Panther Securities P.L.C.

Annual Report &
Financial Statements 2005

The Year in Brief (under IFRS)

	2005 £'000	2004 £'000
Revenue	**8,498**	9,194
Profit before tax	**26,549**	7,632
Profit attributable to members	**20,611**	6,091
Net assets of the Group	**67,632**	49,965
Earnings per 25p ordinary share	**121.3p**	35.8p
Dividend per ordinary share (based on those declared in the financial year)	**20.0p**	8.0p
Net assets attributable to ordinary shareholders per 25p ordinary share	**398p**	293p

Contents

Directors, Secretary and Advisors

Directors	*	Andrew Stewart Perloff (Chairman and Chief Executive)
	**	Bryan Richard Galan (Non-executive)
	**	Peter Michael Kellner (Non-executive)
		John Terence Doyle (Executive)
		John Henry Perloff (Executive)
		Simon Jeffrey Peters (Finance)
Company Secretary		Simon Jeffrey Peters
Registered Office		Panther House, 38 Mount Pleasant, London WC1X 0AP
Auditors		Nexia Smith & Williamson Prospect House, 2 Athenaeum Road, Whetstone, London, N20 9YU
Bankers		HSBC Bank plc 31 Holborn, London EC1N 4HR
		Singer & Friedlander Limited 21 New Street, Bishopsgate, London EC2M 4HR
		WestLB AG Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA
Brokers		Raymond James Investment Services 77 Cornhill, London EC3V 3QQ
Financial Advisors		John East & Partners Limited Crystal Gate, 28-30 Worship Street, London EC2A 2AH
Registrars		Capita Registrars The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Solicitors		Bernard Oberman & Co. 27/29 Cursitor Street, London EC4A 1PB
		Biggart Baillie Dalmore House, 310 St Vincent Street, Glasgow G2 5QR
		Faegre Benson Hobson Audley 7 Pilgrim Street, London EC4V 6LB

* Member of the Nomination Committee and Audit Committee
** Member of the Nomination Committee, Audit Committee and Remuneration Committee

Chairman's Statement

Introduction

I am delighted to be able to present another year of excellent and record results. These annual figures are presented for the first time under the new International Financial Reporting Standards ('IFRS'), which accounts for investment properties revaluation surpluses being shown in the income statement, and also fully provides for deferred tax. Personally, I feel this to be an inappropriate way to present a property Company's accounts, as it creates erratic figures depending on values at the date of revaluation, and gives the false impression that these profits have been realised.

Under the IFRS, our pre-tax profit is £26,549,000 for the year ending 31 December 2005 compared to a pre-tax profit of £7,632,000 for the year ending 31 December 2004. The pre-tax profits shown previously under UK GAAP would have been £3,995,000 for 2005 and £3,139,000 for 2004 – whichever acronym is used, for this year, record profits are produced.

Most of this profit (under IFRS) comes from the revaluation of our entire portfolio of investment properties carried out by Donaldsons and CB Richard Ellis. This produced an uplift of £22,537,000. They also re-valued our stock properties, reporting a value of £4,136,000 in excess of their book value, which is not incorporated in our accounts.

Rental income receivable over the year fell from £9,194,000 to £8,099,000 due to property disposals made during the last two years. This is, of course, compensated for by a significant decrease in the net interest paid.

Disposals

Coventry

Our major disposal was the sale in February 2005 of our shops and office complex, Copthall House, Coventry, at a price of £9,250,000. This property was producing a gross income of approximately £760,000 per annum and after expenses, a net income of £480,000 per annum. This property was purchased in July 1996 for £3,245,000 and proved to be an excellent investment during our ownership, and throughout this time produced a high return.

Stirling, Scotland

Also, in February, the freehold shop investment at 14-18 King Street, Stirling, was sold for £525,000, this figure being over 10% in excess of its book value. This property was part of the Scottish portfolio of Eurocity Group.

Abraxus PLC

The 29% shareholding in this Company acquired in November 2004 for £312,000 was sold in January 2005 for £87,000 profit.

Ramsgate

We disposed of a small property in High Street, Ramsgate, which had been held as trading stock. This was sold at auction for £400,000, a figure well in excess of its original cost. We still hold another property in High Street, Ramsgate, for which we are attempting to obtain planning permission for residential development. If successful, there should be substantial added value.

Bristol

For some years I have been writing about our investment in Symes Avenue, Hartcliffe, Bristol. Most shareholders will know that an enormous amount of time, effort and money were put into producing a development scheme utilising some adjoining Council-owned land that would have been beneficial to the local community – but the Council eventually wanted such a large amount of extra Section 106 benefits for the 'community' that the original 'provisional' profit-sharing terms agreed would have resulted in a loss.

We withdrew from these arrangements and decided to sell the property at auction in separate lots. The local authority had been threatening to use their compulsory purchase powers. However, they offered £1,000,000 for the centre which comprised thirty shops (mainly vacant) and upper parts whilst intimating they would press for a much lower figure at a CPO hearing. Negotiations had been taking place in vain for some years. Upon learning of our intended actions, the local authority increased their offer eventually to £1,350,000. Even at this level they were unable to sign a contract and merely 'promised' to use their best endeavours to proceed at that figure.

We proceeded with the auction. If there is one thing I have learned over my forty years in the property business, it is that you cannot trust a local authority, government body or any tier of their bureaucracy to proceed with an agreed matter unless it is bound contractually by a water-tight contract, and even then, if large enough amounts are involved, the rules can be changed to enable bureaucrats to wriggle out of commitments they have made (as they did, you will recall, in the case of Railtrack). The auction produced approximately £75,000 more than the Council's best offer. Whilst I consider this a failure, it still produced a good profit as we had retained a cautious book value on the property in case the local authority had succeeded in shafting us.

27/37 Main Street, Wishaw

This was sold in November 2005. These properties were two adjoining shop investments and part of the original Eurocity portfolio. Through our Scottish agents, we had managed to obtain a surrender of one unit, which was let but not occupied, and simultaneously arrange for a new letting to the Bank of Scotland on a 15 year lease. Both investments were then offered for sale at auction and sold for approximately £1.8 million, a substantial increase on book value.

Investments

Hawtin PLC

In June 2004 Panther acquired approximately 15% of Hawtin PLC ('Hawtin'), an AIM listed Company, at a cost of £1,488,000, with one of my private companies having one week previously purchased 14.5% at the same price of 13p per share. I was shortly thereafter invited to and did join Hawtin's Board. In June 2005 Hawtin announced that it was in discussions with Panther which might or might not lead to an offer for Hawtin. Hawtin owns two substantial factory investments and 35 acres of virgin land in Gwent, South Wales, the smaller part of which is zoned for residential use and the larger part for industrial use, this use having a much lower value than the residential use.

We were unable to agree suitable terms to justify Panther making an agreed offer for this Company and this was announced on 10 November 2005. Very soon thereafter, we received an approach to purchase our holding. These negotiations were successfully concluded in January 2006, when we sold virtually all of our holding at 18.25p per share, which we considered a very satisfactory result.

Real Estate Investors PLC

We now hold about 8% of this small AIM Listed property investment Company, the greater part of which we received in part consideration of our sale to them of Eurocity (Crawley) Limited in May 2004. We are confident that in due course it will show us a good profit.

Elektron PLC

Our holding is approximately 11.5% of this Company which is performing extremely well. Its profits have increased substantially and the Company after three years has resumed paying dividends.

Chairman's Statement continued

Acquisitions
Due to the difficulty of finding fair value we only managed to buy one freehold geared ground rent in Nottingham, and one well-located freehold shop investment in Plymouth, at a total cost of £600,000. Subsequent to the year end, a more substantial freehold shop investment let to HMV PLC was acquired for £900,000, situated close to the prime shopping position in Southend. Whilst only producing a 6% return, it does have medium term development prospects.

Finance
In December 2004 we concluded arrangements for a new £75,000,000 seven year loan facility with HSBC PLC of which, at the year end, only £43,000,000 was drawn down and under which we could draw an additional £7,000,000 without providing extra security. Our cash balances at 31 December 2005 were £14,000,000.

Post Balance Sheet Events
As already mentioned, in January 2006 we sold the majority of our Hawtin shares at 18.25p per share which, after costs, gave us a profit of approximately £450,000.

In February 2006, we sold two more Scottish properties from the Eurocity portfolio, namely 22-24 Westburn Street, Greenock, for £700,000 and 70 High Street, Elgin, for £583,000. Both of these prices were slightly in excess of the latest valuations.

Dividends
A special interim dividend of 10p per share was paid on 28th June 2005, a second interim dividend of 5p per share on 28th October 2005, and your Board is recommending a final dividend of 5p per share (making a total of 20p per share), for the year ending 31 December 2005.

In view of the current year's progress, an increased interim dividend of 6p per share will be paid at the same time as the payment of the final dividend for 2005.

The Board has decided to offer the facility of allowing dividends to be paid directly into shareholders' bank accounts. The authorities and details needed to enable payment in this way will be dispatched directly to shareholders by the registrars with the next dividend payment.

Charitable Donation
In January 2005 we donated £10,000 to the Daily Mail Tsunami Relief Fund. We felt sure that all shareholders would have supported this proposal.

Political Support
Last year shareholders approved a resolution to donate £25,000 to the Conservative party. Bearing in mind the present controversy over political donations, I can assure shareholders the only title I have been offered is 'mug of the year'. Despite this, I have proposed the same resolution to contribute, and like previous resolutions on this subject, I will not vote my personal controlling shareholding.

Whilst on the subject of voting, however, I would point out that in a recent election in Israel, the leader of their most popular party was in a coma – whilst in this country a large part of our electorate seems to be in a 'coma' when it comes to voting. That is why political support is so important in order that a clear message can be promoted.

Outlook
The property investment market is extremely resilient with huge extra demand produced by private buyers extending their sights from residential investment to the commercial sector, often financed with highly

leveraged borrowing. My view is that there is unlikely to be much rental growth due to the harsh trading environment, particularly in the retail sector. Over the last year or so, we have seen a number of large retail Groups go into administration or receivership – Allders, Courts, Walmsley, QS Stores, BeWise, Sock Shop, Unwins, Feather & Black, Kookai, All Sports, Durham Pine, H.P.T. Jewellers and M.V.C. – one might be tempted to say R.I.P. but, thankfully, they don't. These Groups trade from thousands of units and whilst many are resuscitated to be able to continue to trade in a reduced form, their suppliers, their banks, their landlords and their shareholders nearly always lose out – this must have a detrimental effect on rental values over the medium term.

We are not immune from the carnage on the High Street, but to date have suffered lightly – having only a small number of units vacant because of bankruptcy or insolvency, and whilst we continue to receive rent from administrators or successors, some units are now occupied in a less secure format, as allowed for under the rules governing administrations within the Enterprise Act 2002.

Prospects

Our widespread and diverse portfolio provides good protection for the future. Our finances are currently in the best shape they have ever been, but it is proving difficult to find attractive opportunities to invest our substantial funds, although I am confident in due course we will be able to do so.

The Shambles continues, and as you will see, I add a personal supplement to help me let off steam, a need fuelled by the deceit and larcenous rapacity of our 'elected leaders'.

Mission Statement

It seems nowadays that I have to state our Company's objectives. Well, it has not changed in over thirty years. Utilising our experience in the real estate sector and related fields, it is to make as much money (real profits) as possible, and grow the net assets of the Company with the capital we have available to us, always mindful of careful limitations on the risks involved. I feel we have been successful in that regard, for in the last 25 years (since we changed to purely property) our net assets have grown from 2p to over 400p per share. This ignores the fact that over the past 23 years we have paid rising dividends so that this year's is over 100 times greater than in 1982.

This success is mainly due to our small dedicated team of staff, our financial advisers, legal advisers, agents, accountants and, of course, our tenants – to all of whom I am grateful.

As ever, despite the many uncertainties, I view our future with optimism and confidence.

A. S. Perloff
Chairman

27 April 2006

Chairman's Supplement

The Shambles Continues

Last year's supplement contained a five page litany of the shambolic system we all live under, and two thirds of us pay for.

