Panther Securities PLC

Interim Report 2005

Chairman's Statement

Introduction
I am delighted to report the interim figures for the six months to 30th June 2005. Pre-tax profits amount to £2,768,000, compared to £1,726,000 (restated) for the same period last year.

Rental income receivable amounted to £4,505,000 as against £4,650,000 for the comparable half year. The figure is lower due to the sales last year of Eurocity (Crawley) Ltd and the Grays Inn Road properties, and of Copthall House, Coventry, early this year.

Disposals
Coventry
The major disposal during this first half year was the sale (in February 2005) of our shops and office complex, Copthall House Coventry at a price of £9,250,000. This property was producing a gross income of approximately £760,000 p.a. and after all expenses a net income of £480,000 p.a. This property was purchased in July 1996 for £3,245,000 and proved to be a good investment which always produced a high return. The December 2003 independent valuation was £5,250,000, but this figure was increased to £8,500,000 for December 2004 accounts after conditional agreements for its sale were in place.

Stirling, Scotland
In February the freehold shop investment at 14-18 King Street, Stirling was sold for £525,000, this figure being approximately 10% in excess of its book value. This property was one of the Scottish portfolio of Eurocity Properties PLC which has performed better than expected.

Abraxus PLC
The 29% shareholding in this company acquired in November 2004 for £312,000 was sold in January for a £90,000 profit before costs.

Ramsgate
We disposed of a small property in High Street Ramsgate which was held for many years as trading stock. This was sold at auction for £400,000, a figure well in excess of its original cost and £160,000 in excess of the last valuation in December 2003. We still hold another property in High Street Ramsgate, for which we are attempting to obtain planning permission for residential development. If successful there should be substantial added value.

Quoted investments
Hawtin PLC
In June 2004 Panther acquired approximately 15% of Hawtin PLC ("Hawtin"), an AIM listed company at a cost of £1,488,000, one of my private companies having one week previously purchased 14.5% at the same price of 13p per share. I was shortly thereafter invited to and did join its board. In June 2005 Hawtin announced that it was in discussions with Panther

which might or might not lead to an offer for Hawtin. Hawtin owns two substantial factory investments and 35 acres of virgin land in Blackwood/Gwent South Wales, the smaller part of which is zoned for residential use and the larger part for industrial use, this use having a much lower value than the residential use. We are currently still in talks and hope to be able to report back with further news in due course.

Real Estate Investors PLC
We are pleased with the performance of our holding of 8.8% in this property investment company and expect this to prove a profitable investment.

Elektron PLC
Our holding is approximately 11.5% of this company which is performing extremely well. Its profits have increased substantially and the company has recommenced paying dividends after three years of being unable to do so.

Finance

In the annual report & accounts for the year ending 31st December 2004 I mentioned the arrangements for our new £75,000,000 seven year loan facility with HSBC PLC of which only £43,000,000 is currently drawn down and we have the ability to draw an additional £7,000,000 without providing extra security. Our cash balances are currently over £12,000,000.

We thus have considerable ability to make acquisitions.

Dividends

Following the sale of Copthall House, a special interim dividend of 10p per share was paid on 28th June 2005. We will be paying a second interim dividend of 5p per share on 28th October 2005 to shareholders on the register at close of business on 30th September 2005. The Board's intention is also to recommend a final dividend of not less than 4.5p per share for the year ended 31st December 2005.

The accounts

These figures are the first required to be produced under the "new" international financial reporting standards. The main differences so far as they relate to us are twofold:

(I) the deferred tax provision is now provided for on the balance sheet as a liability, rather than disclosed by way of a note to the accounts. This provision reduces the net asset value per share by 31p in these interim accounts. In many cases our property sales have been sufficiently above the last book value so as to substantially absorb this deferred tax liability.

(2) any surplus on revaluation of property investments will now go directly through the income statement (even though it is unrealised) as opposed to being credited to revaluation reserve on the Balance Sheet.

Revaluation

To address this change in presentation, your Directors are proposing to commission an independent revaluation of our entire property portfolio, the result of which will be included in our December 2005 accounts. Our last independent revaluation was carried out over 18 months ago.

The shambles continues

In my last Annual Report I reported at length on the many problems imposed upon the business community. I briefly mentioned that I expected a new land tax to "help provide extra residential development". It now transpires that the Treasury is considering the inclusion of commercial development in their proposed Development Land Tax. The free market system is already sorting out the perceived problem of the residential market. I would anticipate that a tax on commercial development would cause a substantial drop in new development and thus existing space would increase in value and the massive government bureaucracy which is the major user of space would have to pay a huge amount in extra rents. This would, of course then be passed on to the taxpayer - "plus ça change, plus c'est la même chose".

Some of you may have read that photos for passport applications should no longer show one smiling. Why would any one want to?

Outlook

Whilst we are noticing an increase in small business failures our widespread portfolio both by way of type of use, i.e. factory/shop/office and residential and location from Elgin to Plymouth, shields us from any severe downturn in one or other particular sector or location.

