

# Mallett Plc

## Preliminary results for the year ended 31 December 2007

2007 represented a year of significant change for Mallett which has impacted on profits for the year but will provide the platform for future growth in the company.

### Highlights

- \* Turnover increased by 5% to £17,488,000 (2006 - £16,642,000)
- \* Profit before tax decreased by 42% to £1,318,000 (2006 - £2,267,000 pre-restructuring)
- \* Earnings per share decreased by 42% to 6.42p (2006 – 11.06p pre-restructuring)
- \* 63 pence per share returned to shareholders in June 2007
- \* Proposed full year dividend decreased by 9% to 8.4 pence per share (2006 – 9.2 pence per share)
- \* Continued strong balance sheet with a net cash surplus of £2,047,000.

### CHAIRMAN'S STATEMENT

#### *Trading performance*

In the first half of the year both turnover and profits increased over the same period for last year, helped by the sale of 550 items of stock through an auction at Sotheby's. Trading in the second half of the year, however, weakened significantly as customers in the UK and US became more cautious due to fears over the economy. This generated an overall drop in profit before tax from last year of 42% to £1,318,000 (2006 - £2,267,000 pre-restructuring) and drop in earnings per share of 42% to 6.42 pence (2006 - 11.06 pence- pre-restructuring).

Our US business held up well during the year with turnover and profits being similar to last year despite the dollar being significantly weaker against sterling than last year.

The UK business had a difficult year. It was necessary to refocus our marketing at the start of the year due to the number of sales outlets being reduced from two to one with the sale of Bourdon House, and our senior sales team being reduced by two with the retirement of one director and the reassignment of another to deliver the exciting contemporary designs project. Turnover has increased from the previous year due to the auction at Sotheby's, but profits are significantly down on last year reflecting the difficulty of trading antique furniture in a market where the current fashion for contemporary art is dominant.

Despite this, we had some great successes during the year:

- In April we merged our in-house restoration team with the team from H. J. Hatfield & Sons Limited to create an additional profit centre for the group. The two teams have been integrated successfully and the business is now trading profitably.
- In October we had an exhibition, in New York and then in London, of furniture and photographs from the 20<sup>th</sup> century designer and photographer, Willy Rizzo. The exhibitions were in partnership with leading fashion designer, Paul Smith and generated great interest, particularly in New York, and good sales. We aim to build on this success by expanding our range of 20<sup>th</sup> century products on offer.
- Our picture department has been reinvigorated by the return of James Harvey from the US and it is now a profitable business unit once more. We have now set our picture department up in a new gallery in Chelsea, trading under the name of James Harvey British Art.

### *Corporate activity*

In June we returned 63 pence per share (£8.7 million) to shareholders by way of a B Share Scheme and special interim dividend. This represented the majority of the after tax cash received on the sale of Bourdon House in December 2006. For those who have retained their B shares, we expect that a repurchase offer will be made (subject to obtaining the necessary shareholder approval) following the company's Annual General Meeting which will be held on 3<sup>rd</sup> June 2008.

In July we welcomed three new non-executive directors, Lord Daresbury, James Heneage and Eloy Michotte on to the Board all of whom have much to offer in the future development of the company.

### *Dividends*

Your Board is recommending a final dividend of 3.8 pence per share (2006 – 6.8 pence per share) for approval by shareholders at the forthcoming Annual General Meeting. In addition, reflecting the strong balance sheet of the group and a net cash surplus of over £2 million at the year end, your Board has approved the payment of a further interim dividend of 2.2 pence per share. The final dividend and the further interim dividend will be paid on 13<sup>th</sup> June 2008 to shareholders on the register on 16th May 2008.

In September, we paid an interim dividend of 2.4 pence per share. Therefore, if the final dividend is approved, the total dividend for the year will be 8.4 pence per share (2006 – 9.2 pence per share).

## **Outlook for 2008**

Sales in the early part of the year have been reasonable and there have been some encouraging results from the three fairs we have attended so far. We are also very pleased with the progress of the contemporary designs project. Our first range of products commissioned from five leading contemporary designers has been agreed and is now in the course of production. We will launch this range to the press in Milan starting on the 15<sup>th</sup> April at the Salone Internazionale del Mobile 2008. This will be followed by the sales launch starting on the 12<sup>th</sup> May in New York. The press reaction so far has been encouraging and we are hoping for coverage in international press and specialist magazines.