We are, however, lucky that we live under a system which still has a free press, and of late, it is nice to see that the press are beginning to focus more on the devastating problems brought about by an incompetent and self-interested administration, upon much of which I have been commenting for five or six years. First, however, I refer to some matters mentioned last year.

Our site in High Street, Ramsgate, still awaits a decision on our planning application. One planner had wanted a modernist approach, but when a new officer took over, a traditional style building was stipulated; then the personnel changed and the result – a more modern facade was once again in favour; having phoned the planning officer about 10 times, I received only one return call! This is in a region that is relatively developer-friendly.

Many of you were interested in the planning problems I was experiencing on the application to redevelop my own home. Building new for old is normally a formality. Beside the usual delays, I had the added problem that a bat had visited my home. I was thus forced to have a series of bat surveys throughout the summer period, which delayed the decision-making process by a further 10 months, the surveys being carried out at dusk on four occasions, by two young students with binoculars and a bat ray gun, which could pick up the bat's vocal communications and differentiate the tones to see if it belonged to a rare or less rare species of bat.

I am pleased to report that the bats were not living at my residence, but merely cruising my road en route elsewhere. Towards the end of their report the authors stated that it was unlikely that the bats would settle in my rafters due to the high level of exterior lighting that existed. The exterior lighting (for security purposes) has not changed for many years – if the council were not forced to forever cover themselves by the politically correct lobby, they couldhave decided that the surveys would have been unnecessary from the word go!

More interesting was what happened at the planning committee meeting, which I attended.

The committee of five counsellors sat facing six council employee officers with the interested general public seated further down the room, any of whom could pre-register to speak to the committee about any planning matter on the agenda just prior to its consideration.

I had been told that my application was being recommended, so that I did not need to register. There were probably about 16 members of the public attending. My application was number 5 on the agenda, all the previous matters being rather minor, such as side extensions, conversions of upper part of shop into two flats, etc.

One application was apparently quite simple; a planning permission renewal for 8 residential units and a new scout hut replacing the old scout hut, but taking up less space.

There were a few objections from neighbours. The land was owned by the council. One of the councillors, a young attractive and well spoken lady asked the planning officer why, in view of the serious shortage of homes in the area, the Council had not dealt with the development earlier within the original five year period allowed. An ostensibly, more experienced and older Council employee, probably from their 'spin' department, answered, or should I say, failed to answer, the question, offering a long oration about the need for homes, and not looking back into the past, but dealing with the position as it is now etc, etc, etc. The young councillor had not been to the Alan Sugar apprenticeship charm school, and was too polite to say 'cut the bull***t , give me a proper answer!'.

Next came my application – this took as long as all the earlier applications put together.

The planning officer was very good at explaining at length that, although my application was bigger than most of the single house applications in the area, (representing an increase in size of approximately 10%), he nevertheless felt that because of the height reduction, the fact that the property was set back a further 20 feet from the road and thus less obtrusive than the existing house, and its design included a number of attractive features, he could recommend the application for approval. There were photos and photo slides of the plans, and after a number of questions, about trees and access, it was about to be put to the vote.

A young woman on the council employees' table, who chaired the entire meeting and was probably the council's legal secretary – prior to putting my application to the vote said – 'Speaking for myself, I think this building is hideous'. I was fuming that this 'Marxist', who should have been neutral, should express an opinion. I was about to jump up and have my say about taste – but my instinct told me that the majority of the councillors would approve my application and my story may not have helped, so I remained silent. My application was approved unanimously.

However, the story I would have told them may interest and amuse my shareholders.

Some twenty five years or so ago, I went on holiday to the Far East, with three other not-so-young single men. The weather was good, the food different and the night-life exciting. One night my friends and I went to the top night club in this seaside resort. The club had a live band with a beautiful and curvaceous singer with long black hair in an expensive ball gown, who sang many old standard songs, in English. The youngest member of our Group struck up a friendship with the singer, and by the end of the evening, after much dancing, champagne cocktails and little conversation (it was so noisy there), the entertainer agreed to accompany him back to our hotel for further drinks.

We all trooped back to our luxury hotel with a tinge of jealousy amongst the rest of us. We arrived at our hotel and, as we entered, the ever-vigilant manager rushed up to my friend and stated that his new friend could not accompany him to his room. Asked why, he was told he had only paid for a single room, and an additional person in the room would cost an extra £15. My friend was in no mood or state to dissent or haggle, so he signed a chitty. We then disappeared to our separate rooms.

About half an hour later I was disturbed by a loud commotion in the corridor. I, of course, instantly went out to see what the problem was. My young friend was there, dishevelled as was his 'new friend', but gone was his wonderful tan – he looked green. He shouted to me – 'She's a He, She's a He!' and promptly escorted her/him down and out of the hotel. It was when I got downstairs that I found my friend (having regained his composure) arguing with the manager – he was explaining the situation and demanding his £15 chitty back. In the course of the discussion, the manager said 'Of course I knew that she was not a lady'. 'Why didn't you tell me?' my friend shouted. I recall to this day, the manager's deferential words: 'Sir, I could not possibly know your taste.'

However, my friend did retrieve his chitty.

The manager was right, and this reminds me of one of the things that are so wrong in this country – elected officials always seem to want to impose their own taste and ideals on everybody else.

Whether it be in planning design, use of premises, what we eat, what we drink, when we eat, when we drink, whether we smoke or not, what car we drive, at what speed, what vaccinations we must take, what education our children must receive, whom we employ or dis-employ, where we get our medical treatment, what treatment we are allowed, what sports we should pursue, etc, etc.

Of course, the management and often the enforcement of these restrictions are all paid for by the taxpayer, and usually by those who need the least help in these areas.

A little while ago, I received a short standard form advising me that having just turned 60 I was entitled to a £200 winter heating allowance. The form had my correct address (and postal code), date of birth, national insurance number and appeared to know everything about me, except what I had had for breakfast. Not one to look a gift horse in the mouth, I instantly filled in the form and sent it back, looking forward to receiving the cheque, which would have been framed and hung on the wall in a prominent position, as being the only financial gift I had ever received from government. When the DHSS letter arrived, I eagerly opened it, only to find another form stating that I had not sent in my original birth certificate and advising that I should obtain one and send it or go to the job centre, where they would copy it, authorise its authenticity and then after I sent it back to them I would receive my £200.

For the last 40 years, I have been paying my taxes and national insurance, which for many years have been in eye-watering huge amounts, not once but twice a year on top of the monthly deductions taken out of my salary before I see it. Not once during these last 40 years have I ever been asked to show my birth certificate before they demanded money – perhaps I might be able to claim it all back! Some hope!

It seems once again opportune to underscore my point that any government handout is deliberately organised in a manner to create as much extra wasteful expensive civil service employment as possible, ie, DHSS form sender, post office, registrar of births, deaths, jobcentre copier. Why not a simple computer generated card from your tax office, 'Congratulations on having reached 60 – enclosed is a £200 present from H M Government!'

Many of you must think that I am so aggravated with the incompetence, and waste in central and local government that I lose sleep. Not often, but the other night I had a wonderful dream..........

I dreamed that I was twenty years younger, six inches taller and two stone lighter, and spoke with the eloquence and good humour that usually comes from an education at one of our better public schools.

After one year of tele-visual presentation promising improvements in everybody's quality of life – protecting the environment, improving hospitals, schools, helping farmers, dogs, children, promising less crime, making women more equal, helping pensioners, new born babies, controlling immigration, making housing more affordable but not lowering the value of people's homes and creating every other possible benefit and class of beneficiary, I was, of course, the one chosen to implement the changes.

Standing upon the steps of Downing Street, I issued my Mission Statement; no longer would we be a welfare state, a state of supplicants, claimants, state dependants and litigants – but we would become a well-off state, where everyone was capable of living a healthy, comfortable and caring life through their own and their families' efforts; one where the state's interference in everyone's daily life would gradually disappear; and where respect for the teachers, police, the justice system, your elders and even possibly politicians, would reappear.

My policies would all be based on two premises – simplification and a factor or multiple of the magic number 15.

Thereafter, I would be called 'The Mr 15% Simpleton'.

I started with Tax.

Tax would be simplified. Income tax would be at the flat rate of 15% on all personal incomes above £15,000 per annum. There would be no differentiation as to source of income and no allowances other than the new special allowances I would grant.

Tax credits would be abolished, unemployment benefit and disability benefit would be aligned at one rate being the current average of both rates. The severely disabled would be further assisted under the much improved health service that would be provided.

Capital Gains Tax would also be 15% on all gains over £15,000 per person; Capital Gains would, however, taper down to zero over a 15 year period of ownership. There would be no other reliefs whatsoever (other than for earlier losses).

Amnesty would be granted to all of the approximate 100,000 tax exiles who wish to come back to our shores under our new and enlightened tax regime. This will produce a minimum £5 billion additional revenues.

Inheritance Tax would be payable at 15% on all estates over £300,000. There would be no reliefs, although all estates would have between 5 and 10 years to pay (at base rate interest) depending on whether the estate's assets were illiquid or a family business.

Corporation Tax would be 15% again with no allowances. Companies would pay a 5% payroll tax on their total payroll. Individuals would not pay.

Stamp Duty on property purchases would be 1.5% on the purchase price and as under the old stamp duty regime on the entire price.

National VAT at 15% would be paid on all purchases (other than private housing) commercial property purchases and rents would all be subject to VAT. All food, baby, clothes, medicines, etc would be included. A local variable rate of VAT of Nil to 5% could be charged by county-based authorities with a view to reducing the council tax payable. Rates for commercial properties would be reduced by 15%, and vacant rates payable at 15% of the full value.

All previous pensioner inducements such as heating allowances and grants would be abolished, and compensated for by a rise of £1,500 per annum per person. Pensioners would also receive an extra £1,000 per annum at aged 75, a further £1,000 at 80 and an extra £1,000 each five years thereafter. Their income will, of course, be taxable after the first £15,000 per annum, but they will only pay at 75% of the normal rate and 50% when over 80.

The cost-saving measures I would implement to allow for the benefits proposed are as follows:-

All persons whose salary is derived directly from the state, including local authority, education, health authorities etc, will in future be paid net of tax at the rates they are currently being paid under the old tax system. It will be treated as tax free income, and restricted to inflation-indexing for three years. This is so that only private sector workers can benefit from the tax cuts. I envisage many public employees would welcome the changes because any additional earnings they earn outside their public duties would be less taxed.

50% of all quangos would be abolished within three months (do we really need a Millennium Commission with 994 years to go?), and the remainder investigated to see if they are really necessary, with a view to abolishing them all within a year.

A referendum would be held on whether we pull out of the European Union, and agree a free trade area with the EU – this would save about £9 billion per annum, (I have assumed the result would be yes) £1.5 billion p.a. of which would be allocated to industries that might suffer, in particular our farmers and fishing industry, to promote, rebuild and protect them from the changes.

From 2012, everybody would be entitled to their pension – men and women alike, when they reach 68.

All laws and rules which could be considered to concern 'Political Correctness' would be abolished within the central, local government and police authorities. All departments dealing with matters considered politically correct, or relating to ethnic diversity and cultural integration would thus be closed down.

All regulations to do with employment rights, health and safety, disability discrimination etc, would be watered down to practical levels and waived for companies that employ less than 100 people. Small companies have a better communication and liaison with their employees, and legislation is unnecessary and only serves to disturb rapport.

Public sector employment would initially be reduced by at least 15% over a five year period, mostly by natural wastage. The massive savings expected would allow for my change in the tax system.

The changes so far presented would probably produce over 500,000 less employees in the public sector within five years – a saving of £25 billion a year in running costs.

I would expect most of them to find employment in the revitalised private sector, whose GDP would grow at 3% per year above the norm for the next five years, producing and adding an extra £20 billion per annum to government revenue, making the UK the tiger economy of the Western world.

