Panther Securities PLC

Interim Report

Six months ended 30 June 2007

Chairman's Statement

Introduction
I am delighted to be able to report record figures for the six months to 30th June 2007 pre-tax profits amount to £5,543,000 compared to £1,692,000 for the same period last year.

Despite our property sales over recent years, rents receivable during the period have held up well at £3,785,000 compared to £3,724,000 for the equivalent period last year.

Finance
In our full year accounts to December 2006, I reported in detail upon our loan facility rearrangement, the financial benefits of which started to be seen this year. We are, however, not only saving money on our borrowing costs, but under the International Financial Reporting Standards, the financial value of our swap instruments is taken into account in our income statement and is included even if not yet realised.

On 30th June 2007, our financial swap was worth approximately £2,500,000. Our borrowing costs on £50 million have been fixed but currently we are borrowing £35 million, so increases in short-term interest rates have the effect of lowering our net borrowing costs!!

The valuation of the derivatives is calculated using future market interest rates which currently are very volatile. Therefore, the valuation of this asset changes daily and was valued at £1,569,000 on 24th September 2007.

During this accounting period we repaid our remaining building society loans totalling £2.1 million.

Disposals
In February 2007, we sold at auction the following properties: 191-199 Rushey Green, Catford, London; Hainton House, Hainton Square, Grimsby; 74 Kilmarnock Road, Glasgow; 63/65 High Street, Dumbarton; Units 1 and 2, 4 High Street, Paisley. We also sold 107/109 George Street, Oban, in May 2007.

These properties, which were producing £277,000 per annum, were sold for approximately £5,400,000; the profit on disposal was approximately £1,150,000.

We have sold our entire ordinary shareholding in Real Estate Investors PLC for £740,000, realising a profit of £92,000. We still retain a convertible loan note in this company for £325,000, repayable in 2 years time or convertible into ordinary shares.

Acquisitions
In February 2007, we purchased freehold factories at Boraston Lane, Burford, Tenbury Wells, Worcestershire; Picts Lane, Princes Risborough, Buckinghamshire and Valley Road, Clacton-on-Sea, Essex, occupied by recently acquired subsidiary companies of Elektron PLC. We paid £4,600,000 (including stamp duty) and simultaneously entered into leaseback

arrangements so that a total annual rental of £343,500 was immediately receivable. These three 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.

Progress Report

21/27 Guildhall Street, Folkestone

Our development of residential units above our shops in Folkestone was increased to 20 units and is progressing well, which means only slightly behind schedule. We expect to be able to offer them for sale in the very near future.

177-195 High Street, Scunthorpe

We recently let approximately half of our property in Scunthorpe, on a 25 year lease to Barracuda Pubs & Bars Limited at a commencing rental of £68,000 per annum, rising to £72,500 over five years, and when the remaining parts of this property are let, its current value should increase considerably.

Pyewipe Industrial Estate, Grimsby

After the tenant of this 26,000 square foot single storey factory failed, we decided to divide the building into smaller, individual industrial units, of 1,250 to 2,500 square feet. There is a strong demand for small units, which in turn attract higher rents per square foot when let.

Rather surprisingly, this needed planning permission, which we received after nearly a year of dealing with the local authority. Our works on the development will begin soon, and when finished and fully let, should produce over £100,000 per annum income.

You will recall in my last report I briefly mentioned the new property stealth tax of abolishing rates relief for vacant properties. To me, it seems disgraceful that local authorities force the property owner to obtain planning permission for simple non-controversial matters, take an inordinately long time to make a decision and, at the same time, charge rates whilst you are waiting on them. Disgraceful!

199-205 High Street, Perth

We are currently carrying out a rear ground floor extension and major refurbishment of the property, which has been vacant for some time. We had previously only intended to carry out building works when we had pre-let the property, but prospective tenants have proved too demanding or kept changing their minds, so we decided to build speculatively. I am sure it will prove profitable.

