beautiful and highly valued wood used in the latter part of the 18th century, a period closely associated with George III. There were two or three varieties, but the two best known are the West Indian and the East Indian.

As satinwood is so hard and close grained, it has an excellent finish. Together with other precious, newly discovered interesting timbers. The elegant pale colour of the wood soon represented the new, rich, light colourful and bright age of neo-classicism, which brought straight edges and clean lines.

The name Thomas Sheraton is closely linked to satinwood; his cabinet designs epitomise the elegant late Georgian taste for finely made, neat and superbly scaled cabinets, which are fine examples of great English furniture.

Right, a George III satinwood card table, England circa 1780

Strategic Report

The sales arena is changing. The growth of the internet has increased access to the market and allowed easier reach to the Far East and other emerging markets. At the top end of the market where Mallett operates, it is essential to maintain a top quality showroom environment in which to showcase the pieces in which we specialise.

Giles Hutchinson Smith *Chief Executive*

Our Business Model

Mallett is a global luxury retail brand specialising in the finest pieces of furniture and works of art, primarily from the 18th century and Regency periods.

Mallett is recognised for the quality of pieces that it displays and for selling only pieces of exceptional quality and a high level of authenticity.

Mallett sources its pieces from around the globe, buying from private collections, other dealers or at auction or acting as agent to sell pieces, generally on behalf of private collectors. The Mallett brand is underpinned by the outstanding knowledge and expertise of the Mallett staff, who are able to identify the finest items and differentiate them from the rest, often being able to add provenance and research to enhance the quality of the piece.

Pieces will often require restoration to return them to the quality they had when first made some 200 to 300 years earlier. Again, the knowledge and expertise of the Mallett team is key to how the restoration should be undertaken and what the outcome should be.

Mallett sells its pieces through its two glamorous showrooms in London and New York, through exhibiting at art and antiques fairs around the world and through visits by the sales team to clients around the world.

The showrooms at Ely House in Mayfair, London and at 929 Madison Avenue, New York allow clients to see the pieces laid out in room settings. Exhibiting at art and antiques fairs is a very effective marketing tool as well as a good sales medium, as the prestigious fairs that Mallett attends attract many clients into one location for a concentrated period of time.

Our Strategy

In recent times, the decorative arts market, and particularly the antique furniture market, has had to re-adjust to being less fashionable than in previous decades. Our strategy has therefore had to change in order to continue to deliver the business model that has been successful for over 100 years.

The sales arena is changing. The growth of the internet has increased access to the market and allowed easier

Strategic Report continued

Mallett is a 150 year old brand which has been through many cycles of fashion but it has always remained a strong brand and our strategy is always to maintain that strength and use it to best deliver profit growth.

reach to the Far East and other emerging markets. At the top end of the market where Mallett operates, it is essential to maintain a top quality showroom environment in which to showcase the pieces in which Mallett specialises. But we also need to extend our reach to these new markets and this we are doing by:

- Developing a new website which will be high quality, showcasing our pieces with extensive photographs and research, educational with articles on the decorative arts and individual aspects of the market, multi-lingual and have the ability to transact online.

- Recruiting local agents in the new and traditional markets to promote the Mallett brand and develop relationships with key clients in the region.

The success of Mallett is centred around the quality of product it has to offer and so our strategy must continue to be to source the finest pieces. The sourcing must be targeted at the areas – type of material, era, value – that clients are demanding and to our sales strategy. We will look to offer fantasy/gift objects which clients would be prepared to buy on-line. We will continue to pursue a balance between owned stock and consignment pieces in order to balance margins, return on capital and offering a wide range of stock where the quality matches the Mallett brand.

Our strategy remains flexible so we can alter it as the market dictates. Mallett is a 150 year old brand which has been through many cycles of fashion but it has always remained a strong brand and our strategy is always to maintain that strength and use it to best deliver profit growth.

Financial Review

2013 Trading performance

Our results for the year to 31 December 2013 show a profit before tax of £0.5m. Included within this result is a one-off profit of £0.6m from the sale of our freehold property in Clapham, London. Underlying trading performance for 2013, therefore, produced a break-even profit before tax position (2012 – underlying loss before tax £0.3m).

Overall, Group turnover showed an increase of 16% to £11.8m (2012 – £10.2m), and gross profit showed an increase of 13% to £1.3m (2012 – £1.2m). These are encouraging increases which are driven largely by increased sales in US and China.

US turnover more than doubled to £6.8m (2012 – £3.1m) which is an excellent result and fully justifies our decision to reverse our plan to downsize the New York showroom. The increase was driven in part by the sale of 3 individual pieces of over £0.5m each but it was also underpinned by a far greater volume of sales highlighting the improved economic climate in US.

UK sales, however, showed a decline to £4.3m (2012 – £6.6m). We held a number of events at our flagship London showroom, Ely House, to promote the brand. These included the Great English Furniture exhibition which celebrated the skills of some of the best furniture makers in history and also provided an opportunity for collectors to buy pieces which have not been on the market for at least a quarter of a century. We also put on the Age of Elegance exhibition which was a collaborative exhibition with London's most prestigious Old Master paintings dealer, Colnaghi, which attracted great interest, prompted in particular by the media coverage of the exhibition. However, interest in the decorative arts is still not strong in the UK and hence we are targeting our sales strategy at the overseas markets, particularly in the Far East and South America.

A LATE 19TH CENTURY LIBRARY WHEELBARROW

A rare Anglo-Indian late 19th century library wheelbarrow in carved and applied satinwood, the spoked wheels with a brass band, each side of the body of the wheelbarrow held together with wooden dowels, the handles with further applied decoration. Anglo-Indian, circa 1885

Costs

We continue to maintain a tight control on costs with our two major expense items, staff costs and property costs, remaining at a similar level to the previous year. We also maintained our marketing spend at a similar level to prior year at £0.6m (2012 – £0.6m), exhibiting at four fairs again in the year and producing two high quality catalogues.

Giles Hutchinson Smith visited China in November to continue our marketing in that region with our local agent and continue our sales drive there. The rest of the sales team made visits to a number of cities in the US, including Chicago, Atlanta, and Los Angeles and this will be a continuing theme as we target specific areas for sales growth from our bases in London and New York.

Subsidiaries and associates

The sale of the business of Ely House Gallery Limited (formerly James Harvey British Art Limited) (JHBA) and £80,000 of stock to James Harvey was completed in May 2013. During the period JHBA incurred a trading loss of £0.1m (2012 – £0.2m) and this confirmed that JHBA requires funding to be successful which Mallett did not wish to provide at this time and therefore it was sensible for Mallett to exit from that business.

Hatfields had another good year with its third party revenue increasing by 37%, and a small increase in profit. The sale of our Clapham property has necessitated Hatfields to relocate and they have found new premises, close to the previous site, in Stockwell, South London. It has required some refurbishment costing £0.1m. The rent of £0.1m is at a similar level to that charged by Mallett for the Clapham property, although this will be an additional cost to the group as a whole going forward, as the rent is now paid to a third party.

Masterpiece London Limited put on its fourth fair at the end of June at the Royal Hospital, London. It was again

MASTERPIECE® 2014 LONDON

Organiser of a major art and antiques fair in London for exhibitors to display the best of the best from a wide spectrum of art and design.

HATFIELDS ESTABLISHED 1834

One of the world's longest established restorers of furniture and works of art.

Strategic Report continued

A VICTORIAN GAMES COMPENDIUM

An outstanding fine quality Victorian patent games compendium richly veneered in coromandel wood with lacquered gothic revival brass mounts. Enriched with agate cabochons. By D. Cattaneo and Co, Leeds. England, circa 1870

regarded as a successful fair and Mallett's share of the profit was at a similar level to the prior year. No significant change in the format of the fair is expected for 2014.

Balance Sheet and Cashflow

Shareholders' equity at 31 December 2013 was £14.5m (2012 – £13.8m). The £0.7m increase in the year primarily relates to the £0.4m profit for the year and £0.4m actuarial profit on the Group's defined benefit pension scheme. The 2012 balance sheet has been restated to take account of changes to the accounting for the defined benefit pension scheme due to revisions to IAS19 – Employment benefits and also to take account of changes to the accounting for the lease commitments on the New York premises.

Property, plant and equipment has reduced by £2.3m, primarily as a result of the sale of our freehold property in Clapham. The sale completed after the year end, on 21 February 2014, but sale contracts were exchanged on an unconditional basis on 21 August 2013 and therefore the sale has been accounted for in 2013.

Inventory value reduced to £11.4m at 31 December 2013 (2012 – £11.9m). We have undertaken an external independent valuation of our inventory as at 31 December 2013 which has delivered a value of our inventory well in excess of the balance sheet value. We continue to take items on consignment which allows us to exhibit some exceptional pieces, the total cost of which had reduced to £13.5m at 31 December 2013 (2012 – £16m) due to the sale of several significant consignment pieces towards the end of the year.

Net debt has increased slightly to £0.8m (2012 – £0.5m). The Company is currently reviewing it overdraft facility requirements with its bankers, Coutts & Co, and the directors are confident that the Company will have adequate facilities in place to cover the Group's cashflow requirements for the foreseeable future.

The pension deficit on the Mallett Retirement Benefits Scheme (the "Scheme") has reduced to £1.0m (2012 – £1.6m) on an IAS19 basis. The latest tri-annual actuarial valuation of the Scheme as at 31 May 2013 is in the process of being finalised by the trustees. The deficit on an actuarial basis has also reduced and the Company and trustees have agreed in principal that the annual deficit contributions by the Company can be reduced to £190,000 per annum from £284,000 per annum.

Dividends

Having taken into account the cash requirements of the Group but also recognising that we have not been able to make any dividend distributions to our shareholders in recent times, the Board has decided to return £1.75m to shareholders from the cash proceeds we received from the sale of the Clapham property, and we intend to do this by way of a special dividend of 12.7p per share. A resolution will be proposed at our AGM on 27 May 2014 and, if approved, the dividend will be paid on 13 June 2014 to shareholders on the register on 16 May 2014.

FAIRS

Mallett has for many years seen the attendance at fairs as a very important selling and marketing tool. Mallett's strong brand and high quality of pieces has gained it entry into the major art and antiques fairs around the world and they give an unrivalled access to many clients and prospective clients who attend such fairs for a concentrated period of time. The layout and pieces displayed on the stand at each fair is crucial in marketing Mallett effectively to the audience and attracting clients onto the stand.

MASTERPIECE LONDON

SAN FRANCISCO

PALM BEACH

TEFAF MAASTRICHT

ROSEWOOD

It is commonly believed that the woods get their name from their rose-like scent, but this is not the case. Rosewood refers to a variety of different species of heavy, dense, dark-streaked timbers. Its signature characteristic is the streaky purple-black figure. Rosewood has been imported from Brazil since trade routes opened in 1808. Indian rosewood was introduced in the late 1750s and called black rosewood and was also known as East Indian Blackwood or Sissoo.

Rosewood was popular during the Georgian era as a veneer in bandings and small panels. Thomas Chippendale created 'A Lady's commode writing table made of tulip and rosewood' for Sir Rowland Winn at Nostell in 1766.

Right, a rosewood sofa table, England circa 1820

Strategic Report continued

A RED, WHITE AND GILT GLASS OVERLAY CHANDELIER BY OSLER

F & C Osler produced some of the most imaginative and magnificent items ever to come from a glasshouse. They had showrooms in Oxford Street, London and in Calcutta. This chandelier was made for the Indian market. One of their most important commissions was to make a giant crystal fountain for the 1851 Great Exhibition in Hyde Park. A brochure from the exhibition claimed that the fountain 'is perhaps the most striking object in the Exhibition; the lightness and beauty, as well as the perfect novelty of its design, have rendered it the theme of admiration with all visitors.
England, circa 1870.

Employees

We currently have 31 employees. Employee turnover has been low for many years and our employees' long experience in the decorative arts market is important and their contribution to the business plays a key part in the delivery of our strategy. All employees are encouraged to undertake training so that their skills are up-to-date and all employees have an annual personal development review.

All aspects of diversity, including gender, are considered at every level of recruitment. All appointments are made on merit, including those to the Board of Directors. We seek a composition of staff with the right balance of skills and diversity to meet the demands of the business and we do not consider that quotas are appropriate and have therefore chosen not to set targets. The 31 employees are made up of 20 male employees and 11 female employees, of which 8 male and 2 female employees have senior management roles. The Board is made up of 3 male executive directors and 2 male non-executive directors.

Outlook

We are excited by the launch of our new website with its multi-lingual platform allowing far greater reach and significantly increased marketing ability, plus the additional sales platform it will provide. The decorative arts market remains challenging but we believe we have a strategy to continue the sales growth we delivered in 2013 through using the website to market our brand more clearly in the emerging markets and use local agents to reinforce this and generate sales.

Giles Hutchinson Smith
Chief Executive

Board of Directors

Lord Daresbury

(Non-Executive Chairman), aged 60

Lord Daresbury joined the Company as a Non-Executive Director in 2007 and was appointed Non-Executive Chairman of the Company on 1 January 2009. He is currently Non-Executive Director of Jockey Club Racecourses, Non-Executive Chairman of Nastar plc and Non-Executive Chairman of Stellar Diamonds plc. Formerly, he was Chief Executive of The Greenalls Group plc and following the sale of the Pubs and Restaurant Division to Scottish & Newcastle at the end of 1999, he became Non-Executive Chairman of the Company, which was re-named De Vere Group plc. He retired from De Vere Group in April 2006.

Giles H. Hutchinson Smith

(Chief Executive), aged 51

Giles joined the Company in 1983 before leaving in 1987 to spend time in America and at Aspreys in London. He re-joined the Company in 1993 and became a director of the Company in 1999. He was appointed Chief Executive in January 2009 and is actively involved in the buying and selling of stock for the Group. He is currently Vice Chairman of the British Antique Dealers Association and also serves on numerous vetting committees of international art and antique fairs.

Michael A. Smyth-Osbourne

(Finance Director and Company Secretary), aged 47

Michael joined the Company, as Finance Director, in 2006. Previously he was Head of Corporate Finance at National Grid plc and Lattice Group plc, having qualified as a Chartered Accountant with Deloitte & Touche in 1992.

M. Henry G. Neville

(Sales & Marketing Director), aged 54

Henry joined the Company in 1984 and became a director of the Company in 1999. He is currently President of Mallett, Inc. with responsibility for the Group's New York showroom having moved to New York in 2006, as well as being responsible for the Group's sales and marketing. He has been Chairman of the British Antique Dealers Association and President of the International Trade Federation CINOA. He has published a number of articles on the decorative arts, particularly with reference to food and dining in the 18th and 19th centuries.

James Heneage

(Independent Non-Executive Director and Chairman of the Audit and Remuneration Committees), aged 56

James was the founder of the Ottakar's chain of bookshops which he created in 1987, floated on the London Stock Exchange in 1998 and sold to Waterstone's, part of HMV UK, in 2006. Prior to that he spent five years in the advertising industry, ending as an Account Director at Ogilvy and Mather.

Report of the Directors

Year ended 31 December 2013

The directors of Mallett plc have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2013. The directors consider this annual report and audited financial statements, taken as a whole, to be fair, balanced and understandable and provides information necessary for the shareholders to assess the Company's performance, business model and strategy.