The unpredictable nature of the arts market, however, makes it impossible to forecast trading for the rest of the year with any clarity. The prospect of a recession in the US and in the UK, and the continuing taste for contemporary art, means that 2008 will be another challenging year for the antique art market. In addition, our cost structure will be affected by the current rent review on our New Bond Street premises. In light of this, and with the benefit of the experience of the three new non-executive directors, the Board is undertaking a detailed operational review of the business, the result of which we will report on in due course.

# MALLET PLC

## UNAUDITED CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2007

	2007 £'000	2006 £'000
Revenue	17488	16642
Cost of sales	(14922)	(12997)
Gross profit	<u>2566</u>	<u>3645</u>
Other operating income	2	2
Distribution costs	(196)	(270)
Administrative expenses	(1430)	(1202)
Operating profit before restructuring	<u>942</u>	<u>2175</u>
Restructuring	-	10404
Operating profit after restructuring	<u>942</u>	<u>12579</u>
Investment income	397	95
Finance costs	(21)	(3)
Profit before tax	<u>1318</u>	<u>12671</u>
Tax	(444)	(2744)
Profit for the period	<u>874</u>	<u>9927</u>
Basic and diluted earnings per share	<u>6.42p</u>	<u>72.78p</u>
Basic and diluted earnings per share before restructuring	<u>6.42p</u>	<u>11.06p</u>

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

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

	2007 £'000	2006 £'000
Profit for the year	874	9927
Exchange differences on translation of foreign operations	(238)	64
Actuarial gains on the defined benefit pension scheme	740	653
Movement of deferred tax on actuarial gains	(222)	(196)
Release of deferred tax on revalued property	-	9

**Total recognised income and expenses for the year**

1154

10457

## **MALLET PLC**

### **UNAUDITED CONSOLIDATED BALANCE SHEET**

at 31st December 2007

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	<u>4749</u>	<u>4656</u>
<b>Current assets</b>		
Inventories	18372	19033
Trade and other receivables	3701	4103
Cash and cash equivalents	<u>2410</u>	<u>16175</u>
	<u>24483</u>	<u>39311</u>
<b>Total assets</b>	<u>29232</u>	<u>43967</u>
<b>Equity</b>		
Share capital	690	690
Share premium account	-	5168
Capital redemption reserve	5168	-
Own shares	(468)	(494)
Retained profit	20761	29897
Minority interests	(1)	-
	<u>26150</u>	<u>35261</u>
<b>Total equity</b>	<u>26150</u>	<u>35261</u>
<b>Current liabilities</b>		
Trade and other payables	2447	4914
Bank overdrafts and loans	363	-
Tax liabilities	86	2934
	<u>2896</u>	<u>7848</u>
<b>Non current liabilities</b>		
Retirement benefit pension obligations	204	1126
Deferred tax liabilities	<u>(18)</u>	<u>(268)</u>
	<u>186</u>	<u>858</u>
<b>Total liabilities</b>	<u>3082</u>	<u>8706</u>
<b>Total equity and liabilities</b>	<u>29232</u>	<u>43967</u>

# MALLET PLC

## UNAUDITED CONSOLIDATED CASHFLOW STATEMENT

for the year ended 31st December 2007

	2007 £'000	2006 £'000
Operating profit	942	12579
Adjustments for:		
Depreciation	252	246
Profit on disposal of property	-	(11938)
Movements in working capital:		
Decrease in inventories	661	2743
Decrease/(increase) in receivables	403	(1320)
(Decrease)/increase in payables	(2249)	1548
Cash generated by operations	<u>9</u>	<u>3858</u>
Tax paid	(3248)	(513)
NET CASH FROM OPERATING ACTIVITIES	<u>(3239)</u>	<u>3345</u>
INVESTING ACTIVITIES		
Interest received	397	95
Interest paid	(21)	(3)
Proceeds from sale of property, plant and equipment	-	14250
Purchase of property, plant and equipment	(345)	(2008)
NET CASH FROM INVESTING ACTIVITIES	<u>31</u>	<u>12334</u>
FINANCING ACTIVITIES		
Purchases of own shares	(84)	(14)
Dividends paid	(1960)	(1270)
B share scheme payments	(8280)	-
Merger investment costs	(52)	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(10376)</u>	<u>(1284)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13584)	14395
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15869	1410
Effect of foreign exchange rate changes	(238)	64
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2047</u>	<u>15869</u>

The financial information set out in this document does not constitute the company's statutory accounts. Statutory accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2007 will be delivered in due course. The auditors have reported on the accounts for the year ended 31 December 2006; their report was (i) unqualified, (ii) did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985.