



Interim Report 2006

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Introduction

Pinewood Shepperton is the leading European provider of studio and related services to the film and television industries. Our facilities support film production, filmed television and studio television recording, post production sound services and media related businesses.

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Highlights

- Turnover of £18.7m (2005: £13.3m) up 41%
- Operating profit before exceptional administrative expenses £3.6m (2005: £1.9m)
- Operating profit up to £3.6m (2005: £1.4m)
- Diluted earnings per share of 3.1p (2005: loss 0.2p)
- Interim dividend of 0.9p (2005: Nil)
- Major film productions once again committing to filming in the UK
- Continued enhancement of studio facilities
- Executed formal planning agreements for Pinewood Studios and Shepperton Studios

The Wind that Shakes the Barley Set during the Irish War of Independence (1919–21) and the subsequent Irish Civil War (1922–23), director Ken Loach's provocative film tells the story of a small group of Irish Republican Army activists and in particular, of two brothers pitted one against the other.



Chief Executive's review

Operating review

Trading Film

During the six months ended 30 June 2006 film revenues were £9.9m (2005: £7.3m). The same period in 2005 was adversely affected by the impact of the transition in film fiscal policy. This first half of 2006 benefited from a number of film productions, including *Casino Royale* (Sony), *Stardust* (Paramount), *Atonement* (Working Title), *Children of Men* (Universal), *Eragon* (20th Century Fox) and *The Golden Age* (Universal) among others.

A number of the larger movie studios and more established production companies have anticipated the retrospective implementation of the new UK fiscal policy from 1 April 2006. These larger producers are generally not reliant on discounting in advance the film production tax credit to finance their productions. Consequently, as a result of the clarification of the Government's position on the tax issues, the UK market benefited from an upturn in major film production during the first half of 2006. Smaller production companies frequently depend (as part of their production financing) on discounting of the film production tax benefit. Thus far they have been unable to do so at commercially attractive rates. We expect that, as understanding of new UK film tax relief improves, such smaller budget films will also begin to benefit from the improved levels of relief.

International competition from studios and locations for film production were benefiting from the 'tax hiatus' during most of 2005 and into 2006. However, the UK's continuing reputation for efficiency and the uniqueness of its filming assets should ensure that, with the uncertainty removed, there has been no resulting longer term structural erosion of the UK's popularity as a destination for international film production.

Casino Royale The 21st James Bond film, based on the first novel of the world famous series, starring new Bond, Daniel Craig, as he infiltrates a high stakes casino housing a banker that funds a veritable Who's Who of terrorist organisations.



There is normally a lag of around six months from the completion of principal photography to the start of audio post production. The UK's film audio post production market has therefore inevitably been adversely affected by the lack of film productions during the majority of 2005. The film audio post production market continues to be affected in the short term. However during the period, our facility dedicated to foreign language sound mixing maintained normal levels of activity. Productions that were completed in audio post production included *The Wind that Shakes the Barley*, *Goal II*, *Eragon*, *Wild Romance* and *Stormbreaker* among others. There are encouraging signs of improved activity for 2007 as UK production increases.

U Stage, our specialist underwater stage, was used extensively during the first half of 2006 by productions in the studios and is proving to be an attractive and sought after facility, enhancing the reputation of the studios. We are achieving our financial targets for this investment.

Our programme of refurbishment at Shepperton Studios continued with external improvement to C Stage at Shepperton. We also increased our workshop areas at Pinewood and Shepperton Studios to meet demand. Following the necessary works to improve road access we have now opened the backlot at Shepperton Studios for continuous exterior film shooting.

We are in the process of demolishing older workshops and buildings that will be replaced under our studio enhancement plans. We are currently preparing for the commencement of the I Block project at Shepperton Studios, which includes 61,000 sq ft (gross) of facilities and anticipate a start on site for this development by the end of 2006. The new I Block facility is a combination of workshops, production offices and tenanted offices and is scheduled for completion at the end of 2007.



