

22 September 2022

Panther Securities PLC

(the “Company”)

Interim Report for the six months ended 30 June 2022

Chairman’s Statement

I am once again pleased to report our results for the six months ended 30 June 2022. We show a profit after tax of £9,958,000, compared to a profit after tax of £8,856,000 for the first half of 2021.

As with previous periods, the major contributors to the significant profit after tax figures are the non-cash valuation movements mainly in relation to swap value movements.

In February 2021, the Group agreed to pay £5 million to have a variation to a long-term swap agreement. The agreement varied was an interest rate swap fixed at 5.06% until 31 August 2038 on a nominal value of £35 million and now has circa 16.2 years remaining. Following the Group’s variation, the Group’s fixed rate will drop on 1 September 2023 to 3.40%, saving the Group £581,000 pa in cash flow until the end-point of the instrument.

At 30 June 2022, there was a swap liability reduction compared to that shown at 31 December 2021 of £11,329,000 due to upward spike in the current and future interest rates, thus contributing to the improvement of our net asset value, which was 553p per share as at 31 December 2021 and 599p per share as at 30 June 2022.

Secondly, we revalued our property portfolio for the half year accounts and there was one significant event being a substantial letting at Maldon at a higher rent of £800,000 per annum (previously £600,000 per annum) and this resulted in a valuation increase of £2,050,000.

Rents receivable during the period under review were £6,387,000 compared to the previous year’s first half of £6,447,000. There were still some concessions given to our tenants who had suffered due to the various lockdowns, which are recognised in the period, but they were not significant. Our rents appear to be strengthening, and at the end of August our rent roll was circa £14.7 million on an annualised basis.

Disposals

There were no disposals during this period.

Acquisitions

In May 2022, we acquired the Lower Healey Business Park in Chorley, Lancashire. The freehold estate comprises approximately 10 acres containing 116,000 sq. ft. of single storey factory space let to a number of different tenants with some vacant land capable of further development. We understand there is good tenant demand in this area partly because the Estate adjoins the M61 and is 2.5 miles from Exit 8. This Estate is currently producing £432,000 per annum and cost £5,026,000, including purchasing costs.

In June 2022, we completed our purchase of the previously mentioned substantial freehold factory and warehouse in Trowbridge, Wiltshire. This comprised of approximately 96,000 sq.ft. of usable space situated in approximately six acres. This property is located on one of the best industrial estates in Trowbridge where demand is strong.

This unit was purchased vacant for £3,300,000 and has since been let in August to an excellent covenant at £455,000 per annum exclusive and will undoubtedly show a substantial value increase when we revalue for our year end.

Developments

Peterborough

The former Beales store in Peterborough, currently partly occupied by New Start 2020 Limited, trading as Beales, has had a planning application submitted for a large mixed-use development of shops/offices and 125 residential units whilst retaining a substantial part of the existing attractive Edwardian brick building façade. The current older style department store contains approximately 145,000 sq. ft. of space unsuitable for current retail markets and may receive a decision by the end of this year.

Barry Parade, Peckham Rye

The plans for this redevelopment of a local supermarket, shops and fourteen flats, have been agreed in their entirety, subject to Section 106 payment which is over and above the normal conditions. There is an appeal in progress.

Broadstairs

This development is fully completed with eleven out of twelve flats now let. Tesco Express is on the ground floor and opened for trade in July 2021, and this development made a welcome addition to Broadstairs High Street. This asset at the time of writing was producing £180,000 per annum.

Swindon

Whilst everything with regard to the two planning permissions on this central Swindon site have been agreed, progress has been slow due to the council requiring some complicated clauses in the new 250 year lease, the overall financial terms of which were previously provisionally agreed.

Whilst we expect to resolve these issues soon, the delay is disappointing but, in due course, the improvement to the former covered market site will take place.

Dividends

We paid a delayed 6p per share interim dividend for year ended 31 December 2021 in February 2022.

