MALLETT PLC

(“Mallett” or the “Group”)

Interim report for the six months ended 30th June 2014

Chairman’s Statement

Dear Shareholder

Our interim results for the six months ended 30th June 2014 show turnover reduced to £4.4m (2013: £6.6m), principally driven by a succession of comparatively quiet trading months in the US. The reduced turnover is reflected in a loss before tax of £0.7m, compared to a profit before tax of £0.2m for the same period of the previous year. The results highlight the fickle market that we trade in: the US experienced very strong revenue growth in 2013, which has been followed by a slower six month period with little obvious explanation.

Despite weaker markets, we were pleased to return £1.75m (12.7 pence per share) to shareholders in June 2014 following the completion of the sale of our Clapham property in February 2014 for £2.65m. HJ Hatfield & Sons Ltd have relocated to new warehouse premises in Stockwell, South London and the effect of the relocation on trading was successfully managed.

We are delighted that our new website was launched in May. We believe it exhibits our array of stock items to the best possible effect with many photographs, well-written item descriptions and provenances and links to informational pieces on eras of furniture making, materials and key craftsmen. We plan to launch a full online marketing campaign after the summer and expect the website to show an increased contribution to sales towards the end of the year.

Mallett

Mallett Antiques’ turnover for the six months ended 30th June 2014 was lower than the first half of last year at £4.2m (2013: £6.3m). Sales in the UK increased by 6% to £3.1m (2013: £2.9m), which is encouraging. Unfortunately this was more than offset by a reduction in US sales to £1.1m (2013 - £3.4m), albeit from a high base.

A significant proportion of Mallett’s business is driven by the sale of a relatively small number of very high value pieces which have the ability to significantly affect our results. Last year a number of high value pieces were sold in the first half of the year. Unfortunately this has not been matched in the first half of 2014. However, there are a number of such pieces being reviewed by our clients which we hope will convert to sales in the second half of the year.

We have continued a full marketing campaign in the first half of the year attending the Palm Beach fair in February, The European Fine Art Fair in Maastricht in March and Masterpiece in June. We also released our Spring catalogue in May and held two exhibitions at our Ely House gallery in London, one of equine sculpture by Ben Panting and the other of photography by Harry Benson who is most well known for his photography of the Beatles, but he also photographed many world leaders and famous celebrities from the 1960s to the present day. Both exhibitions attracted a good amount of footfall and sales and have helped to introduce Mallett to new customers.

Other businesses

Hatfields is performing to expectations following the disruption of moving premises at the start of the year. The refurbishment of the new premises in Stockwell, South London, was completed on time and to budget and third party revenue has not suffered as a result of the move.

Masterpiece London Limited, of which Mallett owns 23.75%, put on its fifth fair at the end of June at the Royal Hospital, London. It was another successful fair with visitor numbers increasing on the previous year to 35,000 over the 8 days of the fair. It was the first year the fair had a major sponsor, RBC Wealth Management, which proved successful and we expect the fair to be more profitable than last year with Mallett's share of the profit for the six months to 30th June 2014 expected to be approximately £143,000 (2013: £85,000).

Balance sheet

Shareholders' equity as at 30 June 2014 was £12.1m (31 December 2013: £14.5m) which represents a decrease of £2.4m since the start of the year. This is due primarily to the payment of a £1.75m dividend and trading losses.

The value of inventory as at 30 June 2014 reduced slightly from the start of the year to £11.3m (31 December 2013: £11.4m) as the purchasing of new stock has broadly kept pace with the sale of existing owned stock. Our net debt position has increased since the start of the year to £1.2m (31 December 2013: £0.7m).

After many years of banking with Coutts & Co, the Board took the decision in April 2014 to change our banking arrangements to HSBC. HSBC has maintained our existing overdraft facility limit at £2.5m and the terms of the facility are similar to those previously offered by Coutts. This consolidates our banking arrangements, as our US operation also uses HSBC. HSBC has also provided the US operation with an overdraft facility of $500,000 for its own use. This will allow us to manage our cash inflows and outflows in the UK and the US more efficiently in the future.

Dividends

Following the return of cash to shareholders in June 2014 of 12.7 pence per share, the Board has decided not to declare an interim dividend.

Principal Risks and Uncertainties

The Group's operating results and liquidity are significantly influenced by a number of risk factors, many of which are not under its control. These have not changed from those set out in the Annual Report and Accounts for 2013. These include the strength of the UK and US economies and financial markets, another banking crisis/financial shock to the global system, the demand for antique furniture and works of art, the ability to attract and retain key personnel, competition, the value of artworks, foreign currency exchange rate movements and retirement benefit pension obligations. A full disclosure of these risks can be found on page 15 of Mallett's Annual Report and Accounts for 2013, a copy of which can be downloaded from www.mallettantiques.com.