Transport Policy

In an effort to produce a more mobile and co-ordinated transport system, all speed limits would be raised by 15% – local authorities would remove 50% of all humps and bumps, and to further improve road safety, 50% of speed cameras on the independently assessed least dangerous roads would be temporarily covered and bus lanes abolished. Local authorities would be forced to bring traffic wardens back under their direct control, employing no more than 30% of those currently employed. Any person caught speeding where there is no question of serious danger, or involving an accident, will have a valid defence if more than 25% of police officers/councillors or MPs or their drivers have been caught on camera or otherwise and not prosecuted in the county where the offence was committed.

Road tax will be raised to £300 per annum on all cars, which must not only display road tax discs but also an insurance cover disc which must tally with the car and owner. Users of uninsured and untaxed cars will receive more severe fines. On a second conviction of intent to fail to pay, cars would be confiscated for a period of months.

Road improvements would only be carried out after careful consultation with the county and adjoining county co-ordinating department. Works contracts will have a shorter time allocated so as to reduce disruption times.

Crime

A referendum would be held as to whether a re-introduction of the death penalty should be brought in for premeditated murder and/or murder in the course of a serious premeditated crime.

To encourage proper policing, the top 10% senior police officers per county would receive 20% pay bonuses, allocated annually, by the police committee of the local authorities. The three most senior policemen in each county would stand for election on their record every five years. Police forces would be modernised with more civilian employees taking on backroom office functions and unnecessary form filling would be scrapped and methods would be found to prevent them wasting time hanging round courts which will be made more efficient. Likewise, the top five posts in the Crown Prosecution Service would be elected every five years. All prosecutions would be subject to my new law called the 'common sense law', which would prohibit prosecutions that to the general public would seem ridiculous, ie car splashing a policeman, calling someone a rude name, a 10 year old pulling another child over, a parent smacking their child, putting the wrong litter in a litter bin, etc, etc. Each court would have a jury of 15 locally selected council tax payers, who all sit for one week and consider the Crown Prosecution proposed cases (with anonymity for the people concerned), and cases which the jurors considered not 'common sense' by a majority decision would be dropped.

15% extra prison places would be built and all criminals will serve their full sentences. Persistent offenders would be dealt with far more severely, particularly for crimes that involve violence.

All householders would have an absolute right to defend their homes (including businesses, family and employees) and criminals would lose rights to sue if their claims occurred in pursuit of a crime.

Education

All state run schools would be turned into local associations, with parents having control of the local governing Board. They will be able to charge fixed rate fees (minimum and maximum) adjusted annually. All parents would be issued with vouchers for the average education charge which can be used at any school of their choice. It will be the parents' responsibility to get their children to their school of choice.

The school Board will choose the curriculum, school hours and holiday dates. A school can become a specialist school if local demand desires it. The only obligation would be that they teach the six Rs – reading, writing, 'rithmetic, reliability, responsibility and respect, to an agreed standard. All schools would have their own individual uniform, which all children would be proud to wear. Corporal punishment under the schools' rules would be encouraged. Prosecutions against teachers would have to pass a test of seriousness and probability before being considered for implementation. Violence against teachers by pupils or their parents would be treated on a more serious basis.

Health

The National Health Service would be privatised by being split into 30 separate corporations and sold off. Everybody would be given full insurance cover to pay all medical bills which the government would purchase using its ability to negotiate in a free market. Everybody who is legitimately on the record would receive an annual insurance certificate which they could take to the hospital of their choice or doctor's recommendation or shop around for the most suitable facility for timing or location, and on presentation of their certificate, the appropriate insurance Company would be billed and pay direct to the hospital corporation. There would be special arrangements for emergency treatment.

Most insurance companies would be interested in both the combined hospital ownership and insurance, confident in the knowledge hospitals can be run more efficiently and thus profitably. Hospital campuses would be excluded from planning rules so that nurses' and doctors' accommodation could be built quickly on the campus.

Everyone visiting a doctor who was not in employment would pay £10 with a limit of paying this four times a year.

Under my new tax incentive rules, working for a living would be so much more financially rewarding than social security/disability benefits, the nation would see a miraculous improvement in the nation's health and relieve pressure on general practitioners. At least 1,000,000 people would recover from their ailments – a massive saving on our social security payments.

Immigration

Whilst I would welcome a fair degree of immigration, it would be carefully monitored and controlled to allow painless integration into the community. 30% of the traffic wardens made redundant in my traffic improvement measures would be taken on as immigration inspectors and paid a commission on each illegal immigrant they catch. With the excessive zeal shown in their previous job and their ability to blend into the background until an opportune moment, and most importantly, their proven aptitude for enforcing the rules with such rigour, they would sort out the problems very quickly.

As a gesture of goodwill to our friends overseas:

I would have Ken Livingstone seconded to Beijing to assist in local traffic and planning systems; Gordon Brown to Zimbabwe to assist President Mugabe in his efforts of furthering redistribution; and John Prescott to Hollywood in a remake of 'On the Waterfront' and cast as Terry Malloy.

By the way, the Blairs had to sell their property portfolio at a huge loss and retired to Tuscany in a villa provided by a recently and forcibly retired foreign friend.

I was having such a nice dream, and I awoke, looked out of my window and saw it was a beautiful sunny day with lots of small clouds, when I was suddenly aware of the loud sound of a cuckoo singing.

Obviously I had been in cloud cuckoo land.

Operating and Financial Review

Key features of the year

The year ending 31 December 2005 saw Panther taking advantage of the high prices being obtained in commercial property auctions (£12.7m gross proceeds) and unable to find suitable investments, thereby reducing its loans by £12.4m.

Rental income and net interest payable

As commented upon by the Chairman in his statement turnover (excluding the sale proceeds of stock property in 2005) is down by over £1m when compared to 2004, but the loss of income is adequately compensated for by a reduction in net interest payable of over £1.1m.

Cost of sales

The increase in Cost of Sales by approximately £0.5m arises mainly on account of a full year's rental of £0.4m paid on Panther House, compared to rental of 4.5 months in 2004 (£0.15m). The residual increase is mostly attributable to the cost of disposals of stock properties in the year.

Taxation charge

On the face of the Income Statement the tax charge of £6m is considerably higher than in the previous year, even taking account of the disposals in the year. However the tax note shows that £3.9m of this relates to the increase in the deferred taxation provision as a consequence of the higher prices (following the revaluations) that would be expected on any ultimate disposals.

International Financial Reporting Standards ("IFRS")

Your attention is drawn to the fact that this year's accounts are prepared under IFRS. The main differences between this standard and UK GAAP are referred to in the Chairman's statement and in our interim accounts in which they were first adopted. I would also refer you to the reconciliation and note in note 37 which show the effects of the different standards to the consolidated Income Statement and on the Group's Balance Sheet.

Report of the Directors

The Directors submit their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2005.

Statement of Directors' Responsibilities
UK Company law requires the Directors to prepare group accounts in accordance with International Financial Reporting Standards (IFRS). As permitted by company law, the Directors have chosen to prepare accounts for the company in accordance with United Kingdom Accounting Standards. Company law requires the Directors to prepare the group accounts in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation and those of the Company in accordance with United Kingdom Accounting Standards.

Relevant company law and accounting standards require that the Directors prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year. In preparing the accounts the Directors are required to:

- select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS or United Kingdom Accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the annual report is prepared in accordance with Company Law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The Directors confirm that the financial statements comply with the above requirements.

Going concern
The Directors have a reasonable expectation that both the Company and the Group have adequate resources to continue their operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Principal activities, review of business and future developments
The principal activity of the Group consists of investment and dealing in property and securities.

The Group's share of the results of an undertaking in which the Group has a participating interest, M R G Systems Limited, has been included in these financial statements.

The review of activities and future developments during the year is contained in the Chairman's Statement and Operational and Financial Review.

Results and dividends
The profit for the year after taxation, amounted to £20,611,000 (2004 - £6,091,000).

A special interim dividend of £1,274,000 (10.0p per share), on which A. S. Perloff waived his personal entitlement, on ordinary shares was paid on 28 June 2005. A further interim dividend of £850,000 (5.0p per share) on ordinary shares was paid on 28 October 2005. The Directors recommend a final dividend of £850,000 (5.0p per share) payable on 27 June 2006 to shareholders on the register at the close of business on 26 May 2006.

Donations
During the year the Group made no political donations (2004 - £25,000 to the Conservative Party). The Group made a £10,000 charitable donation to the Tsunami appeal (2004 - £nil).

Report of the Directors continued

Directors
The Directors who served during the year and their beneficial interests in the Company's issued share capital were:

	Ordinary shares of £0.25 each 2005	2004
A. S. Perloff (Chairman)	**4,351,213**	4,351,213
B. R. Galan (Non - executive)	**300,039**	300,039
P. M. Kellner (Non - executive)	**12,000**	12,000
J. T. Doyle	**5,000**	–
J. H. Perloff	**90,000**	–
S. J. Peters	**22,500**	–
P. A. Rowson	**–**	90,000

P. A. Rowson resigned as a Director on 23 June 2005.

J. T. Doyle was appointed as a Director on 1 July 2005.

J. H. Perloff was appointed as a Director on 1 July 2005.

S. J. Peters was appointed as a Director on 23 June 2005.

A. S. Perloff and his family trusts have beneficial interests in shares owned by Portnard Limited, a Company under their control, amounting to 7,737,336 (2004 - 7,737,336).

There have been no changes in Directors' shareholdings since 31 December 2005.

No beneficial interest is attached to any shares registered in the names of Directors in the Company's subsidiaries.

No right has been granted to subscribe for shares in or debentures of the Company.

Payment policy and practice
The Group agrees payment terms with each of its major suppliers and abides by these terms, subject to satisfactory performance by the supplier. Trade creditors of the Group at 31 December 2005 were equivalent to 31 days purchases (2004 - 10), based on the average daily amount invoiced by suppliers during the year.

Investment Properties
The Group's investment portfolio was revalued at market value at 31 December 2005 by Donaldsons and CB Richard Ellis, both who are Chartered Surveyors.

Share Capital
There were no changes in the Company's share capital during the year.

Status
Panther Securities P.L.C. is a Company listed on the UK Stock Exchange and is incorporated in Great Britain.

Substantial Interests
At the date of this report the Company has been notified of the following interests of 3 per cent or more in the shares of the Company.

Ordinary Shares	*Holding*	*%*
Harold Martin Perloff	895,000	5.3

International Financial Reporting Standards
In the year ended 31 December 2005, all European Union listed companies were required to prepare consolidated financial statements using IFRS. The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and endorsed by the European Union that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. These changes were explained in the interim report 2005.

Auditors
After the year end our auditors, Nexia Audit Limited changed their name to Nexia Smith & Williamson Audit Limited and now trade as Nexia Smith & Williamson. A resolution to re-appoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting.

This report was approved and authorised for issue by the Board and signed on its behalf by:

S. J. Peters
Company Secretary
Dated: 27 April 2006

Panther House
38 Mount Pleasant
London WC1X 0AP

Corporate Governance

Panther Securities P.L.C. supports a high standard of Corporate Governance and has, during 2005, complied with the Code of Best Practice on Corporate Governance issued by the Financial Services Authority, subject to points detailed below.

The Board
The Board currently consists of six Directors, of whom two are non-executives. It meets regularly during each year to review appropriate strategic, operational and financial matters and otherwise as required. It supervises the executive management and a schedule of items reserved for the full Board's approval is in place. Panther Securities P.L.C. has an Executive Chairman who is also the Chief Executive.

As indicated, the Board has two non-executive Directors and the Audit Committee also includes one of the Executive Directors.

The Combined Code requires that there should be sufficient division of duties between Board members and that the Company should have at least 3 Non-Executive Directors, however the Board has carefully considered the division of the duties of the Chairman and Chief Executive, together with the number of non-executive Directors and has concluded, given the size of the Company and Group, that the present arrangements are appropriate.

Each Board member has responsibility to ensure that the Group's strategies lead to increased shareholder value.

