PANTHER SECURITIES PLC

Interim Report
Six months ended 30 June 2010

Chairman's Statement

I am pleased to report our results for the six month period ended 30 June 2010, despite showing a loss after tax of £1,684,000. This loss is entirely due to the increase in our finance derivative liability of £4,031,000 when compared to the liability as at 31 December 2009. If this fair value adjustment had been excluded, a profit of £1,349,000 before tax would have been shown, compared to a profit before tax of £2,052,000 last year on the same basis (which also benefited from a profit on disposal).

I have previously ranted against the foolishness of introducing fair value adjustments on derivatives in the income statement due to their volatility and little likelihood in Panther's circumstances of the derivatives being crystallised in the short term. The financial derivative liability has increased since 31 December 2009 as a consequence of the fall in long term interest rates, we are told, due to the Sovereign debt crises in some Euro countries and many investors seeking safety in UK gilts, which I personally question.

During this accounting period, our share portfolio has increased in value by £2,280,000, but this increase is not included in the income statement, being shown in the consolidated statement of comprehensive income.

Rents receivable during this period have increased to £3,888,000, from £3,777,000 in the equivalent period last year. This half year's profits have not been bolstered by any gains on disposals.

Administration costs and cost of sales are creeping up as we are having to generate income by using more imaginative and more creative methods, i.e. retail trading partnerships, converting large units into markets and a higher number of residential lettings with attendant costs, deliberately chosen rather than selling the units at the current low prices.

Acquisitions during the Period

In February 2010 our company acquired just under 20 per cent of the equity of Beale PLC at a cost of £1,642,000, a department store group of nearly 130 years standing, which trades from thirteen stores throughout the country, some of these stores being owned freehold. Beale PLC is a fully listed company and Simon Peters, our Finance Director, has been appointed our representative on the board. We are hopeful that we may be able to help them with any expansion plans they may have.

In April 2010 we acquired a 9,000 sq ft freehold retail investment in Skinnergate, Darlington at a cost of £515,000, let to Argos at £54,000 per annum, Although the lease has expired Argos continues to trade from the unit and negotiations are in hand to renew the lease.

Tenant Activities

During this period we lost 19 tenants, with annual rents totalling £230,000, and of these four units are now re-let and two are under offer. During the period we also completed 26 further new lettings with a total annual rent-roll of approximately £440,000, a few of which involved short rent free periods.

Development Progress

We are hoping and expect to have favourable planning decisions shortly on detailed planning applications which have been submitted on developments at Queens Road, Southend and High Street, Broadstairs.

Holloway Head, Birmingham

This is a very large scheme (approximately 500,000 sq ft mixed use scheme) and, although well advanced in the planning process, it is unlikely to receive a decision until towards the end of this year. If approved, it would be extremely beneficial to our company.

Valuations

We have instructed Messrs G L Hearn to start preparing for a revaluation of the entire group's property portfolio as at 31 December 2010. This firm is on the majority of the major banks' panel of valuers and the revaluation will be necessary when we come to discuss new loan arrangements with our bankers.

Cash

Our cash balances, which at 30 June 2010 amounted to £10,846,000, show a reduction of £4 million during the period. However, shareholders will pleasantly remember that £3,205,000 of dividends were paid in the period, including early payment of this year's interim dividend. It is anticipated that a final dividend of not less than 2p per share will be paid for the year ending 31 December 2010. An interim dividend for the current year of 10p per share was paid in February 2010.

Borrowing Facilities

Our major loan arrangements run until November 2011. We will shortly, however, start discussions with our main bankers, HSBC, with a view to renewing and increasing our facilities to enable us to participate in the many investment opportunities that we are being offered. Whilst we do not have concerns about obtaining refinancing, being regularly approached by banks wishing to lend, the new margins and terms are anticipated to be slightly less attractive than those we currently enjoy.

Post Accounting Date Transactions

Purchases

204-205 High Street, Burton-upon-Trent

In July 2010 the company purchased this vacant freehold double retail unit with a basement and two self contained floors above in a prime pedestrianised retail position at a cost of £295,000 excluding costs of acquisition. Negotiations are currently in progress for a possible letting to Tunnel Shoes (our joint venture company which I have previously mentioned).

Charles House, Premier House and 78 Darlington Street, Wolverhampton

In August 2010 the company purchased the freehold of this mixed use, retail, office and leisure property of approximately 70,000 sq ft on 1.2 acres of land, at a cost of £1,500,000, excluding incidental costs of acquisition. It is currently producing a rental of £278,000 per annum gross (net approximately £195,000) from 16 tenants.

79 High Street, Ramsgate

In August 2010 we purchased this freehold vacant retail unit with upper parts, adjacent to 81-85 High Street, which we already own, and which has full planning permission for 20 flats. This unit was bought at a cost of £78,000 to enable us to improve the total site development capability.

