



# Pinewood Shepperton plc Interim Report 2009

**Pinewood Shepperton plc is the leading European provider of studio and related services to the worldwide film and television industry. Its services support film production, filmed television and studio television recording, post production services and facilities for other media related businesses.**

**The Group's strategy is to:**

- **Optimise the use of existing facilities;**
- **Enhance the Studios through improvement and expansion; and**
- **Develop other opportunities that provide benefits to the Group.**

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## Highlights

- Revenue £20.3m (2008: £21.7m)
- Operating profit £3.3m (2008: £4.8m)
- Profit before tax £1.7m (2008: £3.8m)
- Diluted earnings per share of 2.8p (2008: 7.4p)
- Diluted earnings per share adjusted for the effect of indexation on deferred tax provision and exceptional items 2.6p (2008: 5.9p)
- Interim dividend of 1.05p (2008: 1.05p)
- Concluded long-term sales and marketing agreement with Pinewood Toronto Studios
- Planning application for Project *Pinewood* submitted following extensive public consultation

## Operating review

The Group provides studio and related services to the worldwide film and television industry and analyses its revenue as follows: Film, Television and Media Park.

### Film

Film revenues for the first six months of 2009 have shown resilience in times of wider economic uncertainty. Revenues for the six months ended 30 June 2009 were £11.8m (2008: £13.0m) reflecting the impact of the protracted negotiations between the US studios and the Screen Actors Guild. These were largely concluded by the end of the first half. Whilst overall demand remains strong, wider economic pressure has tightened the access to film financing, which in turn has meant producers are taking longer to commence productions.

Film production in the UK continues to be an attractive option for international producers in comparison to other overseas locations, aided by the competitive UK film tax regime. The mass appeal of film in uncertain economic times has not diminished. The largest production based at the studios during the period was the as yet *Untitled Robin Hood Adventure* for Universal. Other major productions using Pinewood Shepperton's facilities in the period included *The Wolfman*, *Cemetery Junction*, *Gulliver's Travels* and *Clash of the Titans*.

The Group continues to strengthen its Post Production services. We have benefitted from operational restructuring initiatives that we put in place last year as well as our growing reputation thanks to the recent success of *Slumdog Millionaire*. During the period we have hosted a number of high profile productions including *Harry Potter and the Half-Blood Prince* and *Looking for Eric*. We have also recently renewed our contract with Disney Character Voices to provide its international versions.

Members of our Post Production team were awarded Oscars for *Slumdog Millionaire* at this year's Academy Awards and additionally, we have been nominated at the forthcoming Emmy Awards for Outstanding Sound Editing on the HBO Production *Into the Storm*.

In our market, the Pinewood brand is highly regarded and as part of our long term strategy, we continue to look to leverage its reputation by developing wider opportunities that benefit the Group. We recently concluded a long term sales and marketing agreement with Pinewood Toronto Studios. From this Pinewood Shepperton will receive a base fee and a performance fee.

In January 2009, in recognition of the key role Shepperton Studios and Pinewood Studios have played in developing British film over the past 75 years, BAFTA honoured both Studios with their Award for Outstanding British Contribution to Cinema.

### Television

As anticipated, Television revenues for the first half of 2009 were broadly comparable at £5.5m (2008: £5.8m). This follows the same trading pattern that we saw last year, with Television revenues slightly weighted to the second half. The Group has seen continued demand for its Television offering, which remains an attractive proposition for broadcasters, as well as for an increasing number of independent production companies.

The current pressures on the television advertising model has seen some margin impact but this has been mitigated by tight cost control. Reflecting our continuing appeal and ability to offer attractive solutions during the first half of 2009, we successfully attracted repeat business from *The Weakest Link*, *Wogan's Perfect Recall* and *Harry Hill's TV Burp*, as well as new productions including *Britain's Best Dish* for ITV and *Would I Lie To You* for the BBC, among others. The Group continues to attract commercials into the studios from major corporate customers.

Building on the success of *Little Dorrit* last year, the Group has developed multi-camera, tapeless technology which increases productivity, delivers to a creatively high standard and is proving popular with our customers. The ability of the Group to package its own, as well as third party services, is attractive to producers.

### Media Park

Media Park income for the six months to 30 June 2009 increased to £3.0m (2008: £2.9m) after accounting for the Group's 50% interest in the Shepperton Studios Property Partnership. Media Park remains a key component of the Group's strategy and now comprises 305 (290 comparable period last year) businesses offering a variety of services to the film and television industry. Our Media Park facilities enjoyed high occupancy levels during the period and we continue to market to industry tenants and seek to expand our unique network of related services and businesses.

