PANTHER SECURITIES PLC

INTERIM REPORT
SIX MONTHS ENDED 30 JUNE 2017

Chairman's Statement

I am once again delighted to report our results for the six months ended 30 June 2017 which show a profit of £6,750,000 before tax compared to a loss of £6,627,000 for the same period last year.

Rents receivable during the period rose to £6,377,000 compared to £6,333,000 in the half year to 30 June 2016.

Once again, our results are heavily influenced by the interest rate swaps liability which this half year showed a positive movement of £2,454,000 compared to last half year's £7,983,000 negative movement. As stated previously this movement does not have a cash effect.

However, even without taking this reduction in swap liability into account, we have still performed extremely well with several major transactions completed in the period or in progress.

Development Progress

Holloway Head, Birmingham

Our wholly owned subsidiary, Panther Developments Limited, exchanged contracts for the sale of the entire freehold and long leasehold interests in this major development opportunity. We had built up this site over thirty years and had twice received planning permission for redevelopment. We could not unfortunately take advantage because it had not been possible to obtain the adjoining owner's full co-operation at that time.

However, about two years ago we received an extremely attractive, detailed planning permission that only required the consent of the freeholder of 30% of our site (Birmingham Council) to extend our existing 100 year practically fixed ground rents to over 150 years and to remove a restrictive covenant.

Despite the desperate shortages of housing in Birmingham and the few million pounds that Birmingham Council would have received under our agreed Section 106 payments (Danegeld), it also wanted well over £1 million in value to renegotiate the ground leases. After about two years without any substantive or reasonable suggestion or even a written formal proposal from Birmingham Council, we decided to sell the site to a medium sized local developer whom we understood had worked successfully with and received co-operation from Birmingham Council on previous schemes.

In June 2017, Panther Developments Limited exchanged contracts to sell its entire interests for £11,000,000. We received a £1,020,000 non-refundable deposit, which is included in this period's income statement, and agreed a delayed completion of six months to enable a lease extension to be progressed between the purchaser and Birmingham Council. On a successful completion of this sale we would expect to recognise a substantial gain on book value.

Swindon Market Site

A revised application on this site has been submitted for ground floor restaurants, leisure uses and a fifteen storey upper part which could contain one hundred residential apartments. There has been an extensive consultation throughout the planning process and to date we have had favourable comments on the proposed scheme from all parties concerned. Shareholders will remember we had previously won planning permission for a two storey restaurant scheme following a successful appeal.

High Street, Croydon

On 23 March 2017, we announced we had exchanged contracts for the sale of our 105 year long leasehold interest at High Street, Croydon for £800,000 for the vacant upper parts alone which had permission for 8 flats.

As part of the deal we leased back, for the full term at a nominal ground rent, the ground floor retail element which is now fully let to Sainsbury's and Princess Alice Hospice at a total rent of £100,000 p.a.

A non-refundable deposit of £80,000 has been paid with a balance of £620,000 to be paid on completion on 31 October 2017. The final £100,000 is to be paid in eight equal payments as and when the purchaser sells each completed flat unit.

Bruce Grove, Wickford

The final application for approval of some outstanding conditions has been submitted and if successful, we have a builder/buyer in hand who is keen to purchase the currently vacant site and ready to start building the first phase of the development of 28 houses.

Disposals

William Nash PLC

In May 2017 we sold our entire ordinary shareholding in this former AIM quoted property company for £1,486,000, which gave us a profit of £859,000 on the book value of £627,000. We had held this investment for a number of years and had previously received two substantial special dividends.

Maldon – Surrender Premium

This freehold factory contains approximately 200,000 sq. ft. of high bay, brick built warehouse on a site of about 9.5 acres. During March 2017 we received £1,995,000 for the surrender of the tenants' lease. This payment was in lieu of the remaining four years' rental payments of £500,000 p.a. and dilapidations. Our results for the half year under review only record £1,400,000 of this figure as a provision has been made for repairs to the property which are still in progress. This should make the property more attractive for letting to potential tenants at hopefully a higher rent.

Tenant Activity to 30 June 2017

During this period we gained 44 new tenants (19 residential and 25 commercial) producing £483,000 p.a. We lost 41 tenants (10 residential and 31 commercial) producing £459,000 p.a. The net effect results in an extra £24,000 p.a. in rent receivable. There were seven renewals in the period with a net effective reduction of £35,000 p.a. These figures do not include the large value lease surrender in Maldon of £500,000 p.a., where we received a high surrender premium, or the surrender and re-grant of a lease to Beales in Keighley which they were entitled to under the CVA arrangement.