Disposals

In August 2010 we sold 1,751,597 ordinary shares in Elektron PLC for 30p per share, with total net sale proceeds of £523,000 and a profit of £396,000 based on original cost and profit of £168,000 based on the valuation in our books at 30 June 2010. We still have a large residual holding of 9,598,000 ordinary shares in Elektron PLC.

Principle risks and uncertainties

The board have considered the principle risks and uncertainties for the remaining six months of the financial year and believe there are no material risks.

Outlook

I believe there is now more stability in the property market and with banks beginning to lend again and at the same time slowly unwinding their failed property loans and ventures, cautious companies such as ourselves will have greater opportunities.

As ever, I am optimistic that we can make good and profitable progress from our well established and sound base.

Andrew S Perloff

Chairman

23 August 2010

Chairman’s Ramblings

UTILITY COMPANIES

I am sure we all have our own individual disaster stories about utility companies, so it’s only natural I also have some.

Our company for example owns about five hundred and fifty separate property units and most properties have their respective tenants, all of whom having no option but to be connected to water, gas, electricity and telephone lines. For each of these utilities there are a number of providers to choose from.

It is invariably the case that our tenant chooses the provider and arranges the type of contract most suitable for their needs and then pays the bills.

However, in troubled times like these, when there is a much higher degree of turnover of occupiers, vacancies and bankruptcies, these utility companies have even better methods to fleece their customers way beyond their normal cheating ways.

It goes like this. An electricity/gas/water subscriber – our tenant, their customer – goes bust or vacates and fails to pay its bill or fails to inform the utility company of a change of address. The utility company subsequently sends bills to the premises for up to six months after it has been vacated and the occupant has stopped using its service. Unable to gain access to the premises, they “estimate” the usage – the “estimate” is always much, much higher than previous usage. Threatening letters to the vacant property then follow and eventually they manage to find the freeholder who is then sent an abbreviated bill without any details of the property user’s address or any means for the landlord to identify it. They are allowed to do this under legislation that was introduced since privatisation. To paraphrase Shakespeare “the evil that legislators do lives on after them”.

The utility company probably has a cut price contract with a small firm of solicitors, usually far away from London, where the head office of most of their property company customers are based.

This firm usually employs two or three newly qualified solicitors, who proceed to write threatening letters. They totally ignore your protesting reply that this threatening letter is your first knowledge of any connection with the utility company. Sometimes, the inexperienced novice employee will threaten winding up procedures although not legally allowed if there is a dispute and the aggrieved party is obviously able to pay the bill.

As is usual with the law, although a lawyer may act incorrectly it is still necessary to go to court with a lawyer (at a cost often more than the disputed bill) and even after winning, it is practically impossible to obtain redress. Complaining to the Law Society is pretty useless – they appear to protect the lawyers from the public rather than the other way round.

It appears that a landlord, with no knowledge of the contract nor any input in the agreement has a deemed contract with the utility company due to either poorly thought out legislation or possibly carefully managed lobbying.

We run a small business centre in Nottingham which produces very little profit and one of the reasons was that about three years ago, our gas bill started to rise slowly but dramatically. The utility company concerned had nearly tripled our tariff rate three years earlier – the only notification being in the small print of one of our monthly bills. Only when we were investigating the economics of this small business centre, did this come to light. We managed to obtain by negotiation a rebate of £10,000 which was only about two-thirds of the overcharged amount. However, to obtain a full rebate we would have needed to use expensive external lawyers etc – pragmatism won that particular day.

My wife recently changed our small holiday home in Leigh-on-Sea to one with better amenities and views. She tried to transfer the two phone lines at the new house into her name without which she was unable to subscribe to either a broadband service or satellite TV. BT incomprehensibly were unable to change the lines from the old customer who was perfectly happy to do so, to her and after over 15 tortuous calls (the longest lasting nearly an hour) to many different parts of the country and having received several contradictory letters giving conflicting information, she managed to get connected. It took about 6 weeks but practically everyone she has since spoken to about it has had their own BT horror story and, apparently, without being aware of it, she had really received top notch service by BT standards.

As a footnote to this, she subsequently had to phone BT later regarding problems with our broadband at home. She eventually got through to India. Once someone (and she was happily and politely put through to a supervisor – English BT call centre operatives – please take note – you may learn how to provide some kind of service) whom she could clearly understand was found, her problem was patiently, politely and moreover COMPETENTLY dealt with and solved.

I understand mistakes by big companies can happen occasionally, but almost the same level of incompetence happened when we tried to change one of our two lines in our main house into the new housekeeper's name. They closed the old housekeeper's line, and in so doing, took away at the same time my main house phone line of 38 years standing and gave me a new number unknown to everyone I have ever spoken to.