Brackla Shopping Centre, Bridgend

This is a small out of town shopping centre which was acquired within the Northstar Group some years ago. It has always been fully let and has provided good rental growth. We have secured planning permission for five extra shop units, which we are hoping to start building soon. We are already receiving enquiries for these units from some major retailers.

Elektron PLC
Our shareholders will be aware we are significant shareholders in this company, where we are optimistic that they will continue to prosper and that its expansion policy will enable us to occasionally acquire factory investments off-market to our mutual benefit.

General Overheads
My salary waiver has reduced overheads by over £250,000 in the period under review, compared to last year.

Tax Charges
Our provision for tax payments appears low and this is because from April 2008, large company tax rates change from 30% to 28% and this reduced rate of future tax payable has been shown in the deferred tax creditors and brought into the current tax payable calculations.

Dividends
An interim dividend of 6p per share will be paid on 28th September 2007, and it is anticipated a final dividend of not less than 6p per share will be recommended to shareholders for approval at the next AGM and paid thereafter.

Post Balance Sheet Events
In August 2007, we purchased two freehold factories at Woodland Road and Woodland Close, Torquay, Devon, which comprises approximately 68,000 square feet on 3.5 acres, subject to a leaseback to Sifam Limited at £215,000 per annum exclusive following a one year rent free period. Our total cost, including stamp duty, was £2,430,000. Sifam Limited had immediately previous to this transaction been purchased by Elektron PLC.

In August, we also purchased three further freeholds, a shop investment at 86-88 High Street, Margate for £525,000, a 10,000 square foot factory investment in Harwood Road, Littlehampton for £550,000 and a former Lloyds Bank at 216/218 Northdown Road, Cliftonville, Margate, for £300,000. This was a vacant property and, after minor works, will be offered for letting.

From our recent acquisition experiences it appears to us that vendors have been taking a more realistic view of asset values, and this was even before the recent financial shake-out in the financial markets, which I have no doubt will affect many highly geared investors.

Our policy of selling a portion of our portfolio over the last two or three years into a buoyant market has meant we are well placed to take advantage of any exciting opportunities that may come our way by virtue of our low borrowing, unutilised facilities and cash funds.

Andrew S. Perloff
Chairman

25 September 2007

Chairman’s Supplement

The Fourth Horseman of the Financial Apocalypse has Arrived

My previous Chairman’s supplement was announced on 30th April 2007, having been prepared months earlier. I know many of you have read my “Four Horsemen of the Financial Apocalypse”, but even I am surprised how quickly my warnings have come into effect.

You will remember that in my last statement I suggested that when the factors of excessive debt, both personal and company, combined with the separation of management and ownership of wealth, massive deceit and the flightiness of money, all of which are currently present, a financial disaster of incalculable proportions could take place if some type of major problem creates panic or a loss of confidence occurs. I suggested that the place in which this might happen would be in hedge funds or some similar but poorly understood area which involves institutional gambling. As we all know, it is happening now! The American sub prime mortgage meltdown seems to have infected the world’s banking communities. While it is easy to understand American banks and their funds getting into trouble, the problems have had far reaching repercussions in German, Chinese, British and French banks. Many insurance companies and pension funds have surreptitiously invested in these toxic funds. The Federal Reserve, European Central Bank and Bank of England have all stepped in to steady the financial markets. This, of course, is the only way to prevent the Armageddon that I predicted.

Tax funded government bank intervention slows the pace of the monumental losses that are inherent in the banking system and allow the losses to be spread over time. This “sub prime” financial toxic waste will probably run for a year or two and regularly throw up new “surprises”.

We read in the press about worries that City bonuses may be reduced by 10%-15% – what an outrage! Surely they should forfeit their bonuses and repay some of last year’s Bonus to all the shareholders and fund holders who have lost money from excessively high risk strategies which were carried out to increase their own incomes. Would they have been quite so reckless had it been their own money with which they were gambling.

