PANTHER
SECURITIES PLC

INTERIM REPORT
SIX MONTHS ENDED 30 JUNE
2018

Chairman's Statement

It gives me great pleasure to report our results for the six months ended 30 June 2018 which show a profit of £11,193,000 before tax which is our record interim high compared to £6,731,000 for the equivalent six-month period to 30 June 2017 (which was our previous record). The figures for this period were only slightly influenced by a small reduction of £1,259,000 in our swap liability which now also includes a new liability for an additional swap on £25,000,000 from 2021 at a much reduced rate to that which we are currently paying, which expires in 2021.

Thus, most of our profits are derived from our basic property investment and disposals where the Group realised a number of prices far in excess of the previous independently valued figures.

Our rents receivable during this period amounted to £7,069,000 compared to £6,377,000 in the comparative period ended 30 June 2017. This was mainly due to our acquisition of shopping centres in Hinckley, Leicestershire and Springburn, a suburb of Glasgow. These properties have higher than usual running costs which our team are addressing and which we anticipate in due course will produce improved net returns.

Disposals

There has been an unusual amount of activity with regard to sales in this period. With some of the larger sales we have kept shareholders abreast with appropriate Stock Exchange announcements, mentioned in more detail later.

Margate

In January 2018 we sold 34 Marine Terrace, Margate for £450,000, which had only just been revalued at £250,000, to a special purchaser for a loss of rental income of only £16,000 p.a.

In February 2018, the following three properties, detailed below, were sold at auction. Stonehouse, Gloucester, 19 Queen Street, Ramsgate and High Street, Dudley.

Stonehouse – Gloucester

MRG, a former subsidiary, occupied our freehold office at The Mill at Stonehouse, Gloucester. This former mill of 15,000 sq ft had been let to MRG Systems at £93,000 p.a. The letting assisted them in being independent before the employee and management buyout last year. We received £900,000 which shows a very good profit on original cost.

Ramsgate

19 Queen Street, Ramsgate a small freehold shop investment producing rental income of £12,000 p.a. sold for £147,000 resulting in a small profit on book value.

Dudley
High Street, Dudley a large freehold vacant shop in very poor condition held for development realised £276,000 which was considerably in excess of its previously revalued book value.

Stockport
In March 2018 we completed the sale of Grove House, Stockport, a vacant freehold shop and office building which we had held for many years during most of which time it had produced a good rental return for us. Despite the building being in good condition, a developer purchased it to convert to residential units. We received £900,000 which was well above the previously revalued book figure.

Croydon
In March 2018 we finally completed the sale of the vacant upper parts of 49/61 High Street, Croydon for £800,000, just above its book value, which leaves us with the ground floor let to Sainsbury's PLC and Princess Alice Hospice and produces circa £108,000 p.a.

Material Disposals
Post this period accounting date we have concluded three substantial sales, two of which were contracted for sale before 30 June 2018 and therefore profit is included, and their disposal recognised in this period.

The larger sales were of our sites in (1) Holloway Head, Birmingham, (2) St Nicholas House, a freehold shop and office investment in Sutton, Surrey, sold jointly with our major tenant, the Crown Agents, and (3) the former Wimbledon Studios, a large freehold industrial/studio building in South Wimbledon/Merton.

I give a brief synopsis below.

Holloway Head, Birmingham
The completion of the sale of the Group's development site in Holloway Head, Birmingham was finally completed on 31 August 2018.

A payment of £850,000 was received last year but due to the uncertain nature of the transaction we did not accrue full proceeds. £400,000 additional deposit was received in May 2018, a third deposit of £500,000 was received after the period end and finally we received £9,520,000 on 31 August 2018 giving us a total received for the site of £11,270,000.

As it has now completed, profit on this transaction has been brought into the Interim 2018 accounts as the sale was unconditionally contracted before 30 June 2018.