We also paid a 6p per share final dividend for the year ended 31 December 2021 on 20 July 2022. This final dividend for the year ended 31 December 2021 is accrued in these accounts as it was not paid until after the period end (but was approved by shareholders).

We are declaring an interim dividend for the year ending 31 December 2022 of 6p per share to be paid on 20 October 2022 to shareholders on the register at 7 October 2022 (ex-dividend 6 October 2022). We expect to maintain our dividend for the full year.

Future progress

The country, both the public and businesses, finally having substantially recovered from the problems caused by the coronavirus pandemic, have now been thrown into a further period of uncertainty by the problems caused by the Russian invasion of the Ukraine.

I suspect that, like myself, most of us were unaware of the now obvious repercussions of this unwarranted invasion of the Ukraine. The fact that Russia is one of the world's largest oil and gas producers and the major supplier of Europe's energy has enabled it to weaponise this position to bring pressure on all of its opponents who are horrified by its actions. Russia's ability to blockade the Ukraine's export of wheat when it is one of the world's major producers together with its ability to restrict the flow of gas into Europe has caused an upward burst in world inflation, especially in energy costs, which for some users will triple over three years and which will cause major problems for many small and large businesses and the vast majority of our population.

We are all currently awaiting what measures our government will take to alleviate this very difficult situation.

In this environment caution is our watch word and, thus, our Group will act accordingly.

Andrew S Perloff

Chairman

22 September 2022

Chairman's Ramblings

On Thursday, 8th September, our much-admired and loved Queen Elizabeth II died rather suddenly, only two days after receiving the resignation of her Prime Minister, Boris Johnson and inviting Liz Truss to take over his role.

Although a great admirer and supporter of the monarchy and our late Queen, in particular, possibly because my earliest memories start with viewing on a TV especially purchased to view her Coronation which was televised for the first time in June 1953. I do not feel qualified to comment further as we have heard and read so many eloquent and touching comments of our Queen's service to our country, and via our modern media, we have also visually seen the affection in which so many people held her. Having lived 90% of my life under her reign, I consider myself an Elizabethan.

Whilst it is too early to comment on our new Prime Minister after she has had only a few weeks in power, I wish her good luck in her desire to improve our country, and would add that I like many of her proposed ideas which she set out in her successful campaign to be chosen as the new Conservative leader and, thus, Prime Minister.

Of course, only time will tell what her performance will be in what is probably the most important and difficult job in our United Kingdom.

Panther Securities P.L.C.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2022

	Notes	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
		Unaudited	Unaudited	Audited
Revenue	2	6,387	6,447	13,172
Cost of sales	2	(2,891)	(1,838)	(4,651)

Gross profit		3,496	4,609	8,521
Other income		325	321	958
Administrative expenses		(699)	(830)	(1,492)
Bad debt expense		(858)	(658)	(286)
Operating profit		<u>2,264</u>	<u>3,442</u>	<u>7,701</u>
Profit on disposal of investment properties		-	88	701
Movement in fair value of investment properties	6	2,050	1,213	961
		<u>4,314</u>	<u>4,743</u>	<u>9,363</u>
Finance costs – interest		(1,385)	(969)	(2,322)
Finance costs – swap interest		(954)	(1,439)	(2,806)
Finance costs – swap variation	7	-	(5,000)	(5,000)
Investment income		10	17	29
Loss realised on the disposal of investments (shares)		-	(100)	(96)
Fair value gain on derivative financial liabilities	7	11,329	14,326	16,754
Profit before income tax		<u>13,314</u>	<u>11,578</u>	<u>15,922</u>
Income tax expense	3	(3,356)	(2,722)	(2,411)
Profit for the period		<u>9,958</u>	<u>8,856</u>	<u>13,511</u>
Earnings per share				
Basic and diluted – continuing operations	5	<u>56.5p</u>	<u>50.1p</u>	<u>76.4p</u>

Panther Securities P.L.C.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022