The Shepperton Studios Property Partnership established in September 2006 continues to progress in line with expectations.

### Industry initiatives

The attractiveness of the UK for producers is in part down to the quality of skills and craftsmanship on offer. In order to ensure that the UK retains this competitive advantage we are committed to skills and training and last December we entered into a partnership with Skillset and the Skillset Screen Academy. This is a joint initiative aimed at bolstering the skills required for UK film making.

### Project Pinewood

Following a period of public consultation, an outline planning application for Project *Pinewood* was submitted to South Bucks District Council on 1 June 2009. Project *Pinewood* is a long term scheme of national significance to create a living and working community for the creative industries on green belt land, adjacent to Pinewood Studios and the M25.

Looking forward, as part of the Project *Pinewood* proposals, we will create Europe's first Screen Craft Academy to help inspire young students to continue their education for the creative industries.

Total costs incurred from inception to 30 June 2009 in relation to the application were £4.0m. The Board will consider the introduction of suitable partners at the appropriate time.

A website containing further details and visual images of the scheme is available at [www.projectpinewood.com](http://www.projectpinewood.com)



**Dividend**

The Board has declared an interim dividend for 2009 of 1.05p (2008: 1.05p). The dividend is to be paid on 6 November 2009 to shareholders on the register on 9 October 2009 (ex dividend date 7 October 2009).

**Current trading and outlook**

Trading to date is in line with market expectations. Film revenues for the remainder of the year will depend, as ever, on the timing of new film starts in the latter part of the second half. Television revenues are expected to be stable, despite broadcasters' programming cuts. Media Park revenues should remain robust.

The Board is mindful of the challenging economic conditions but considers the Company to be well placed and views its prospects with continued confidence.

**Ivan Dunleavy**

Chief Executive

## Financial review

### Revenue

Total revenues for the six months ended 30 June 2009 were £20.3m (2008: £21.7m). Film revenues of £11.8m (2008: £13.0m) were lower than the prior year comparable period due to film production phasing and the impact of the Screen Actors Guild dispute. Television revenues were £5.5m (2008: £5.8m) which was a resilient performance given the ongoing pressure on television production budgets. Media Park revenues of £3.0m increased modestly over the prior year comparable period (2008: £2.9m).

### Profit performance and earnings per share

Gross profit was £7.2m (2008: £9.1m) with gross margins for the period of 35.5% (2008: 42.1%). Operating profit was £3.3m (2008: £4.8m) with operating margins at 16.2% (2008: 22.3%). The reduction in profitability results from the operational gearing within the business.

Profit before tax was £1.7m (2008: £3.8m) reflecting increased finance costs. Earnings before interest, tax, depreciation and amortisation for the period were £5.0m (2008: £6.6m).

Basic earnings per share were 2.9p (2008: 7.5p). Basic earnings per share after adjusting for the effects of indexation on the deferred tax provision and exceptional items were 2.8p (2008: 6.1p). Diluted earnings per share were 2.8p (2008: 7.4p). Diluted earnings per share after adjusting for the effects of indexation on the deferred tax provision and exceptional items were 2.6p (2008: 5.9p).

The diluted and weighted average number of shares in issue in the six month period to 30 June 2009 was 47.5m (2008: 47.0m) including awards granted under the Group's Long Term Incentive Plan.

### Dividend

The Board has declared an interim dividend for 2009 of 1.05p (2008: 1.05p). The dividend is to be paid on 6 November 2009 to shareholders on the register on 9 October 2009 (ex dividend date 7 October 2009).

### Cash flow and net debt

The Group generated operating cash flow of £5.2m (2008: £6.8m) before changes in working capital. After adjusting for movements in working capital, cash generated from operations was £4.9m (2008: £5.2m) from which the Group paid finance costs of £1.5m (2008: £1.0m) and corporation tax of £0.7m (2008: nil).

During the period the Group had a cash outflow of £3.3m (2008: £9.4m) for capital expenditure. The main items were the completion of the pre-let Technicolor building, Project *Pinewood* planning application costs and lifecycle capital expenditure.

The Group's net debt at 30 June 2009 was £42.4m (30 June 2008: £36.4m), which included £11.4m (2008: £11.4m) relating to the Group's 50% interest in the non-recourse Aviva loans to the Shepperton Studios Property Partnership ("SSPP"). The Group has maintained debt close to the 31 December 2008 year end level of £42.6m.

The Group's banking facilities of £70.0m comprise a £35.0m revolving credit facility, a £30.0m pre-let development facility and a £5.0m overdraft facility. As at 30 June 2009, £25.0m of the revolving credit facility and £6.0m of the pre-let development facility were drawn. The overdraft facility was undrawn at 30 June 2009.