Once again, it took numerous calls of long duration to eventually rectify the situation. I received the same level of incompetence, rudeness and having to bear and put up with repetitive, long and detailed explanations from and to people around the world. BT are a disgraceful, incompetent organisation, with little respect or politeness or regard for the requirements or wishes of their customers.

Nearly all big organisations for the sake of added profit have seized upon our latest technology with computerised phone answering systems where you press buttons till your fingers drop off trying to follow the many requirements of their customers or when they try to obtain redress for having been cheatingly overcharged.

All these big companies no longer seem to care about their customers. They have deliberately awkward contact systems and contracts that may be 18 pages long in print only suitable for Lilliputians. They are one sided, purposefully aimed at ripping off their customers who cannot afford the time and cost of complaining and often pay that which they know to be excessive BECAUSE THERE IS NO OTHER PRACTICAL OPTION! These utility companies (if not already owned by foreign owners) are then sold to foreign owners who can further rip off the BRITISH CUSTOMER by imposing more foreign terms.

Somehow all this mention of customers instantly takes my mind back to……

MARGATE

Margate is a seaside resort town on the North East part of Kent at the very mouth of the Thames estuary. As early as the beginning of the 18th century, it was one of the first English towns to be recognised for the health-giving quality of fresh air, sea-bathing and fine sands. Originally, only aristocratic and a monied privileged few could afford this healthy spa. However, by the 1830's six steamers a day were taking people from London to Margate, and with them came new piers, a harbour, hotels and boarding houses and other seaside entertainment. It wasn't until 1846 when the first railway arrived that its holiday appeal expanded exponentially.

In 1875 Joseph Mallord William Turner was sent to school in Margate, an artistic child prodigy who for the rest of his life regularly visited the town, usually staying at one of the harbour-side guest houses, and, whilst he painted a whole range of pictures, he was most famous for his seascapes. He painted numerous different sea sketches of the seas around Margate which he made use of in other marine paintings. His picture "The Fighting Temeraire" was once voted Britain's finest painting.

Interestingly enough, Margate's current most famous artist, Tracey Emin, won the Turner Prize in 1999, with an artwork titled "My Bed", which was an unmade and disgustingly dirty well-used bed. Her other most noted work was titled "Everyone I Have Ever Slept With 1963-1990" listing names. If I said no more, I am sure you will appreciate how much Margate has slumped in desirability over the years – but of course I will say more ….

I have a soft spot for Margate because 100 years after Turner had died, when it was still a holiday magnet for the English, the Perloff family regularly took holidays there. This was before Butlins took over all the grand Victorian hotels in adjoining Cliftonville in the late 50s, and before foreign travel became affordable for nearly everyone, and before the hoards of asylum seekers and DHSS claimants took up residence and finally, before the local council allowed a massive, out of town shopping centre without thought of what it would do to the shopping hearts of the towns of Margate, Cliftonville, Broadstairs and Ramsgate. The current proposals of building a magnificent (even if controversial) Turner gallery and trying to create an art commune in the old town might help, but the jury is still out. A better idea would be to encourage the departure of or ship out 2,500 DHSS claimants.

However, in the 1950s, Margate was still a nice place for holidays and our 1955 holiday differed little to previous ones. We stayed at a cheap hotel in the slightly upmarket Cliftonville and went to the beautiful beaches every day.

One fine day, after we were all safely ensconced on the beach with all our buckets and spades, my father left the four of us with my mother and said he felt like going for a short bracing walk. Five hours later when he reappeared, my mother, exhausted from watching over four very active children, was not too tired to give him a verbal rollicking for deserting her for so long. He apologised, explaining that he “had got carried away”.

It was not until four weeks later, when he took my mother back to Margate without us children for a “short break” that he explained the real reason for his lengthy absence and just what he had got carried away with.

He explained that on his walk he passed by the White Hart Hotel, which was up for sale by auction on the premises that lunchtime so he waited to see what would happen.

The White Hart Hotel was one of Margate’s earliest (if not the earliest) grand hotels, originally a hostelry at least as early as 1720, and rebuilt in Victorian times still with its Victorian format and façade. During its better days, it had previously hosted, both Gladstone and Disraeli and many other famous people of its day but now it was sadly neglected and run-down.

The building fronted about 150 feet of Marine Parade, facing the harbour, with a grand entrance and little and large saloon bars on either side, the large bar said to be the largest in Margate. It had a cavernous basement, five upper floors with about 66 bedrooms, but only the first and second floors were easily usable, the remaining upper floors of 40 rooms were neglected and unusable. Courage, the Brewers, had purchased the hotel in 1948 for £55,000, but the great storms of 1953 which caused so much havoc along the East coast of England where, sadly, about 200 people lost their lives, mainly in Canvey Island also flooded Margate’s seafront. This was the final straw to Courage’s aspiration for the business and sometime after the clear up, it was put up for sale.