Business Rates

Extortionate business rates continue and the appeal process is changing again making it more difficult for property owners/occupiers to appeal against. The government promised consultation with trade representatives whose majority have complained that the proposals were not only unfair and harmful to business but probably unworkable. However, the government ignored this advice and continued with their harmful property taxation proposals.

Post Accounting Date Acquisitions

Springburn Shopping Centre, Glasgow

We have exchanged and in early October 2017, are due to complete on the acquisition of Springburn Shopping Centre in Scotland which is a northern suburb of Glasgow. It is a 78,110 sq. ft. covered shopping centre, including a 24,500 sq. ft. anchor store let to B&M Bargains and some 270 car parking spaces. The site is approximately 5.12 acres and is occupied by a combination of national and local businesses. There is significant additional housing proposed for the area which should assist the future prosperity of both the area and the shopping centre.

The centre is let to mainly good quality tenants, with a diversified income profile, spread amongst 26 tenants who provide a mixture of national and local covenants, including Scotmid Co-operative, Betfred, Card Factory, Brighthouse, Greggs, Santander, B&M, William Hill and Farmfoods.

The net income, after deduction of the head-lease rent of £60,000 p.a., is currently £300,000 p.a. which also allows for all void costs. The property is held on an 88 year unexpired long leasehold from Glasgow City Council. The price payable for the long leasehold interest is £2.3 million.

Former McEwen’s of Perth

In early September 2017 we completed the purchase of the freehold former department store, McEwen’s of Perth. This attractive listed property is located in the centre of Perth. Purchased mainly vacant, it contains one national tenant on the corner of the building who pays an inclusive rent of circa £50,000 p.a. We have pre-let the balance of 35,000 sq. ft. to JE Beale PLC who have been promised financial assistance by the local council to establish their first store in Scotland.

We own other properties in High Street, Perth and have previously worked with the council who provided substantial grants to bring long-vacant upper parts back into use as flats, which are now let and rent producing. We expect to receive grants to redecorate the listed façade of this older building. In due course, this property is expected to produce double figure returns for our Group on our initial cost of approximately £700,000 but we will have to spend money on the property for outside refurbishments towards which the council has indicated they will contribute.

Post Accounting Date Disposal

In July we sold a freehold factory investment in Nottingham to the tenant for £350,000, which will show a small profit on book value. It was let at £20,000 p.a.

Political donations

My resolution proposed at the last AGM for donating £25,000 to the UK Independence Party was unsurprisingly defeated. It appears many people consider that UKIP have “done their job” of convincing the majority of this country’s voters to leave the European Union. I believe that there is many a slip between cup and lip and only time will tell if people get what the majority voted for.

Dividends

An interim dividend of 5p per share will be to be paid to shareholders on 29 November 2017 (ex-dividend on 9 November 2017 to shareholders on the register on 10 November 2017). In light of the progress that has been made in the year already, and the transactions in hand, the Board will decide the level of the final dividend upon review of our year-end results, however it is not expected to be less than 7p per share (giving a minimum total dividend for the year of 12p per share).

Prospects

We have much activity at the moment with a number of property sales possible once planning issues are clarified. It is our current intention to reinvest funds realised in income producing assets to the long term benefit of the shareholders.

Andrew S Perloff

Chairman

26 September 2017

Chairman's Ramblings

A small news item recently caught my eye regarding a middle-aged woman who found an injured seagull. She took the bird home, nursed it back to health but realising that it would probably not be able to fly again decided to adopt it as a pet. She eventually managed to train it to accept a lead and began to take it for regular walks. The police and RSPCA were alerted and the woman was charged with cruelty to animals. Shortly thereafter the bird was 'put down to ease its suffering'. The seagull obviously was not legally represented and therefore had no say in what choice it would have preferred.

This story reminded me of my mother who died earlier this year a short while before her 100th birthday. She had lived a long life in good health, in her own home and fully compos mentis to the very end which came unexpectedly after a very short illness. In her last few years her mobility became impaired and she walked less and less, mainly for fear of falling which had happened on more than one occasion. Whenever the family visited, which was often, we would each take her for a short walk arm-in-arm. Although arduous for her, it helped her circulation and general well-being.