The Group's banking facilities are in addition to the non-recourse loans and facilities provided to SSPP which total £40.0m. To the extent that these loans were drawn, £22.8m at 30 June 2009, they are 50% consolidated (£11.4m) in the Group's balance sheet. These facilities are for a 20 year term with no scheduled repayments. During the period the Group also completed an asset financing agreement over assets recently acquired totalling £1.0m.

### Investment property

The Group now recognises investment property as a category within assets on the balance sheet. At 30 June 2009, investment property of £6.2m (31 December 2008: £5.7m, as restated) had been recognised that was previously included within 'Property, plant and equipment'.

**Project Pinewood**

Total costs incurred from inception to 30 June 2009 in relation to the Project *Pinewood* outline planning application were £4.0m, which are included in 'Freehold land' within 'Property, plant and equipment' on the balance sheet.

**Exceptional items**

During the period additional insurance proceeds were received as final settlement regarding the 007 Stage fire on 30 July 2006. The net amount received was £439,000.

The exceptional costs of £425,000 comprise provisions of £350,000 against advances for film and television projects outside the normal course of business and restructuring costs of £75,000.

**Financial gearing**

At 30 June 2009, net debt, including the Group's share of the Aviva non-recourse loan in SSPP and the recently executed asset financing agreement, was £42.4m (31 December 2008: £42.6m). Financial gearing was 60.2% (31 December 2008: 60.8%, as restated).

**Finance costs**

Net finance costs were £1.6m (2008 £1.0m) reflecting the increase in debt and the amortisation of the arrangement costs for the new banking facilities. No interest (2008: £0.2m) was capitalised during the period.

**Hedging**

During the period the Group continued to use interest derivatives to manage its interest rate exposure. The £7.5m hedge with an effective rate of 5.525% that expired on 31 March 2009 was replaced with a new £7.5m hedge with an effective rate of 2.89%. At the end of the period £22.5m (2008: £22.5m) of the Group's facilities were hedged, representing 74% of the total facilities drawn (excluding the Group's share of the SSPP debt).

**Taxation**

The current corporation tax expense for the period to 30 June 2009, based on profit before tax of £1.7m (2008: £3.8m), was £0.6m (2008: £1.2m) at a current tax rate of 35.4% (2008: 31.1%). After adjusting for the effects of indexation on deferred tax, the effective rate was 19.2% (2008: 9.0%).

Deferred tax in the comparative figures for 31 December 2008 has been restated to reflect correctly a deferred tax asset of £384,000 relating to the shortfall in the fair value of the cash flow interest rate hedge at that date. The restatement had no impact on the financial results of the Group.

**Patrick Garner FCA**

Finance Director

# Independent review report to the members of Pinewood Shepperton plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2009 which comprises the Interim consolidated income statement, Interim consolidated statement of comprehensive income, Interim consolidated statement of financial position, Interim consolidated cash flow statement, Interim consolidated reconciliation of movement in net debt, Interim statement of changes in equity, and the related Notes 1 to 14. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' 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 financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**Ernst & Young LLP**

London

24 August 2009

## Interim consolidated income statement for the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 Unaudited £000	Six months ended 30 June 2008 Unaudited £000	Year ended 31 December 2008 Audited £000
<b>Revenue</b>				
Rendering of services	3	20,336	21,709	42,867
Cost of sales		(13,114)	(12,566)	(26,167)
<b>Gross profit</b>		<b>7,222</b>	9,143	16,700
Selling and distribution expenses		(860)	(1,157)	(2,044)
Administrative expenses		(3,089)	(3,145)	(6,299)
<b>Operating profit before exceptional items</b>		<b>3,273</b>	4,841	8,357
Exceptional income	4	439	-	-
Exceptional costs	5	(425)	-	-
<b>Operating profit</b>		<b>3,287</b>	4,841	8,357
Finance costs		(1,629)	(1,043)	(2,424)
<b>Profit before tax</b>		<b>1,658</b>	3,798	5,933
Current tax expense		(587)	(1,181)	(1,287)
Deferred tax credit		203	174	782
Effect of indexation on deferred tax provision		66	666	224
Total corporation tax expense		(318)	(341)	(281)
<b>Profit for the period</b>		<b>1,340</b>	3,457	5,652
Attributable to:				
Equity holders of the parent		1,340	3,457	5,652
<b>Earnings per share</b>				
- basic for result for the period	6	2.9p	7.5p	12.3p
- diluted for result for the period	6	2.8p	7.4p	12.0p

