PANTHER SECURITIES PLC

ANNUAL REPORT
AND
FINANCIAL STATEMENTS
1996

CONTENTS

DIRECTORS AND ADVISORS

Directors

Andrew Stewart Perloff (Chairman)

Malcolm Laurence Bloch

Peter Aston Rowson

Peter Michael Kellner (Non-executive)

Bryan Richard Galan (Non-executive)

Secretary

Peter Aston Rowson

Registered Office

Panther House, 38 Mount Pleasant, London WC1X 0AP

Auditors

Hereward Philips
Prospect House, 2 Athenaeum Road, Whetstone, London N20 9YU

Solicitors

A. Lehrer
Suite 211, Panther House, 38 Mount Pleasant, London WC1X 0AP

Bankers

Singer & Friedlander Ltd.
41/43 Maddox Street, London W1R 0BS

The Hongkong and Shanghai Banking Corporation Ltd
10 Lower Thames Street, London EC3R 6HH

The United Bank of Kuwait PLC
7 Baker Street, London W1M 1AB

Registrars

Independent Registrars Group Ltd
Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

Brokers

John East & Partners Ltd
Crystal Gate, 28-30 Worship Street, London EC2A 2AH

NOTICE OF MEETING

Notice is hereby given that the 63rd Annual General Meeting of Panther Securities P.L.C. will be held at The Royal Automobile Club, 89 Pall Mall, London SW1, on 13th June 1997 at 12.00 noon for the following purposes:—

As Ordinary Business

1. To receive the directors' report and financial statements for the year ended 31st December 1996.
2. To re-elect P. M. Kellner, who is retiring by rotation, as a director.
3. To re-elect M. L. Bloch, who is retiring by rotation, as a director.
4. To re-appoint the auditors Hereward Philips and to authorise the directors to determine their remuneration.

As Special Business

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the company:—

That:

6. The directors be generally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities within the terms of the restrictions and provisions following, namely:—
   (i) This authority shall (unless previously revoked or renewed) expire two years after the date of the passing of this resolution.
   (ii) This authority shall be limited to the allotment of relevant securities up to the aggregate nominal amount of £2,500,000.
7. To consider, and, if thought fit, pass the following resolutions as Special Resolutions of the Company:—
   That the Company be and is hereby authorised to purchase its own shares by way of market purchase upon and subject to the following conditions:—
   (i) The maximum number of shares which may be purchased is 2,500,000 ordinary shares of 25p each;
   (ii) The maximum price at which any share may be purchased is the price equal to 5 per cent. above the average of the middle market quotations of an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days preceding the date of such purchase, exclusive of expenses, and the minimum price at which any share may be purchased shall be the par value of such share; and
   (iii) The authority to purchase conferred by this Resolution shall expire at the conclusion of the next Annual General Meeting of the Company provided that any contract for the purchase of any shares as aforesaid which was concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires.

By order of the Board
P. A. Rowson
P.A. Rowson
Secretary

Panther House
38 Mount Pleasant
London WC1X 0AP

20th May 1997

Notes:

1. Any member of the company entitled to attend and vote at this meeting is also entitled to appoint a proxy to attend and vote in his stead. Such a proxy need not also be a member of the company.
2. A proxy form is enclosed. Completed forms must be deposited at the address shown on the form not later than 48 hours before the meeting.
3. A statement of all transactions of each Director and his family interests in the share capital of the company will be available for inspection at the company's registered office during normal business hours from the date of this notice up to the close of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
4. No Director is employed under a contract of service.

THE YEAR IN BRIEF

	1996 £000	1995 £000
Turnover	6,825	3,883
Profit on ordinary activities before taxation	2,146	1,114
Profit attributable to members	1,541	966
Earnings per 25p ordinary share – basic	8.4p	5.2p
– fully diluted	8.2p	5.6p
Dividend per ordinary share	5.25p	3.0p

	1996 £000	1995 £000
Net assets of the group	21,746	18,836
Net assets attributable to ordinary shareholders per 25p ordinary share	121.3p	101.4p

CHAIRMAN'S STATEMENT

I have great pleasure in presenting the results for the year ended 31st December 1996. This was an extremely active year for our Company with pre-tax profits of £2,146,000 which represents a 93 per cent increase on the previous year's profits of £1,114,000. I am sure you will agree that this is an excellent result.

Most shareholders will already be aware that during 1995 the company acquired a 29.9 per cent shareholding in Elys (Wimbledon) Plc. In March 1996 we made a takeover bid for the entire share capital of Elys and although we were eventually outbid by a department store group, a substantial profit resulted which was put to immediate and profitable use.

In March 1996 the Company purchased 761,114 of its own ordinary shares at 50p per share and then arranged for their cancellation. This transaction benefitted shareholders in that it enhanced the income and asset value per share.

In July our holding Company acquired 1,060,413 of the 6 per cent redeemable preference shares of £1 each in Etonbrook Properties plc, which was the balance of the preference shares in issue. Although Etonbrook Properties plc is a 90 per cent owned subsidiary, the preference shares were owned outside the group by a receiver and two banks. £371,145 was paid for the entire holding which represented a saving of around £700,000 that would have been payable in the near future. The purchase also included the benefit of the arrears of dividend amounting to approximately £250,000.

Also in July 1996 the group, which then held 659,958 ordinary shares in Wynnstay Properties PLC (20.9 per cent of its ordinary share capital), made a tender offer to purchase a further 285,000 shares in an attempt to take our holding to 29.9 per cent which is the maximum shareholding allowed under the Takeover Code without triggering a full takeover bid. We were unsuccessful in this attempt but subsequent to the year end, further market purchases of shares in Wynnstay have been made to take our holding to 25.1 per cent of the ordinary share capital. We are now Wynnstay's largest shareholder and have requisitioned a resolution to be submitted at their Annual General Meeting proposing myself as a Director to represent our Company's interests.