Stardust A fantasy, adventure love story based on the novel by Neil Gaiman and directed by Matthew Vaughn. Set in an English village called Wall, it follows Tristian on his quest to look for a 'fallen star' to win the heart of his beloved. His journey takes him into a magical world of Faerie where he encounters the evil witch Lamia, played by Michelle Pfeiffer, and a flying pirate, Captain Shakespeare, played by Robert de Niro.

Television

Television revenues for the six month period were £5.5m (2005: £2.6m). The increase over 2005 revenues predominantly reflects a full six months from Teddington Studios, compared to only three months during 2005.

The UK television market has been characterised during the first six months of 2006 by major broadcasters' strategic statements which include buying programmes at much lower costs and identifying preferred suppliers to enable lower cost programmes to be produced. Pinewood Shepperton is well placed to respond to such initiatives given the scale of its facilities, unrivalled in the independent market. We continue to improve margins at Teddington Studios to match those comparable to Pinewood.

Following the acquisition of Teddington Studios we have increased our television customer base with a greater number of productions utilising the electronic facilities at both Teddington Studios and Pinewood Studios. The effect of the television advertising market slowdown has adversely affected certain high cost programme productions but major broadcasters are required to create more original programming from independent and regional production companies. Again, Pinewood Shepperton is ideally suited to offer competitive studio based production services.

During the first six months at Pinewood, our digital television studios hosted *The Weakest Link*, *My Family*, *Carol Vorderman's Big Brain Game*, *Test the Nation*, *Sport Relief - Get Sub'd* and a number of other productions. At Teddington Studios, productions during the six months included the conclusion of the *Trisha* day time shows, *Brown Eyed Boy*, *Harry Hill's TV Burp*, *Green Green Grass*, *Not Going Out*, *Bremner*, *Bird and Fortune*, *Let Me Entertain You*, *Whatever* and others.



The Magic Flute Directed and featuring Kenneth Branagh, this film updates the story of Mozart's opera to the eve of a First World War battle, with a young soldier named Tamino entering into a twilight dream world while in pursuit of love.

At Teddington Studios, we are upgrading and enhancing the offering to our customers and have commenced a refurbishment programme which, with new marketing initiatives, will show benefits to margins for the future. We also have been piloting high definition programmes for a number of television production companies and are now evaluating further investment in high definition facilities at both Teddington and Pinewood.

Our decision to target TV broadcasters to use our film assets has paid off and our market share for filmed television has grown appreciably with such titles as *The Amazing Mrs Pritchard*, *Extras*, *Prime Evil*, *Live Girls* and others.

In our television audio post production business located at Pinewood Studios, we continue to make progress in attracting new productions and during the six months we mixed *Rosemary and Thyme*, *Waking the Dead* and *Blips* among others.

Media Park

Media Park income for the six month period was £3.3m (2005: £3.4m). Demand from occupiers remained buoyant resulting in relatively high occupancy rates.

The property letting market is experiencing an increase in tenant demand from the growing technology, media and television sector. The Thames Valley and the M25 property markets continue to improve.

Pinewood Shepperton's long-term strategy of enhancing its freehold assets to respond to these demands from the market is progressing well.

In March 2006 we executed the formal planning agreements ('S106 Agreements') with the respective planning authorities to enable our studio enhancement plans to be realised in the future. In addition, at Shepperton Studios, we have now formally implemented the original Section 106 planning agreement to enable use of the backlot for outdoor film sets and filming activity.



The Golden Age Director, Shekhar Kapur's latest production is a sequel to the film, Elizabeth and is an exploration of the relationship between Elizabeth I, played by Cate Blanchett and the adventurer Sir Walter Raleigh, Clive Owen.

Current trading and outlook

We expect legislative changes to film fiscal policy to be embraced by film producers locally and internationally. The focus of television broadcasters on content bodes well for the long term and we continue to enhance our studios in line with stated strategies.