	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
	Unaudited	Unaudited	Audited
Profit for the period	9,958	8,856	13,511
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Movement in fair value of investments taken to equity	(47)	77	55
Deferred tax relating to movement in fair value of investments taken to equity	12	(15)	(14)
Realised fair value on disposal of investments previously taken to equity	-	143	148
Realised deferred tax relating to disposal of investments previously taken to equity	-	(27)	(37)
Other comprehensive (loss)/income for the period, net of tax	(35)	178	152
Total comprehensive income for the period	9,923	9,034	13,663
Attributable to:			
Equity holders of the parent	9,923	9,034	13,663
	9,923	9,034	13,663

Panther Securities P.L.C.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company number 293147

As at 30 June 2022

	Notes	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
ASSETS		Unaudited	Unaudited	Audited
Non-current assets				
Investment properties	6	177,723	182,031	167,384
Deferred tax asset	8	-	1,049	2,252
Right of use asset		296	335	298
Investments		304	335	292
		<u>178,323</u>	<u>183,750</u>	<u>170,226</u>
Current assets				
Stock properties		350	350	350
Investments		29	29	29
Trade and other receivables		3,383	3,873	2,996
Cash and cash equivalents (restricted)		4	1,052	5,009
Cash and cash equivalents		5,534	3,377	8,343
		<u>9,300</u>	<u>8,681</u>	<u>16,727</u>
Total assets		<u>187,623</u>	<u>192,431</u>	<u>186,953</u>
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
Treasury shares		(482)	(213)	(213)
Capital redemption reserve		604	604	604
Retained earnings		95,265	82,835	87,464
Total equity		<u>105,315</u>	<u>93,154</u>	<u>97,783</u>

Non-current liabilities

Long-term borrowings	7	58,910	18	55,513
Derivative financial liability	7	3,926	17,683	15,255
Deferred tax liability	8	1,092	-	-
Leases		8,353	8,339	8,353
		<u>72,281</u>	<u>26,040</u>	<u>79,121</u>

Current liabilities

Trade and other payables		8,202	8,922	9,361
Accrued dividend payable	4	1,061	1,061	-
Short-term borrowings	7	500	63,066	560
Current tax payable		264	188	471
		<u>10,027</u>	<u>73,237</u>	<u>10,049</u>

Total liabilities

	<u>82,308</u>	<u>99,277</u>	<u>89,170</u>
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Total equity and liabilities

	<u>187,623</u>	<u>192,431</u>	<u>186,953</u>
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Panther Securities P.L.C.**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the six months ended 30 June 2022

	Share capital	Share premium	Treasury shares	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021 (audited)	4,437	5,491	(213)	604	75,923	86,242
Total comprehensive income for the period	-	-	-	-	9,034	9,034

Dividends paid	-	-	-	-	(1,061)	(1,061)
Dividends due	-	-	-	-	(1,061)	(1,061)
Balance at 30 June 2021 (unaudited)	4,437	5,491	(213)	604	82,835	93,154
Balance at 1 January 2021 (audited)	4,437	5,491	(213)	604	75,923	86,242
Total comprehensive income for the period	-	-	-	-	13,663	13,663
Dividends paid	-	-	-	-	(2,122)	(2,122)
Balance at 1 January 2022 (audited)	4,437	5,491	(213)	604	87,464	97,783
Total comprehensive income for the period	-	-	-	-	9,923	9,923
Treasury shares purchased	-	-	(269)	-	-	(269)
Dividends paid	-	-	-	-	(1,061)	(1,061)
Dividends due	-	-	-	-	(1,061)	(1,061)
Balance at 30 June 2022 (unaudited)	4,437	5,491	(482)	604	95,265	105,315

Panther Securities P.L.C.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022

	Notes	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
		Unaudited	Unaudited	Audited
Cash flows from operating activities				

