

Interim Report 2007

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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Financial highlights

- Turnover of £18.3m (2006: £18.7m)
- Operating profit of £3.6m (2006: £3.6m)
- Profit before tax up 39% to £2.9m (2006: £2.1m)
- Diluted earnings per share up to 5.9p (2006: 4.3p)
- Earnings per share, after adjusting for the effects of indexation on deferred tax, up to 4.9p (2006: 3.1p)
- Interim dividend up 11% to 1.0p (2006: 0.9p)

Operational highlights

- Demand for film production in the UK is showing the benefit of the effective operation of the new film tax regime
- Investment in television facilities continues
- Development commences at Shepperton Studios
- Pre-let marketing for space at both Pinewood Studios and Shepperton Studios has commenced
- Disney International Character Voices contract extended
- Further timing delay shifting film revenues into the first half of 2008

Operating review

Film

The benefits of increased confidence from our film customers following the introduction of the new film tax credit, effective from 1 January 2007, are now apparent. Increasing interest in film production activity in the UK in the period is providing strong evidence that the new film tax regime is operating effectively as an incentive.

For the six months ended 30 June 2007, Film revenues were £10.8m, an increase of 9% on 2006 (£9.9m). A number of productions commenced in 2006 and continued their utilisation of facilities into 2007, for example *Bourne Ultimatum* (Universal), *Sweeney Todd* (Warner Bros), *His Dark Materials: The Golden Compass* (New Line), *Inkheart* (New Line) and *Fred Claus* (Warner Bros). Additionally, *Mamma Mia* (Universal) has contributed significantly to Film revenues during the first half.

We have also provided facilities for a number of productions on location during the period.

Pinewood Shepperton is mindful of international competition from other European studios, and from US competitors who benefit from tax breaks in a number of US states and the US dollar weakness. We will continue to invest in the stages, equipment, facilities and ancillary services that will allow Pinewood Shepperton to maintain its premium offering. We have commenced a major internal refurbishment of C & D stages, last upgraded in the 1980s and C & D offices at Shepperton Studios, and the upgrade of two workshops at Pinewood Studios.

Ongoing investment in post production has maintained Pinewood Shepperton's market position in the first six months of 2007. Post Production has generated revenues from a number of films during the period including *28 Weeks Later*, *Killshot*, *His Dark Materials: The Golden Compass*, *Harry Potter and the Order of the Phoenix* and *10,000 BC*.

The Group has also developed an increasing presence in foreign language versioning. The long-term success of our contract with Disney Character Voices International resulted in their decision to grant a further extension of their contract. Other productions serviced included *Transformers* (Paramount) and *Surf's Up* (Sony).

In domestic post production, competitive trading conditions have continued into 2007. Management's strategy continues to centre on providing a more comprehensive offering of post production services, which we expect will improve revenues in the medium term.

As reported at the time of our preliminary results announcement, the 007 Stage was completed in March 2007 at a cost of approximately £8m. On completion, the facility was utilised immediately for the shooting of *Mamma Mia*. Our decision to enhance the operational functionality of the stage, including increased capacity, a drive in ramp, improved gantry, lighting and drainage infrastructure has been endorsed by the very positive feedback received to date.

Television

Television revenues for the first half of 2007 were £4.7m compared to £5.5m for the equivalent period in 2006, reflecting timing differences for a number of productions.

Our ability to attract a greater number of television production companies is fundamental to the strategy of diversifying our revenues across the Group and exploiting the strong demand in the television market.

As previously announced, the business will shortly begin to enjoy the benefits of its volume arrangement with the BBC. We are actively seeking to extend this concept to other customers.

We have undertaken necessary investment in High Definition camera equipment to support the development of our TV customer base, who are increasingly choosing to produce programmes in this format. The benefit of these enhancements has enabled us to improve our gross margins at Teddington Studios. This investment is in line with our usual programme of capital expenditure.

During the first half of 2007 we welcomed back a number of productions to our television studios, including *The Weakest Link*, *My Family*, *IT Crowd*, *Harry Hill's TV Burp*, and *Bremner Bird and Fortune*, in addition to a number of new clients including Shed Productions, Twofour Broadcast and Phil Macintyre Productions. Our customers are providing very positive feedback on the development of our television facilities.