Moving on to our property portfolio. Again, in July 1996 our wholly owned subsidiary, Panther Developments Ltd, purchased the freehold shop and office complex, Copthall House, Station Square, Eaton Road, Coventry at a cost of approximately £3.2 million. This property is a Coventry landmark building which adjoins Coventry mainline station and contains over 100,000 sq. ft. of office and commercial space with its own substantial car park. The property produces approximately £750,000 gross per annum and currently has about 10,000 sq. ft. of vacant space available for letting. Since this acquisition there has been an increase in the number of enquiries for vacant space in the complex.

During the year vacant freehold shop properties in Folkestone, Brighton and Ramsgate have been acquired, all of which adjoin existing properties owned by the group. Planning permission has been obtained for development of all three units to include leisure/pub/restaurant use and I am pleased to say that one unit is currently under offer to a major company.

The intermediate lease on our existing investment in Friar Lane/St James's Street, Nottingham was purchased for the sum of £75,000 and a conditional contract was entered into for the sale of the freehold of the rear section on St James's Street for the sum of £1,050,000 subject to planning. The result is expected within the next few months.

In my interim statement, I mentioned that a conditional contract to sell the freehold of 220/224 High Street, Bromley had also been entered into subject to obtaining restaurant/pub use and a full licence. Whilst a full licence was granted, the planning application and its subsequent appeal were unsuccessful. The proposed sale therefore failed to proceed and we are currently looking at proposals to refurbish this property and re-let it for alternative uses.

CHAIRMAN'S STATEMENT

continued

In November 1996 we approached the Board of Exmoor Dual Investment Trust with a view to securing a recommendation for a cash offer for the equity share capital of Exmoor. Exmoor is a highly geared, split capital Investment Trust and had been one of the worst performing Investment Trusts for a number of years. B.P. Pension Fund (1985), which is the personal pension fund for myself and Malcolm Bloch already held a 29.9 per cent shareholding. Prior to this approach, companies associated with the Directors of Exmoor had been selling holdings and the company's brokers had been recommending shareholders to sell the ordinary shares at prices lower than those suggested in our proposal. Despite this, the proposals were rejected and we decided to requisition an Extraordinary General Meeting of Exmoor to try to remove the existing Board. The outcome of this meeting, which took place on 3rd February 1997 was that the proposals were defeated because shareholders were assured that they could obtain a higher value for their shares on the basis of a liquidation of the company and they they would present such liquidation proposals within four weeks. Six weeks later they announced that they would not be proceeding with liquidation proposals.

In view of the volatility of the Stock Market, caused by uncertainty over the election, Panther has undertaken to the Takeover Panel not to make any offer until after Exmoor's third quarter results are announced in June 1997. The situation is being monitored closely and shareholders will be informed of any progress.

Since the year end our subsidiary company Etonbrook Properties plc has sold 38-40 Featherstone Street, London EC1 for £906,500 having first obtained planning permission for a development as a restaurant with residential units above. This property is included in these accounts at a December 1996 value of £550,000.

A special interim dividend of 2p per share was paid on 31st July 1996, with a further interim payment of 1.5p per share being paid on 19th November 1996 and it is now proposed that a third interim dividend of 1.75p per share will be paid on 3rd June 1997 for the year ended 31st December 1996. This will be in lieu of a final dividend and thus the total dividend for the year will therefore be 5.25p which compared with a dividend of 3p per share for 1995 – an increase of 75 per cent. Your Board also proposes to pay at the same time a first interim payment of 1.5p per share in respect of the year to 31st December 1997.

The Group's entire property portfolio has been re-valued by Messrs Cardales and shows a surplus of £1,849,000 on the investment properties. The Valuation has also revealed that trading properties, which are shown at cost in the balance sheet, show a valuation surplus of £1,828,000 above their book value.

It is especially pleasing to have achieved both a pre-tax increase of 93 per cent together with a 26 per cent increase in net assets from 101.4p to 127.7p per share if the trading properties are included at their current value after making an appropriate allowance for taxation.

The property market continues to improve and your Board is very optimistic about the continuing success of our group.

Finally, I would like to thank all our staff and professional advisers for the assistance and help they have given us over the year.

A. S. Perloff
Chairman

7th May 1997

FINANCIAL REVIEW

Financial results

Operating profit for the year under review increased by 50.5 per cent to £3.875 million from £2.575 million. After adjusting for the non-recurring net contribution generated by the attempted takeover of Elys (Wimbledon) plc, operating profit shows a growth of 23.5 per cent. After interest, writing down of investments and adjustments in respect of an associated undertaking, profits before taxation increased by 92.6 per cent to £2.146 million from £1.114 million in 1995. After adjusting for the non-recurring item referred to above, profits before taxation showed a growth of 30.25 per cent.

Basic earnings per ordinary share improved from 5.2p in 1995 to 8.4p for the year ended 31st December 1996.

A special interim dividend and a second interim dividend in respect of the year and amounting to 3.5p per ordinary share were paid to shareholders during 1996. A third interim dividend of 1.75p per ordinary share will be paid to shareholders on 3rd June 1997. This will make a total of 5.25p per ordinary share in respect of 1996 compared with 3.0p per ordinary share paid in respect of the year ended 31st December 1995 – an increase of 75 per cent.