## Interim consolidated statement of comprehensive income for the six months ended 30 June 2009

	<b>Six months ended 30 June 2009 Unaudited £000</b>	Six months ended 30 June 2008 Unaudited £000	Year ended 31 December 2008 (restated) Audited £000
<b>Profit for the period</b>	<b>1,340</b>	3,457	5,652
Net gain/(loss) on cash flow hedges	<b>64</b>	–	(1,372)
Transfer of cash flow hedge interest to income statement	<b>316</b>	–	–
Taxation	<b>(106)</b>	–	384
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>274</b>	–	(988)
<b>Total comprehensive income for the period, net of tax</b>	<b>1,614</b>	3,457	4,664
Attributable to:			
Equity holders of the parent	<b>1,614</b>	3,457	4,664

Deferred tax in the comparative figures for 31 December 2008 has been restated to reflect correctly a deferred tax asset of £384,000 relating to the shortfall in the fair value of the cash flow interest rate hedge at that date. The restatement had no impact on the financial results of the Group.

## Interim consolidated statement of financial position at 30 June 2009

	Notes	As at 30 June 2009 Unaudited £000	As at 30 June 2008 Unaudited £000	As at 31 December 2008 (restated) Audited £000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	111,138	109,758	111,521
Investment property	9	6,157	–	5,718
Intangible assets	7	5,604	5,604	5,604
		<b>122,899</b>	115,362	122,843
<b>Current assets</b>				
Inventories		483	424	413
Trade and other receivables		3,935	4,675	3,383
Prepayments		2,947	2,074	2,064
Cash		733	912	–
		<b>8,098</b>	8,085	5,860
<b>Total assets</b>		<b>130,997</b>	123,447	128,703
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of parent</b>				
Share capital		4,594	4,592	4,594
Share premium		43,692	43,620	43,692
Capital redemption reserve		135	135	135
Merger reserve		348	348	348
Fair value of cash flow hedge	11	(714)	–	(988)
Retained earnings		22,723	20,217	22,220
<b>Total equity</b>		<b>70,778</b>	68,912	70,001
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings		43,157	37,312	41,427
Deferred tax liabilities		2,395	3,081	2,557
		<b>45,552</b>	40,393	43,984
<b>Current liabilities</b>				
Trade and other payables		13,224	11,619	12,012
Interest-bearing loans and borrowings		–	–	1,198
Tax payable		1,443	2,152	1,508
Provisions		–	371	–
		<b>14,667</b>	14,142	14,718
<b>Total liabilities</b>		<b>60,219</b>	54,535	58,702
<b>Total equity and liabilities</b>		<b>130,997</b>	123,447	128,703

The financial statements were approved by the Board of Directors on 24 August 2009 and are signed on its behalf by:

**Patrick Garner FCA**  
Finance Director

## Interim consolidated cash flow statement for the six months ended 30 June 2009

	<b>Six months ended 30 June 2009 Unaudited £000</b>	Six months ended 30 June 2008 (restated) Unaudited £000	Year ended 31 December 2008 (restated) Audited £000
<b>Cash flow from operating activities</b>			
Profit before tax	<b>1,658</b>	3,798	5,933
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Exceptional income	<b>(439)</b>	-	-
Exceptional costs	<b>425</b>	-	-
Depreciation	<b>1,741</b>	1,715	3,594
Share-based payment charges	<b>220</b>	200	516
Finance costs	<b>1,629</b>	1,043	2,424
<b>Cash flow from operating activities before changes in working capital</b>	<b>5,234</b>	6,756	12,467
(Increase)/decrease in trade and other receivables	<b>(1,435)</b>	(434)	822
Increase in inventories	<b>(70)</b>	(13)	(2)
Increase/(decrease) in trade and other payables	<b>1,193</b>	(1,116)	(3,683)
<b>Cash generated from operations</b>	<b>4,922</b>	5,193	9,604
Finance costs paid	<b>(1,490)</b>	(1,032)	(1,801)
Corporation tax paid	<b>(650)</b>	-	(750)
<b>Net cash flow from operating activities</b>	<b>2,782</b>	4,161	7,053
<b>Cash flow from/(used in) investing activities</b>			
Proceeds from insurance for 007 Stage	<b>439</b>	-	-
Purchase of property, plant and equipment <sup>(1)</sup>	<b>(2,872)</b>	(9,405)	(10,967)
Additions to investment property	<b>(383)</b>	-	(5,646)
<b>Net cash flow used in investing activities</b>	<b>(2,816)</b>	(9,405)	(16,613)
<b>Cash flow (used in)/from financing activities</b>			
Proceeds from the issue of shares	-	6	80
Payment of asset financing liabilities	<b>(11)</b>	-	-
Payment of loan issue fees	<b>(24)</b>	-	(1,385)
Dividends paid	-	(1,056)	(1,538)
Proceeds from asset financing	<b>1,000</b>	-	-
Proceeds from borrowings of joint venture	-	1,372	1,371
Repayment of bank borrowings	-	-	(26,000)
Proceeds from bank borrowings	<b>1,000</b>	5,000	35,000
<b>Net cash flow from financing activities</b>	<b>1,965</b>	5,322	7,528
Net increase/(decrease) in cash	<b>1,931</b>	78	(2,032)
(Overdraft)/cash at the start of the period	<b>(1,198)</b>	834	834
<b>Cash/(overdraft) at the end of the period</b>	<b>733</b>	912	(1,198)