Activities and Business and Financial Review

The principal activities of the Group during the year were dealing in high quality antique furniture and works of art. A review of the activities of the Group is given in the Chairman's Statement on page 2 and the Strategic Report on pages 5 to 11.

Results

The results for the year are set out in full on page 29. The operating profit from continuing activities, before interest and tax, amounts to £526,000 (2012 – loss of £188,000). After incurring net interest payable of £26,000 (2012 – £9,000) and gaining a share of profit in associate of £32,000 (2012 – £50,000), the profit on ordinary activities before taxation amounts to £532,000 (2012 – loss of £147,000). After taxation of £4,000 (2012 – £1,000) and a loss from discontinuing operations, net of tax, of £120,000 (2012 – loss of £222,000) there remains a profit of £408,000 (2012 – loss of £370,000).

Principal Risk 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 factors, which are not ranked in any particular order, include:

Banking crisis/financial shock to the global system
Loss of confidence in the banking sector by our clients will make them much less likely to spend on high value luxury items such as our goods. To manage this risk we monitor our cashflow and costs closely to ensure security in times of low demand.

The strength of the UK and US economies and financial markets
The antique and fine art market in which the Group operates is centred on London and New York and is influenced by the overall strength of the UK and US economies. Historically, over 70% of the Group's sales are to UK and US clients. To manage this risk we monitor our cashflow and costs closely to ensure security in times of low demand.

The demand for antique furniture and works of art
The demand for antique furniture and works of art is influenced not only by the economic conditions but also by changing trends in the art market as to which kinds of property are most sought after and by the collecting preferences of individual collectors, all of which can be unpredictable. To manage this risk we focus on strong client relations to maintain our awareness of changing tastes and we take this into account when buying stock.

Market transparency
The internet is creating greater price transparency on pieces sold, particularly at auction, which allows easier comparison of prices and could potentially depress margins. We focus our purchasing on items where we can add value by careful restoration and/or by improved provenance, to create an acceptable margin.

Key personnel
The knowledge and expertise of the Group's buyers in acquiring pieces of high quality and good value is critical to maintaining the Company brand and to the success of the Group.

The ability of the Group's sales team to develop and maintain relationships with potential buyers of antique furniture and works of art is critical to the success of the Group. Accordingly, the Group is highly dependent upon attracting and retaining appropriately qualified personnel. A strongly incentivised bonus structure is in place to reward success.

Competition
The art market is highly competitive, including competition with other art dealers and with auctioneers. Strong client relationships maintain loyalty to Mallett.

Value of artworks
The antique furniture and works of art market is not a highly liquid trading market, as a result of which the realisable value of inventory is relatively subjective and often fluctuates over time. Our team is very aware of market conditions to know the value of an item at any one time. On a periodic basis we consult with external parties in our consideration of the carrying value of inventories.

Availability and access to good buying opportunities
The availability of high quality items for Mallett to purchase is very important in being able to maintain Mallett's reputation for exhibiting the best. Our team maintains strong relationships with collectors and other dealers to ensure awareness of when good quality items become available.

Foreign currency exchange rate movements
A significant proportion of the Group's sales are in US Dollars and a number are in Euros. Accordingly, fluctuations in exchange rates can have a significant impact on the Group's results. US Dollars are exchanged into GBP Sterling on a regular basis to match cash received with sales made.

Retirement benefit pension obligations
Future costs and obligations relating to the Group's defined benefit pension scheme are significantly influenced by changes in interest rates, investment performance in the debt and equity markets and actuarial assumptions, each of which is unpredictable. An actuarial valuation is performed every three years with a recovery plan agreed with the trustees to eliminate any deficit.

Financial Risk Management

The main financial risks to the Group relate to the availability of funds to meet it's business needs. Further disclosure on the Group's financial risk management can be found in note 3 and note 20 to the accounts.

Key Performance Indicators

The directors consider the following to be key performance indicators of the Group:

Report of the Directors continued

Year ended 31 December 2013

Financial	2013	2012
Turnover (£'000)	**£11,776**	£10,183
Gross margin	**11.40%**	11.71%
Underlying operating loss* (£'000)	**(£32)**	(£388)
Net debt (£'000)	**(£754)**	(£659)
Net assets per share	**£1.05**	£1.01

* *Underlying operating loss excludes one-off items in the year, being the profit on sale of freehold property in 2013 and the freehold property impairment write back in 2012.*

Non financial

Customer satisfaction

We strive to improve our service to new and existing customers, ensuring high standards of customer satisfaction. The directors regularly talk to existing clients to gauge the level of satisfaction in the services provided.

Employee development and turnover

We are committed to attracting and retaining the highest calibre of employees and developing their professional careers. The directors undertake staff reviews at the end of each year to assess the calibre and development of staff and review staff turnover at the end of each year.

Dividends

There was no interim dividend paid in 2013 (2012 – nil) and the directors do not recommend a final dividend for 2013 (2012 – nil). However, the directors are recommending a special dividend of 12.7p per share (2012 – nil) as a return of cash from the sale of the freehold property to shareholders. The special dividend will be proposed as an ordinary resolution at the Company's Annual General Meeting on 27 May 2014. If the proposed special dividend is approved, it will be paid to shareholders on 13 June 2014.

Directors

The names of the directors who served the Company during the year are shown below. Details of their biographies are on page 12.

Lord Daresbury*
J.A. Heneage*
G.H. Hutchinson Smith
M.H.G. Neville
M.A. Smyth-Osbourne
* non-executive

Directors' Interests

Details of the directors' interests in the Company's share capital are included in the Directors' Remuneration Report on pages 19 to 24.

Apart from service contracts, none of the directors had a material beneficial interest in any contract in which the Company or any of its subsidiaries was a party during the year.

There were no changes in the interests of the directors between 31 December 2013 and 1 April 2014.

Share Capital and Control

The issued share capital of the Company consists of 13,800,060 ordinary shares of 5 pence each. There are no restrictions on the transfer of securities in the Company other than those imposed by law and regulations and pursuant to the Listing Rules of the Financial Conduct Authority whereby directors and senior employees of the Group may require the approval of the Company to deal. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities in the Company.

The full rights and obligations attached to each class of share, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained by writing to the Company Secretary. The Articles of Association also set out the rules governing the appointment and replacement of the board members. Any changes to the Articles of Association must be approved by special resolution of the Company. Further details of the share capital of the Company are set out in note 25 to the accounts.

The Group operates a Share Incentive Plan for the benefit of all its employees. The shares are held in a trust on behalf of the employees. As at 31 December 2013 the trust held 466,042 ordinary shares and any voting or other similar decisions relating to those shares would be taken by the trustees, who may take account of the recommendations of the Company and the employees.

Shares from the Long Term Incentive Plan ("LTIP") which vested in 2012 are currently held in a trust on behalf of the directors. As at 31 December 2013 the trust held 94,436 ordinary shares and any voting or other similar decisions relating to those shares would be taken by the trustees, who may take account of the recommendations of the Company and the employees. There were no LTIP awards outstanding at the year end.

At the Company's 2013 Annual General Meeting shareholder authority was given to purchase up to 10% of the Company's ordinary shares. The Directors intend to seek shareholder approval to renew this authority at this year's Annual General Meeting.

There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company. There are also no agreements providing for compensation for directors or employees on change of control.

Substantial Shareholdings

As at 1 April 2014, the Company has received notification of the following substantial shareholdings amounting in each case to more than 3 per cent of the issued share capital of the Company:

	5p Ordinary Shares	%
The Weinstock Trust Additional Fund	4,130,000	29.93
Peter Gyllenhammar	4,076,000	29.54
Church House Investments	950,000	6.88
Stichting Value Partners	676,000	4.90
Mrs. S. Fenwick	534,000	3.87
Mallett Share Incentive Plan	466,042	3.38

Close Company Status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Approval of Directors' Remuneration Report

In accordance with the Companies Act 2006, directors of quoted companies are required to prepare a remuneration report which must be approved by the members of the company at the meeting at which the company's annual accounts are to be laid.

The Directors' Remuneration Report contains *inter alia* details of the directors, a forward looking statement of the Company's policy on directors' remuneration for subsequent financial years, a performance graph showing the Company's total shareholder return and the return on a hypothetical holding of similar shares to those on which a broad equity market index is calculated, details of the directors' service contracts and specific disclosures relating to each director's remuneration.

Resolution 2 will be proposed at the 2014 Annual General Meeting as an ordinary resolution to approve the Directors' Remuneration Report for the year ended 31 December 2013 as set out on pages 19 to 24 of the these accounts.

Resolution 3 will be proposed at the 2014 Annual General Meeting as an ordinary resolution to approve the Directors' Remuneration Policy for the year commencing 1 January 2014 as set out on pages 19 to 22 of the these accounts.

Corporate Governance

The Group's statement on corporate governance can be found in the Corporate Governance Report on pages 17 to 18 of these financial statements. The Corporate Governance Report forms part of the Report of the Directors and is incorporated by cross reference.

Greenhouse Gas Reporting

The Group reports greenhouse gas emissions for 2012 and 2013 in its Annual Report this year for the first time.

Global GHG emissions data for the year ended 31 December 2013

	2013 Tonnes of CO2e	2012 Tonnes of CO2e
Emissions from:		
Combustion of fuel & operation of facilities	33	37
Electricity, heat, steam and cooling purchased for own use	186	162
Total emissions	**219**	**199**
Company's chosen intensity measurement:		
Emissions reported above normalised to per FTE employee	7.519	5.667
Emissions reported above normalised to per square metre of gross internal area of our facilities	0.070	0.049
Emissions reported above normalised to per £million of revenues	18.150	19.477

Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated statement.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under these Regulations, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2014.

Where it has not been possible to obtain actual energy consumption data for sites, for example where utilities form part of a property service charge, then the energy consumption has been estimated based on the floor area of the site and the actual energy usage of comparable sites in the Group's property portfolio. Actual data has been used to calculate emissions for all of the Group's material sites.

Auditors and Disclosure of Information to Auditors

Each of the directors confirms that so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that he has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The 2014 Annual General Meeting will be held at Ely House, 37 Dover Street, London W1S 4NJ on 27 May 2014 at 4.30 pm The notice for the 2014 Annual General Meeting is included in these accounts on page 57. The business to be transacted at the Annual General Meeting includes the following:

Resolution 10 – Authority to allot shares or grant subscription or conversion rights (ordinary resolution)

Resolution 10 asks shareholders to grant the directors authority under section 551 of the Companies Act 2006 (the "Act") to allot shares or grant such subscription or conversion rights as are contemplated by sections 551(1)(a) and (b) respectively of the Act up to a maximum aggregate nominal value of £230,001, being approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 1 April 2014. The authority will expire five years from the date of the passing of the resolution (unless previously revoked or varied by the Company in general meeting). The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 28 May 2013. The directors have no present intention of exercising such general authority.

Resolution 11 – Purchase of own shares by the Company (special resolution)

Resolution 11 seeks authority from holders of ordinary shares of 5p in the capital of the Company ("Ordinary Shares") for the Company to make market purchases of its own Ordinary Shares, such authority being limited to the purchase of 10% of the Ordinary Shares in issue as at 1 April 2014. The maximum price (exclusive of expenses) payable for the purchase by the Company of its own Ordinary Shares will be limited to 5% above the average price at which deals are done in the Ordinary Shares taken from the Appendix to The London Stock Exchange Daily Official List for the five business days before the purchase is made. The minimum price payable by the Company for the purchase of its own Ordinary Shares will be 5p per share (being the amount equal to the nominal value of an Ordinary Share). The authority to purchase the Company's own Ordinary Shares will only be exercised if the directors consider that there is likely to be a beneficial impact on earnings per Ordinary Share and that it is in the best interests of the Company at the time.

Report of the Directors continued

Year ended 31 December 2013

There were no options to subscribe for Ordinary Shares outstanding as at 1 April 2014.

Resolution 12 – Calling of general meetings (special resolution)
Resolution 12 to be proposed at the Annual General Meeting seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 days' clear notice. This is permissible under the Company's Articles of Association and the Act. However, pursuant to the EU Shareholders' Rights Directive, the Company must offer the facility, accessible to all shareholders, to vote by electronic means and must obtain specific shareholder approval on an annual basis in order to retain this ability. The directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. Accordingly, the directors believe that it is important for the Company to retain this flexibility.

The Board believes that the resolutions to be put to the Annual General Meeting are in the best interests of the shareholders as a whole and accordingly recommends that shareholders vote in favour of the resolutions, as the directors intend to do in respect, where applicable, of their beneficial holdings in the Company.

Auditors' Independence and Objectivity
The Board recognises the importance of ensuring the independence and objectivity of the Company's auditors. It reviews the nature and extent of the services provided by them, the level of their fees and the element comprising non-audit fees. Details of these are disclosed in note 7 to the accounts. The Board also receives annual confirmation from the auditors of their independence.

A resolution will be proposed at the 2014 Annual General Meeting to re-appoint BDO LLP as auditors to the Company for the ensuing year and authorising the directors to fix their remuneration.

By order of the Board
M.A. Smyth-Osbourne ACA
Secretary

1 April 2014

Corporate Governance

Year ended 31 December 2013

Application of UK Corporate Governance Code
Throughout the year, except where indicated in this report, the Company complied with the provisions of the UK Corporate Governance Code (2012 edition) issued by the Financial Reporting Council. The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code (as applicable) and aims to comply with established best practice whenever possible and when it is in the Company's best interests. Further information on the UK Corporate Governance Code which currently applies to the Company can be found at the Financial Reporting Council's website at www.frc.org.uk.

The Board
Throughout the year the Board consisted of a non-executive Chairman, separate Chief Executive, one independent non-executive director and two other executive directors. Please refer to page 12 for further details on the directors, including their roles and for the non-executive directors, their other commitments. There have been no changes to these other commitments during the year.

The Board considers the non-executive director to be independent of management and free from any business or other relationship which could interfere with the exercise of his independent judgement. He has not previously been employed by the Company and the Board believes that his interest in receiving fees as a director and his being a small shareholder in the Company does not prejudice his independence. He brings an independent judgement to bear on issues of strategy, performance, resources, the appointment of executive directors and other key appointments, and standards of conduct. He is also the senior independent non-executive director. The Board recognises that having only one independent non-executive director throughout the period under review is not in compliance with B.1.2 of the UK Corporate Governance Code which requires the Company to have two independent non-executive directors. However, the Board believes the current make-up of the Board is appropriate for Mallett given its size and operational characteristics.

The Board met thirteen times during the year. Giles Hutchinson Smith attended all the meetings and Lord Daresbury, James Heneage, Henry Neville and Michael Smyth-Osbourne attended twelve out of the thirteen meetings.

The Board has a formal schedule of matters specifically reserved to it for decisions. This includes the determination of strategy, the approval of business plans and budgets, the approval of acquisitions, disposal and major capital purchases, and the approval of the annual and interim reports of the Company, including the interim dividend and recommendation of the final dividend to shareholders, and the appointment of directors.

The directors have the right to obtain external independent professional advice at the Company's expense. The Company Secretary is responsible to the Board, inter alia, for ensuring that Board procedures are followed and for compliance with applicable rules and regulations including the UK Corporate Governance Code.

The Board has formal and informal procedures to monitor its performance both as individuals at annual appraisals and as a Board or Committee. The Chairman held a number of individual informal meetings with each Board member during the year and no major issues were highlighted from these meetings and it was felt that the Board, its committees and individual directors were all operating effectively.

