Panther Securities P.L.C.

Annual Report &
Financial Statements 2006

The Year in Brief

	2006 £'000	2005 £'000
Revenue	**9,722**	8,498
Profit before tax	**9,269**	26,549
Profit attributable to members	**7,387**	20,611
Net assets of the Group	**73,269**	67,632
Earnings per 25p ordinary share	**43.5p**	121.3p
Dividend per ordinary share (based on those declared in the financial year)	**12.0p**	20.0p*
Net assets attributable to ordinary shareholders per 25p ordinary share	**431p**	398p

* Includes special 10p dividend

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
		Kaupthing Singer & Friedlander 1 Hanover Street, London W1S 1AX
		WestLB AG Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA
		Anglo Irish Bank Corporation PLC 1 Marsden Street, Manchester M2 1HW
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		Oberman Law 15 Southampton Place, London WC1A 2AJ
		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 pleased to report excellent profits for the year ending 31 December 2006, which amounted to £9,269,000 (before tax) compared to £26,549,000 (before tax). In 2005 there was a larger revaluation surplus of £22,537,000, as against £6,081,000 in 2006.

Rental income receivable over the year fell from £8,099,000 in 2005 to £7,510,000, due to our deliberate and continued policy of selling some of our mature investments.

Disposals

To this end we have been selling the majority of the investments that came with the acquisition of Eurocity Properties PLC in 2002. Whilst there has been little rental growth since that time, yield compression has generated good profits over their then cost. During the year under review, we have sold 22 Westburn Street, Greenock; 70 High Street, Elgin; 30 High Street, Paisley and 206/208 Main Street, Barrhead. The total sales proceeds were £3,357,000 which was well above last December 2005 valuation.

In February 2006, we sold virtually all of our Hawtin PLC shareholding, which gave us a profit of approximately £480,000. Shareholders may recall that we acquired 15% of Hawtin PLC at a cost of £1,488,000 in June 2004. A year later (June 2005), we started discussions with Hawtin's board with a view to our making an agreed offer for the company. By November 2005, it was announced that an agreement could not be reached. Shortly thereafter, we were approached by a prospective purchaser for our holding, the sale of which was successfully concluded in February 2006. We purchased Hawtin at 13p per share and sold the majority of our shares at 18¼p per share – a good profit. The balance was sold later in the year at a slightly lower price. The overall profit on these shares was £497,000.

In November 2006, we submitted our freehold parade of shops in Victoria Street, Wolverhampton for sale by auction as individual shop units. This property was potentially subject to a Compulsory Purchase Order and we preferred not to wait. We sold approximately half the parade for a total of £1,025,000. This property was held as trading stock and shows a good profit on cost. We expect the balance of the property to be sold either by way of Compulsory Purchase or privately within the course of the next year.

Acquisitions

In March 2006, we bought a freehold property in Queens Road, Southend-on-Sea, for a total cost of £990,000. It comprises a quadruple shop and upper parts of over 11,000 square feet, close to the High Street, which is the prime retail area and is let to HMV PLC on a lease that expires in one year's time. The current rent is £57,000 per annum.

In June 2006, we acquired a freehold double shop and upper parts at 182/184 Northdown Road, Cliftonville, Kent. It is close to some of our existing properties and was acquired at a cost of £410,000. This is let to W H Smith PLC, who entirely sub-let at a profit rent.

In the same month we acquired the freehold shop and upper parts at 25 Guildhall Street, Folkestone, for approximately £232,000. It is sited between 21/23 and 27 Guildhall Street, Folkestone, which are properties we have owned for some time. We are in the final stages of a major rebuild of No 27 to provide thirteen residential units in the upper parts. We have also converted the upper part of No 23 into three self-contained residential units. The residential properties are currently being marketed for sale and should achieve a respectable profit on cost.

In July 2006, we received planning permission for twenty flats on our freehold site at High Street, Ramsgate, and are currently investigating the most profitable way for us to deal with this asset.

Investments

Elektron PLC

We continue to retain our substantial holding in Elektron PLC, who recently took over another small AIM Listed company. Their acquisition enabled us to purchase and leaseback factory property in February 2007, which I will mention later.

Real Estate Investors PLC

We continue to hold our investment in this AIM Listed property company, indeed it was increased when we accepted £200,000 worth of their shares as part payment for the property in Paisley which we sold to them for £1,100,000 in August 2006. Currently REI's shares are quoted in the market in excess of our cost.

M.R.G. Systems Limited

This company, which I mentioned in my Interim Statement, is now classed as a subsidiary company as we now own 72%. This year has seen a loss of £177,000, but we hope for a recovery in the year ending 31 December 2007. We give more details within the Operating and Financial Review and within the notes to the statutory accounts.

Finance

Loan Facility

In September 2006, we entered into new swap agreements which came into effect in December 2006 as follows:

£50 million of the loan facility was previously fixed at 5.29% (plus the bank's margin) until 2011. The Group entered into swap agreements, at no cost to the Company, with £25 million of the loan facility fixed at 4.9% (plus the bank's margin) until 2021 and a further £25 million now fixed at 4.63% (plus the bank's margin) until 2011, with HSBC having the right at the end of this period to extend the latter swap agreement at 4.63% for a further 10 years. These arrangements will reduce annual interest costs by approximately £260,000 in 2007.

We felt much of the investment property offered to us was unable to produce sufficient return or prospects, and thus we were not fully utilising the £75 million loan facility arranged in 2004. The loan facility had a commitment fee of 0.5% per annum on the unutilised balance. Therefore we reduced the available facility by £32.5 million to £42.5 million from February 2007, at no penalty cost, reducing the future annual commitment fee payable by £160,000.

Of the remaining £42.5 million facility, £7.5 million remains undrawn and available without providing additional security.

Whilst it is, of course, irritating to pay facility and legal fees for finance arrangements that are then cancelled, I have no doubt that should we require extra finance, it could be arranged quickly. The Board consider it better to save money now.

Post Balance Sheet Events

In February 2007, we purchased four freehold factories, occupied by recently acquired subsidiary companies of Elektron PLC, for a cash consideration of £4,600,000 (including purchasing costs) and entered into leaseback arrangements at a total annual rental of £343,500. These factories have a total net lettable area of 120,000 square feet on seven acres of land. 14,000 square feet are vacant, with the potential for an additional rental income of £50,000 per annum, and are situated at Tenbury Wells, Worcestershire; Princes Risborough, Buckinghamshire; and Clacton-on-Sea, Essex.

In February 2007, we sold at auction the following properties, most of which sales have now been completed: 191-199 Rushey Green, Catford, London; Hainton House, Hainton Square, Grimsby; 74 Kilmarnock Road, Glasgow; 63/65 High Street, Dumbarton; Unit 1, 4 High Street, Paisley; and Unit 2, 4 High Street, Paisley.

These properties, which were producing £246,000 per annum, were sold for gross proceeds of £4,986,000 and the Group expects the profit on disposal to be approximately £1,250,000 in excess of the total values as shown in these accounts.

General Overheads

Overheads include £460,000 paid to me, £350,000 of which was the third year final bonus that was paid to enable my salary to catch up with the success of my personal pension fund and thus enable me to receive my full entitlement. I previously waived over £400,000 in dividends, but, as a further act of penance for having taken so much, I am waiving my salary for this current year, and I consider this a symbolic tax strike, which I hope others will follow.

This will reduce the Company's overheads by £519,000, but also reduce the Exchequers 'Income and NIC' tax take by £243,000.

Dividends

An interim dividend of 6p per share was paid on 26 June 2006, and your Board is recommending a final dividend of 6p per share (making a total of 12p per share), for the year ending 31 December 2006.

In view of the current year's progress, we propose to pay an interim dividend of 6p per share which will be paid on 28 September 2007.

Political Donation

Once again I have requested that a resolution be presented to shareholders to donate £25,000 to the Conservative Party as I consider they are likely to be more beneficial for business than the current administration who have once again surreptitiously introduced an effective stealth tax by removing property relief on all vacant commercial properties from next year. I of course will not vote my personal interest on this resolution.

Prospects

In the mid 70s, when I was a young man making my way in the property world, I was taking a short holiday at a family hotel in Bournemouth. The friendly and casual atmosphere meant we often sat with strangers for our meals. One such afternoon at tea, whilst sitting with an elderly couple, I was asked what business I was in. I explained I was an estate agent and aspiring property dealer. My new found friends pointed across the room and said "That man over there owns £100 million pounds worth of property". "WOW!" I replied, you must remember that at that time a four bedroom detached house in most parts of London could be purchased for £25,000 or alternatively a small flat in Fulham would cost £5,000. I was truly impressed – however, I then thought about it and pointed out to my new friends that I had noticed that that particular guest over the last week was the most miserable and depressed looking person in the hotel – "Ah yes" they said, "he has a small problem, he owes £200 million pounds" and indeed within a year this man had made headlines as England's biggest personal bankrupt. There was no question of fraud, he had merely bought at top market prices and borrowed heavily from many different sources wherever he could and was being wiped out when interest rates went up and property values down and some of the lenders wanted and needed their money back.

