**Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement, this information is now considered to be in the public domain.**

# Panther Securities P.L.C.
# (“the Company” or “the Group”)

# Final results for the year ended 31 December 2019

## CHAIRMAN’S STATEMENT

I am pleased to present our accounts for the year ended 31 December 2019 even though they show a loss of £4,093,000 after allowing for a tax credit of £870,000. This loss is mainly due to a directors’ revaluation of our entire portfolio amounting to an £8,832,000 decrease in value.

Our rental receivable during the year ended 31 December 2019 amounted to £14,226,000 compared to the previous year of £13,607,000 despite having sold over £40,000,000 of property during the previous year. The income lost from these sold properties has more than been replaced by purchases probably costing less than half the capital received from the earlier sales.

### Disposals

**Victoria Street, Wolverhampton**
This freehold corner site which had been cleared after receiving planning permissions for two alternative developments was sold for £710,000 against a previous book value of £150,000.

**Skinnergate, Darlington**
A large, vacant freehold shop in Skinnergate, Darlington, with a book value of £400,000, was sold to the local council for £355,000 after being vacated by Argos PLC following their takeover and reorganisation by Sainsbury’s. This property was on the point of being let to a well-known multiple who withdrew a few days before signing the lease. This was due to House of Fraser and Marks & Spencer both announcing they were closing their stores in the town only the previous week. Large stores are, of course, vital to town centres as they draw in shoppers thus helping all town centre traders, large and small. I am not sure central government even now understand this point.

**High Street, Kings Lynn**
Whilst not really a disposal, this single unit, let to a charity shop, experienced a fire that completely destroyed the unit. We received insurance proceeds of which £145,000 has been treated as value over its book value, after we have provided about a third of the receipts to cover demolition and site clearance (and left a small amount within Investment Properties to account for the land value).

### Acquisitions

**New Century and Jackson House, Gateshead**
In July 2019 we completed on the freehold purchase of New Century and Jackson House in Gateshead for £4.65m. This is a large block containing a mix of retail, offices and leisure with

a net internal area of 91,663 sq. ft. located in the centre of Gateshead directly opposite the metro station and approximately a mile from Newcastle City Centre. The block is anchored by Pure Gym on a long lease, with J D Wetherspoon, Argos and Peacocks being some of the other well-known tenants. At the date of acquisition, the block was producing an income of £790,000 per annum showing a return of 17.0% prior to costs. There are various asset management opportunities to improve the income by letting some vacant space.

**De Clare Business Park, Pontygwindy Road, Caerphilly**
On 4 September 2019 we completed the freehold acquisition of De Clare Business Park, Caerphilly, South Wales for £2.7m. This business park is made up of four independent modern office buildings with the majority of the offices let to the government and local council. In total there is circa 48,241 sq. ft. of office space with parking for 163 vehicles. With a current rent roll of £376,000 per annum, this represents a return of 13.9% and adds non-retail diversification to our portfolio. There is some vacant space available and we may be able to increase the rents, enhancing the scheme's value under our own management. During the acquisition process we were able to agree terms for a letting of one of the vacant suites at a higher rent per square foot than had previously been expected.

**Beales**

In last year's accounts I mentioned my private company had, in October 2018, disposed of its interest in Beales's trading operations to its management who were able to arrange additional finance from a private equity company with extensive retail connections and experience.

I took this decision as I felt Beales had a much better chance of survival as the management buyout was supported by a fund with deeper pockets and wider retail connections than my own. However, central government actions, and inactions, and shrinking markets overwhelmed department store groups' ability to produce a profit thus many CVAs, administrations and store closures in the retail sector have been occurring.

Beales was placed in administration on 20 January 2020. We received a number of questions from concerned shareholders and stakeholders regarding the effect on the Panther Group. On 27 January 2020 we announced that in a worst case scenario if trading ceased in all thirteen of their stores owned by the Panther Group there should not be a material effect on our current year's revenue or long term effect on the freehold values of the properties they occupied.

Recently it was announced that practically all their stores would close due to the severe deterioration in the trading climate caused by the COVID-19 pandemic.

The Panther Group owns Beales stores in Peterborough, Mansfield, Great Yarmouth, two in Lowestoft, Skegness, St Neots, Spalding, Wisbech, Beccles, Diss, Keighley, Bishop Auckland and Perth. These properties are all freehold in town centre positions, mostly large in size, in different degrees of primeness of position and desirability.

The total gross floor area of these buildings is about 750,000 sq. ft. and the rental income lost from Beales' tenancies was about £887,000 per annum. However, we should receive directly in a full year, rents or profits from three car parks of circa £200,000 per annum plus the ability to create three further small car parks maybe worth between £50-£60,000 per annum.

A number of the stores have exciting redevelopment possibilities which we are currently exploring. Many are eminently splittable to smaller units thus opening up the possibility of a much wider range of users.

Many people would consider this a disaster and in many respects it is. When a large enterprise that has been trading for over 130 years fails, especially if within a town's central shopping area or heart, it has several implications. It is bad for the town, upsetting for the multi-generational families of customers, financially disrupting and dispiriting for many hundreds of long term, loyal and knowledgeable employees and also seriously financially inconveniences thousands of reliable suppliers and concession occupiers.

I am very saddened by these circumstances, more so in the knowledge that another of the most vital of the high street's failing retail groups could have been saved if central government had been less rapacious in their financial demands and burdens on a struggling sector.

However, I see this group of properties coming back into our fold as an opportunity for our team, using their experience and asset management skills, to formulate and promote new and more relevant uses for these properties. We believe this will in due course produce a much greater income and capital value for our group.

I have mentioned at length the Beales situation as the publicity is substantial but shareholders should be aware it represents only about 6% of our income and less than 10% of our group's assets and I believe have prospects of substantial appreciation when business activity recovers from its present problems.
Because it will involve considerable extra work and attention by our team this coming year, I have put their photos, roles and length of service with us in the accounts so that shareholders can see that our Group is a skilled team.

**Developments**

**High Street, Broadstairs**
We have commenced the development of a mini market (a pre-let has been agreed to a national convenience operator) which will have twelve flats on three floors above. We anticipate we will let the flat units and retain the completed development as an investment. This development is expected to be completed towards the end of this year.

**Newgate Street, Bishop Auckland**
Planning permission has been obtained for partial demolition and conversion of this former listed Beales store as three ground floor commercial units with flexible A1/A3 use and either a 62 bedroom hotel or 27 apartments above. It is currently being marketed to see if there is possible interest from a hotel operator.

**Barry Parade, London, SE22**
This property has committee approval for redevelopment as a 5,400 sq ft retail/commercial space which could probably be pre-let before a development commences and also thirteen residential apartments in the upper part, four of these units must be affordable. This approval is still subject to agreeing the Section 106 requirements which are quite extensive, expensive and still under negotiation.

This planning application is shown as being submitted in July 2018. This is not quite the case. In December 2013 we asked our architects to discuss with planners whether a redevelopment of this site would be favourably considered. They were told the council would be pleased to see this site redeveloped because it was currently both unattractive and inappropriate for the area. We asked our architects to produce a brief outline of an attractive scheme that would create best value for the site and submit it for a pre-application response. It took five months to receive the pre-application written response after about a three month delay for the initial meeting entirely caused by the council.

We eventually submitted our planning application at the beginning of July 2015 after numerous reports and changes required by the council, mainly reducing the height and size of the scheme also reducing down to nine large, luxury units, the limit before you had to provide social housing on site.

On 29 September 2015 the planners asked us to withdraw our application as they disliked the large luxury flats and there were many objections to the potential tenant being a Co-op minimarket. We understood a Waitrose probably would have had less objections!

The scheme was redrafted taking account of most of the planners' suggestions and also providing the additional supporting reports required. The new application was submitted in August 2016. The council then refused to accept the application mentioning new requirements coming into force in 2017.

A further pre app was necessary at which point the council raised further revisions and requested additional plans, reports and surveys. The new application was eventually submitted in July 2018.

Committee approval was given subject to agreeing the Section 106 payments etc at a committee meeting held on 29 January 2020. It will take about 18 months to two years to develop ready for occupation. We will probably retain the freehold and the commercial element as an investment and sell the residential units on long leases when the development is completed. The history of this property is particularly interesting to me as an original investment held since my father purchased the freehold for £7,000 in 1950 and I have been dealing with it since 1966, thus I felt it warrants a supplementary rambling to itself.