The performance of the Board, its Committees and individual Directors are not subject to specific evaluation. The Directors consider that the small size of the Group and Board does not warrant a formal evaluation process. Based on the close working relationships of the Board and the Committees, the Directors are satisfied with both the performance of the Board and its Committees. In making decisions throughout the year, the Board is cogniscent of its responsibilities to the Company's Shareholders.

Biographical details of Non-executive Directors:-

Bryan Richard Galan *(Non-executive)*
Chairman of the Remuneration Committee.
He is a Fellow of the Royal Institution of Chartered Surveyors. He was formerly joint Managing Director of Amalgamated Investment and Property Co. Limited.

Peter Michael Kellner *(Non-executive)*
Chairman of Audit and Nomination Committees. He is an Associate of the Chartered Institute of Bankers and of the Institute of Taxation. He was formerly joint General Manager of the U.K. banking operations of Credit Lyonnais Bank Nederland NV.

The non-executive directors were appointed and reappointed on their experience in the property and related industries and their continuing advice and independence. Neither act as non-executive for any other company.

Both non-executive Directors are of the highest calibre. Each is independently minded with a breadth of successful business and relevant experience. They are entitled to the same information as the Executive Directors and are an integral part of the team, making a most valuable contribution.

Auditor Independence and Objectivity
Nexia Smith & Williamson (Formerly Nexia Audit Limited) conducts the annual statutory audit. In forming their opinion of the independence and objectivity of the external auditors, the Audit Committee takes into account the safeguards operating within Nexia Smith & Williamson and their Associates. Regard is given to the nature of remuneration received for other services provided by Nexia Smith & Williamson and their Associates and confirmation is sought from them that the fee payable for the annual statutory audit is adequate to enable them to fulfil their obligation in accordance with the scope of the audit. The tax services for the Group are undertaken by the Group's own accounts department.

Combined Code

The Company has applied the principles set out in section 1 of the Combined Code, including both the main principles and the supporting principles throughout the accounting period except as detailed under Corporate Governance. Further explanation of how the principles and supporting principles have been applied is set out in the Directors' Remuneration Report.

Internal Controls and Audit Committee

The Directors are responsible for the system of internal control which is designed to meet the needs and risks of the Group. The internal control system provides reasonable but not absolute assurance against material misstatement or loss. The key procedures cover maximising long term revenue and cash flow, organisational responsibilities and authority limits and regular executive monitoring and review.

This process was in place for the year under review and up to the date of approval of the report. It is regularly reviewed by the Board and accords with Turnbull guidance.

The Audit Committee has three members and includes both non-executive Directors and is chaired by P. M. Kellner. Its terms of reference are that it meets at least twice a year to review the Group's accounting policies, financial and other reporting procedures, with the external auditors in attendance when appropriate. In 2005 the committee met twice with all members present.

Details of the Remuneration Committee can be found in the Directors' Remuneration Report.

The Combined Code requires that there should be an internal audit function in place, however the Company does not have one as the Directors do not believe there is the need for one due to the small size of the Group.

Communication with shareholders

The Company provides extensive information about the Group's activities in the Annual Report and Financial Statements and the Interim Report, copies of which are sent to shareholders. Additional copies are available by application. The Group is active in communicating with both its institutional and private shareholders and welcomes queries on matters relating to shareholdings and the business of the Group. All shareholders are encouraged to attend the Annual General Meeting, at which Directors and senior management are introduced and available for questions. The Group also makes every effort to keep its website as up to date as possible.

Nomination Committee

The Nomination Committee met twice in 2005 with all members present. In 2005 the Nomination Committee were required to consider the appointment and resignation of directors as detailed in the Directors' Report. They considered that all the changes were in the Company's best interests.

The terms of reference of the Committee are that it will consist of three members, the majority of whom should be independent non-executive Directors. They shall meet at least twice a year a review the structure, size and composition of the Board and make recommendations with regard to any changes.

Financial Risk Management

The Company and Group operations expose it to a variety of financial risks the main two being the effects of changes in credit risk of tenants and interest rate movement exposure on borrowings. The Company and Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company and Group by monitoring levels of debt finance and the related finance costs. The Company and Group also use interest rate swaps to protect against adverse interest rate movements, no hedge accounting is applied.

Given the size of the Company and Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company and Group's finance department.

Price risk
The Company and Group are exposed to price risk due to normal inflationary increases in the purchase price of the goods and services it purchases in the UK. The Company and Group also have a price exposure on listed equities that are held as investments. The Group has a policy of holding only a small proportion of its assets as listed investments.

Credit risk
The Company and Group have implemented policies that require appropriate credit checks on potential tenants before lettings are agreed. In most cases a deposit is requested unless the tenant can provide a strong personal or other guarantee. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. Exposure is also reduced significantly as the Group has a large spread of tenants who operate in different industries.

Liquidity risk
The Company and Group actively ensure liquidity by maintaining a long-term finance facility and also hold significant cash deposits which are both to ensure the Company and Group has sufficient available funds for operations and planned expansions.

Interest rate risk
The Company and Group have both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances which earn interest at fixed rate. The Company and Group have a policy of only borrowing debt to finance the purchase of cash generating assets. The Directors will revisit the appropriateness of this policy should the Company and Group operations change in size or nature.

Directors' Remuneration Report

Remuneration Committee
The Remuneration Committee consists solely of the two non-executive Directors, B. R. Galan (Chairman) and P. M. Kellner. It reviews the terms and conditions of service of the Chairman and Executive Director ensuring that salaries and benefits satisfy performance and other criteria. In 2005 the Committee met twice with all members present.

The Company has given full consideration to the best practice provisions relating to remuneration committees as set out in the Combined Code.

The Directors do not have a Share Option Scheme.

Remuneration policy
Company policy is to reward fairly the Executive Directors sufficiently to retain and motivate quality management. The Remuneration Committee considers that currently the Executive Directors' remuneration is below market comparables.

A bonus of £350,000 has been paid to reduce the tax burden on A. S. Perloff's potential pension entitlement (see Chairman's Statement in the 2004 statutory accounts for further details).

Service contracts
No Director has a service contract.

Non-executive Directors
The remuneration of non-executive Directors is determined by the Board and based upon fees paid to non-executive Directors of companies both similar in sector and size. Subject to Board approval, non-executive Directors may be paid other fees for professional services provided to the Group.

Pension and other benefits
A. S. Perloff is the sole member and beneficiary of a non-contributory Director's pension scheme. The Group ceased contributions in 1997 and accordingly made no contributions to the pension fund in 2005 and does not anticipate making further contributions.

P. A. Rowson received a personal pension contribution on retirement of £31,200 (2004 - £Nil).

S. J. Peters had pension contributions paid in the year by the Company of £3,000 into his personal stakeholders' contribution pension scheme.

No other payments were paid in respect of any other Director during the year (2004 - £Nil).

Directors' emoluments
Directors' emoluments of £606,000 (2004 - £513,000) are made up as follows:

Director	Salary / Fees £'000	Bonus £'000	Taxable Benefit £'000	Pension Contribution £'000	**Total 2005 £'000**	Total 2004 £'000
Executive						
A. S. Perloff	110	350	2	–	**462**	462
J. T. Doyle*	20	5	2	–	**27**	–
J. H. Perloff*	16	2	–	–	**18**	–
S. J. Peters*	22	5	–	3	**30**	–
P. A. Rowson**	14	–	4	31	**49**	31
Non-executive						
B. R. Galan	10	–	–	–	**10**	10
P. M. Kellner	10	–	–	–	**10**	10
	202	362	8	34	**606**	513

* Salary since 1 July 2005.
** Salary up to 30 June 2005.

The Directors' emoluments note as listed above is audited information. All other information in the Directors' Remuneration Report is unaudited.

Total shareholder return

The following graphs show:

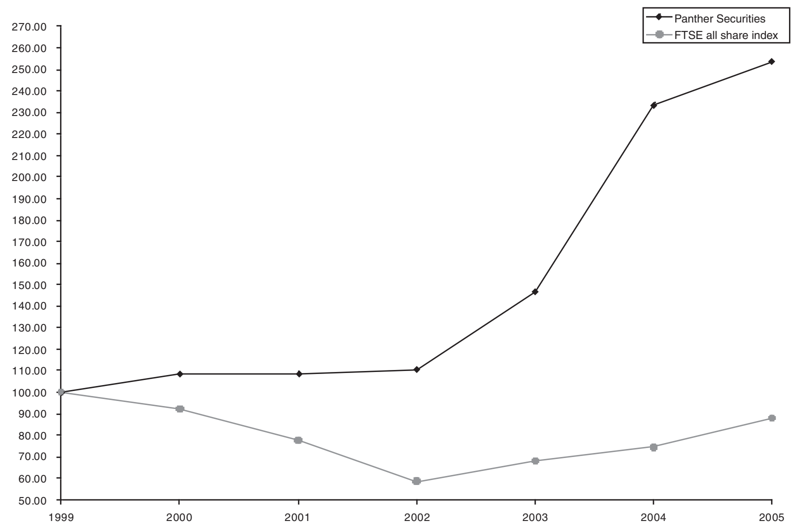
(1) The value by the end of 2005 of £100 invested in Panther Securities P.L.C. on 31 December 1999 compared with the value of £100 invested in the FTSE all share index.

(2) The dividend yield compared with the FTSE all share index for the same period as in (1) above.

Panther Securities P.L.C. has been a constituent of this index for the whole period and this index is deemed to be the most appropriate for comparison.

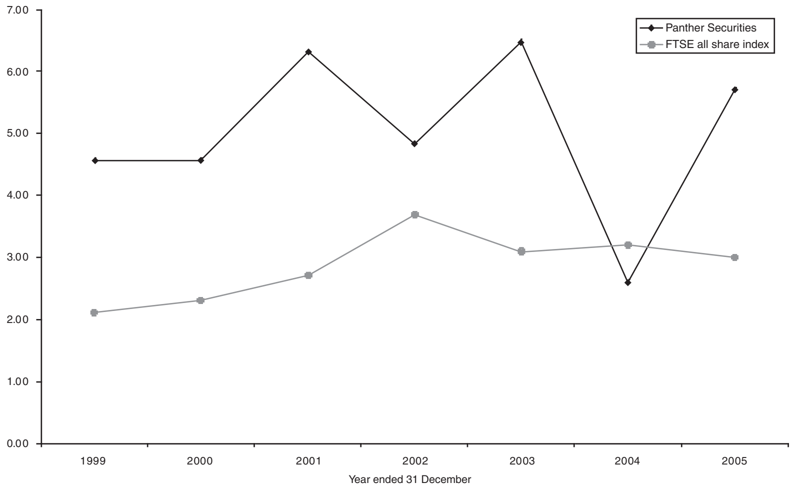
Total shareholder return

Value (£)



Dividend yield

Yield (%)



B. R. Galan

Chairman – Remuneration Committee

Dated: 27 April 2006

Independent Auditors’ Report

Independent auditors’ report to the shareholders of Panther Securities P.L.C.

We have audited the Group and Parent Company accounts (the ‘accounts’) of Panther Securities P.L.C. for the year ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Change in Shareholders’ Equity and the related notes 1 to 53. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as having been audited.