In addition to the TV work during the first half, we also provided facilities to 43 commercials.

At Teddington Studios we have increased the range of services offered to existing customers. We have improved the facilities on offer to the Chinese Channel and have continued to support a number of other channel customers. We are currently investing in Multi-Protocol Label Switching (MPLS) technology which will enable the strategic extension of our channel hosting capabilities to Pinewood Studios. This will allow a broader range of services to be offered from Pinewood Studios.

Filmed television productions which utilised facilities during the first half of 2007 included *Let Me Entertain You*, *Cranford Chronicles*, *Thomas the Tank Engine* and *Vivienne Vyle*. We provided sound mixing services to a number of television productions including *Waking the Dead*, *Saddam's Tribe*, *Night Garden* and *My Family*.

Pinewood Shepperton remains committed to its strategy of growing television revenues. To support diversification away from more volatile film production revenues, Pinewood Shepperton will seek to extend our trading relationships with major broadcasters and independent producers over the short to medium term. Pinewood Shepperton is well placed to respond to producers' requirements for a broad range of production facilities.

Media Park income

Media Park income for the six months to 30 June 2007 was £2.8m (2006: £3.3m), after eliminating £0.4m of income attributable to our Joint Venture partner in Shepperton Studios Property Partnership. Underlying performance for the first half of 2007 remains broadly in line with 2006.

The 280 businesses located across the Group generated occupancy levels in excess of 90% for the period under review. We continue to see evidence of strong demand for our flexible accommodation across the studios, although we remain capacity constrained in this area of our business until our development strategy adds the additional capacity we require.

Media Park development strategy

To begin the implementation of our master planning initiatives we have launched a marketing campaign to attract pre-lets at both Pinewood Studios and Shepperton Studios. Initial responses to this programme have been encouraging. We are now actively pursuing prospective media tenants who recognise the significant benefit in relocating to the Pinewood and Shepperton media clusters.

We have 1,019,000 sq ft of new planning consents at Pinewood Studios, and in preparation for its development we have commenced the necessary upgrade and development of a new entrance, roundabout and public highway access, which will improve traffic flows through the studios. The new entrance will be completed towards the end of 2007.

Pinewood Shepperton is investing in the infrastructure of both its Pinewood and Shepperton sites including, in the first instance, the commissioning of a new power supply to the Pinewood site.

We are continuing the improvement of amenities at all sites, and will be extending our existing green transport initiative.

As we commence developments at the Studios, some disruption to studio activity will be unavoidable. We will continue to manage carefully the impact of this disruption on trading activity as the pace of our development strategy increases.

Shepperton Studios Property Partnership

The Joint Venture partnership entered into with Morley Fund Management in September 2006 is progressing well. During the first quarter of 2007 the Gainsborough Building (formerly referred to as I Building) at Shepperton was commenced, including 40,000 sq ft of offices and 20,000 sq ft of workshop space. Preparation of the site was completed during the period and contractors commenced construction in May 2007. It is anticipated that this development will be completed by April 2008.

We work closely with Morley Fund Management on all aspects of the property partnership. The property management expertise they have brought to partnership will stand us in good stead as development accelerates. This will ensure greater efficiency in our management of the Shepperton Studios Media Park.

Current trading and outlook

In our trading statement of the 13 June 2007 we reported that contracts for a number of major film projects would commit to production later than expected in the year. As a consequence, Film revenues were likely to be flat year on year. Also as stated, this timing delay would result in a greater certainty for Film revenues for the first half of 2008. More recently, further timing delays by major productions are now expected to impact revenues realised in the current financial year, again to the benefit of the first half of 2008. Every effort is being made to replace these deferred productions, however if these fail to materialise the outturn for 2007 Film revenues will not match the levels achieved in 2006.

The benefit of these timing delays is that contracted film productions are at an unusually high level for the first half of 2008.