The demand for our media services has recovered strongly in film.

We are seeing evidence of larger film productions once again committing to future film production in the UK, currently notwithstanding exchange rates. In television our market share continues to rise and our Media Park income remains robust.

Recent increases in energy prices are being monitored by the Group and we are actively assessing what measures can be introduced to improve energy usage throughout our sites.

Work has commenced on rebuilding a new 007 Stage, following its sad destruction through fire. As stated at the time, we do not expect any material adverse financial impact from this event.

The Board's outlook for revenues for the full year remain in line with market expectations.

Separately we have announced today that we have entered into a joint venture with Morley Fund Management to develop Shepperton Studios.



Vorderman's Big Brain Game in which Carol Vorderman leads two teams in this Sky tv quiz show, where each round tests a different area of the brain – creativity, logic, spatial awareness and memory.

Chief Executive's review

Financial review

Profit performance

The gross margin was 38.0% (2005: 32.3%) with operating margin of 19.3% (2005: 14.1%). The increase in gross margin and operating margin, compared to the first half of 2005 results mainly from the recovery in turnover. Turnover was up 40.5% for the first six months of the year. Film turnover showed an increase over 2005 of 35.9%. Television revenues for the first half of 2006 include a full six months of trading of Teddington Studios, compared to only three months in the same period for 2005.

Earnings per share

Earnings per share for the six months to 30 June 2006 were 3.1p compared to a loss for the same period in 2005 of 0.2p. The diluted and weighted average number of shares issued throughout the period was 45.8 million ordinary shares.

Operating cash flow and net debt

Cash flow generated from operational activities after borrowing costs and taxation payments for the six months to 30 June 2006 was £2.2m (2005: £3.3m). The reduction is mainly attributable to the timing of interest payments in the respective periods.

Net debt at 30 June 2006 was £41.4m (2005: £44.6m), primarily reflecting improved trading and to a lesser extent, timing differences in capital expenditure.

Capital expenditure

Capital expenditure for the six months to 30 June 2006 was £1.8m (2005: £4.0m). During the period there were a number of major projects completed including the refurbishment of A and B Stages at Shepperton Studios, construction of new workshops at Pinewood and Shepperton Studios, additional broadband installation, new channel hosting studios at Teddington Studios in addition to usual life cycle capital expenditure. As already indicated the Board has under review the commencement of the I Block project towards the fourth quarter of 2006, for which the main expenditure will not fall until 2007.

During the period we implemented the Section 106 planning agreement for the use of the backlot at Shepperton Studios which entailed building a new road entrance and roundabout to access the site plus a range of other planning improvements.



Green Green Grass Writer John Sullivan's first spin-off from *Only Fools and Horses*, features wheeler-dealer Boycie, wife Marlene and teenage son Tyler hiding from the infamous Driscoll brothers in the countryside, with Boycie aiming to reinvent himself as a gentleman farmer!

Interest

Interest finance costs for the six months to 30 June 2006 were £1.5m (2005: £1.5m). Interest is covered 2.3 times by operating profit (2005: 0.9 times). £20m of the Company's net debt to 30 June 2006 is the subject of a five year interest rate SWAP entered into in May 2004 at a fixed rate of 5.525% plus a margin. The remaining drawn debt is at floating rate of LIBOR plus a margin.

Taxation

Tax charged for the six months to 30 June 2006 was £654,000 at an effective rate of 31.5% which allows for the impact of certain disallowable expenditure.

Dividend

The Board has announced an interim dividend for 2006 of 0.9p per share (2005: £nil) which reflects the Board's view that film services are trading at more normal levels and that cash flows should continue to reflect this trend. This dividend is to be paid on 10 November 2006 to shareholders on the register on 13 October 2006 (ex dividend date 11 October 2006).