A further story I recall being told is that if a frog jumps into a pot of very hot water, it immediately reacts and jumps out and no harm comes to it. However, if it jumps into a pot of cool water that is being heated slowly to boiling point, it is unable to sense the continuing small changes and eventually gets cooked to death. I fear this is what is happening to many highly borrowed investors with rising interest rates and, like the frogs, will finish up as "Grenouilles en Beurre" – or as we say over this side of the Channel, "in the soup".

Whilst it is the Board's view that the commercial and residential market may have reached a peak we consider that we are in an extremely sound and liquid financial position to take advantage of any interesting opportunities that may come our way.

Once again I have separated my personal ramblings which follow this statement and are not strictly related to our operations so that those shareholders who are not interested in my views can ignore them.

Finally I would like to thank our small dedicated team of staff, our financial advisers, legal advisers, agents, accountants and, of course, our tenants – to all of whom I am most grateful.

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

A. S. Perloff
Chairman

30 April 2007

Chairman's Supplement

The Ten Commandments!

Sometimes it helps to consider what was written in the Bible to see if it has any relevance to modern times. An interesting story is told in Exodus of Moses, who led 600,000 of his people out of bondage in Egypt when ruled by Pharaoh.

After much travel through deserts, waste and barren lands, Moses reached the foot of Mount Sinai, upon whose peak God sat and He ordered Moses to come up. I imagine the meeting going something like this.

Moses: "Oh Great and Mighty God I prostrate myself before Thee to give thanks for freeing my people from slavery in Egypt, for providing sustenance in the wilderness, for guiding us though deserts, for defeating Pharaoh's armies, for…..

God: "Oh, Mo, Mo, enough! Stop the lauding. I know what I've done for my people and although I am mighty pleased with the fine job you've done under my guidance –what do you want NOW?"

Moses: "My people have been slaves for a hundred years, they only know a Pharaoh's edicts – they do not have their own laws to allow them to live in harmony with each other. They love and fear Thee, so can the Almighty bless us with some of our own laws. But oh mighty one, my people are a simple people who, as slaves, had no time for education or learning table manners!"

God: "OKEY DOKEY Mo, I get the gist – education, education, education. So that your people are not hit by my most fearsome 11th plague which I did not need to use on Pharaoh, I will give you just 10 Commandments, each simple to understand, but all encompassing for a happy and good life between man and his neighbour. I will set them in stone as a sign that they will be everlasting. Take them down to our people and teach them the wisdom of My words!

Well, Moses did just this, and for the next three and a half thousand years or so, most of human civilisation lived by these laws which God had carved in stone.

However, approximately 70 years ago, a great evil arose in middle Europe and its tyranny caused war and destruction around the world. After the forces of evil had finally been defeated and Europe had begun its great reconstruction, the leaders of the devastated middle Europe nations worried about the monumental death and destruction caused by "Nationalism", decided (in a spirit of well meaning) to join the mid Europe countries together into one happy European Community of trading partners thus creating – a new omnipotent, powerful deity. This new community needed many new laws for their subjects, which were created, and thus unwittingly was released the 11th plague, the most fearsome of all plagues, LAWYERS AND LAW-MAKERS – for new Laws begat Lawyers, Lawyers begat Law-makers, Law-makers begat New Laws *ad infinitum*. Thus, for the next 50 years to the present day, not one week passes without new edicts of thousands of words and hideous complexity being passed and becoming harsh new laws, the observance of which require heavy taxes to oversee. The simple people do not fully understand but are beginning to feel heavy burdens and that they are once more being driven back into slavery. No longer under the Pharaohs, their Taskmasters are now called "Commissioners".

It is perhaps, worth mentioning that the Ten Commandments given to Moses by God needed only 120 Hebrew words, whereas our new Overlords have given us over 1,000 words on how we buy, sell, weigh, measure or describe BANANAS.

The Four Horsemen of the Apocalypse

The last book of the New Testament is "Revelations" and mainly deals with mysteries, myths and portents, written with such vagueness that it allows for huge latitudes of interpretation. One small part of this Book tells of four horses that ride signifying the end of the world, often described in times of old or painted by the old masters as the four horsemen of the apocalypse.

I think this story is now ripe for updating, and imagine it could easily be translated as the financial apocalypse and my biblical version would read as follows:

From the West, one bright and sunny day, a pale white horse rides fast bestrode by a beautiful smiling siren with long flowing hair clothed in diaphanous white silk. She is bedecked with luxurious handbags, magnificent shoes, strings of pearls and jewellery and carrying fully laden bags of gold.

From the North comes the second Horse, of two different colours. The front half is pale, the back is dark. Its rider has an enormous golden body and stomach shaped like an egg showing a map of the world sequined in precious stones. The body has two heads and two pairs of arms and legs – one head and one pair of arms and legs face to the front, and the other set faces the back. It gallops apace to be alongside the first Horse.

From the East comes the third Horse, glowing red, ridden by a Cossack, who shows off his consummate skill by riding low to one side or the other, or even beneath the Horse, so that he can easily conceal himself from view. This Horse, too, rides up to gallop alongside the other two horses, and there are now three.

Finally, suddenly, as though from nowhere, a fourth black Horse appears, with wide open staring eyes, ridden by a blindfolded skeleton carrying a scythe. It joins the others and they ride furiously, causing a great and powerful wind, which billows forth and blows round the known world, with devastating consequences for all mankind.

These are the four Horsemen of the Financial Apocalypse – their names are DEBT, DIVORCE, DECEIT and DISASTER, and the wind is called the GREAT PANIC.

Of course, only I can interpret the meaning of these writings, which would be as follows:

The first pale white horse is Debt. This seductive siren symbolises the attraction of Debt, which empowers people to acquire objects, assets, businesses, designer clothing, fast cars, bigger homes – on other people's money at minimal initial cost – often before they can really afford them. The speed of the horse signifies how fast Debt moves upward and can get out of control.

The second horse is called Divorce, not the marital type of divorce, but the divorce of risk and reward of wealth and capital from its true owners and the managers who manage business ventures or investment on their behalf.

This horse is a two coloured horse so that on whichever side you are standing you see a different colour. It is ridden by two riders, one facing forward and one facing back. Neither can see what the other is doing. The two riders share one golden body with a world atlas encrusted in jewels, thus symbolising the wealth of the world, shaped like an egg, indicating the creation of all enterprise. This horse is symbolic of how the rewards and risks of ownerships and the management of capital have been completely divorced from each other. This is the current situation where those who manage huge corporations are rarely accountable to the owners – be it by virtue of unaccountable institutional shareholders or even many nominee shareholders forced to hold their fractional ownership outside of their own name because of the tax system, and therefore having little knowledge of what the management are doing. The banks who pay grotesquely excessive bonuses to their trading employees who personally risk nothing with their gambles yet take a heavy percentage of the reward for short-term success when the risks are long-term. This reward system, being an encouragement into bigger risks, also persuading clients to the bigger deal as the clients' management are also financially rewarded for success or size but rarely punished for failure. "Hedge Funds" take this scenario to the extreme.

Thus the natural caution of risking one's own money is removed when management, (which devises its own structure of reward) and capital owners, are facing different and opposite direction.

The third horse is red and called Deceit. The method of riding is indicative of deceiving the watcher as to what its true purpose is. Our current Deceit starts high up in government with false or misleading figures on practically anything it presents to the public, with an uncanny skill to obscure as much as possible. Many companies' accounts can be enhanced or otherwise and the true figures not easily noticed because of the way accounts are becoming far more complex and constantly changing, making it easier to obfuscate. Deceit can also be just the concealment of the massive risks that managers take by deliberate complexity. The red horse and Cossack are also symbolic for Russia, where huge fortunes have arisen very quickly and mostly obscurely but having arrived here quickly, can move away just as quickly.

Then there are the tens of thousands of people giving false information on their mortgage or credit card applications to achieve bigger loans. And finally, the two million people who are fiddling the DHSS, individually, undoubtedly in comparatively paltry amounts but which in total are huge.

The last horse is called "Disaster". The blindfolded skeleton symbolises death and destruction, and the scythe symbolises that it cuts down the mighty and the meek, the young or old, rich or poor, healthy and strong or ill and weak, without discrimination.

The Disaster which comes may have a natural cause, such as a huge volcanic eruption, or a massive movement of tectonic plates causing another huge tsunami or submerging San Francisco beneath the sea, or even a large meteorite landing on New York or London (or if small, hopefully Brussels or Westminster!) or a politically inspired one of war or a massive financial mistake or even a possible deliberate currency sabotage of the dollar by China, the biggest Disaster risk is likely to be from some of the huge financial bets hidden behind hedges going badly wrong and which happen simultaneously, will produce the fourth horse.

