PANTHER SECURITIES PLC

Interim Report
Six months ended 30 June 2011

Chairman's Statement

Results

Once again I am pleased to report our results for the six month period ending 30 June 2011, which shows a profit after tax of £690,000 (six month period ended 30 June 2010 showing a loss after tax of £1,653,000) after a loss of £705,000 due to a further increase in the deficit on our derivatives liabilities (a £4,031,000 deficit for the same period last year).

Our rents receivable during this accounting period amounted to £4,038,000 compared to £3,888,000 for the same period last year.

There have been some additional items in our costs that are significant in total. We have an extra £150,000 vacant rates liability (due to government removal of vacant rates relief for vacant properties below £18,000 rateable value). There were some additional professional legal and valuation fees that were considered necessary in connection with our new loan. There have also been larger depreciation charges related to ownership of the plant and fixed assets at Wimbledon Studios.

Our profits have also been decreased by the loss of £102,000 which we show, relating to our share of Wimbledon Studios' first half year loss – compared to nothing in the first six months of last year as they were not trading. Also, our joint shoe retailing venture Tunnel Limited, lost us £32,000, which was slightly disappointing but still less than the cost of full vacant rates and insurance liability if their freeholds had been left vacant, and also ignoring the intangible benefits to the other traders in our retail parade of our filling the empty shops.

Acquisitions during the Period

25/26/27 Victoria Street, Wolverhampton

In February 2011 we re-acquired 25/26/27 Victoria Street, Wolverhampton for £200,000, having sold it in June 2006 for £333,000. We own most of this island town centre site, which has considerable re-development potential as the Town Centre scheme and compulsory purchase order has been abandoned.

67 Hight Street Ayr

In March 2011 we purchased 67 High Street, a vacant listed freehold shop with upper part in the prime shopping position opposite Marks & Spencer and British Home Stores. Our purchase was from an LPA Receiver at £275,000 and we hope that it will have a considerable added value when let. We are in discussion with a number of retailers about this unit.

Northgate Street and St Aldgate Street Gloucester

In May 2011 we purchased this block of 17 shops and 21 flats in the very centre of Gloucester. The property is situated close to Debenhams and Marks & Spencer, and since our purchase the two vacant shops have been let, increasing the income to £237,000 per annum, from £207,000 per annum. Negotiations are in hand for a single letting of the 21 vacant flats. This freehold cost approximately £2,200,000 including costs.

Chairman's Statement

continued

Wimbledon Studios

This freehold property was acquired towards the end of August 2010. A new company Wimbledon Studios Ltd was organised to take a lease of the entire premises. The intentions were to change the purpose built television series for 'The Bill' into a large independent film/television studio to include a media village, as well as an all-purpose studio set for hire and props rental businesses. Our purchase of the 200,000 sqft building came stuffed to the gills with all the redundant sets, props and equipment, and it has taken time to change the format to one that is required for an independent studio for all types of media businesses. We own 25% of the equity of Wimbledon Studios, and, as an associated company, we show our share of their loss as the £102,000 loss shown in our income statement.

This loss is not unexpected, as the studio was not fully operational until after its March launch party and has had quite high start-up costs, but we are pleased that current bookings and recent use of the premises has been improving. Recent users of the studios include the BBC, Hat Trick Productions and it was also used for a House of Commons set for a new film called the 'Iron Lady' starring Meryl Streep. The building contains over 40 separate fully furnished offices and to date approximately 15 of these have been let to media companies in the studios new Media Village.

Tenant Activity

Times are definitely more difficult for most retailers and other businesses. During this accounting period we let 28 units totalling £429,000 rents and lost 14tenants totalling £256,000 rents, a net loss/gain of £173,000 per annum.

Finance

In July 2011 we finally completed our refinancing package of which we provided an overview in last year's accounts. This is a new 5 year club loan facility of £75,000,000 provided equally both by HSBC and Santander. This replaces our existing facility of £42,500,000 with HSBC with whom we have had an excellent banking relationship for over 30 years. We are, of course pleased to have, what to us are, 'The New Kids on The Block', Santander, a banking relationship which we hope will prove as reliable and long standing.

Of course, having a new lender participate in the arrangements unfortunately did make it take longer to arrange and complete, however we believe this additional banking relationship will provide other long-term benefits. In these rather more troubled times, the loan document increased from 26 pages to 160 pages and contained many hoops to jump through. Of course, I am too old to jump through too many hoops but luckily our younger board members should be able to perform the necessary hoop jumping with ease.

The additional finance has already allowed us to expand and make several purchases, although most transactions completed after this reporting period and shareholders will not see the benefit to our income until reflected in the full year's accounts. Even more so when we reflect a full year's income and the obtain cash flow benefits when various rent free periods expire.