Operating profit	2,264	3,442	7,701
Less: Rent paid treated as interest	(343)	(343)	(687)
Profit before working capital change	1,921	3,099	7,014
(Increase)/decrease in receivables	(387)	351	929
(Decrease) in payables	(573)	(104)	(48)
Cash generated from operations	961	3,346	7,895
Interest paid	(1,848)	(2,064)	(4,295)
Income tax paid	(208)	-	(620)
Net cash (used in)/generated from operating activities	(1,095)	1,282	2,980
Cash flows from investing activities			
Purchase of investment properties	(8,529)	(569)	(832)
Purchase of investments**	(60)	(6)	(6)
Proceeds from sale of investment property	-	178	15,841
Proceeds from sale of investments**	-	403	435
Dividend income received	8	17	21
Interest income received	2	-	8
Net cash (used in)/generated from investing activities	(8,579)	23	15,467
Cash flows from financing activities			
New loans received	8,500	-	6,000
Finance cost (SWAP variation)	-	(5,000)	(5,000)
Repayments of loans	(5,060)	(33)	(12,057)
Loan amortisation repayments	(250)	-	(250)
Purchase of own shares	(269)	-	-
Loan arrangement fees	-	-	(884)
Dividends paid	(1,061)	(1,061)	(2,122)
Net cash generated from/ (used in) financing activities	1,860	(6,094)	(14,313)

Net (decrease)/increase in cash and cash equivalents	(7,814)	(4,789)	4,134
Cash and cash equivalents at the beginning of period*	13,352	9,218	9,218
Cash and cash equivalents at the end of period*	5,538	4,429	13,352

* Of this balance £4,000 (30 June 2021: £1,052,000, 31 December 2021: £5,009,000) is restricted by the Group's lenders i.e. it can only be used for the purchase of investment property (or otherwise by agreement).

** Shares in listed and/or unlisted companies. These were held for longer term growth and dividend return.

1. Basis of preparation of interim financial statements

The results for the year ended 31 December 2021 have been audited whilst the results for the six months ended 30 June 2021 and 30 June 2022 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 2021 which were prepared in accordance with UK-adopted international accounting standards ("IFRS"), were filed with the Registrar of Companies. The auditors reported on these accounts, their report was unqualified and did not include a 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 2022. They have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

A number of new and amended standards and interpretations are effective from 1 January 2022 but they do not have a material effect on the Group's financial statements.

2. Revenue and cost of sales

The Group's only operating segment is investment and dealing in property and securities. All revenue, cost of sales and profit or loss before taxation is generated in the United Kingdom. The Group is not reliant on any key customers.

3. Income tax expense

The charge for taxation comprises the following:

	30 June	30 June	31
			December
	2022	2021	2021
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Current period UK corporation tax	-	-	(971)
Prior period UK corporation tax	-	-	67
	-	-	(904)
Current period deferred tax expense	(3,356)	(2,722)	(1,507)
Income tax expense for the period	(3,356)	(2,722)	(2,411)

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	30 June	31
			December
	2022	2021	2021
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Final dividend for the year ended 31 December 2021 of 6p (2020 – 6p) per share	1,061*	1,061*	1,061
Interim dividend for the year ended 31 December 2021 of 6p (2020 – 6p) per share	1,061	1,061	1,061

2,122	2,122	2,122
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The final dividend of 6p per share for the year ended 31 December 2021 (and 2020) was not paid during the period to 30 June 2022 but declared and approved (being accrued in these accounts) and was paid on 20 July 2022 (14 October 2021).

*Accrued at half year and paid after period end.

5. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per ordinary share is based on earnings being a profit of £9,958,000 (30 June 2021 – £8,856,000 and 31 December 2021 – £13,511,000).

The basic earnings per share is based on the weighted average of the ordinary shares in existence throughout the period, being 17,628,469 to 30 June 2022 (17,683,469 to 31 December 2021 and 17,683,469 to 30 June 2021). There are no potential shares in existence for any period and therefore diluted and basic earnings per share are equal.

Panther Securities PLC owns 173,460 ordinary shares which are currently held in treasury (2021 - 63,460).