Of course, I now realise we were lucky not to have been seen and reported to the police or some other do-gooding acronym named organisation and had our mother confiscated from us, or worse!

As always, my few readers may not immediately grasp the connection or relevance between my stories and the Panther Group.

In the mid 1970s, there was a collapse in the property market. Transactions ground to a halt, property values could not be properly assessed and the banks began to panic.

Of course the usual culprits were to blame; political incompetence, injudicious bankers and a number of suspect transactions carried out by a few secondary banks who were borrowing short and lending long. When this came to light, all banks, both good and bad, had a run on their funds and stopped lending.

My business partners and I were caught up in this maelstrom. Our group was too small however to be of great interest to the 'lifeboat' rescue effected by the main clearing bank lenders organised by the Bank of England.

In an effort to save part of our group, we agreed to buy out our controlling shareholding in Levers Optical Company (now Panther, which was midway between turning from an optical company to a property company) at the stock market price. Barclays, the only bank out of our four banks, which had not gone bust and to whom the shares were charged, agreed to give us a 50% loan on this stock repayable over 7 years. This was a ‘no-brainer’ for them as they received double the amount they lent us on this shareholding. We had virtually no spare cash of our own so my mother lent us £37,500 for our 50% of the purchase price which would allow us to start afresh with a new, untroubled corporate entity. This sum represented most of her savings and was a big risk for her. Within a few years she recouped her loan and the investment has multiplied hugely in value since. Whilst my family benefitted the most, there are many shareholders who also did very well with some of the then shareholders’ comparatively small investments growing to over £1 million in value.

You must appreciate at that time the banks would sell whatever they could for whatever price was immediately achievable as it enabled them to “close the file” on each situation and they had so many troublesome files.

The second point to the seagull story is to highlight the excessive concern and sometimes misconceived and often ill-thought out legislation introduced to protect our environment and non-human inhabitants.

Some shareholders will know I am an avid collector of many things and have for nearly sixty years attended auction sales of all kinds – furniture and household clearance sales, country house and estate sales and of course property auctions.

Over this long period I have noticed the disproportionately escalating prices of certain items. This is particularly apparent in objects made of or containing ivory and rhinoceros horn and over time legislation has been introduced to curtail the trade in these products.

Whilst it is obvious that killing these endangered animals should and must be stopped, the obvious way to tackle this problem is at source whether by stick (severe criminal penalties) or carrot (payments to local inhabitants to protect the animals in their environment). This may have been done in a half-hearted way but what has happened over the last thirty years or so has been to gradually bring in more restrictions on the trade in products made from these animals’ horns, skin or bones making them even more valuable. Most of these objects were made and collected many, many years ago, possibly up to 150 years ago, and therefore a large proportion of these items that were put up for sale came from private collectors. Objects from rhinoceros were far more rare and unusual than elephant objects and therefore commanded much higher prices.

In the late 1970s, a hunting trophy with the original rhinoceros horn may have fetched £400-£900 but with each new restrictive law on the sale of these old objects, less became available and the price increased. Nowadays, if a similar object passes the regulations for possible sale, it may fetch an amount approaching £100,000. The law of supply and demand has come into play.

There are unintended consequences! The areas where these creatures lived were mainly inhabited by people living not far above subsistence level. They had no interest in killing these animals and indeed sensibly avoided them until they realised that their value when dead could probably feed or assist a whole village for a year. The gangsters then moved in, able to afford powerful weapons and guns making it easier to kill these leviathans for huge profits. This almost certainly can only be done with the help of 'locals' who were able to gain a slice, albeit a very small slice of the profits.

To a lesser degree, this too has happened with elephants.

The restrictions, well meant though they are, have almost certainly had the opposite effect than intended. Few people would object if money from our overseas aid budget was spent in encouraging the local villagers into protecting the animals in their areas.

Having dealt with two of the largest species of endangered creatures, I move to our own UK supposedly endangered species which, of course, are much smaller – bats (all types) and great crested newts.

Whilst I have yet to hear of anyone hunting these creatures, we have our own stringent rules on disturbing these creatures which usually only come into effect when land is being put forward for housing development.