The US film industry negotiations with the Writers' and Screen Actors' Guilds will commence in the coming months. It is currently too early to predict the outcome of these negotiations. Experience of past negotiations suggests this will now create uncertainty over the timing and level of film activity in the second half of 2008.

Television revenues are expected to show growth in the second half of 2007 and for the year as a whole. The market for television production has shown consistent demand and recent statements from broadcasters have highlighted the need for the TV industry to continue to invest in high quality UK production. Much of this is ideally suited to the studio based production model.

Media Park income is expected to remain in line with expectations and the Group is making progress on several fronts with its development strategy.

The Board continues to view the Company's prospects with confidence.

BBC Resources

On 15 August 2007 the BBC announced its intention to sell its Resources unit, which provides facilities for the production of television programmes. Pinewood Shepperton confirms that it has expressed an interest in participating in this sale process, which is clearly at a very early stage. The Board does not intend to comment further on this matter at this time.

Financial review

Adjusted operating profit

The consolidated results of Pinewood Shepperton plc for the six months ended 30 June 2007, incorporate the Company's 50% interest in Shepperton Studios Property Partnership, the Joint Venture with Morley Fund Management at Shepperton Studios.

The impact on operating profit of the Joint Venture is presented in the following table, which provides a comparison of adjusted results for the first half of 2007 compared to the equivalent period for 2006.

	Reported six months ended 30 June 2007 Unaudited £000	Adjustments £000	Adjusted six months ended 30 June 2007 Unaudited £000	Reported six months ended 30 June 2006 Unaudited £000
Revenue	18,329	416 ⁽ⁱ⁾	18,745	18,729
Cost of sales	(11,234)	(47) ⁽ⁱⁱ⁾	(11,281)	(11,611)
Gross profit	7,095	369	7,464	7,118
Selling, distribution and administrative expenses	(3,453)	47 ⁽ⁱⁱⁱ⁾	(3,406)	(3,500)
Operating profit	3,642	416	4,058	3,618

(i) Shepperton Studios Media Park income attributable to the Joint Venture partner's interest in Shepperton Studios Property Partnership.

(ii) The net impact of top up rentals, cost recovery and depreciation.

(iii) Costs incurred in the administration of the Joint Venture.

Revenue

Turnover for the six months ended 30 June 2007 was £18.3m (2006: £18.7m). Adjusted turnover of £18.7m remains in line with 2006.

Film revenues were up 9% at £10.8m (2006: £9.9m), with Television revenues at £4.7m, representing a 14% reduction compared to the equivalent period in 2006 (£5.5m). Media Park income was £2.8m (2006: £3.3m).

Profit performance

Gross margin for the period was 38.7% (2006: 38.0%) with operating margin of 19.9% marginally ahead of 2006 (19.3%) after accounting for the Joint Venture. Adjusted operating profit was £4.1m (2006: £3.6m).

Reported EBITDA was £5.1m (2006: £5.3m). This measure continues to provide a valuable indicator of the Group's performance, reflecting the cash generative nature of the business.

Profit before tax was £2.9m (2006: £2.1m), arising from improved performance in Film revenues, together with the positive impact of significantly reduced interest costs to 30 June 2007 of £0.8m (2006: £1.5m) as a result of the Joint Venture.

Earnings per share

Reported earnings per share were 5.9p (2006: 4.3p). Earnings per share for the period, after adjusting for exceptional items and the effects of indexation on the deferred tax charge, were 4.9p (2006: 3.1p) reflecting improved underlying operating profit and lower interest costs for the period.

The diluted and weighted average number of shares in issue was 45,886,000 for the period.

Dividend

The Board has announced an interim dividend for 2007 of 1p per share (2006: 0.9p) an increase of 11%, reflecting the Board's confidence in the business. The dividend is to be paid on 9 November 2007 to shareholders on the register on 12 October 2007 (ex dividend date 10 October 2007). The Board's objective is to maintain a progressive dividend policy.

Cash flow and net debt

Cash flow generated from operations was £2.5m (2006: £2.2m).

The Group's net debt at 30 June 2007 was £21.5m (2006: £41.4m), including its 50% share of the non-recourse loan within Shepperton Studios Property Partnership, of £10m. At 30 June 2007 the financial gearing of the business was 33% (2006: 71%).