<sup>(1)</sup> Included in the £9.4m additions to property, plant and equipment in the six months ended 30 June 2008 is £2.3m related to investment property in the course of construction. For the year ended 31 December 2008, this is included within 'additions to investment property'.

## Interim consolidated reconciliation of movement in net debt for the six months 30 June 2009

	<b>Six months ended 30 June 2009 Unaudited £000</b>	Six months ended 30 June 2008 Unaudited £000	Year ended 31 December 2008 Audited £000
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash	<b>1,931</b>	78	(2,032)
Repayments of asset financing obligations	<b>11</b>	-	-
Proceeds from asset financing	<b>(1,000)</b>	-	-
Loan issue costs	<b>24</b>	-	1,385
Amortisation of loan issue costs	<b>(145)</b>	(46)	(175)
Proceeds from borrowings of joint venture	-	(1,372)	(1,371)
Repayment of bank borrowings	-	-	26,000
Proceeds from bank borrowings	<b>(1,000)</b>	(5,000)	(35,000)
Movement in fair value of cash flow hedge	<b>380</b>	-	(1,372)
<b>Movement in net debt</b>	<b>201</b>	(6,340)	(12,565)
Net debt at start of period	<b>(42,625)</b>	(30,060)	(30,060)
<b>Net debt at end of period</b>	<b>(42,424)</b>	(36,400)	(42,625)
<b>Attributable to:</b>			
Cash	<b>733</b>	912	-
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	-	-	(1,198)
<b>Non-current liabilities</b>			
Revolving credit facility loan	<b>(25,000)</b>	(26,000)	(24,000)
Pre-let development facility loan	<b>(6,000)</b>	-	(6,000)
<b>Drawn facility loan</b>	<b>(31,000)</b>	(26,000)	(30,000)
Fair value of cash flow hedge	<b>(992)</b>	-	(1,372)
Unamortised loan issue costs	<b>1,195</b>	60	1,316
Asset financing	<b>(989)</b>	-	-
Share of joint venture loan	<b>(11,371)</b>	(11,372)	(11,371)
<b>Interest-bearing loans and borrowings</b>	<b>(43,157)</b>	(37,312)	(42,625)
<b>Net debt at end of period</b>	<b>(42,424)</b>	(36,400)	(42,625)

## Interim consolidated statement of changes in equity

### From 1 January 2009 to 30 June 2009

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Fair value of cash flow hedge reserve (restated) £000	Retained earnings £000	Total equity (restated) £000
<b>At 1 January 2009 (Audited)</b>	4,594	43,692	135	348	(988)	22,220	70,001
Profit for the period	-	-	-	-	-	1,340	1,340
Other comprehensive income	-	-	-	-	274	-	274
<b>Total recognised income and expense for the period</b>	-	-	-	-	274	1,340	1,614
Equity dividends	-	-	-	-	-	(1,057)	(1,057)
New shares issued	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	220	220
<b>At 30 June 2009 (Unaudited)</b>	<b>4,594</b>	<b>43,692</b>	<b>135</b>	<b>348</b>	<b>(714)</b>	<b>22,723</b>	<b>70,778</b>

Deferred tax in the comparative figures for 31 December 2008 has been restated to reflect correctly a deferred tax asset of £384,000 relating to the shortfall in the fair value of the cash flow interest rate hedge at that date. The restatement had no impact on the financial results of the Group.