The first three horses are already out there riding; but if the fourth horse Disaster suddenly arrives the conditions for the myth to explode into reality and for the Great Wind of Panic to blow around the world at computer-like speed create "THE FINANCIAL APOCALYPSE".

And now to continue with some of my personal experiences…..

Feeding Time for Jemima

In the early 70s I bought a double corner shop and upper part in Bermondsey Street, near London Bridge Station. The property was occupied as a grocery shop/sub-post office and the upper part as a small flat and let separately. My particular interest was that the property was in an area zoned for office use and I felt we could redevelop for a good profit. The shop tenant was very happy to leave with a small payment. I thus arranged to visit our other tenant, whom I assumed would be happy to leave the flat for a good premium, because she had written to us on numerous occasions complaining of leaking roof, damaged draughty windows, poor décor etc etc.

I went to visit the tenant with my brother Harold, as arranged, late one morning. Having received so many complaints, we were pleasantly surprised to be warmly greeted by a young woman of comely and casual appearance, noticeably devoid of make-up but not unattractive. She invited us in and made cups of tea for us. After a half hour's general conversation, during which she explained she worked for the social services department of the local council. It became clear she was not likely to move as she felt landlords had a duty to provide flats for people at nominal rents and carry out huge repairs and improvements for no profit – indeed, her political views were slightly to the left of Karl Marx, whereas at that time mine were slightly to the right of Genghis Khan. Whilst I was pondering this impasse, I suddenly heard a baby crying in a small cot in the corner of the room that I had not previously noticed.

Our tenant told us it was baby Jemima's feeding time, and do we mind if she fed her. Well, of course, being a man of the world I knew it only took four or five minutes to heat up milk in a baby bottle or a small jar of Johnson baby food, so of course I said yes and began working out my new strategy to suggest how wonderful it is for small children to live in a flat or house with a small garden away from the filth and grime of Central London.

The tenant picked up Jemima, sat back in her armchair, suddenly pulling open her thick woolly cardigan and pulled out an enormous white breast. Both Harold's and my eyes and Jemima's mouth were drawn like magnets to her enormous bosom. I think I went red with embarrassment and quickly decided that a strategic withdrawal was called for. I thus suddenly remembered an early afternoon appointment and together with Harold swiftly left the flat. We never managed to carry out our desired redevelopment, thus one small development for mankind was defeated by one woman's strategic use of her massive weaponry.

A Man and a Van

Some years after my Bermondsey Street failure, I was dealing with a vacant double lock-up shop in Rye Lane, Peckham, a busy but secondary position. This was a middle pair of four lock-up shops. A local resident, who wanted to run a second-hand goods shop, did not impress me with his idea, but it had been vacant for some time, so I suggested that our prospective tenant should come into the office and convince me of his abilities to run a shop when he had not been in business before.

He and his partner in both meanings of the word, arrived as arranged. They could have been sent in by MGM Central Casting Department. He was 6'4", tall, dark, good-looking and wearing a shiny dark suit over a T-shirt with muscles bulging everywhere. While pleasant of manner, there was a slight air of menace about him, which would have made him ideal for the slick New Orleans nightclub owner villain in a Bond film.

His "partner" was obviously up for a "Ziegfeld Follies" front line chorus dancer. She was medium height, long, beautifully coiffured blonde hair, with near perfect figure, partially clothed in a low cut top and short skirt and very pretty, in a slightly over made up sort of way.

They sat down in front of my desk, and I of course gave her the best office chair.

He commenced telling me his business plan. He owned his own large van and worked freelance for movers, especially for auctions, and had experience of house clearances and felt he could sell much of the furniture which cost him very little at good prices if he had a shop. He explained his "partner" was a hairdresser who managed a shop opposite having a lot of time free, so between them, they would be able to run the shop. This sounded plausible, and I was saying so, when I noticed his pretty partner was no longer tense and began to relax and lay back in our best office chair, not realising its ability to stretch backwards. She fell back, and her legs flew into the air, and in a flash, I realised she was not one of Marks & Spencer's favourite item customers. My words seemed to get all confused, and I quite lost my thought processes and forgot about the usual references, my thoughts strayed elsewhere. I let them have the shop.

Anyway, all went well for about a year or so, despite the tenants on either side complaining that he was using their forecourt as well as his own, and when asked not to, he threatened them. I said write in and I will try and deal with the problem. They didn't.

When the rent was over three months' in arrears, we phoned him and wearily he explained that times were difficult because his hairdressing partner had given him the "brush-off" and gone back to her parents in Tunbridge Wells. We gave him a little more time, but matters just got worse. He had stock in the shop, so we instructed bailiffs. They failed, and the bailiff told us they would not go there again as he was "too tough" for them. However, eventually matters sorted themselves out when "the Long Arm of the Law" dealt with him. Apparently he had been carrying out one or two "house clearances"….. without the owner's permission!

An Optical Illusion

Many years ago, when we still owned the manufacturing optical business, which occupied most of Panther House, and having over one hundred employees, I was often surprised at the diligence, keenness and enthusiasm of the staff, despite the fact that we were obviously a loss-making and dying business.

I was particularly impressed with the senior factory floor manager, who often worked late to check the machines. Likewise, I was pleased to see the accounts manageress, also working late checking that all the accounts were correct and went out on time. It was extremely gratifying to see such dedication.

It was not until some time after my initial pride in our dedicated workers, when the account manageress left the company that I found out that although working late and "on the job", they weren't on the job they were being paid for.

The factory manager volunteered the information that their illicit liaison (carried out in my office, as it had the only settee!) had caused both of them terrible matrimonial problems, and he apologised for the poor performance of the works department and accounts mistakes, which he said were due to their personal problems, which meant they both couldn't concentrate on their particular duties. It was indeed true we had been having extremely difficult production problems, and many of our accounts had been wrong, which added to the losses we were making, was one of the many reasons which helped us to decide to sell the optical business, which we successfully achieved.

Modern Times

Once again, I can hear murmurs, saying "slightly amusing stories, but what's the relevance to our business or the bee in his bonnet about incompetent Government?" Well, despite my sadly limited experience in these matters, it seems clear to me that whenever there is some sexual involvement in decision-making, common sense seems to fly out of the window. This, of course, brings me back to REVELATIONS. But, of course, of the most modern kind which have been revealed to us courtesy of our wonderful "Free Press", who have paid handsomely to reveal the stories to us all.

We have been regaled with stories of: a former, seemingly dull, Prime Minister BONKING a frizzy haired harridan cabinet colleague; a podgy Deputy Prime Minister BONKING a second-class civil servant (reputedly in a second-class sort of way); a blind Home Secretary, who was unable to see that the attractive secretary he was BONKING was already married and a journalist of the opposite political persuasion; a former Foreign Secretary announcing to the world that he was BONKING his secretary before telling his wife, a former Defence Secretary BONKING (wholesale) an entire female family coven; a former Director of Public Prosecutions having to resign for BONKING those he was meant to prosecute; a current Director of Public Prosecutions BONKING a junior Barrister in chambers, where he may be able to give financial favours; one MP caught on Clapham common looking for someone to BONK; one former married Heritage Minister sportily BONKING an unknown actress, who promptly sold her story to achieve fame; one sad politician who accidentally committed suicide trying to BONK himself and of course there was the lying literary, Lord who served an harsh penal sentence because he lied about his twilight BONKING habits to some judges.

That brings us to the immigrant senior immigration judge, who was BONKING a female senior immigration judge, indeed, so vigorously, that she needed over a year's sick leave (on full pay, of course) and he, thus not fully sated, turned to their illegal immigrant (possible cash-in-hand) cleaner, to spice up his BONKING, only to have her polish off his career prospects with a touch of South American blackmail.

I of course must apologise to all the others who may feel slighted that they have been left out of this catalogue of our administrators' peccadilloes, all of whom almost certainly would have been severely distracted from the jobs for which they are well paid, pension protected and featherbed expensed, incompetently doing on our behalf.

Of course I have forgotten one very large group of people who are being well and truly BONKED – us, the increasingly over-burdened TAXPAYER.

The final question is whether the world has gone BONKERS, **or is it just me**?

Andrew S Perloff

30 April 2007

Operating and Financial Review

Key features of the year

The year ended 31 December 2006 was a good year for Panther, the disposals during the year of investment shares and properties produced satisfactory profits. The Group used its cash funds to reduce its loans by an additional £8m (2005 - reduced by £12.4m) this being the second year that Panther has chosen to reduce its gearing. At the end of the year Panther also negotiated significantly better fixed rates which now leave the finances of the Group in a very strong position.