After the Wall Street Crash of October 1929, Professor J K Galbraith who lived through the experience said after such huge financial losses “people will look for and find the bezzle”. This, of course, is an “Americanism” meaning the middle part of “embezzlement”. I suspect, in due course, we will see many “class actions” against high profile banks and bonus-fuelled traders who will be found to have been working in their own interests rather than that of their customers, some of whom inevitably won’t survive the experience.

Of course, I have some stories from my past which, I feel, have some relevance. This time they start when I was very young.

It was my parent’s way that even at a pre-teen age, if I wanted pocket money, I should earn it by carrying out some home tasks.

One day, my father promised to give me five shillings for cleaning his car. I set about this task with a vengeance, doing a very thorough job. The paintwork, windows and wheels gleamed brightly, and I was justifiably proud of the result.

I fetched my father to show him my handiwork and claim my reward. He inspected the car and said "Well done, it's very good". He started fishing round in his pockets and found he did not have any money, except a shilling coin. "Here you are, that's all I can find". I blew my top, threw the coin back at him, shouting rudely. He grabbed hold of me and gave me (nowadays so politically incorrect) a bloody good hiding. By the evening at dinner time, tears and tantrums had subsided and nearly been forgotten about. My father explained that he did not wallop me for calling him a "bloody stingy mean old sod", but for throwing the shilling and showing such disrespect for money. He told me money in big or small amounts is very important and should always be treated with care and respect.

I now fast-forward about twenty years, when one Saturday morning, having just been to a furniture auction viewing at Phillips in a leafy backwater of Bayswater. I was strolling casually back to my car, when I noticed a very smart city gent walking towards me. He was a tall, slim, middle aged man and wearing a dark pin-stripe suit and black bowler hat and also carrying a rolled up umbrella, even though it was, and did not appear that there was any likelihood of rain. I was struck by his smartness, because I was well aware of my own sartorial elegance which, at the best of times, is only noticeable by its absence.

As he was nearing me, he pulled a handkerchief from his pocket to dab his brow, and I heard a tinkling noise which I instantly knew was a silver coin. I looked down and saw that he had dropped a shilling in the gutter. I said, "Excuse me, sir, but you've dropped a shilling" and pointed to the coin. He replied condescendingly in a very posh voice "Oh, that's very kind of you to point that out, but I won't bother with it".

I then said, "Well, if you don't want it, I'll have it" and bent down and picked it out of the gutter.

He was about to turn away when I unlocked my much loved black Rolls Royce. He looked surprised, and laughed uproariously, then smiling, said to me: "You know, there must be a moral here somewhere". AND OF COURSE, HE WAS CORRECT.

Some couple of years later, when the property market was in deep depression, I received an early phone call from one of my agent friends.

"Hello Andrew, I don't know if I've got good news or bad news for you."

"Fire away" I said.

"That's just it, that property I bought you last year, the five shops in Upton Lane. Well, I pass it every morning and I have just passed it and it had flames up to the sky with five fire engines outside fighting the huge fire. It looks terrible, so I don't know if that's good news or bad news for you", he told me.

Chairman's Supplement

continued

"If no-one's hurt and it's a complete write-off, it's probably good news, but if only a partial claim, it will be a pain in the neck to deal with."

By the afternoon, a District Surveyor had called us and arranged to meet at what was left of the property at 9am the next morning, which we did. The whole of the internal structure of the property had been gutted, but all main outside and dividing brick main walls still stood. The council surveyor, after five minutes external viewing, decided the property was unsafe and would arrange for a demolition order to be served.

We asked him if he could recommend some council approved demolition contractors who would be suitable for the job. He recommended three contractors, each of whom we asked for quotes. Within days, we received the quotes, and as far as I can remember, they were about £36,000, £37,500 and slightly over £40,000. Although we were fully covered and the insurance company would have picked up the entire bill, it appeared to me that it was surprisingly high. We asked one of the contractors why the quotes were so unexpectedly high and he explained that it "was an emergency rushed job". Not altogether satisfied with his explanation, and having obviously inherited the "mean old sod" gene, I phoned a couple of other demolition contractors that we found in Yellow Pages, and within a few hours one of them had inspected the site and phoned back quoting £10,500. As I thought he had made a mistake, I asked him to put the quote in writing, which was subsequently delivered by hand. Obviously we accepted, and the work was carried out satisfactorily within a week.