Sale of St Nicholas House, Sutton

In April 2018 we exchanged contracts to sell the joint freehold/long leasehold interest in St Nicholas House which, after a few delays, was completed on 7 September 2018. Surrey Motors Limited, acquired in 1987, is a wholly owned subsidiary of Panther Securities PLC. Its sole asset was the freehold of St Nicholas House, Sutton, which is a building of approximately 140,000 sq ft gross accommodation. The basement and ground floor are used for retail/ancillary storage and parking. The nine upper floors are offices.

The building was originally constructed in the early 1960s with the offices purpose built for the Crown Agents, (the main tenants in occupation when we purchased Surrey Motors Ltd) a quasi-government organisation, which originally took a 99-year lease at a ground rent which had proportionate rental reviews every 21 years. This lease had an option to extend for 25 years (on the same terms), but ignoring the option, had approximately 44 years to run at a low ground rent and thus our tenants lease had a significant value.

Early last year, the Crown Agents approached the Company indicating that it wanted to dispose of its interest in the building and it was agreed that the Company and the Crown Agents should offer for sale their joint interests which would enable the freehold of the site to be offered with vacant possession at an early date, giving it development possibilities and increased joint "marriage" value.

After a marketing campaign by the joint agents, Carter Jonas, a number of offers were received, and the Company exchanged contracts to sell the joint freehold/long leasehold interest to Saint Nicholas House Ltd, a newly formed company, with a completion due three months after exchange. There is a possible small overage, but this is not currently anticipated to be material. The total consideration receivable by both the Group and the Crown Agents for the joint freehold/long leasehold interest in St. Nicholas House is £12,750,000. The Group's share of the gross sale price proceeds amounts to approximately £7,837,500, compared to a December 2017 revalued book figure of £5,540,000.

Following completion, the Company no longer receives the £320,000 p.a. rental income on this investment property.

The sales of Holloway Head, Birmingham and St Nicholas House, Sutton has resulted in a significant increase in our trade and other receivables balance to £21,817,000 compared to £3,677,000 at 30 June 2017.

Wimbledon Studios

In July 2018 we simultaneously exchanged and completed on the sale of our freehold investment in Wimbledon Studios for £18,800,000. This was sold to a nominee of the Scottish Widows Property Authorised Contractual Scheme.

The studios were built in 1970 and provide internal accommodation of circa 140,000 square foot over circa 4.5 acres. It has a long history as studios and many household name productions took place there, including 'The Bill' for over 30 years, 'The Iron Lady', 'I'm a celebrity…get me out of here', and several popular music videos. This property had a book value of £13,550,000 as at 31 December 2017 and was originally purchased vacant, including stock, equipment and fixed assets for circa £4,750,000 (plus stamp duty) in September 2010.

Being an entrepreneurial and opportunistic organisation, after buying the vacant property the Group initially attempted to run its own film studio in this property but unfortunately this was not a successful venture.

The tenants, Marjan Television Network Ltd, took occupation in November 2014 and pay rent of £1,050,000 p.a. They had spent a significant amount on internal works bringing it up to a state of the art, modern functioning television and film studio.

This was a very interesting and ultimately rewarding set of transactions. These half year accounts recognise a large valuation increase on this property, but not the full proceeds achieved in July.

The final year's accounts will include a further £2,900,000 realised profit on this sale.

Progress Report

Swindon

We have literally gone back to the drawing board and asked our architects to redesign the scheme to produce a building of only seven or eight storeys in height with lower building costs. The Council has also agreed in principle to adjust some of their requirements so that the smaller scheme with only 50/60 flats plus 4 or 5 retail/restaurant units on the ground floor will not only be an attractive visual asset to the community but also now hopefully viable.

Wickford

All planning details were agreed after a delayed response from the Council. However, due to the long delays the two adjoining owners/neighbours who were originally part of the scheme will no longer be partnering with us. In one case they were not able to arrange a move to an alternative site and the other gave a long lease to their occupier rather than risk losing their income. A new application is thus in hand. Eventually those seeking nice new homes in the Wickford area may have a few more houses to choose from!!

Maldon

We have agreed to let the major buildings on the site on a short-term lease at £650,000 p.a. We are currently carrying out some roof works to bring it up to the tenant's requirements. We will still have some space available which may yield a further £100,000 p.a. rental. This was previously let for £500,000 and we took a £1,950,000 surrender in March 2017.