Finally, resulting substantially from the purchase of the outstanding preference shares in Etonbrook Properties plc and the independent revaluation of the group's investment property portfolio, net assets per ordinary share have grown from 101.4 as at December 1995 to 121.3 at the close of the year under review. This represents an increase of 19.6 per cent in the value of the group.

Rental income and property costs

Rental income which grew by £387,000 in 1996, is anticipated to grow further in 1997. As the industrial and retail property market continues to improve, the group is gradually reducing the incidence of voids in its property portfolio. Each new letting produces a knock-on effect in that it reduces the group's exposure to vacant rates, insurance and vandalism costs. The office market remains slow, particularly in areas outside of the Capital but even in this market some slight improvement can be discerned.

Interest

Interest payable during the year under review is £1.895 million which shows an increase of £207,000 over the charge for 1995. The increase arises in that it is based on a full year of increased borrowings under loan agreements entered into during 1995. The bulk of the group's loans are fixed at rates varying between 8.5 per cent and 9.0 per cent including all margins.

Going concern presumption

Under the corporate governance requirements, your directors confirm that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the forseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31st December 1996.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and estimates that are reasonable and prudent;

— follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year after taxation, amounted to £1,588,000 (1995–£1,053,000).

Interim dividends of £944,000 (£0.525 per share) on ordinary shares have been paid or are payable in respect of the year.

Principal activity and business review

The principal activity of the group consists of investment and dealing in property and listed securities.

A review of the business for the year is given in the chairman's statement.

The group's share of the results of an undertaking in which the group has a participating interest, M R G Systems Limited, has been included in these accounts.

Company's policy for payment of creditors

The company agrees payment terms with each of its major suppliers and abides by these terms, subject to satisfactory performance by the supplier.

Market value of land and buildings

The group's investment properties held at 31st December 1996 were revalued by Cardales, Chartered Surveyors, at their open market value on 1st February 1997. In the opinion of the directors there was no material difference in the valuation of these properties between 31st December 1996 and 1st February 1997 and accordingly the valuation has been incorporated in these financial statements.

Fixed assets

The changes in fixed assets are shown in the notes to the financial statements.

DIRECTORS' REPORT

continued

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	Ordinary shares of £0.25 each		Warrants	
	1996	1995	1996	1995
A. S. Perloff	4,351,213	4,326,213	866,975	866,975
M. L. Bloch	1,065,307	1,040,307	207,000	207,000
P. A. Rowson	170,000	170,000	31,899	31,899
P. M. Kellner (non executive)	12,000	12,000	—	—
B. R. Galan (non executive)	300,039	300,039	58,507	58,507

A. S. Perloff and M. L. Bloch and their family trusts have beneficial interests in shares owned by a company under their control, Portnard Limited, amounting to 7,737,336 (1995 – 7,737,336). Portnard Limited also had an interest in 1,547,467 (1995 – 1,547,467) warrants.

There have been no changes in directors' shareholdings since 31st December 1996.

No beneficial interest is attached to any shares registered in the names of directors in the company's subsidiaries.

Directors' and officers' liability insurance

The company maintains liability insurance for its directors and officers as permitted by section 310(3) of the Companies Act 1985.

Share capital

The changes in the company's share capital during the year are summarised in note 20 of the financial statements.

Substantial interests

Subject to directors holdings as at 31st December 1996 the following interests of 3 per cent. or more in the shares of the company have been notified to the directors:

	Holding	%
Ordinary Shares:		
Harold Martin Perloff	895,000	4.99
Warrants:		
Harold Martin Perloff	175,200	4.68

Corporate governance

Panther Securities supports a high standard of corporate governance and has, during 1996, complied with the code of best practice as outlined in the Financial Aspects of Corporate Governance, subject to points detailed below.

The board currently consists of five directors, of whom two are non-executives. It meets regularly during the year to review appropriate strategic, operational and financial matters and otherwise as required. It supervises the executive management and a schedule of items reserved for the full board's approval is in place. Panther Securities has an executive chairman who is also the chief executive; directors are entitled to obtain independent professional advice where relevant.

DIRECTORS' REPORT

continued

Corporate governance continued

The Report on Corporate Governance inherently recognises that smaller companies may have difficulty in complying with all aspects of the report, and your company is no exception. Accordingly your board has two non-executive directors. Also, as indicated, the audit committee includes one executive director.

Both non-executive directors are of the highest calibre. Each is independently minded with a breadth of successful business and relevant experience. They are entitled to the same information as the executive directors and are an integral part of the team, making a most valuable contribution.

Each board member has equal responsibility to ensure that the company's strategies lead to increased shareholder value.

The directors are responsible for the system of internal financial control which is designed to meet the needs and risks of the group. The internal control system provides reasonable but not absolute assurance against material misstatement or loss. The key procedures cover maximising long term revenue and cash flow, organisational responsibilities and authority limits and regular executive monitoring and review.

Committees

The audit committee of three includes both non-executive directors and is chaired by Peter Kellner. It meets at least twice a year to review the company's accounting policies, financial and other reporting procedures, with the external auditors in attendance when appropriate.

Peter Kellner is chairman of the remuneration committee which consists of the two non-executive directors. It reviews the terms and conditions of service, of the chairman and executive directors ensuring that salaries and benefits satisfy performance and other criteria.

The company's auditors, Hereward Philips, have reviewed this statement in accordance with guidance issued by the Auditing Practices Board. The auditors have confirmed that the directors' comments on going concern set out on page 7 are consistent with the information of which they are aware, based on their normal audit work on the financial statements, and satisfied themselves that the statement appropriately reflects the company's compliance with the other paragraphs of the code of best practice specified for their review.