These Purchases (post accounting date)

Five Department Stores

As announced in July 2011, we purchased five freehold department stores which were owned and formerly occupied by the Anglia Regional Co-operative Society ("ARCS") Limited trading as Westgate Stores. The majority of the trade and assets of Westgate Stores were recently acquired by Beale PLC, a fully listed department store group in which Panther holds just under 20 per cent. of the issued share capital. The company paid approximately £7,330,000 (including stamp duty) for the following five properties:

80 Newgate Street, Bishop Auckland, County Durham comprising approximately 50,000 sqft over three floors situated just off the prime shopping position in the town centre.

49 Low Street, Keighley, West Yorkshire comprising approximately 35,000 sqft on three floors. This property adjoins a Marks & Spencer store and the main shopping centre in the town.

53-57 High Street, St Neots, Cambs comprising approximately 30,000 sqft on two floors together with an 80 space car park to the rear, adjoining the Marks & Spencer store.

Market Place/ Bridge Street, Spalding, Lincolnshire comprising approximately 23,000 sqft on two floors in the main trading position of the town.

8 Market Place, Diss, Norfolk comprising approximately 8,000 sqft in the prime shopping area of the town centre.

Apart from 80 Newgate Street, Bishop Auckland which has a one year rent free period (ends on 21 May 2012), these four other stores have a two year rent free period which ends on 21 May 2013. The total rent to be received on the expiration of the rent free periods will be £675,000 per annum.

These department stores previously generated £14 million turnover per annum, excluding VAT, under the ARCS ownership. The rent received under the leases will also be supplemented by an additional rental income calculated at 5% of turnover achieved over certain targets. The leases are all on full repairing and insuring terms for 15 years with rent review.

Templegate House, 115-123 High Street, Orpington

This property was purchased in July 2011, and is a long leasehold (94 years remaining at a peppercorn rent) modern building which contains five shops and 17,000 sqft of office space over the three floors above. The property is almost fully let and produces rent of £276,000 per annum. The price we paid of £1,300,000 (including stamp duty) reflects the price that two of the larger tenants' leases expire towards the end of this year. The property was purchased from an LPA receiver.

79/97 Commercial Street, Batley

This freehold property also purchased in July 2011 is well positioned in the town, and was purchased for £1,380,000 (including stamp duty). The property currently produces £143,000 per annum, excluding the potential income from two vacant shops. The tenants include Boots, the Card Factory, Coral Estates, TUI UK and Kirkwood Hospice.

The Mill and Warehourse, Upper Mills Trading Estate, Bristol Road, Stonehouse

In August 2011, Panther purchased a 13,000 sqft office with an adjoining 12,000 sqft warehouse building for £489,000 (including stamp duty). The building was purchased for Panther's 75 per cent owned subsidiary MRG Systems Ltd ("MRG"). The Board expects that this will not only reduce MRG's rental cost of £30,000 a year and provide it with a permanent office but it should also provide much additional space for MRG to sublet and generate additional rental income to benefit the group overall.

Bentalls Complex, Colchester Road, Heybridge, Maldon, Essex

In August 2011, Panther purchased, via a sale and lease back arrangement, a 200,000 sqft freehold industrial building set in 8.5 acres of grounds for £3,900,000 (including stamp duty). The property has been let for 10 years to Wyndeham Group Ltd for £500,000 per annum, with a one year rent free period which commenced at completion in August 2011. This property offers a high return from a good covenant together with long-term redevelopment prospects.

Lyceum Building, Bold Street, Liverpool

In August 2011, Panther completed on this prime, iconic listed building let to the Post Office with 3.5 years remaining on its lease. The rent is £500,000 per annum. The tenant is not in occupation but has sublet part of the building to the Co-operative Building Society. The purchase price was £2,964,000 (including stamp duty).

34 Marine Terrace, Margate, Kent

This freehold property was purchased by the Company in August 2011 for £190,000 (including stamp duty) and is positioned on the seafront. The property has food use and is for £21,000 a year. This investment is in a location which the Board hopes to see improve in the medium to long-term, thus increasing its rental value.

Summary of purchases

These purchases in due course will produce over £2,000,000 per annum. All purchases are at the current low values and have potential for added rental value and thus capital value. This is without assuming that the property market will rebound when government and banks eventually sort out their own deficit finances, and also that once again the majority of banks are able to restart normal operational lending.

Opportunities

On top of this, even after these purchases have been completed, we will still have a further £15 million available to draw down to invest and for possible trading purposes. I currently see no end to the exciting investment opportunities available.

The only downside which affects our profits is our financial derivatives which force us to pay much higher than current market rates on interest. But surprisingly, despite the very low current interest rates, we are able to buy properties which show higher returns pertaining to a level of much higher interest rates.