Business Rates

Problems with the high street premises continue. These are almost entirely due to government greed and failure to act sensibly in good time. As well as central government/bureaucratic financial incompetence which we all expect, I would have thought that the political implications for the government which shows the dreadful state of the high street are immense as on every high street other than within the M25, with its numerous vacant or closing down stores is a billboard advertising the failure of government policies. The high street should be the beating heart of most communities and if its vibrancy improves most of its area residents 'happiness factor' improves.

Finance

Shortly after the period end we paid down our revolving facility loan of £15,000,000, which can be redrawn.

At the time of writing these accounts we had circa £26,000,000 in the bank. We still have written into our facility agreement a possible £10,000,000 loan extension which requires credit approval.

Some of the above funds will be utilised to pay corporation tax, VAT and for other working capital purposes. Even after these costs and cash requirements we will still have circa £45,000,000 funds available for investment opportunities.

One of our current swaps ends in 2021. We entered into a further swap on £25,000,000 nominal value, which commences in 2021, and results in Panther having a saving of £625,000 p.a. loan interest costs, compared to our current financing structure. This swap has a 10-year term.

Dividends

An interim dividend of 6p per share will be paid to shareholders on 29 November 2018 (ex-dividend on 8 November 2018 to shareholders on the register on 9 November 2018). In the light of the exceptional sales in the period and subsequently, the Board will assess the opportunities, but expects to pay no less than 12p per share for the year.

Prospects

With all the disposals we are in a strong position to weather uncertain economic conditions and able to take advantage of investment opportunities for the long-term benefit of our shareholders.

Andrew S Perloff
Chairman

26 September 2018

Chairman's Ramblings

My childhood was spent in Sutton, a leafy suburb south of London. Nearby was Carshalton, the older part of which was known as “Carshalton Beaches”, something that then always puzzled me as we were far from the sea in landlocked Surrey (it was, of course, beeches).

Despite this, it did have a park with a very large pond divided in two by a road/bridge and, most importantly, it was within easy walking distance from home. I could often be found there equipped with my fishing rod, net and a bamboo stick from which dangled a piece of string and a bent safety pin temptingly loaded with bread.

I always optimistically took my jam jar with its string handle for my haul. I often caught sticklebacks, tadpoles (if they were in season) and newts which I would rehome in our garden – probably wreaking havoc with the ecosystem.

Paddling with my shorts rolled up, childhood seemed idyllic, and pleasures so much simpler than today.

Upon arriving one day, looking forward to a few hours fishing, and my rod at the ready, a noisy scuffle was taking place. A smaller boy was pinned to the ground by a slightly larger boy who was punching him. The smaller boy's cries were piteous and a nearby girl was entreating them to stop.

Although I did not know what had caused the fracas – I felt I should try to stop it somehow. Looking at them laying on the ground I thought they both looked much smaller than me, thus approaching them, I shouted “Stop it – pick on someone your own size” in a loud voice. To my utter astonishment they looked up and did indeed stop. The young victim was small but not stupid and took this opportunity to quickly scuttle off with the girl!

My pleasure at my success turned quickly to dismay when the aggressor stood up and faced me. I saw then I had misjudged his size and he was at least 6 inches taller than me. He loomed towards me and punched me in the face! The pain wasn't as bad as the shock of my miscalculation. “That'll teach you a lesson to mind your own business”, he said, before turning on his heel and walking off. He was right. It taught me not to pick a fight with bigger and stronger opponents.

Some years later, I was a married man with two young children living in a leafy suburb north of London. My son, aged around 8, was attending a local private prep school in a pleasant Georgian house set in its own grounds. The teachers were a dedicated and excellent team. They managed to keep control of pupils with a degree of rigour. The majority of the children were the usual products of affluent parts of north London – molly-coddled, spoilt and when the opportunity arose, a wild and noisy bunch. Upon meeting parents this was no surprise as they were mostly a pushy, cliquey, materialistic and ferociously upwardly mobile bunch, shown at its worst in the car park when the 4 x 4s and sports cars were delivering or collecting their “precious ones”. The school, however, produced the good results the parents wanted.