**Financial Derivative**

The liability on our interest rate swaps has risen slightly due to the market's perception of future interest rates falling. However, on 1 December 2021 our interest payable will, assuming our margin does not change on renewal, reduce by about £625,000 per annum as one of the older swaps ceases.

**Finance**

As at 31 December 2019, the Group were utilising £60 million of our £74 million facility and also had a £9,485,000 cash balance available.

**Dividends**

We have paid uninterrupted dividends for thirty seven years through good times and occasional downturns and I see no reason to change this policy. I am well aware that our shareholders appreciate the reliability of receiving dividends. The back of the accounts shows an abbreviated schedule of the Group's progress since its takeover by my group of investors in 1972.

The Directors are thus recommending a final dividend for the year ended 31 December 2019 of 6p per share. This will be payable on 7 September 2020 to shareholders on the register at the close of business on 7 August 2020 (ex-dividend on 6 August 2020).

**Prospects**

For once I find this difficult to predict for despite many years of cautionary and profitable investing, and minor development of properties in our ownership we have always been careful to manage our risk profile. We are currently in unknown territory due to a pandemic virus attack affecting the entire population and the economy.

The government are taking all steps that they feel necessary to bring under control this major health and economic hazard that could fatally affect much of our population.

These measures may create as little as three months' disruption but maybe much more. The forced closure of many businesses will cause hardship all the way down the line.

The Chancellor has unveiled a huge assortment of assistance to help the entire economy and congratulations are in order for the speed with which they have unveiled these measures.

Of course, as usual, the property industry has been completely overlooked whereas a vast number of other businesses have a one year business rates holiday. Now that it is illegal to trade from many of these premises they have no rental value and even if possible to re-let, it needs a long timescale and generous incentives to do so. Should a qualifying business such as a retailer or leisure operator exit the premises, then somehow the freehold owner would then have to pay full rates with no income! Vacant rates were a ridiculous imposition even before COVID-19 came along.

When a tenant, however successful, faces temporary financial problems, their first port of call for help is their landlord as usually they get a quick and helpful response whilst governments take much longer to help and often with small print in the financial offer that excludes many.

I am hoping and expecting that this pandemic will not be quite as bad as some doom-mongers predict and within 6 to 9 months we will be back to a normal free enterprise system.

With this thought in place, whilst this situation may be temporarily testing to our Group, we may recover strongly once the health of our nation and our economy is back to normal.

However, I can confirm that we have enough financial resources, and with supportive lenders, do not see any issue to prevent us surviving for more than double the length of even the most pessimistic predictions. Further as already announced we estimate that approximately 41% of our rental income comes from businesses that have not been forced to close or been recommended to close under government guidelines. The annual income from these businesses is approximately £5.6m and would be enough to cover our interest obligations to our lenders of approximately £4.1m and most of our overheads.

Finally, I would like to thank our small but dedicated team of staff, growing team of financial advisers, legal advisers, agents and accountants for all their hard work during the past year, which has been extremely busy and promises to be even more demanding for the current year than usual. Special thanks and good wishes are extended to our tenants and I hope they are able to overcome the present troubled environment and make a full recovery when business is back to normal.

**Andrew S Perloff**
**CHAIRMAN**

14 May 2020

## CHAIRMAN'S RAMBLINGS

Regular readers of my ramblings will be aware of the special place Margate holds in my heart. It was there in the 50s that my parents had owned The White Hart, a seafront pub/hotel which they also ran, helped by their press ganged children. Indeed, in those halcyon summer days of perpetual sunshine and no health and safety laws, we were so small we had to stand on boxes to serve the endless throng of thirsty customers.

It was unsurprising therefore that when I was finally old enough to be allowed to take my first parent free holiday, it was to Margate I headed with two of my friends.

I was eighteen years old and had been working for less than a year when we set off for our 10-day summer holiday. The excitement! The world was our oyster (though not in the case of one friend who was strictly kosher). Our destination was a large old double building converted to a Kosher boarding house – one hundred yards from the beach, close to the town centre and Dreamland amusement park. A perfect position for young men ready to enjoy their first taste of freedom away from loving but watchful parents. We had a wonderful time, either on the beach or in local coffee bars depending on the weather, with the local dance clubs luring us townwards in the evening. We made friends with other young men and women and alcohol which necessitated one of our party (the strictly kosher one) being carried back to the boarding house nearly every night by me.

It was a long time ago and although most events have dimmed into a vague but happy blur of memories, one incident stands out in sharp focus. It was yet another beautiful, sunny day and we were in a nearby coffee bar, which was one of our favourite haunts in a grand but faded glory Victorian hotel facing the seafront. It was a very popular meeting spot, probably the Starbucks of its day, and we soon came to know its habitués. We became friendly with a group of young men who, although dressed menacingly in black leather jackets, were really rather friendly. They obviously liked to imagine they were the Margate chapter of the notorious Californian Hell's Angels and seemed immensely proud of their large and gleaming motorbikes which were parked outside in a neat line.

The apparent leader of the pack was a self-styled Marlon Brando and we soon became pals. He surprised me one day when he offered to take me for a spin on the back of his bike. Excited and certainly unthinking, I immediately agreed, mounted the bike (helmetless) and, with a mighty rumble, off we went.

He followed the road which ran alongside the seafront through Cliftonville, past open spaces, down Northdown Road into Margate, round the clock tower, past Dreamland and the train station all at a comfortable pace. We then turned back towards our coffee bar. I heard 'Marlon' shout "hold tight" and then his bike sped up from probably 20-25 mph to at least the speed of light or maybe 80-90 mph. I grasped tightly round his waist whilst Margate harbour, the pier, seafront, and indeed my short life, all flashed past me! I was petrified and even more frightening was cornering. The correct way, as any biker worth his salt, will tell you is to lean into a bend. Alarmed, I leant the opposite way which apparently it was exactly not what to do. Although the terror seemed never ending I doubt if we travelled for more than two minutes at this speed.

Needless to say I have never ridden, sat on or been a pillion passenger on a motorbike since that date!

It was only after some years of mature reflection that I realised I had given 'Marlon' absolute **control** of my safety and my life for the 10 minutes I was his pillion passenger. My life, my future, my hitherto unbroken bones and many years' yet to be written Chairman's Ramblings were all in his hands!

Alive and undamaged I returned home shortly afterwards, having had a wonderful holiday and was soon back to my usual routine.

Another place we regularly visited and which also still holds special memories was near my home in Sutton, Box Hill, a National Trust beauty spot and at over 700 ft high is one of the largest hills in Surrey. At the base of the hill was a historic and still old-fashioned hostelry. This may have had a greater attraction than the natural, rustic beauty of the place as for the small fee of 5/- per person allowed you entrance to the hotel grounds where you could use their open air pool and other facilities.

On one lazy summer Sunday I drove there with my father. While I swam, he sat poolside on a wooden bench watching the activities.

As I swam I noticed with great interest a young and very attractive girl emerge from the changing rooms. She looked like a young Bridget Bardot and whilst I was frantically thinking how to get to know her, she walked past my father, put her towel on his bench, sat down beside him and shortly began talking to him. Opportunity should be my middle name! I jumped - yes jumped - out of the pool and joined them.

Within a few minutes I suggested we should go for a swim and she agreed. Rising elegantly from the bench she dived in and swam underwater the length of the pool with the grace of Esther Williams. When she surfaced she waved and shouted "Come on in". It was impossible to refuse the call of this Lorelei of the Lido so I then instantly dived in, thinking I looked like one of Esther's film partners, Johnny Weissmuller of Tarzan fame, but I was probably more like Norman Wisdom in 'Trouble in Store'!

We swam and chatted in the pool for quite a while and conversation eventually turned to work. When she asked what I did I told her I was an estate agent. 'Then you must drive" she replied. "Do you have your own car?". I told her proudly that I was the owner of a pale blue mini FXV 512 which was in the car park. She told me she was allowed to drive her mother's car, a Morris Minor, but coincidentally her favourite car which she was desperate to buy was a Mini as soon as she saved enough money. "Perhaps you would let me drive your car a bit to practice in a Mini?". I instantly agreed. Hill starts and reversing around corners were far from my mind but the thought of being alone with her for half an hour in the car park or country lanes of Surrey was extremely tempting. We hardly dried ourselves, dressing over our still damp costumes.