Outlook for the second half

As stated above, the company's performance over the second half of the year is likely to be dependent on a number of high value transactions, which have the potential to have a material effect on the full year outturn. Forecasting these potential sales with any precision is challenging. These specific areas of uncertainty are set against a generally fragile and unpredictable market backdrop. The Board notes that an outperformance versus its budget for the second half of the financial year would now be required to maintain full year expectations. The Board considers it unlikely at this stage that our full year results will represent an improvement on our underlying results for 2013.

Lord Daresbury
Chairman

For further information please contact:
Giles Hutchinson Smith, Chief Executive 020 7499 7411

MALLETT PLC

Condensed Consolidated Income Statement (unaudited)
for the six months ended 30th June 2014

	Notes	**Six months ended 30th June 2014 *£'000***	Six months ended 30th June 2013 *£'000*
Revenue		**4,391**	6,628
Cost of sales		**(4,327)**	(5,621)
Gross profit		**64**	1,007
Other operating income		**3**	6
Distribution costs		**(140)**	(121)
Administrative expenses		**(803)**	(754)
Operating profit		**(876)**	138
Net interest		**(9)**	(15)
Share of operating profit in associate		**143**	85
(Loss)/profit before income tax		**(742)**	208
Income tax	5	**(7)**	(2)
(Loss)/profit for the period		**(749)**	206
(Loss)/profit on discontinued operation, net of tax	4	**24**	(92)
		(725)	114
Profit/(loss) attributable to:			
Owners of the parent company		**(695)**	148
Non controlling interest		**(30)**	(34)
		(725)	114
Earnings per share attributable to the ordinary equity holders of the parent			
Profit and loss			
Basic earnings per share	6	**(5.43)p**	0.86p
Diluted earnings per share	6	**(5.43)p**	0.82p
Profit and loss from continuing operations			
Basic earnings per share		**(5.61)p**	1.55p
Diluted earnings per share		**(5.61)p**	1.46p

MALLETT PLC

Consolidated Statement of Comprehensive Income
for the six months ended 30th June 2014

	Six months ended 30th June 2014	Six months ended 30th June 2013
	£'000	*£'000*
Profit/(loss) for the period	**(725)**	114
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(103)**	236
Items that will not be reclassified to profit or loss:		
Actuarial profit/(loss) on the defined benefit pension scheme	**113**	(24)
Total other comprehensive loss for the period, net of tax	**10**	212
Total comprehensive profit/(loss) for the period	**(715)**	326
Total comprehensive profit/(loss) attributable to:		
Owners of the parent company	**(685)**	360
Non controlling interest	**(30)**	(34)
	(715)	326

MALLETT PLC

Condensed Consolidated Balance Sheet (unaudited)
at 30th June 2014

	30th June 2014 *£'000*	31st December 2013 *£'000*
Non-current assets		
Intangible assets	**170**	26
Property, plant and equipment	**2,486**	2,464
Investment in associate	**6**	6
Other receivables	**398**	398
	3,060	2,894
Current assets		
Inventories	**11,289**	11,406
Trade and other receivables	**3,405**	6,485
Cash and cash equivalents	**535**	1,435
	15,229	19,326
Total assets	**18,289**	22,220
Equity		
Share capital	**690**	690
Capital redemption reserve	**5,168**	5,168
Own shares	**(532)**	(473)
Retained profits	**6,815**	9,181
	12,141	14,566
Non controlling interest	**(81)**	(51)
Total equity	**12,060**	14,515
Current liabilities		
Trade and other payables	**2,975**	3,842
Bank overdrafts and loans	**1,819**	2,189
	4,794	6,031
Non current liabilities		
Retirement benefit pension obligations	**757**	980
Other payables	**678**	694
	1,435	1,674
Total liabilities	**6,229**	7,705
Total equity and liabilities	**18,289**	22,220

MALLETT PLC

Condensed Consolidated Cash Flow Statement (unaudited)
for the six months ended 30th June 2014