M.R.G. Systems Ltd ("MRG")

As explained by the Chairman in his interim statement, following the share buy back for cancellation, MRG is now a subsidiary of Panther Securities PLC and no longer treated as an associate. The accounting rules for a subsidiary are significantly different to those for an associate, so that the results of MRG's are combined with the Group on a line by line basis within the Income Statement and Balance Sheet. Previously, as an associate company the Group's share of MRG's profit or loss were shown as a single figure in the Income Statement and the Group's share of the Company's assets were also shown in a single line on the Group's Balance Sheet.

This change has had a material effect on the presentation of the figures within the income and expense categories in the Income Statement, with administrative expenses and cost of sales appearing to have grown and revenue appearing to be higher, when compared with the equivalent figures for last year due to the above. However had MRG been treated this year as an associate, the net profit for the Group would still have been the same as reported.

Rental income

As commented upon by the Chairman in his statement, rental income (turnover excluding the sale proceeds of stock properties and sales made by subsidiary MRG) is down by over £0.6m when compared to 2005 due to the sale of mature property investments.

Key Ratios

	2006	2005
Net Profit Margin		
(Net profit*/ turnover)	**46%**	53%
Gearing		
(debt/(debt + equity))	**34%**	41%
Interest Cover	**2.19 times**	2.22 times
Yield (rents investment properties/ MV investment properties)	**6.5%**	7.6%

* Net profit is 'Profit before interest, investment income and tax'

Financial risk management

The review of financial risk management is contained within the Corporate Governance statement.

Other non financial risks

The Directors consider that there are no material non financial risks.

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 2006.

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 group'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.

In the case of each of the directors of the company at the date this report was approved: so far as each of the directors is aware there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and each of the directors has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

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 had a participating interest, M.R.G. Systems Limited, has been included in these financial statements in the prior year as an associate and in the current year from the time at which control was obtained as a subsidiary.

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

Financial risk management
The review of financial risk management is contained within the Corporate Governance statement.

Results and dividends
The profit for the year after taxation, amounted to £7,345,000 (2005 - £20,611,000).

An interim dividend of £1,020,000 (6.0p per share) on ordinary shares was paid on 26 June 2006. The Directors recommend a final dividend of £1,020,000 (6.0p per share) payable on 27 June 2007 to shareholders on the register at the close of business on 25 May 2007.

Donations
During the year the Group made a £25,000 political donation (2005 - £25,000) to the Conservative Party.

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 2006	2005
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**	5,000
J. H. Perloff	**70,000**	90,000
S. J. Peters	**62,500**	22,500

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 (2005 - 7,737,336).

There have been no changes in Directors' shareholdings since 31 December 2006.

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

No right has been granted by the company 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 2006 were equivalent to 45 days purchases (2005 - 31), based on the average daily amount invoiced by suppliers during the year.

Investment Properties
The Group's investment portfolio was independently revalued at market value at 31 December 2005 by Donaldsons and CB Richard Ellis, both who are Chartered Surveyors. The Directors have revalued the property investment portfolio for the year ended 31 December 2006.

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 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 and final report for 2005.

Auditors
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: 30 April 2007

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 2006, with the Combined Code on Corporate Governance issued by the Financial Services Authority, subject to the points detailed below.

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.

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. In the year the Board met at least three times with all members present. 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 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.

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 2006 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.

Nomination Committee
The Nomination Committee met twice in 2006 with all members present. Any changes that are required to be made are made in the best interests of the Group. In 2006 there were no changes in Directorships.

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 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 2006 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). A. S. Perloff has informed the company that he will not be receiving a bonus in 2007.

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 2006 and does not anticipate making further contributions.

S. J. Peters had pension contributions paid in the year by the Company of £6,000 into his personal stake holders' contribution pension scheme.

No other payments were paid in respect of any other Director during the year (2005 - £Nil).

Directors' emoluments
Directors' emoluments of £632,000 (2005 - £606,000) are made up as follows:

Director	Salary / Fees £'000	Bonus £'000	Taxable Benefit £'000	Pension Contribution £'000	**Total 2006 £'000**	Total 2005 £'000
Executive						
A. S. Perloff	110	350	3	–	**463**	462
J. T. Doyle*	44	6	6	–	**56**	27
J. H. Perloff*	33	2	2	–	**37**	18
S. J. Peters*	46	4	–	6	**56**	30
P. A. Rowson**	–	–	–	–	**–**	49
Non-executive						
B. R. Galan	10	–	–	–	**10**	10
P. M. Kellner	10	–	–	–	**10**	10
	253	362	11	6	**632**	606

* 2005 relates to salary from 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

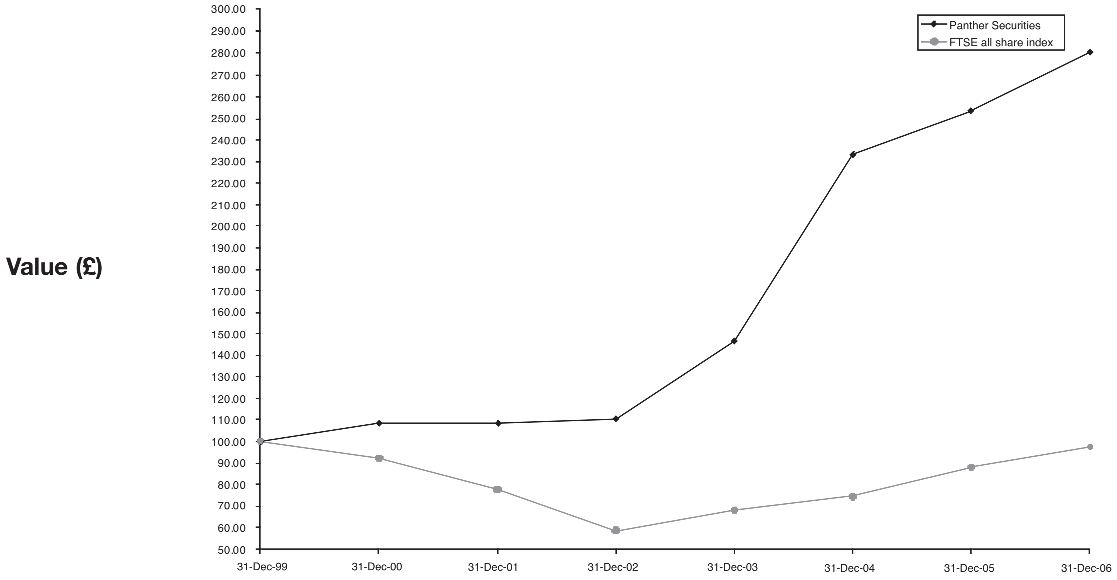
The following graphs show:

(1) The value by the end of 2006 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.

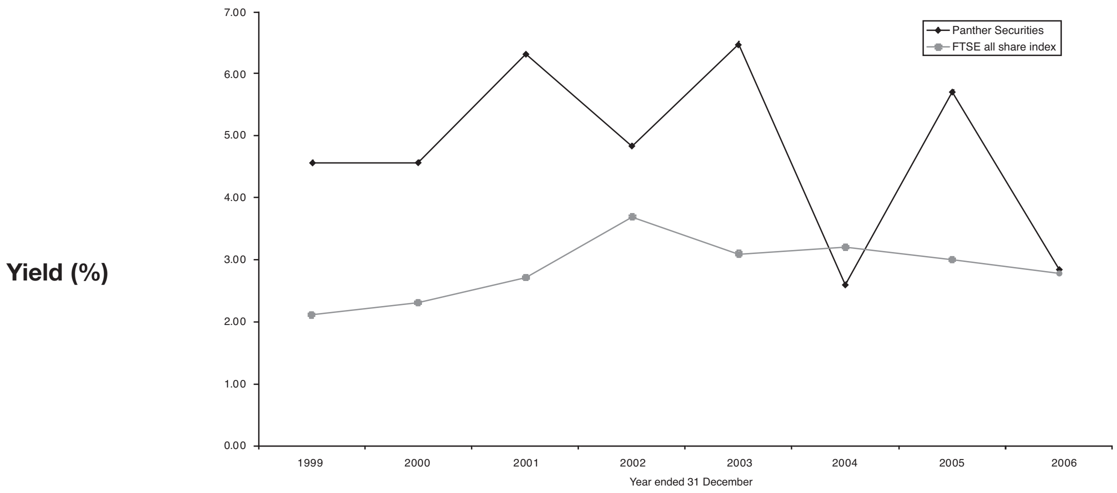
(2) The dividend yield compared with the FTSE all share index for the same period as in (1) above.

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



Dividend yield



B. R. Galan

Chairman – Remuneration Committee

Dated: 30 April 2007

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 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated Statement of Recognised Income and Expense, 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 (IFRSs) 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 information given in the Directors' Report is consistent with the accounts.