Consolidated income statement for the six months ended 30 June 2006

| | Notes | Six months ended 30 June 2006 Unaudited £000 | Six months ended 30 June 2005 Unaudited £000 | Year ended 31 December 2005 Unaudited £000 |
|--|-------|--|--|--|
| Revenue | | | | |
| Rendering of services | 3 | 18,729 | 13,328 | 33,387 |
| Cost of sales | | (11,611) | (9,029) | (21,806) |
| Gross profit | | 7,118 | 4,299 | 11,581 |
| Selling and distribution expenses | | (879) | (751) | (2,260) |
| Exceptional administrative expenses | 4 | – | (491) | (1,607) |
| Other administrative expenses | | (2,621) | (1,674) | (3,995) |
| Total administrative expenses | | (2,621) | (2,165) | (5,602) |
| Operating profit before exceptional administrative expenses | | 3,618 | 1,874 | 5,326 |
| Operating profit | | 3,618 | 1,383 | 3,719 |
| Finance costs | | (1,542) | (1,491) | (3,148) |
| Finance income | | 1 | – | – |
| Profit/(loss) before tax | | 2,077 | (108) | 571 |
| Corporation tax expense | | (654) | (6) | (180) |
| Profit/(loss) for the period | | 1,423 | (114) | 391 |
| Attributable to: | | | | |
| Equity holders of the parent | | 1,423 | (114) | 391 |
| Earnings per share | | | | |
| – basic and diluted for result for the period | 5 | 3.1p | (0.2p) | 0.9p |

Consolidated balance sheet at 30 June 2006

| | Notes | As at 30 June 2006 as restated Unaudited £000 | As at 30 June 2005 as restated Unaudited £000 | As at 31 December 2005 as restated Unaudited £000 |
|--|-------|--|--|--|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 6 | 105,028 | 105,361 | 104,835 |
| Intangible assets | 6 | 10,848 | 10,481 | 10,848 |
| | | 115,876 | 115,842 | 115,683 |
| Current assets | | | | |
| Inventories | | 343 | 377 | 303 |
| Trade and other receivables | | 3,652 | 3,591 | 3,174 |
| Prepayments | | 1,336 | 423 | 1,314 |
| Cash | | 587 | - | 1,276 |
| | | 5,918 | 4,391 | 6,067 |
| Total assets | | 121,794 | 120,233 | 121,750 |
| Equity and liabilities | | | | |
| Equity attributable to equity holders of parent | | | | |
| Share capital | 7 | 4,582 | 4,581 | 4,581 |
| Share premium | 7 | 43,478 | 43,269 | 43,469 |
| Capital redemption reserve | | 135 | 135 | 135 |
| Merger reserve | | 348 | 348 | 348 |
| Fair value of cash flow hedge reserve | | (147) | (557) | (400) |
| Retained earnings | | 5,323 | 3,347 | 3,880 |
| Total equity | | 53,719 | 51,123 | 52,013 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | | 41,795 | 43,971 | 43,100 |
| Deferred tax liabilities | | 15,145 | 14,768 | 15,035 |
| | | 56,940 | 58,739 | 58,135 |
| Current liabilities | | | | |
| Trade and other payables | | 10,415 | 9,113 | 10,849 |
| Interest-bearing loans and borrowings | | 174 | 606 | 300 |
| Tax payable | | 546 | 652 | 453 |
| | | 11,135 | 10,371 | 11,602 |
| Total liabilities | | 68,075 | 69,110 | 69,737 |
| Total equity and liabilities | | 121,794 | 120,233 | 121,750 |