Here we return to the rules of supply and demand. There are many people who wish to buy or rent their own homes and the building industry would and should be able to supply this demand. It is not the fault of the builders, the landowners or the speculators but entirely the government's exacting requirement to make them comply with the myriad of rules and regulations that must be adhered to.

The tiny bat and newt are two small examples of the restrictions put in the way of more housing and gives an idea of the bureaucratic foolishness of some of the regulations.

There are about 26,000,000 homes in the UK. The government wants to build 250,000 units a year which means increasing the total stock by about 1% per year (the UK currently manages two thirds of this amount).

Chairman's Ramblings

continued

Built housing occupies about 12% of UK land so if we were able to build the full required amount, it would use 0.125% of our UK land per year.

We can assume that bats and great crested newts are spread evenly over the whole country and if none of them have the ability to move at an early sign of disturbance, then each year we would lose just about 1/1000th of our bat and newt population. They must breed at least 10 times faster than that so there would never be a loss to our environment. Perhaps someone could check with David Attenborough.

The delays caused by just these two silly rules are costly but only a small part of the many, many more similar regulations that make housing production more difficult and slower and therefore more costly than necessary.

The price of housing is becoming out of reach for many of those that aspire to own or even rent their own home.

I have not mentioned the councils' Danegeld payments required to obtain planning permission which have increased in both size and complexity over the last twenty five years or so. It would take several pages to explain why it produces the exact opposite of what is required, which is more homes at affordable prices.

One of our government's very few recent successes in the housing field was the massive increase in the conversion of redundant office buildings in town centres being converted into flats. This was allowable after building owners were given 'permitted development rights' that cut out the need for planning permission in the normal way, merely dealing with the usual building regulation requirements. Last year, over 12,000 units were produced which is a figure that is still rising.

Perhaps that indicates a way forward to where our rule and lawmakers actually talk to the housing producers to remove some so called 'red tape' and let common sense prevail.

Andrew S Perloff
Chairman

26 September 2017

Condensed Consolidated Income Statement

for the six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017 £'000 Unaudited**	Six months ended 30 June 2016 £'000 Unaudited	Year ended 31 December 2016 £'000 Audited
Revenue	2	**7,166**	7,222	14,684
Cost of sales	2	**(2,065)**	(2,037)	(3,643)
Gross profit		**5,101**	5,185	11,041
Other income		**1,485**	355	508
Administrative expenses		**(1,768)**	(2,336)	(3,947)
		4,818	3,204	7,602
Profit on disposal of investment properties		**1,061**	364	458
Movement in fair value of investment properties		**–**	263	318
		5,879	3,831	8,378
Finance costs		**(2,490)**	(2,556)	(5,097)
Investment income		**48**	93	109
Profit (realised) on the disposal of available for sale investments (shares)		**859**	–	–
Impairment of available for sale investments (shares)		**–**	(12)	–
Movement in derivative financial liabilities	7	**2,454**	(7,983)	(5,338)
Profit/(loss) before income tax		**6,750**	(6,627)	(1,948)
Income tax (expense)/credit	3	**(965)**	1,747	995
Profit/(loss) for the period		**5,785**	(4,880)	(953)
Attributable to:				
Equity holders of the parent		**5,781**	(4,896)	(970)
Non-controlling interest		**4**	16	17
Profit/(loss) for the period		**5,785**	(4,880)	(953)
Earnings/(loss) per share				
Basic and diluted		**32.6p**	(27.6)p	(5.5)p

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2017

	Six months ended 30 June 2017 £'000 Unaudited	Six months ended 30 June 2016 £'000 Unaudited	Year ended 31 December 2016 £'000 Audited
Profit/(loss) for the period	**5,785**	(4,880)	(953)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of available for sale investments (shares) taken to equity	**46**	–	87
Deferred tax relating to movement in fair value of available for sale investments (shares) taken to equity	**(9)**	–	(15)
Other comprehensive income for the period, net of tax	**37**	–	72
Total comprehensive income/(loss) for the period	**5,822**	(4,880)	(881)
Attributable to:			
Equity holders of the parent	**5,818**	(4,896)	(898)
Non-controlling interest	**4**	16	17
	5,822	(4,880)	(881)