Charitable and political contributions

During the year the group made no political or charitable donations.

Taxation

The company is a close company within the provisions of Section 282 of the Income and Corporation Taxes Act 1988.

Auditors

At the Annual General Meeting a resolution will be proposed to re-appoint the Auditors, Hereward Philips, who have indicated their willingness to continue, and to authorise the directors to determine their remuneration.

By order of the Board
P.A. Rowson
P. A. Rowson
Secretary

Panther House
38 Mount Pleasant
London WC1X 0AP

7th May 1997

REPORT OF THE REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Committee consists solely of the two non-executive directors, B. R. Galan and P. M. Kellner.

Compliance

The company has complied, throughout the year under review, with Section A of the Best Practice Provisions for Directors' Remuneration annexed to the Listing Rules of the London Stock Exchange.

Remuneration policy

The Committee, in framing its policy, has given full consideration to Section B of the Best Practice Provisions of the London Stock Exchange annexed to the Listing Rules. Its overall policy is to reward fairly the executive directors sufficiently to retain and motivate quality management. The Committee considers that currently the executive directors' remuneration is below market comparables but is satisfied that they are sufficiently rewarded and motivated through their considerable interest in the equity of the company.

Service contracts

No director has a service contract.

Share option scheme

The company runs no share option scheme for directors.

Pension and other benefits

M. L. Bloch and A. S. Perloff are the sole members and beneficiaries of a non-contributory directors pension scheme although the company has made no contribution in the year under review. They are also provided with private medical insurance. P. A. Rowson is provided with a company car and all executive directors are provided with certain personal motor and travel costs.

Non-executive directors

The remuneration of non-executive directors is determined by the Board and based upon fees paid to non-executive directors of companies both similar in sector and size. The basic fees paid to each non-executive director in the year under review was £7,500. Subject to Board approval, non-executive directors may be paid other fees for professional services provided to the company. The non-executive directors do not have a contract of service and receive no other benefits.

Directors' emoluments

Directors' emoluments of £162,320 (1995 – £162,728) are made up as follows:

Director	Salary	Other fees	Benefits	Total 1996	Total 1995	Pension contributions 1996	Pension contributions 1995
Executive							
A. S. Perloff	45,000	—	11,329	56,329	58,480	—	—
M. L. Bloch	35,000	—	16,328	51,328	55,725	—	—
P. A. Rowson	32,000	—	3,663	35,663	33,523	—	—
Non-executive							
P. M. Kellner	7,500	4,000	—	11,500	7,500	—	—
B. R. Galan	7,500	—	—	7,500	7,500	—	—
	127,000	4,000	31,320	162,320	162,728	—	—

REPORT OF THE AUDITORS

To the members of Panther Securities PLC

We have audited the financial statements on pages 13 to 27 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 18.

Respective responsibilities of directors and auditors

As described on page 8 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st December 1996 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hereward Philips
Hereward Philips
Chartered Accountants and
Registered Auditors

Prospect House
2 Athenaeum Road
Whetstone
London N20 9YU

7th May 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1996

	Notes	1996 £000	1995 £000
Turnover	2	6,825	3,883
Cost of sales		(2,292)	(337)
Gross profit		4,533	3,546
Administrative expenses		(658)	(971)
Operating profit	3	3,875	2,575
Income from participating interests		(15)	(2)
Amounts written off investments		(24)	—
Interest receivable	6	205	229
Interest payable	7	(1,895)	(1,688)
Profit on ordinary activities before taxation		2,146	1,114
Taxation	8	(558)	(61)
Profit on ordinary activities after taxation		1,588	1,053
Minority interest		(47)	(87)
Profit attributable to members of the parent undertaking	9	1,541	966
Dividends	10	(944)	(546)
Purchase of own shares	20	(384)	(129)
Retained profit for the year		213	291
Retained profit brought forward		4,031	3,740
Retained profit carried forward		4,244	4,031
Earnings per share – basic	11	8.4p	5.2p
– fully diluted		8.2p	5.6p

All amounts relate to continuing operations.

The notes on pages 18 to 27 form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December 1996

	1996 £000	1995 £000
Profit for the financial year after taxation	1,588	1,053
Unrealised surplus on revaluation of properties	1,849	(24)
Total gains and losses relating to the year	3,437	1,029

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

for the year ended 31st December 1996

	1996 £000	1995 £000
Reported profit on ordinary activities before taxation	2,146	1,114
Historical cost profit on ordinary activities before taxation	2,146	1,114
Historical cost profit for the year retained after taxation	213	291

GROUP BALANCE SHEET

at 31st December 1996

	Notes	1996 £000	1995 £000
Fixed assets			
Tangible assets	12	38,955	33,412
Investments	13	923	2,666
		39,878	36,078
Current assets			
Stock	15	4,683	4,240
Debtors: due within one year	16	371	836
Investments	17	258	—
Cash at bank and in hand		1,687	4,439
		6,999	9,515
Creditors:			
amounts falling due within one year	18	(3,986)	(3,994)
Net current assets		3,013	5,521
Total assets less current liabilities		42,891	41,599
Creditors:			
amounts falling due after more than one year	19	(20,656)	(21,060)
Minority interests		(489)	(1,703)
Net assets		21,746	18,836
Capital and reserves			
Called up share capital	20	4,481	4,644
Share premium account	21	2,707	2,645
Revaluation reserve	21	9,117	7,268
Capital redemption reserve	21	271	82
Negative goodwill reserve	21	926	166
Profit and loss account		4,244	4,031
Equity shareholders' funds	22	21,746	18,836

The financial statements were approved by the board on 7th May 1997

A. S. Perloff *Director*

The notes on pages 18 to 27 form part of these financial statements.