Full details of the directors' service contracts and remuneration are given in the Directors' Remuneration Report on pages 19 to 24.

Relations with Shareholders
The Board is responsible for ensuring the Company maintains a satisfactory dialogue with shareholders. A number of meetings were held during the year between members of the Board and the major shareholders of the Company, including a presentation of the Group's 2012 results in April 2013.

The directors consider significant shareholdings to be holdings where an individual holds a direct or indirect shareholding of greater than 20% of the Company's ordinary share capital.

To the extent that the Company is aware, the significant shareholdings identified in the substantial shareholdings section of the Report of the Directors are held by those individuals for the purpose of investment potential.

The Board welcomes as many shareholders as possible to attend the Annual General Meeting and encourages discussion on issues of concern or areas of uncertainty. Questions from shareholders are welcomed. A separate resolution will be proposed at the Annual General Meeting in respect of each substantially separate issue. There will also be a separate resolution proposed in respect of the report and financial statements.

Audit Committee
The Audit Committee is made up of the Company's two non-executive directors, James Heneage and Lord Daresbury, and is chaired by James Heneage. Two Audit Committee meetings were held during the year which were attended by all the members of the Audit Committee. Those meetings were also attended by the Chief Executive, the Finance Director and the external auditors.

The Audit Committee has written terms of reference, which deal clearly with its authority and duties. The duties of the Audit Committee include keeping under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors.

During the year the Audit Committee:

- reviewed and agreed the external auditors' audit strategy for the year ended 31 December 2013, as set out in the auditors' Planning Report to the Audit Committee;
- discussed the report received from the external auditors regarding their audit in respect of the year ended 31 December 2013, which report included comments on their findings on internal control and a statement on their independence and objectivity;
- reviewed the Group's Whistleblowing Policy;
- reviewed the Group's risk register and satisfied themselves all the Group's principal risks and uncertainties were disclosed in the register and satisfactory actions were being taken to mitigate those risks.

The significant areas considered by the Audit Committee in relation to the financial statements were as follows:

- Inventory valuation: The carrying value of inventory is a significant balance in the Group's balance sheet. Inventories are carried at the lower of cost and net realisable value and the net realisable value is the subject of some judgement by

Corporate Governance continued

Year ended 31 December 2013

the directors. The Board appointed an independent valuer to undertake an independent valuation of the Group's inventory at the year end and the Audit Committee reviewed this valuation and, based on the results of the valuation, were satisfied with the carrying value of inventory in the Group's balance sheet at the year end.

- The carrying value of non-current assets: the Audit Committee reviewed the 2014 Budget and 5 Year plan for the Group and reviewed how this has been applied to the valuation of the future cashflows of each of the business units within the Group. The Audit Committee challenged the assumptions used and reviewed the sensitivities that had been applied to the valuations and concluded that the impairment applied to the carrying value of Mallett & Son (Antiques) Limited was sensible and reasonable given the unpredictable nature of the market and of future cashflow.
- Presumed risk of fraud in revenue recognition and management override: The Audit Committee considered the presumed risk of fraud as defined by the auditing standards and in particular the directors' assessment of the date of transfer of the risks and rewards of ownership to the purchaser on the sale of an item as set out in the significant accounting policies note 2(d) to the accounts. The Audit Committee challenged the assumptions used and concluded the revenue recognition in the financial statements was satisfactory.

The Group's external auditors are BDO LLP. The Audit Committee is responsible for reviewing the independence and objectivity of the external auditors and ensuring this is safeguarded notwithstanding any provision of other services to the Group.

The Audit Committee carries out an evaluation of the external auditor as to its complete independence from the Group and relevant officers of the Group in all material respects and that it is adequately resourced and technically capable to deliver an objective audit to shareholders. The Audit Committee reviews annually the fees paid for the audit and all consulting fees paid to the auditors, with a view to assessing the reasonableness of fees, value of delivery, and any independence issues that may potentially arise. During the year, fees paid to the external auditors were for services related to the audit of the Group, for a review of the Group Interim Report and for a small amount of consultancy advice.

BDO LLP's report to the Audit Committee confirms their independence in accordance with Auditing Standards. They have been the Group's external auditors for 3 years and they were appointed as a result of a tender process. The auditors are re-appointed annually and the Audit Committee review the auditors' performance at the end of every year and make a recommendation to the Board regarding the re-appointment for the following year. The Board then propose a resolution to the Annual General Meeting each year regarding the re-appointment of the auditors.

Nominations Committee

No formal Nominations Committee has been set up by the Board. All matters regarding the appointment of directors are made by the Board as a whole. In view of the size of the Company the Board considers it appropriate to undertake this function as a whole. This is not in compliance with the UK Corporate Governance Code which requires a nominations committee, with the majority of members being independent non-executive directors to lead the process of Board appointments.

The board's policy on diversity, including gender, is included in the Strategic Report.

Directors' Conflicts of Interest

In compliance with the conflicts of interest regime under the Companies Act 2006, the Company's Articles of Association contain procedures to deal with directors' conflicts of interest which the Board fully implements. The Board considers that these have operated effectively throughout the year.

Internal Control and Financial Reporting

The Company complies with the current requirements for reporting and controls and has had an Audit Committee throughout the year, which is made up of all the non–executive directors.

The Board has overall responsibility for the Group's system of internal control and has reviewed the effectiveness of the Group's system of financial control during the year. The system is designed to provide reasonable but not absolute assurance against material misstatement or loss.

The Group operates a comprehensive annual reporting and financial operating system which involves a review of the results with projections on a monthly basis. At each of its meetings the Board reviews the performance of the major business units across the Group.

The Group has put in place an operational structure with clearly defined lines of authority and accountability, particularly in the areas of capital and stock expenditure. Due to the small size of the Group, there is no separate internal audit function. The Board believe that the cost of such a function would outweigh the benefits that might accrue from it. A key control procedure is the day to day supervision of the business by the executive directors, supported by the senior managers with responsibility for key operations.

The effectiveness of the Group's systems of internal control is monitored by the Board and the Audit Committee. The Audit Committee will undertake a detailed review covering all controls, including financial, operational and compliance controls and risk management during the year to ensure the effectiveness of the controls.

Going Concern

In consideration of going concern, the directors have reviewed the Group's future cashflow forecasts and revenue projections which they believe are based on a realistic assessment of future business performance.

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group should be able to operate within the level of its agreed facilities. Therefore, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Corporate Social Responsibility

The Company adopts a responsible attitude to Social Environmental and Ethical (SEE) issues. The Board has concentrated on suitable training and health and safety measures to ensure compliance with best practice. The Company has adopted a clear Whistleblowing Policy and ensures all staff are aware of it and in particular its confidential nature.

Directors' Remuneration Report

Year ended 31 December 2013

Dear shareholder

This report has been prepared in accordance with the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to the directors' remuneration in the UK Corporate Governance Code.

This report also follows the new remuneration reporting regulations which divide the remuneration report into two sections:

- the Remuneration Policy Report which sets out the Remuneration Committee's policy and framework for executive remuneration. This section will be proposed for a binding vote by shareholders at our 2014 AGM; and
- the Annual Remuneration Report which sets out how the Group has remunerated directors during the year and is proposed for an advisory vote by shareholders at the same AGM.

During the year the Remuneration Committee (the "Committee") comprised myself as Chairman and Lord Daresbury, being both the non-executive directors. We are not paid for our services relative to the amount of work undertaken and do not receive any share options, bonuses or pension entitlements. The Committee met three times in the year and we both attended all three meetings.

None of the non-executive directors who sit on the Committee has any personal financial interest (other than as a shareholder), conflict of interest from cross-directorships or day-to-day involvement in running the business. The Chairman does not participate in discussions on his own remuneration.

The Committee establishes Board policy in respect of terms of employment, including remuneration packages, for each executive director and monitors their development programmes. The Committee seeks to encourage the enhancement of the Group's performance and to ensure that directors are fairly, and responsibly, rewarded for their individual contributions. Accordingly, it can confirm that it has taken into account the provisions of the UK Corporate Governance Code in framing its remuneration policy. The Committee consults with the Chief Executive and Finance Director, who may be invited to attend some meetings, and it has access to professional advice from both internal and external sources in order to determine and develop its policies.

The Group's remuneration policy has not changed during the year and is as proposed in the policy table. We believe our remuneration policy remunerates directors fairly, providing stability in the executive management team. In order to keep a tight control on costs in this difficult market for decorative arts, we decided to freeze the executive directors' pay for the year. A number of structural changes were also planned for the year and therefore it was decided to delay the next LTIP award until such changes had been implemented and until the Company resumes paying dividends to shareholders.

The Act requires the auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 2006. This report has therefore been divided into separate sections for audited and unaudited information.

James Heneage
Chairman of the Remuneration Committee

PART 1 – UNAUDITED INFORMATION

The Remuneration Policy Report

The Committee's policy is that remuneration packages should be competitive but not extravagant, and should be broadly in line with the average packages in the market in which the Group operates. In addition, there should be a clear link between performance and remuneration.

Set out below is the Group's policy on directors' remuneration which will be proposed for a binding vote at the 2014 AGM. If approved, the policy will be effective from that date. The policy has not changed from the previous year, although this is the first year that the policy will be approved by shareholders.

Directors' Remuneration Report continued

Year ended 31 December 2013

Executive Directors

Element	Link with strategy	Operation	Maximum potential value	Performance conditions
Salary	Fixed remuneration at a level appropriate to skills, experience and complexity of the role.	Reviewed annually with effect from 1 January, with reference to inflation, individual performance, company performance and the market rate applicable to jobs of similar complexity and responsibility.	The Committee does not specify a maximum salary or maximum salary increase due to unintended consequences such as setting undue expectations. The Committee recognises the importance of setting salaries at levels in the context of market median levels but which are not excessive in relation to the Group's particular strategy and features.	None
Bonus	To incentivise performance in the reporting year through the setting of targets at the beginning of the year.	Annual performance targets are set by the Committee at the beginning of the year and are linked to the Group's strategy and key business objectives. Minimum performance required for any part of the bonus is calibrated so as to be appropriately stretching but achievable.	75% of salary for Chief Executive and 60% of salary for other directors. At threshold levels of performance 0% of salary is earned, with a pro-rata allocation earned between threshold and maximum.	Bonus performance targets are based on underlying Group profit before tax.
Pension	Part of overall package for executive directors providing comprehensive remuneration.	Contribution paid into a defined contribution personal pension plan. Directors who are members of the Mallett Retirement Benefits Scheme (the "Scheme"), a defined benefit scheme, have accrued benefits in that Scheme. The Scheme will provide them, at normal retirement age (of 65 years old), with a pension of up to two thirds of their salary, subject to length of service, HM Revenue and Customs limits and other statutory rules. Spouses become entitled to 50% of the director's pension entitlement following the death of the director. This Scheme is closed to new entrants and closed to future accrual.	10% of salary for Giles Hutchinson Smith and Henry Neville, 23% of salary for Michael Smyth-Osbourne. The higher contribution for Michael Smyth-Osbourne reflects the fact that he is not a member of the Scheme.	None
Long term Incentive Plan ("LTIP")	To incentivise and reward performance over the long-term, aligning directors' interest with shareholders and to encourage management in accordance with the Group's long-term strategy.	Operated in accordance with plan rules approved by shareholders at an EGM in 2006. It awards nil cost options over Mallett plc ordinary shares ("Shares") which vest at the end of a three year period based on performance determined by comparison to performance targets set by the Committee at award. The Committee reviews the targets prior to making each grant of nil cost options. The Committee may review the performance conditions of each award and may vary the conditions of such awards provided they remain challenging and are aligned with shareholders' interests. No LTIP awards have been made in the last two years as a number of structural changes have been planned for Group which need to be implemented in order for appropriate long term targets to be set for the executive team.	Maximum 100% of base salary at date of award.	Performance targets are set based on Group profitability over a 3 year period.
Share Incentive Plan ("SIP")	Part of overall package for executive directors encouraging share ownership.	The Group operates a SIP to benefit all employees. Each director is awarded Shares with a value of up to £3,000 (Free Shares). The SIP also entitles employees, including directors, to acquire at their own expense up to £1,500 worth of Shares (Partnership Shares) in any one year to be held in trust under a partnership agreement. The Company has agreed to provide two Shares for every Partnership Share purchased on behalf of the employee (Matching Shares). The Free and Matching Shares are held in trust and the employees, including directors, only become entitled to them if they remain in employment for at least three years from the date of the award, subject to certain exemptions.	£6,000 per year	None
Benefits	Part of overall package for executive directors providing comprehensive remuneration.	Each director receives a car allowance and private medical insurance. Directors who are members of the Scheme also receive life assurance at 4 times salary.	15% of salary for car allowance. No maximum is set for private medical insurance or life insurance but the Committee does not expect the combined cost of these benefits to be higher than 5% of salary for the next 3 years.	None
Chairman and Non-Executive directors				
Fees	To attract Non-Executive Directors with requisite skills and experience to perform the role.	Fees are set at a level paid for comparable roles and companies of a similar size to Mallett. The Board as a whole determines the remuneration of the Non-Executive directors.	As with the policy for Executive Director's salaries, the Company does not specify a maximum level of increase.	None

Consideration of employment conditions elsewhere in the Company in developing policy

The remuneration policy for all employees is determined in terms of best practice and ensuring that the Company is able to attract and retain the best people.This principle is followed in the development of our Remuneration Policy for Executive Directors. However, employee views are not specifically sought in determining policy.

Salary and benefit packages are linked to both individual and business performance. All employees participate in bonus schemes which, together with salary reviews linked to business performance, enable all employees to share in the success of the Group. All employees are eligible to participate in the SIP.

Consideration of shareholder views

The views of our shareholders are important to us and the Committee is happy to receive constructive feedback with respect to our remuneration policies or structure, which we take on board to formulate our arrangements.

At the Company's latest AGM on 30 May 2013, we received 64% of votes in favour of the Directors' Remuneration Report. The significant minority of votes against the Report relates to a single shareholder and we have been discussing with that shareholder, and our other major shareholders, our remuneration policy since the AGM.

Service Agreements and loss of office payments

The Committee reviews the position in respect of the length of notice of termination under directors' service agreements and it is current policy for the Company to appoint executive directors subject to a service agreement requiring not more than 12 months' notice to be given by either party. The Committee considers that the period of notice of termination under directors' service agreements is appropriate in order to retain and recruit directors of a suitable calibre. These appointments are subject to election and re–election at the relevant Annual General Meeting according to the Company's Articles of Association.

Giles Hutchinson Smith and Henry Neville entered into director's service contracts on 31 August 1999 and each has a notice period of twelve months. Michael Smyth-Osbourne entered into a director's service agreement on 6 November 2006 and has a notice period of twelve months.

The executive directors have no contractual provisions for compensation upon early termination (with notice) of the contract. There is an entitlement to receive salary and benefits during the period of notice, which may be paid 'in lieu' of all or part of any period of notice. There are no entitlements to payments of any sort in the event that the Company summarily terminates an executive director's employment. Any entitlement to the annual bonus is at the discretion of the Committee.

If the termination of the contract is due to death, disability, injury, retirement, there is a change of control of the Company or other exceptional circumstances (for example redundancy) at the discretion of the Committee, a part of the director's LTIP awards will vest which will be determined by the Committee depending on the Group's performance and the proportion of the performance period which has elapsed. If the termination of the contract is for any other reason, all outstanding LTIP awards are forfeited.