We walked out to the large car park and I helped her into the car. Before she turned the key to start the engine, I held her hand on the gear stick and guided her through the five forward gears and one reverse gear which was difficult to find. I can still remember the electric shock of excitement as I held her hand. She hitched her dress up, straightened her back, grasped the steering wheel and started the engine. She put it into first gear and drove round the car park slowly going through the lower gears.

She turned to me, smiled and sweetly said "I've got the hang of it now. Can I drive for a while on the roads? I'll drive very, very carefully?". With those country lanes in mind I readily agreed. She drove slowly up to the car park exit then joined the road.

WHOOSH!!! the G force threw me back in the seat and she rushed through first, second and third gears in less than 10 seconds flat! "Be careful of the gears" I shouted pointlessly over the roar of the engine. She sat up straighter, clasped the wheel tighter and with a fixed stare proceeded to race as fast as the car would go. The main roads luckily had little traffic and she cornered a roundabout or two on two wheels, leaning the right way was the last thing on my mind. My various entreaties of "Be careful…. slow down a little……..you will ruin my engine…….we don't want an accident…..it's a small car" fell on deaf ears. Finally I pleaded we must return as my father would be waiting and may worry.

She drove me round the outskirts of Epsom and Dorking for over twenty minutes, her peaches and cream complexion became flushed red with excitement and exhilaration. Mine was also flushed but from fear! However, we got back in one piece.

Upon our return we quickly dived back into the pool but the camaraderie and ardour for each other had dimmed. Although we exchanged phone numbers we never saw each other again. I suspect she thought I was a wimp and despite her obvious attractions, I had no wish to join this nifty, nubile nymphet on her inevitable early journey to the hereafter but I do hope she survived to live a full and long life. Maybe someone of Lewis Hamilton's ilk is her grandson having inherited her superb racing genes!

When I recall this short but exciting experience I once again realise, even if it were for only 20 minutes, I had yet again given someone else full **control** over my safety and life.

**Control** is an interesting word, especially in business situations.

Some years after these long forgotten events my business partners and I were becoming more successful in the property business and I became increasingly interested in corporate takeovers having completed my contested takeover of Levers Optical Company Limited in 1972. This company is, as of course many of you know, now Panther Securities PLC.

This gave me a taste for corporate acquisitions and to date I have initiated ten takeovers of listed companies, of which two failed to achieve the **control** I desired although were still profitable ventures. I completed seven successful private corporate acquisitions and was again involved with three publicly listed companies where I held 30% of the equity and was appointed a board member which gave me some influence in the **control** (that word again) of the company.

My early ideas on corporate takeovers were based on the belief that if you could secure 51% of the voting equity you would be in **control** of the entire company. Of course, then one automatically assumed you would have power to appoint the Board of Directors but in practice this was not always so.

Every one of my corporate adventures could produce an interesting, amusing and business related vignette all coming back to that word '**control**'.

The optical company had people running their own minor internal department empires and each had separately devised a benefit system just for themselves.

A poorly performing investment trust in mid takeover allowed the fund managers to shift the previously unagreed cost of the takeover to a management fee which they received and thus did not show up until sometime later, thus proving the fund managers had **control** of the cheque book!

After I had secured 51% of another poorly performing investment trust with a top line board, the Chairman instructed his brokers to sell the entire share portfolio worth £1,000,000 even after he had been told in no uncertain terms that this was prohibited by takeover rules. This sale went ahead anyway and after the takeover was completed I was asked by my advisers if I wanted to make a formal complaint. I declined as I had no wish to give the former Chairman, a well-known and important influential figure, a problem, but also the portfolio sale was what I would have wanted to do - but would not break the rules. Thus they carried out my desired wishes, probably in anger. The point being the Chairman had **control** by virtue of his authority.

A single department store with an excess of assets and ever reducing profitability, where if we were successful we would have removed one overpaid Managing Director. However, via old former owners' trusts, he had **control** and managed to obtain a white knight rival store group takeover who, instantly upon the rival's successful announcement of its offer becoming wholly unconditional, terminated the employment of many of the department store's management staff thus allowing the company to be profitable again. Surprise, surprise, the Managing Director kept his highly paid job. Thus **control** with no equity was with the Managing Director.

One small property company had a nice portfolio of income producing properties mainly acquired for part cash and part shares and also building society loans – initially the Managing Director had both board **control** and equity **control** but the continuing acquisitions for equity reduced his shareholding well below **control** level. This was risky but much more so as the family team that ran the company had salaries and expenses way, way in excess of the company's net income. They fell easily to a takeover and the company had to be bailed out immediately to complete its survival and revival. Again, it was **control** that they lost.

I could give more mini stories on every one of our corporate acquisitions but it all boils down to **control**. Not just ownership but actual working **control**.

In the UK we have recently had one of the UK's most divisive elections which has pleasingly probably resolved the Brexit conundrum. The Brexit question, in simplistic terms, was about **control** of the UK either by a largely unknown group of unelected bureaucrats which supposedly represented the interests of an ever widening group of diverse countries, or UK elected MPs and a successful Brexit via this election could bring back the **control** of the UK to its own elected representatives. Of course many of our elected representatives are usually inexperienced and unsuitable for the jobs they take on – but at least can be sacked or changed after 5 years or sometimes sooner if they prove useless.

All UK general elections (as are all elections) are about **control**, either by one faction or another, with each side having a different viewpoint – but each side always offering something that isn't really theirs to give, invariably causing problems if and whenever their promises are fully implemented.

The public realised this last election was simply a matter of **control** of our country and only one long established party offered them the potential answer. The public, in its wisdom, created the landslide result.

Taxation is like hell. Hell being a construct promoted many years ago by religious long established institutions to keep people in line whereas taxation forces people having to pay a share of running the country under harsh threats of punishment by those whom the voters have elected to be in **control** of government but I am forever surprised by its stupidity in enactment.

Recently I was informed by my accountant that one of my more recent personal tax returns had been questioned as it appeared Beales had paid me £1,200 as an annual director's salary. They had indeed issued me with a cheque after standard tax deductions but I deliberately never cashed it as I felt unable to take a salary from a continuing loss making business.

Despite the fact I did not receive any money, I was told as Beales must have put it through their books I must pay tax on this non income. Of course, the taxman never lost any money as Beales did not make profits to pay Corporation Tax. I had to pay the £300 extra tax which they billed me for three further six-monthly tax periods in the assumption I would continue to receive this income. I also had to pay a £200 fee to my accountant and, to rub salt in the wound, tax of £40 on top i.e., for £900 that I never received I had to pay £1,440!!!

Logic, common sense or fairness is rare as hen's teeth in tax offices.

Many of our shareholders will know that my mother, Fay, died about three years ago. A significant amount of inheritance tax was eventually paid after about eighteen months of dealing with her estate.

As Benjamin Franklin remarked, there are only two certainties in life; one is death and the other is taxes. This assumes that after death one does not have to bother about tax.

Sometime last year I received a generic letter from the tax office addressed

"Dear Fay Perloff Deceased
Thank you for contacting us about your returns" ………

As you might expect, I was very upset. If my mother with her super powers was going to contact anyone down here from heaven above, she could have at least contacted me first!

So I suppose it's fair to finish on 'if the tax office is involved, heaven help us'!

**Supplementary Chairman's Ramblings**

Barry Parade (now a Group property) was a third rate building containing twelve lock up shops situated in an attractive corner position facing Peckham Rye Park. The property at one time had a large Victorian era house with a good sized corner garden and at a later date a parade of eight small lock up shops built sometime in the early 1930's. The property was an early victim of a German V1 rocket raid in 1944 when the big house was completely destroyed and the lock up shops partially damaged. (This part of London, originally a smart suburb of Georgian and Victorian London with many large attractive houses, and later many huge estates of terraced houses built to house London's growing population was by the 1950's in a severe decline as a residential area but still able to provide good trade for the many local businesses).

I can remember visiting the site a number of times with my father and brother. The trip round South London was exciting for a six year old child and I remember seeing workmen repairing the war damaged shops. A few years later my father arranged to have four lock up shops built upon the site of the big house directly facing Peckham Rye. With hindsight I now know the buildings were built very cheaply. Notwithstanding this the shops, which were originally let at about £150 per annum each, were always fully let and provided a useful facility for the local community.