After our chosen contractor had been paid, I asked him why he was so much cheaper than three other companies and, upon being told who they were, he informed me that one of the contractors was the brother-in-law of the district surveyor, and the other two were friends of the first contractor. It was common knowledge in the trade that they often organised similar quotes and when the lowest one got the contract, they shared the excess profit.

I have no idea if this story is true or false – but I always felt it had the ring of truth.

When government spending is over £500,000,000,000, it is inconceivable that there is not at least a 2% or 3% Bezzle rate which, if eliminated, could allow for abolition of capital gains tax and inheritance tax. Even with out changing most of the current daft policies, there is certainly another 10% of waste that could be easily eliminated without any noticeable effect, and this would transform our taxation system by taking out of taxation low earners. Every local authority should have an experienced worldly-wise "mean old sod" to look over all contracts and items of expenditure to watch out for the Bezzle or waste factor.

The many politicians who pontificate about the impossibilities of reducing taxation are blithering idiots.

Andrew S. Perloff
Chairman

25 September 2007

Consolidated Income Statement

For the six months ended 30 June 2007

	Notes	**Six months ended 30 June 2007 £'000**	Six months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
Revenue	2	**5,142**	4,247	9,722
Cost of sales	2	**(1,557)**	(1,165)	(2,930)
Gross profit		**3,585**	3,082	6,792
Other income		**46**	54	153
Administrative expenses		**(1,058)**	(1,026)	(2,503)
		2,573	2,110	4,442
Profit on the disposal of investment properties		**1,151**	171	438
Movement in fair value of investment properties		**–**	70	6,081
Fair value gain on derivative financial assets		**2,515**	–	–
Finance costs		**(962)**	(1,437)	(2,669)
Investment income		**190**	323	490
Profit on the disposal of available for sale investments (shares)		**76**	480	497
Surplus of assets acquired over consideration given		**–**	–	15
Share of result from Associate		**–**	(25)	(25)
Profit before tax		**5,543**	1,692	9,269
Income tax expense	3	**(226)**	(112)	(1,924)
Profit for the period		**5,317**	1,580	7,345
Attributable to:				
Equity holders of the parent		**5,328**	1,589	7,387
Minority interest		**(11)**	(9)	(42)
Net profit for the period		**5,317**	1,580	7,345
Earnings per share				
Basic and diluted	5	**31.3p**	9.3p	43.5p

Consolidated Balance Sheet

As at 30 June 2007

	Notes	**30 June 2007 £'000**	30 June 2006 £'000	31 December 2006 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		**30**	20	21
Investment property	7	**105,303**	100,170	104,521
Goodwill		**–**	13	–
Derivative financial assets		**2,515**	–	–
Available for sale investments (shares)		**2,006**	1,779	2,051
		109,854	101,982	106,593
Current assets				
Inventories		**96**	152	269
Stock properties		**9,374**	9,770	9,374
Available for sale investments (shares)		**–**	424	423
Trade and other receivables		**3,356**	3,547	3,369
Cash and cash equivalents		**6,637**	5,594	7,736
		19,463	19,487	21,171
Total assets		**129,317**	121,469	127,764
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Capital and reserves				
Share capital		**4,250**	4,250	4,250
Share premium account		**2,886**	2,886	2,886
Capital redemption reserve		**571**	571	571
Retained earnings	8	**69,862**	59,650	65,562
		77,569	67,357	73,269
Minority interest		**83**	116	93
Total equity		**77,652**	67,473	73,362
Non-current liabilities				
Long-term borrowings		**35,011**	38,009	36,989
Deferred tax liabilities		**11,156**	10,778	12,272
		46,167	48,787	49,261
Current liabilities				
Trade and other payables		**3,879**	3,988	4,364
Short-term borrowings		**–**	109	135
Current tax payable		**1,619**	1,112	642
		5,498	5,209	5,141
Total liabilities		**51,665**	53,996	54,402
Total equity and liabilities		**129,317**	121,469	127,764