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

Company number 293147

	Notes	**30 June 2017 £'000 Unaudited**	30 June 2016 £'000 Unaudited	31 December 2016 £'000 Audited
ASSETS				
Non-current assets				
Plant and equipment		**68**	86	63
Investment property	6	**176,769**	175,623	176,489
Deferred tax asset		**986**	1,810	1,140
Available for sale investments (shares)		**326**	733	908
		178,149	178,252	178,600
Current assets				
Inventories (MRG)		**115**	116	57
Stock properties		**448**	991	736
Trade and other receivables		**4,140**	3,725	4,020
Cash and cash equivalents*		**9,123**	6,692	4,887
		13,826	11,524	9,700
Total assets		**191,975**	189,776	188,300
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Capital and reserves				
Share capital		**4,437**	4,437	4,437
Share premium account		**5,491**	5,491	5,491
Equity shares to be issued		**–**	–	–
Capital redemption reserve		**604**	604	604
Retained earnings		**66,350**	58,282	61,747
		76,882	68,814	72,279
Non-controlling interest		**100**	96	96
Total equity		**76,982**	68,910	72,375
Non-current liabilities				
Long-term borrowings	7	**69,764**	71,308	69,769
Derivative financial liability	7	**25,796**	30,895	28,250
Obligations under finance leases		**6,768**	6,641	6,769
		102,328	108,844	104,788
Current liabilities				
Trade and other payables		**10,411**	10,820	10,721
Accrued dividend payable	4	**1,215**	532	–
Short-term borrowings	7	**158**	140	150
Current tax payable		**881**	530	266
		12,665	12,022	11,137
Total liabilities		**114,993**	120,866	115,925
Total equity and liabilities		**191,975**	189,776	188,300

* Of this balance £1,017,000 (30 June 2016: £716,000, 31 December 2016: £1,017,000) is restricted by the Group's lenders i.e. it can only be used for purchase of investment property (or otherwise by agreement).

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017

	Share Capital £'000	Share Premium £'000	Capital Redemption £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2016 (audited)	4,437	5,491	604	65,485	76,017
Total comprehensive income for the period	–	–	–	(4,896)	(4,896)
Dividends due	–	–	–	(2,307)	(2,307)
Balance at 30 June 2016 (unaudited)	4,437	5,491	604	58,282	68,814
Balance at 1 January 2016 (audited)	4,437	5,491	604	65,485	76,017
Total comprehensive income for the period	–	–	–	(898)	(898)
Dividends	–	–	–	(2,840)	(2,840)
Balance at 1 January 2017 (audited)	4,437	5,491	604	61,747	72,279
Total comprehensive income for the period	–	–	–	5,818	5,818
Dividends due	–	–	–	(1,215)	(1,215)
Balance at 30 June 2017 (unaudited)	4,437	5,491	604	66,350	76,882

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2017

	Notes	**30 June 2017 £'000 Unaudited**	30 June 2016 £'000 Unaudited	31 December 2016 £'000 Audited
Cash flows from operating activities				
Profit from operating activities		**4,818**	3,204	7,602
Add: Depreciation charges for the period		**7**	53	90
Add: Loss on write down of stock		**124**	–	–
Less: Rent paid treated as interest		**(258)**	(262)	(514)
Profit before working capital change		**4,691**	2,995	7,178
(Increase)/decrease in inventory		**(58)**	(56)	3
Decrease in receivables		**51**	828	617
(Decrease)/increase in payables		**(300)**	181	(432)
Cash generated from operations		**4,384**	3,948	7,366
Interest paid		**(2,164)**	(2,139)	(4,342)
Income tax paid		**(204)**	2	(360)
Net cash generated from operating activities		**2,016**	1,811	2,664
Cash flows from investing activities				
Purchase of plant and equipment		**(12)**	–	(8)
Purchase of investment properties		**(136)**	(39)	(539)
Purchase of available for sale investments (shares)		**–**	(10)	(85)
Corporate acquisition (net of cash received)		**–**	(4,481)	(4,497)
Proceeds from sale of investment property		**911**	5,189	5,793
Proceeds from sale of plant and equipment		**–**	–	–
Proceeds from sale of available for sale investments (shares)		**1,486**	–	–
Dividend income received		**47**	91	103
Interest income received		**2**	2	6
Net cash generated from investing activities		**2,298**	752	773
Cash flows from financing activities				
New loans received		**–**	2,000	2,000
Loan arrangement fees and associated costs		**–**	(407)	(442)
Repayments of loans		**(78)**	(76)	(1,655)
Dividends paid		**–**	(1,775)	(2,840)
Net cash used in financing activities		**(78)**	(258)	(2,937)
Net increase in cash and cash equivalents		**4,236**	2,305	500
Cash and cash equivalents at the beginning of period		**4,887**	4,387	4,387
Cash and cash equivalents at the end of period*		**9,123**	6,692	4,887

* Of this balance £1,017,000 (30 June 2016: £716,000, 31 December 2016: £1,017,000) is restricted by the Group's lenders i.e. it can only be used for purchase of investment property (or otherwise by agreement).