At 30 June 2007 the Company had drawn £11m of its available £35m Revolving Credit Facility, and had utilised £0.6m of its available £3m overdraft facility.

Capital expenditure

Capital expenditure during the period was £7.0m (2006: £1.8m), notably investment in the replacement of the 007 stage of £5.2m, and other facility enhancements including the commencement of investment in television High Definition equipment.

Interest

Finance costs for the six months to 30 June 2007 were £0.8m (2006: £1.5m) reflecting the reduced debt levels.

The interest cover ratio based on operating profit was 4.8 times compared to 2.3 times for the same period in 2006, reflecting improved gearing in the period.

Pinewood Shepperton uses an interest rate derivative to manage its interest exposure. At 30 June 2007, £7.5m of the Company's revolving credit facility was the subject of an interest rate hedge.

The non-recourse facility within the Joint Venture remains at floating rate.

Taxation

The current corporation tax expense, based on profit before tax of £2.9m, was £0.9m (2006: £0.7m), an effective tax rate of 32% (2006: 33%).

Deferred tax restatement of prior year comparatives

Following external advice on IFRS, it is now considered that the appropriate accounting treatment is to calculate the tax charge that would be payable on the sale of land and buildings as a whole rather than separately. The result is to give full effect to the indexation allowances applicable to the tax base cost of buildings. As a result the total deferred tax liability at 31 December 2006 is decreased by £8.3m.

The impact of this change reflected as at 1 January 2006 is to decrease goodwill by £4.1m, decrease the deferred taxation liability by £7.9m and increase retained earnings by £3.9m.

The 2007 total tax charge incorporates the impact of deferred tax credits arising from the recalculation of the Company's deferred tax liability. The recalculated deferred tax now takes account of indexation allowances from the combined treatment of land and buildings and results in a deferred tax credit of £0.5m (2006: £0.6m).

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 2007 which comprises Group income statement, Group balance sheet, Group cash flow statement, Group reconciliation of movement in net debt, Group statement of changes in equity and the related notes 1 to 5. 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 2007.

Ernst & Young LLP

London

3 September 2007

Group income statement

for the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 as restated Unaudited £000	Year ended 31 December 2006 as restated Unaudited £000
Revenue				
Rendering of services	3	18,329	18,729	40,704
Cost of sales		(11,234)	(11,611)	(24,064)
Gross profit		7,095	7,118	16,640
Selling and distribution expenses		(1,093)	(879)	(2,089)
Administrative expenses		(2,360)	(2,621)	(5,493)
Exceptional income		–	–	1,013
Operating profit before exceptional items		3,642	3,618	9,058
Operating profit		3,642	3,618	10,071
Finance costs		(761)	(1,541)	(2,909)
Profit before tax		2,881	2,077	7,162
Current tax expense		(924)	(678)	(1,186)
Deferred tax credit/(debit)		294	24	(506)
Effect of indexation on deferred tax provision		474	554	1,009
Total corporation tax expense		(156)	(100)	(683)
Profit for the period		2,725	1,977	6,479
Attributable to:				
Equity holders of the parent		2,725	1,977	6,479
Earnings per share				
– basic and diluted for result for the period	4	5.9p	4.3p	14.1p
– basic and diluted for result for the period adjusted for exceptional items	4	5.9p	4.3p	12.6p
– basic and diluted for result for the period adjusted for exceptional items and effect of indexation on deferred tax provision	4	4.9p	3.1p	10.4p