It is my opinion, that with inflation at over 5%, it is wise to invest in real estate assets (mainly in town centres) at prices often considerably less that its building replacement cost, especially at returns of 9% or higher. This to me is even more sensible when the alternative is leaving your money on deposit with a bank (which could go bust) at ½% to 3% interest, or buying Government debt (which could also default by changing the terms arbitrarily) at similar rates.

I would of course qualify this strategy with a point I have made in previous years. We have a huge spread of property investments from Plymouth to Perth with many hundreds of different tenants occupying shops, offices, factories and residential. The vast majority pay their rent which covers the total of our interest charges (even at the higher rates we are currently paying), our management cost overheads, our dividends etc and indeed over the last few decades, we have built up sufficient revenue reserves to continue the company's successful progress.

In view of this we propose paying an interim dividend of 3p per share for the current year, and hope to pay a further dividend as a final dividend when the full year results are digested and known, after taking account how settled or otherwise the stock/ property and financial markets are at that time.

As always I follow with some of the my personal ramblings.

Andrew S Perloff
Chairman

23 August 2011

Chairman's Ramblings

In the last couple of years of my school life, like so many others, I worked during the long summer break. The main reason for this was to earn money but it often unexpectedly proved to be quite an educational experience.

In the early 60s, I worked for my uncle Dave, who I have previously mentioned in earlier ramblings. He successfully ran a small, family run cabinet making business from the building bought by his father (and my grandfather) in about 1910. During wartime the making of hand crafted furniture ceased by government edict – the war effort needed craftsmen and materials urgently.

My uncle subsequently began to trade in both usable antique and high quality second hand furniture similar to the type he used to produce. Probably due to the acute shortages experienced at the time, this venture proved to be very successful.

Some twenty years later found me employed by him for the duration of the summer holidays. I worked in the office, keeping records of his transactions and correspondence. I was in charge of the small amount of petty cash he kept and also had to ensure that the number of stamps used tallied with the number of letters sent, such was his meticulous nature.

It was due to this methodical nature that there existed records going back to the war, when time allowed and being of an inquisitive – some may say nosy – nature, I perused these records at my leisure.

I was amazed at the prices he achieved. For example, a veneered bedroom suite consisting of bed, wardrobe, dressing table and stool, might fetch £600 and a similar style dining room suite of table, eight chairs, cocktail cabinet and sideboard all in bleached walnut veneer, might be as much as £800. I was already aware that my parents' first small cottage outside London had been bought at that time for £750 freehold which seemed to me a huge discrepancy.

One of my friends who inherited such a dining room suite was unable to sell it at recent auction for £1,000 and yet that little cottage in Herts is probably now worth £175,000.

That is of course the law of supply and demand and what happens when governments introduce restrictions on production.

My uncle had prospered through the war years and beyond mainly by buying and selling furniture – occasionally privately but mainly from Central London auction sales. He also arranged for restoration when necessary by some of the plethora of skilled craftsmen that then still existed in the Shoreditch and Hackney areas of London. He would then sell these items on to the major department stores whom all had large furniture departments dealing in antiques and second-hand furniture and with whose buyers he was on good terms.

One of the most enjoyable aspects of my time with him was when I was taken by him to the various auction rooms. We would jointly inspect the furniture, where he would show me what to look for, i.e. loose legs or broken chairbacks, hidden makers' marks, the quality of the workmanship, whether the drawers ran smoothly. For me, however, the icing on the cake above all else was the excitement of bidding. After I had accompanied him to several auctions, one day he finally handed me his catalogue complete with his scribbled notes and prices marked and to my utter joy said it was my turn to bid.

My first lot was an antique pie-crust edged coffee table. I was flushed with excitement and delight when I bought it for £26 but was quickly brought down to earth when he patiently pointed out that in the bidding frenzy I had paid £6 over his written price. I was much more cautious over the next few lots and did not secure anything until I once again had the pleasure of purchasing a considerably more expensive lot which I thought I had secured at a good price. Unfortunately, the price was right but the lot was wrong! I had misread my uncle's writing and bought the wrong lot. I was red faced as he quickly told the auctioneer that it was a mistake. The auctioneer then announced to the whole room much to my great embarrassment that the apprentice had bought the wrong lot and promptly re-offered that lot.

This early experience of auctions kindled my interest and went to intensify my existing collectors' habit. As the years went by, I became a regular at auctions, buying all manner of interesting items and, when eventually financially able to do so, properties for investment.

I believe between 1975 to 1980, the leading London Auction houses introduced a buyers' premium of 10%. I was furious at this imposition and for a while avoided their auctions but, of course, all the other chattel auctioneers gradually jumped on the band wagon and introduced their own buyers' premium which gradually rose to 12.5%, then 15% and then 17.5% and now the major London salesrooms charge up to a staggering 25%!