We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes the specific information presented in the Chairman's Statement, Operating and Financial Review and Corporate Governance Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 Group's and 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 2006 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 2006; 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; and

- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors
London

Dated: 15 May 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Revenue	4	**9,722**	8,498
Cost of sales	4	**(2,930)**	(2,035)
Gross profit		**6,792**	6,463
Other income		**153**	133
Administrative expenses		**(2,503)**	(2,061)
		4,442	4,535
Profit on the disposal of investment properties		**438**	1,607
Movement in fair value of investment properties	16	**6,081**	22,537
Finance costs	10	**(2,669)**	(3,281)
Investment income	9	**490**	877
Profit on disposal of available for sale investments (shares)		**497**	87
Profit on sale of subsidiary	30	**–**	66
Surplus of assets acquired over consideration given	17	**15**	17
Share of results from Associate	18	**(25)**	104
Profit before income tax		**9,269**	26,549
Income tax expense	11	**(1,924)**	(5,938)
Profit for the year	6	**7,345**	20,611
Attributable to:			
Equity holders of the parent		**7,387**	20,611
Minority interest		**(42)**	–
Profit for the year		**7,345**	20,611
Earnings per share			
Basic and diluted	14	**43.5p**	121.3p

Consolidated Balance Sheet

As at 31 December 2006

Assets	Notes	31 December 2006 £'000	31 December 2005 £'000
Non-current assets			
Property, plant and equipment	15	**21**	9
Investment property	16	**104,521**	99,881
Interests in Associate	18	**–**	364
Available for sale investments (shares)	19	**2,051**	3,047
		106,593	103,301
Current assets			
Inventories	20	**269**	–
Stock properties	20	**9,374**	9,534
Available for sale investments (shares)	19	**423**	410
Trade and other receivables	22	**3,369**	3,196
Cash and cash equivalents		**7,736**	14,546
		21,171	27,686
Total assets		**127,764**	130,987
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	**65,562**	59,925
		73,269	67,632
Minority interest		**93**	–
Total equity		**73,362**	67,632
Non-current liabilities			
Long-term borrowings	27	**36,989**	46,562
Deferred tax liabilities	28	**12,272**	11,010
		49,261	57,572
Current liabilities			
Trade and other payables	29	**4,364**	4,350
Short-term borrowings	27	**135**	187
Current tax payable		**642**	1,246
		5,141	5,783
Total liabilities		**54,402**	63,355
Total equity and liabilities		**127,764**	130,987

The accounts were approved by the Board of Directors and authorised for issue on 30 April 2007. They were signed on its behalf by:

A.S. Perloff
Chairman

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Movement in fair value of available for sale investments (shares) taken to equity	19	**276**	(66)
Deferred tax relating to movement in fair value of available for sale investments (shares) taken to equity	28	**(156)**	20
Net income/(expense) taken directly to equity		**120**	(46)
Profit for the year		**7,345**	20,611
Total recognised income and expense for the year		**7,465**	20,565
Attributable to:			
Equity holders of the parent		**7,507**	20,565
Minority interest		**(42)**	–
		7,465	20,565

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Cash flows from operating activities			
Profit before interest, investment income and tax		**4,442**	4,535
Add: Depreciation charges for the year	15	**9**	9
Add: (Less)/add provisions against available for sale investments (shares) – current assets	19	**(12)**	13
Profit before working capital change		**4,439**	4,557
Decrease in stock properties		**90**	221
Decrease in receivables		**25**	1,067
(Decrease)/increase in payables		**(203)**	328
Cash generated from operations		**4,351**	6,173
Interest paid		**(2,730)**	(3,105)
Income tax paid		**(1,424)**	(1,896)
Net cash from operating activities		**197**	1,172
Cash flows from investing activities			
Purchase of plant and equipment	15	**(10)**	(9)
Purchase of investment properties	16	**(1,648)**	(632)
Purchase of available for sale investments (shares)			
– current assets	19	**(1)**	(100)
– non current assets	19	**(200)**	(7)
Investment in subsidiaries		**–**	(76)
Net cash acquired with subsidiary	17	**361**	–
Proceeds from disposal of subsidiary		**–**	66
Proceeds from sale of investment property		**3,527**	12,707
Proceeds from the disposal of available for sale investments (shares) – non current assets		**1,969**	399
Dividend income received		**45**	37
Interest income received		**445**	840
Net cash from investing activities		**4,488**	13,225
Financing activities			
New loans net of repayments		**(9,625)**	(12,384)
Dividends paid		**(1,870)**	(2,804)
Net cash used in financing activities		**(11,495)**	(15,188)
Net decrease in cash and cash equivalents		**(6,810)**	(791)
Cash and cash equivalents at the beginning of period		**14,546**	15,337
Cash and cash equivalents at the end of period		**7,736**	14,546

Notes to the Consolidated Accounts

For the year ended 31 December 2006

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.

New standards and interpretations

The IASB and IFRIC issued the following standards and interpretations with an effective date after the date of these financial statements. They have not been adopted early by the Group and the Directors' do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's reported income or net assets in the period of adoption.

IFRS 7	Financial Instruments: Disclosures Effective from 1 January 2007
IFRS 8	Operating Segments Effective from 1 January 2009
IFRIC 10	Interim Financial Reporting and Impairment Effective from 1 November 2006
IFRIC 11	Group and Treasury Share Transactions Effective from 1 March 2007
IFRIC 12	Service concession arrangements Effective from 1 January 2008

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

3. 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 effect on the amounts recognised in the financial statements except as noted under the accounting policy for investment properties.

Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards 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 which are carried at fair value.

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 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, and those acquired from the date on which control is transferred to the Group.

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 IFRS 3 are recognised at their fair values at the acquisition date.

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.

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 IFRS 3 any new amounts arising are shown in the income statement as surplus of assets acquired over consideration given.

Investment Properties

Investment properties, which are properties held to earn rentals and/or capital appreciation 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. When the Directors revalue the properties they make judgements based on the covenant strength of tenants, remainder of lease term of tenancy, location, and other developments which have taken place in the form of open market lettings, rent reviews, lease renewals and planning consents. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

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 up to the date they cease to be an Associate. 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.

Taxation
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% (2005 - 30%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

Segment reporting
A business segment is a group of assets or operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. M.R.G. Systems Limited is classified as a business segment and its impact on the income statement is shown in note 4. Its impact on the balance sheet is not material to the accounts.

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.

Revenue recognition
All revenue arises in the United Kingdom.

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) Trading income (MRG) represents amounts invoiced during the year, exclusive of Value Added Tax.

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

(5) 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.

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

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.

Available for sale investments
Under IAS 39, 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.

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.

Those shares that are expected to be held for the long term are shown as non-current assets and those that are held for short term are shown as current assets.

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
Investment properties that are being developed for future sale are classified as 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.

Inventories
Stock and work in progress has been valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

4. Revenue and cost of sales
The majority 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 of this activity arose in the United Kingdom. The Groups main business segment, being that of investment and dealing in property and securities.

M.R.G. Systems Ltd is a separate business segment whose principal activity is that of electronic designers, engineers and consultants. 70% of its revenues arose in the United Kingdom and 100% of its cost of sales. Its net contribution to profits since it became a subsidiary of Panther Securities PLC was a loss of £(152,000).

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

Turnover arose as follows:	**2006 £'000**	2005 £'000
Rental income from investment properties	**6,648**	7,164
Rental income from stock properties	**862**	935
Income from sale of stock properties	**1,007**	399
Income from trading (M.R.G. Systems Ltd)	**1,205**	–
	9,722	8,498

Cost of sales arose as follows:	**2006 £'000**	2005 £'000
Cost of sales – from rental income	**1,695**	1,794
Stock properties recognised as an expense	**514**	241
Cost of sales – trading (M.R.G. Systems Ltd)	**721**	–
	2,930	2,035

5. Business and geographical segments

Business segments
The Group's business segments are shown in note 4.

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

6. Profit for the year

The operating profit is stated after charging:	2006 £'000	2005 £'000
Depreciation of tangible fixed assets – owned by the Group	**9**	9
Fees payable to the Group's auditor for the audit of both the Parent Company and the Group's annual report and accounts	**13**	9
Fees paid to the Group's auditor and its associates for other services:		
– The audit of the Parent's subsidiaries, pursuant to legislation	**50**	50
– All other services (interim review and IFRS implementation)	**–**	22
Operating lease charges – properties	**275**	400

7. Staff costs

Staff costs, including Directors' remuneration, were as follows:	2006 £'000	2005 £'000
Wages and salaries	**1,568**	1,038
Social security costs	**114**	109
Pension contributions	**6**	44
	1,688	1,191
The average monthly number of employees, including Directors, during the year was as follows:		
Directors	**6**	5
Other employees	**27**	16
	33	21

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

8. Directors remuneration

	2006 £'000	2005 £'000
Emoluments for services as Directors	**253**	202
Other emoluments (including bonuses)	**379**	404
	632	606

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

	2006 £'000	2005 £'000
Interest on bank deposits	**440**	810
Other interest receivable	**5**	30
Dividends from equity investments	**45**	37
	490	877

10. Finance costs

	2006 **£'000**	2005 £'000
Interest payable on bank overdrafts and loans	**2,669**	3,281

11. Income tax expense

The charge for taxation comprises the following:

	2006 **£'000**	2005 £'000
Current year UK corporation tax	**1,108**	2,242
Prior year UK corporation tax	**(290)**	(180)
Current year deferred tax	**1,106**	3,876
Income tax expense for the year	**1,924**	5,938

Domestic income tax is calculated at 30% (2005 - 30%) of the estimated assessable profit for the year.