Directors' Remuneration Report continued

Year ended 31 December 2013

If the termination of the contract is due to death, disability, injury, retirement, redundancy or there is a change of control of the Company, all the director's SIP awards will vest. If the termination of the contract is for any other reason, all outstanding SIP awards less than three years old are forfeited.

The non-executive directors were appointed through letters of appointment dated 22 June 2007. They do not have service agreements and, in accordance with the Company's Articles of Association, their appointment may be terminated at any time without compensation.

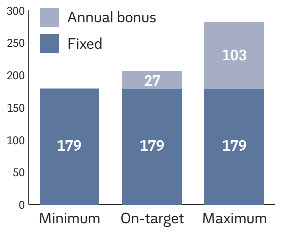
Recruitment policy

A new director's remuneration is proposed by the Committee and approved by the Board. The Group offers salary, benefits, annual bonus and nil cost options in the LTIP and SIP on the same basis as existing directors receive. The salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current salary. Annual bonus, LTIP, SIP, pension and other benefits will be awarded in line with the policy for other executive directors. For executive directors joining part way through the year, these awards will be pro-rated.

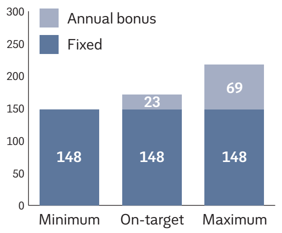
Implementation of remuneration policy for the following financial year

The charts below set out the potential remuneration receivable by directors for below threshold, on-target and maximum threshold performance. Potential reward opportunities are based on the policy and applied to salaries as at 1 January 2014. The fixed remuneration for Michael Smyth-Osbourne has been reduced by 17% from 2013, and the fixed remuneration for Giles Hutchinson Smith and Henry Neville has been kept at the same level as in 2013.

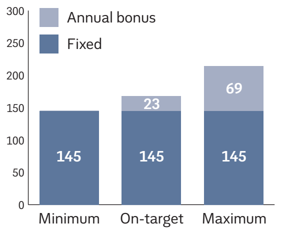
G Hutchinson Smith



H Neville

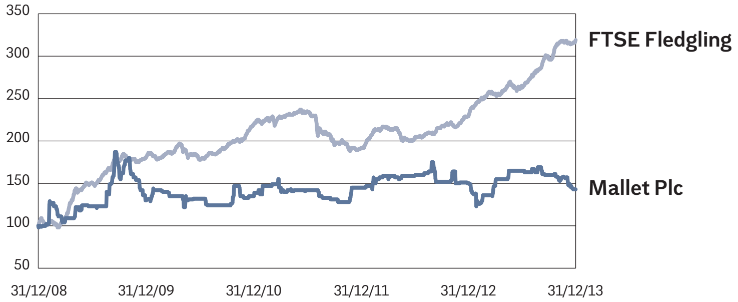


M Smyth-Osbourne



Performance Graph

As required by legislation regarding the Directors' Remuneration Report, this graph illustrates the performance of the Company measured by total shareholder return (share price growth plus dividend paid) against a "broad equity market index" over the past 5 years. The Company has been a constituent of the FTSE Fledgling index throughout this period, therefore this is considered to be the most appropriate benchmark.



Notes

1) The graph shows total shareholder return of a nominal holding of £100 of Mallett plc shares measured against the total shareholder return of an initial nominal holding £100 in the FTSE Fledgling index over a 5 year period.
2) Dividends have been reinvested.

CEO Single figure

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Single figure of total remuneration	180	178	256	196	202
Annual variable element award against maximum	0%	0%	80%	33%	25%
LTIP vesting rate against maximum	0%	0%	30%	0%	0%

Relative importance of spend on pay

	2013	2012	difference
	£'000	£'000	£'000
Overall spend on pay, including directors (note 8 to the accounts)	1,860	1,819	41
Distribution by way of dividends	-	-	-
Profit/(loss) retained in the Group	457	(325)	782

PART 2 – AUDITED INFORMATION

Single total figure of remuneration of directors

The tables below set out a single figure for the total remuneration received by each director for the year ended 31 December 2013 and the prior year:

	Basic salary and fees	Performance related bonus	Benefits[1]	Pension contributions[2]	Other[3]	Total
2013	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors:						
G.H. Hutchinson Smith	137	-	23	14	6	180
M.H.G. Neville	137	-	1	11	3	152
M.A. Smyth-Osbourne	129	-	12	28	6	175
	403	-	36	53	15	507
Non–Executive Directors:						
Lord Daresbury	40	-	-	-	-	40
J. Heneage	30	-	-	-	-	30
	70	-	-	-	-	70
2012	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors:						
G.H. Hutchinson Smith	137	-	22	14	6	179
M.H.G. Neville	134	-	1	11	3	149
M.A. Smyth-Osbourne	129	-	11	28	6	174
	400	-	34	53	15	502
Non–Executive Directors:						
Lord Daresbury	40	-	-	-	-	40
J. Heneage	30	-	-	-	-	30
	70	-	-	-	-	70

1. Benefits comprise a cash-settled car allowance, private medical insurance and life insurance
2. Pension contributions relate to company contributions into a defined contribution pension scheme for each director at a level of 10% of salary for Giles Hutchinson Smith, 10% of UK equivalent salary for Henry Neville and 23% of salary for Michael Smyth-Osbourne.
3. Other relates to company contributions into the company's Share Incentive Plan

£10,000 (2012 – £10,000) was paid to Daresbury Properties Limited, a company controlled by Lord Daresbury, for office expenses incurred in his role as non-executive director of the Company.

The remuneration of the CEO, Giles Hutchinson Smith has increased by 0% (2012 – decrease of 25%) from the previous year. This compares to an increase of 2.3% (2012 – decrease of 19%) in the staff costs of employees generally, as set out in note 8 to the accounts.

Directors' defined benefit pension arrangements

Giles Hutchinson Smith and Henry Neville are members of the Scheme, a defined benefit pension scheme. This Scheme is closed to future accrual and they therefore accrued no pensionable service in that Scheme during the year or the prior year. The Scheme is registered with HM Revenue & Customs under the Finance Act 2004.

The figures below relate only to the Scheme.

Director name	Age	Normal Retirement Date	Contributions paid by the director for the year 2013 £'000	Accrued pension entitlement at 31 December 2012 £'000	Accrued pension entitlement at 31 December 2013 £'000	Value of remuneration for the year ending 31 December 2013 £'000
G.H. Hutchinson Smith	51	05-Aug-27	-	27	27	305
M.H.G. Neville	54	23-Apr-24	-	40	40	396

The value of remuneration is calculated using a modified version of HM Revenue and Customs' tax rules for pension savings. The calculation methodology is laid out in the regulations.

Directors' Remuneration Report continued

Year ended 31 December 2013

Normal retirement date means an age specified in the pension scheme rules (or otherwise determined) as the earliest age at which, while the individual continues to accrue benefits under the pension scheme, entitlement to a benefit arises

(a) without consent (whether of an employer, the trustees or managers of the scheme or otherwise), and
(b) without an actuarial reduction,

but disregarding any special provision as to early repayment on grounds of ill health, redundancy or dismissal.

Disclosure of benefits has been made in accordance with the Large and Medium-sized companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 for directors' pension disclosures.

Directors' Interests

The executive directors are encouraged to hold significant quantity of shares in the Company. The SIP and LTIP were set up to help achieve this and the annual bonus pay-outs for 2009, 2010 and 2011 all had a share element to the them. At 31 December 2013 shares held by the directors or owed to directors through the bonus schemes, LITP and SIP represented 3.4% (2012 – 3.1%) of the share capital of the Company.

At 31 December 2013 the directors of the Company and persons connected to them had the following interests in the Company's share capital:

		31 December 2013 5p ordinary shares		31 December 2012 5p ordinary shares
	Non-beneficial	Beneficial	Non-beneficial	Beneficial
Lord Daresbury	-	-	-	-
James Heneage	-	10,000	-	10,000
G.H. Hutchinson Smith	-	116,532	-	107,876
M.H.G. Neville	-	103,591	-	101,191
M.A. Smyth-Osbourne	-	94,704	-	87,849

Directors' Interests in the Share Incentive Plan

During the year the executive directors were awarded Free Shares with a value of £3,000 (2012: £3,000). Giles Hutchinson Smith and Michael Smyth-Osbourne acquired, at their own expense, Partnership Shares to the value of £1,500 (2012: £1,500) and, under the two for one matching arrangement, the Group therefore purchased Matching Shares to the value of £3,000 (2012: £3,000) for each of those directors.

The table below gives details of the directors' holdings of shares awarded under the Share Incentive Plan.

		G.H. Hutchinson Smith	M.H.G. Neville	M.A. Smyth-Osbourne
Total interest as at 1 January 2013	Number of ordinary shares	52,180	20,348	50,379
Number of Shares acquired/(awarded) during the year				
Free	granted	3,871	3,871	3,871
	exercised	(2,400)	(2,400)	(2,400)
Partnership Shares	granted	1,935	-	1,935
	exercised	(2,085)	-	(1,485)
Matching Shares	granted	3,871	-	3,871
	exercised	(4,170)	-	(2,970)
Dividend Shares	granted	-	-	-
	exercised	-	-	-
Total interest as at 31 December 2013	Number of ordinary shares	53,202	21,819	53,201
End of the period of latest qualifying conditions		01/05/2017	01/05/2017	01/05/2017

The market price of the Shares exercised in the year at the date of exercise was 78 pence per share.

Approved by the board and signed on its behalf on 1 April 2014:

M.A. Smyth-Osbourne ACA
Secretary

Statement of Directors' Responsibilities

Year ended 31 December 2013

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements and have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for 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 accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- prepare a director's report, the strategic report, and director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- the annual report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description or the principal risks and uncertainties that they face.

Approved by the board and signed on its behalf on 1 April 2014:

M.A. Smyth-Osbourne ACA
Secretary

Independent Auditor's Report to the Members of Mallett plc

Year ended 31 December 2013

We have audited the financial statements of Mallett plc for the year ended 31 December 2013 which comprise the Group income statement, Group statement of comprehensive income, Group and Parent Company balance sheets, Group and parent Company statement of changes in equity, Group and Parent Company cashflow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate .

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the Group and Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Our assessment of risks of material misstatement and an overview of the scope of our audit

We considered the following risks to have the greatest impact on our audit strategy and scope. We discussed these areas of focus with the Audit Committee. The Audit Committee consideration of these is set out on pages 17 and 18.

RISK	OUR RESPONSE AND AUDIT APPROACH
The assessment of the carrying value of inventories	
The carrying value of inventories represents a significant balance within the total assets of the Group. Inventories are carried at the lower of cost and net realisable value but the assessment of the future net realisable value of inventory items by the Directors is subject to a high degree of judgement. The Group has appointed independent valuers to carry out an independent valuation of the Group's inventories.	We evaluated the competence, capability and objectivity of the external valuer which included making enquiries regarding interests and relationships that may have created a threat to the external valuer's objectivity. We reviewed the Directors' adjustment to the valuations received and discussed the appropriateness of these changes with the Directors, and if appropriate with the valuer, to ensure that such changes were based on relevant matters of judgement and fact and corroborated the basis of these changes. We assessed the process adopted by the Directors in meeting with the external valuers and reviewing and approving the year end valuation. In order to further assess the risk of bias in the valuation, we performed a retrospective review of material items sold and compared prices achieved with the most recent valuation, where available. Where significant variations from the last valuation of such transactions were achieved we determined through discussion with the Directors why such differences arose, considered the impact on the year end valuation and corroborated those explanations received.

RISK	OUR RESPONSE AND AUDIT APPROACH
The assessment of the carrying value of non-current assets	
The parent Company has significant investments in its subsidiaries in the form of non-current assets and amounts due from subsidiary undertakings. The amounts due from subsidiary undertakings were impaired in prior years, and any change in performance could lead to further impairment, or reversals of the impairment. As documented in the critical accounting estimates and judgements, consideration of impairment is one of the key judgemental areas.	As detailed in the significant accounting policies on page 36, at each balance sheet date, the Group and the Parent Company reviews the carrying amounts of its non-current assets. Our audit procedures included, among others, detailed testing of the Directors' impairment assessment for each of the significant investments in its subsidiaries and the amounts due from subsidiary undertakings. We obtained the Directors' "value in use models", and critically assessed the reasonableness of the Directors' assumptions in the models, including the judgement and estimates in the cashflow projections, the discount rates and the risks and sensitivities specific to each asset. We utilised our own valuation specialists to the extent necessary in performing our work. We considered the adequacy of the Group's and Parent Company's disclosures in respect of the impairment testing, and whether the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the valuations.
Revenue recognition	
As detailed in the significant accounting policies on page 36, revenue is recognised when the significant risks and rewards of ownership have been transferred to the purchaser. The most significant accounting estimate concerning revenue recognition is the Directors' assessment of the date of transfer of those risks and rewards and we focussed on the risk that revenue may have been recognised for transactions where the risks and rewards of ownership had not been substantially transferred and therefore the transaction had not occurred	We challenged the Directors' assumptions, estimates and judgements related to certain customer transactions, based on available information and past experience and assessed whether any arrangements would have a material accounting or disclosure impact. We substantively tested a sample of items to ensure the risks and rewards have been transferred to the buyer. Where revenue was recorded through journal entries we performed testing to establish whether the risks and rewards of ownership had been substantially transferred and therefore the sale has occurred.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined planning materiality for the financial statements as a whole to be £118,000. In determining this, we based our assessment on a level of 1% of turnover. We use turnover as we consider this to be a significant factor in management reporting and we believe is the key benchmark used by members of the company in assessing financial performance. We agreed with the Audit Committee that we would report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £4,500 in addition to other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report continued

Year ended 31 December 2013

Matters on which we are required to report by exception
Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 18, in relation to going concern;
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Sophia Bevan
Senior Statutory Auditor
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

1 April 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

Year ended 31 December 2013

	Notes	2013 £'000	restated 2012 £'000
Revenue	5	**11,776**	10,183
Cost of sales		**(10,433)**	(8,990)
Gross profit		**1,343**	1,193
Other operating income	6	**594**	(4)
Distribution costs		**(189)**	(205)
Administrative expenses		**(1,222)**	(1,172)
Operating profit/(loss)	7	**526**	(188)
Net interest	9	**(26)**	(9)
Share of operating profit in associate	17	**32**	50
Profit/(loss) before income tax		**532**	(147)
Income tax	10	**(4)**	(1)
Profit/(loss) for the year		**528**	(148)
Loss on discontinued operation, net of tax	11	**(120)**	(222)
		408	(370)
Profit/(loss) attributable to:			
Owners of the parent company		**457**	(325)
Non controlling interest		**(49)**	(45)
		408	(370)
Earnings per share attributable to the ordinary equity holders of the parent	12		
Profit and loss			
Basic earnings per share		**3.06p**	(2.78)p
Diluted earnings per share		**2.91p**	(2.78)p
Profit and loss from continuing operations			
Basic earnings per share		**3.96p**	(1.11)p
Diluted earnings per share		**3.77p**	(1.11)p

