



Pinewood Shepperton plc

The leading European provider of studio and film related services
to the worldwide film industry

2006 Interim Results Presentation

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Section 1

Financial Overview



Financial Overview

	2006	2005
	£000	£000
	H1	H1
Turnover	18,729	13,328
Film	9,947	7,321
Television	5,453	2,649
Media Park Income	3,329	3,358
Gross Profit	7,118	4,299
	38.0%	32.3%
Operating Profit	3,618	1,874
	19.3%	14.1%
Diluted Earnings Per Share	3.1p	(0.2p)
Dividend Per Share	0.9p	nil

- Improving film turnover
- Six months of Teddington Studios
- Stable

- Improving margins

Financial Overview

	2006	2005
	£000	£000
Operating Cash Flow	H1	H1
Receipts	19,442	15,112
Payments	(14,771)	(10,607)
Finance Costs	(1,906)	(745)
Taxation	(560)	(462)
Net Cash Flow From Operations	<u>2,205</u>	<u>3,298</u>

- Timing of interest payment
- Tracking operating profit

Net Debt	£41.4m	£44.6m
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- 7% reduction in debt

	2006	2005
	H1	H1
Balance Sheet	£000	£000
Assets		
Property, plant and equipment	105,028	105,361
Intangible assets	10,848	10,481
Current assets	5,918	4,391
<i>Total Assets</i>	<u>121,794</u>	<u>120,233</u>

- Reclassification re: 007 Stage

Total Equity	53,719	51,123
Loans	41,795	43,971
Deferred Tax	15,145	14,768
Current Liabilities	11,135	10,371
Total Equity and Liabilities	<u>121,794</u>	<u>120,233</u>



Section 2

Operating Review



Operating Review

Film

- Turnover £9.9 m (2005: £7.3m) up 36%.
- H1 films - *Casino Royale*, *Stardust*, *Children of Men*, *Golden Age*.
- UK Film Tax Summary – see Appendix.
- Time lag of Audio Post Production.
- Adding new ancillary facilities.

Operating Review

Television

- Turnover £5.5m (2005: 2.6m) up 106% (predominantly driven by Teddington).
- H1 TV programmes:
 - *Brown Eyed Boy, Green Green Grass, Trisha, Sport Relief.*
 - *Amazing Mrs Pritchard, Live Girls, Extras, Prime Evil.*
- Channel Hosting – Quiz Call, Virtual Content, Jewels Direct.
- Teddington – Upgrading of facilities and margins continues.

Operating Review

Media Park

- Turnover £3.3m (2005: 3.4m) – robust.
- High occupancy rates and stable rental values.

Studio Enhancement Plans

- Concluded formal planning agreements.
- Shepperton Backlot.
- Refurbishment of C Stage Shepperton and Theatre Two

Section 3

Current Trading and Outlook



Current Trading and Outlook

- Increased film activity in the second half of 2006.
- Major film productions committing to the UK.
- 007 Stage rebuilding
- JV with Morley Fund Management at Shepperton Studios.

Section 4

Appendix



Appendix

New UK Film Tax Relief

- Legislation has now been passed to implement the new UK film tax relief as announced in the Chancellor's March 2006 budget. The new provisions will apply to all qualifying British films, which started principal photography on or after 01 April 2006 (or before this date if they are not completed on or before 31 December 2006). The test and new tax relief are still pending approval from the European Commission under the State Aid rules and the new tax relief provisions in the Finance Act 2006 will not be put into effect until this approval is given – such approval is expected shortly.
- The new UK film tax relief provides a new cultural test for certification as a British film. The Cultural Test awards points for the cultural content of the film, where the film is made and who made it. To qualify as British a film must achieve a minimum of 16 points out of a possible 32 points.
- The main features of the new UK film tax relief are;
- A film must pass the new Britishness Cultural Test and shooting must start on or after 01 April 2006
- This only applies to films intent for theatrical release, i.e. films exhibited to the paying public at a commercial cinema. Films made for television are excluded
- Relief can only be claimed by a film production company ("FPC"). Relief is calculated on core expenditure in the UK capped at a maximum of 80% of the total core expenditure. Core expenditure is defined as expenditure on pre production, principal photography and post production activities. Development, marketing and distribution costs are excluded.
- The expenditure is limited to UK expenditure on services performed in the UK or goods or services used or consumed in the UK
- Not less than 25% of the core expenditure on a film must be UK expenditure
- The new relief provides for both an additional deduction in calculating profits or losses of the FPC's trade and if taking into account that deduction the FPC is loss making a payable tax credit can be obtained by surrendering part of the losses.

Appendix continued

- For a limited budget film, i.e. a film with core expenditure of £20m or less the rate of new tax relief is 100% of relieved expenditure
- For a film other than a limited budget film, i.e. a film with core expenditure of over £20m the rate of enhancement is 80% of relieved expenditure
- The maximum payable tax credit available for a film with core expenditure of £20m or less is: 25% of the qualifying UK core expenditure surrendered (capped at 80% of the total qualifying expenditure). This will entitle the FPC to a tax credit of a maximum of 20% of the total qualifying expenditure
- For films other than limited budget films, i.e. films with core expenditure in excess of £20m the maximum payable tax credit is: 20% of the UK core expenditure surrendered (again capped at 80% of the total qualifying expenditure). This will entitle the FPC to a tax credit worth a maximum of 16% of the total qualifying expenditure.
- There are still a number of open issues in the new provisions and the operation of the new tax relief and it is hoped that these will be addressed in the HMRC guidance to be finalised later this year.
- Examples of Value Tax Credit:

% of UK Core Expenditure	Production tax credit as a % of Core Exp of less than £20m	Production tax credit as a % of core expenditure of more than £20m
100%	20%	16%
70%	17.5%	14%
50%	12.5%	10%
40%	10%	8%
25%	6.25%	5%



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