This report is made solely to the Company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and International Financial Reporting Standards (IFRS’s) as adopted by the European Union, and for preparing the Parent Company accounts and Directors’ Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the accounts and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group accounts have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors’ Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors’ remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company’s compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors’ Report, the unaudited part of the Directors’ Remuneration Report, the Chairman’s Statement, the Chairman’s Supplement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended;

- the Group accounts have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;

- the Parent Company accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2005; and

- the Parent Company accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors
London

Dated: 22 May 2006

Consolidated Income Statement

For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Revenue	4	**8,498**	9,194
Cost of sales	4	**(2,035)**	(1,487)
Gross profit		**6,463**	7,707
Other income		**133**	98
Administrative expenses		**(2,061)**	(1,988)
		4,535	5,817
Profit on the disposal of investment properties		**1,607**	527
Movement in fair value of investment properties	16	**22,537**	4,714
Finance costs	10	**(3,281)**	(3,996)
Investment income	9	**877**	408
Profit on disposal of available for sale investments (shares)		**87**	43
Profit on sale of subsidiary	30	**66**	82
Surplus of assets acquired over consideration given		**17**	–
Share of results from associate	18	**104**	37
Profit before tax		**26,549**	7,632
Income tax expense	11	**(5,938)**	(1,541)
Profit for the year	6	**20,611**	6,091
Attributable to:			
Equity holders of the parent		**20,611**	6,087
Minority interest		**–**	4
Profit for the year		**20,611**	6,091
Earnings per share			
Basic and diluted	14	**121.3p**	35.8p

Consolidated Balance Sheet

As at 31 December 2005

Assets	Notes	31 December 2005 £'000	31 December 2004 £'000
Non-current assets			
Property, plant and equipment	15	**9**	9
Investment property	16	**99,881**	87,812
Interests in Associate	18	**364**	260
Available for sale investments (shares)	19	**3,047**	3,419
		103,301	91,500
Current assets			
Stock properties	20	**9,534**	9,755
Available for sale investments (shares)	19	**410**	323
Trade and other receivables	22	**3,196**	4,263
Cash and cash equivalents		**14,546**	15,337
		27,686	29,678
Total assets		**130,987**	121,178
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Capital and reserves			
Share capital	24	**4,250**	4,250
Share premium account	25	**2,886**	2,886
Capital redemption reserve	25	**571**	571
Retained earnings	26	**59,925**	42,164
		67,632	49,871
Minority interest		**–**	94
Total equity		**67,632**	49,965
Non-current liabilities			
Long-term borrowings	27	**46,562**	58,925
Deferred tax liabilities	28	**11,010**	7,154
		57,572	66,079
Current liabilities			
Trade and other payables	29	**4,350**	3,845
Short-term borrowings	27	**187**	210
Current tax payable		**1,246**	1,079
		5,783	5,134
Total liabilities		**63,355**	71,213
Total equity and liabilities		**130,987**	121,178

The accounts were approved by the Board of Directors and authorised for issue on 27 April 2006. They were signed on its behalf by:

A.S. Perloff
Chairman

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Movement in fair value of available for sale investments (shares) taken to equity	19	**(66)**	786
Deferred tax relating to movement in fair value of available for sale investments (shares) taken to equity	28	**20**	(236)
Net (expense)/income taken directly to equity		**(46)**	550
Profit for the year		**20,611**	6,091
Total recognised income and expense for the year		**20,565**	6,641
Attributable to:			
Equity holders of the parent		**20,565**	6,637
Minority interest		**–**	4
		20,565	6,641

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Cash flows from operating activities			
Operating profit before interest, investment income and tax		**4,535**	5,817
Add: Depreciation charges for the year	15	**9**	14
Add: Write down of available for sale investments (shares) – current assets	19	**13**	–
Operating profit before working capital change		**4,557**	5,831
Decrease/(Increase) in stock properties		**221**	(967)
Decrease in receivables		**1,067**	1,416
Increase in payables		**328**	1,080
Cash generated from operations		**6,173**	7,360
Interest paid		**(3,105)**	(3,999)
Income tax paid		**(1,896)**	(1,353)
Net cash from operating activities		**1,172**	2,008
Cash from investing activities			
Purchase of plant and equipment	15	**(9)**	–
Purchase of investment properties	16	**(632)**	(1,087)
Purchase of available for sale investments (shares)			
– current assets	19	**(100)**	–
– non current assets	19	**(7)**	(1,798)
Investment in subsidiaries		**(76)**	–
Proceeds from disposal of subsidiary		**66**	(42)
Proceeds from sale of investment property		**12,707**	9,490
Proceeds from the disposal of available for sale investments (shares) – non current assets		**399**	830
Dividend income		**37**	45
Interest income received		**840**	360
Net cash from investing activities		**13,225**	7,798
Financing activities			
New loans net of repayments		**(12,384)**	4,447
Dividends paid		**(2,804)**	(1,360)
Net cash used in financing activities		**(15,188)**	3,087
Net (decrease)/increase in cash and cash equivalents		**(791)**	12,893
Cash and cash equivalents at the beginning of period		**15,337**	2,444
Cash and cash equivalents at the end of period		**14,546**	15,337

1. General information

Panther Securities P.L.C. (the Company) is a Public Limited Company incorporated in Great Britain. The addresses of its Registered Office and principal place of business are disclosed in the introduction to the Annual Report. The principal activities of the Company and its subsidiaries (the Group) are described in the Directors' Report.

2. Adoption of new and revised International Financial Reporting Standards

In the year ended 31 December 2005, all European Union listed companies were required to prepare consolidated financial statements using IFRS. The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and endorsed by the European Union that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The Group's transition date was 1 January 2004. The Group is not aware of any new IFRSs which have been issued since the year end date that will materially affect the financial statements.

The Parent Company and subsidiaries have not adopted IFRS in their individual accounts.

The adoption of these new and revised standards and interpretations has resulted in significant changes to the Group's accounting policies particularly in the following areas:

- Events after the balance sheet date (IAS10)
- Available for sale investments (IAS39)
- Taxation (IAS12)
- Investment properties (IAS40)
- Excess of fair value of acquired assets and liabilities over purchase consideration (IFRS3 – Business combinations)

The impact of these changes in accounting policies is discussed later in this note. The impact on basic and diluted earnings per share is disclosed in note 14.

a. Events after the balance sheet date (IAS10)

IAS10 requires that a liability should not be recognised in respect of a dividend until the paying Company has an obligation to make the payment. This would normally be when it was declared or approved at the Annual General Meeting in the case of the final dividend for the year. As a result the 2004 proposed final dividend is excluded from the IFRS balance sheet and written back to retained earnings. IFRS also requires that dividends and distributions are presented in a different way to previously applied UK GAAP. Under IFRS, dividends are not considered to be an expense of the paying Company so they are not included in the income statement and are instead treated as a reserve item.

b. Available for sale investments (IAS39)

Under UK GAAP, the Group accounted for its available for sale investments (shares) at the lower of cost and net realisable value. Under IAS39, these investments are carried at fair value and classified in the balance sheet as available for sale investments (shares). Movements in fair value are taken directly to equity and recycled through the income statement when the investments are realised. Fair values of these investments are based on quoted market prices where available.

c. Taxation (IAS12)
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Corporation tax for the period is charged at 30% (2004 - 30%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year. Under UK GAAP, deferred tax liabilities relating to potential property surpluses were not required to be provided in the accounts unless there was an intention to sell.

d. Investment Properties (IAS40)
Investment properties, which are properties held to earn rentals and/or capital appreciation are accounted for as follows:

– Investment properties are revalued annually by the Directors and by independent professional valuers at intervals of not more than three years using the fair value model of accounting for Investment Property at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in income in the period in which they arise.

Under UK GAAP, revaluation gains and losses were taken to a revaluation reserve. Accumulated revaluation surpluses relating to investment properties as at the transition date have been reallocated to retained earnings. This treatment does not, however, have any impact on distributable profits.

e. Excess of fair value of acquired assets and liabilities over purchase consideration (IFRS3 – Business combinations)

Where the fair value of the assets and liabilities acquired in a business combination exceeds the purchase consideration, the excess is taken directly to income. Under UK GAAP such amounts are treated as negative goodwill and held on the balance sheet – amounts which arose on past acquisitions have been adjusted within reserves as part of the transition to IFRS. Under IFRS3 any new amounts arising are shown in the income statement as surplus of assets acquired over consideration given.

3. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards including adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis, except for the revaluation of Investment Properties and Available for Sale Investments.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes. The principal accounting policies in addition to those stated in note 2 are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries disposed of are included in the consolidated income statement from the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority's interest in the subsidiary's equity are allocated against the interests of the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS5 Non-current assets held for Sale and Discountinued Operations.

The interest of minority shareholders in the acquiree is initially measured as the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in Associate

An Associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, Investments in Associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments. Losses of Associates in excess of the Group's interest in that Associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Associates' share of the net assets is based on draft accounts, any adjustments to the prior year are made within the current year charge as a consolidation adjustment.

Revenue recognition

Revenue comprises:

(1) Rental income from tenancy occupied properties net of Value Added Tax where appropriate: The income is recognised on an arising basis.

(2) Sale of stock properties: This is recognised on the date that exchange of contracts becomes unconditional.

(3) Sale of current asset investments: This is recognised on the sale becoming unconditional.

(4) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial assets to that asset's net carrying amount.

(5) Dividend income from investments is recognised when the company's rights to receive payment have been established.

Foreign currencies

The Group undertook no transactions in foreign currencies.

Plant and equipment

Fixtures, fittings and motor vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write off the cost of fixed assets less their residual value, over their expected useful lives. The rates used across the Group are as follows;

Fixtures and equipment	10% - 33%	Straight line.
Motor vehicles	20%	Straight line

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets
At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leasing
All leases are operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

The Group as lessee
Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

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

Trade receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings
Interest bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Stock properties
Stock properties are valued at the lower of cost and net realisable value. Cost comprises the cost of the property, and those overheads that have been incurred in bringing the stock properties to their present condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Retirement benefit costs
The Company operates a defined contribution pension scheme and any pension charge represents the amounts payable by the Company to the fund in respect of the year.

Cash equivalent
The Group does not consider its current asset investments to be a cash equivalent.

Critical accounting judgements and key sources of estimation uncertainty
In the process of applying the entity's accounting policies, which are described above, management has not had to make any judgements that have had a significant affect on the amounts recognised in the financial statements.

4. Revenue and cost of sales

The whole of the revenue, cost of sales and profit before taxation is attributable to the principal activity of the Group and all of which is continuing. All revenue and cost of sales arose in the United Kingdom.

The sale of Eurocity (Crawley) Limited in 2004 is not considered sufficiently material to the accounts to require presentation as a discontinued activity.

	2005	2004
Turnover arose as follows:	**£'000**	£'000
Rental income from investment properties	**7,164**	8,286
Rental income from stock properties	**935**	908
Income from sale of stock properties	**399**	–
	8,498	9,194
Cost of sales arose as follows:		
Cost of sales – from rental income	**1,794**	1,487
Stock properties recognised as an expense	**241**	–
	2,035	1,487

5. Business and geographical segments

Business segments
The Group has only one distinct business segment, being that of investment and dealing in property and securities.

Geographical segments
The Group's operations are located in the United Kingdom.

6. Profit for the year

Profit for the year has been arrived at after charging:

The operating profit is stated after charging:	**2005 £'000**	2004 £'000
Depreciation of tangible fixed assets – owned by the Group	**9**	14
Auditors' fees (including parent Company – £9,000) (2004 - £7,000)	**59**	56
Non audit services		
– Corporation tax compliance	**–**	29
– Corporation tax advisory	**–**	18
– Other (interim review and IFRS implementation)	**22**	10
Operating lease charges – properties	**400**	153

7. Staff costs

Staff costs, including Directors' remuneration, were as follows:	**2005 £'000**	2004 £'000
Wages and salaries	**1,038**	905
Social security costs	**109**	104
Pension contributions	**44**	–
	1,191	1,009
The average monthly number of employees, including Directors, during the year was as follows:		
Directors	**5**	4
Other employees	**16**	14
	21	18

Included in the above are three employees whose costs are recoverable through service charges.

8. Directors remuneration

	2005 £'000	2004 £'000
Emoluments for services as Directors	**202**	157
Other emoluments (including bonuses)	**404**	356
	606	513

There are no Directors with retirement benefits accruing under money purchase pension schemes in respect of qualifying services. Please refer to the Directors' Remuneration Report for information on the highest paid Director.

9. Investment income

	2005 £'000	2004 £'000
Interest on bank deposits	**810**	357
Other interest receivable	**30**	6
Dividends from equity investments	**37**	45
	877	408

10. Finance costs

	2005 £'000	2004 £'000
Interest payable on bank overdrafts and loans	**3,281**	3,996

11. Income tax expense

The charge for taxation comprises the following:

	2005 £'000	2004 £'000
Current year UK corporation tax	**2,242**	1,693
Prior year UK corporation tax	**(180)**	(88)
Current year deferred tax	**3,876**	(64)
Income tax expense for the year	**5,938**	1,541

Domestic income tax is calculated at 30% (2004 - 30%) of the estimated assessable profit for the year.