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 £'000	2012 £'000
Profit/(loss) for the year	**408**	(370)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(65)**	(162)
Items that will not be reclassified to profit or loss:		
Actuarial profit/(loss) on the defined benefit pension scheme	**431**	(291)
Total other comprehensive profit/(loss) for the year, net of tax	**366**	(453)
Total comprehensive income/(loss) for the year	**774**	(823)
Total comprehensive income/(loss) attributable to:		
Owners of the parent company	**823**	(778)
Non controlling interest	**(49)**	(45)
	774	(823)

Consolidated Balance Sheet

At 31 December 2013

	Notes	2013 £'000	restated 2012 £'000	restated 2011 £'000
Non-current assets				
Intangible assets	*14*	**26**	-	-
Property, plant and equipment	*15*	**2,464**	4,741	4,608
Investment in associate	*17*	**6**	-	-
Other receivables	*18*	**398**	430	105
		2,894	5,171	4,713
Current assets				
Inventories	*16*	**11,406**	11,906	12,304
Trade and other receivables	*18*	**6,485**	2,872	5,095
Cash and cash equivalents		**1,435**	798	325
		19,326	15,576	17,724
Assets in disposal groups classified as held for sale	*23*	**-**	387	-
		19,326	15,963	17,724
Total assets		**22,220**	21,134	22,437
Equity				
Share capital	*25*	**690**	690	690
Capital redemption reserve	*26*	**5,168**	5,168	5,168
Own shares	*26*	**(473)**	(438)	(513)
Retained profits		**9,181**	8,474	9,327
		14,566	13,894	14,672
Non controlling interest		**(51)**	(89)	(58)
Total equity		**14,515**	13,805	14,614
Current liabilities				
Trade and other payables		**3,842**	3,225	4,009
Bank overdrafts and loans		**2,189**	1,457	1,446
	19	**6,031**	4,682	5,455
Liabilities directly associated with assets in disposal groups classified as held for sale	*23*	**-**	296	-
		6,031	4,978	5,455
Non current liabilities				
Retirement benefit pension obligations	*21*	**980**	1,640	1,629
Other payables	*19*	**694**	711	740
		1,674	2,351	2,369
Total liabilities		**7,705**	7,329	7,824
Total equity and liabilities		**22,220**	21,134	22,438

The financial statements were approved by the board of directors and authorised for issue on 1 April 2014.
They were signed on its behalf by:

G.H. Hutchinson Smith *Director* M.A. Smyth-Osbourne *Director*

Company Number 1838233

Company Balance Sheet

At 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Investments	*17*	**6,318**	8,482
Deferred tax	*22*	**-**	-
		6,318	8,482
Current assets			
Trade and other receivables	*18*	**6,448**	5,955
Cash and cash equivalents		**15**	28
		6,463	5,983
Total assets		**12,781**	14,465
Equity			
Share capital	*25*	**690**	690
Special capital reserve	*26*	**1,761**	1,761
Capital redemption reserve	*26*	**5,168**	5,168
Retained profits		**5,074**	6,797
Total equity		**12,693**	14,416
Current liabilities			
Trade and other payables	*19*	**88**	49
Total equity and liabilities		**12,781**	14,465

The financial statements were approved by the board of directors and authorised for issue on 1 April 2014.

They were signed on its behalf by:

G.H. Hutchinson Smith *Director* M.A. Smyth-Osbourne *Director*

Company Number 1838233

Statements of Changes in Equity

At 31 December 2013

Consolidated	Share capital £'000	Capital redemption reserve £'000	Own shares £'000	Retained profits £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2012 (restated)	690	5,168	(513)	9,327	14,672	(58)	14,614
Retained loss for the year	-	-	-	(325)	(325)	(45)	(370)
Total other comprehensive loss for the year	-	-	-	(453)	(453)	-	(453)
Total comprehensive loss for year	-	-	-	(778)	(778)	(45)	(823)
Disposal of interest in subsidiary	-	-	-	(14)	(14)	14	-
Own shares exercised	-	-	149	(61)	88	-	88
Own shares purchased	-	-	(74)	-	(74)	-	(74)
At 31 December 2012 (restated)	690	5,168	(438)	8,474	13,894	(89)	13,805
Retained profit for the year	-	-	-	457	457	(50)	408
Total other comprehensive profit for the year	-	-	-	366	366	-	366
Total comprehensive profit for year	-	-	-	823	823	(50)	773
Acquisition of interest in subsidiary	-	-	-	(168)	(168)	88	(80)
Own shares exercised	-	-	35	52	87	-	87
Own shares purchased	-	-	(70)	-	(70)	-	(70)
At 31 December 2013	**690**	**5,168**	**(473)**	**9,181**	**14,566**	**(51)**	**14,515**

Company	Share capital £'000	Special capital reserve £'000	Capital redemption reserve £'000	Own shares £'000	Retained profits £'000	Total equity £'000
At 1 January 2012	690	1,761	5,168	(100)	15,554	23,073
Retained loss for the year	-	-	-	-	(8,657)	(8,657)
Own shares exercised	-	-	-	100	(100)	-
At 31 December 2012	690	1,761	5,168	-	6,797	14,416
Retained loss for the year	-	-	-	-	(1,723)	(1,723)
At 31 December 2013	**690**	**1,761**	**5,168**	**-**	**5,074**	**12,693**

The share premium, capital redemption reserve and special capital reserve are not available for distribution.

Consolidated Cash Flow Statement

Year ended 31 December 2013

	Notes	2013 £'000	restated 2012 £'000
Profit/(loss) before income tax		532	(147)
Adjustments for:			
Net interest		26	9
Share of operating profit in associate		(32)	(50)
Operating profit/(loss)		526	(188)
Adjustments for:			
Depreciation		274	348
Freehold property impairment		-	(200)
Profit on the sale of property		(558)	-
Share-based payments		58	(60)
Defined benefit pension adjustment		(229)	(280)
Net exchange adjustments		21	(86)
Loss from discontinued operations		(120)	(222)
Movements in working capital:			
Decrease in inventories		546	272
(Increase)/decrease in receivables		(810)	1,751
Decrease/(increase) in payables		241	(466)
Cash generated by operations		(51)	869
Tax paid		(4)	(1)
Net Cash from Operating Activities		**(55)**	868
Investing Activities			
Purchase of intangibles		(26)	-
Purchase of property, plant and equipment		(27)	(357)
Net Cash used in Investing Activities		**(53)**	(357)
Financing Activities			
Interest paid		(26)	(9)
Purchases of own shares		(10)	74
Net Cash used in Financing Activities		**(36)**	65
Net (decrease)/increase in Cash and Cash Equivalents		**(144)**	576
Cash and Cash Equivalents at beginning of year		**(545)**	(1,121)
Effect of foreign exchange rate changes		(65)	-
Cash and Cash Equivalents at end of year	*28*	**(754)**	(545)

Company Cash Flow Statement

Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Loss before income tax		(1,723)	(8,657)
Impairment to investment		2,164	-
Intercompany bad debt (provision release)/provision		(700)	8,411
		(259)	(246)
Movements in working capital:			
Decrease in receivables		207	250
Increase in payables		39	16
Net Cash from Operating Activities		(13)	20
Net (decrease)/increase in Cash and Cash Equivalents		(13)	20
Cash and Cash Equivalents at beginning of year		28	8
Cash and Cash Equivalents at end of year	*28*	15	28

Notes to the Accounts

Year ended 31 December 2013

1 General Information

Mallett plc ("the Company") is a public limited company incorporated in the United Kingdom. The address of it's registered office is Ely House, 37 Dover Street, London W1S 4NJ.

The principal activities of the Company and its subsidiaries (together "the Group") are described in the Chairman's Statement, Strategic Report, Report of the Directors and note 5.

2 Significant Accounting Policies

a) Basis of accounting and consolidation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The Group accounts, which include the accounts of the Company and its subsidiaries, are presented on the basis of the historical cost convention except for equity settled share-based payments that have been measured at fair value. All companies' accounts are made up to 31 December 2013. Subsidiaries are included in the consolidation up to the date at which they ceased to be controlled, either by way of sale or other means.

The Group accounts are prepared on a going concern basis which the directors believe to be appropriate. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group has sufficient financial resources. The Company is currently reviewing its overdraft facility requirements with its bankers, Coutts & Co, and the directors are confident that the Company will have adequate facilities in place to cover the Group's cashflow requirements for the foreseeable future. As a consequence the directors have a reasonable expectation that the Company and Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Prior year restatements
The 2012 Income Statement, Consolidated Balance Sheet and Consolidated Cashflow have been restated to implement the revisions to IAS19 - Employment Benefits which are required to be applied retrospectively. The revisions are explained in more detail in Changes in accounting policies below.

The 2012 consolidated balance sheet has also been restated to reflect the smoothing of the lease rental payments on two leases for the Group's New York premises over the life of the leases. This has led to an accrual being recognised of £746,000, with an equal reduction to equity in 2012, reflecting the number of years passed on the leases. The accrual will be released to the income statement over the remaining periods of the leases. The accrual has been taken straight to reserves in 2012 and £15,000 has been released to the Income Statement in 2013.

b) Changes in accounting policies
New standards, interpretations and amendments from the 1 January 2013:

A number of new standards, interpretations and amendments effective for the first time for periods beginning on or after 1 January 2013 have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment which effect the Group's annual consolidated financial statements and which have been adopted by the Group are detailed below.

IAS 1 - Presentation of items of Other Comprehensive Income – Amendment to IAS1

The amendments require that items of other comprehensive income must be grouped together into those that will or may be reclassified into profit or loss and those that will not. As the amendment affects presentation only, there is no effect on the Group's position or performance.

IAS 19 - Employment Benefits (Revised)

The main changes as a consequence of the revision of IAS19 include:

- elimination of the "corridor" approach for deferring gains/losses for defined benefit plans
- actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in other comprehensive income rather than in profit or loss, and cannot be reclassified in subsequent periods
- amendments to the timing of recognition for liabilities for termination benefits
- Employee benefits expected to be settled (as opposed to "due to be settled") wholly within twelve months after the end of the reporting period are short-term benefits and are not discounted.

The revisions are required to be applied retrospectively and so the effect of the revision is to transfer £58,000 from Other Comprehensive Income to the Income Statement in 2012.

c) New standards and interpretations not yet adopted
The following standards, amendments to standards and interpretations have been issued by the IASB and are not effective for 2013 and therefore have not been applied in preparing these accounts:

IFRS 9 Financial Instruments, effective for periods commencing to be confirmed.

IFRS 10 Consolidated Financial Statements, effective for periods commencing on or after 1 January 2014.

IFRS 11 Joint Arrangements, effective for periods commencing on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities, effective for periods commencing on or after 1 January 2014.

IAS 27 Separate Financial Statements, effective for periods commencing on or after 1 January 2014.

Notes to the Accounts continued

Year ended 31 December 2013

IAS 28 Investments in Associates and Joint Ventures, effective for periods commencing on or after 1 January 2014.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities, effective for periods commencing on or after 1 January 2014.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12), effective for periods commencing on or after 1 January 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), effective for periods commencing on or after 1 January 2014.

Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36), effective for periods commencing on or after 1 January 2014.

Annual Improvements to IFRSs 2010-2012 Cycle, effective for periods commencing on or after 1 January 2014.

The Group does not anticipate that the adoption of these standards or interpretations will have a significant impact or relevance on the Group's accounts in the period of initial application.

d) Revenue

Revenue represents the total amount receivable by the Group for goods sold and services rendered during the year, exclusive of value added tax. Revenue is recognised in the consolidated Income Statement when the significant risks and rewards of ownership have been transferred to the purchaser. This is generally considered to be the point at which an invoice is issued for the sale, as set out in the terms and conditions of sale, except where the sold item requires manufacture, where the Group recognises revenue at the later of the issue of the invoice or when the goods in question have finished production and have passed any applicable factory and customer acceptance tests.

Where the Group owns a part share in an item, the Group recognises 100% of the sale in revenue if the Group acts as principal in the sale transaction, subject to the revenue recognition policy above. If the partner acts as principal, the Group recognises only its share of the sale proceeds in revenue.

Where sold goods remain on the Group's premises at the year end at the request of the customer, management consider the detailed criteria for the recognition of revenue from the sale of goods as set out in IAS 18. In particular, consideration is given as to whether the significant risks and rewards of ownership are considered to have transferred to the purchaser.

e) Intangible assets

Computer software

In accordance with IAS 38, costs associated with the application and infrastructure development stage of the Group's website are capitalised as an intangible asset and amortised over its expected useful economic life of seven years on a straight line basis. This charge is allocated to administrative expenses in the Income Statement and is recognise when the economic benefit commences and will become effective from the launch of the website. Costs associated with the planning phase, content development phase and ongoing operations of the website are expensed through the Income Statement as incurred.

f) Leased assets

Rentals under operating leases are charged to the Income Statement as incurred. Lease incentives received are recognised as an integral part of total lease expense, over the term of the lease.

The sale of a leased asset is recognised when all conditions relating to the sale agreement have been satisfied and the transaction becomes unconditional. This may be different to the date of completion of the transaction.

g) Inventories

Inventories are valued at cost, including purchase price and any restoration costs, except where, in the directors' opinion as experts, the net realisable value is likely to be lower. In such circumstances inventories are valued at estimated net realisable value.

Where inventory is held under consignment and the risks and rewards of ownership have not been considered transferred to the Group, no inventory or corresponding liability is recorded.

h) Depreciation

Property, plant and equipment are depreciated by equal instalments over their expected useful lives at the following rates:

Freehold buildings	2%
Long leasehold property	2%
Fixtures & fittings	10%
Motor vehicles	25%
Short leasehold property	over the term of the lease

i) Impairment of non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. An impairment loss is recognised in the Income Statement whenever the carrying amount of the asset exceeds its recoverable amount.

j) Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their functional currency) are recorded at rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rate ruling at one reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Income Statement.

Assets and liabilities of the overseas subsidiary undertaking are translated at the rates of exchange ruling at the Balance Sheet date. The results of the overseas subsidiary are translated at a reasonable approximation of the date of transaction. Differences arising on translation of the net assets of the subsidiary undertaking are taken direct to reserves.

k) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits ("temporary differences"), and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Where there are taxable temporary differences arising on subsidiaries, deferred tax liabilities are recognised.

Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Where there are deductible temporary differences arising on subsidiaries, deferred tax assets are recognised only where it is probable that they will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and recognised or reduced to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

l) Pension costs

The Group operates a defined benefit pension scheme which is closed to new entrants and closed to future accrual. The funds of the scheme are administered by trustees and are separate from the Group. The scheme is valued by a qualified actuary every three years and contributions are paid in accordance with the recommendations of the actuary. The most recent valuation of this scheme was at 1 May 2010.

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- actuarial gains and losses,
- return on plan assets (interest exclusive)
- any asset ceiling effects (interest exclusive)

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense/(income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation/(asset) at the beginning of the annual period to the balance of the net defined benefit obligation/(asset), considering the effects of contributions and benefit payments during the period.