COMPANY BALANCE SHEET

at 31st December 1996

	Notes	1996 £000	1995 £000
Fixed assets			
Tangible assets	12	5,317	4,676
Investments	13	11,959	13,210
		17,276	17,886
Current assets			
Stock	15	298	278
Debtors: due within one year	16	20,665	17,290
Investments	17	258	—
Cash at bank and in hand		550	1,600
		21,771	19,168
Current liabilities			
Creditors:			
amounts falling due within one year	18	8,933	7,037
Net current assets		12,838	12,131
Total assets less current liabilities		30,114	30,017
Creditors:			
amounts falling due after more than one year	19	17,143	17,500
Net assets		12,971	12,517
Capital and reserves			
Called up share capital	20	4,481	4,644
Share premium account	21	1,145	1,083
Revaluation reserve	21	2,315	1,669
Capital redemption reserve	21	271	82
Profit and loss account	21	4,759	5,039
Equity shareholders' funds		12,971	12,517

A. S. Perloff *Chairman*

7th May 1997

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 1996

	Notes	1996 £000	1996 £000	1995 £000	1995 £000
Net cash inflow from operating activities	23		3,956		1,667
Returns on investments and servicing of finance					
Interest received		205		230	
Interest paid		(1,896)		(1,599)	
Dividends paid		(932)		(541)	
Net cash outflow from returns on investments and servicing of finance			(2,623)		(1,910)
Taxation					
Corporation tax paid		(406)		(275)	
Tax paid			(406)		(275)
Investing activities					
Payments to acquire tangible fixed assets		(3,713)		(76)	
Payments to acquire fixed asset investments		(536)		(2,128)	
Payment to acquire own shares		(384)		(129)	
Receipts from sales of tangible fixed assets		1		—	
Receipts from sales of fixed asset investments		1,869		—	
Increase in holding in subsidiaries		(412)		—	
Net cash outflow from investing activities			(3,175)		(2,333)
Net cash outflow before financing			(2,248)		(2,851)
Financing					
New loans		—		14,781	
Loan repaid		(497)		(6,755)	
Net cash (outflow)/inflow from financing			(497)		8,026
(Decrease)/increase in cash and cash equivalents	24		(2,745)		5,175

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

1.1 *Basis of preparation of financial statements*

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and include the results of the group's operations which are described in the Directors' Report and all of which are continuing.

Basis of consolidation

The group accounts consolidate the accounts of Panther Securities PLC and all its subsidiary undertakings drawn up to 31st December each year. No profit and loss account is presented for Panther Securities PLC as permitted by section 230 of the Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the group has an investment and over which it is in a position to exercise a significant influence are treated as associated undertakings. Accordingly the group accounts include the appropriate share of M R G Systems Limited results and reserves based on accounts to 31st December 1996.

1.2 *Investment properties*

Investment properties are accounted for in accordance with SSAP 19, as follows:

(i) investment properties are revalued annually by the directors and by independent professional valuers at intervals of not more than three years. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year; and

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

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary to give a true and fair view, since the current value of investment properties, and the changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

1.3 *Investments*

The value of investments in subsidiaries and associated undertakings is adjusted at the end of each year to reflect the underlying net asset value. Other investments listed on a recognised exchange are stated at market value.

1.4 *Operating leases*

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.5 *Stock and current asset investments*

These are valued at the lower of cost and net realisable value.

1.6 *Deferred taxation*

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.7 *Pensions*

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.8 *Depreciation*

No depreciation has been provided on freehold and long leasehold land and buildings. Depreciation on all other fixed assets has been provided on a straight-line basis over their expected useful lives at rates varying between 10 per cent and 25 per cent per annum.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Turnover

The whole of the turnover and profit before taxation is attributable to the principal activity of the group.

3. Operating profit

	1996 £000	1995 £000
The operating profit is stated after charging:		
Depreciation of tangible fixed assets – owned by the group	18	15
Auditors' fees	27	30
Auditors' remuneration – non-audit services	12	18
Operating lease charges – properties	70	67

4. Staff costs

	1996 £000	1995 £000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	325	290

The average monthly number of employees, including directors, during the year was as follows:	Number	Number
Directors	5	5
Other employees	11	9

5. Directors' remuneration

	1996 £000	1995 £000
Emoluments for services as directors	131	125
Other emoluments	31	38
	162	163

Included in the above are emoluments, excluding pension contributions, paid to:		
The chairman and highest paid director	56	58

Other directors' emoluments, excluding pension contributions, were in the following ranges:	Number	Number
£5,000 – £10,000	1	2
£10,001 – £15,000	1	—
£30,001 – £35,000	—	1
£35,001 – £40,000	1	—
£50,001 – £55,000	1	—
£55,001 – £60,000	—	1

NOTES TO THE FINANCIAL STATEMENTS

continued

		1996 £000	1995 £000
6.	**Interest receivable**		
	Other interest receivable	205	229

		1996 £000	1995 £000
7.	**Interest payable**		
	On loans	1,895	1,688

		1996 £000	1995 £000
8.	**Taxation**		
	Current year taxation		
	UK Corporation Tax	596	316
	Prior years		
	UK Corporation Tax	(38)	(255)
		558	61

		1996 £000	1995 £000
9.	**Profit attributable to members of the parent undertaking**		
	Dealt with in the accounts of:		
	– the parent undertaking	1,118	849
	– subsidiary undertakings	438	119
	– undertaking in which there is a participating interest	(15)	(2)
		1,541	966

		1996 £000	1995 £000
10.	**Dividends**		
	On equity shares		
	Special interim – 2.00p on 17,925,886 shares paid 31st July 1996 (1995 – nil)	358	—
	Second interim – 1.50p on 17,925,886 shares paid 19th November 1996 (1995 – 1.30p)	269	241
	Third interim – 1.75p on 18,091,886 shares payable 3rd June 1997	317	—
	Final – nil (1995 – 1.70p)	—	305
		944	546

11. Earnings per ordinary share

The calculation of earnings per ordinary share is based on earnings, after minority interests, of £1,541,000 (1995 – £966,000) and on 18,257,163 ordinary shares being the weighted average number of ordinary shares in issue during the year (1995 – 18,708,373).