Group balance sheet

at 30 June 2007

	As at 30 June 2007 Unaudited £000	As at 30 June 2006 as restated Unaudited £000	As at 31 December 2006 as restated Unaudited £000
Assets			
Non-current assets			
Property, plant and equipment	91,518	105,028	89,096
Intangible assets	5,604	5,604	5,604
	97,122	110,632	94,700
Current assets			
Inventories	309	343	319
Trade and other receivables	3,675	3,652	4,792
Prepayments	579	1,336	2,171
Cash	–	587	1,064
	4,563	5,918	8,346
Total assets	101,685	116,550	103,046
Equity and liabilities			
Equity attributable to equity holders of parent			
Share capital	4,582	4,582	4,582
Share premium	43,478	43,478	43,478
Capital redemption reserve	135	135	135
Merger reserve	348	348	348
Fair value of cash flow hedge reserve	–	(147)	(3)
Retained earnings	15,888	9,765	14,020
Total equity	64,431	58,161	62,560
Non-current liabilities			
Interest-bearing loans and borrowings	20,848	41,795	18,806
Deferred tax liabilities	4,787	5,459	5,555
	25,635	47,254	24,361
Current liabilities			
Trade and other payables	9,552	10,415	15,114
Provisions	769	–	812
Interest-bearing loans and borrowings	637	174	18
Tax payable	661	546	181
	11,619	11,135	16,125
Total liabilities	37,254	58,389	40,486
Total equity and liabilities	101,685	116,550	103,046

Group cash flow statement

for the six months ended 30 June 2007

	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 December 2006 Unaudited £000
Cash flow from operating activities			
Profit before tax	2,881	2,077	7,162
Adjustments to reconcile profit before tax to net cash flows			
Exceptional income	–	–	(1,013)
Depreciation	1,433	1,648	3,220
Finance costs	761	1,541	2,909
Cash flow from operating activities before changes in working capital	5,075	5,266	12,278
Decrease/(increase) in trade and other receivables	1,192	(500)	(958)
Decrease/(increase) in inventories	10	(40)	(16)
(Decrease)/increase in trade and other payables	(2,565)	(55)	(642)
Cash generated from operations	3,712	4,671	10,662
Finance costs paid	(775)	(1,905)	(2,845)
Corporation tax paid	(440)	(560)	(1,430)
Net cash flow from operating activities	2,497	2,206	6,387
Cash flow (used in)/(from) investing activities			
Proceeds from Shepperton Studios Joint Venture transaction	–	–	20,500
Costs of the Shepperton Studios Joint Venture transaction	(282)	–	(1,162)
Proceeds from insurance for 007 Stage	2,017	–	4,980
Purchase of property, plant and equipment	(6,953)	(1,762)	(6,215)
Net cash flow (used in)/from investing activities	(5,218)	(1,762)	18,103
Cash flow from/(used in) financing activities			
Proceeds from the issue of shares	–	10	10
Payment of finance lease liabilities	(18)	(143)	(300)
Dividends paid	(962)	–	(412)
Proceeds from borrowings of Joint Venture	–	–	10,000
Proceeds from bank borrowings	2,000	–	–
Repayment of bank borrowings	–	(1,000)	(34,000)
Net cash flow (used in)/from financing activities	1,020	(1,133)	(24,702)
Net (decrease) in cash	(1,701)	(689)	(212)
Cash at the start of the period	1,064	1,276	1,276
(Overdraft)/cash at the end of the period	(637)	587	1,064

Group reconciliation of movement in net debt for the six months ended 30 June 2007

	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 December 2006 Unaudited £000
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash	(1,701)	(689)	(212)
Repayment of bank loans	–	1,000	34,000
Amortisation of loan issue costs	(46)	(74)	(291)
Repayments of finance lease obligations	18	143	299
Proceeds from borrowings of Joint Venture	–	–	(10,000)
Proceeds from bank borrowings	(2,000)	–	–
Movement in fair value of cash flow hedge	4	362	568
Movement in net debt	(3,725)	742	24,364
Net debt at the start of the period	(17,760)	(42,124)	(42,124)
Net debt at the end of the period	(21,485)	(41,382)	(17,760)

Group statement of changes in equity

from 1 January 2007 to 30 June 2007

	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 2007	4,582	43,478	14,020	348	(3)	135	62,560
Profit for the period	-	-	2,725	-	-	-	2,725
Transfers to the income statement							
On cash flow hedges	-	-	-	-	3	-	3
Total recognised income and expense for the period	-	-	2,725	-	3	-	2,728
Equity dividends	-	-	(962)	-	-	-	(962)
Share based payment	-	-	105	-	-	-	105
At 30 June 2007	4,582	43,478	15,888	348	-	135	64,431