Gains and losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

The Group also operates a defined contribution pension scheme. Pension payments to defined contribution schemes are charged to the Income Statement as they become due.

m) Share based payments

The Group issues equity settled share-based payments through a Share Incentive Plan to all employees and through a Long Term Incentive Plan to directors. The payments are measured at fair value at the date of grant and the fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The fair value of payments under the Share Incentive Plan is measured as the market price at the date of the award. The fair value of the payments under the Long Term Incentive Plan is measured using the Black Scholes model.

n) Own shares

Consideration paid/received for the purchase/sale of own shares is recognised directly in equity. The cost of own shares held is presented as a separate reserve (the "own share reserve"). Any excess of the consideration received on the sale of own shares over the weighted average cost of the shares sold is credited to retained earnings.

o) Accounting for financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment is made where there is objective evidence of impairment (including customers in financial difficulty or seriously in default against agreed payment terms). There is no material variance between carrying and fair values.

Significant financial difficulties of the trade receivables, probability that the trade receivables will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and

Notes to the Accounts continued

Year ended 31 December 2013

the amount of the loss is recognised in the Income Statement within cost of sales. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in the Income Statement.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Trade payables
Trade payables are initially recognised at cost and subsequently measured at amortised cost using the effective interest method. There is no material variance between book and fair values.

Borrowings
Bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs and finance charges are recognised in the Income Statement over the term of the instrument. Note 19 provides details of the applicable interest rates. There is no material variance between book and fair values.

Equity instruments
Equity instruments are recorded at the proceeds received, net of direct issue costs.

p) Interest
Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

q) Investment in associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in associate.

3 Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. Risk management is carried out by the Board, who review the exposures of the Group on an ongoing basis and put in specific procedures to mitigate this risk where it is felt appropriate to do so.

a) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages its holding of foreign currency, specifically US Dollars, to ensure that the impact of currency fluctuations on the Group are reduced. The use of forward contracts has been considered, as a further measure to mitigate this risk. However the Group has not entered into any contracts of this nature during the year.

b) Credit risk
The Group considers that there is ordinarily low credit risk exposure. The majority of the Group's sales are made to high net worth individuals with good credit worthiness. The combination of this factor and the repeat sales to regular customers limit the amount of credit exposure of the Group.

c) Liquidity risk
The Group maintains sufficient cash and availability of funding through an adequate amount of committed credit facilities to ensure that resources are available to take advantage of new business opportunities as they arise.

d) Capital management risk
The Group policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4 Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual result. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial period are discussed below.

a) Retirement benefit pension obligations
The Group's defined benefit pension scheme liability is based on key assumptions including return on scheme assets, discount rates, mortality rates, inflation, future salary and pension costs. The Group takes advice from independent actuaries as to the appropriateness of the assumptions, but these assumptions may, individually or collectively, be different to actual outcomes.

b) Carrying value of inventory
Inventory is valued at the lower of cost and net realisable value. The directors regularly review the carrying value of all items in inventory and where their estimate of the market value of the item, based on market conditions at the time and trends in customer demand, is lower than the cost of the item, a provision is made to reduce the carrying value of the item to the estimated market value.

c) Carrying value of non-current assets
Non-current assets are recorded at the lower of cost and the estimated recoverable amount. The estimated recoverable amount is the higher of fair value less selling costs and the value in use. The value in use calculation requires an estimate of the present value of future cash flows expected to arise from the asset, by applying an appropriate discount rate to the timing and amount of future cash flows.

The directors are required to make judgements regarding the timing and amount of future cash flows applicable to the asset, based on current budgets and forecasts and extrapolated for an appropriate period taking into account growth rates and expected changes in prices and costs. The directors estimate the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the individual asset.

d) Carrying value of trade receivables
The directors regularly assess the recoverability of trade receivables and where there is objective evidence to indicate that the Group will not be able to collect all amounts due according to the original terms of the receivables a provision for impairment is made and this is recognised in the Income Statement within cost of sales.

e) Taxation
The Group is subject to income taxes in the UK and US. At each financial period end judgement is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax issues based on the best estimates at the Balance Sheet date. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the corporation tax and deferred tax provisions in the period in which such determination is made.

The amount of the deferred tax asset included in the Balance Sheet of the Group is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In estimating the amount of the deferred tax asset that may be recognised, the directors make judgements, based on current budgets and forecasts, about the amount of future taxable profits and the timings of when these will be realised. The directors have decided not to carry forward a deferred tax asset in respect of unused tax losses due to the uncertain nature of the antique furniture and decorative arts market and the timing of its recovery.

5 Segmental Analysis

The Group's operating segments have been determined based on the management accounts reviewed by the Board of Directors (the Chief Operating Decision Maker). The Group's activities in the year were split into two business segments: dealing in antique furniture and objets d'art through Mallett and providing restoration services through Hatfields. The operations of Mallett are further split into two geographical regions, UK and US, reflecting the location of a Mallett showroom in each of those regions.

During the year the business and certain assets of James Harvey British Art Limited ("JHBA") were sold. The remaining assets and liabilities of JHBA were transferred to Mallett & Son (Antiques) Ltd and JHBA became a dormant company. The results of JHBA for 2013 and 2012 have therefore been shown as discontinued operations.

The Board assesses the performance of the operating segments based on turnover and EBITDA. Sales are reported by location of sales outlet. The accounting policies of the reportable segments are the same as described in note 2. There were no sales to any one client representing more than 10% of turnover of the Group (2012 – Mallett UK made sales to one client totalling £1.8m).

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.

Notes to the Accounts continued

Year ended 31 December 2013

Segmental analysis – continuing operations

Income & expenses information

2013	Mallett UK £'000	Mallett USA £'000	Hatfields £'000	Other £'000	Total £'000	Discontinued operations £'000
Income & expenses information						
Total revenue	6,602	6,808	804	-	14,214	130
Inter segment revenue	(2,290)	-	(148)	-	(2,438)	-
External revenue by sales outlet	4,312	6,808	656	-	11,776	130
EBITDA	(148)	358	26	6	242	(96)
Depreciation and amortisation	(127)	(147)	-	-	(274)	-
Profit on sale of freehold property	558	-	-	-	558	-
Operating profit/(loss)	283	211	26	6	526	(96)
Share of operating profit in associate	-	-	-	32	32	-
Interest revenue	(27)	-	-	-	(27)	-
Interest expense	87	(86)	-	-	1	-
Profit/(loss) before tax	343	125	26	38	532	(96)
Income tax	(2)	(2)	-	-	(4)	(24)
Profit/(loss) for the year	341	123	26	38	528	(120)
Balance Sheet information						
Non current assets	1,055	1,426	9	-	2,490	
Capital expenditure	44	-	9	-	53	
Total assets	14,623	7,236	361	-	22,220	
Total liabilities, excluding tax liabilities	5,892	1,698	115	-	7,705	
Investment in associate	6	-	-	-	6	

2012	Mallett UK £'000	Mallett USA £'000	Hatfields £'000	Other £'000	Total £'000	Discontinued operations £'000
Income & expenses information						
Total revenue	7,352	3,123	777	-	11,252	844
Inter segment revenue	(772)	-	(297)	-	(1,069)	-
External revenue by sales outlet	6,580	3,123	480	-	10,183	844
EBITDA	(157)	4	15	31	(107)	(176)
Depreciation and amortisation	(106)	(148)	-	(27)	(281)	(67)
Freehold property impairment write back	-	-	-	200	200	-
Operating profit/(loss)	(263)	(144)	15	204	(188)	(243)
Share of operating profit in associate	-	-	-	50	50	-
Interest revenue	(10)	-	-	-	(10)	-
Interest expense	94	(93)	-	-	1	-
Profit/(loss) before tax	(179)	(237)	15	254	(147)	(243)
Income tax	-	(1)	-	-	(1)	20
Profit/(loss) for the year	(179)	(238)	15	254	(148)	(222)
Balance Sheet information						
Non current assets	3,147	1,594	-	-	4,741	
Capital expenditure	355	2	-	-	357	
Total assets	11,922	6,922	301	1,989	21,134	
Total liabilities, excluding tax liabilities	6,099	1,113	117	-	7,329	
Investment in associate	-	-	-	-	-	

The sales by destination of goods is as follows:

	Mallett UK £'000	Mallett US £'000	Hatfields £'000	Total £'000	Discontinued operations £'000
2013					
United Kingdom	1,218	1,036	640	2,894	141
Rest of Europe	350	-	7	357	-
United States of America	1,205	5,713	3	6,921	(11)
Far East	1,171	-	-	1,171	-
Other	368	59	6	433	-
	4,312	6,808	656	11,776	130
2012					
United Kingdom	3,154	60	456	3,670	685
Rest of Europe	1,203	55	11	1,269	24
United States of America	1,348	2,846	9	4,203	135
Far East	66	-	-	66	-
Other	809	162	4	975	-
	6,580	3,123	480	10,183	844

6 Other Operating Income

	2013 £'000	2012 £'000
Profit on sale of freehold property	558	-
Other operating income	36	(4)
	594	(4)

On 23 August 2013 the Group exchanged contracts on the sale of its freehold property at 49 Clapham High Street, London for £2,650,000. The sale completed on 21 February 2014 but the sale was unconditional when contracts were exchanged on 23 August 2013 and therefore the sale has been accounted for in 2013.

7 Profit/(Loss) from Operations

Operating profit/(loss) has been arrived at after charging/(crediting):	2013 £'000	2012 £'000
Depreciation of property, plant and equipment	274	281
Auditors' remuneration (see below)	64	59
Net foreign exchange losses	(50)	26
Freehold property impairment write back	-	200
Lease payments	994	1,086
Profit on sale of freehold property	558	-
Auditors' remuneration		
- Fees payable for the audit of the Company's annual accounts	20	14
- Fees payable for the audit of the Company's subsidiaries annual accounts	41	42
- Total audit fees	61	56
- Other non-audit services		
- Other assurance services	2	2
- Other services not covered above*	1	1
- Total non-audit fees	3	3
	64	59

** Other services includes work relating to general consultancy work.*

Notes to the Accounts continued

Year ended 31 December 2013

8 Staff Costs

	2013 £'000	2012 £'000
Staff costs (including Directors)		
- wages and salaries	1,460	1,502
- social security costs	118	137
- share based payments	71	72
- pension scheme costs* (note 21)	211	108
	1,860	1,819

** Includes £133,000 (2012 - £140,000) in respect of contributions to defined contribution pension schemes and the Pension Protection Fund levy for the year.*

Average number of persons (including directors and part-time employees) employed by the company	Number	Number
Restoration	8	8
Selling and distribution	19	21
Administration	4	4
Non-executive directors	2	2
	33	35

Details of directors' emoluments are given in the Directors' Remuneration Report on page 23. The Group believes that the directors of Mallett plc are the only key management personnel under the definition of IAS 24 "Related party disclosures".

9 Net Interest

	2013 £'000	2012 £'000
Interest payable on bank loan and overdrafts within five years not by instalments	(26)	(9)

10 Tax

	2013 £'000	2012 £'000
Current taxation		
UK corporation taxation	-	-
Foreign tax	4	1
	4	1
Deferred tax (note 22):		
Current year	-	-
	4	1

UK corporation tax is calculated at 23.25% (2012 – 24.5%) of the estimated assessable profit for the year. Tax for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit/(loss) per the Income Statement as follows:

	2013 £'000	2012 £'000
Profit/(loss) before tax	532	(147)
Tax at the UK corporation tax rate of 23.25% (2012 – 24.5%)	124	(22)
Effected by the tax impact of the following items:		
Income not taxable	(13)	-
Expenses not deductible for tax purposes	24	41
Depreciation in excess of capital allowances	50	2
Increase/(utilisation) of tax losses	65	136
Provisions adjustment (impairment)	(53)	-
Tax saving in respect of disposal of fixed asset	(140)	-
Non taxable income	(72)	(70)
Foreign tax	4	1
Other timing differences	15	(73)
Total current tax	4	1

In addition to the amount credited to the Income Statement, deferred tax relating to actuarial gains and losses of the pension scheme amounting to £nil (2012 - £nil credit) has been debited directly to the equity reserve.

11 Discontinued Operations

On 28 May 2013 the sale of the business of Ely House Gallery Limited (formerly James Harvey British Art Limited) ("JHBA") and JHBA inventory with a book value of £80,000 was completed to James Harvey in exchange for James Harvey's 50% equity in JHBA. The company will no longer trade through JHBA, which has become a dormant company, and therefore the results of JHBA for 2013 and 2012 and costs associated with the sale have been separated out from the rest of the Group and included in discontinued operations as follows:

	2013 £'000	2012 £'000
Revenue	130	844
Expenses other than finance costs	(226)	(1,086)
Tax credit	(24)	20
Loss for the year	(120)	(222)
Basic loss per share	(0.90)p	(1.67)p
Diluted loss per share	(0.90)p	(1.67)p

Statement of cashflows

The statement of cash flows includes the following amounts relating to discontinued operations.

	2013	2012
Operating activities	45	(34)
Net cash from discontinued operations	45	(34)

Notes to the Accounts continued

Year ended 31 December 2013

12 Basic and Diluted Earnings per Share

	Continuing operations 2013 £'000	Discontinued operations 2013 £'000	**Total 2013 £'000**	Continuing operations 2012 £'000	Discontinued operations 2012 £'000	Total 2012 £'000
Profit/(loss) for the year and earnings used in basic EPS	528	(120)	**408**	(148)	(222)	(370)
Earnings used in diluted EPS	528	(120)	**408**	(148)	(222)	(370)
	'000	'000	**'000**	'000	'000	'000
Weighted average number of shares used in basic EPS	13,334	-	**13,334**	13,334	-	13,334
Effects of:						
Group share incentive plan	657	-	**657**	603	-	603
Weighted average number of shares used in diluted EPS	13,991	-	**13,991**	13,937	-	13,937

13 Loss for the Financial Year

The loss dealt within the accounts of the Company, which includes dividends received from subsidiaries, was £1,723,000 (2012 – £8,657,000). As permitted by section 408 of the Companies Act 2006 an Income Statement of the Company is not presented with these accounts.

14 Intangible Assets

	Computer software £'000
Cost or valuation:	
At 1 January 2012 and 31 December 2012	-
Additions	26
At 31 December 2013	**26**
Amortisation:	
At 1 January 2012 and 31 December 2012	-
Charged	-
At 31 December 2013	**-**
Net book value:	
At 31 December 2013	**26**
At 31 December 2012	-

15 Property, Plant and Equipment

	Freehold property £'000	Short leasehold property £'000	Furniture, fixtures & motor vehicles £'000	Total £'000
Cost or valuation:				
At 1 January 2012	2,185	3,931	237	6,353
Additions	37	307	13	357
Disposals	-	-	-	-
Exchange adjustments	-	(129)	(3)	(132)
At 31 December 2012	2,222	4,109	247	6,578
Additions	19	9	-	28
Disposals	(2,241)	-	(113)	(2,354)
Exchange adjustments	-	(54)	(1)	(55)
At 31 December 2013	**-**	**4,064**	**133**	**4,197**
Depreciation:				
At 1 January 2012	408	1,202	135	1,745
Charged on continuing operations	27	226	28	281
Charged on discontinued operations	-	41	26	67
Impairment write back	(200)	-	-	(200)
Exchange adjustments	-	(54)	(2)	(56)
At 31 December 2012	235	1,415	187	1,837
Charged on continuing operations	32	224	18	274
Released on disposal	(267)	-	(79)	(346)
Exchange adjustments	-	(31)	(1)	(32)
At 31 December 2013	**-**	**1,608**	**125**	**1,733**
Net book value:				
At 31 December 2013	**-**	**2,456**	**8**	**2,464**
At 31 December 2012	1,987	2,694	60	4,741

On the 23 August 2013 the Group exchanged contracts for the sale 49 Clapham High Street, London for £2,650,000 payable in cash on completion. The sale agreement was unconditional and was completed on the 21 February 2014 and the net profit from the sale has been included in the Group accounts for this year.