	Six months ended 30th June 2014	Six months ended 30th June 2013
	£'000	*£'000*
(Loss)/profit before income tax	**(742)**	208
Adjustments for:		
Net interest	**9**	15
Share of operating profit in associate	**(143)**	(85)
Operating (loss)/profit	**(876)**	138
Adjustments for:		
Amortisation	**13**	-
Depreciation	**101**	139
Profit on the sale of fixed assets	**(2)**	-
Share-based payments	**34**	58
Defined benefit pension adjustment	**(109)**	(167)
Net exchange adjustments	**41**	(104)
Loss from discontinued operations	**24**	(92)
Movements in working capital:		
Decrease in inventories	**117**	570
Decrease/(increase) in receivables	**3,080**	(1,778)
(Decrease)/increase in payables	**(776)**	929
Cash generated by operations	**1,647**	(307)
Tax paid	**(7)**	(2)
Net Cash from Operating Activities	**1,640**	(309)
Investing Activities		
Purchase of shares in associate	**-**	(80)
Purchase of intangibles	**(157)**	-
Purchase of property, plant and equipment	**(150)**	(18)
Net Cash (used in)/from Investing Activities	**(307)**	(98)
Financing Activities		
Interest paid	**(9)**	(15)
Purchases of own shares	**(10)**	(10)
Dividends paid	**(1,741)**	-
Net Cash used in Financing Activities	**(1,760)**	(25)
Net Increase in Cash and Cash Equivalents	**(427)**	(432)
Cash and Cash Equivalents at the beginning of the period	**(754)**	(545)
Effect of foreign exchange rate changes	**(103)**	236
Cash and Cash Equivalents at the end of the period	**(1,284)**	(741)

MALLETT PLC

Condensed Consolidated Statement of Changes in Equity (unaudited)
for the six months ended 30th June 2014

	Share capital *£'000*	Capital redemption reserve *£'000*	Own shares *£'000*	Retained profits *£'000*	Total *£'000*	Non controlling interest *£'000*	Total equity *£'000*
At 1st January 2013	690	5,168	(438)	8,474	13,894	(89)	13,805
Profit in 6 months to 30th June 2013	-	-	-	148	148	(34)	114
Total other comprehensive loss for the period	-	-	-	212	212	-	212
Total Comprehensive loss for year	-	-	-	360	360	(34)	326
Acquistion of interest in subsidiary	-	-	-	(155)	(155)	75	(80)
Own shares exercised	-	-	28	53	81	-	81
Own shares purchased	-	-	(58)	-	(58)	-	(58)
At 30th June 2013	690	5,168	(468)	8,732	14,122	(48)	14,074
Loss in 6 months to 31st December 2013	-	-	-	309	309	(18)	291
Total other comprehensive loss for the period	-	-	-	154	154	-	154
Total Comprehensive loss for year	-	-	-	463	463	(18)	445
Disposal of interest in subsidiary	-	-	-	(13)	(13)	15	2
Own shares exercised	-	-	7	(1)	6	-	6
Own shares purchased	-	-	(12)	-	(12)	-	(12)
At 31st December 2013	690	5,168	(473)	9,181	14,566	(51)	14,515
Loss in 6 months to 30th June 2014	-	-	-	(695)	(695)	(30)	(725)
Total other comprehensive income for the period	-	-	-	10	10	-	10
Total Comprehensive loss for year	-	-	-	(685)	(685)	(30)	(715)
Dividends paid in period	-	-	-	(1,741)	(1,741)	-	(1,741)
Own shares exercised	-	-	-	60	60	-	60
Own shares purchased	-	-	(59)	-	(59)	-	(59)
At 30th June 2014	**690**	**5,168**	**(532)**	**6,815**	**12,141**	**(81)**	**12,060**

MALLETT PLC

Statement of Directors' Responsibilities
for the six months ended 30th June 2014

The interim management report is the responsibility of, and has been approved by, the Directors of Mallett plc. Accordingly, the Directors confirm that to the best of their knowledge:

- The unaudited condensed consolidated set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as issed by the IASB and endorsed and adopted by the European Union; and
- The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the UK Financial Conduct Authority.

The Directors of Mallett plc are listed on the Mallett webiste: www.mallettantiques.com.

Notes to the Condensed Consolidated Financial Statements
for the six months ended 30th June 2014

1 BASIS OF PREPARATION

The annual financial statements of Mallett plc are prepared in accordance with IFRSs as adopted by the European Union. The comparative financial information for the year ended 31 December 2013 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2013 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for 2013 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

3 SEGMENTAL REPORTING

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 are 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.

The Board assesses the performance of the operating segments based on turnover and operating profit. Sales are reported by location of sales outlet. The accounting policies of the reportable segments are the same as described in note 2 of the annual financial statements for the year ended 31st December 2013 and no segment is reliant on any one major external customer.

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.