I started managing the property in about 1966 when the area had become more run down but it always held its income.

Just over twenty years ago the area began to change for the better due to the boom in the residential housing market that was rippling through London. The old houses that had been cheaply converted to flatlet houses were being converted back to luxury houses and the flats upgraded so that just acceptable living units became very desirable flats convenient for Central London.

I thus started considering the development potential. Due to the property's existing income the building, with flats above, at that time did not appear a particularly viable development proposal. However, within a few years continued escalating residential prices completely changed the viability of any possible scheme.

It has now taken well over seven years to reach this stage for a possible redevelopment and it would seem it will take at least nine years from start to finish of the scheme.

Perhaps as it was the last World War that started my family history of Barry Parade, with its partial destruction by a wayward V1 rocket, it is a suitable timeline for comparison.

Germany invaded Poland on 1st September 1939 – then France, Belgium, Holland and Russia. Germany's conquering progress was only put on the back foot when America entered the war after Pearl Harbour in December 1941 and thus were eventually driven back into their own territory and defeated in May 1945, i.e., nearly six years of huge turmoil, destruction throughout most of Europe which involved a monumental amount of planning and organisational ability first by the Germans then by the Allies for an eventual successful outcome.

And yet in Southwark, on a small obviously poorly and underdeveloped site we are unable to get permission to redevelop, let alone actually build a shop and 13 flats in over seven years!

I suspect if one needed planning permission to build a Wendy house in many boroughs it would be the original applicant's grandchildren, rather than the children who might get the benefit of playing in it!

Yours

**Andrew S Perloff**
*Chairman*

14 May 2020

P.S. My Ramblings were prepared well before the first inklings of the COVID-19 pandemic started to cause such disruption to our everyday lives and business activity which I have commented on at length in my Chairman's Statement.

However, ……… It reminds me that in last year's accounts I had prepared and arranged for a cartoon to be inserted headed 'The Ten Plagues of the High Street' (all government created) with the United Kingdom looking like a war graves cemetery with many lines of gravestones all either having shop group names or left blank for unknown traders or those yet to follow.

I could not imagine that the 10th biblical plague would arrive. I am sure you will be aware that this was called "The Killing of the First Born", i.e., the oldest, which is nearly what is happening.

The government has pulled out all the stops and enlisted the most knowledgeable medical advisors in an effort to **control** and eradicate this virus. We all should be, and almost certainly are, supportive of their efforts.

## GROUP STRATEGIC REPORT

### About the Group

Panther Securities PLC ("the Company" or "the Group") is a property investment company quoted on the AIM market (AIM). Prior to 31 December 2013 the Company was fully listed and included in the FTSE fledgling index. It was first fully listed as a public company in 1934. The Group owns and manages over 850 individual property units within over 120 separately designated buildings over the mainland United Kingdom. The Group specialises in property investing and managing of good secondary retail, industrial units and offices, and also owns and manages many residential flats in several town centre locations.

### Strategic objective

The primary objective of the Group is to maximise long-term returns for our shareholders by stable growth in net asset value and dividend per share, from a consistent and sustainable rental income stream.

### Progress indicators

Progress will be measured mainly through financial results, and the Board considers the business successful if it can increase shareholder return and asset value in the long-term, whilst keeping acceptable levels of risk by ensuring gearing covenants are well maintained.

### Key ratios and measures

| | **2019****** | **2018****** | **2017** | **2016** |
|---|---|---|---|---|
| **Gross profit margin** (gross profit/ turnover) | 76% | 71% | 71% | 77% |
| **Gearing** (debt*/(debt* + equity)) | 41% | 39% | 45% | 49% |
| **Interest cover**** | 2.14 times | 4.17 times | 2.37 times | 1.66 times |
| **Finance cost rate** (finance costs excluding lease portion/ average borrowings for the year) | 7.1% | 6.6% | 6.4% | 6.6% |
| **Yield** (rents investment properties/ average market value investment properties) | 8.8% | 7.7% | 7.1% | 7.7% |
| **Net assets value per share** | 480p | 532p | 516p | 407p |
| **(Loss)/ earnings per share – continuing** | (23.1)p | 39.9p | 120.2p | (5.5)p |
| **Dividend per share** | 12.0p | 27.0p*** | 22.0p*** | 12.0p |
| **Investment property acquisitions** | £8.1m | £3.9m | £8.9m | £5.0m |
| **Investment property disposal proceeds** | £1.1m | £40.8m | £2.2m | £5.8m |

* Debt in short and long term loans, excluding any liability on financial derivatives
**Profit before taxation excluding interest, less movement on investment properties and on financial instruments and impairments, divided by interest (excluding lease portion)
*** Includes 2018:15p (2017:10p) per share special dividend
**** IFRS 9 and 15 have only been reflected in 2018 and 2019 the prior year figure not restated. IFRS 16 has only been reflected in 2019 and the prior year figure not restated.

### Business review

The Group's underlying performance was strong in the year ended 31 December 2019. The results are positive once you remove the fair value write down on properties and the fair value loss on the financial derivatives is stripped out. The Group showed higher rents, higher operating profits on a similar level of debt and strong cash generation from operations. This can be seen in the Consolidated statement of cash flow when the majority of the tax paid in the year, which mainly relates to large disposals in the year ended 31 December 2018 is ignored. This year's figures provide confidence that the underlying business is performing well and improving when compared to the prior year (stripping out disposals and other non-cash movements).

The Directors believe (under normal circumstances) that we have made two decent long-term purchases in 2019 at high returns, in Caerphilly and Gateshead, which the Group purchased using free funds left over from the disposals in 2018. This has replaced a large proportion of the income lost on the disposals in 2018.

The investment property values were written down by the Directors following the in-house valuation. These valuations incorporated Brexit uncertainties at the year end which impacted market values. These values also reflect the risks associated with retailers as they try and adapt to the fast changing consumer habits. However, the Group, being a secondary retail property investor, has a lot of neighbourhood parades. These tend to have a higher proportion of businesses which are providing non-retail offerings even though they are shops. This includes things such as service providers, restaurants or take away use, or convenience offerings, which have been less effected than pure retail, and in some instances even provide additional opportunities i.e. being able to offer their take away services via Just Eat etc. Even our pure retail positions are mainly large blocks in the centre of towns and will no doubt benefit from longer term plans from the Government and local councils looking into town centre regeneration schemes. As such, if and when retail no longer works, we believe we can create value from these sites with planning permission to eventually give them other uses or purposes. In the meantime, they continue in the most part to be strong cash contributors providing high returns on initial investment.

The Group recognised a loss in value following the Directors' year end valuation, of £8.8m (compared to a £6.4m million loss in 2018 also following a Directors' valuation).

**Going forward**

We stated in this section in our 2018 accounts that "…we would be disappointed if we did not pick up a few good investments in 2019, however these have to be carefully selected as a lot of the risks perceived by the average property investor are real." This was achieved with the purchases of Caerphilly and Gateshead, both with a good spread of tenants and showing the usual high return we seek.

Unfortunately, 2019 already seems like a lifetime ago. Since then not only have Beales entered into administration (in January 2020), we now have the COVID-19 to contend with, which affects a very large majority of our tenants. Thankfully we still have a lot of capacity in terms of funds as we de-geared substantially in 2018 following the large disposals and also have the benefit of the non-reinvested cash funds. These facilities and cash funds will help us weather the storm and we will be in a much stronger position than most. This was planned but also slightly fortuitous, as we were preparing for Brexit uncertainties but it provides capacity financially to withstand this health and economic crisis. Taking these two issues in turn:

- **Beales's administration**

Even though it is sad to see the demise of another historic business, and one we had a close association with, the financial reality is that the Directors believe the vast majority of these properties will be worth a lot more in the medium to longer term without this tenant. The rents were low compared to the space they let and the rent was not always paid. Relating to the year ended 31 December 2019 the Group had circa £270,000 arrears unpaid but fully provided against. Practically all the properties have better alternative values and surprisingly all have different solutions.