16 Inventories

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Goods for resale	**11,406**	11,906	-	-

An external independent valuation of all inventory was undertaken at the end of the year. This indicated an overall value of the inventory in excess of the balance sheet value and required no net change in the inventory provisions held at the balance sheet date (2012 – £nil). During the year £6,662,000 (2012 - £5,816,000) was recognised as a cost of sales expense in the Income Statement.

As at 31 December 2013 the Group held consignment inventory with a cost of £13,505,000 (2012 - £16,800,000). The benefits and risks of holding this inventory had not passed to the Group at the year end and accordingly neither the inventory nor related creditor has been recognised.

Notes to the Accounts continued

Year ended 31 December 2013

17 Investments

Investment in subsidiaries	2013 £'000	2012 £'000
Company		
Shares in Group undertakings		
At cost		
At 1 January 2013 and 31 December 2013	8,482	8,482
Impairment:		
At 1 January 2013	-	-
Impairment in year	2,164	-
At 31 December 2013	2,164	-
Net book value		
At 1 January 2013 and 31 December 2013	6,318	8,482

The subsidiary undertakings are as follows:	Nature of business	Percentage of ordinary shares held
Mallett & Son (Antiques) Limited	Antique dealers	100%
Mallett Overseas Limited	Antique dealers	100%
*Mallett, Inc.	Antique dealers	100%
*Mallett at Bourdon House Limited	Dormant	100%
*Ely House Gallery Limited (formerly James Harvey British Art Limited)	Fine Art dealers	100%
*MadebyMeta Limited	Dormant	100%
*MadebyMeta, Inc.	Contemporary design	100%
*H.J. Hatfield & Sons Limited	Restorers	60%

* *held indirectly*

Subsidiary undertakings are registered and operate in England with the exception of Mallett, Inc. and MadebyMeta, Inc., which are incorporated and operate in the United States of America.

The directors assessed the carrying value of each of the Group's non-current assets at the balance sheet date by estimating the recoverable amount of each asset in accordance with the accounting policy in note 2. Based on market value assessments and a value in use assessment, using a discount rate of 9.5%, the directors have impaired the investment in Mallett & Son (Antiques) Limited by £2,200,000 at the year end due the unpredictability of future profits arising from the uncertain nature of the antique furniture and decorative arts market and the timing of its recovery. The directors believe the values shown of the non-current assets are recoverable.

During the year the Group purchased the remaining 50% shareholding of Ely House Gallery Limited from James Harvey for a consideration of £80,000.

Gurr Johns Limited own 40% of H.J. Hatfield & Sons Limited.

Investment in associates	2013 £'000	2012 £'000
Group		
As at 1 January	-	-
Additions	-	-
Goodwill	-	-
Reverse share of losses	6	-
At 31 December	6	-

The investment in associates represents a 23.75% interest in Masterpiece London Limited ("Masterpiece"), a company which is registered and operate in England and which organises an antique trade fair.

The Group's share of the results of Masterpiece for the year ended 31 December 2013 was revenue of £1,215,000 (2012 – £1,187,000) and profit of £32,000 (2012 – profit of £50,000). In accordance with IAS28, the profit has been offset against prior year losses, the value of the investment and the value of the loans. As at 31 December 2013 the Group's share of Masterpiece's assets was £113,000 (2012 – £85,000) and liabilities of £48,000 (2012 – £138,000).

18 Trade and Other Receivables

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Non-current receivables				
Other receivables	398	430	-	-
Current receivables				
Trade receivables	2,838	2,028	-	-
Other receivables	77	67	-	-
Tax and social security recoverable	-	-	7	6
Prepayments and accrued income	3,570	777	-	-
Amounts due from subsidiary undertakings	-	-	6,441	5,949
	6,485	2,872	6,448	5,955

Included in the Group's trade receivables balance are debtors with a carrying value of £1,746,000 (2012 - £1,304,000) which are past due at the balance sheet date. The directors have reviewed the recoverability of these debtors and are satisfied, due to client relations and past payment experience, that the debtors are fully recoverable.The ageing of these debtors is as follows:

Days past due:	2013 £'000	2012 £'000
0 - 60 days	821	59
61 - 120 days	288	201
121+ days	637	1,044
Total	1,746	1,304

In addition, trade receivable balances totalling £120,000 (2012 - £244,000), which are over 120 days past their due date have been provided for. This amount relates to the sale of one item in 2010 which was fully provided against in 2011. The Directors remain concerned about the recoverability of the remaining outstanding balance and so continue to provide against the whole of the remaining balance.

Other receivables of £398,000 (2012 - £430,000) have been included in non-current assets as they related to amounts that are not due to be received within the coming year.

Amounts due from subsidiary undertakings totalling £7,725,000 (2012 - £8,411,000) have been provided for. This is due to the unpredictability of future profits in the trading companies arising from the uncertain nature of the antique furniture and decorative arts market and the timing of their recovery.

19 Current Liabilities

	Group 2013 £'000	Group restated 2012 £'000	Company 2013 £'000	Company 2012 £'000
Non-current liabilities				
Other payables	694	711	-	-
Current liabilities				
Bank overdraft	2,189	1,457	-	-
Trade payables	2,080	1,106	30	20
Taxation and social security	77	32	-	-
Other payables	62	72	-	-
Amounts due by associate	-	25	-	-
Accruals and deferred income	1,623	1,990	58	29
	6,031	4,682	88	49

Notes to the Accounts continued

Year ended 31 December 2013

19 Current Liabilities continued

The bank overdraft is repayable on demand. The overdraft facility at the balance sheet date was £2,500,000. The facility is secured with a fixed and floating charge on the Group's UK assets. The average effective interest rate on the bank overdraft approximated to 2.13% (2012 - 2.13%), which is determined based on 2.0% above the Coutts & Co. base rate. The Group is currently undertaking a review of it's overdraft facility requirements with it bankers, Coutts & Co, and the directors are confident that the Company will have adequate facilities in place to cover the Group's cashflow requirements for the foreseeable future.

2012 Accruals and deferred income has been restated to reflect the smoothing of the lease rental payments on two leases for the Group's New York premises over the life of the leases. This has led to an accrual being created of £746,000 in 2012 reflecting the number of years passed on the leases. The accrual will be released to the profit and loss account over the remaining periods of the leases.

20 Financial Instruments

Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group manages its capital through the optimisation of the debt and equity balance and by pricing products and services commensurately with the level of risk. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to Owners of the parent, comprising issued capital, reserves and retained earnings.

	Group		Company	
	2013 £'000	Restated 2012 £'000	2013 £'000	2012 £'000
Debt	(2,189)	(1,457)	-	-
Cash and cash equivalents	1,435	798	15	28
Net debt	(754)	(659)	15	28
Equity	14,566	13,894	12,693	14,416

The Group is not subject to externally imposed capital requirements, other than the minimum capital requirements and duties regarding a serious reduction in capital, as imposed by the Companies Act 2006 on all public limited companies.

The Group held the following categories of financial instruments:

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Financial assets				
Loans and receivables:				
Trade receivables	2,838	2,028	-	-
Other receivables	475	497	-	-
Accrued income	99	97	-	-
Cash and cash equivalents	1,435	798	15	28
	4,847	3,420	15	28
Financial liabilities				
Trade and other payables - held at amortised cost				
Trade payables	2,080	1,106	30	20
Other payables	62	72	-	-
Accruals	2,317	2,701	58	29
Borrowings	2,189	1,457	-	-
	6,648	5,336	88	49

The fair value of the financial instruments set out above is not materially different from their book value.

Financial risk management objectives

Management monitor and manage the financial risks relating to the operations of the Group through regular reports to the Board. These risks include liquidity risk, credit risk and currency risk. The Group does not enter into or trade financial instruments.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The Group's management estimate the level of allowances required for doubtful debts based on prior experience and their assessment of the current economic environment.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

At 31 December 2013, all the Group's liabilities had contractual maturities of less than six months (2012 - less than six months) and the Group had undrawn borrowing facilities available of £311,000 (2012 - £1,043,000). The Group also maintains foreign currency denominated bank accounts that earn interest based on Coutts & Co. base rate applicable to that currency.

Interest rate risk

The Group finances its operations where necessary through bank overdrafts.

If interest rates had been 1.0% higher/lower and all other variables were held constant, the impact on the results in the Income Statement and equity would be an increase/decrease of £12,000 (2012 - £4,000).

Foreign currency risk

The Group receives payment for its products and incurs costs and inventory purchases in Pounds Sterling, US Dollars and Euros. After netting off foreign currency receipts and payments there is a net exposure to the risk of currency movements in both US Dollars and Euros.

The carrying amounts of the Group's foreign currency denominated monetary financial liabilities at the reporting date are as follows:

Functional currency of individual entity

	Sterling		US Dollar		Discontinued Sterling		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Net foreign currency financial assets								
Sterling	-	-	37	61	-	-	37	61
Euro	1	2	-	-	-	-	1	2
US Dollar	817	36	-	-	-	67	817	103
	818	38	37	61	-	67	855	166

Foreign currency sensitivity

The Group is principally exposed to the US Dollar and Euro currency movements.

The following table details the Group's sensitivity to a 5% decrease in Pound Sterling against the relevant foreign currencies:

	Euro currency impact 2013 £'000	Euro currency impact 2012 £'000	US Dollar currency impact 2013 £'000	US Dollar currency impact 2012 £'000
Profit	-	-	73	7

The use of a 5% weakening in exchange rates is considered appropriate given recent movements in exchange rates.

The above analysis represents the Group's exposure to foreign currency risk based financial assets and liabilities outstanding at the year end. A significant amount of the Group's sales and purchases are made in foreign currencies. The exposure to foreign exchange rates varies throughout the year depending on the volume and timing of transactions in foreign currencies.

Notes to the Accounts continued

Year ended 31 December 2013

21 Retirement Benefit Pension Obligations

The Group operates and sponsors a post-employer defined benefit pension scheme for its employees in the United Kingdom. It is a separate trustee administered scheme holding the pension plan assets to meet long term pension liabilities for 61 employees and former employees. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The scheme is exposed to a number of risks, including:

- Investment risk: movement of discount rate used (high quality corporate bonds) against the return from plan assets
- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation
- Longevity risk: changes in the estimation of mortality rates of current and former employees

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 1 May 2010 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the company and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. The next actuarial valuation as at 1 May 2013 is currently in progress.

The actuarial valuation as at 1 May 2010 showed a deficit of £2,174,000. The company agreed with the trustees that it will aim to eliminate the deficit over a period of 8 years and 10 months from 1 July 2011 by the payment of monthly contributions of £25,625 in respect of the deficit. Included in these payments, and in accordance with the actuarial valuation, the company has paid £17,809 to cover Friends Life's administration expenses and life assurance premiums. The company will also meet expenses of the plan and levies to the Pension Protection Fund.

For the purposes of IAS19 the actuarial valuation as at 1 May 2010, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2013. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Amounts included in the Balance Sheet	2013 £'000	2012 £'000	2011 £'000
Fair value of plan assets	4,839	4,679	4,258
Present value of defined benefit obligation	5,819	6,319	5,887
Deficit in scheme	(980)	(1,640)	(1,629)

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the defined accrued benefit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

All remeasurement gains and losses will be recognised in the year in which they occur in Other Comprehensive Income.

	2013 £'000	restated 2012 £'000
Defined benefit obligation at start of period	6,319	5,887
Expenses	18	17
Interest cost	255	272
Remeasurement losses due to scheme experience	-	23
Remeasurement gains due to changes in demographic assumptions	(107)	-
Remeasurement (gains)/losses due to changes in financial assumptions	(461)	505
Benefits paid, death in service premiums & expenses	(205)	(199)
Liabilities extinguished on settlements	-	(186)
Defined benefit obligation at end of period	5,819	6,319

There have been no plan amendments, curtailments or settlements in the accounting period.

Reconciliation of opening and closing values of the fair value of plan assets

	2013 £'000	restated 2012 £'000
Fair value of plan assets at start of period	4,679	4,258
Interest income	194	200
Return on plan assets (excluding amounts included in interest income)	(137)	237
Contributions by the company	308	308
Benefits paid, death in service premiums & expenses	(205)	(199)
Assets distributed on settlements	-	(125)
Fair value of plan assets at end of period	4,839	4,679

The actual return on the plan assets over the period ending 31 December 2013 was £57,000

The expected return on the assets as at 31 December 2012 was 4.37%. This compares to the discount rate of 4.10% used in the calculation of the interest income for the period ending 31 December 2013.

Defined benefit costs recognised in profit or loss

	2013 £'000	restated 2012 £'000
Service cost:		
Past service cost and gain from settlements	-	(61)
Expenses	18	17
Net interest cost	61	72
Defined benefit costs recognised in profit or loss	79	28

Defined benefit costs recognised in Other Comprehensive Income

	2013 £'000	restated 2012 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(137)	237
Experience gains and losses arising on the defined benefit obligation – gain/(loss)	-	(23)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	107	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	461	(505)
Total amount recognised in Other Comprehensive Income – gain/(loss)	431	(291)

Assets	2013 £'000	2012 £'000	2011 £'000
Corporate bonds	1,050	1,042	1,110
Diversified growth funds	1,159	730	405
Cash	25	75	24
Insurance policies	2,605	2,832	2,719
Total assets	4,839	4,679	4,258

Notes to the Accounts continued

Year ended 31 December 2013

21 Retirement Benefit Pension Obligations continued

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, the Company. All of the scheme assets have a quoted market price in an active market with the exception of the trustee's bank account balance and insured assets.

It is the policy of the trustees and the Company to review the investment strategy at the time of each funding valuation. The trustees investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are illustrated by the asset allocation as at 31 December 2013.

There are no asset-liability matching strategies currently being used by the plan.

Significant actuarial assumptions

	2013 %	2012 %	2011 %
Rate of discount	**4.4**	4.1	4.7
Inflation (RPI)	**3.4**	2.7	2.9
Inflation (CPI)	**2.4**	n/a	n/a
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**n/a**	2.7	2.9
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.4**	n/a	n/a
Allowance for pension in payment increases of RPI or 5% p.a. if less	**n/a**	2.7	2.9
Allowance for pension in payment increases of CPI or 5% p.a. if less	**2.4**	n/a	n/a
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	**n/a**	2.5	2.5
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	**2.4**	n/a	n/a
Allowance for commutation of pension for cash at retirement	**100% of Post A Day**	100% of Post A Day	100% of Post A Day

The mortality assumptions adopted at 31 December 2013 are 100% of the standard tables S1PxA, Year of Birth, no age rating for males and females, projected using CMI_2013 converging to 1.50% p.a. These imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2013	22.4
Female retiring in 2013	24.1
Male retiring in 2033	24.6
Female retiring in 2033	25.6

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.4%
Rate of inflation	Increase of 0.25% p.a.	Increase by 2.3%
Rate of mortality	Increase in life expectancy of one year	Increase by 2.5%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 31 December 2013 is 18 years.

The plan typically exposes the company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future profit and loss accounts. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Company to the plan for the year commencing 1 January 2014 is £239,000.