The fully diluted earnings per share is based on 21,997,428 (1995 – 22,448,638) ordinary shares, allowing for the full conversion of the nil paid warrants and adjusted earnings of £1,804,000 (1995 – £1,257,000). Earnings have been adjusted by adding net interest deemed to be earned from 2½ per cent. consolidated stock on the proceeds of each theoretical warrant conversion and calculated from the date of the issue of the warrants.

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Tangible assets

	Investment Properties £000	Fixtures and Equipment £000	Motor Vehicles £000	Total £000
GROUP				
Cost or valuation				
At 1st January 1996	33,365	85	49	33,499
Additions	3,705	8	—	3,713
Disposals	—	—	(4)	(4)
Revaluations	1,849	—	—	1,849
At 31st December 1996	38,919	93	45	39,057
Depreciation				
At 1st January 1996	—	58	29	87
Charge for year	—	11	7	18
On disposals	—	—	(3)	(3)
At 31st December 1996	—	69	33	102
Net book value				
At 31st December 1996	38,919	24	12	38,955
At 31st December 1995	33,365	27	20	33,412

	Investment Properties £000	Fixtures and Equipment £000	Motor Vehicles £000	Total £000
COMPANY				
Cost or valuation				
At 1st January 1996	4,644	17	49	4,710
Additions	—	5	—	5
Disposals	—	—	(4)	(4)
Revaluations	646	—	—	646
At 31st December 1996	5,290	22	45	5,357
Depreciation				
At 1st January 1996	—	10	24	34
Charge for year	—	2	7	9
On disposals	—	—	(3)	(3)
At 31st December 1996	—	12	28	40
Net book value				
At 31st December 1996	5,290	10	17	5,317
At 31st December 1995	4,644	7	25	4,676

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Tangible assets continued

At 31st December 1996, £29,640,000 and £9,279,000 included within the net book value of land and buildings relates to freehold and leasehold land and buildings respectively.

On the historical cost basis, investment properties would have been included as follows:

	1996 £000	1995 £000
Cost	29,802	26,097
Cumulative depreciation	—	—
Net book amount	29,802	26,097

The investment properties held by the group at 31st December 1996 were revalued at their open market value as at 1st February 1997 by Cardales, Chartered Surveyors in accordance with the recommended guidelines of the Royal Institution of Chartered Surveyors. The directors are of the opinion that there was no material variation between those two dates and, accordingly, that valuation has been incorporated in these accounts.

If the investment properties had been sold at their valuation, there would be a liability to tax of £2,337,000 (1995 – £1,970,000).

13. Fixed asset investments	Shares in associated undertakings £000	Other investments £000	Total £000
GROUP			
Cost			
At 1st January 1996	145	2,521	2,666
Additions	—	266	266
Disposals	—	(1,983)	(1,983)
Provision for permanent diminution in value	(14)	(12)	(26)
At 31st December 1996	131	792	923
Net book value			
At 31st December 1996	131	792	923
At 31st December 1995	145	2,521	2,666

Investments	1996 £000	1995 £000
Listed	792	1,753
Unlisted	131	913
	923	2,666

The aggregate market value of the group's listed investments was £792,000 (1995 – £2,031,000).

NOTES TO THE FINANCIAL STATEMENTS

continued

13. Fixed asset investments continued

COMPANY	Shares in group undertakings £000	Shares in associated undertakings £000	Other investments £000	Total £000
Cost				
At 1st January 1996	10,750	75	2,385	13,210
Additions	502	—	266	768
Disposals	—	—	(1,983)	(1,983)
Provision for permanent diminution in value	—	—	(36)	(36)
At 31st December 1996	11,252	75	632	11,959
Net book value				
At 31st December 1996	11,252	75	632	11,959
At 31st December 1995	10,750	75	2,385	13,210

At 31st December 1996 the group held more than 10% of the equity of the following companies:

Subsidiary undertakings:	Country of registration and operation	Holding	Proportion held	Nature of business
Excelchoice Limited	England	Ordinary Shares	100%	Property
Owen Hopkins Limited	England	Ordinary Shares	100%	Dormant
Panther Developments Limited	England	Ordinary Shares	100%	Property
Panther Shop Investments Limited	England	Ordinary Shares	100%	Property
Panther Shop Investments (Midlands) Limited	England	Ordinary Shares	100%	Property
Saxonbest Limited	England	Ordinary Shares	100%	Property
S.M. Engineering (Sutton) Limited	England	Ordinary Shares	100%	Dormant
Snowbest Limited	England	Ordinary Shares	100%	Property
Surrey Motors Limited	England	Ordinary Shares	100%	Property
Westmead Building Company Limited	England	Ordinary Shares	100%	Dormant
Yardworth Limited	England	Ordinary Shares	100%	Property
Multitrust Property Investments Limited	England	Ordinary Shares	100%	Property
Etonbrook Properties plc	England	Ordinary Shares	89.39%	Property

Since 31st December 1996 the group has acquired an additional holding in the ordinary shares of Etonbrook Properties plc which takes its proportion held to 93.72%.