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

	2006 **£'000**	**2006** **%**	2005 £'000	2005 %
Profit before taxation	**9,269**		26,549	
Profit on ordinary activities before tax multiplied by the average of the standard rate of UK corporation tax of 30%	**2,780**	**30**	7,965	30
Tax effect of expenses that are not deductible in determining taxable profit	**98**	**1**	82	–
Dividend income not allowable for tax purposes	**(13)**	**–**	(30)	–
Associate's share of results not allowable for tax purposes	**7**	**–**	(31)	–
Capital allowances for the year in excess of depreciation	**(39)**	**–**	(50)	–
Non taxable movement in fair value of investment properties	**(1,824)**	**(20)**	(6,761)	(25)
Utilisation of tax losses	**–**	**–**	(160)	(1)
Disposal of subsidiary	**–**	**–**	(20)	–
Disposal or transfer of properties/investment shares	**102**	**1**	1,248	4
Marginal relief	**(3)**	**–**	(1)	–
Current year UK corporation tax	**1,108**	**12**	2,242	8
Prior year UK corporation tax	**(290)**	**(3)**	(180)	(1)
Current year deferred tax	**1,106**	**12**	3,876	15
Tax expense and effective tax rate for the year	**1,924**	**21**	5,938	22

12. Profit attributable to members of the parent undertaking

	2006 £'000	2005 £'000
Dealt with in the accounts of:		
– the parent undertaking	**(2,920)**	(3,625)
– subsidiary undertakings	**10,290**	24,132
– undertakings in which there is a participating interest	**(25)**	104
	7,345	20,611

13. Dividends

Amounts recognised as distributions to equity holders in the period:	2006 £'000	2005 £'000
Final dividend for the year ended 31 December 2005 of 5p (2004 - 4p) per share	**850**	680
Special interim dividend for the year ended 31 December 2005 of 10p per share*	**–**	1,274
Interim dividend for the year ended 31 December 2006 of 6p (2005 - 5p) per share	**1,020**	850
	1,870	2,804

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

The Directors recommend payment of a final dividend of 6p per share (2005 - 5p). The final dividend will be payable on 27 June 2007 to shareholders on the register at the close of business on 25 May 2007.

14. Earnings per ordinary share (basic and diluted)

The calculation of earnings per ordinary share is based on earnings, after minority interests, of £7,345,000 (2005 - £20,611,000) and on 16,998,151 ordinary shares being the weighted average number of ordinary shares in issue during the year (2005 - 16,998,151).

15. Plant and equipment

	Fixtures and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost			
At 1 January 2005	135	25	160
Additions	9	–	9
At 1 January 2006	144	25	169
Additions	10	–	10
Additions on purchase of subsidiary	11	–	11
At 31 December 2006	**165**	**25**	**190**
Accumulated depreciation			
At 1 January 2005	126	25	151
Depreciation charge for the year	9	–	9
At 1 January 2006	135	25	160
Depreciation charge for the year	9	–	9
At 31 December 2006	**144**	**25**	**169**
Carrying amount			
At 31 December 2006	**21**	**–**	**21**
At 31 December 2005	9	–	9

16. Investment property

	Investment Properties £'000
Fair value	
At 1 January 2005	87,812
Additions	632
Disposals	(11,100)
Revaluation increase	22,537
At 1 January 2006	99,881
Additions	1,648
Disposals	(3,089)
Revaluation increase	6,081
At 31 December 2006	**104,521**
Carrying amount	
At 31 December 2006	**104,521**
At 31 December 2005	99,881

At 31 December 2006, £79,256,000 (2005 - 75,981,000) and £25,265,000 (2005 - £23,900,000) 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:

	2006 £'000	2005 £'000
Cost	**54,652**	48,247
Cumulative depreciation	**–**	–
Net book amount	**54,652**	48,247

Costs relating to potential developments are included in additions to investment properties and in the year ended 31 December 2006 amounted to £180,000 (2005 - £96,000).

The investment properties held at 31 December 2006 were revalued by the Directors at their open market value at that date and accordingly those valuations were incorporated into these accounts. The Directors valuation was in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the R.I.C.S. At 31 December 2005, the investment properties were independently 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 £6,648,000 (2005 - £7,164,000).

17. Subsidiaries

Details of the Company's subsidiaries at 31 December 2006 are as follows;

Name of subsidiary	*Country of incorporation and operation*	*Activity*	*Proportion of ownership interest* %	*Proportion of voting power held* %
Panther Trading 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	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	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 Properties (Central) Limited (**)	Great Britain	Property	100	100
CJV Properties Limited (**)	Great Britain	Property	100	100
M.R.G. Systems Limited (*****)	Great Britain	Trading	72	72

* 100% subsidiaries of Panther Shop Investment (Midlands) Limited
** 100% subsidiaries of Eurocity Properties PLC
*** 100% subsidiary of Surrey Motors Limited
**** 95% owned by Panther Securities PLC / 5% owned by Panther (Bromley) Limited
***** M.R.G Systems Limited became a subsidiary in the year due to the Company purchasing shares in for cancellation which increased Panther Securities PLC's relative holding. Previously M.R.G Systems Limited was an associated company.

During the year Eurocity (Rugby) Limited, Trio Properties Limited, Oak Properties Limited, Oak II Properties Limited, Eurocity (Seaside) Limited and Eurocity Properties (Manchester) Limited, which were all dormant were struck off.

18. Interests in associate

	M.R.G. Systems Limited £'000
At 1 January 2005	260
Share of post acquisition profit	104
At 1 January 2006	364
Share of post acquisition loss	(25)
Transfer from associate to subsidiary undertaking	(339)
At 31 December 2006	–

M.R.G. Systems Limited is incorporated in Great Britain. At 31 December 2005, Panther Securities P.L.C. had a 37.5% holding in M.R.G. Systems Limited. The principal activity of M.R.G. Systems Limited is that of electronic engineering.

M.R.G. Systems Limited became a 72.34% subsidiary of Panther Securities P.L.C. on 1 April 2006 following a share buy back by the which was treated as a deemed acquisition. The associate results relate up to the 3 month period ending 31 March 2006.

The balance sheet at the date of acquisition of M.R.G. Systems Limited was as follows:

	2006 £'000
Property, plant and equipment	**11**
Inventories	**199**
Trade and other receivables	**198**
Cash and cash equivalents	**361**
Trade and other payables	**(279)**
	490
Minority interest	**(136)**
Carrying value	**(339)**
Surplus of assets acquired over consideration	**15**

19. Available for sale investments (shares)

	Non-current assets £'000	Current assets £'000
Cost or valuation		
At 1 January 2005	3,419	323
Additions	7	100
Disposals	(313)	–
Revaluation decrease	(66)	(13)
At 1 January 2006	3,047	410
Additions	200	1
Disposals	(1,472)	–
Revaluation increase	276	12
At 31 December 2006	**2,051**	**423**
Comprising at 31 December 2006:		
At cost	–	323
At valuation / net realisable value	2,051	100
Carrying amount		
At 31 December 2006	**2,051**	**423**
At 31 December 2005	3,047	410

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 cannot be obtained and have therefore been measured at cost.

20. Inventories

	2006 £'000	2005 £'000
Stock properties	**9,374**	9,534

The market value of stock properties is £13,621,000 (2005 - £13,670,000).

Inventories (MRG)

	2006 £'000	2005 £'000
Inventories	**269**	–

Inventories (MRG) relates to stock and work in progress for M.R.G Systems Limited's trade of electronic designers, engineers and consultants.

21. Capital commitments

	2006 £'000	2005 £'000
Capital expenditure that has been contracted for but has not been provided for in the accounts	**284**	–

22. Trade and other receivables

	2006 £'000	2005 £'000
Trade debtors	**2,475**	2,495
Bad debt provision	**(631)**	(711)
Other debtors	**1,179**	1,105
Corporation tax	**47**	28
Prepayments and accrued income	**299**	279
	3,369	3,196

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 three counterparties in the United Kingdom.