22 Deferred Tax

At 31 December 2013 the Group had no deferred tax liabilities (2012 - £nil).

As at 31 December 2013 the Group had deductible temporary differences available for offset against future profits:

	2013 £'000	2012 £'000
Retirement benefit obligations	**980**	1,640
Unused tax losses	**7,780**	7,608
Other timing differences	**187**	632
	8,947	9,880

No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future profits arising from the uncertain nature of the antique furniture and decorative art market and the timing of its recovery.

UK tax losses of £6,092,000 can be carried forward indefinitely, and US tax losses of £1,857,000 can be carried forward for up to 20 years.

23 Assets and Liabilities Classified as Held for Sale

On 28 May 2013 the sale of the business of JHBA and JHBA inventory with a book value of £80,000 was completed to James Harvey in exchange for James Harvey's 50% equity in JHBA. The company will no longer trade through JHBA, which has changed it's name to Ely House Gallery Limited and will become a dormant company, and therefore the results of JHBA for 2013 and 2012 and costs associated with the sale have been separated out from the rest of the Group and included in discontinued operations and the following major classes of assets and liabilities relating to this operation has been classified as held for sale in the consolidated balance sheet as at 31st December:

	2013 £'000	2012 £'000
Inventories	-	126
Trade and other receivables	-	147
Cash and cash equivalents	-	114
	-	387
Trade and other payables	-	296
	-	296

24 Share Based Payments

The Group operates two share based plans – a Share Incentive Plan ("SIP") and a Long Term Incentive Plan ("LTIP"). Details of these plans are given in the Directors' Remuneration Report on pages 19 to 24.

Share incentive plan
Ordinary shares in Mallett plc are held by the trustees of the Mallett Share Incentive Plan to provide long-term benefits to employees. The costs associated with the purchase of own shares for the trust are deducted from equity.

Long Term Incentive plan
There are no LTIP Awards outstanding at 31 December 2013.

Notes to the Accounts continued

Year ended 31 December 2013

24 Share Based Payments continued

The number and value of the ordinary shares in Mallett plc held under the SIP and LTIP are as follows:

	LTIP		SIP		Total	
	No.	£'000	No.	£'000	No.	£'000
At 1 January 2012	111,308	100	545,761	413	657,069	513
Purchased	-	-	114,495	74	114,495	74
Exercised	(111,308)	(100)	(57,357)	(49)	(168,665)	(149)
At 31 December 2012	-	-	602,899	438	602,899	438
Purchased	-	-	73,119	70	73,119	70
Exercised	-	-	-	(35)	-	(35)
At 31 December 2013	**-**	**-**	**676,018**	**473**	**676,018**	**473**

25 Called Up Share Capital

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Authorised:				
24,000,000 Ordinary shares of 5p each	**1,200**	1,200	**1,200**	1,200
13,800,060 non-cumulative non-voting preference shares of 37.45p each	**5,168**	5,168	**5,168**	5,168
	6,368	6,368	**6,368**	6,368
Allotted and fully paid:				
13,800,060 Ordinary shares of 5p each	**690**	690	**690**	690

All holders of ordinary shares have the right to vote at general meetings of the Company and to distributions from dividends or on winding up of the Company.

26 Share Premium and Reserves

Capital redemption reserve
The capital redemption reserve represents amounts transferred from share capital on the redemption of issued shares.

Own shares
Own shares represents the weighted average cost of own shares held in trust for the LTIP and SIP.

Special capital reserve
The special capital reserve represents amounts transferred from the share premium account for offset against goodwill.

27 Commitments

Lease commitments	**2013 £'000**	2012 £'000
Present value of the future minimum operating lease payments under non-cancellable operating leases:		
Less than one year	**995**	994
Between two and five years	**3,972**	3,927
After more than five years	**8,820**	9,863

The lease commitments relate to the rent of the Group's various showrooms.

Commitments continued

The Group has entered into a commercial lease on a property.

	2013 £'000	2012 £'000
Future minimum lease payments under non-cancellable operating leases comprise:		
Less than one year	**89**	-
Between two and five years	**387**	-
After more than five years	**579**	-
Capital and other financial commitments:		
Contracts placed for future capital expenditure not provided in the financial statements*	**246**	-

** Commitment includes contracts placed for property, plant and equipment and intangible assets.*

28 Reconciliation of Net Cash Flow to Movements in Net Funds and Analysis of Net Funds

Group	Continued operation at 1 January 2013 £'000	Less cash held in discontinued operation £'000	At 1 January 2013 £'000	Cash Flow £'000	**At 31 December 2013 £'000**
Cash in hand and at bank	796	114	912	523	**1,435**
Bank overdrafts	(1,457)	-	(1,457)	(732)	**(2,189)**
	(661)	114	(545)	(209)	**(754)**

Company	At 1 January 2013 £'000	Cash Flow £'000	Exchange Movement £'000	**At 31 December 2013 £'000**
Cash at bank	28	(13)	-	**15**

29 Related Party Transactions

Key Management personnel
The Group's key management personnel comprises of the Board executive and non-executive directors. The remuneration, benefits and share incentive plan details of these key personnel are set out in the Directors' Remuneration Report on pages 19 to 24.

The cost recognised through the income statement in relation to the directors interests in the SIP and LTIP is £nil (2012 - £15,000).

Group	**2013 £'000**	2012 £'000
During the year the Group entered into transactions with Companies in the Group that are less than 100% owned, the net amount of which is as follows for each of those Companies:		
Ely House Gallery Limited (formerly James Harvey British Art Limited)	**-**	190
H.J. Hatfield & Sons Limited	**80**	257
Masterpiece London Limited	**107**	62
At the year end the following balances were outstanding to the Group from Companies less than 100% owned:		
Ely House Gallery Limited (formerly James Harvey British Art Limited)	**212**	373
H.J. Hatfield & Sons Limited	**373**	351
Masterpiece London Limited	**25**	17

Notes to the Accounts continued

Year ended 31 December 2013

29 Related Party Transactions continued

Company	2013 £'000	2012 £'000
At the year end the following balances were outstanding to the Company:		
Mallett & Son (Antiques) Limited	**6,064**	5,586
Mallett Overseas Limited	**366**	363
	6,430	5,949

During the year the Group made the following transactions with directors and related parties:

	2013 £'000	2012 £'000
Sales:		
Lord Daresbury	**17**	3
Gurr Johns Ltd	**825**	64
Purchases:		
Lord Daresbury	**-**	73
Gurr Johns Ltd	**750**	25

At the year end the following balances with Executive, Non-executive directors and related parties were owed (to)/from:

	2013 £'000	2012 £'000
Lord Daresbury	**1**	-
Gurr Johns Ltd	**(466)**	3

30 Post Balance Sheet Events

On 21 February 2014 the Group received £2,650,000 as proceeds from the sale of its freehold property at 49 Clapham High Street. The directors propose to return £1,750,000 of the sale proceeds to shareholders by way of a special dividend and an ordinary resolution will be proposed at the AGM on 27 May 2014 for approval by shareholders.

Notice of Annual General Meeting

MALLETT PLC

(Incorporated in England and Wales with registered number 1838233)

NOTICE IS HEREBY GIVEN that the twenty eighth annual general meeting of the members of Mallett plc (the "Company") will be held at Ely House, 37 Dover Street, London W1S 4NJ on 27 May, 2014 at 4.30pm when the resolutions set out below will be proposed:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1-10 will be proposed as ordinary resolutions and numbers 11 and 12 will be proposed as special resolutions:

1 To receive and adopt the Company's audited accounts for the year ended 31 December 2013, together with the directors' and auditors' reports on those accounts and on the auditable part of the Directors' Remuneration Report.

2 To approve the Directors' Remuneration Report (other than the part containing the Directors' remuneration policy) for the year ended 31 December 2013, as set out in the 2013 Annual Report and Accounts.

3 To approve the Directors' remuneration policy for the year commencing 1 January 2014, which is set out in the Annual Reports and Accounts.

4 That the special dividend of 12.7 pence per share, as recommended by the directors, be approved.

5 To re-appoint Mr G.H. Hutchinson Smith as a Director.

6 To re-appoint Lord Daresbury as a Director.

7 To re-appoint J. Heneage as a Director.

8 To re-appoint BDO LLP as auditors to the Company until the conclusion of the next annual general meeting of the Company.

9 To authorise the Directors to fix the auditors' remuneration.

10 That for the purposes of section 551 of the Companies Act 2006 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):

10.1 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £230,001 to such persons and at such times and on such terms as they think proper during the period expiring at the end of five years from the date of the passing of this resolution (unless previously revoked or varied by the Company in general meeting); and

10.2 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require shares to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution; so that all previous authorities of the Directors pursuant to the said section 551 be and are hereby revoked.

11 That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 Companies Act 2006 to make market purchases (as defined in section 693 of the said Act) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") provided that:

11.1 the maximum number of ordinary shares hereby authorised to be purchased is 10% of the issued share capital of the Company (1,380,006 ordinary shares);

11.2 the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 5p per share, being the nominal amount thereof;

11.3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall be an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System SETS;

11.4 the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the end of the next Annual General Meeting of the Company and the date which is 18 months after the date on which this resolution is passed; and

11.5 the Company may make a contract to purchase its own ordinary shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

12 That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By Order of the Board,
M.A. Smyth-Osbourne
Director and Secretary

17 April 2014

Notes

1 A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his or her behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person").

2 A form of proxy is enclosed which shareholders of the Company are invited to complete and return. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3 The instrument appointing a proxy, together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be completed, signed and returned so as to reach, by hand or by post, Capita Asset Services, PX1, 34 Beckenham Road, Kent BR3 4ZF no later than 4.30 p.m. on 25 May 2014. Any member or his proxy has the right to ask any questions at the Meeting relating to the business at the Meeting.

4 The Company, pursuant to Section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only shareholders whose names appear on the register of members of the Company as at 6.00 p.m. on 25 May 2014 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 6.00 p.m. on the day preceding the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

5 Copies of the following documents will be available for inspection at the Registered Office of the Company during usual business hours on any weekday from the date of this Notice until the date of the Annual General Meeting and thereafter at the place of the Meeting for at least fifteen minutes prior to the meeting and during the Meeting:

(a) the register of interests of the Directors and their families in the share capital of the Company; and

(b) copies of the Directors' service contracts and the letter of appointment for the Non-Executive Directors.

6 As at 17 April 2014 the Company's issued share capital consists of 13,800,060 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 17 April 2014 are 13,800,060.

7 The information required to be published by s.311(A) of the Act (information about the contents of this Notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.mallettantiques.com

8 Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in s.153(2) of the Act) may require the Company, under s.527 of the Act to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

9 A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

10 If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

Form of Proxy

For Company Use Only	
Holding of share	Number ______

For use at the Annual General Meeting
To be held at 4.30pm on 27 May 2014.

Please insert full name(s) and address(es)

I/We ____________________

(IN BLOCK CAPITALS)

of ____________________

being (a) member(s) of the above-named company HEREBY APPOINT the Chairman of the Meeting

or ____________________

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 27 May 2014 and at any adjournment thereof and in respect of the resolutions set out in the Notice of the annual general meeting to vote as indicated below.

		For	Against	Vote Withheld
1	To receive and adopt the audited accounts.			
2	To approve the Directors' Remuneration Report (other than the part containing the Directors Remuneration Policy)			
3	To approve the Directors' Remuneration Policy			
4	To approve the special dividend			
5	To re-appoint Mr G.H. Hutchinson Smith as a Director.			
6	To re-appoint Lord Daresbury as a Director.			
7	To re-appoint J. Heneage as a Director.			
8	To re-appoint BDO LLP as auditors			
9	To authorise the directors to fix the auditors' remuneration			
10	To authorise the allotment of shares.			
11	To authorise the Company to make market purchases of its own shares (Special Resolution)			
12	To permit general meetings to be called on 14 days clear notice (Special Resolution)			

Please sign and insert date. A Corporation should execute under its common seal or under the hand of a duly authorised attorney.

Dated this ______ day of ______ 2014

Signed ____________________

Notes

1. In the case of joint holdings the signature of any holder is sufficient but the vote of the senior holder who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the other joint holders; for this purpose seniority shall be determined by the order in which the names stand in the register of members.
2. If you wish to appoint one or more a proxies other than the Chairman you should delete the words "the Chairman of the Meeting or", insert your own choice in the space provided and initial the amendment. A proxy need not be a member of the Company. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. On any other business which properly comes before the Meeting (including any motion to amend any resolution or to adjourn the meeting) the proxy will vote or abstain at his or her discretion.
3. Please indicate by marking "X" in the appropriate space how you wish your votes to be cast. Unless so instructed the proxy will vote or abstain as he/she thinks fit.
4. To be valid this Form of Proxy and power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be returned to Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than 48 hours before the time fixed for the Meeting.
5. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" or "Against" the Resolution.
6. If you appoint as your proxy a person who is himself a member of the Company or who is already appointed by more than one member of the Company, such person will be able to cast your vote only on a poll, not on a show of hands.
7. Completion and return of this proxy will not prevent you attending and voting at the annual general meeting if you so wish.

Five Year Record

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Revenue	**11,776**	10,183	12,665	13,255	13,980
Profit/(Loss) Before Taxation	**532**	(147)	508	(1,418)	(1,774)
Profit/(Loss) After Taxation	**528**	(148)	458	(2,555)	(1,608)
Dividends	**-**	-	(9)	-	2
Key Ratios					
Basic earnings per share	**3.06p**	(2.78p)	3.44p	(19.08p)	(11.92p)
Net assets per share	**£1.05**	£1.01	£1.13	£1.09	£1.37

Financial Calendar

Interim Management Statement released	May 2014
Half-year results announced	August 2014
Interim Management Statement released	November 2014
Preliminary announcement of results for the year to 31 December 2014	March 2015

Company Advisers

Secretary
Michael A. Smyth-Osbourne

Registered Office
Ely House
37 Dover Street
London W1S 4NJ

Company Number
1838233

Bankers
Coutts & Co
440 Strand
London WC2R 0QS

Auditors
BDO LLP
55 Baker Street
London W1U 7EU

Solicitors
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Registrars
PXS 1
34 Beckenham Road
Beckenham
Kent
BR3 4ZF

Stockbrokers
N + 1 Singer
One Bartholomew Lane
London
EC2N 2AX

DESIGNED AND PRODUCED BY SINCLAIR COMMUNICATIONS

MALLETT PLC

Ely House
37 Dover Street
London W1S 4NJ
Telephone +44 (0)20 7499 7411

929 Madison Avenue at 74th
New York, NY 10021
Telephone +1 212 249 8783

www.mallettantiques.com

A GEORGE III BLUE JOHN AND ORMOLU SPHINX VASE

A highly important and very rare perfume vase by Matthew Boulton in the form of a blue john urn. Messrs Matthew Boulton and John Fothergill's sphinx-supported cassolette urn was conceived in the George III French/antique manner. It was the Rome-trained court architect Sir William Chambers (d.1796) who, in 1770, encouraged Boulton in the introduction of this pattern of Eternity cassolette at the Queen's House (now Buckingham Palace), where it provided appropriate accompaniment for Queen Charlotte's mantel-clock. A pair of 'sphinx' vases is in the Metropolitan Museum of Art and another vase of this pattern is in the Royal Collection.
England, circa 1770