Consolidated Statement of Recognised Income and Expense

For the six months ended 30 June 2007

	Notes	**Six months ended 30 June 2007 £'000**	Six months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
Movement in fair value of available for sale investments (shares) taken to equity		**(23)**	116	276
Deferred tax relating to movement in fair value of available for sale investments (shares) taken to equity		**15**	(110)	(156)
Net income/(expense) taken directly to equity		**(8)**	6	120
Profit for the period		**5,317**	1,580	7,345
Total recognised income and expense for the period		**5,309**	1,586	7,465
Attributable to:				
Equity holders of the parent		**5,320**	1,595	7,507
Minority interest		**(11)**	(9)	(42)
		5,309	1,586	7,465

Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	Notes	**30 June 2007 £'000**	30 June 2006 £'000	31 December 2006 £'000
Cash flows from operating activities				
Profit before interest, investment income and tax		**2,573**	2,110	4,442
Add: Depreciation charges for the year		**6**	3	9
Less: Profit on sale of available to sale investments (shares) – current assets		**(16)**	–	–
Less: Provision against available for sale investments (shares) – current assets		**–**	(13)	(12)
Profit before working capital change		**2,563**	2,100	4,439
(Increase)/decrease in inventories		**173**	47	(70)
(Increase)/decrease in stock properties		**–**	(236)	160
(Increase)/decrease in receivables		**14**	(192)	25
Increase/(decrease) in payables		**(445)**	(636)	(203)
Cash generated from operations		**2,305**	1,083	4,351
Interest paid		**(1,001)**	(1,437)	(2,730)
Income tax paid		**(350)**	(479)	(1,424)
Net cash from operating activities		**954**	(833)	197
Cash from investing activities				
Purchase of plant and equipment		**(15)**	(3)	(10)
Purchase of investment properties	7	**(5,047)**	(1,516)	(1,648)
Purchase of available for sale investments (shares) – non current assets		**(205)**	–	(200)
Purchase of available for sale investments (shares) – current assets		**–**	(1)	(1)
Net cash acquired with subsidiary		**–**	361	361
Proceeds from sale of investment properties		**5,416**	1,469	3,527
Proceeds from disposal of available for sale investments (shares) – current assets		**114**	–	–
Proceeds from disposal of available for sale investments (shares) – non current assets		**627**	1,749	1,969
Dividend income received		**10**	8	45
Interest income received		**180**	315	445
Net cash from investing activities		**1,080**	2,382	4,488
Cash from financing activities				
New loans net of repayments		**(2,113)**	(8,631)	(9,625)
Dividends paid	4	**(1,020)**	(1,870)	(1,870)
Net cash used in financing activities		**(3,133)**	(10,501)	(11,495)
Net (decrease) in cash and cash equivalents		**(1,099)**	(8,952)	(6,810)
Cash and cash equivalents at the beginning of period		**7,736**	14,546	14,546
Cash and cash equivalents at the end of period		**6,637**	5,594	7,736

Notes to the Interim Financial Report

For the six months ended 30 June 2007

1. Basis of preparation of accounts

The results for the year ended 31 December 2006 have been audited whilst the results for the six months ended 30 June 2006 and 30 June 2007 are un-audited. The interim report is un-audited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under s237(2) or s237(3) of the Companies Act 1985. Copies of the report are available from the address shown in note 9.

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

To the best of the Directors' knowledge, the half yearly interim financial report gives a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and were approved by the board on 20 September 2007.

The Interim figures are prepared on the basis of the accounting policies set out in the last annual report to 31 December 2006. Additionally IAS 39 has been applied for the interim figures for the treatment of Derivative financial assets. The Derivative financial instruments are recognised on the balance sheet at fair value with its gain or loss in value over the period being shown within the income statement. Under IAS 39 the fair value of the Derivative financial instruments is calculated using the yield curve to work out the net present value of future cash flows derived from the instrument.