Consolidated cash flow statement for the six months ended 30 June 2006

| | Six months ended 30 June 2006 Unaudited £000 | Six months ended 30 June 2005 Unaudited £000 | Year ended 31 December 2005 Unaudited £000 |
|--|---|---|---|
| Cash flow from operating activities | | | |
| Receipts from customers | 19,442 | 15,112 | 35,111 |
| Payments to suppliers and employees | (14,771) | (10,607) | (24,570) |
| Finance costs | (1,906) | (745) | (2,583) |
| Corporation tax paid | (560) | (462) | (630) |
| Net cash flow from operating activities | 2,205 | 3,298 | 7,328 |
| Cash flow used in investing activities | | | |
| Interest received | 1 | - | - |
| Purchase of property, plant and equipment | (1,762) | (4,008) | (5,364) |
| Acquisition of subsidiary undertaking | - | (611) | (956) |
| Net cash flow used in investing activities | (1,761) | (4,619) | (6,320) |
| Cash flow (used in)/from financing activities | | | |
| Proceeds from the issue of shares | 10 | - | - |
| Payment of finance lease liabilities | (143) | (168) | (891) |
| Dividends | - | (1,237) | (1,237) |
| Proceeds from borrowings | - | 4,000 | 4,000 |
| Repayment of borrowings | (1,000) | - | - |
| Net cash flow (used in)/from financing activities | (1,133) | 2,595 | 1,872 |
| Net (decrease)/increase in cash | (689) | 1,274 | 2,880 |
| Cash at the start of the period | 1,276 | (1,604) | (1,604) |
| Cash at the end of the period | 587 | (330) | 1,276 |

Consolidated statement of changes in equity

from 1 January 2006 to 30 June 2006

| | Share capital £000 | Share premium £000 | Retained earnings £000 | Merger reserve £000 | Fair value of cash flow hedge reserve £000 | Capital redemption reserve £000 | Total equity £000 |
|---|-----------------------|-----------------------|---------------------------|------------------------|---|------------------------------------|----------------------|
| At 1 January 2006 | 4,581 | 43,469 | 3,880 | 348 | (400) | 135 | 52,013 |
| Profit for the period | - | - | 1,423 | - | - | - | 1,423 |
| Transfers to the income statement | | | | | | | |
| On cash flow hedges | - | - | - | - | 90 | - | 90 |
| Income and expense recognised directly in equity | | | | | | | |
| Profit on cash flow hedges taken to equity | - | - | - | - | 272 | - | 272 |
| Tax on items taken directly to or transferred from equity | - | - | - | - | (109) | - | (109) |
| Total recognised income and expense for the period | - | - | 1,423 | - | 253 | - | 1,676 |
| New shares issued | 1 | 9 | - | - | - | - | 10 |
| Share based payment | - | - | 20 | - | - | - | 20 |
| At 30 June 2006 | 4,582 | 43,478 | 5,323 | 348 | (147) | 135 | 53,719 |

Consolidated statement of changes in equity

from 1 January 2005 to 31 December 2005

| | Share capital £000 | Share premium £000 | Retained earnings £000 | Merger reserve £000 | Fair value of cash flow hedge reserve £000 | Capital redemption reserve £000 | Total equity £000 |
|---|-----------------------|-----------------------|---------------------------|------------------------|---|------------------------------------|----------------------|
| At 1 January 2005 | 4,581 | 43,269 | 4,666 | 348 | (381) | 135 | 52,618 |
| Loss for the period | - | - | (114) | - | - | - | (114) |
| Transfers to the income statement | | | | | | | |
| On cash flow hedges | - | - | - | - | 59 | - | 59 |
| Income and expense recognised directly in equity | | | | | | | |
| Loss on cash flow hedges taken to equity | - | - | - | - | (310) | - | (310) |
| Tax on items taken directly to or transferred from equity | - | - | - | - | 75 | - | 75 |
| Total recognised income and expense for the period | - | - | (114) | - | (176) | - | (290) |
| Equity dividends | - | - | (1,237) | - | - | - | (1,237) |
| Share based payment | - | - | 32 | - | - | - | 32 |
| At 30 June 2005 | 4,581 | 43,269 | 3,347 | 348 | (557) | 135 | 51,123 |
| Profit for the period | - | - | 505 | - | - | - | 505 |
| Transfers to the income statement | | | | | | | |
| On cash flow hedges | - | - | - | - | 84 | - | 84 |
| Income and expense recognised directly in equity | | | | | | | |
| Profit on cash flow hedges taken to equity | - | - | - | - | 140 | - | 140 |
| Tax on items taken directly to or transferred from equity | - | - | - | - | (67) | - | (67) |
| Total recognised income and expense for the period | - | - | 505 | - | 157 | - | 662 |
| Share issue costs | - | 200 | - | - | - | - | 200 |
| Share based payment | - | - | 28 | - | - | - | 28 |
| At 31 December 2005 | 4,581 | 43,469 | 3,880 | 348 | (400) | 135 | 52,013 |