For some weeks, although I hadn’t noticed, my then wife had observed that our son had seemed depressed and miserable, often coming home and going straight to his room. She managed to find out that, surprisingly, he was being bullied. She then ordered me to see the Headmaster to try and resolve matters.

I wasn’t wholly convinced this was how to handle things and asked my son for more information. He said that he was being pushed, punched and ridiculed at playtime by one boy in particular. When he told me who the ringleader was, I was very surprised as he was a small, weedy looking boy. My son, although clumsy and rather gangly, was so much bigger. I suggested that next time he just held him at arms-length. My son was then afraid that this would exacerbate the situation and I then said in that case, a good punch in the face might work! He was still worried about the consequences of such action, so I told him “he is going to start with you anyway so, at the very least he will think twice before starting with you again”.

He arrived home a few days later, delivered by whoever was doing the dreaded rota and came through the front door with a huge grin on his face and raised his fists to the sky and shouted “Yes, yes!”

He then proudly told me that he had followed my advice, but when the boy started punching him and he swung a hard punch at his tormentor which landed on his face, who then fell to the ground and ran away, crying. He was never bullied again, and they became friends for the remaining days at that school.

These two incidents remind us that there are lessons for life in business to be learnt from our school days, i.e., there are always bullies out there and they are often corporate bullies in business and may need to be dealt with in different ways.

Of course, it comes down to who has the most power which is usually based on corporate size and how much their services/products are vitally needed.

I am sure most of you will think that my top corporate bully would be the banks but in reality they are way down the list, often forced into foolish and harsh decisions by the regulations and farcical fines placed upon them by regulations/government agencies, staffed by people who have little idea of the impact of their rules, but the banks do have a degree of commercial competition.

The biggest bully boys are obviously the government and its agencies as they make the rules which are always biased in their favour with potentially, excessive and harsh penalties for anyone breaking their often vague and difficult to interpret rules. When you go over the line, as defined by them, they can bring down the full might of the law at enormous cost to the taxpayer and also the unfortunate offender. Those doing the punishing do not pay the cost an alleged offender does and even if the defender is entirely innocent, rarely recovers the costs of defence paid back to them, whilst those prosecuting a weak or incorrect case and, sometimes incompetently which loses, do not have to worry about costs, it's not their money. Retrospectively, laws and grey areas of taxation can affect normal taxpayers adversely.

The next down the list of bullies are the local authorities who have been given too many powers which they often abuse and when they do there is rarely any comeback on the officers who threw their weight about and when proved to have acted incorrectly, e.g., if a landowner has rubbish dumped on vacant property/land, the Council often threatens the owner (the victim) with prosecution or an A.S.B.O. The Council can refuse to accept Planning Applications, if they do not like them, thus not showing on their refusals.

Next would be the utility companies who were given extra powers when privatised and regularly use and abuse them. They have the right to break in and enter premises and cause damage if a bill has not been paid even if it has nothing to do with the owner of the property or they arbitrarily change your tariff rate.

Next would be the big corporates that have contact with the general public, e.g., the airlines, most of whom treat their customers arbitrarily like cattle.

And so on and so on down the scale of power.

I have only mentioned a couple of minor points that spring to mind, but there are many more examples, and everyone probably has their own experiences.

The problem arises when one is forced or desires to respond. Often it is not just the financial costs involved which are often irrecoverable but also the time wasted factor. It is unfair because most of the officials on the bureaucracy side have a penchant for time wasting delays, as they are paid and pensioned well, whether they act correctly, or not, or sensibly or diligently or even fairly.