Associated undertaking:	Country of registration and operation	Holding	Proportion held	Nature of business	Aggregate share capital and reserves £000	Profit/(Loss) for year £000
M.R.G. Systems Limited	England	Ordinary Shares	37.5%	Electronic engineering	352	(40)

NOTES TO THE FINANCIAL STATEMENTS

continued

	1996 £000	1995 £000
14. Capital commitments		
Capital expenditure that has been contracted for but has not been provided for in the accounts	Nil	Nil
Capital expenditure that has been authorised by the directors but has not yet been contracted for	Nil	Nil

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
15. Stock				
Property	4,683	4,240	298	278

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
16. Debtors				
Due within one year:				
Amounts owed by subsidiaries	—	—	20,622	16,963
Trade debtors	86	84	7	8
Corporation tax	53	160	—	160
Other debtors	161	507	17	138
Prepayments and accrued income	71	85	19	21
	371	836	20,665	17,290

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
17. Current asset investments				
Other investments	258	—	258	—

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
18. Creditors				
Amounts falling due within one year:				
Trade creditors	102	21	17	—
Creditors for property and investments	—	22	—	13
Bank overdrafts	1	8	1	8
Rent deposits	—	1	—	—
Dividends	317	305	317	305
Corporation tax	626	581	337	—
Social security and other taxes	24	43	14	34
Other creditors	157	79	102	9
Accruals and deferred income	545	627	265	223
Amounts owed to group undertakings:				
– subsidiaries	—	—	5,721	4,364
Loans	2,214	2,307	2,159	2,081
	3,986	3,994	8,933	7,037

Bank overdrafts are secured by legal charges over various investments of the group together with a floating charge over all other assets. Other loans are secured by legal charges over various properties.

Advances have been made to the company by directors as follows:

A. S. Perloff £952,000 (1995 – £1,029,000) and M. L. Bloch £536,000 (1995 – £630,000).

These advances continue to be partially secured on freehold property. Interest is charged at 5 per cent.

NOTES TO THE FINANCIAL STATEMENTS

continued

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
19. Creditors continued				
Amounts falling due after more than one year:				
Loans	20,656	21,060	17,143	17,500
Included within the above are amounts falling due as follows:				
In 1-2 years:				
Loan instalments	621	8	562	–
In 2-5 years:				
Loan instalments	7,444	279	7,226	–
In more than 5 years:				
Loan instalments	12,591	20,773	9,355	17,500

Loans are secured by way of first legal charges on freehold and long leasehold property.

£6,575,000 is due for repayment by instalments by 1st December 2000 at an interest rate of 1.5% over LIBOR. £3,568,000 is due for repayment by instalments by November 2018 at interest rates between 8.49% and 8.75%. £11,000,000 is due for repayment by instalments by 31st January 2002 at an interest rate of 7.73%.

	1996 £000	1995 £000
20. Called up share capital		
Authorised		
30,000,000 ordinary shares of £0.25 each	7,500	7,500
Allotted, called up and fully paid		
17,925,866 ordinary shares of £0.25 each	4,481	4,644

112,000 ordinary shares of £0.25 each were issued fully paid to acquire a further holding in a subsidiary undertaking.

In accordance with a resolution approved by shareholders, the company purchased and subsequently cancelled 761,114 ordinary shares. The total cost of the purchase was £384,117 and has been charged against the profit and loss account.

Nil Paid Warrants

The warrants confer on the holder the right to subscribe in cash in the years to 2000 during the 30 day periods beginning on the dates falling the day after the date of posting to shareholders of either the Annual Report and Accounts or the interim accounts of the Company in respect of each of the years to 31st December 1999 for all or any of the number of ordinary shares specified on the face of the warrant at 140p per share payable in full on subscription. The subscription rights will not be exercisable in respect of a fraction of an ordinary share. The subscription for ordinary shares under the warrants will take place on the first dealing day after the last day of each 30 day period.

NOTES TO THE FINANCIAL STATEMENTS

continued

21. Reserves

	Group £000	Company £000
Share Premium Account		
At 1st January 1996	2,645	1,083
Premium on shares issued during the year	62	62
At 31st December 1996	2,707	1,145
Revaluation Reserve		
At 1st January 1996	7,268	1,669
Surplus on revaluation of freehold property	1,849	646
At 31st December 1996	9,117	2,315
Capital redemption reserve		
At 1st January 1996	82	82
Purchase of own shares	189	189
At 31st December 1996	271	271
Negative goodwill reserve		
At 1st January 1996	166	—
Purchase of minority interest	760	—
At 31st December 1996	926	—

22. Shareholders' funds

	1996 £000	1995 £000
Reconciliation of movements on shareholders' funds		
Profit for the year	1,541	966
Dividends	(944)	(546)
	597	420
Shares issued during year	28	—
	625	420
Share premium on shares issued	62	—
Purchase of own shares	(384)	(129)
Negative goodwill on purchase of minority holding	758	—
Revaluation surplus/(deficit)	1,849	(24)
	2,910	267
Opening shareholders' funds	18,836	18,569
Closing shareholders' funds	21,746	18,836

23. Reconciliation of operating profit to net cash inflow from operating activities

	1996 £000	1995 £000
Operating profit	3,875	2,575
Depreciation of tangible fixed assets	18	15
Decrease/(increase) in debtors	358	(212)
Increase in stocks	(443)	(243)
Increase/(decrease) in creditors	35	(468)
Loss on sale of listed investments	113	—
Net cash inflow from operating activities	3,956	1,667