There was not a single bid. My father asked the auctioneers the price required – it was £15,000. The auctioneer, sensing interest, introduced my father to the local bank manager, who indicated his branch of the bank was prepared to lend on the business, which was still a going concern. I believe a price of £9,000 was agreed for the freehold, lock, stock and barrels in the original meaning of the phrase. The bank, after a couple of phone calls to my father's local Sutton bank, lent 100% of the money over five years (it was paid off in three).

That short "holiday break" when my mother was told of the walk and all it entailed culminated in my mother attending the Magistrates' Court to be granted the operating licences (why in her name we never found out the reason).

I find it astounding to know that prior to obtaining the licences, my mother had never been in a pub and it was unlikely that my father had on more than one or two occasions.

The Magistrates' hearing went smoothly and it seemed that it was the tradition upon granting new licences, for the entire court, magistrates, barristers, clerks, police attendees, secretaries and any interested parties to troop down to the premises and officially pin the licence to the inside of the premises – then have a free booze-up.

A fine party, it was not even disturbed when an elderly man from outside collapsed in the entrance of the hotel and shouted "help me, help me, get me a whisky or brandy – quickly, quickly!" My father looked down on him and got him a glass of water, just as the local bobby come out of the party, saw the collapsed man and spoke to him. "Shove off Higgins, you can't pull that fast one again, not here!".

At the failed auction, a very short man, about 5ft 3in, saw my father negotiating and approached him, telling him that he knew all about the pub business, lived nearby above his wife's hairdressing shop just around the corner and would work for nothing to get the business going properly and would take whatever pay my father felt he was worth when it started taking money. Joe Grout was in his early 40s and had jet black hair, a gleaming white-toothed smile (despite about six front teeth missing). Although short, he was shaped like a barrel of solid muscle. He became a stalwart of the business with a devotion, ability, reliability, extreme trustworthiness and good humour. We all loved him.

My father was not completely mad in buying a business of which he had absolutely no experience, he had an idea. This idea was to convert the huge upper part into flats for letting to American Servicemen who were nearly all based at Manston Airport nearby. Of course, having any business plan based on Americans is a risky business, as just six months after his purchase, the Americans announced they were going home and leaving Manston!

The Perloffs were thrust fully into the hotel and pub business.

At that time the holiday season in Margate was from March to the end of September. For licensing rules, the pub must be open all year but out of season we only kept the tiny corner bar open. In the season the first and second floors were run as a bed and breakfast establishment. The first floor had a small kitchen to service this trade, but the floor also contained a ballroom suitable for "beanos" of 250 people, with a huge fully fitted kitchen on the ground floor at the rear of the White Hart bars.

One other notable personality who came with the property was Vi the cook. She was as skinny as a broom stick, with dark hair always wrapped tightly in a scarf, never seen without her full length flowery patterned apron and in all her years she was there I never saw her without a cigarette in her mouth, sometimes also one in her hand if the one between her lips was about to expire. She had a sharp, rasping voice and would belt out “Two eggs, sausage, bacon, toms coming up”, always keeping the cigarette in the side of her mouth.

She was a prolifically fast worker and on the rare occasions she had a day off or was away, the regulars complained “the breakfasts don’t taste the same”. Of course, they didn’t, they did not have the herbal sprinkling of tobacco ash.

One way or another, we all helped in the business. My mother and the children in the three months of the year that were school holidays, my father stayed on for six weeks longer but for the rest of the season it was left for the manager to steal from the business which was not, of course, the lovable Mr Grout.

My father, although having little experience of the pub and hotel trade, knew entertainment was a good draw, so he created a small stage in the big bar and put an ad in the local paper. “A Talent Competition to entertain at our pub”. He was inundated with offers. His offer was no money but free drinks and all the tips the customers gave them. He picked two or three acts who were happy with the terms. One married couple stood out. He was tall, thin, very old, but smartly dressed with boater, bow tie, jacket and neatly pressed trousers and played the piano. His accompanying wife was also old with orangey red hair, she was over made-up with bright red lipstick and of much larger proportions. She sang operatic songs. They said they had performed professionally some years earlier – I suspect at Queen Victoria’s jubilee celebrations. However, they were absolutely dreadful, his playing was out of tune and out of time with her loud, tuneless singing.

The small group of customers viewing the talent laughed and laughed until they cried. My father heard their act, stood up and said “Thank you” and I expected a polite refusal of their audition. Instead he said “You’re on! Can you open the show tomorrow at 7.30pm?”

The pub regulars reacted the same way as our small audience and the laughter and happy atmosphere created continued throughout the whole evening.