## From 1 January 2008 to 31 December 2008

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Fair value of cash flow hedge reserve (restated) £000	Retained earnings £000	Total equity (restated) £000
<b>At 1 January 2008 (Audited)</b>	4,591	43,615	135	348	–	17,616	66,305
Profit for the period	–	–	–	–	–	3,457	3,457
<b>Total recognised income and expense for the period</b>	–	–	–	–	–	3,457	3,457
Equity dividends	–	–	–	–	–	(1,056)	(1,056)
New shares issued	1	5	–	–	–	–	6
Share-based payment	–	–	–	–	–	200	200
<b>At 30 June 2008 (Unaudited)</b>	4,592	43,620	135	348	–	20,217	68,912
Profit for the period	–	–	–	–	–	2,195	2,195
Other comprehensive loss	–	–	–	–	(988)	(26)	(1,014)
<b>Total recognised income and expense for the period</b>	–	–	–	–	(988)	2,169	1,181
Equity dividends	–	–	–	–	–	(482)	(482)
New shares issued	2	72	–	–	–	–	74
Share-based payment	–	–	–	–	–	316	316
<b>At 31 December 2008 (Audited)</b>	4,594	43,692	135	348	(988)	22,220	70,001

Deferred tax in the comparative figures for 31 December 2008 has been restated to reflect correctly a deferred tax asset of £384,000 relating to the shortfall in the fair value of the cash flow interest rate hedge at that date. The restatement had no impact on the financial results of the Group.

# Notes to the interim consolidated financial statements at 30 June 2009

## 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 2009 were authorised for issue in accordance with a resolution of the Directors on 24 August 2009.

## 2. Basis of preparation and accounting policies

### *Basis of preparation*

The interim consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements as defined in Section 435 of the Companies Act 2006, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008, from which the 31 December 2008 comparative information included in the interim consolidated financial statements have been extracted. The financial statements for the year ended 31 December 2008, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

### *Changes in accounting policies and disclosures*

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 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009 as noted below.

### *Presentation of financial statements*

IAS 1, Presentation of Financial Statements, requires the separation of owner and non-owner changes in equity and also introduces the statement of comprehensive income. It presents all items of recognised income and expense either in one single statement or in two linked statements. The Group has elected to present two statements.

### *Operating segments*

IFRS 8, Operating Segments, requires reporting of segmental results. Management review revenue as Film, Television and Media Park and review profitability of the business as a whole. Under the terms of IFRS 8 the Group is deemed to have one segment.

### *Investment property*

During the period the Group recognised 'Investment property' as an asset category. As defined by IAS 40, investment property is property held to earn rental income and/or for capital appreciation. Investment property assets are carried at cost (including transaction costs) less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are in accordance with the Group depreciation policy, as defined in the Group's Annual Report for the year ended 31 December 2008.

The additional IFRIC interpretations, amendments to existing standards and new standards which became mandatory for accounting periods beginning on or after 1 January 2009 have been adopted in the current financial year, but since this interim report contains only a condensed set of financial statements, full disclosure will be given in the annual financial statements for the year ending 31 December 2009 where the impact is considered material.

### *Significant accounting judgements and estimates*

#### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

## 2. Basis of preparation and accounting policies continued

### *Significant accounting judgements and estimates continued*

#### *Project Pinewood*

The costs incurred from inception to 30 June 2009 on Project *Pinewood* have been capitalised and classified within 'Freehold land' which is in the 'Property, plant and equipment' category on the balance sheet. Capitalisation of costs is based on management judgement that the economic benefits expected from the assets will exceed the carrying value. Costs are monitored regularly by the Board, which involves the evaluation of all factors likely to affect the outcome of the outline planning application that was submitted during the first half of 2009.

The Board has reviewed the carrying value of the Project *Pinewood* land with its associated planning costs incurred up to 30 June 2009 and considers the carrying value as being appropriate.

#### *Going concern*

Information on the Group's risks, management and exposure are set out in the 'Key business risks' section and Note 22 'Financial risk management, objectives and policies' of the Group's Annual Report for the year ended 31 December 2008. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

## 3. Segment information and revenue analysis

The chief operating decision maker is the Board of Directors. The Group operates in one principal continuing area of activity, that of media services, arising in the United Kingdom. It provides studio and related services to the film and television industry.

Revenues from these activities can be further analysed by type of customer as follows:

	<b>Six months ended 30 June 2009 Unaudited £000</b>	Six months ended 30 June 2008 Unaudited £000	Year ended 31 December 2008 Audited £000
Film	<b>11,815</b>	13,055	24,159
Television	<b>5,465</b>	5,761	12,742
Media Park	<b>3,056</b>	2,893	5,966
	<b>20,336</b>	21,709	42,867

Other information provided to the Board of Directors is in a format consistent with that in the financial statements.

## 4. Exceptional income

### *007 Stage fire*

During the period additional insurance proceeds were received as final settlement of the 30 July 2006 fire incident. The final amount received, after deducting professional fees directly associated with the claim, was £439,000.