It should also be remembered on top of this is a 20% VAT levy. The vendor is charged between 10/12.5% + VAT + insurance. I have often thought that these auctioneers must do very well as they rarely lay out any money until after the items are sold and paid for. I have been known to volubly vent my spleen in the auction rooms about the excessive buyers' premium.

However, as often is the case, every cloud has a silver lining, and when Panther recently purchased a large block of property in the centre of Wolverhampton, one of the more awkward parts of the vacant property was formerly occupied as auction premises. The premises had high ceilings, goods access, a lift from the basement through to the first floor, with offices and suitable delivery parking – everything an auction business in fact could need.

We therefore advertised the premises' availability in the Antique Trades Gazette offering it rent free with us taking only a share of the buyers' premium. Such was the interest, that we were able to negotiate a share of the buyers' premium plus a base rent.

Indeed, the second in line for the tenancy we are hoping to install in one of our other factory units.

Chairman's Ramblings

continued

Our new tenants will be having their first auction shortly and we wish them well. We are, of course, reminded when circumstances change, one's opinions may also change – so long live the buyers' premium!

Margate Revisited

In last year's interim report I wrote a much loved story (by my mother and at least three others) about my idyllic childhood experiences in Margate. I finished on an optimistic note about the Turner Gallery which was due to open in early 2011 the hope being that it would give an adrenalin boost to this dying but once glorious town.

The Turner Gallery duly opened on 16th April 2011 and about one month later at a loose end on a beautiful clear sunny Saturday, I decided to take my mother-in-law for a day trip to Margate and to the gallery. The 100 mile journey was trouble free until a few miles outside the town when we encountered an unusual and noticeable build up of traffic with consequent delays entering the town. I realised they were day trippers and this was possibly the only time I have ever smiled at being caught in a traffic jam. The seafront was busier than I had seen it for many years and I took a quick drive round to show my mother-in-law the various sites of interest (to me) in Cliftonville and Margate. We then went to view the Turner Gallery.

The magnificent £17 million building is situated on the site of the boarding house where Turner stayed during his sojourns at Margate. The location is also perfectly positioned at the beginning of the former pier and the long curved formidable concrete harbour wall. The top of this harbour wall was used for parking, admittedly at a price even Westminster Councillors would find acceptable. What is not so acceptable is the fact that the parking is arranged in such a way that it is only a matter of time before some careless driver goes over the edge into the sea and into the harbour.

Having parked it was just a short walk to this attractive, modernistic building – up the terraced steps to the bistro style café and large entrance terrace full up with many customers eating, drinking and basking in the sun.

The large front reception desk was manned by cheerful, helpful assistants who gave us a printed guide and then surprised and delighted us by informing us that there was no entrance fee.

We made our way to the first gallery which was packed with pictures – crayon drawings, sketches and other artistic endeavours that any parent would expect to see at their child's school open day. Indeed that's what it was – works provided by some local schools. I am the first to admit to being unqualified to decide but it did appear there were no budding Turners at that exhibition.

We went to the Turner room to see some of the master's works. There was one, I must repeat, ONE small oil painting actually by Turner. If we had paid an entrance fee, we would have felt short changed. We moved on to see if we had somehow missed the main exhibition elsewhere and, after searching, we found one other oil painting, a huge canvas by James Webb, showing Victorians in full dress walking down the pier having just disembarked from a London steamer, with old Margate facing them and us. At least, this was a magnificent painting most suited to the new gallery. There was one more gallery of photos and etchings of modern Margate. I was surprised not to find a collage of DHSS benefit claim slips by another celebrity artist associated with Margate.

We left giving the gallery's report card 9 out of 10 for the building and 1 for contents and a 'could do better' comment. Obviously, the most successful part of this venture was the café which was so busy that we had to find somewhere else for lunch. We crossed the road to the row of small eating establishments all of which had outside seating and just managed to find a table for two next to the White Hart Mansions, the block of 40 social housing units that has replaced the former magnificent White Hart Hotel. The café had seen remarkably little change since when, over fifty years earlier, I had shelled peas there for 2/6p per hour, other than their modern, fancy menu, which of course had sold out of what we ordered. For my old times' sake, we had a drink and just sat and admired the views.

I would not like my shareholders to think that I just dawdled around enjoying myself when possible property viewing opportunities appeared. I took this opportunity to take a look at our joint venture Margate shoe shop and was pleasantly surprised to see it busy. The manager informed me that trade was indeed picking up and that he would love to open in Broadstairs as it was even busier there.