6. Investment properties

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
	Unaudited	Unaudited	Audited
Fair value of investment properties			
At 1 January	167,384	180,975	180,975
Additions	8,289	233	537

Disposals	-	(390)	(15,140)
Fair value adjustment on investment properties held on leases	-	-	51
Revaluation increase/ (decrease)	2,050	1,213	961
At period end	<u>177,723</u>	<u>182,031</u>	<u>167,384</u>

The Directors undertook the valuation as at 30 June 2022 and 31 December 2021, however an independent valuation by Carter Jonas at as July 2021 was used as at the 30 June 2021 (and also used as a starting point for the Directors' valuation for the year ended 31 December 2021).

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		30 June		31 December	
	2022		2021		2021	
	£'000		£'000		£'000	
Bank loans	Unaudited	Rate	Unaudited	Rate	Audited	Rate
Interest is charged as to:						
Fixed/ Hedged						
HSBC Bank plc*	35,000	7.76%	35,000	7.01%	35,000	7.76%
HSBC Bank plc	-	-	25,000	6.58%	-	-
Santander Bank plc	25,000	4.71%	-	-	25,000	4.71%
Unamortised arrangement fees	(590)	-	-	-	(737)	-
Floating element						
HSBC Bank plc	-		3,000		(3,250)	
Shawbrook Bank plc	-		84		60	

59,410	63,084	56,073
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* Fixed rate came into effect on 1 September 2008 and lasts for 30 years. The rate includes 2.70% margin (1.95% prior to 16 July 2021). There are no breaks and the rate drops to 3.40% on 1 September 2023 to the end of its term on 31 August 2038.

Bank loans totalling £60,000,000 (2021 - £60,000,000) are fixed using interest rate swaps removing the Group's exposure to interest rate risk. The remaining borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group at the period end had a £54,500,000 term facility (after loan amortisation repayments) and a £11,000,000 revolving (with only £5,500,000 drawn).

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

	Hedged amount	Rate (without margin)	Duration of contract remaining	30 June 2022 Fair value	30 June 2021 Fair value	31 December 2021 Fair value
	£'000		years	£'000	£'000	£'000
				Unaudited	Unaudited	Audited
Derivative financial liability						
Interest rate swap*	35,000	5.060%	16.19	(4,676)	(14,169)	(12,833)
Interest rate swap**	25,000	4.630%	-	-	(512)	-
Interest rate swap	25,000	2.013%	9.42	750	(3,002)	(2,422)
				(3,926)	(17,683)	(15,255)
Movement in derivative financial liabilities				11,329	14,326	16,754

*The Group has paid £5m in February 2021 to vary this long-term swap agreement. The agreement varied the fixed rate previously at 5.06% until 31 August 2038 on a nominal value of £35m. Following the variation, the Group's fixed rate will drop on 1 September 2023 to 3.40% saving the Group circa £581,000pa in cash flow until the end point of the instrument.

**This swap agreement ended on 30 November 2021.

As the Group's new loan facility entered into in July 2021 is referenced to SONIA rather than LIBOR, the Group recently altered its swap agreements onto the same basis.

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. Deferred taxation

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

	Total
	£'000
Asset at 1 January 2021	3,810
Debit to equity for the year	(51)
Debit to Income Statement for the year	(1,507)
	<hr/>
Asset at 1 January 2022	2,252
Debit to equity for the period	12
Debit to Income Statement for the period	(3,356)
Liability at 30 June 2022	<hr/> (1,092) <hr/>

Deferred taxation arises in relation to:

Deferred tax

	30 June 2022	30 June 2021	31 December 2021
	£'000	£'000	£'000
Deferred tax liabilities:			
Investment properties	(2,540)	(2,678)	(2,016)
Deferred tax assets:			
Tax allowances in excess of book value	323	271	323
Fair value of investments	143	96	131
Derivative financial liability	982	3,360	3,814
Net deferred tax asset	<u>(1,092)</u>	<u>1,049</u>	<u>2,252</u>

As at 30 June 2022 the substantively enacted rate was 25% (30 June 2021: 19% and 31 December 2021: 25%) and this has been used for the deferred tax calculation.

9. Net asset value per share

	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
Basic and diluted	599p	527p	553p

10. 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.

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