Whether it is re-letting and carving up, utilising the valuable car parks, full-scale redevelopments, or interest from councils as they look to revitalise town centres, we see the former Beales sites as key. This is because they usually were very central and our view is that all former stores have potential. Some of these opportunities will be realised quicker than others but we can already see a glimmer of a silver lining. It is just a shame that the COVID-19 has curtailed and/ or slowed some of our discussions.

We are not concerned about these vacant properties in the medium to longer term and see these as an opportunity. We hope to report back on progress within our interim accounts.

- **COVID-19**

This has been a much more challenging, wide spread and fast changing situation than the business has ever faced before. We believe for our size and within the property sector, we have one of the most diverse and robust income streams. We have such an array of tenants, spread over different geographic locations, in different sectors, and lots of sizes of traders, from sole traders to large multinational corporates. One of the key characteristics of the business that we have developed over many decades, in fact since it recovered from the 1970s property crash, is ensuring a strong diversified cash flow and this is reflected in our investment decisions, which often show high returns, generated from a spread of tenants. However, with the government putting social distancing measures in place and requesting businesses to close, this leaves us with very few tenants remaining open for trading. We do have tenants such as supermarkets, chemists, take-aways, flat tenants, convenience stores and certain industrial uses still open for business who hopefully will pay their full rent. We have tried to assess what this means in terms of rental over this period but it is such a fast moving situation that even those you would not expect to be affected have been – however it looks like as a minimum we will have our interest covered by income. We are taking mitigation actions, such as reducing our outgoings and keeping good dialogue with our tenants and ensuring those that can pay do.

The impact of COVID-19 is considered to be a non-adjusting post balance sheet event and as such the Statement of Financial Position, including property valuations, has been prepared on the facts and circumstances as at 31 December 2019.

However, even though there are uncertainties going forward which may affect property prices in the short term, we are protected by our portfolio's diversity, experienced management team, ability to adapt and by having access to funds. We have low gearing levels, supportive lenders and cash reserves, which the Directors believe can keep us going for over 21 months even when assuming lower than expected levels of rents. We expect to receive as a minimum circa 41% of our rents which are from businesses that are either not required to close or recommended to by the government. This amounts to around £5.6m.

**Financing**

The Group had previously entered into a £75 million club loan facility (£60 million term and £15 million revolving), which was renewed on 19 April 2016 with a five-year term. This is up for renewal in April 2021 – on 31 December 2019 the maximum loan facility was £74m due to loan repayment in the year. We have had initial discussions with our lenders early in the year and they were very positive in terms of renewing on similar terms. The discussions are currently on hold as the Group and the banks deal with the current crisis. However, our lenders' relationship teams are confident that when the COVID-19 crisis is over, we can quickly get back on track, and in the worst case scenario would look for a short term extension (to give us more time for discussions and negotiations).

At the Statement of Financial Position date the Group had £9.5m of cash funds, £14m available facility and a further £10m included in our loan agreement but requiring credit approval. In April 2020 cash was further increased as a net amount of £3m was drawn on the facilities as well as the lenders agreeing to release £1.5m of the £2.3m which was restricted to property purchases (and included in the £9.5m total).

***Financial derivative***

We have seen a fair value loss (of a non-cash nature) in our long term liability on derivative financial instruments of £0.997m (2018: £0.886m fair value gain). Following this loss the total derivative financial liability on our Consolidated Statement of Financial Position is £26.5m (2018: £25.5m).

These financial instruments (shown in note 5) are interest rate swaps that were entered into to remove the cash flow risk of interest rates increasing by fixing our interest costs. We have seen that in uncertain economic times there can be large swings in the accounting valuations.

Small movements in the expectation of future interest rates can have a significant impact on their fair value; this is partly due to their long dated nature. These contracts were entered into in 2008 when long term interest rates were significantly higher. In a hypothetical world if we could fix our interest at current rates and term we would have much lower interest costs. Of course we cannot undo these contracts that were entered into historically, without a significant financial cost, but for accounting purposes these financial instruments are compared to current market rates, with the additional liability compared to the market rates, as shown on our Statement of Financial Position.

In 2018 the Company entered into a new 10 year fixed interest rate swap agreement, with a £25,000,000 nominal value which commences on 1 December 2021. The swap's interest rate is 2.131% which will come into existence when the Company's current £25,000,000 swap with a rate of 4.63% ends, resulting in an annual saving of circa £625,000. By entering this transaction, the Company will have certainty that its interest costs from December 2021 will be significantly lower compared to its current costs.

**Financial Risk Management**

The Company and Group operations expose it to a variety of financial risks, the main two being the effects of changes in credit risk of tenants and interest rate movement exposure on borrowings. The Company and Group have in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company and Group by monitoring and managing levels of debt finance and the related finance costs. The Company and Group also use interest rate swaps to protect against adverse interest rate movements with no hedge accounting applied. Mark-to-market valuations on our financial instruments have been erratic due to current low market interest rates and due to their long term nature. These large mark-to-market movements are shown within the Income Statement.

However, the actual cash outlay effect is nil when considered alongside the term loan, as the instruments have been used to fix the risk of further cash outlays due to interest rate rises or can be considered as a method of locking in returns (difference between rent yield and interest paid at a fixed rate).

Given the size of the Company and Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company and Group's finance department.

*Credit risk*

The Company and Group have implemented policies that require appropriate credit checks on potential tenants before lettings are agreed. In many cases a deposit is requested unless the tenant can provide a strong personal or other guarantee. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

Exposure is reduced significantly due to the Group having a large spread of tenants who operate in different industries.

*Price risk*

The Company and Group are exposed to price risk due to normal inflationary increases in the purchase price of the goods and services it purchases in the UK. The exposure of the Company and Group to inflation is low due to the low cost base of the Group and natural hedge we have from owning "real" assets. Price risk on income is protected by the rent review clauses contained within our tenancy agreements and often secured by medium or long-term leases.

*Liquidity risk*
The Company and Group actively manage liquidity by maintaining a long-term finance facility, strong relationships with many banks and holding cash reserves. This ensures that the Company and Group have sufficient available funds for operations and planned expansion or the ability to arrange such.

*Interest rate risk*
The Company and Group have both interest bearing assets and interest bearing liabilities. Interest bearing assets consist of cash balances which earn interest at fixed rate when placed on deposit. The Company and Group have a policy of only borrowing debt to finance the purchase of cash generating assets (or assets with the potential to generate cash). The Directors revisit the appropriateness of this policy annually.

**Principal risks and uncertainties of the Group**
The successful management of risk is something the Board takes very seriously as it is essential for the Group to achieve long-term growth in rental income, profitability and value. The Group invests in long term assets and seeks a suitable balance between minimising or avoiding risk and gaining from strategic opportunities.

The Group's principal risks and uncertainties are all very much connected as <u>market</u> strength will affect <u>property</u> values, as well as rental terms and the Group's <u>finance</u>, or term loan, whose security is derived primarily from the property assets of the business. The financial health of the Group is checked against covenants that measure the value of the property, as a proportion of the loan, as well as income tests. The two measures of the Group's finances are to check if the Group can support the interest costs (income tests) and also the ability to repay (valuation covenants).

The Group has a successful strategy to deal with these risks, primarily its long lasting business model and strong management. This meant the business had little or no issues during the 2008 financial crisis, which some commentators say was the worst financial crisis since the Great Depression of the 1930s. We hope that the current crisis will also show us in a good light due to the preparations we made in 2018.

*Market risk*
If we want to buy, sell or let properties there is a market that governs the prices or rents achieved. A property company can get caught out if it borrows too heavily on property at the wrong time in the market, affecting its loan covenants. If loan covenants are broken, the Company may have to sell properties at non-optimum times (or worse) which could decrease shareholder value. Property markets are very cyclical and we in effect have three strategies to deal with or mitigate the risk, but also take advantage of this opportunity:

1) Strong, experienced management means when the market is strong we look to dispose of assets and when it is weak we try and source bargains i.e. an emergent strategy also called an entrepreneurial approach.

2) The Group has a diversified property portfolio and maintains a spread of sectors over retail, industrial, office and residential. The other diversification is having a spread regionally, of the different classes of property over the UK. Often in a cycle not all sectors or locations are affected evenly, meaning that one or more sectors could be performing stronger, maybe even booming, whilst others are struggling. The strong investment sectors provide the Group with opportunities that can be used to support slower sectors through sales or income.