Curious as ever I decided to visit our properties there. The site comprises of three old shops, their poor condition being due to their being held vacant for redevelopment. I was astonished how busy Broadstairs High Street was – it is only a tiny town with a small High Street but the pavements were packed with people. I had a quick look through the window of the middle and largest shop and saw that it was possible, for the shop to reopen at little cost. Within a week to ten days, our team had the shoe shop open, up and running, trading and doing well.

However, back to Margate and Thanet in general. I did some research on the success or otherwise of the Turner Gallery and Margate's problems, situation generally and as much as it hurts to admit it, I found an excellent article in The Guardian which more or less agrees with my solution to the problem, which was to encourage the 2,500 plus social security/asylum seekers to move elsewhere. The article also explained in detail why there were so many of society's more needy dependents resident there.

Margate had been used as a dumping ground for the social underclass of many other more prosperous councils who wanted them out of their area and far away, mainly due to the cheap property costs and plenty of availability. These people include many children who need special care and an excessively high proportion of recent prisoner releases – a good proportion of whom will have been inside on drug offences – or those who were just in need of socially provided accommodation. If Margate and the surrounding area was a thriving metropolis with much industry and a larger taxpaying population it might cope – but it's not and it can't.

It would cost about £50 million to extend the high speed rail link from Ashford to Manston Airport in Ramsgate. This would transform Thanet's prospects particularly if Thanet were given the added bonus of an enterprise zone or two, then thousands of lives would be transformed with the extra businesses that would gravitate to the area.

It seems to me that the £30 billion that is intended to be spent on a faster rail link from London to Birmingham and beyond, when the country is under financial duress, could be put on hold for five years, and instead 10 smaller £50 million rail improvements immediately put in place which would produce more positive results.

The good news is that the Turner Gallery has had over 150,000 visitors in its first three months which was the anticipated total for the first year. I also understand that in due course they will be showing a much better offering than we encountered. A major Turner exhibition at least.

The Guardian's article of course contained one paragraph distilling its moronic social views about dreadful landlords, the need to track down absentee landlords and enforce legislation to eradicate the 800 vacant properties in Margate.

As one of those dreadful landlords, I would suggest for each dreadful landlord there are two dreadfully incompetent, highly paid, plumply pensioned bureaucrats enforcing 50 ridiculous unnecessarily expensive rules and regulations to nanny managers and all tenants and, of course, for each dreadful landlord, there are 500 dreadful tenants who, because of no financial interest in their accommodation, damage or misuse it and expect the landlord or council to repair their misuse. These tenants also fail to pay rent to the landlords even when social security has given them the money. They delay vacating by strategically exploiting overburdened courts which tend to be biased towards tenants. Tenants often disappear owing much money and leaving extensive damage to the properties, and sometimes deliberately so. Tenants often complain to local authorities about the problems in their accommodation, and the left wing Council officer inspects the property and issues notices to the landlord even though in most cases the tenants have caused the conditions. The repair works costs many thousands of pounds to enable the property to be re-let. Then, the final imposition is the 20% VAT charge on top of the cost of repairs. Is it any wonder that sometimes it is not practical to carry out works when finances are already stretched?

Having reached a crescendo of fury over anti Landlordism, I have a suggestion for our newish coalition government that will help kick start our slumbering economy. It is pleasing to see that they have already taken so many of my suggestions from earlier ramblings on board that I feel certain this one will really be appreciated.

As always I have to illustrate it with a short story from my past.

For nearly 40 years my family and I have taken our holidays during August on the Cote D'Azur.

We always drive through the length of France in a well-stocked car and, on occasions, with a full up trailer. In earlier years I would rent a two bed flat, booked before leaving home. Often family guests would visit and enjoyably endure the crushed living space situation.

The years rolled by and my confidence improved and we would travel down without booking any accommodation in advance. With my gradually improving finances, we could also rent villas for the whole month of August. Trusting to luck and thinking that suitable accommodation was always available, not the best perhaps, but as a last minute booking we usually obtained a discount to the going rate. In fact, one year which was particularly busy, one young couple moved out of their house to their parents' house to enable us to rent their villa, all arranged on a day's notice.

Obviously over the years I enviously looked at some of the many flats and villas for sale around our preferred area, Cote D'Azur, but common sense decided that the enormous prices required offered poor value for a second home only to be used for a maximum of 6 weeks in a year.

However, fifteen years ago, I noticed that many of the houses I had viewed over the previous four years or so were still available, but that year, at long last, the agents were suggesting sizeable reductions in price that might be acceptable. The biggest reductions in price were for those houses which required considerable amounts of building repair works to bring them up to modern standards and, due to the French Napoleonic inheritance tax and other new taxation rules, there were many properties falling into this category.

Some prices had more than halved and the temptation to buy was always there, but the sheer high price/value barrier was always a good prevention. This was now removed. I cannot remember the exact timing but during that holiday the pound soared from 7.5 francs to the pound to 9.5. This turned French properties from good value to out and out bargains – by comparison to their English equivalents.