Notes to the Interim Financial Report

For the six months ended 30 June 2017

1. Basis of preparation of interim financial statements

The results for the year ended 31 December 2016 have been audited whilst the results for the six months ended 30 June 2016 and 30 June 2017 are unaudited.

The financial information set out in this interim financial report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory accounts for the year ended 31 December 2016 which were prepared under International Financial Reporting Standards ("IFRS") as adopted for use in the European Union, were filed with the Registrar of Companies. The auditors reported on these accounts, their report was unqualified and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

These condensed consolidated interim financial statements are for the six month period ended 30 June 2017. They have been prepared using accounting policies consistent with IFRS as adopted for use in the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Board of Directors expect to be applicable as at 31 December 2017.

There are no new standards, interpretations and amendments, effective for the first time from 1 January 2017, that have had a material effect on the financial statements of the Group.

2. Revenue and cost of sales

The Group's main operating segment is investment and dealing in property. The majority of the revenue, cost of sales and profit or loss before taxation being generated in the United Kingdom.

MRG Systems Ltd is an operating business segment whose principal activity is that of electronic designers, engineers and consultants. 67% of its revenue arose in the United Kingdom and 100% of its cost of sales.

The split of assets, tax effect and cash flow of each segment is not shown as these are not material in relation to MRG Systems Ltd.

Turnover arose as follows:	**30 June 2017 £'000 Unaudited**	30 June 2016 £'000 Unaudited	31 December 2016 £'000 Audited
Rental income	**6,377**	6,333	12,983
Income from trading (MRG Systems Ltd)	**789**	889	1,701
	7,166	7,222	14,684

Cost of sales arose as follows:	**30 June 2017 £'000 Unaudited**	30 June 2016 £'000 Unaudited	31 December 2016 £'000 Audited
Cost of sales from rental income	**1,784**	1,694	3,066
Cost of sales from trading (MRG Systems Ltd)	**281**	343	577
	2,065	2,037	3,643

3. Income tax expense

The charge for taxation comprises the following:

	30 June 2017 £'000 Unaudited	30 June 2016 £'000 Unaudited	31 December 2016 £'000 Audited
Current period UK corporation tax	**765**	161	448
Prior period UK corporation tax	**53**	–	(188)
	818	161	260
Current period deferred tax	**147**	(1,908)	(1,255)
Income tax expense/(credit) for the period	**965**	(1,747)	(995)

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 2017 £'000 Unaudited	30 June 2016 £'000 Unaudited	31 December 2016 £'000 Audited
Special dividend for the year ended 31 December 2015 of 10p per share	**–**	1,775	1,776
Final dividend for the year ended 31 December 2015 of 3p per share	**–**	532	532
Interim dividend for the year ended 31 December 2016 of 3p per share	**–**	–	532
Final dividend for the year ended 31 December 2016 of 9p per share	**1,215***	–	–
	1,215	2,307	2,840

* Andrew Perloff waived his personal entitlement to the Group's final dividend for the year ended 31 December 2016 on his personal shareholding of 4,244,360 resulting in a reduction in the dividend liability of £382,000 (at the period end).

4. Dividends continued

The final dividend of 9p per share for the year ended 31 December 2016 was not paid at the period end but declared (being accrued in these accounts) and was paid on 21 July 2017.

The Directors have declared an interim dividend of 5p per share to be paid on 29 November 2017 to shareholders on the register at 10 November 2017 (ex-dividend 9 November 2017).

5. Earnings per ordinary share (basic and diluted)

The calculation of basic and diluted earnings per ordinary share is based on earnings, after excluding non-controlling interests, being a profit of £5,781,000 (30 June 2016 – loss of £4,896,000 and 31 December 2016 – loss of £970,000).