The total charge for the year can be reconciled to the accounting profit as follows;

	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Profit before taxation	**26,549**		**7,632**	
Profit on ordinary activities before tax multiplied by the average of the standard rate of UK corporation tax of 30%	**7,965**	30	**2,290**	30
Tax effect of expenses that are not deductible in determining taxable profit	**82**	–	**13**	–
Dividend income not allowable for tax purposes	**(30)**	–	**(33)**	–
Associate's share of results not allowable for tax purposes	**(31)**	–	**(11)**	–
Capital allowances for the year in excess of depreciation	**(50)**	–	**(63)**	(1)
Non taxable movement in fair value of investment properties	**(6,761)**	(25)	**(1,348)**	(18)
Overprovision in previous years	**(180)**	(1)	**(88)**	(1)
Utilisation of tax losses	**(160)**	(1)	**(189)**	(2)
Disposal of subsidiary	**(20)**	–	**(106)**	(1)
Disposal or transfer of properties	**1,248**	4	**1,142**	14
Deferred tax	**3,876**	15	**(64)**	(1)
Marginal relief	**(1)**	–	**(2)**	–
Tax expense and effective tax rate for the year	**5,938**	22	**1,541**	20

12. Profit attributable to members of the parent undertaking

	2005 £'000	2004 £'000
Dealt with in the accounts of:		
– the parent undertaking	**(3,625)**	(4,339)
– subsidiary undertakings	**24,132**	10,393
– undertakings in which there is a participating interest	**104**	37
	20,611	6,091

13. Dividends

Amounts recognised as distributions to equity holders in the period:	2005 £'000	2004 £'000
Final dividend for the year ended 31 December 2004 of 4p (2003 - 4p) per share	**680**	680
Special interim dividend for the year ended 31 December 2005 of 10p (2004 - Nil) per share*	**1,274**	–
Interim dividend for the year ended 31 December 2005 of 5p (2004 - 4p) per share	**850**	680
	2,804	1,360

* A S Perloff waived his personal entitlement to the special 10p dividend.

The Directors recommend payment of a final dividend of 5p per share (2004 - 4p). The final dividend will be payable on 27 June 2006 to shareholders on the register at the close of business on 26 May 2006.

14. Earnings per ordinary share (basic and diluted)

The calculation of earnings per ordinary share is based on earnings, after minority interests, of £20,611,000 (2004 - £6,087,000) and on 16,998,151 ordinary shares being the weighted average number of ordinary shares in issue during the year (2004 - 16,998,151).

15. Plant and equipment

	Fixtures and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost			
At 1 January 2004	135	25	160
At 1 January 2005	135	25	160
Additions	9	–	9
At 31 December 2005	**144**	**25**	**169**
Accumulated depreciation			
At 1 January 2004	115	22	137
Depreciation charge for the year	11	3	14
At 1 January 2005	126	25	151
Depreciation charge for the year	9	–	9
At 31 December 2005	**135**	**25**	**160**
Carrying amount			
At 31 December 2005	**9**	**–**	**9**
At 31 December 2004	9	–	9

16. Investment property

	Investment Properties £'000
Fair value	
At 1 January 2004	93,973
Additions	1,087
Disposals	(11,962)
Revaluation increase	4,714
At 1 January 2005	87,812
Additions	632
Disposals	(11,100)
Revaluation increase	22,537
At 31 December 2005	**99,881**
Carrying amount	
At 31 December 2005	**99,881**
At 31 December 2004	87,812

At 31 December 2005, £75,981,000 (2004 - 75,137,000) and £23,900,000 (2004 - £12,675,000) included within the net book value of land and buildings relates to freehold and leasehold land and buildings respectively.

On the historical cost basis, investment properties would have been included as follows:

	2005 £'000	2004 £'000
Cost	**48,247**	64,167
Cumulative depreciation	**–**	–
Net book amount	**48,247**	64,167

Costs relating to potential developments are included in additions to investment properties and in the year ended 31 December 2005 amounted to £96,000 (2004 - £48,000).

The investment properties held at 31 December 2005 were revalued at their open market value as at that date by Donaldsons, Chartered Surveyors and CB Richard Ellis in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the R.I.C.S. and in accordance with international valuation standards.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £7,164,000 (2004 - £8,286,000).

17. Subsidiaries

Details of the Company's subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	*Country of incorporation and operation*	*Activity*	*Proportion of ownership interest %*	*Proportion of voting power held %*
Panther Trading Limited (formerly Excelchoice Limited)	Great Britain	Property	100	100
Panther (Dover) Limited (*)	Great Britain	Property	100	100
Panther Developments Limited	Great Britain	Property	100	100
Panther Shop Investments Limited	Great Britain	Property	100	100
Panther Shop Investments (Midlands) Limited	Great Britain	Property	100	100
Panther Investment Properties Limited (formerly Saxonbest Limited)	Great Britain	Property	100	100
Panther (Bromley) Limited (****)	Great Britain	Property	100	100
Snowbest Limited	Great Britain	Property	100	100
Surrey Motors Limited	Great Britain	Property	100	100
Westmead Building Company Limited (*)	Great Britain	Property	100	100
Yardworth Limited	Great Britain	Property	100	100
Multitrust Property Investments Limited	Great Britain	Property	100	100
Etonbrook Properties PLC	Great Britain	Non-trading	100	100
Northstar Property Investment Limited	Great Britain	Property	100	100
Panther (VAT) Properties Limited (formerly Northstar Properties Limited)	Great Britain	Property	100	100
Northstar Land Limited	Great Britain	Property	100	100
London Property Company PLC	Great Britain	Property	100	100
Eurocity Properties PLC	Great Britain	Property	100	100
Eurocity (Seaside) Limited (**)	Great Britain	Dormant	100	100
Eurocity Properties (Central) Limited (**)	Great Britain	Property	100	100
Eurocity Properties (Manchester) Limited (**)	Great Britain	Dormant	100	100
Oak Properties Limited (***)	Great Britain	Dormant	100	100
Oak II Properties Limited (***)	Great Britain	Dormant	100	100
Trio Properties Limited (***)	Great Britain	Dormant	100	100
Eurocity (Rugby) Limited (**)	Great Britain	Dormant	100	100
CJV Properties Limited (**)	Great Britain	Property	100	100

* 100% subsidiaries of Panther Shop Investment (Midlands) Limited
** 100% subsidiaries of Eurocity Properties PLC
*** 100% subsidiaries of Eurocity Properties (Manchester) Limited
**** 100% subsidiary of Surrey Motors Limited

18. Interests in associate

	M.R.G. Systems Limited £'000
At 1 January 2004	223
Share of post acquisition profit	37
At 1 January 2005	260
Share of post acquisition profit	104
At 31 December 2005	**364**

M.R.G. Systems Limited is incorporated in Great Britain. Panther Securities P.L.C. has a 37.5% holding in the M.R.G. Systems Limited. The principal activity of M.R.G. Systems Limited is that of electronic engineering.

Summarised financial information in respect of the Group's Associate is set out below:

	2005 £'000	2004 £'000
Total assets	**1,371**	2,210
Total liabilities	**(401)**	(1,623)
Net assets	**970**	587
Group's share of associates' net assets (based on draft accounts)	**364**	260
Revenue	**5,056**	2,384
Profit for the year	**383**	(9)
Current year share of associates' profit	**144**	35
Consolidation adjustment	**(40)**	2
Group's share of associates' profit within the year	**104**	37

19. Available for sale investments (shares)

	Non-current assets £'000	Current assets £'000
Cost or valuation		
At 1 January 2004	835	323
Additions	1,798	–
Revaluation increase	786	–
At 1 January 2005	3,419	323
Additions	7	100
Disposals	(313)	–
Revaluation (decrease)/increase	(66)	(13)
At 31 December 2005	**3,047**	**410**
Comprising at 31 December 2005:		
At cost	325	323
At valuation/net realisable value	2,722	87
Carrying amount		
At 31 December 2005	**3,047**	**410**
At 31 December 2004	3,419	323

The Group has not designated any financial assets that are not classified as held for trading as financial assets at fair value through the profit and loss.

The available for sale investments represent investments in listed and unquoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices.

The fair value of available for sale investments in unquoted equity securities can not be obtained and have therefore been measured at cost.

20. Inventories (stock properties)

	2005 £'000	2004 £'000
Property	**9,534**	9,755

The market value of stock properties is £13,670,000 (2004 - £12,417,000)

21. Capital commitments

	2005 **£'000**	2004 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts	**–**	–

22. Trade and other receivables

	2005 **£'000**	2004 £'000
Trade debtors	**2,495**	2,114
Bad debt provision	**(711)**	(510)
Other debtors	**1,105**	2,061
Corporation tax	**28**	98
Prepayments and accrued income	**279**	500
	3,196	4,263

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

23. Other financial assets

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits. The carrying amount of these assets approximates their fair value.

Credit risk

The Group's principal financial assets are bank balances and cash. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Materially all of the credit risk is with one counterparty in the United Kingdom.

24. Share capital

	2005 **£'000**	2004 £'000
Authorised		
30,000,000 ordinary shares of £0.25 each	**7,500**	7,500
Allotted, called up and fully paid		
16,998,151 ordinary shares of £0.25 each	**4,250**	4,250

The Company has one class of ordinary shares which carry no right to fixed income.

25. Capital reserves

	2005 £'000	2004 £'000
Share premium account		
At 1 January 2005 and 31 December 2005	**2,886**	2,886
Capital redemption reserve		
At 1 January 2005 and 31 December 2005	**571**	571

26. Retained earnings

	2005 £'000	2004 £'000
At 1 January	**42,164**	36,883
Retained profit for the year	**20,611**	6,091
Movement in fair value of available for sale investments (shares)	**(66)**	786
Deferred tax relating to the movement in fair value of available for sale investments (shares)	**20**	(236)
Dividends paid	**(2,804)**	(1,360)
At 31 December	**59,925**	42,164

27. Bank overdrafts and loans

	2005 £'000	2004 £'000
Bank loans due in less than one year	**187**	210
Building society loans due within more than one year	**3,551**	4,894
Bank loans due within more than one year	**43,011**	54,031
	46,562	58,925

Analysis of debt maturity	2005 £'000	2004 £'000
Repayable:		
On demand or within one year	**187**	210
In the second year	**199**	232
In the third year to the fifth year	**649**	3,776
After five years	**45,714**	54,917
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(187)**	(210)
Amount due for settlement after 12 months	**46,562**	58,925

27. Bank overdrafts and loans – *continued*

Bank loans Interest is charged as to:	**2005** **£'000**	**2005** **£'000**	2004 £'000	2004 £'000
Fixed				
HSBC Bank plc	**50,000**	**6.29**	6,250	7.94
HSBC Bank plc			12,500	7.81
HSBC Bank plc			6,250	7.06
HSBC Bank plc			10,000	6.23
HSBC Bank plc			6,000	5.855
Floating				
HSBC Bank plc	**(6,989)**		13,031	

At 31 December 2005 £31,990,000 (2004 - £20,969,000) had not been drawn down from facilities available until November 2011.

Bank loans of £50,000,000 (2004 - £41,000,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loans are secured by fixed and floating charges over the assets of the Group. Building Society loans are secured by legal charges over the related properties and other assets to the Group.