My wife and I agreed on one we both liked, it was a four bedroom detached original art deco house, in an excellent position, in walking distance to both the beaches and the town centres of Antibes and Juan les Pins. The English price equivalent was that it was not much dearer than a two bedroom apartment in Central London. On top of the purchase price it would need half as much again to completely restore the house to modern living conditions. The purchase price had the usual 10% purchase and lawyers costs tax.

The builder's works also entailed an extra 21.6% of VAT on the costs but even this had been allowed for.

Over the next year or so, we discussed plans for this complete overhaul with our local French architect. At the same time we had discussions with different builders and craftsmen and it became obvious that the costs could be "improved", if a substantial proportion of cash was paid. I, of course, could not and would not do this and consequently was resigned to paying this large tax bill as an addition.

During the entire time of the planning stages, we were constantly badgered by the preferred builders and craftsmen asking when we were starting – they were desperate for the work.

We were delighted when our French architects told us that the French government had reduced the VAT tax on building works to 5%. Within 6 months we were ready to start our scheme. Were we able to start? NON! JAMAIS! Not on votre nelly! All the builders/tradesmen/carpenters/electricians/plumbers were on jobs and booked for 6-9 months ahead. It took a further year before we started.

Not only the area where our house was situated but all over France, much needed restoration and renovation works were taking place and the low tax rate and the mini boom in the smaller works building industry has continued to this day.

I understand the French tax revenue received from the lower rate VAT was more than compensated by revenues from the extra works taking place and, of course, there is almost no reason to enter illegal avoidance with cash payments.

If our new coalition government wants to kick start the economy, then reducing VAT on renovations to buildings would be a good start. It would benefit the regions more than London. Vacant residential properties are more likely to be brought back into use. The lower VAT rate would not suck in foreign imports. The building industry is a big employer of labour and thus it would create extra jobs. It might produce extra revenue and, of course, it might secure the future vote of “white van man”.

It may only be a small start, but it will work!

Andrew S Perloff
Chairman

23 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	**Six months ended 30 June 2011 £'000 Unaudited**	Six months ended 30 June 2010 £'000 Unaudited	Year ended 31 December 2010 £'000 Audited
Revenue	2	**5,428**	4,909	10,085
Cost of sales	2	**(1,812)**	(1,484)	(3,133)
Gross profit		**3,616**	3,425	6,952
Other income		**35**	187	238
Administrative expenses		**(1,677)**	(1,198)	(2,694)
		1,974	2,414	4,496
Movement in fair value of investment properties		**–**	–	4,039
		1,974	2,414	8,535
Share of trading (loss) from associate undertaking		**(102)**	–	(23)
Finance costs		**(1,097)**	(1,122)	(2,265)
Investment income		**33**	57	230
Profit on the disposal of available for sale investments (shares)		**139**	–	2,473
Impairment of available for sale investments (shares)		**(65)**	–	–
Fair value (loss)/gain on derivative financial liabilities		**(705)**	(4,031)	(2,549)
Profit or loss before income tax	2	**177**	(2,682)	6,401
Income tax credit/(expense)	3	**518**	998	(532)
Profit or loss for the period		**695**	(1,684)	5,869
Attributable to:				
Equity holders of the parent		**690**	(1,653)	5,864
Non-controlling interest		**5**	(31)	5
Profit or loss for the period		**695**	(1,684)	5,869
Earnings per share				
Basic and diluted	5	**4.1p**	(9.8)p	34.8p

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Six months ended 30 June 2011 £'000 Unaudited	Six months ended 30 June 2010 £'000 Unaudited	Year ended 31 December 2010 £'000 Audited
Profit or loss for the period	**695**	(1,684)	5,869
Other comprehensive income			
Movement in fair value of available for sale investments (shares) taken to equity	**(490)**	2,280	833
Fair value movements realised on disposal of available for sale investments (shares) previously taken to equity	**(140)**	–	(81)
Deferred tax relating to movement in fair value of available for sale investments (shares) taken to equity	**181**	(595)	(199)
Other comprehensive income for the period, net of tax	**(449)**	1,685	553
Total comprehensive income for the period	**246**	1	6,422
Attributable to:			
Equity holders of the parent	**241**	32	6,417
Non-controlling interest	**5**	(31)	5
	246	1	6,422