3) We invest in good secondary property, which tends to be lower value/cost, meaning we can be better diversified than is possible with the equivalent funds invested in prime property. There are not many property companies of our size who have over 850 individual units and over 120 buildings/ locations. Secondary property also, very importantly, is much

higher yielding which generally means the investment generates better interest cover and its value is less sensitive to market changes in rent or loss of tenants.

*Property risk*
As mentioned above we invest in most sectors in the market to assist with diversification. Many commentators consider the retail sector to be in period of severe flux, considerably affected by changing consumer habits such as internet shopping as well as a preference for experiences over products. Of the Group's investment portfolio, retail makes up the largest sector being circa 60 to 65% by income generation. However, the retail sector is affected to lesser degrees in what we would describe as neighbourhood parades, as opposed to traditional shopping high streets. The large part of our retail portfolio is in these neighbourhood parades, meaning we are less affected by consumer habits and even benefit from some of the changes. Neighbourhood parades provide more leisure, services and convenience retail.

For example, we have undertaken a few lettings to local or smaller store formats, to big supermarket chains, which would not have taken place many years ago. Block policy is another key mitigating force within our property risks. Block policy means we tend to buy a block rather than one off properties, giving us more scope to change or get substantial planning if our type of asset is no longer lettable. The obvious example is turning redundant regional offices into residential. In addition, by having a row of shops, we can increase or reduce the size of retail units to meet the current requirements of retailers.

*Finance risk*
The final principal risk, which ties together the other principal risks and uncertainties, is that if there are severe adverse market or property risks then these will ultimately affect our financing, making our lender either force the Group to sell assets at non-optimal times, or take possession of the Group's assets. We describe the above factors in terms of management, business model and diversification to help mitigate against property and market risks which as a consequence mitigate our finance risk.

The main mitigating factor is to maintain conservative levels of borrowing, or headroom to absorb downward movements in either valuation or income cover. The other key mitigating factor, is to maintain strong, honest and open relationships with our lenders and good relationships with their key competitors. This means that if issues arise, there will be enough goodwill for the Group to stay in control and for the issues to resolve themselves and hopefully save the situation. As a Group we also hold uncharged properties and cash resources, which can be used to rectify any breaches of covenants.

## Other non-financial risks
The Directors consider that the following are potentially material non-financial risks:

| Risk | Impact | Action taken to mitigate |
|---|---|---|
| Reputation | Ability to raise capital/ deal flow reduced | Act honourably, invest well and be prudent. |
| Regulatory changes | Transactional and holding costs increase | Seek high returns to cover additional costs. Lobby Government -"Ramblings". Use advisers when necessary. |
| People related issues | Loss of key employees/ low morale/ inadequate skills | Maintain market level remuneration packages, flexible working and training. Strong succession planning and recruitment. Suitable working environment. |
| Computer failure | Loss of data, debtor history | External IT consultants, backups, offsite copies. Latest virus and internet software. |

| | | |
|---|---|---|
| Asset management | Wrong asset mix, asset illiquidity, hold cash | Draw on wealth of experience to ensure balance between income producing and development opportunities. Continued spread of tenancies and geographical location. Prepare business for the economic cycles. |
| Acts of God (e.g. COVID 19) | Weather incidents, fire, terrorism, pandemics | Where possible cover with insurance. Ensure you carry enough reserves and resources to cover any incidents. |

Subsequent to the year end an additional risk relating to COVID-19 has been added. The Group's strategy for dealing with this risk is set out above within the Group Strategic Report.

**Section 172(1) statement**
This is a reporting requirement and relates to companies defined as large by the Companies Act 2006, this includes public companies as otherwise the Group would not be considered large.

Each individual Director must act in the way he considers, in good faith, would be the most likely to promote the success of the company for benefit of its members as a whole, and in doing so the Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172.

***The matters set out are:***

*(a) the likely consequences of any decision in the long term;*

The longer term decisions are made at board level ensuring a wealth of experience and a breadth of skills. The value creation in the business is mainly generated by buying the investments at the right time in the financial cycles, whilst reducing risk by choosing assets that have alternative or back up values to the current use, as well as initial values.

It is also key that long term decisions are made in respect of ensuring that property assets are maintained, where economically viable. Other areas to ensure decisions are in tune with long term consideration are making sure the best possible financing of the Group to match the requirements of the long-term nature of property ownership. The board and management makes long term decisions such as keeping a vigilant review of the changing nature of property usage and tries were possible to diversify its income streams. Caerphilly and Gateshead purchases in 2019 are good examples of long term decision making, i.e. choosing offices and a leisure led retail scheme – as such giving some protection against changing consumer habits in more general retail arena.

*(b) the interests of the company's employees;*

The company makes investment in and the development of talent of its employees, including paying for professional development, providing in house updates and encouraging knowledge sharing. The Group has a strong track record of promoting from within the business and after the 2019 year end two surveyors were promoted to Joint Head of Property. The Group undertakes team building activities to encourage cohesion and working together.

*(c) the need to foster the company's business relationships with suppliers, customers and others;*

Being in the secondary property industry the business is used to dealing with many types of businesses as tenants from large multi-national businesses to small sole traders – keeping good sound relationships with both is key. We also use many small operators and suppliers and we ensure prompt payment, paying within 30 days in most instances to again foster good working relations. We set a purchase order system in 2018 and refined it in 2019 to streamline and speed up payments supporting small suppliers.

*(d) the impact of the company's operations on the community and the environment;*

The Group's investments by its very nature often have a significant impact on local communities, providing services and convenience businesses, or places for local enterprise or employment. Owning a parade of shops, we can ensure where possible that these are viable locations by encouraging a variety of offerings. The Group maintains and upkeeps its investment properties to a viable level which benefits the local communities they provide accommodation for or seeks improvements with planning which can enhance local areas. The

Group also ensures it recycles much of its head office paper and is moving towards less paper communication; for instance 2019 was the first year where invoices were emailed as standard to our tenants and we also encourage the receipt of electronic invoices. We also ensure we upgrade our units to the required EPC levels which by its very nature reduces the longer term environmental impact of the use of these units.

*(e) the desirability of the company maintaining a reputation for high standards of business conduct;*

The Group maintains an appropriate level of Corporate Governance that is documented within its own section within these Financial Statements. With a relatively small management team it is easier to monitor and assess the culture and encourage the appropriate standards. The board strives to delegate and empower its management teams to ensure the high standards are maintained at all levels within the business.

*and*

*(f) the need to act fairly as between members of the company.*

The Group has excellent communication with its members, actively encouraging participation and discussion at its AGMs and also circulating letters of our announcements to ensure older members or those not accessing the LSE financial news can keep up to date with relevant information. Our CEO and Chairman is unpaid, his benefit or income from the company is pro-rata the same as all members including minority shareholders.

The Group Strategic Report set out on the above pages, also includes the Chairman’s Statement shown earlier in these accounts and was approved and authorised for issue by the Board and signed on its behalf by:

**S. J. Peters**
Company Secretary

Unicorn House
Station Close
Potters Bar
Hertfordshire EN6 1TL 14 May 2020

**CONSOLIDATED INCOME STATEMENT**
**For the year ended 31 December 2019**

| | Notes | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Revenue** | | 14,226 | 13,607 |
| Cost of sales | | (3,429) | (3,947) |
| **Gross profit** | | 10,797 | 9,660 |
| Other income | | 443 | 457 |
| Administrative expenses | | (1,676) | (1,819) |
| Bad debt expense | | (524) | (796) |
| **Operating profit** | | 9,040 | 7,502 |
| Profit on disposal of investment properties | | 515 | 11,750 |
| Movement in fair value of investment properties | 4 | (8,832) | (6,396) |
| | | 723 | 12,856 |
| Finance costs – interest | | (2,469) | (2,526) |
| Finance costs – swap interest | | (2,437) | (2,533) |
| Investment income | | 112 | 24 |
| Loss on disposal of fixed assets | | - | (41) |
| Profit (realised) on the disposal of investments | | 105 | 34 |
| Fair value (loss)/ gain on derivative financial liabilities | 5 | (997) | 886 |
| **(Loss)/ profit before income tax** | | (4,963) | 8,700 |
| Income tax income/ (expense) | | 870 | (1,653) |
| **(Loss)/ profit for the year** | | (4,093) | 7,047 |
| **Continuing operations attributable to:** | | | |
| Equity holders of the parent | | (4,093) | 7,047 |
| **(Loss)/ profit for the year** | | (4,093) | 7,047 |
| **(Loss)/ earnings per share** | | | |
| Basic and diluted – continuing operations | 3 | (23.1)p | 39.9p |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 31 December 2019**