Independent review report to Pinewood Shepperton plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the Consolidated income statement, Consolidated balance sheet, Consolidated cash flow statement, Consolidated statement of changes in equity, and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
London
12 September 2006

Notes:

- The maintenance and integrity of the Pinewood Shepperton plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes to the consolidated financial statements at 30 June 2006

1. Corporate information

Pinewood Shepperton plc is a company incorporated and domiciled in the United Kingdom whose shares are publicly traded. The interim consolidated financial statements of the Group for the six months ended 30 June 2006 were authorised for issue in accordance with a resolution of the Directors on 12 September 2006.

2. Basis of preparation and accounting policies

The interim consolidated financial statements for the six months ended 30 June 2006 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements as defined in Section 240 of the Companies Act 1985, and should be read in conjunction with the Group's annual financial statements as at 31 December 2005. The financial statements for the year ended 31 December 2005, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

Significant accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of amendments mandatory for annual periods beginning on or after 1 January 2006. The adoption of these amendments did not affect the Group results of operations or financial position.

Restatement of prior year comparatives

During the year the Group has reviewed the fair value of assets acquired on the acquisition of Pinewood Studios Limited in 2000 and has determined that £4.0m of intangible assets previously generated on the acquisition should more appropriately be allocated to property, plant and equipment. The financial statements for the period ending 30 June 2005 and 31 December 2005 have been restated to properly reflect the fair value of these assets.

3. Revenue analysis

| | Total £000 |
|--------------------------------------|---------------|
| Six months ended 30 June 2006 | |
| Film | 9,947 |
| Television | 5,453 |
| Media Park income | 3,329 |
| | 18,729 |
| Six months ended 30 June 2005 | |
| Film | 7,321 |
| Television | 2,649 |
| Media Park income | 3,358 |
| | 13,328 |
| Year ended 31 December 2005 | |
| Film | 17,960 |
| Television | 8,946 |
| Media Park income | 6,481 |
| | 33,387 |

4. Exceptional administrative expenses

| | Six months ended 30 June 2006 Unaudited £000 | Six months ended 30 June 2005 Unaudited £000 | Year ended 31 December 2005 Unaudited £000 |
|--|---|---|---|
| Exceptional costs in relation to the acquisition of Teddington Studios | - | 491 | 1,027 |
| Group reorganisation | - | - | 580 |
| | - | 491 | 1,607 |

Acquisition of Teddington Studios

During the year ended 31 December 2005, the Group purchased the trade and certain of the assets and liabilities of Teddington Studios Limited (in administration), and acquired 100% of the share capital of The Studio Broadcasting Company Limited. Exceptional costs incurred in the year relate to the reorganisation and integration of the acquired operations, comprising £778,000 of redundancy related costs, legal and professional fees of £127,000 and £122,000 of operational continuity costs. The Group does not anticipate incurring further exceptional costs in relation to the acquisition of Teddington Studios.

Group reorganisation

During the year ended 31 December 2005, £580,000 of redundancy and other costs were incurred as a result of the implementation of a Group reorganisation programme to enhance organisational structure and efficiency.