Shortly after the pub was up and running, my parents were in the West End of London for one of their nights out, when they noticed a group of young buskers. Four or five in the band were art students. My father approached them, “How would you like a season at Margate?” He offered them nearly the same terms as his other ”discovery”, but they also got board and lodging and a small amount of pocket money for helping in the running of the pub. They accepted the offer with alacrity.

Chairman’s Ramblings

continued

As to working in the pub, Harold, who was older, bigger and stronger than I, preferred the more manly pursuits of running the vast cellars under the tutelage of Joe Grout. In those days, you had to heave large wooden barrels onto racks, delicately knock in special taps and then join them to the correct pipes that ran upstairs to the hand pulled beer pumps. There were also huge quantities of different drinks, mainly beer, that had to be moved about and empties recorded for collection and the expensive liqueur locked into the secure room and carefully shelved and noted.

I, with my cheerful demeanour, quick wit and adding up ability preferred and was more suited to serving behind the bar. There was only one problem – I was 12 inches too short! This problem was easily solved – I made a platform between the till and the beer pumps from four upturned solid beer crates. We were obviously exploited as child labour, but unfortunately we did not realise it as we were having such a wonderfully exciting, educationally useful fun time.

One mild evening, in the height of the season, the former buskers band was now established and was playing loudly all the hits of the day. I suspect they were quite good and accomplished players. Their band leader played the piano and was main singer, he had very long hair (they all had long hair), wore a morning coat and large top hat, which proved useful for passing round for tips, and I enviously noted it was often over half full.

The long bar was so smoky most nights you could cut the air with a knife. That night was no different, I was phenomenally busy, running up and down between beer pumps and till (indeed, I still get a thrill from the jingle of the till) when there was a slight lull in my frenetic rushing about, when I managed to pause and listen to the band, who were now playing some of their self-penned songs which they occasionally were prone to do.

The pianist was pounding the piano loudly – klung, klung, klung – nodding his head and long wavy hair in time to his music and singing loudly.

> “Old man Perloff’s the meanest man in town.
>
> He’s so stingy he really gets the crown.
>
> We work for free, just gets our tea.
>
> He takes all your money and then calls time.
>
> He ain’t opened his wallet since 1949.”

It took me a few minutes to take in this insult. A few more verses came but the final straw, when I nearly blew a fuse, was when half the pub joined in the chorus:

“Old man Perloff’s the meanest man in town.

He ain’t opened his wallet since 1949.”

I could not hold back, I jumped off my beer crates, rushed to the end of the bar where my father was standing and who obviously had not heard the insulting song. He was puffing on a cigarette and smiling out across the whole pub. I tugged at his shirt sleeve:

> "Dad, Dad, they're singing insulting songs about you, sack them, sack them, stop them, stop them!"

He took another drag of his menthol flavoured Consulate cigarette and smiled at me – but with the impatience of youth, I tugged again at his shirt:

> "Dad, Dad, what are you going to do about it?"

He smiled down at me and said:

> "Now Andrew, I want you to look around the whole bar, use your brains and tell me what you see."

My father was then in his mid-forties and to me, as old as the hills, and I then thought obviously going a bit senile, but I looked around anyway and then replied:

> "There are so many people here, they are all laughing, clinking their glasses – I can't see a thing."

He then smiled again and replied:

> "All those people are our **CUSTOMERS**. If they like the band, I love the band and the music. Now you remember the **CUSTOMER** pays our bills, the **CUSTOMER** pays **ALL** our bills, so always give them what they like."

That night as I drifted off to sleep, not only hearing one of our regular customers singing the usual customer song of "Around the world I searched for you, I wandered on...."

But in my mind the words "the **CUSTOMER** pays the bills, the **CUSTOMER** pays **ALL** the bills" kept repeating themselves until they were imprinted in my memory bank. And I then fell asleep and dreamt of that top hat full of money.

Now, it's possible that someone can give those chairmen and chief executives of our huge utility companies with their million pound annual salaries plus bonuses and fat pensions a recording to repeatedly play at night as they go to sleep telling them that the **CUSTOMER** pays **ALL** their salaries and bonuses and expenses and pensions and maybe one day the quality of the services of their companies will improve and fairer dealings with their **CUSTOMERS** will result.