| | Notes | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|---|
| **(Loss)/ profit for the year** | | (4,093) | 7,047 |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | |
| Movement in fair value of investments taken to equity | | (225) | (197) |
| Deferred tax relating to movement in fair value of investments taken to equity | | 38 | 34 |
| Realised fair value on disposal of investments previously taken to equity | | 48 | - |
| Realised deferred tax relating to disposal of investments previously taken to equity | | (8) | - |
| **Other comprehensive loss for the year, net of tax** | | (147) | (163) |
| **Total comprehensive (loss)/ income for the year** | | (4,240) | 6,884 |
| Attributable to: | | | |
| Equity holders of the parent | | (4,240) | 6,884 |
| | | (4,240) | 6,884 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**Company number 00293147**
**As at 31 December 2019**

| | Notes | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment properties | 4 | 169,340 | 170,236 |
| Deferred tax asset | | 3,304 | 1,811 |
| Right of use asset | | 373 | - |
| Investments | | 927 | 1,850 |
| | | 173,944 | 173,897 |
| **Current assets** | | | |
| Stock properties | | 350 | 448 |
| Investments | | 168 | - |
| Current tax asset | | 601 | - |
| Trade and other receivables | | 3,389 | 4,896 |
| Cash and cash equivalents (restricted) | | 2,299 | 14,436 |
| Cash and cash equivalents | | 7,186 | 5,614 |
| | | 13,993 | 25,394 |
| **Total assets** | | 187,937 | 199,291 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | | 4,437 | 4,437 |
| Share premium account | | 5,491 | 5,491 |
| Treasury shares | | (213) | (213) |
| Capital redemption reserve | | 604 | 604 |
| Retained earnings | | 74,627 | 83,710 |
| **Total equity** | | 84,946 | 94,029 |
| **Non-current liabilities** | | | |
| Long-term borrowings | 6 | 58,955 | 58,864 |
| Derivative financial liability | 5 | 26,511 | 25,514 |
| Leases | | 7,912 | 7,510 |
| | | 93,378 | 91,888 |
| **Current liabilities** | | | |
| Trade and other payables | | 8,541 | 10,192 |
| Short-term borrowings | 6 | 1,072 | 1,071 |
| Current tax payable | | - | 2,111 |
| | | 9,613 | 13,374 |
| **Total liabilities** | | 102,991 | 105,262 |
| **Total equity and liabilities** | | 187,937 | 199,291 |

The accounts were approved by the Board of Directors and authorised for issue on 14 May 2020. They were signed on its behalf by:

A.S. Perloff
*Chairman*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31 December 2019**

| | Share capital £'000 | Share premium £'000 | Treasury shares £'000 | Capital redemption £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 4,437 | 5,491 | (213) | 604 | 80,893 | 91,212 |
| Total comprehensive income | - | - | - | - | 6,884 | 6,884 |
| Dividends | - | - | - | - | (4,067) | (4,067) |
| **Balance at 1 January 2019** | 4,437 | 5,491 | (213) | 604 | 83,710 | 94,029 |
| Total comprehensive loss | - | - | - | - | (4,240) | (4,240) |
| Other movement | | | | | (68) | (68) |
| Dividends | - | - | - | - | (4,775) | (4,775) |
| **Balance at 31 December 2019** | 4,437 | 5,491 | (213) | 604 | 74,627 | 84,946 |

## CONSOLIDATED STATEMENT OF CASH FLOWS
## For the year ended 31 December 2019

| | 31 December 2019 £'000 | 31 December 2018 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Operating profit | 9,040 | 7,502 |
| Depreciation charges for the year | - | 13 |
| Loss on current asset investments | 15 | - |
| Transfer stock to investment properties | (141) | - |
| Rent paid treated as interest | (651) | (571) |
| **Profit before working capital change** | 8,263 | 6,944 |
| Increase in stock investments | (168) | - |
| Decrease/ (increase) in receivables | 1,507 | (1,219) |
| Decrease in payables | (1,802) | (319) |
| **Cash generated from operations** | 7,800 | 5,406 |
| Interest paid | (4,091) | (4,375) |
| Income tax paid | (3,303) | (2,743) |
| **Net cash generated from/ (used in) operating activities** | 406 | (1,712) |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of investment properties | (8,138) | (3,894) |
| Purchase of investments** | - | (2,271) |
| Purchase of current asset investments*** | (3,996) | - |
| Proceeds of current asset investments*** | 3,981 | - |
| Proceeds from sale of investment property | 1,065 | 40,790 |
| Proceeds from sale of investments** | 851 | 275 |
| Dividend income received | 76 | 5 |
| Interest income received | 36 | 19 |
| **Net cash (used in)/ generated from investing activities** | (6,125) | 34,924 |
| | | |
| **Cash flows from financing activities** | | |
| Repayments of loans | (1,071) | (15,161) |
| Loan arrangement fees and associated costs | - | (375) |
| Draw down of loan | 1,000 | 500 |
| Dividends paid | (4,775) | (4,067) |
| **Net cash used in financing activities** | (4,846) | (19,103) |
| **Net (decrease)/ increase in cash and cash equivalents** | (10,566) | 14,109 |
| | | |
| **Cash and cash equivalents at the beginning of year*** | 20,050 | 5,941 |
| **Cash and cash equivalents at the end of year*** | 9,485 | 20,050 |

***** Of this balance £2,299,000 (2018: £14,436,000) is restricted by the Group's lenders i.e. it can only be used for purchase of investment property.

** Shares in listed and/or unlisted companies. *** Shares in listed and/or unlisted companies but held for trading purposes.

**NOTES:**

## 1. General information

While the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Group will publish full financial statements that comply with IFRSs which will shortly be available on its website and are to be posted to shareholders shortly.

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 2018. The financial information for the year ended 31 December 2018 is derived from the statutory accounts for that year, which were prepared under IFRSs, and which have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006 and did not include references to any matters to which the auditors drew attention by way of emphasis.

The financial information for the year ended 31 December 2019 is derived from the audited statutory accounts for the year ended 31 December 2019 on which the auditors have given an unqualified report, that did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006 and did include references to COVID-19 and the refinancing of debt facilities to which the auditors drew attention by way of emphasis. The statutory accounts will be delivered to the Registrar of Companies following the Company's annual general meeting.

The accounting policies adopted in the preparation of this preliminary announcement are consistent with those set out in the latest Group Annual financial statements.

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Group Strategic Report. The financial position of the Group, including key financial ratios, is set out in the Group Strategic Report. In addition, the Directors' Report includes the Group's objectives, policies and processes for managing its capital; the Group Strategic Report includes details of its financial risk management objectives; and the notes to the accounts provide details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group is strongly capitalised, has high liquidity together with a number of long term contracts with its customers many of which are household names. The Group has a diverse spread of tenants across most industries and investment properties based in many locations across the country.

The Group has a strong track record of obtaining long term finance and expects this to continue as it has supportive lenders. The Group always maintains excellent relations with its lenders.

The COVID-19 pandemic has provided a much harder set of circumstances for all businesses. The Directors have prepared a detailed financial forecast assuming a continued "lock down" scenario that demonstrates the Group is a going concern even if the business effects of the lock down resulting from the COVID-19 pandemic continues to December 2021 (further details with the Strategic Report). This forecast takes account of a level of minimal income from businesses and trades that remain open (even in the lock down e.g. banks and supermarkets). It also takes account of the Group's extensive cash reserves (and available facility – some already drawn at the announcement date) and shows the Group has enough financial resources to survive to beyond December 2021 – even with the current lock down and its effects continuing. The Directors are aware that the Group's loan is up for renewal in April 2021, however the Directors are confident that the Group has strong relationships with its lenders and that even if the Group cannot renew for a full term it should be able to get a short term renewal to tide it over. The Group has further protection as the forecast does not take account of any cost saving potential in 2020.

The Directors believe the Group is very well placed to manage its business risks successfully and have a good expectation that both the Company and the Group have adequate resources to continue their operations for the foreseeable future, even with the current COVID-19 situation. For these reasons they continue to adopt the going concern basis in preparing the financial statements.