5. Earnings per ordinary share and dividend**Earnings per ordinary share**

Basic earnings per share are calculated by dividing profit/(loss) for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive options.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | Six months ended 30 June 2006 Unaudited £000 | Six months ended 30 June 2005 Unaudited £000 | Year ended 31 December 2005 Unaudited £000 |
|---|---|---|---|
| Profit/(loss) attributable to equity holders of the Company | 1,423 | (114) | 391 |
| | Thousands | Thousands | Thousands |
| Basic number of shares at start of the year | 45,813 | 45,813 | 45,813 |
| Number of shares issued via Sharesave Scheme | 6 | - | - |
| Weighted number of shares | 45,819 | 45,813 | 45,813 |

Dividend

| | Six months ended 30 June 2006 Unaudited £000 | Six months ended 30 June 2005 Unaudited £000 | Year ended 31 December 2005 Unaudited £000 |
|---|---|---|---|
| Final dividend for 2004 paid at 2.7p per ordinary share | - | 1,237 | 1,237 |

6. Non-current assets

During the year the Group has reviewed the fair value of assets acquired on the acquisition of Pinewood Studios Limited in 2000 and has determined that £4.0m of intangible assets previously generated on the acquisition should more appropriately be allocated to property, plant and equipment.

7. Share capital and reserves**Issuance of shares**

On 30 January 2006 and on 24 April 2006, the Company issued 2,783 and 2,786 shares respectively in respect of options exercised under the Company Sharesave Scheme, increasing share capital by £557 and share premium by £8,510.

8. Events after the balance sheet date

On 30 July 2006 the 007 stage at Pinewood Studios was destroyed by fire.

The Group does not anticipate any material adverse financial effect as a result of this incident.

9. Related party disclosures

The consolidated financial statements include the financial statements of Pinewood Shepperton plc and the subsidiaries listed in the following table.

| | Country of incorporation |
|---|--------------------------|
| Pinewood Studios Limited | United Kingdom |
| Shepperton Studios Limited | United Kingdom |
| Pinewood-Shepperton Studios Limited | United Kingdom |
| Studiolink Limited | United Kingdom |
| Teddington Studios Limited | United Kingdom |
| The Studio Broadcasting Company Limited | United Kingdom |

Pinewood Shepperton plc is the ultimate parent entity and a 100% equity interest was held in all subsidiaries as at 30 June 2005, 31 December 2005 and 30 June 2006.

During the year the Group entered into transactions with the following related party, involving the utilisation of media facilities at normal market rates and settlement terms.

| | Sales to related party £000 | Amounts owed by related party £000 |
|---|-----------------------------------|---|
| Entity with which Michael Grade is associated: | | |
| Six months ended/at 30 June 2006 | | |
| BBC | 1,080 | 92 |
| Six months ended/at 30 June 2005 | | |
| BBC | 1,260 | 163 |
| Year ended/at 31 December 2005 | | |
| BBC | 1,805 | 38 |

Company details

Directors

| | |
|--------------------|---------------------------------------|
| Michael Grade | <i>Chairman</i> |
| Ivan Dunleavy | <i>Chief Executive</i> |
| Patrick Garner FCA | <i>Finance Director</i> |
| Nicholas Smith | <i>Sales & Marketing Director</i> |
| Adrian Burn FCA | <i>Non-executive Director</i> |
| Nigel Hall FCA | <i>Non-executive Director</i> |
| James Donald | <i>Non-executive Director</i> |

Company Secretary

Nigel Wolfin ACA

Head office, Registered office and Directors' address

Pinewood Road
Iver Heath
Buckinghamshire SL0 0NH

Investor relations website

available at www.pinewoodgroup.com

Advisers

Financial Adviser and Stockbroker

JPMorgan Cazenove & Co. Ltd
20 Moorgate
London EC2R 6DA

Legal Advisers to the Company

Travers Smith
10 Snow Hill
London EC1A 2AL

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registrars and Receiving Agents

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Principal Bankers

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Lloyds TSB Bank plc
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London EC2V 7HN

Allied Irish Banks, p.l.c.
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1 Undershaft
London EC3A 8AB

Alliance & Leicester
Commercial Bank plc
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