Andrew S Perloff
Chairman

23 August 2010

Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	**Six months ended 30 June 2010 £'000 Unaudited**	Six months ended 30 June 2009 £'000 Unaudited	Year ended 31 December 2009 £'000 Audited
Revenue	2	**4,909**	4,771	9,251
Cost of sales	2	**(1,484)**	(1,234)	(2,828)
Gross profit		**3,425**	3,537	6,423
Other income		**187**	26	77
Administrative expenses		**(1,198)**	(808)	(1,838)
		2,414	2,755	4,662
Profit on the disposal of investment properties		**–**	229	574
Movement in fair value of investment properties		**–**	–	(6,216)
		2,414	2,984	(980)
Finance costs		**(1,122)**	(1,011)	(2,111)
Investment income		**57**	79	117
Profit on the disposal of available for sale investments (shares)		**–**	–	650
Fair value (loss)/gain on derivative financial liabilities		**(4,031)**	5,767	5,277
Profit or loss before income tax		**(2,682)**	7,819	2,953
Income tax credit/(expense)	3	**998**	(2,091)	(427)
Profit or loss for the period		**(1,684)**	5,728	2,526
Attributable to:				
Equity holders of the parent		**(1,653)**	5,699	2,488
Non-controlling interest		**(31)**	29	38
Profit or loss for the period		**(1,684)**	5,728	2,526
Earnings per share				
Basic and diluted	5	**(9.8)p**	33.8p	14.7p

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Six months ended 30 June 2010 £'000 Unaudited	Six months ended 30 June 2009 £'000 Unaudited	Year ended 31 December 2009 £'000 Audited
Profit or loss for the period	**(1,684)**	5,728	2,526
Other comprehensive income			
Movement in fair value of available for sale investments (shares) taken to equity	**2,280**	716	1,657
Deferred tax relating to movement in fair value of available for sale investments (shares) taken to equity	**(595)**	(201)	(463)
Other comprehensive income for the period, net of tax	**1,685**	515	1,194
Total comprehensive income for the period	**1**	6,243	3,720
Attributable to:			
Equity holders of the parent	**32**	6,214	3,682
Non-controlling interest	**(31)**	29	38
	1	6,243	3,720

Consolidated Statement of Financial Position

As at 30 June 2010

Company number 293147

	Notes	**30 June 2010 £'000 Unaudited**	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
ASSETS				
Non-current assets				
Property, plant and equipment		**98**	26	95
Investment property	7	**97,258**	97,814	96,658
Goodwill		**8**	–	8
Available for sale investments (shares)		**8,574**	5,431	4,651
		105,938	103,271	101,412
Current assets				
Inventories		**312**	390	214
Stock properties		**8,098**	8,863	8,098
Trade and other receivables		**2,524**	2,535	2,376
Cash and cash equivalents		**10,846**	13,829	14,847
		21,780	25,617	25,535
Total assets		**127,718**	128,888	126,947
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Capital and reserves				
Share capital		**4,217**	4,217	4,217
Share premium account		**2,886**	2,886	2,886
Capital redemption reserve		**604**	604	604
Retained earnings		**57,130**	63,774	60,303
		64,837	71,481	68,010
Non-controlling interest		**59**	88	90
Total equity		**64,896**	71,569	68,100
Non-current liabilities				
Long-term borrowings		**43,894**	42,500	43,970
Derivative financial liability		**10,775**	6,254	6,744
Deferred tax liabilities		**1,610**	3,927	2,670
Obligations under finance leases		**1,042**	–	1,051
		57,321	52,681	54,435
Current liabilities				
Trade and other payables		**4,824**	4,184	4,412
Current tax payable		**677**	454	–
		5,501	4,638	4,412
Total liabilities		**62,822**	57,319	58,847
Total equity and liabilities		**127,718**	128,888	126,947

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share Capital £'000	Share Premium £'000	Capital Redemption £'000	Retained Earnings £'000	Non-Controlling Interest £'000	Total £'000
Balance at 1 January 2009 (audited)	4,217	2,886	604	58,139	58	65,904
Total comprehensive income for the period	–	–	–	6,214	29	6,243
Other	–	–	–	–	1	1
Dividends paid	–	–	–	(579)	–	(579)
Balance at 30 June 2009 (unaudited)	4,217	2,886	604	63,774	88	71,569
Balance at 1 January 2009 (audited)	4,217	2,886	604	58,139	58	65,904
Total comprehensive income for the period	–	–	–	3,682	38	3,720
Reduction in non-controlling interest on purchase of equity	–	–	–	–	(6)	(6)
Dividends paid	–	–	–	(1,518)	–	(1,518)
Balance at 1 January 2010 (audited)	4,217	2,886	604	60,303	90	68,100
Total comprehensive income for the period	–	–	–	32	(31)	1
Dividends paid	–	–	–	(3,205)	–	(3,205)
Balance at 30 June 2010 (unaudited)	4,217	2,886	604	57,130	59	64,896

Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Notes	**30 June 2010 £'000 Unaudited**	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
Cash flows generated from operating activities				
Profit before interest, investment income and tax		**2,414**	2,755	4,662
Add: Depreciation charges for the year		**14**	7	30
Profit before change in working capital		**2,428**	2,762	4,692
Increase in inventories		**(98)**	(231)	(55)
Decrease in stock properties		**–**	–	288
(Increase)/decrease in receivables		**(311)**	743	902
Increase/(decrease) in payables		**415**	(238)	(255)
Cash generated from operations		**2,434**	3,036	5,572
Interest paid		**(1,124)**	(1,014)	(2,037)
Income tax received/(paid)		**182**	(200)	(511)
Net cash generated from operating activities		**1,492**	1,822	3,024
Cash used in investing activities				
Purchase of plant and equipment		**(17)**	(12)	(104)
Purchase of investment properties	7	**(610)**	(1,271)	(2,608)
Purchase of available for sale investments (shares) – non current assets		**(1,642)**	(909)	(909)
Purchase of additional equity in group subsidiary		**–**	–	(11)
Purchase of equity and debt in corporate acquisition		**–**	–	(1,811)
Proceeds from sale of investment properties		**–**	776	2,446
Proceeds from disposal of available for sale investments (shares) – non current assets		**–**	–	2,360
Dividend income received		**17**	15	21
Interest income received		**40**	65	96
Net cash used in investing activities		**(2,212)**	(1,336)	(520)
Financing activities				
Repayments of loans	8	**(76)**	–	(61)
Dividends paid	4	**(3,205)**	(579)	(1,518)
Net cash used in financing activities		**(3,281)**	(579)	(1,579)
Net (decrease)/increase in cash and cash equivalents		**(4,001)**	(93)	925
Cash and cash equivalents at the beginning of period		**14,847**	13,922	13,922
Cash and cash equivalents at the end of period		**10,846**	13,829	14,847

Notes to the Interim Financial Report

For the six months ended 30 June 2010

1. Basis of preparation of accounts

The results for the year ended 31 December 2009 have been audited whilst the results for the six months ended 30 June 2009 and 30 June 2010 are unaudited and this interim report does not constitute statutory accounts.

The interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 December 2010, in accordance with IAS 34 'Interim Financial Reporting' and DTR 4.2.

The financial information for the year ended 31 December 2009 set out in this interim report does not constitute statutory accounts for that period. The statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under either Section 498(2) or Section 498(3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis. Copies of the report are available from the address shown in note 10.

There is no material seasonality associated with the group's activities.

Except as described below, the Interim figures are prepared on the basis of the accounting policies set out in the last annual report to 31 December 2009.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual earnings.

During the period the Group adopted IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised). IFRS 3 (revised) and IAS 27 (revised) will be applied to all future business combinations however the revised standards do not affect the accounting treatment of business combinations entered into before 1st January 2010.

Principal risks and uncertainties for the remaining 6 months of the financial year

The most significant risks to the group's business relate to either property or financing.

Over the remaining six months of the year, a risk is the future value to be placed on property assets. However the group's spread of property types and locations should help to mitigate any downward movement. Further to this the group is lowly geared with surplus cash and loan funds available, so being in a strong position to take advantage of situations arising out of the current economic environment.

Financing within the group is not considered a significant risk or uncertainty due to the high liquidity, low gearing and the financial derivatives which have been entered into to fix the rate of a substantial amount of the group loans. However, the fair value accounting treatment of financial derivatives can create an accounting risk, with increases in any liability being shown as a write down in the income statement, however this is preferential to an actual cash flow risk which could arise if the loans were not mainly fixed with these financial instruments.

Statement of Directors' responsibilities

To the best of our knowledge we confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report

The directors of Panther Securities plc are listed in the Panther Securities PLC Annual Report for the year ended 31 December 2009 and a list of current Directors is maintained on the Panther Securities plc website: www.panthersecurities.com.

By order of the board

Andrew Perloff	**Simon Peters**
Chairman	*Finance Director*
23 August 2010	23 August 2010

2. Revenue and cost of sales

The Group's main business segment is investment and dealing in property and securities. The majority of the revenue, cost of sales and profit or loss before taxation being generated in the United Kingdom. The group is not reliant on any key customers.

M.R.G. Systems Ltd is a separate business segment whose principal activity is that of electronic designers, engineers and consultants. 70% of its revenues arose in the United Kingdom and 100% of its cost of sales. Its net contribution to the profit or loss before interest and tax in the period was a loss of £147,000 (2009 – profit of £106,000).

The joint venture Tunnel Ltd is a separate business segment whose principal activity is that of shoe retail. 100% of its revenues arose in the United Kingdom and 100% of its cost of sales. Its net contribution to the profit or loss before interest and tax in the period was a loss of £6,000 (2009 – nil). This business commenced trading in March 2010.