Our finances are currently the strongest they have ever been and with our current liquidity I sometimes feel the hardest thing to do is <u>not</u> invest, but I have no doubt that, in due course, suitable attractive opportunities will come our way fully justifying our patience.

Andrew S. Perloff
Chairman

14th September 2005

Consolidated Income Statement

For the six months ended 30 June 2005

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Sales revenue	**4,905**	4,648	9,194
Cost of sales	**(1,216)**	(765)	(1,487)
Gross profit	**3,689**	3,883	7,707
Other income	**52**	31	98
Administrative expenses	**(870)**	(539)	(1,988)
	2,871	3,375	5,817
Profit on the disposal of investment properties	**662**	–	527
Movement in fair value of investment properties	**–**	–	4,714
Finance costs	**(1,072)**	(1,879)	(3,633)
Investment income	**7**	31	45
Profit on the disposal of available for sale investments (shares)	**87**	–	43
Profit on sale of subsidiary	**66**	149	82
Income from associate	**147**	50	37
Profit before tax	**2,768**	1,726	7,632
Income tax expense	**(512)**	(453)	(1,541)
Profit for the period	**2,256**	1,273	6,091
Attributable to:			
Equity holders of the parent	**2,256**	1,271	6,087
Minority interest	**–**	2	4
Net profit for the period	**2,256**	1,273	6,091
Earnings per share			
Basic and diluted	**13.3p**	7.5p	35.8p

Consolidated Balance Sheet

As at 30 June 2005

	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**7**	16	9
Investment property	**79,119**	93,004	87,812
Interests in associate	**407**	273	260
Available for sale investments (shares)	**3,078**	2,115	3,419
	82,611	95,408	91,500
Current assets			
Stock properties	**9,525**	8,828	9,755
Available for sale investments (shares)	**423**	1,600	323
Trade and other receivables	**3,424**	3,186	4,263
Cash and cash equivalents	**13,715**	2,094	15,337
	27,087	15,708	29,678
Total assets	**109,698**	111,116	121,178
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	**42,460**	37,242	42,164
	50,167	44,949	49,871
Minority interest	**–**	92	94
Total equity	**50,167**	45,041	49,965
Non-current liabilities			
Long-term borrowings	**47,635**	53,362	58,925
Deferred tax liabilities	**5,566**	7,218	7,154
	53,201	60,580	66,079
Current liabilities			
Trade and other payables	**3,703**	3,744	3,845
Short-term borrowings	**224**	750	210
Current tax payable	**2,403**	1,001	1,079
	6,330	5,495	5,134
Total liabilities	**59,531**	66,075	71,213
Total equity and liabilities	**109,698**	111,116	121,178

Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
Cash flows from operating activities			
Operating profit before interest, investment income and tax	**2,871**	3,375	5,817
Add: Depreciation charges for the period	**3**	7	14
Less: Profit on disposal of available for sale investments (shares)	**–**	28	–
Operating profit before working capital changes	**2,874**	3,410	5,831
(Increase)/decrease in stock properties	**230**	(38)	(967)
(Increase)/decrease in receivables	**839**	47	1,416
Increase/(decrease) in payables	**25**	2,334	1,080
Cash generated from operations	**3,968**	5,753	7,360
Interest paid	**(1,754)**	(1,940)	(3,999)
Income tax paid	**(765)**	(171)	(1,353)
Net cash from operating activities	**1,449**	3,642	2,008
Cash from investing activities			
Purchase of plant and equipment	**(1)**	–	–
Purchase of investment properties	**(282)**	(1,056)	(1,087)
Purchase of available for sale investments (shares)			
– current assets	**(7)**	(1,465)	(1,798)
– non current assets	**(100)**	(832)	–
Investment in subsidiaries	**(76)**	–	–
Proceeds from disposal of subsidiary	**66**	26	(42)
Proceeds from sale of investment property	**9,637**	–	9,490
Proceeds from the disposal of available for sale investments (shares) – non current assets	**399**	500	830
Dividend income received	**7**	31	45
Interest income received	**516**	61	360
	10,159	(2,735)	7,798
Cash from financing activities			
New loans net of repayments	**(11,276)**	(577)	4,447
Dividends paid	**(1,954)**	(680)	(1,360)
	(13,230)	(1,257)	3,087
Net increase/(decrease) in cash and cash equivalents	**(1,622)**	(350)	12,893
Cash and cash equivalents at the beginning of period	**15,337**	2,444	2,444
Cash and cash equivalents at the end of period	**13,715**	2,094	15,337

Notes to the Interim Financial Report

For the six months ended 30 June 2005

1. General information

The results for the year ended 31 December 2004 have been audited whilst the results for the six months ended 30 June 2004 and 30 June 2005 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 that year, which were prepared under UK Generally Accepted Accounting Principles (GAAP), 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.

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 8 September 2005.

2. Accounting policies

The interim financial report has been prepared in accordance with International Financial Reporting Standards (IFRS's), including IAS34 "Interim financial reporting".

In the current year, 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 that are relevant to its operations and effective for accounting periods beginning on 1 January 2005.