Andrew S Perloff
Chairman

26 September 2018

Condensed Consolidated Income Statement

for the six months ended 30 June 2018

	Notes	**Six months ended 30 June 2018 £'000 Unaudited**	Six months ended 30 June 2017 £'000 Restated* Unaudited	Year ended 31 December 2017 £'000 Audited
Revenue	2	**7,069**	6,377	12,946
Cost of sales	2	**(2,072)**	(1,784)	(3,779)
Gross profit		**4,997**	4,593	9,167
Other income		**263**	1,469	1,905
Administrative expenses		**(1,526)**	(1,263)	(2,105)
		3,734	4,799	8,967
Profit on disposal of investment properties		**6,487**	1,061	1,071
Movement in fair value of investment properties	6	**2,300**	–	16,776
		12,521	5,860	26,814
Finance costs – bank loan interest		**(1,304)**	(1,130)	(2,302)
Finance costs – swap interest		**(1,284)**	(1,360)	(2,726)
Investment income		**1**	48	27
Profit realised on the disposal of available for sale investments (shares)		**–**	859	1,128
Movement in derivative financial liabilities	7	**1,259**	2,454	1,850
Profit before income tax		**11,193**	6,731	24,791
Income tax expense	3	**(1,830)**	(965)	(3,490)
Profit for the period		**9,363**	5,766	21,301
Profit/(loss) for the period from discontinued operations		**–**	19	(59)
Profit for the period		**9,363**	5,785	21,242
Discontinued operations attributable to:				
Equity holders of the parent		**–**	15	(52)
Non-controlling interest		**–**	4	(7)
Profit/(loss) for the period		**–**	19	(59)
Continuing operations attributable to:				
Equity holders of the parent		**9,363**	5,766	21,301
Non-controlling interest		–	–	–
Profit/(loss) for the period		**9,363**	5,766	21,301
Earnings/(loss) per share				
Basic and diluted – continuing operations		**52.9p**	32.6p	120.2p
Basic and diluted – discontinued operations		**–p**	0.1p	(0.3)p

* 2017 balances restated due to the disposal of MRG Systems Ltd now disclosed as a discontinued operation.

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018

	Six months ended 30 June 2018 £'000 Unaudited	Six months ended 30 June 2017 £'000 Unaudited	Year ended 31 December 2017 £'000 Audited
Profit for the period	**9,363**	5,785	21,242
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	279
Realised fair value on disposal of available for sale investments (shares) previously taken to equity	**–**	–	(269)
Deferred tax relating to movement in fair value of available for sale investments (shares) taken to equity	**–**	(9)	(53)
Realised tax relating to disposal of available for sale investments (shares) previously taken to equity	**–**	–	51
Other comprehensive income for the period, net of tax	**–**	37	8
Total comprehensive income for the period	**9,363**	5,822	21,250
Attributable to:			
Equity holders of the parent	**9,363**	5,818	21,257
Non-controlling interest	**–**	4	(7)
	9,363	5,822	21,250

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

Company number 293147

	Notes	**30 June 2018 £'000 Unaudited**	30 June 2017 £'000 Unaudited	31 December 2017 £'000 Audited
ASSETS				
Non-current assets				
Plant and equipment		**43**	68	54
Investment property	6	**189,235**	176,769	201,825
Deferred tax asset		**–**	986	–
Available for sale investments (shares)		**17**	326	17
		189,295	178,149	201,896
Current assets				
Inventories (MRG)		**–**	115	–
Stock properties		**448**	448	448
Trade and other receivables		**21,817**	4,140	3,677
Cash and cash equivalents*		**9,150**	9,123	5,941
		31,415	13,826	10,066
Total assets		**220,710**	191,975	211,962
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		**(213)**	–	(213)
Capital redemption reserve		**604**	604	604
Retained earnings		**87,250**	66,350	80,893
		97,569	76,882	91,212
Non-controlling interest		**–**	100	–
Total equity		**97,569**	76,982	91,212
Non-current liabilities				
Long-term borrowings	7	**73,772**	69,764	74,270
Derivative financial liability	7	**25,141**	25,796	26,400
Deferred tax liabilities		**863**	–	1,183
Obligations under finance leases		**7,512**	6,768	7,552
		107,288	102,328	109,405
Current liabilities				
Trade and other payables		**11,905**	10,411	10,945
Accrued dividend payable	4	**1,238**	1,215	–
Short-term borrowings	7	**1,159**	158	159
Current tax payable		**1,551**	881	241
		15,853	12,665	11,345
Total liabilities		**123,141**	114,993	120,750
Total equity and liabilities		**220,710**	191,975	211,962