Shares held as 'Available for sale investments' in current assets are no longer intended for disposal in the next 12 months, as such they have been reclassified as non current assets.

2. 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. The Group's main business segment is 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. 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.

Notes to the Interim Financial Report

continued

2. Revenue and cost of sales continued

M.R.G. Systems Ltd became a subsidiary on 1 April 2006.

Turnover arose as follows:	**30 June 2007 £'000**	30 June 2006 £'000	31 December 2006 £'000
Rental income	**3,785**	3,724	7,510
Income from sale of stock properties	**–**	–	1,007
Proceeds from disposal of available for sale investments (shares) – current assets	**114**	–	–
Income from trading (M.R.G. Systems Ltd)	**1,243**	523	1,205
	5,142	4,247	9,722

Cost of sales arose as follows:	**30 June 2007 £'000**	30 June 2006 £'000	31 December 2006 £'000
Cost of sales – from rental income	**634**	833	1,695
Stock properties recognised as an expense	**–**	–	514
Cost of sales – available for sale investments (shares) – current assets	**99**	–	–
Cost of sales – trading (M.R.G. Systems Ltd)	**824**	332	721
	1,557	1,165	2,930

3. Taxation

The charge for taxation comprises the following:

	30 June 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Current period UK corporation tax	**1,327**	455	1,108
Prior period UK corporation tax	**–**	–	(290)
Current period deferred tax	**(1,101)**	(343)	1,106
	226	112	1,924

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

4. Dividends

Amounts recognised as distributions to equity holders in the period:

	30 June 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Final dividend for the year ended 31 December 2006 of 6p (2005 – 5p) per share	**1,020**	850	850
Interim dividend for the year ended 31 December 2006 of 6p per share	**–**	1,020	1,020
	1,020	1,870	1,870

The Directors have already proposed an interim dividend of 6p per share that will be paid on 28 September 2007.

The Directors anticipate recommending a final dividend of not less than 6p per share for the year ended 31 December 2006.

5. Earnings per ordinary share (basic and diluted)

The calculation of earnings per ordinary share is based on earnings, after minority interests, of £5,328,000 (30 June 2006 – £1,589,000 and 31 December 2006 – £7,387,000) and on 16,998,151 (30 June 2006 and 31 December 2006 – 16,998,151) ordinary shares being the weighted average number of ordinary shares in issue throughout the six months ended 30 June 2007.

6. Net assets per share

	30 June 2007	30 June 2006	31 December 2006
Net assets per share	**456p**	396p	431p

The calculation of net asset per ordinary share is based on the equity attributable to shareholders of the equity in the parent company, and on 16,998,151 (30 June 2006 and 31 December 2006 – 16,998,151) ordinary shares being the weighted average number of ordinary shares in issue throughout the six months ended 30 June 2007.

Notes to the Interim Financial Report

continued

7. Investment Properties

	30 June 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Fair value of investment property			
At 1 January	**104,521**	99,881	99,881
Additions	**5,047**	1,516	1,648
Disposals	**(4,265)**	(1,297)	(3,089)
Revaluation increase	**–**	70	6,081
	105,303	100,170	104,521

The directors do not consider there to be a material change in value since the directors' valuation for the accounts for the year ended 31 December 2006. It is intended that an independent professional valuation will be obtained for the year ending 31 December 2007.

8. Retained earnings

	30 June 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
At 1 January	**65,562**	59,925	59,925
Profit for the period	**5,328**	1,589	7,387
Movement in fair value of available for sale investments (shares) taken to equity	**(23)**	116	276
Deferred tax relating to movement in fair value of available for sale investments (shares) taken to equity	**15**	(110)	(156)
Dividends paid	**(1,020)**	(1,870)	(1,870)
	69,862	59,650	65,562

9. Copies of this report are to be sent to all shareholders and are available from the Company's registered office at Panther House, 38 Mount Pleasant, London WC1X 0AP.

Shareholder Notes

Shareholder Notes

Panther Securities PLC
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