The adoption of these new and revised standards and Interpretations has resulted in significant changes to the Group's accounting policies in the following areas and comparative information has been restated accordingly:

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Corporation tax for the interim period is charged at 30% (2004 – 30%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

Under UK GAAP, deferred tax liabilities relating to potential property surpluses were not required to be provided in the accounts unless there was an intention to sell.

c. *Events after the balance sheet date (IAS10)*
IAS10 requires that a liability should not be recognised in respect of a dividend until the paying company has an obligation to make the payment. This would normally be when it was declared or approved at the Annual General Meeting in the case of the final dividend for the year. As a result the 2004 proposed final dividend is excluded from the IFRS balance sheet and written back to retained earnings.

IFRS also requires that dividends and distributions are presented in a different way to current UK GAAP. Under IFRS, dividends are not considered to be an expense of the paying company so they are not included in the income statement and are instead treated as a reserve item.

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

i. investment properties are revalued annually by the directors and by independent professional valuers at intervals of not more than three years at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

ii. no depreciation is provided in respect of leasehold investment properties with over 20 years to run.

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

e. *Available for sale investments*
Under UK GAAP, the Group accounted for its available for sale investments at the lower of cost and net realisable value. Under IAS 39, these investments are carried at fair value and classified in the balance sheet as available for sale investments. 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.

3. Taxation

The charge for taxation comprises the following:

	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
Current UK corporation tax	**2,060**	453	1,693
Prior year UK corporation tax	**29**	–	(88)
Current year deferred tax	**(1,577)**	–	(64)
	512	453	1,541

Notes to the Interim Financial Report

continued

4. Dividends

Amounts recognised as distributions to equity holders in the period:

	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
Final dividend for the year ended 31 December 2004 of 4p (2003 – 4p) per share	**680**	–	680
Special Interim dividend for the year ended 31 December 2005 of 10p (2004 – 0p) per share *	**1,274**	–	–
Interim dividend for the year ended 31 December 2004 of 4p per share		680	680
	1,954	680	1,360

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

5. Earnings per share

Earnings per ordinary share have been calculated on profit attributable to members from continuing activities of the parent company and on 16,998,151 (30 June 2004 – 16,998,151) ordinary shares being the weighted average number of ordinary shares in issue throughout the six months ended 30 June 2005.

6. Net assets per share

	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
Net assets per share	**295p**	264p	293p

7. 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.

Explanation of Transition to International Financial Reporting Standards

For the six months ended 30 June 2005

Reconciliation of equity and statement of recognised income and expenses

	Share capital £'000	Share premium £'000	Revaluation reserves £'000	Capital Redemption £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2005 (under UK GAAP)	4,250	2,886	27,515	783	19,554	54,988
Change in accounting policy – Negative goodwill	–	–	–	(212)	783	571
Change in accounting policy – Deferred tax	–	–	–	–	(7,154)	(7,154)
Change in accounting policy – Accrued dividend	–	–	–	–	680	680
Change in accounting policy – Shares carried at fair value	–	–	–	–	786	786
Change in accounting policy – Revaluation reserve	–	–	(27,515)	–	27,515	–
Balance at 1 January 2005 (under IFRS)	4,250	2,886	–	571	42,164	49,871
Addition of negative goodwill	–	–	–	–	17	17
Movement in fair value of available for sale investments (shares)	–	–	–	–	(35)	(35)
Deferred tax relating to movement on fair value of available for sale investments (shares)	–	–	–	–	12	12
Net profit for the period	–	–	–	–	2,256	2,256
Dividends paid	–	–	–	–	(1,954)	(1,954)
Balance at 30 June 2005 (under IFRS)	**4,250**	**2,886**	**–**	**571**	**42,460**	**50,167**

Notes to the reconciliation of equity at 30 June 2005

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

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

Under IFRS, dividends declared after the balance sheet date should not be recognised as a liability at the balance sheet date. This has resulted in an increase in retained earnings by £680,000 under IFRS compared to UK GAAP.

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

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

Explanation of Transition to International Financial Reporting Standards

continued

Reconciliation of equity	At 1 January 2004 £'000	At 30 June 2004 £'000
Shareholders equity (under UK GAAP)	50,104	50,916
Adjustments:		
Negative goodwill taken to reserves	571	571
Deferred taxation provision	(7,189)	(7,218)
Accrued dividend	680	680
Shareholders equity (under IFRS)	44,166	44,949

Reconciliation of profit	30 June 2004 £'000	31 December 2004 £'000
Profit on ordinary activities after tax (under UK GAAP)	1,494	1,534
Adjustments:		
Negative goodwill released in period	(221)	(221)
Revaluation of properties through Income statement	–	4,714
Deferred tax (charge)/release	–	64
Profit for the period (under IFRS)	1,273	6,091

Notes to the reconciliation of profit

The treatment of negative goodwill under IFRS has had the effect to decrease the reported profit by £221,000 under IFRS compared to UK GAAP at both 31 December 2004 and 30 June 2004.

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

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

Explanation of material adjustments to the cash flow statement

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

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