* Of this balance £1,494,000 (30 June 2017: £1,017,000, 31 December 2017: £NIL) 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 2018

	Share Capital £'000	Share Premium £'000	Treasury Shares £'000	Capital Redemption £'000	Retained Earnings £'000	Total £'000
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
Balance at 1 January 2017 (audited)	4,437	5,491	–	604	61,747	72,279
Total comprehensive income for the period	–	–	–	–	21,257	21,257
Treasury shares	–	–	(213)	–	–	(213)
Dividends paid	–	–	–	–	(2,111)	(2,111)
Balance at 1 January 2018 (audited)	4,437	5,491	(213)	604	80,893	91,212
Total comprehensive income for the period	–	–	–	–	9,363	9,363
Dividends paid	–	–	–	–	(1,768)	(1,768)
Dividends due	–	–	–	–	(1,238)	(1,238)
Balance at 30 June 2018 (unaudited)	**4,437**	**5,491**	**(213)**	**604**	**87,250**	**97,569**

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2018

	30 June 2018 £'000 Unaudited	30 June 2017 £'000 Restated* Unaudited	31 December 2017 £'000 Audited
Cash flows from operating activities			
Profit from operating activities	**3,734**	4,799	8,967
Add: Depreciation charges for the period	**10**	7	9
Add: Loss on write down of stock	**–**	124	124
Less: Rent paid treated as interest	**(286)**	(258)	(528)
Profit before working capital change	**3,458**	4,672	8,572
(Increase)/decrease in receivables	**(903)**	51	302
Increase/(decrease) in payables	**708**	(300)	293
Cash generated from operations	**3,263**	4,423	9,167
Interest paid	**(2,065)**	(2,164)	(4,324)
Income tax paid	**(840)**	(204)	(1,194)
Net cash generated from continuing operating activities	**358**	2,055	3,649
Net cash used in discontinued operating activities	**–**	(39)	(35)
Cash flows from investing activities			
Purchase of plant and equipment	**–**	(12)	(10)
Purchase of investment properties	**(145)**	(136)	(8,870)
Corporate disposal (net of cash sold)	**–**	–	(12)
Proceeds from sale of investment property	**4,343**	911	2,239
Proceeds from sale of available for sale investments (shares)	**–**	1,486	2,046
Dividend income received	**–**	47	21
Interest income received	**1**	2	6
Net cash generated from/(used in) investing activities from continuing operations	**4,199**	2,298	(4,580)
Cash flows from financing activities			
New loans received	**500**	–	4,503
Repayments of loans	**(80)**	(78)	(159)
Purchase of own shares	**–**	–	(213)
Dividends paid	**(1,768)**	–	(2,111)
Net cash used in financing activities	**(1,348)**	(78)	2,020
Net increase in cash and cash equivalents	**3,209**	4,236	1,054
Cash and cash equivalents at the beginning of period	**5,941**	4,887	4,887
Cash and cash equivalents at the end of period**	**9,150**	9,123	5,941

* 2017 balances restated due to the disposal of MRG Systems Ltd now disclosed as a discontinued operation.

** Of this balance £1,494,000 (30 June 2017: £1,017,000, 31 December 2017: £NIL) is restricted by the Group's lenders i.e. it can only be used for the purchase of investment property (or otherwise by agreement).

Notes to the Interim Financial Report

For the six months ended 30 June 2018

1. Basis of preparation of interim financial statements

The results for the year ended 31 December 2017 have been audited whilst the results for the six months ended 30 June 2017 and 30 June 2018 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 2017 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 2018. 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 2018.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied by the Group for the first time in preparing this interim financial report. The Directors consider that the application of these standards has not had a material impact on the recognition and measurement of items in the interim financial report.

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. MRG was sold in 2017 but was previously shown as a separate segment.