Consolidated Statement of Financial Position

As at 30 June 2011

Company number 293147

	Notes	**30 June 2011 £'000 Unaudited**	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
ASSETS				
Non-current assets				
Property, plant and equipment		**531**	98	552
Investment property	7	**112,802**	97,258	108,960
Goodwill		**8**	8	8
Interest in associate		**25**	–	127
Available for sale investments (shares)		**5,741**	8,574	6,452
		119,107	105,938	116,099
Current assets				
Inventories		**388**	312	321
Stock properties		**7,075**	8,098	7,985
Trade and other receivables		**3,062**	2,524	2,775
Cash and cash equivalents		**4,798**	10,846	6,587
		15,323	21,780	17,668
Total assets		**134,430**	127,718	133,767
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		**62,913**	57,130	63,515
		70,620	64,837	71,222
Non-controlling interest		**101**	59	96
Total equity		**70,721**	64,896	71,318
Non-current liabilities				
Long-term borrowings		**1,256**	43,894	1,325
Derivative financial liability		**9,998**	10,775	9,293
Deferred tax liabilities		**1,649**	1,610	2,648
Obligations under finance leases		**1,206**	1,042	1,207
		14,109	57,321	14,473
Current liabilities				
Trade and other payables		**5,698**	4,824	5,336
Accrued dividend payable		**843**	–	–
Short-term borrowings		**42,640**	–	42,640
Current tax payable		**419**	677	–
		49,600	5,501	47,976
Total liabilities		**63,709**	62,822	62,449
Total equity and liabilities		**134,430**	127,718	133,767

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Share Capital £'000	Share Premium £'000	Capital Redemption £'000	Retained Earnings £'000	Non-Controlling Interest £'000	Total £'000
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
Balance at 1 January 2010 (audited)	4,217	2,886	604	60,303	90	68,100
Total comprehensive income for the period	–	–	–	6,417	5	6,422
Other	–	–	–	–	1	1
Dividends paid	–	–	–	(3,205)	–	(3,205)
Balance at 1 January 2011 (audited)	4,217	2,886	604	63,515	96	71,318
Total comprehensive income for the period	–	–	–	241	5	246
Dividends due	–	–	–	(843)	–	(843)
Balance at 30 June 2011 (unaudited)	4,217	2,886	604	62,913	101	70,721

Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Notes	**30 June 2011 £'000 Unaudited**	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
Cash flows generated from operating activities				
Profit before interest, investment income and tax		**1,974**	2,414	4,496
Add: Depreciation charges for the year		**57**	14	137
Profit before change in working capital		**2,031**	2,428	4,633
(Increase) in inventories		**(67)**	(98)	(107)
Decrease in stock properties		**–**	–	113
(Increase)/decrease in receivables		**(287)**	(311)	237
Increase in payables		**404**	415	1,062
Cash generated from operations		**2,081**	2,434	5,938
Interest paid		**(1,154)**	(1,124)	(2,266)
Income tax received/(paid)		**119**	182	(1,389)
Net cash generated from operating activities		**1,046**	1,492	2,283
Cash used in investing activities				
Purchase of plant and equipment		**(36)**	(17)	(796)
Purchase of investment properties	7	**(2,933)**	(610)	(8,454)
Purchase of available for sale investments (shares) – non current assets		**–**	(1,642)	(1,749)
Purchase of equity in associate undertaking		**–**	–	(150)
Proceeds from sale of fixed assets		**–**	–	202
Proceeds from sale of investment properties		**–**	–	345
Proceeds from disposal of available for sale investments (shares) – non current assets		**171**	–	3,172
Dividend income received		**17**	17	154
Interest income received		**16**	40	78
Net cash used in investing activities		**(2,765)**	(2,212)	(7,198)
Financing activities				
Repayments of loans	8	**(70)**	(76)	(140)
Dividends paid	4	–	(3,205)	(3,205)
Net cash used in financing activities		**(70)**	(3,281)	(3,345)
Net (decrease) in cash and cash equivalents		**(1,789)**	(4,001)	(8,260)
Cash and cash equivalents at the beginning of period		**6,587**	14,847	14,847
Cash and cash equivalents at the end of period		**4,798**	10,846	6,587

Notes to the Interim Financial Report

For the six months ended 30 June 2011

1. Basis of preparation of accounts

The results for the year ended 31 December 2010 have been audited whilst the results for the six months ended 30 June 2010 and 30 June 2011 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 2011, in accordance with IAS 34 'Interim Financial Reporting' and DTR 4.2.

The financial information for the year ended 31 December 2010 set out in this interim report does not constitute statutory accounts for that period. The statutory accounts for the year ended 31 December 2010 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 11.

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 2010.

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

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 2010 and a list of current Directors is maintained on the Panther Securities PLC website: www.panthersecurities.co.uk.

By order of the board

Andrew Perloff	**Simon Peters**
Chairman	*Finance Director*
24 August 2011	24 August 2011

2. Revenue and cost of sales

The Groups' main operating 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 Limited is an operating 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.