## 2. Dividends

Amounts recognised as distributions to equity holders in the period:

| | **2019 £'000** | **2018 £'000** |
|---|---|---|
| Special dividend for the year ended 31 December 2018 of 15p per share (2017:10p per share) | 2,653 | 1,768 |
| Final dividend for the year ended 31 December 2018 of 6p per share (2017: 7p per share) | 1,061 | 1,238 |
| Interim dividend for the year ended 31 December 2019 of 6p per share (2018: 6p per share) | 1,061 | 1,061 |
| | 4,775 | 4,067 |

The Directors recommend a payment of a final dividend for the year ended 31 December 2019 of 6p per share (2018 – 6p), following the interim dividend paid on 28 November 2019 of 6p per share (2018 – 6p). In 2018 a special dividend was also declared of 15p per share. The final dividend of 6p per share will be payable on 7 September 2020 to shareholders on the register at the close of business on 7 August 2020 (Ex dividend on 6 August 2020).

The full ordinary dividend for the year ended 31 December 2019 is anticipated to be 12p per share, being the 6p interim per share paid and the recommended final dividend of 6p per share.

## 3. (Loss)/ earnings per ordinary share (basic and diluted)

The calculation of (loss)/ profit per ordinary share is based on the (loss)/ profit, being a loss of £4,093,000 (2018 – profit of £7,047,000) and on 17,683,469 ordinary shares being the weighted average number of ordinary shares in issue during the year excluding treasury shares (2018 – 17,683,469). There are no potential ordinary shares in existence. The Company holds 63,460 (2018 - 63,460) ordinary shares in treasury.

## 4. Investment property

| | Investment properties £'000 |
|---|---|
| **Fair value** | |
| At 1 January 2018 | 201,825 |
| Additions | 3,894 |
| Disposals | (29,040) |
| Fair value adjustment on property held on operating leases | (47) |
| Revaluation decrease | (6,396) |
| At 1 January 2019 | 170,236 |
| Additions | 8,138 |
| Transfer from stock properties | 239 |
| Disposals | (550) |
| Fair value adjustment on investment properties held on leases | 109 |
| Revaluation decrease | (8,832) |
| At 31 December 2019 | 169,340 |
| **Carrying amount** | |
| At 31 December 2019 | 169,340 |
| At 31 December 2018 | 170,236 |

## 5. 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.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Bank loans | £'000 | | £'000 | |
| Interest is charged as to: | | Rate | | Rate |
| Fixed/ Hedged | | | | |
| HSBC Bank plc* | 35,000 | 7.01% | 35,000 | 7.01% |
| HSBC Bank plc** | 25,000 | 6.58% | 25,000 | 6.58% |
| Unamortised loan arrangement fees | (159) | | (322) | |
| Floating element | | | | |
| HSBC Bank plc | - | | - | |
| Shawbrook Bank Ltd | 186 | | 257 | |
| | 60,027 | | 59,935 | |

Bank loans totalling £60,000,000 (2018 - £60,000,000) are fixed using interest rate swaps removing the Group's exposure to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

**Financial instruments for Group and Company**
The derivative financial assets and liabilities are designated as held for trading.

| | Hedged amount £'000 | Average rate | Duration of contract remaining 'years' | 2019 Fair value £'000 | 2018 Fair value £'000 |
|---|---|---|---|---|---|
| **Derivative Financial Liability** | | | | | |
| Interest rate swap | 35,000 | 5.06% | 18.69 | (22,209) | (21,482) |
| Interest rate swap | 25,000 | 4.63% | 1.92 | (1,792) | (2,517) |
| Interest rate swap | 25,000 | 2.13% | 10.00 | (2,510) | (1,515) |
| | | | | (26,511) | (25,514) |
| **Net fair value (loss)/ gain on derivative financial assets** | | | | (997) | 886 |

* Fixed rate came into effect on 1 September 2008. Rate includes 1.95% margin. The contract includes mutual breaks, the first potential one was on 23 November 2014 (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 shown includes a 1.95% margin. This contract includes a mutual break on the fifth anniversary and its duration is until 1 December 2021.

## 6. Bank loans

| | 2019 £'000 | 2018 £'000 |
|---|---|---|
| Bank loans due within one year (*within current liabilities*) | 1,072 | 1,071 |
| Bank loans due within more than one year (*within non-current liabilities*) | 58,955 | 58,864 |
| Total bank loans | 60,027 | 59,935 |

| *Analysis of debt maturity* | 2019 £'000 Interest* | 2019 £'000 Capital | 2019 £'000 Total | 2018 £'000 Total |
|---|---|---|---|---|
| Trade and other payables** | - | 5,172 | 5,172 | 6,749 |
| Bank loans *repayable* | | | | |
| *On demand or within one year* | 1,561 | 1,072 | 2,633 | 2,764 |
| *In the second year* | 520 | 59,072 | 59,592 | 2,735 |
| *In the third year to the fifth year* | 1 | 42 | 43 | 60,185 |
| | 2,082 | 60,186 | 62,268 | 72,433 |

*based on the year end 3 month LIBOR floating rate – 0.68%, and bank rate of 0.10%.
** Trade creditors, other creditors and accruals

On 19 April 2016 the Group renewed its £75,000,000 loan facility by entering into a new 5 year term loan with HSBC and Santander. The Group has the option to draw down an additional £10,000,000 under the same agreement subject to the banks' credit approval process. The Group has commenced talks with its lenders to renew the facilities on similar terms and hopes to have this in place by 31 December 2020. The initial conversations have been very positive and the Board believes there should be no issues with the Group's loan renewal.

A Shawbrook bank loan of £186,000 at the year end is repayable over its life to September 2022.

Bank loans are secured by fixed and floating charges over the assets of the Group.
The estimate of interest payable is based on current interest rates and as such, is subject to change.

The Directors estimate the fair value of the Group's borrowings, by discounting their future cash flows at the market rate (in relation to the prevailing market rate for a debt instrument with similar terms). The fair value of bank loans is not considered to be materially different to the book value. Bank loans are financial liabilities.

## 7. Events after the reporting date

In January 2020, JE Beale PLC went into administration. They were a tenant within 13 freehold department stores owned by the Group. The Group announced in January 2020 that the Directors believed that this would not have a material effect on revenues.

COVID-19, as a health issue and with the government imposed closures to business and restriction on people's movements, will have a significant effect on the 2020 results including a potential decline in revenues and/ or a future impairment of assets. The financial effects cannot be reliably quantified at this early stage, but the Group is in a strong financial position to weather the crisis. More details on this are contained with the Group Strategic Report.

The impact of COVID-19 is considered to be a non-adjusting post balance sheet event and as such the Statement of Financial Position, including property valuations, has been prepared on the facts and circumstances as at 31 December 2019.

## 8. Copies of the full set of Report and Accounts

Copies of the Company's report and accounts for the year ended 31 December 2019 will be posted to shareholders shortly, will also be available from the Company's registered office at Unicorn House, Station Close, Potters Bar, Hertfordshire, EN6 1TL and will be available for download on the Group's website **www.pantherplc.com.**

## 9. Annual General meeting

**Arrangements for the 2020 Annual General Meeting (AGM) in light of COVID-19.**

In view of the COVID-19 pandemic and the Government's measures to restrict travel and public gatherings currently in force (the **Movement Restrictions**), including the prohibition on public gatherings of more than two people, the Board has decided that it is not possible to hold the Company's AGM in its usual format.

The Annual General Meeting of Panther Securities P.L.C. is planned to be held on 23 June 2020 at Unicorn House, Station Close, Potters Bar, Herts., EN6 1TL at 10.00 am but due to the COVID-19 restrictions **NO additional members will be allowed to be present**.

A quorum will be made with S,J. Peters and A. S. Perloff Any member who attempts to attend will **not be allowed access**. The only voting being accepted will be via Proxy Voting and no one apart from the Chairman will be allowed to be a Proxy.

Following the closure of the AGM a ZOOM meeting will be held for shareholders who want to ask questions about the accounts and generally it will be capped at a maximum of 100 people. If you want to have the login details you will need to download the ZOOM application and email info@pantherplc.com with subject "Shareholder meeting" at least 3 days before the meeting.

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