24. Share capital

	2006 £'000	2005 £'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

	2006 £'000	2005 £'000
Share premium account		
At 1 January 2006 and 31 December 2006	**2,886**	2,886
Capital redemption reserve		
At 1 January 2006 and 31 December 2006	**571**	571

26. Retained earnings

	2006 £'000	2005 £'000
At 1 January	**59,925**	42,164
Retained profit for the year	**7,387**	20,611
Movement in fair value of available for sale investments (shares)	**276**	(66)
Deferred tax relating to the movement in fair value of available for sale investments (shares)	**(156)**	20
Dividends paid	**(1,870)**	(2,804)
At 31 December	**65,562**	59,925

27. Bank overdrafts and loans

	2006 £'000	2005 £'000
Building society loans due in less than one year	**135**	187
Building society loans due within more than one year	**1,978**	3,551
Bank loans due within more than one year	**35,011**	43,011
	36,989	46,562

Analysis of debt maturity	2006 £'000	2005 £'000
Repayable:		
On demand or within one year	**135**	187
In the second year	**139**	199
In the third year to the fifth year	***35,450**	649
After five years	**1,400**	45,714
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(135)**	(187)
Amount due for settlement after 12 months	**36,989**	46,562

27. Bank overdrafts and loans – *continued*

Bank loans Interest is charged as to:	**2006** **£'000**	**2006** **%**	2005 £'000	2005 %
Fixed				
HSBC Bank plc **	**25,000**	**5.90%**	50,000	6.29%
HSBC Bank plc **	**25,000**	**5.63%**		
Floating				
HSBC Bank plc	**(14,989)**		(6,989)	
	35,011		43,011	

* £35,011,000 of the debt is repayable on 30 November 2011.
** New fixed rates came into effect on 15 December 2006.

Since the year end £1,143,000 of the building society loans have been repaid.

At 31 December 2006 £39,989,000 (2005 - £31,990,000) had not been drawn down from facilities available until November 2011.

Bank loans of £50,000,000 (2005 - £50,000,000) 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	**2006** **£'000**	2005 £'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	**1,143**	1,797
Repayable by quarterly instalments until July 2020. Interest is charged at 1.5% above LIBOR	**592**	618
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
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
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	**395**	414
	2,130	3,777

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 2005	7,154
Debit to equity for the year	3,876
Credit to profit and loss for the year	(20)
At 1 January 2006	11,010
Credit to equity for the year	156
Charge to profit and loss for the year	1,106
At 31 December 2006	**12,272**

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	**2006 £'000**	2005 £'000
Trade creditors	**627**	327
Social security and other taxes	**366**	448
Other creditors	**677**	780
Accruals and deferred income	**2,694**	2,795
	4,364	4,350

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

The disposal of Eurocity (Crawley) Limited took place in the year ended 31 December 2004, some late cash revenues amounting to £66,000 were received in the year ended 31 December 2005.

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 £9,317,000 (2005 - £7,196,000) and after inter company adjustments amounted to a loss of £2,997,000 (2005 - loss of £3,625,000).

32. Contingent liabilities

There were no contingent liabilities at the year end.

33. Operating lease arrangements

The Group as lessee	**2006 £'000**	2005 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**275**	400

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

The above detailed rent is for the rent paid on the Group's headquarters Panther House. As well as the Group's operations being run out of the building it is also run as a business centre with circa one hundred licensees. Rental income from these licensees in 2006 was £281,000 (2005 - £451,000). At the balance sheet date the Group had no outstanding commitment on the lease of Panther House, since the break clause within the lease which took effect on 31 August 2006.

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 February 2007 the Group sold various properties for gross proceeds of £4,986,000, namely 191-199 Rushey Green, Catford; Hainton House, Grimsby; and four more properties from the Eurocity Scottish portfolio. The Group expects the combined profit on disposal (after costs) on the above properties to be approximately £1,350,000 in excess of book values.

In January 2007 £1,143,000 of the building society loans were repaid, some of the net proceeds of the disposals in February 2007 will be used to repay the sole remaining building society mortgage of approximately £990,000.

In February 2007 Panther purchased four freehold factories, owned and occupied by subsidiary companies of Elektron PLC, for a cash consideration of £4,600,000 (including purchasing costs).

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.

	2006	2005
	£'000	£'000
Disposal of Symes Avenue – gross proceeds	**–**	290
Price guarantee – Victoria Street future disposal	**350**	–

The Victoria Street, Wolverhampton stock properties were placed in public auction in 11 lots on 7 November 2006 by Snowbest Limited (a wholly owned subsidiary of Panther Securities PLC). Of the 11 lots 6 of them were sold at the auction to various parties, including 1 lot to Wenhedge Limited (which A. S. Perloff controls as a personal investment vehicle).

Subsequently Snowbest Limited agreed to release Wenhedge Limited from its obligations under the auction agreement in exchange for a new agreement. In this agreement Wenhedge Limited guarantees the price of any future disposal of the property up to 6 November 2008. Therefore if the property is sold by Snowbest Limited below the price bidded up to by Wenhedge Limited, being £350,000, Wenhedge Limited will then make up the difference. The disposal agreement also allows for any additional value above £350,000 to be split 50:50 between both companies.

The agreement does not affect the beneficial and legal ownership of the property which is still held by Snowbest Limited.

The five remaining lots completed with a total net sale proceeds of £1m being included in this year's accounts.

The Group's Directors believe that the price guarantee is at market value as the agreement uses the price bidded up to at the public auction, plus under the new agreement Snowbest Limited has the opportunity of benefiting from a share of any price achieved above the auction value.

36. Net assets per share

	2006	2005
	£'000	£'000
Total equity attributable to shareholders per 25p ordinary share	**431p**	398p

The calculation of net asset per ordinary share is based on the equity attributable to share holders of the equity in the Parent Company, and on 16,998,151 (31 December 2006 and 31 December 2005) ordinary shares being the weighted average number of ordinary shares in issue throughout the twelve months ended 31 December 2006.

37. Reconciliation of the changes in equity

	Share capital £'000	Share premium £'000	Capital Redemption £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2005	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 1 January 2006	4,250	2,886	571	59,925	67,632
Movement in fair value of available for sale investments (shares)	–	–	–	276	276
Deferred tax relating to movement on fair value of available for sale investments (shares)	–	–	–	(156)	(156)
Profit for the year	–	–	–	7,387	7,387
Dividends paid	–	–	–	(1,870)	(1,870)
Balance at 31 December 2006	**4,250**	**2,886**	**571**	**65,562**	**73,269**

38. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2007.

Parent Company Balance Sheet

As at 31 December 2006

	Notes	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Tangible fixed assets	40		**2,289**		2,176
Investments	41		**15,779**		17,273
			18,068		19,449
Current assets					
Debtors	42	**46,249**		43,647	
Investments	44	**423**		410	
Cash at bank and in hand		**4,197**		12,836	
		50,869		56,893	
Creditors: amounts falling due within one year	45	**(9,155)**		(16,117)	
Net current assets			**41,714**		40,776
Total assets less current liabilities			**59,782**		60,225
Creditors: amounts falling due after more than one year	46		**(35,011)**		(43,011)
Net assets			**24,771**		17,214
Capital and reserves					
Called up Share Capital	48		**4,250**		4,250
Share Premium Account	49		**2,886**		2,886
Revaluation Reserve	49		**1,115**		1,005
Capital Redemption Reserve	49		**571**		571
Profit and Loss Account	49		**15,949**		8,502
Shareholders' funds – All equity	53		**24,771**		17,214

The accounts were approved by the Board of Directors and authorised for issue on 30 April 2007. They were signed on its behalf by:

A.S. Perloff
Chairman

Parent Company Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Net cash (outflow)/inflow from operating activities		**(11,162)**	4,421
Returns on investments and servicing of finance	50	**10,291**	8,780
Taxation		**138**	–
Capital expenditure and financial investment	50	**1,965**	218
Acquisitions and disposals	50	**–**	(89)
Equity dividends paid		**(1,870)**	(2,791)
Cash (outflow)/inflow before use of liquid resources and financing		**(638)**	10,539
Financing			
Decrease in debt	50	**(8,001)**	(11,019)
Decrease in cash in the year		**(8,639)**	(480)

	2006 £'000	2005 £'000
Reconciliation of operating loss to net cash flow from operating activities		
Operating loss	**(1,587)**	(1,671)
Depreciation of tangible fixed assets	**1**	6
Write back of investments in shares previously impaired	**(12)**	–
(Increase)/decrease in debtors	**(2,602)**	5,315
(Decrease)/Increase in creditors	**(6,962)**	771
Net cash (outflow)/inflow from operating activities	**(11,162)**	4,421
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the year	**(8,639)**	(480)
Cash inflow from decrease/(increase) in debt	**8,001**	11,019
Change in net debt resulting from cash flows	**(638)**	10,539
Net debt at 1 January 2006	**(30,176)**	(40,715)
Net debt at 31 December 2006	**(30,814)**	(30,176)

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 as modified by the revaluation of investment properties 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 started 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

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

40. Property, plant and equipment

	Investment Properties £'000	Fixtures and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2006	2,176	56	14	2,246
Additions	–	4	–	4
Revaluations	110	–	–	110
At 31 December 2006	**2,286**	**60**	**14**	**2,360**
Depreciation				
At 1 January 2006	–	56	14	70
Depreciation charge for the year	–	1	–	1
At 31 December 2006	**–**	**57**	**14**	**71**
Net book value				
At 31 December 2006	**2,286**	**3**	**–**	**2,289**
At 31 December 2005	2,176	–	–	2,176

At 31 December 2006, £420,000 (2005 - £400,000) and £1,866,000 (2005 - £1,776,000) 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:

	2006 £'000	2005 £'000
Cost	**1,170**	1,170
Cumulative depreciation	**–**	–
Net book amount	**1,170**	1,170

If the investment properties had been sold at their valuation at 31 December 2006, there would be a liability to tax of £325,000 (2005 - £295,000).