The basic earnings per share is based on the weighted average of the ordinary shares in existence throughout the period, being 17,746,929 to 30 June 2017 (17,746,929 to 31 December 2016 and also to 30 June 2016). There are no potential shares in existence for any period therefore diluted and basic earnings per share are equal.

After the period end Panther Securities PLC bought 63,460 ordinary shares that it currently holds in treasury.

6. Investment Properties

	30 June 2017 £'000 Unaudited	30 June 2016 £'000 Unaudited	31 December 2016 £'000 Audited
Fair value of investment properties			
At 1 January	**176,489**	176,133	176,133
Additions	**136**	89	539
Acquisition of subsidiary	**–**	4,462	4,462
Transfer from stock property	**164**	–	255
Fair value adjustment on property held on operating leases	**–**	–	117
Disposals	**(20)**	(5,324)	(5,335)
Revaluation increase	**–**	263	318
	176,769	175,623	176,489

The directors consider that the fair value of the investment properties has not materially changed since it was last valued by the directors at the 31 December 2016 Statement of Financial Position date.

7. Derivative 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 swap arrangements. The purpose of such transactions is to manage the interest rate risks arising from the Group's operations and its sources of finance.

	30 June 2017 £'000		30 June 2016 £'000		31 December 2016 £'000	
	Unaudited	**Rate**	Unaudited	Rate	Audited	Rate
Bank loans						
Interest is charged as to:						
Fixed/Hedged						
HSBC Bank plc*	**35,000**	**7.01%**	35,000	7.03%	35,000	7.01%
HSBC Bank plc**	**25,000**	**6.58%**	25,000	6.60%	25,000	6.58%
Unamortised loan arrangement fees	**(572)**		(704)		(654)	
Floating element						
HSBC Bank plc	**9,997**		11,497		9,997	
Natwest Bank plc	**497**		655		576	
	69,922		71,448		69,919	

* Fixed rate came into effect on 1 September 2008. The rate includes 1.95% margin (previously 2%). The contract includes mutual breaks, the next one being on 23 December 2019 (and every 5 years thereafter).

** This arrangement came into effect on 1 December 2011 when HSBC exercised an option to enter the Group into this interest swap arrangement. The rate includes a 1.95% margin (previously 2%). This contract includes a mutual break on the fifth anniversary and its duration is until 1 December 2021.

Bank loans totalling £60,000,000 (2016 – £60,000,000) are fixed using interest rate swaps removing the Group's exposure to interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

7. **Derivative financial instruments** continued

The derivative financial assets and liabilities are designated as held for trading.

	Hedged amount £'000	Rate (without margin)	Duration of contract remaining years	**30 June 2017 Fair value £'000 Unaudited**	30 June 2016 Fair value £'000 Unaudited	31 December 2016 Fair value £'000 Audited
Derivative Financial Liability						
Interest rate swap	35,000	5.06%	21.19	**(21,881)**	(25,530)	(23,610)
Interest rate swap	25,000	4.63%	4.42	**(3,915)**	(5,365)	(4,640)
				(25,796)	(30,895)	(28,250)
Movement in derivative financial liabilities				**2,454**	(7,983)	(5,338)

Interest rate derivatives are shown at fair value in the statement of financial position, with charges in fair value taken to the income statement. Interest rate swaps are classified as level 2 in the fair value hierarchy specified in IFRS 13.

The vast majority of the derivative financial liabilities are due in over one year and therefore they have been disclosed as all due in over one year.

The above fair values are based on quotations from the Group's banks and Directors' valuation.

Treasury management

The long-term funding of the Group is maintained by three main methods, all with their own benefits. The Group has equity finance, has surplus profits and cash flow which can be utilised, and also has loan facilities with financial institutions. The various available sources provide the Group with more flexibility in matching the suitable type of financing to the business activity and ensure long-term capital requirements are satisfied.

8. Net asset value per share

	30 June 2017 £'000 Unaudited	30 June 2016 £'000 Unaudited	31 December 2016 £'000 Audited
Basic and diluted	**433p**	388p	407p

9. Copies of this report are to be sent to all shareholders and are available from the Company's registered office at Unicorn House, Station Close, Potters Bar, EN6 1TL and will also be available for download from our website www.pantherplc.com.

Printed by Michael Searle & Son Limited

Panther Securities P.L.C.
Unicorn House
Station Close
Potters Bar
Hertfordshire EN6 1TL
www.pantherplc.com