The Directors estimate the fair value of the Group's borrowings, by discounting their future cash flows at the market rate, to be as follows:

Long term borrowings	**2005** **£'000**	2004 £'000
Building society loans		
Repayable by quarterly instalments until December 2013 when a final capital payment of £274,500 falls due. Interest is charged at 1.3% above LIBOR	**1,797**	2,236
Repayable by quarterly instalments until July 2020. Interest is charged at 1.5% above LIBOR	**618**	644
Repayable by quarterly instalments until February 2016. Interest is charged at 7.45% fixed until February 2006 when it reverts to 1.5% above LIBOR	**370**	392
Repayable by quarterly instalments until May 2017. Interest is charged at 7.42% fixed until May 2011 when it reverts to 1.5% above LIBOR	**–**	866
Repayable by quarterly instalments until August 2017. Interest is charged at 7.41% fixed until August 2011 when it reverts to 1.5% above LIBOR	**578**	608
Repayable by quarterly instalments until August 2019. Interest is charged at 7.22% fixed until August 2006 when it reverts to 1.5% above LIBOR	**414**	431
	3,777	5,177

The Group does not trade in financial instruments. The main risks arising from the Group's financial instruments are those related to interest rate movements. Whilst there are no formal procedures for managing exposure to interest rate fluctuations, the Board continually reviews the situation and makes decisions accordingly. Hence, the Company will, as far as possible, enter into fixed interest rate loan arrangements. The purpose of such transactions is to manage the interest rate risks arising from the Group's operations and its sources of finance. The fair value of debt is not considered to be materially different to the book value.

28. Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Total £'000
At 1 January 2004	6,982
Debit to equity for the year	236
Credit to profit and loss for the year	(64)
At 1 January 2005	7,154
Credit to equity for the year	(20)
Charge to profit and loss for the year	3,876
At 31 December 2005	11,010

Deferred taxation arises in relation to potential capital gains on the Investment Properties and on the Available for Sale Investments (shares) – non current assets.

29. Trade and other payables

	2005 £'000	2004 £'000
Trade creditors	**327**	218
Social security and other taxes	**448**	242
Other creditors	**780**	409
Accruals and deferred income	**2,795**	2,976
	4,350	3,845

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amount of trade payables approximates their fair value.

30. Disposal of subsidiary

Disposal of Eurocity (Crawley) Limited	**2005 £'000**	2004 £'000
Fixed assets	**–**	3,000
Creditors	**–**	(130)
Loans	**–**	(1,732)
Dividend payable	**–**	(600)
	–	538
Intangible assets	**–**	222
Profit on sale of subsidiary	**66**	82
Costs on disposal	**–**	(124)
	66	718
Satisfied by		
Shares	**–**	325
Loan notes	**–**	325
Cash	**66**	68
	66	718

31. Parent Company Profit and Loss Account

As permitted under Section 230 of the Companies Act 1985, no profit and loss account is presented for the holding Company. The profit for the year after taxation for the holding Company before inter company adjustments amounted to £7,196,000 (2004 - £644,000) and after inter company adjustments amounted to a loss of £3,625,000 (2004 - £4,339,000).

32. Contingent liabilities

There were no contingent liabilities at the year end.

33. Operating lease arrangements

The Group as lessee	**2005 £'000**	2004 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**400**	153

Operating lease payments represent rentals payable by the Group for its office properties.

The above detailed rent is for the rent paid on the Groups headquarters Panther House. As well as the Group's operations being run out of this building it is also run as a business centre with circa one hundred licensees. Rental income from these licensees in 2005 was £451,000 (2004 - £423,000).

At the balance sheet date the Group had an outstanding commitment on the lease of Panther House of £1,466,000. Since the year end the group has activated its break clause within the lease which takes effect on 31 August 2006 and therefore the outstanding commitment will be £267,000.

At the balance sheet date the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		**Other**	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Expiry date:				
In less than 1 year	**257**	400	**–**	–
Between 1 and 5 years	**–**	257	**–**	–
In more than 5 years	**–**	–	**–**	–
	257	657	**–**	–

The Group as lessor

The Group rents out its investment properties under operating leases. Rental income for the Group is disclosed in note 4.

34. Events after the balance sheet date

In January 2006 the Group sold the majority of the Hawtin shares at 18.25p per share which, after costs, gave a profit of approximately £450,000.

In February 2006, the Group sold two more Scottish properties from the Eurocity portfolio, namely 22-24 Westburn Street, Greenock, for £700,000 and 70 High Street, Elgin, for £583,000. Both of these prices were slightly in excess of the latest valuations.

35. 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. Details of transactions within the Group and with other related parties are disclosed below.

	2005	2004
	£'000	£'000
Disposal of Symes Avenue – gross proceeds	**290**	–

The Symes Avenue property was sold in 6 lots at a public property auction on 18 July 2005. The 6 lots were all sold at the auction to various parties and total sale proceeds were achieved of £1.4m. Two of the smaller lots were purchased by Wenhedge Limited for a combined value of £290k at this auction. A. S. Perloff controls and runs Wenhedge Limited as a personal investment vehicle. The Group's Directors believe that market value was achieved for the Symes Avenue properties purchased by Wenhedge Limited as the disposal took place at a public auction.

36. Net assets per share

	2005	2004
	£'000	£'000
Total equity attributable to shareholders per 25p ordinary share	**398p**	293p

37. Reconciliation of the opening position per UK GAAP as previously reported to IFRS and changes in equity

	Share capital £'000	Share premium £'000	Revaluation reserves £'000	Capital Redemption £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2005 (under UK GAAP)	4,250	2,886	27,515	783	19,554	54,988
Changes in accounting policy:						
a. Negative goodwill	–	–	–	(212)	783	571
b. Deferred tax	–	–	–	–	(7,154)	(7,154)
c. Accrued dividend	–	–	–	–	680	680
d. Shares carried at fair value	–	–	–	–	786	786
e. Revaluation reserve	–	–	(27,515)	–	27,515	–
Balance at 1 January 2005 (under IFRS)	4,250	2,886	–	571	42,164	49,871
Movement in fair value of available for sale investments (shares)	–	–	–	–	(66)	(66)
Deferred tax relating to movement on fair value of available for sale investments (shares)	–	–	–	–	20	20
Profit for the year	–	–	–	–	20,611	20,611
Dividends paid	–	–	–	–	(2,804)	(2,804)
Balance at 31 December 2005 (under IFRS)	4,250	2,886	–	571	59,925	67,632

a) Under International Financial Reporting Standards (IFRS), any negative goodwill arising is required to be taken to the Income Statement. This has resulted in an increase in retained earnings by £783,000 under IFRS compared to UK GAAP.

b) Under IFRS, deferred taxation is required to be recognised on revaluation gains arising on investment properties. This has resulted in an increase in the deferred taxation provision of £7,154,000 under IFRS compared to UK GAAP.

c) Under IFRS, dividends declared after the balance sheet date should not be recognised as a liability at the balance sheet date. This has resulted in an increase in retained earnings by £680,000 under IFRS compared to UK GAAP (prior year). UK GAAP rules have recently changed so that the accounting treatment is now consistent with IFRS's regarding the treatment of declared dividends.

d) Under IFRS, gains and losses arising on revaluations of available for sale investments (shares) are taken directly to reserves as part of retained earnings. This has had an effect of increasing retained earnings by £786,000 under IFRS compared to UK GAAP.

e) Under IFRS, gains and losses arising on revaluations of investment properties are taken directly through the income statement as part of retained earnings. This has had an effect of increasing retained earnings by £27,515,000 under IFRS compared to UK GAAP.

37. Reconciliation of the opening position per UK GAAP as previously reported to IFRS and changes in equity – *continued*

Reconciliation of equity	At 1 January 2004 £'000	At 31 December 2004 £'000
Shareholders equity (under UK GAAP)	50,104	54,988
Adjustments:		
Negative goodwill taken to reserves	571	571
Deferred taxation provision	(7,189)	(7,154)
Accrued dividend	680	680
Movement in fair value of available for sale investments (shares) taken to equity	–	786
Shareholders equity (under IFRS)	44,166	49,871

Reconciliation of profit	31 December 2004 £'000
Profit on ordinary activities after tax (under UK GAAP)	1,534
Adjustments:	
Negative goodwill released in period	(221)
Revaluation of properties through Income statement	4,714
Deferred tax (charge)/release	64
Profit for the period (under IFRS)	6,091

Notes to the reconciliation of profit

The treatment of negative goodwill under IFRS has had the effect to decrease the reported profit by £221,000 under IFRS compared to UK GAAP at 31 December 2004.

The treatment of revaluation gains under IFRS has had the effect of increasing profit in the period to 31 December 2004 by £4,714,000 compared to UK GAAP.

The treatment of deferred taxation under IFRS has had the effect of increasing profit in the period to 31 December 2004 by £64,000 compared to UK GAAP.

Explanation of material adjustments to the cash flow statement

The treatment of items in the cash flow statement under IFRS has had no material effect on the overall cash flow position of the Group.

38. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2006.

Parent Company Balance Sheet

As at 31 December 2005

	Notes	2005 £'000	2005 £'000	Restated 2004 £'000	Restated 2004 £'000
Fixed assets					
Tangible fixed assets	40		**2,176**		1,156
Investments	41		**17,273**		17,490
			19,449		18,646
Current assets					
Debtors	42	**43,647**		48,962	
Investments	44	**410**		323	
Cash at bank and in hand		**12,836**		13,316	
		56,893		62,601	
Creditors: amounts falling due within one year	45	**(16,117)**		(15,331)	
Net current assets			**40,776**		47,270
Total assets less current liabilities			**60,225**		65,916
Creditors: amounts falling due after more than one year	46		**(43,011)**		(54,031)
Net assets			**17,214**		11,885
Capital and reserves					
Called up Share Capital	48		**4,250**		4,250
Share Premium Account	49		**2,886**		2,886
Revaluation Reserve	49		**1,005**		68
Capital Redemption Reserve	49		**571**		571
Profit and Loss Account	49		**8,502**		4,110
Shareholders' funds – All equity	53		**17,214**		11,885

Parent Company Cash Flow Statement

For the year ended 31 December 2005

	Notes	2005 £'000	Restated 2004 £'000
Net cash inflow from operating activities		**4,421**	6,210
Returns on investments and servicing of finance	50	**8,780**	2,036
Taxation		**–**	81
Capital expenditure and financial investment	50	**218**	(2,308)
Acquisitions and disposals	50	**(89)**	–
Equity dividends paid		**(2,791)**	(2,040)
Cash inflow before use of liquid resources and financing		**10,539**	3,979
Financing			
(Decrease)/increase in debt	50	**(11,019)**	12,198
(Decrease)/increase in cash in the year		**(480)**	16,177

	2005 £'000	Restated 2004 £'000
Reconciliation of operating loss to net cash flow from operating activities		
Operating loss	**(1,671)**	(1,473)
Depreciation of tangible fixed assets	**6**	12
Decrease in debtors	**5,315**	2,658
Increase in creditors	**771**	5,013
Net cash inflow from operating activities	**4,421**	6,210
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the year	**(480)**	16,177
Cash inflow from decrease/(increase) in debt	**11,019**	(12,198)
Change in net debt resulting from cash flows	**10,539**	3,979
Net debt at 1 January 2005	**(40,715)**	(44,694)
Net debt at 31 December 2005	**(30,176)**	(40,715)

39. Accounting policies for the Parent Company

The Parent Company financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

39.1 **Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and include the results of the Company's operations which are described in the Director's Report and all of which are continuing.

39.2 **Revenue recognition**

Turnover comprises:

(1) Rental income from tenancy occupied properties net of Value Added Tax where appropriate: The income is recognised on an arising basis.

(2) Sale of stock properties: This is recognised on the date that exchange of contracts becomes unconditional.

(3) Sale of current asset investments: This is recognised on the sale becoming unconditional.

(4) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial assets to that asset's net carrying amount.

(5) Dividend income from investments is recognised when the Company's rights to receive payment have been established.

39.3 **Deferred taxation**

Deferred tax is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Any assets and liabilities recognised have not been discounted.

39.4 **Investments**

Investments in subsidiaries and associated undertakings are stated at cost less any provisions for impairment. Current asset investments are valued at the lower of cost and net realisable value.