NOTES TO THE FINANCIAL STATEMENTS

continued

	1996	1995
24. Cash and cash equivalents	**£000**	**£000**
(a) Analysis of changes in cash and cash equivalents		
Balance at 1st January 1996	4,431	(744)
Net cash (outflow)/inflow	(2,745)	5,175
Balance at 31st December 1996	1,686	4,431

(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet	1996 £000	Change in year £000	1995 £000	Change in year £000	1994 £000
Cash	1,687	(2,752)	4,439	3,397	1,042
Bank overdraft	(1)	7	(8)	1,778	(1,786)
	1,686	(2,745)	4,431	5,175	(744)

25. Changes in financing during the year	Share capital (inc premium) £000	Loans £000	Total £000
At 1st January 1995	7,371	15,341	22,712
Cash inflow/(outflow)	—	8,026	8,026
Redemption of share capital	(82)	—	(82)
At 1st January 1996	7,289	23,367	30,656
Cash inflow/(outlow)	—	(497)	(497)
Issue of new shares	90	—	90
Purchase of own shares	(191)	—	(191)
At 31st December 1996	7,188	22,870	30,058

26. Contingent liabilities	1996 £000	1995 £000
Guarantee in respect of bank loans and overdrafts of subsidiaries	3,568	3,621

27. Other commitments

At 31st December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1996 £000	1995 £000	1996 £000	1995 £000
Expiry date:				
In more than 5 years	62	67	—	—

28. Transactions with directors

Turnover includes £69,648 representing the sale of a stock property to Perand Limited, a company controlled by A. S. Perloff, a director of the group. This transaction was considered by the remaining directors to be de minimis. The property, which was non income producing and required development was considered to be too insignificant for the group's portfolio. It was sold at its independent valuation price.

NON-EXECUTIVE DIRECTORS

Peter Kellner

Peter Kellner is an Associate of the Chartered Institute of Bankers and an Associate of the Institute of Taxation. He has a wide range of banking experience having spent approximately 30 years in the industry. He joined the Board in June 1994.

Bryan Galan

Bryan Galan is a Fellow of the Royal Institute of Chartered Surveyors and has a wide experience in the property field. He joined the Board in October 1994.

FIVE YEAR REVIEW

	1996 £000	1995 £000	1994 £000	1993 £000	1992 £000
Rental Income	4,025	3,637	3,229	2,942	2,722
Other Income	2,800	246	3,066	341	264
Turnover	6,825	3,883	6,295	3,283	2,986
Profit before interest	3,836	2,573	3,191	2,338	1,584
Profit/(Loss) on ordinary activities before taxation	2,146	1,114	1,729	708	(114)
Profit/(Loss) attributable to members of the holding company	1,541	966	1,169	538	(190)
Earnings per ordinary share					
–basic	8.4p	5.2p	7.2p	3.7p	(1.3p)
–fully diluted	8.2p	5.6p	7.2p	n/a	n/a
Dividend per ordinary share	5.25p	3.0p	2.7p	2.8p	1.1p
Employment of finance:					
Fixed assets	39,878	36,078	32,162	29,596	24,954
Net current assets	3,013	5,521	953	968	2,371
Minority interests	(489)	(1,703)	(1,616)	–	–
Total assets less current liabilities	42,402	39,896	31,499	30,564	27,325
Financed by:					
Shareholders' funds	21,746	18,836	18,569	13,927	11,992
Loans	20,656	21,060	12,930	16,637	15,333
	42,402	39,896	31,499	30,564	27,325
Net assets per ordinary share	121.3p	101.4p	99.0p	96.4p	83.0p

FORM OF PROXY

I/We____

of____

being (a) member(s) of the above-named Company, HEREBY APPOINT Mr. Andrew Stewart Perloff, whom failing Mr. Peter Aston Rowson, whom failing the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 13th June 1997 and at every adjournment thereof. (If you desire someone else to act as your proxy delete these names and insert the name of the proxy desired). This form is to be used.

Ordinary Resolutions	**For**	**Against**
To adopt the report of the Directors and report of the Auditors and Accounts for the year ended 31st December 1996.	☐	☐
To approve the re-election of Mr. P. M. Kellner as a Director.	☐	☐
To approve the re-election of Mr. M. L. Bloch as a Director.	☐	☐
To reappoint the auditors Hereward Philips to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	☐	☐
Special Business		
To authorise the directors to exercise all the powers of the Company to allot relevant securities in accordance with Section 80 of the Companies Act 1985 such authority to expire on 12th June 1999 and to be limited to an aggregate nominal amount of £2,500,000.	☐	☐
To authorise the directors to exercise the Company's powers to purchase its own shares by way of market purchase in accordance with the Companies Act 1985, such authority to expire at the conclusion of the next Annual General Meeting.	☐	☐

As witness my/our hand this____________________day of____________________1997

Signature(s)____

Notes:

Please indicate how the proxy is to vote by inserting "X" in the appropriate box opposite each resolution.

Unless otherwise instructed the proxy will vote or abstain from voting, as he thinks fit.

A corporation should execute its proxy under its common seal or under the hand of a duly authorised officer or attorney.

Proxies should be lodged with the Registrars not later than forty-eight hours before the day and time of the meeting.

A proxy need not be a member of the Company.

Second Fold

BUSINESS REPLY SERVICE
Licence No. CL 450

1

Independent Registrars Group Limited
Balfour House
390/398 High Road
Ilford
Essex
IG1 1NQ

First Fold

Third Fold
and Tuck in Opposite