3 SEGMENTAL REPORTING (cont'd)

	Mallett UK £'000	Mallett USA £'000	Hatfields £'000	Other £'000	**Total £'000**	Dis-countinued operations £'000
Income & expenses information for six months ended 30th June 2014						
Total Revenue	3,168	1,099	339	-	**4,606**	-
Inter segment revenue	(84)	-	(131)	-	**(215)**	-
External revenue by sales outlet	3,084	1,099	208	-	**4,391**	-
EBITDA	(484)	(226)	(63)	11	**(762)**	-
Depreciation and amortisation	(53)	(54)	(7)	-	**(114)**	-
Operating profit/(loss)	(537)	(280)	(70)	11	**(876)**	-
Share of operating profit in associate	-	-	-	143	**143**	-
Interest revenue	(9)	-	-	-	**(9)**	-
Interest expense	64	(64)	-	-	**-**	-
Profit/(loss) before tax	(482)	(344)	(70)	154	**(742)**	-
Income tax	-	(7)	-	-	**(7)**	24
Profit/(loss) for the year	(482)	(351)	(70)	154	**(749)**	24
Balance Sheet information at 30th June 2014						
Non current assets	1,160	1,356	140	-	**2,656**	
Capital expenditure	158	10	139	-	**307**	
Total assets	11,639	6,111	539	-	**18,289**	
Total liabilities, excluding tax liabilities	5,115	918	196	-	**6,229**	
Investment in associate	6	-	-	-	**6**	

	Mallett UK £'000	Mallett USA £'000	Hatfields £'000	Other £'000	**Total £'000**	Dis-countinued operations £'000
Income & expenses information for six months ended 30th June 2013						
Total Revenue	3,973	3,408	408	-	**7,789**	140
Inter segment revenue	(1,091)	-	(70)	-	**(1,161)**	-
External revenue by sales outlet	2,882	3,408	338	-	**6,628**	140
EBITDA	101	204	30	(59)	**276**	(68)
Depreciation and amortisation	(47)	(75)	-	(16)	**(138)**	-
Operating profit/(loss)	54	129	30	(75)	**138**	(68)
Share of operating profit in associate	-	-	-	85	**85**	-
Interest revenue	(15)	-	-	-	**(15)**	-
Interest expense	46	(46)	-	-	**-**	-
Profit/(loss) before tax	85	83	30	10	**208**	(68)
Income tax	-	(2)	-	-	**(2)**	(24)
Profit/(loss) for the year	85	81	30	10	**206**	(92)
Balance Sheet information at 30th June 2013						
Non current assets	3,102	1,623	-	-	**4,725**	
Capital expenditure	18	-	-	-	**18**	
Total assets	12,107	7,815	435	1,991	**22,348**	
Total liabilities, excluding tax liabilities	6,927	514	93	-	**7,534**	
Investment in associate	6	-	-	-	**6**	

4 DISCONTINUED OPERATIONS

On 28 May 2013 the sale of the business of 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 will become a dormant company, and therefore the results of JHBA for 2014 and 2013 and costs associated with the sale have been separated out from the rest of the Group and included in discontinued operations as follows:

	2014	2013
	£'000	*£'000*
Result of discontinued operations		
Revenue	**-**	140
Expenses other than finance costs	**-**	(208)
Tax	**24**	(24)
Profit/(loss) for the year	**24**	(92)
Basic loss per share	**0.18p**	(0.69)p
Diluted loss per share	**0.18p**	(0.66)p

5 TAX

Taxation has been provided for at an estimated rate of 20% (2013 – 20%).

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated on the profit attributable to the owners of the parent company for the period after taxation and divided by the weighted average number of shares in issue during the period of 13,334,018 (2013 - 13,334,018).

Dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all potentially dilutive ordinary shares. The company has potentially dilutive ordinary shares in the form of share awards under the Group's SIP and LTIP. For these share awards the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share awards is 737,249 (2013 - 642,352). Therefore, the weighted average number of shares for the diluted earning per share is 14,071,267 (2013 - 13,976,370). As a result of the loss in the current period all potential ordinary shares are anti-dilutive and therefore diluted EPS is the same as the basic earnings per share.

7 DIVIDENDS

The directors have not declared an interim dividend (2013 – nil).

Company Information

DIRECTORS	Lord Daresbury (Chairman)*
**Non-executive*	Giles H. Hutchinson Smith (Chief Executive)
	James Heneage*
	M. Henry G. Neville
	Michael Smyth-Osbourne (Secretary)
REGISTERED OFFICE	Ely House 37 Dover Street London W1S 4NJ
COMPANY NUMBER	1838233
WEBSITE	www.mallettantiques.com