39.5 **Tangible fixed assets, investment properties and depreciation**

Investment properties are accounted for in accordance with SSAP 19, as follows:

i) investment properties are revalued annually by the directors and by independent professional valuers at intervals of not more than three years. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account in the year; and

ii) Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	–	25%	Straight line
Fixtures & fittings	–	10%	Straight line
Office equipment	–	15%	Straight line

39.6 **Prior year adjustment**

Under Financial Reporting Standard 21 "Events after the balance sheet date" dividends declared after the year end no longer meet the definition of a liability and are only recognised in the period in which they are declared and appropriately approved. The Company has therefore been required to restate the dividends proposed and receivable in previous years, and to include them in the current year as this is when they were paid and received.

40. Property, plant and equipment

	Investment Properties £'000	Fixtures and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2005	1,151	55	14	1,220
Additions	88	1	–	89
Revaluations	937	–	–	937
At 31 December 2005	**2,176**	**56**	**14**	**2,246**
Depreciation				
At 1 January 2005	–	50	14	64
Depreciation charge for the year	–	6	–	6
At 31 December 2005	**–**	**56**	**14**	**70**
Net book value				
At 31 December 2005	**2,176**	**–**	**–**	**2,176**
At 31 December 2004	1,151	5	–	1,156

At 31 December 2005, £400,000 (2004 - £110,000) and £1,776,000 (2004 - £1,041,000) included within the net book value of land and buildings relates to freehold and leasehold land and buildings respectively.

On the historical cost basis, investment properties would have been included as follows:

	2005 £'000	2004 £'000
Cost	**1,170**	1,082
Cumulative depreciation	**–**	–
Net book amount	**1,170**	1,082

If the investment properties had been sold at their valuation at 31 December 2005, there would be a liability to tax of £295,000 (2004 - £nil).

Costs relating to potential developments are included in additions to investment properties and in the year ended 31 December 2005 amounted to £87,000 (2004 - £nil).

The investment properties held at 31 December 2005 were revalued at their open market value as at that date by Donaldsons, Chartered Surveyors in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the R.I.C.S. The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £80,000 (2004 - £37,000).

41. Fixed asset investments

	Shares in Group undertakings £'000	Shares in Associated undertakings £'000	Other investments £'000	Total £'000
Cost or valuation				
At 1 January 2005	15,108	75	2,307	17,490
Additions	89	–	7	96
Disposals	–	–	(313)	(313)
At 31 December 2005	**15,197**	**75**	**2,001**	**17,273**
Investments				
Listed	–	–	2,001	2,001
Unlisted	15,197	75	–	15,272
	15,197	**75**	**2,001**	**17,273**

The above investments are shown at market value where these are readily available.
For details of the Company's subsidiaries at 31 December 2005, see note 17.

42. Debtors

	2005 £'000	Restated 2004 £'000
Due within one year		
Trade debtors	**9**	6
Amounts owed by Group undertakings	**43,489**	48,840
Other debtors	**96**	58
Prepayments and accrued income	**53**	58
	43,647	48,962

43. Investments in Associate

For details of the Company's associated undertaking (M.R.G. Systems Limited) at 31 December 2005 see note 18.

44. Current assets investments

	2005 £'000	2004 £'000
Listed investments	**87**	–
Other unlisted investments	**323**	323
	410	323

45. Creditors:

Amounts falling due within one year

	2005 **£'000**	Restated 2004 £'000
Trade creditors	**52**	87
Amounts owed to Group undertakings	**15,441**	14,258
Social security and other taxes	**46**	88
Other creditors	**120**	139
Accruals and deferred income	**458**	759
	16,117	15,331

46. Creditors:

Amounts falling due after more than one year

	2005 **£'000**	2004 £'000
Bank loans and overdrafts	**43,011**	54,031

The above loan is the drawn down element of the maximum £75,000,000 arranged loan facility available with HSBC Bank PLC. The maximum loan facility decreases to £72,000,000 on 30 November 2009 and to £69,000,000 on 30 November 2010. Under the current arrangement the entire facility is due to be repaid on 30 November 2011. Prior to this date it is likely that the Company would look for alternative financing or renegotiate its facility with HSBC Bank PLC.

Further information on this facility is available in the Group accounts Note 27.

47. Deferred taxation

The potential liability for deferred taxation not provided was as follows:

	2005 **£'000**	2004 £'000
Potential capital gains	**511**	235

48. Called up share capital

	2005 **£'000**	2004 £'000
Authorised		
30,000,000 ordinary shares of £0.25 each	**7,500**	7,500
Allotted, called up and fully paid		
16,998,152 ordinary shares of £0.25 each	**4,250**	4,250

49. Reserves

	2005 £'000	2004 £'000
Share Premium Account		
At 1 January 2005 and 31 December 2005	**2,886**	2,886
Capital Redemption Reserve		
At 1 January 2005 and 31 December 2005	**571**	571
Revaluation Reserve		
At 1 January	**68**	68
Revaluation on investment properties	**937**	–
31 December	**1,005**	68
Profit and Loss Account		
At 1 January	**4,110**	4,826
Profit for the year	**7,196**	644
Dividends	**(2,804)**	(1,360)
31 December	**8,502**	4,110

50. Reconciliation of operating profit to operating cash flows

	2005 £'000	2004 £'000
Analysis of cash flows for headings netted in the cash flow statement		
Returns on investments and servicing of finance		
Interest received	**874**	419
Interest paid	**(2,950)**	(3,064)
Interest element of finance lease rentals	**–**	(342)
Income from investments	**10,856**	5,023
Net cash inflow for returns on investments and servicing of finance	**8,780**	2,036
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(89)**	–
Purchase of fixed asset investments	**(7)**	(2,308)
Sale of fixed assets investments	**314**	–
Net cash inflow/(outflow) for capital expenditure	**218**	(2,308)
Acquisitions and disposals		
Purchase of minority interest	**(89)**	–
Net cash outflow for acquisitions and disposals	**(89)**	–
Financing		
(Decrease)/increase in debt	**(11,019)**	12,198
Net cash (outflow)/inflow from financing	**(11,019)**	12,198

50. Reconciliation of operating profit to operating cash flows – ***continued***

	At 1 January 2005 £'000	Cash flow £'000	At 31 December 2005 £'000
Net cash:			
Cash at bank and in hand	13,316	(480)	**12,836**
Debt:			
Due after more than one year	(54,031)	11,019	**(43,012)**
	(54,031)	11,019	**(43,012)**
	(40,715)	10,539	**(30,176)**

51. Other commitments

At 31 December 2005 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2005 £'000	2004 £'000
Expiry date:		
Between 1 and 5 years	**3**	3

52. Related party transactions

There were no related party transactions during the period.

53. Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Profit for the year	**7,196**	644
Dividends	**(2,804)**	(1,360)
Other recognised gains and losses during year	**937**	–
Opening shareholders' funds	**11,885**	12,601
Closing shareholders' funds	**17,214**	11,885

Retained reserves include an amount of £937,000 (2004 - £Nil) relating to undistributable reserves.

Notice of Annual General Meeting

PLEASE NOTE CHANGE OF VENUE

Notice is hereby given that the 72nd Annual General Meeting of Panther Securities P.L.C. will be held at the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY on 21 June 2006 at 11.30 for the following purposes:-

As Ordinary Business

1. To receive and adopt the Directors' Report, Remuneration Report and Financial Statements for the year ended 31 December 2005.

2. To authorise the payment of a final dividend of 5p per ordinary share.

3. To re-elect:
   i. A. S. Perloff, who is retiring by rotation, as a Director.
   ii. S. J. Peters, who is retiring due to it being his first period in office, as a Director.
   iii. J. T. Doyle, who is retiring due to it being his first period in office, as a Director.
   iv. J. H. Perloff, who is retiring due to it being his first period in office, as a Director.

4. To re-appoint the auditors Nexia Smith & Williamson and to authorise the Directors to determine their remuneration.

As Special Business

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:-

That:

5. The Directors be generally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities within the terms of the restrictions and provisions following, namely:–

   (i) This authority shall (unless previously revoked or renewed) expire two years after the date of the passing of this resolution.

   (ii) This authority shall be limited to the allotment of relevant securities up to the aggregate nominal amount of £2,400,000.

To consider, and, if thought fit, pass the following resolutions as Special Resolutions of the Company:–

6. That, subject to the passing of resolution 6, the Directors be empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by resolution 6 as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:

   (i) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities attributable to the interests of all such ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject to such exclusions or variations or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the law, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever); and

(ii) to the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £211,838

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or the date which falls 15 months from the date of passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired and that on this authority coming into effect all existing authorities conferred on the Directors pursuant to section 95 of the Act be cancelled (such cancellation not to have retrospective effect).

7. That the Company be and is hereby authorised to purchase its own shares by way of market purchase upon and subject to the following conditions:–

   (i) The maximum number of shares which may be purchased is 2,500,000 ordinary shares of 25p each;

   (ii) The maximum price at which any share may be purchased is the price equal to 5 per cent. above the average of the middle market quotations of an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased shall be the par value of such share; and

   (iii) The authority to purchase conferred by this Resolution shall expire at the conclusion of the next Annual General Meeting of the Company provided that any contract for the purchase of any shares as aforesaid which was concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires.

8. That the directors be authorised to make a payment of £25,000 by way of donation to the Conservative Party.

By order of the Board

S. J. Peters
Company Secretary

Panther House
38 Mount Pleasant
London WC1X 0AP

Dated: 27 April 2006

Notes:

1. Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint a proxy to attend and vote in his stead. Such a proxy need not also be a member of the Company.
2. A proxy form is enclosed. Completed forms must be deposited at the address shown on the form not later than 48 hours before the meeting.
3. A statement of all transactions of each Director and his family interests in the share capital of the Company will be available for inspection at the Company's registered office during normal business hours from the date of this notice up to the close of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
4. No Director is employed under a contract of service.

Shareholder Notes

Shareholder Notes

Panther Securities

Form of Proxy

I/We ....

of ....

being (a) member(s) of the above-named Company, HEREBY APPOINT Mr. Andrew Stewart Perloff, whom failing Mr. Simon Jeffrey Peters, whom failing the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 21 June 2006 and at every adjournment thereof. (If you desire someone else to act as your proxy delete these names and insert the name of the proxy desired). This form is to be used.

Ordinary Resolutions		**For**	**Against**
1.	To adopt the Directors' Report, Remuneration Report and Financial Statements for the year ended 31 December 2005.	☐	☐
2.	To authorise the payment of a final dividend of 5p per ordinary share.	☐	☐
3i.	To approve the re-election of Mr. A. S. Perloff as a Director.	☐	☐
3ii.	To approve the re-election of Mr. S. J. Peters as a Director.	☐	☐
3iii.	To approve the re-election of Mr. J. T. Doyle as a Director.	☐	☐
3iv.	To approve the re-election of Mr. J. H. Perloff as a Director.	☐	☐
4.	To re-appoint the auditors Nexia Smith & Williamson as auditors.	☐	☐
Special Business			
5.	To authorise the directors to exercise all the powers of the Company to allot relevant securities in accordance with Section 80 of the Companies Act 1985.	☐	☐
6.	To authorise the directors to disapply the pre-emption provisions of Section 89 of the Companies Act 1985.	☐	☐
7.	To authorise the directors to exercise the Company's powers to purchase its own shares by way of market purchase in accordance with the Companies Act 1985.	☐	☐
8.	That the directors be authorised to make a payment of £25,000 by of donation to the Conservative Party.	☐	☐

As witness my/our hand this .... day of 2006

Signatures(s) ....

Notes:

Please indicate how the proxy is to vote by inserting "X" in the appropriate box opposite each resolution. Unless otherwise instructed the proxy will vote or abstain from voting, as he thinks fit.

A corporation should execute its proxy under its common seal or under the hand of a duly authorised officer or attorney.

Proxies should be lodged with the Registrars not later than forty-eight hours before the day and time of the meeting.

A proxy need not be a member of the Company.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB 122

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Capita Registrars (Proxies)
P.O. Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

THIRD FOLD

Panther Securities P.L.C.
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38 Mount Pleasant
London WC1X 0AP