Turnover arose as follows:	**30 June 2010 £'000 Unaudited**	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
Rental income from investment properties	**3,508**	3,357	6,619
Rental income from stock properties	**380**	420	761
Income from trading (M.R.G. Systems Ltd)	**948**	994	1,871
Income from trading (Tunnel Ltd)	**73**	–	–
	4,909	4,771	9,251

Cost of sales arose as follows:	**30 June 2010 £'000 Unaudited**	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
From rental income	**872**	803	1,671
Stock properties recognised as an expense	**–**	–	288
Trading (M.R.G. Systems Ltd)	**573**	431	869
Trading (Tunnel Ltd)	**39**	–	–
	1,484	1,234	2,828

2. Revenue and cost of sales continued

Profit/(loss) – before income tax:

	30 June 2010 £'000 Unaudited	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
Investing and dealing in properties	**(2,530)**	7,713	2,804
Trading (M.R.G. Systems Ltd)	**(146)**	106	149
Trading (Tunnel Ltd)	**(6)**	–	–
	(2,682)	7,819	2,953

3. Income tax expense

The (credit)/charge for taxation comprises the following:

	30 June 2010 £'000 Unaudited	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
Current period UK corporation tax	**658**	654	693
Prior period UK corporation tax	**–**	–	(183)
	658	654	510
Current period deferred tax	**(1,656)**	1,437	(83)
Income tax (credit)/expense for the period	**(998)**	2,091	427

The taxation charge is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

4. Dividends

Amounts recognised as distributions to equity holders in the period:

	30 June 2010 £'000 Unaudited	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
Interim dividend (quarterly) for the year ended 31 December 2008 of 3p per share	**–**	506	506
Final dividend (quarterly) for the year ended 31 December 2008 (see note) of 3p per share*	**–**	73*	506
Interim dividend (quarterly) for the year ended 31 December 2009 of 3p per share	**–**	–	506
Interim dividend (quarterly) for the year ended 31 December 2009 of 5p per share	**843**	–	–
Interim dividend for the year ending 31 December 2010 of 10p per share	**1,687**	–	–
Final dividend for the year ended 31 December 2009 of 4p per share	**675**	–	–
	3,205	579	1,518

* This relates to the element of the 3p dividend which was paid electronically. The registrars required this element to be in hand prior to the payment date 3 July 2009. The remainder was paid just after the period end by cheque.

The Directors have paid an interim dividend of 10p per share on 5 February 2010 being the interim dividend on account for the year ending 31 December 2010. A final dividend of at least 2p per share is anticipated for the year ended 31 December 2010, subject to shareholders' approval, to be paid in June 2011.

5. Earnings/(loss) per ordinary share (basic and diluted)

The calculation of earnings per ordinary share is based on earnings, after minority interests, of loss of £1,653,000 (30 June 2009 – profit of £5,699,000 and 31 December 2009 – profit of £2,488,000) and on 16,869,000 (30 June 2009 and 31 December 2009 – 16,869,000) ordinary shares being the weighted average number of ordinary shares in issue throughout the six months ended 30 June 2010. There are no potential ordinary shares in existence.

Notes to the Interim Financial Report

continued

6. Net assets per share

	30 June 2010 £'000 Unaudited	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
Net assets per share	**384p**	424p	403p

The calculation of net asset per ordinary share is based on the equity attributable to shareholders of the parent company and on 16,869,000 (30 June 2009 and 31 December 2009 – 16,869,000) ordinary shares being the number of ordinary shares in issue at 30 June 2010.

7. Investment Properties

	30 June 2010 £'000 Unaudited	30 June 2009 £'000 Unaudited	31 December 2009 £'000 Audited
Fair value of investment property			
At 1 January	**96,658**	97,092	97,092
Additions	**610**	1,271	2,608
Transferred from stock	**–**	–	477
Additions on purchase of corporate acquisitions	**–**	–	3,550
Grossing up of investment property held under operating leases	**(10)**	–	1,148
Disposals	**–**	(549)	(2,001)
Revaluation decrease	**–**	–	(6,216)
	97,258	97,814	96,658

The Directors do not consider there to be an overall material change in value as at 30 June 2010 compared to the Directors valuation as at 31 December 2009.

There will be an independent revaluation undertaken as at 31 December 2010 which will be incorporated into the accounts for the year ending 31 December 2010.

8. Issuance and repayment of debt in the period

£76,000 of debt was repaid in the period.

Note 30 of the statutory accounts for the year ended 31 December 2009 detailed the financial instruments entered into by the group. The same financial instruments held at 31 December 2009 are still held at 30 June 2010.

9. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on Consolidation and are not disclosed in this note. There were no other material related party transactions in the period under review or within the comparative period.

10. Copies of this report are to be sent to all shareholders and are available from the Company's registered office at Deneway House, 88-94 Darkes Lane, Potters Bar, EN6 1AQ and will also be available for download from our website www.panthersecurities.co.uk.

Shareholder Notes

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