## 5. Exceptional costs

### *Provisions against advances*

At 30 June 2009, the Group provided against two advances for film and television projects amounting to £350,000. These have been recognised as exceptional as they were not in the normal course of business.

### *Group reorganisation*

The Group incurred exceptional reorganisation costs of £75,000 in relation to the restructuring of certain business areas in the six months ended 30 June 2009.

## 6. Earnings per ordinary share and dividend

### Earnings per ordinary share

Basic earnings per ordinary share are calculated by dividing net profit for the year attributable to the holders of ordinary equity of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share are calculated by dividing net profit for the period attributable to the holders of ordinary equity of the parent by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive potential ordinary shares resulting from employee share schemes.

The Group presents as exceptional items on the face of the income statement those items where the cost or income is of such size or incidence that the additional disclosure is required for the reader to understand the financial statements. Basic and diluted earnings per share are also presented adjusting for the combined effect of the exceptional items and the effects of indexation on the deferred tax provision.

The following reflects the profit and number of shares generating the basic and diluted earnings per ordinary share computations:

	<b>Six months ended 30 June 2009 Unaudited £000</b>	Six months ended 30 June 2008 Unaudited £000	Year ended 31 December 2008 Audited £000
Profit attributable to equity holders of the parent	<b>1,340</b>	3,457	5,652
<i>Adjustments to profit for calculation of adjusted earnings per share</i>			
Exceptional income	<b>(439)</b>	–	–
Exceptional costs	<b>425</b>	–	–
Taxation adjustments on exceptional items	<b>(21)</b>	–	–
Effect of indexation on deferred tax provision	<b>(66)</b>	(666)	(224)
Adjusted profit for adjusted earnings per share	<b>1,239</b>	2,791	5,428
	<b>Thousands</b>	Thousands	Thousands
Basic weighted average number of ordinary shares	<b>45,929</b>	45,914	45,929
Dilutive potential ordinary shares resulting from employee share schemes	<b>1,557</b>	1,057	1,186
Diluted weighted average number of ordinary shares	<b>47,486</b>	46,971	47,115
	<b>Six months ended 30 June 2009 Unaudited</b>	Six months ended 30 June 2008 Unaudited	Year ended 31 December 2008 Audited
<b>Earnings per share</b>			
– basic for result for the year	<b>2.9p</b>	7.5p	12.3p
– diluted for result for the year	<b>2.8p</b>	7.4p	12.0p
– basic for result for the year adjusted for exceptional items and effect of indexation on deferred tax provision	<b>2.7p</b>	6.1p	11.8p
– diluted for result for the year adjusted for exceptional items and effect of indexation on deferred tax provision	<b>2.6p</b>	5.9p	11.5p

## 6. Earnings per ordinary share and dividend continued

### Dividend paid

	Six months ended 30 June 2009 Unaudited £000	Six months ended 30 June 2008 Unaudited £000	Year ended 31 December 2008 Audited £000
Final dividend for 2007 paid at 2.30p per share	–	1,056	1,056
Interim dividend for 2008 paid at 1.05p per share	–	–	482
	–	1,056	1,538

At the Annual General Meeting on 22 June 2009 the proposed final dividend for the year ended 31 December 2008 was approved. The dividend payable of £1.1m was paid in July 2009 and was provided for in the accounts.

## 7. Intangible assets and impairment testing

	Goodwill £000
At 30 June 2009, 30 June 2008 and 31 December 2008	<b>5,604</b>

The goodwill of £5,604,000 (2008: £5,604,000) has been acquired through business combinations and has been allocated to the Group's cash-generating unit. It is tested at least annually for impairment.

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on the Group's long range plan. The pre-tax cash flows in this period of time support the carrying value of the goodwill.

The key assumptions used to determine the recoverable amount for the cash generating unit were discussed in the Group's annual financial statements for the year ended 31 December 2008; these have been updated to reflect the most recent information. The resultant effect is to increase the pre-tax discount rate to 13.3% (31 December 2008: 12.9%) and adjust the value of the cash-generating unit by removing non-cash generating assets from the calculation.

## 8. Property, plant and equipment

### Significant additions

During the six months ended 30 June 2009, the Group incurred expenditure of £1.7m (30 June 2008: £9.4m) which included £0.6m for Project *Pinewood*.

## 9. Investment property

Investment property is stated at cost excluding the day to day costs of servicing the property. During the six months ended 30 June 2009, the Group recognised an investment property with a cost of £6.2m (30 June 2008: nil). Investment property held at 31 December 2008 has been restated to £5.7m to provide comparative information.