Tunnel Limited is an operating segment whose principal activity is that of value shoe retailer. 100% of its revenues arose in the United Kingdom. 50% of the company is owned by the Group as a joint venture and only the Group's share is represented in these accounts.

The split of assets, tax effect and cash flow of each segment is not shown as these are not material in relation to M.R.G. Systems Limited or Tunnel Limited.

Turnover arose as follows:	**30 June 2011 £'000 Unaudited**	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
Rental income from properties	**4,038**	3,888	7,717
Income from trading (M.R.G. Systems Limited)	**1,261**	948	2,137
Income from trading (Tunnel Limited)	**129**	73	231
	5,428	4,909	10,085

Cost of sales arose as follows:	**30 June 2011 £'000 Unaudited**	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
From rental income	**1,060**	872	1,856
Trading (M.R.G. Systems Limited)	**674**	573	1,155
Trading (Tunnel Limited)	**78**	39	122
	1,812	1,484	3,133

2. Revenue and cost of sales continued

Profit/(loss) – before income tax:

	30 June 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
Investing and dealing in properties	**290**	(2,530)	6,430
Trading share of associate (Wimbledon Studios Limited)	**(102)**	–	(23)
Trading (M.R.G. Systems Limited)	**21**	(146)	(1)
Trading (Tunnel Limited)	**(32)**	(6)	(5)
	177	(2,682)	6,401

3. Income tax expense

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

	30 June 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
Current period UK corporation tax	**300**	658	798
Prior period UK corporation tax	**–**	–	(45)
	300	658	753
Current period deferred tax	**(818)**	(1,656)	(221)
Income tax (credit)/expense for the period	**(518)**	(998)	532

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 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
Interim dividend (quarterly) for the year ended 31 December 2009 of 5p per share	**–**	843	843
Interim dividend for the year ending 31 December 2010 of 10p per share	**–**	1,687	1,687
Final dividend for the year ended 31 December 2010 of 5p (see below) (4p per share prior year)	**843**	675	675
	843	3,205	3,205

On the 6 July 2011 the final dividend for the year ended 31 December 2010 of 5p per share (including a 3p special dividend) was paid to shareholders on the register at the close of business on 3 June 2011 (Ex dividend on 1 June 2011). The Directors have proposed an interim dividend of 3p per share to be paid on 28 October 2011 to shareholders on the register at 23 September 2011 (ex-dividend 21 September 2011) for the year ending 31 December 2011.

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

The calculation of earnings per ordinary share is based on earnings, after excluding non-controlling interests, being a profit of £690,000 (30 June 2010 – loss of £1,653,000 and 31 December 2010 – profit of £5,864,000) and on 16,869,000 (30 June 2010 and 31 December 2010 – 16,869,000) ordinary shares being the weighted average number of ordinary shares in issue throughout the six months ended 30 June 2011. There are no potential ordinary shares in existence.

6. Net assets per share

	30 June 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
Net assets per share	**419p**	384p	422p

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 2010 and 31 December 2010 – 16,869,000) ordinary shares being the number of ordinary shares in issue at 30 June 2011.

7. Investment Properties

	30 June 2011 £'000 Unaudited	30 June 2010 £'000 Unaudited	31 December 2010 £'000 Audited
Fair value of investment property			
At 1 January	**108,960**	96,658	96,658
Additions	**2,933**	610	8,454
Fair value adjustment on property held on operating leases	**(1)**	(10)	154
Properties transferred from Stock properties	**910**	–	–
Disposals	**–**	–	(345)
Revaluation increase	**–**	–	4,039
	112,802	97,258	108,960

The Directors do not consider there to be an overall material change in value as at 30 June 2011 compared to the GL Hearn (Chartered Surveyors) independent valuation as at 31 December 2010.

Notes to the Interim Financial Report

continued

8. Issuance and repayment of debt in the period

£70,000 of debt was repaid in the period.

9. Related party transactions

During the period Panther lent Tunnel Ltd, our joint venture shoe retailer, £100,000. This is currently non-interest bearing, but has to be paid back in priority to other non-trade creditors, including funds originally paid by our joint venture partner in setting up this retailer.

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. Post balance sheet events/Financing

On 29 July 2011, the Group completed the refinancing of its existing debt of £42,500,000. The new facility is for refinancing and expansion and totals £75,000,000 and has a five year term. The Group drew down initially £60,000,000, providing it with a surplus on the existing facility of £17,500,000 (approximately half of this is already utilised on property acquisitions). The remaining £15,000,000 facility remains undrawn but is available for future expansion.

Note 30 of the statutory accounts for the year ended 31 December 2010 detailed the financial instruments entered into by the group. The same financial instruments held at 31 December 2010 are still held at 30 June 2011.

11. 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.

Printed by Michael Searle & Son Limited

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