Costs relating to potential developments are included in additions to investment properties and in the year ended 31 December 2006 amounted to £Nil (2005 - £87,000).

The investment properties held at 31 December 2006 were revalued by the Directors, the last independent revaluation at their open market value at 31 December 2005 as at that date by Donaldsons, Chartered Surveyors. The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to £28,000 (2005 - £80,000).

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 2006	15,197	75	2,001	17,273
Transfer	75	(75)	–	–
Disposals	–	–	(1,494)	(1,494)
At 31 December 2006	**15,272**	**–**	**507**	**15,779**
Investments				
Listed	–	–	507	507
Unlisted	15,272	–	–	15,272
	15,272	**–**	**507**	**15,779**

The above investments are shown at market value where these are readily available. For details of the Company's subsidiaries at 31 December 2006, see note 17.

42. Debtors

	2006 £'000	2005 £'000
Due within one year		
Trade debtors	**8**	9
Amounts owed by Group undertakings	**46,188**	43,489
Other debtors	**27**	96
Prepayments and accrued income	**26**	53
	46,249	43,647

43. Investments in Associate

For details of the Company's associated undertaking (M.R.G. Systems Limited) at 31 December 2006 see note 18.

44. Current assets investments

	2006 £'000	2005 £'000
Listed investments	**99**	87
Other unlisted investments	**324**	323
	423	410

45. Creditors:

Amounts falling due within one year

	2006 £'000	2005 £'000
Trade creditors	**27**	52
Amounts owed to Group undertakings	**8,753**	15,441
Social security and other taxes	**54**	46
Other creditors	**102**	120
Accruals and deferred income	**219**	458
	9,155	16,117

46. Creditors:

Amounts falling due after more than one year

	2006 £'000	2005 £'000
Bank loans and overdrafts	**35,011**	43,011

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:

	2006 £'000	2005 £'000
Potential capital gains	**292**	511

48. Called up share capital

	2006 £'000	2005 £'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

49. Reserves

	Share premium £'000	Capital Redemption £'000	Revaluation Reserve £'000	Retained earnings £'000
Balance at 1 January 2006	**2,886**	**571**	**68**	**4,110**
Profit for the year	–	–	–	7,196
Revaluation on investment properties	–	–	937	–
Dividends paid	–	–	–	(2,804)
Balance at 1 January 2006	**2,886**	**571**	**1,005**	**8,502**
Profit for the year	–	–	–	9,317
Revaluation on investment properties	–	–	110	–
Dividends paid	–	–	–	(1,870)
Balance at 31 December 2006	**2,886**	**571**	**1,115**	**15,949**

50. Reconciliation of operating profit to operating cash flows

	2006 £'000	2005 £'000
Analysis of cash flows for headings netted in the cash flow statement		
Returns on investments and servicing of finance		
Interest received	**402**	874
Interest paid	**(2,470)**	(2,950)
Income from investments	**12,359**	10,856
Net cash inflow for returns on investments and servicing of finance	**10,291**	8,780
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(4)**	(89)
Purchase of fixed asset investments	**–**	(7)
Sale of fixed assets investments	**1,969**	314
Net cash inflow for capital expenditure	**1,965**	218
Acquisitions and disposals		
Purchase of minority interest	**–**	(89)
Net cash outflow for acquisitions and disposals	**–**	(89)
Financing		
Decrease in debt	**(8,001)**	(11,019)
Net cash outflow from financing	**(8,001)**	(11,019)

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

	At 1 January 2006 £'000	Cash flow £'000	At 31 December 2006 £'000
Net cash:			
Cash at bank and in hand	12,836	(8,639)	**4,197**
Debt:			
Due after more than one year	(43,012)	8,001	**(35,011)**
	(30,176)	(638)	**(30,814)**

51. Other commitments

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2006	2005
	£'000	£'000
Expiry date:		
Between 1 and 5 years	**4**	3

52. Related party transactions

There were no related party transactions during the period.

53. Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the year	**9,317**	7,196
Dividends	**(1,870)**	(2,804)
Other recognised gains and losses during year	**110**	937
Opening shareholders' funds	**17,214**	11,885
Closing shareholders' funds	**24,771**	17,214

Retained reserves include an amount of £1,047,000 (2005 - £937,000) relating to undistributable reserves.

Ten Year Review

	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000	1998 £'000	1997 £'000
Rental income	**7,510**	8,099	9,194	9,125	7,951	6,020	5,518	4,961	4,735	4,647
Revenue/ turnover	**9,722**	8,498	9,194	9,791	8,240	9,428	6,519	5,861	5,510	6,493
Profit before tax	**9,269**	26,549	7,632	3,413	2,956	3,531	2,396	2,056	3,396	2,173
Earnings per ordinary share	**43.5p**	121.3p	35.8p	15.0p	11.8p	16.0p	10.1p	8.6p	9.5p	9.2p
Dividend per ordinary share*	**12.0p**	20.0p**	8.0p	12.5p**	7.0p	9.0p**	6.5p	6.0p	6.0p	4.0p
Employment of finance:										
Non current assets/ Fixed assets	**106,593**	103,301	91,500	93,426	79,166	62,232	53,619	52,843	41,467	41,348
Current assets less current liabilities	**16,030**	21,903	24,544	12,344	12,593	12,183	9,021	10,526	6,077	2,362
Total assets less current liabilities	**122,530**	125,204	115,950	105,680	91,493	74,343	62,543	63,254	47,413	43,571
Financed by:										
Shareholders' funds (Net assets of the group)	**73,269**	67,632	49,871	50,104	38,240	37,186	32,285	32,875	28,500	24,010
Long-term borrowings	**36,989**	46,562	58,925	55,576	53,253	37,137	30,258	30,379	18,913	19,561
Deferred tax	**12,272**	11,010	7,154	N/a	N/a	N/a	N/a	N/a	N/a	N/a
	122,530	125,204	115,950	105,680	91,493	74,323	62,543	63,254	47,413	43,571
Net assets attributable to ordinary shares per 25p ordinary share	**431.0p**	398.0p	293.0p	294.8p	226.2p	219.4p	190.5p	182.0p	157.5p	132.7p

Note: 2006, 2005 and 2004 prepared under IFRS
2003 to 1997 prepared under UK GAAP

* Based on those declared in respect of the financial year

** Includes special dividend

Notice of Annual General Meeting

Notice is hereby given that the 73rd Annual General Meeting of Panther Securities P.L.C. will be held at the offices of Nexia Smith & Williamson, 25 Moorgate, London EC2R 6AY on 27 June 2007 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 2006.

2. To authorise the payment of a final dividend of 6.0p per ordinary share.

3. To re-elect:
   i. B. R. Galan who is retiring by rotation, as a Director.
   ii. P. M. Kellner who is retiring by rotation, as a Director.

4. To re-appoint the auditors Nexia Smith & Williamson Audit Limited 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.

9. That the directors be authorised to amend section 165 of the Articles of Association in order that the dividends can be made by BACS payment (current allowed methods only include cheque or warrant).

By order of the Board

S. J. Peters
Company Secretary

Panther House
38 Mount Pleasant
London WC1X 0AP

Dated: 30 April 2007

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) members(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 27 June 2007 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 report of the Directors and report of the Auditors and financial statements for the year ended 31 December 2006.	☐	☐
2.	To authorise the payment of a final dividend of 6.0p per ordinary share.	☐	☐
3i.	To approve the re-election of Mr. B. R. Galan as a Director.	☐	☐
3ii.	To approve the re-election of Mr. P. M. Kellner 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 way of donation to the Conservative party.	☐	☐
9.	That the directors be authorised to amend section 165 of the Articles of Association in order that the dividends can be made by BACS payment (current allowed methods only include cheque or warrant).	☐	☐

As witness my/our hand this .... day of 2007

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
Proxy Processing Centre
Telford Road
BICESTER
OX26 4LD

FIRST FOLD

THIRD FOLD

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