## 10. Commitments and contingencies

### Capital commitments

At 30 June 2009, the Group had capital commitments contracted for but not provided in the interim financial statements totalling nil (30 June 2008: £2.8m) in relation to the completion of certain capital expenditure projects.

### Guarantees

At 30 June 2009, the Group had guarantees in place, in the form of documentary credits, that were not provided for in the interim financial statements totalling £163,250 (30 June 2008: £557,345) in relation to certain Section 278 highways related infrastructure.

## 11. Financial risk management, objectives and policies

The financial risk management, objectives and policies of the Group are disclosed in the Group's 2008 Annual Report.

During the period the Group continued to use interest derivatives to manage its interest rate exposure. The £7.5m hedge with an effective rate of 5.525% that expired on 31 March 2009 was replaced with a new £7.5m hedge with an effective rate of 2.89%. A £1.0m asset financing agreement was also obtained secured against specific identifiable items classified as 'Fixtures, fittings and equipment' within the 'Property, plant and equipment' category on the balance sheet.

## 12. Related party disclosures

The consolidated financial statements include the financial statements of Pinewood Shepperton plc, its subsidiaries and its 50% interest in the joint ventures listed in the following table.

	Country of incorporation	% equity interest	
		2008	2007
Pinewood Studios Limited	United Kingdom	100	100
Shepperton Studios Limited	United Kingdom	100	100
Pinewood-Shepperton Studios Limited	United Kingdom	100	100
Studiolink Limited	United Kingdom	100	100
Teddington Studios Limited	United Kingdom	100	100
The Studio Broadcasting Company Limited	United Kingdom	100	100
Baltray No.1 Limited	United Kingdom	100	100
Baltray No.2 Limited	United Kingdom	100	100
Shepperton Management Limited	United Kingdom	100	100
Sauls Farm and Stables Limited	United Kingdom	100	100
Sauls Farm Limited	United Kingdom	100	100

Pinewood Shepperton plc is the parent entity of the Group.

### Joint ventures

		% Joint venture interest	
Shepperton Studios (General Partner) Limited	United Kingdom	50	50
Shepperton Studios Property Partnership	United Kingdom	50	50

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

Entity with which Michael Grade was associated in the period	Sales to related party £000	Amounts owed by related party £000
<b>Six months ended/at 30 June 2009</b>		
<b>ITV</b>	<b>45</b>	<b>9</b>
<i>Six months ended/at 30 June 2008</i>		
ITV	105	31
<i>Year ended/at 31 December 2008</i>		
ITV	175	2

Michael Grade is Non-Executive Chairman of Pinewood Shepperton plc and Executive Chairman of ITV plc.

## 12. Related party disclosures continued

### Joint ventures

Shepperton Studios Limited has a commercial property lease on the Shepperton Studios property. The net cost to the Group of principal lease rentals during the period ended 30 June 2009 was £443,000 (30 June 2008: £338,000). In addition the Group pays a top up rent to the joint venture partnership based on certain of its trading activities at the Shepperton Studios site. During the period the net cost to the Group of the top up rent was nil (30 June 2008: £42,000). The Group's share of amounts owed to the 50% joint venture partnership at 30 June 2009 was nil (30 June 2008: £62,000).

Shepperton Management Limited manages the assets of the joint venture partnership and charges an asset manager fee based on independent valuations of the Shepperton Studios site. Asset manager fees charged during the period ended 30 June 2009 were £47,000 (30 June 2008: £63,000). The Group's share of amounts owed by the 50% joint venture partnership at 30 June 2009 was £13,000 (30 June 2008: £17,000).

## 13. Principal risks and uncertainties

There are no changes to the assessment and considerations of the principal risks as disclosed in the Group's 2008 Annual Report.

The principal risks to which the Group and Company are exposed are disclosed in the 'Key business risks' section and Note 22 of the Annual Report for the year ended 31 December 2008. An electronic version of the Annual Report can be found in the investor relations section of the Group website: [www.pinewoodgroup.com](http://www.pinewoodgroup.com)

## 14. Directors' responsibilities

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Group as required by Disclosure and Transparency Rules (DTR) 4.2.4;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and their impact on the condensed interim financial report, and description of the principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board on 24 August 2009:

**Ivan Dunleavy**  
Chief Executive

**Patrick Garner FCA**  
Finance Director

## Company information

### Directors

Michael Grade	Chairman
Ivan Dunleavy	Chief Executive
Patrick Garner FCA	Finance Director
Nicholas Smith	Commercial Director
Adrian Burn FCA	Non-Executive Director
Nigel Hall FCA	Non-Executive Director
James Donald FRICS	Non-Executive Director

### Company Secretary

D M Richardson

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