3. Income tax expense

The charge for taxation comprises the following:

	30 June 2018 £'000 Unaudited	30 June 2017 £'000 Unaudited	31 December 2017 £'000 Audited
Current period UK corporation tax	**2,150**	765	1,115
Prior period UK corporation tax	**–**	53	54
	2,150	818	1,169
Current period deferred tax	**(320)**	147	2,321
Income tax expense for the period	**1,830**	965	3,490

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

Notes to the Interim Financial Report

continued

4. Dividends

Amounts recognised as distributions to equity holders in the period:

	30 June 2018 £'000 Unaudited	30 June 2017 £'000 Unaudited	31 December 2017 £'000 Audited
Final dividend for the year ended 31 December 2016 of 9p per share*	**–**	1,215*	1,227**
Interim dividend for the year ended 31 December 2017 of 5p per share	**–**	–	884
Special dividend for the year ended 31 December 2017 of 10p per share	**1,768**	–	–
Final dividend for the year ended 31 December 2017 of 7p per share	**1,238***	–	–
	3,006	1,215	2,111

The final dividend of 7p per share for the year ended 31 December 2017 was not paid at the period end but declared and approved (being accrued in these accounts) and was paid on 5 September 2018.

* Accrued at half year and paid after period end.

** 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).

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 £9,363,000 (30 June 2017 – profit of £5,766,000 and 31 December 2017 – profit of £21,301,000).

The basic earnings per share is based on the weighted average of the ordinary shares in existence throughout the period, being 17,683,469 to 30 June 2018 (17,715,199 to 31 December 2017 and 17,746,929 to 30 June 2017). There are no potential shares in existence for any period therefore diluted and basic earnings per share are equal.

In the year ended 31 December 2017 Panther Securities PLC bought 63,460 ordinary shares that it currently holds in treasury.

6. Investment Properties

	30 June 2018 £'000 Unaudited	30 June 2017 £'000 Unaudited	31 December 2017 £'000 Audited
Fair value of investment properties			
At 1 January	**201,825**	176,489	176,489
Additions	**145**	136	8,870
Acquisition of subsidiary	**–**	–	–
Transfer from stock property	**–**	164	164
Fair value adjustment on property held on operating leases	**–**	–	846
Disposals	**(15,035)**	(20)	(1,320)
Revaluation increase	**2,300**	–	16,776
	189,235	176,769	201,825

The directors consider that the fair value of the investment properties has not materially changed with the exception of Wimbledon Studios that was sold post period end, and as such this was revalued to the Board's perceived market value at the period end, since it was last valued by an independent valuations firm at the 31 December 2017 Statement of Financial Position date.

Notes to the Interim Financial Report

continued

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 2018 £'000		30 June 2017 £'000		31 December 2017 £'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	7.01%	35,000	7.01%
HSBC Bank plc**	**25,000**	**6.58%**	25,000	6.58%	25,000	6.58%
Unamortised loan arrangement fees	**(407)**		(572)		(489)	
Floating element						
HSBC Bank plc	**15,000**		9,997		14,501	
Shawbrook Bank plc	**338**		497		417	
	74,931		69,922		74,429	

* Fixed rate came into effect on 1 September 2008. The rate includes 1.95% margin. 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. This contract includes a mutual break on the fifth anniversary and its duration is until 1 December 2021.

Bank loans totalling £60,000,000 (2017 – £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 2018 Fair value £'000 Unaudited**	30 June 2017 Fair value £'000 Unaudited	31 December 2017 Fair value £'000 Audited
Derivative Financial Liability						
Interest rate swap	35,000	5.060%	20.19	**(20,997)**	(21,881)	(22,831)
Interest rate swap	25,000	4.630%	3.42	**(2,970)**	(3,915)	(3,569)
Interest rate swap*	25,000	2.141%	13.42	**(1,174)**	–	–
				(25,141)	(25,796)	(26,400)
Movement in derivative financial liabilities				**1,259**	2,454	1,850

* This swap commences on 1 December 2021 when the £25,000,000 4.63% swap ceases, as it is at a lower rate it will result in an annual interest saving of circa £625,000 per annum.

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 2018 £'000 Unaudited	30 June 2017 £'000 Unaudited	31 December 2017 £'000 Audited
Basic and diluted	**552p**	433p	516p

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.

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