Group statement of changes in equity

from 1 January 2006 to 31 December 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 – as previously reported	4,581	43,469	3,880	348	(400)	135	52,013
Adjustment in respect of deferred tax	–	–	3,888	–	–	–	3,888
At 1 January 2006 – as restated	4,581	43,469	7,768	348	(400)	135	55,901
Profit for the period	–	–	1,977	–	–	–	1,977
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	–	–	1,977	–	253	–	2,230
New shares issued	1	9	–	–	–	–	10
Sharebased payment	–	–	20	–	–	–	20
At 30 June 2006	4,582	43,478	9,765	348	(147)	135	58,161
Profit for the period	–	–	4,502	–	–	–	4,502
Transfers to the income statement							
On cash flow hedges	–	–	–	–	142	–	142
Income and expense recognised directly in equity							
Profit on cash flow hedges taken to equity	–	–	–	–	63	–	63
Tax on items taken directly to or transferred from equity	–	–	43	–	(61)	–	(18)
Total recognised income and expense for the period	–	–	4,545	–	144	–	4,689
Equity dividends	–	–	(412)	–	–	–	(412)
Share issue costs	–	–	–	–	–	–	–
Sharebased payment	–	–	122	–	–	–	122
At 31 December 2006	4,582	43,478	14,020	348	(3)	135	62,560

Notes to the financial statements at 30 June 2007

1. Corporate information

Pinewood Shepperton plc is a company incorporated and domiciled in the United Kingdom whose shares are publicly traded. The interim Group financial statements of the Group for the six months ended 30 June 2007 were authorised for issue in accordance with a resolution of the Directors on 3 September 2007.

2. Basis of preparation and accounting policies

The interim report has been prepared in accordance with the historical cost convention and also with the recognition and measurement criteria of the International Financial Reporting Standards, including International Accounting Standards and Interpretations as adopted for use in the EU. 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 2006. The Group's financial statements for the year ended 31 December 2006, 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 2006, except for the adoption of amendments mandatory for annual periods beginning on or after 1 January 2007. The adoption of these amendments did not affect the Group results of operations or financial position.

Restatement of prior year comparatives

At the year ended 31 December 2006, a provision was made for the potential capital gains tax liability that would occur should the land and buildings be sold. In arriving at this provision, following external advice on the reinterpretation of the IFRS, the Group calculated the potential tax charge on the sale of land and the sale of buildings separately. After further consideration and developments in the interpretation of IFRS, it is now considered that the appropriate accounting treatment is to calculate the tax charge that would be payable on the sale of the properties as a whole. The effect of this for the Group is to give full effect to the indexation allowances applicable to the tax base cost of buildings. As a result the total deferred tax liability at 31 December 2006 is decreased by £8,327,000.

The impact of this change at 1 January 2006 is to decrease goodwill and the deferred taxation liability by £4,052,000 and £7,940,000 respectively, and increase retained earnings by £3,888,000.

The restatement also increases the deferred taxation credit through the Group income statement during the year ended 31 December 2006 from £116,000 to £503,000, and the deferred taxation credit during the period ended 30 June 2006 from £24,000 to £578,000.

The credit for deferred taxation of £503,000 is made up as follows:

- credit of £1,009,000 relating to the effect of indexation allowances in the year
- credit of £415,000 for the effect of depreciation on buildings
- debit of £282,000 as a result of the 007 Stage fire
- debit of £266,000 as a result of the sale of the Shepperton site
- debit of £397,000 for capital allowances in advance of depreciation on fixtures, fittings and equipment
- credit for other timing differences totalling £24,000.

This has no effect on the amount of tax payable in cash on the profits for the year.

As a result of the above, earnings in the period ending 30 June 2006 and 31 December 2006 have increased by £554,000 and £387,000 respectively. This has increased both basic and diluted earnings per share in the period ending 30 June 2006 and 31 December 2006 by 1.2p and 0.8p per share respectively.

3. Revenue analysis

	Total £000
Six months ended 30 June 2007	
Film	10,835
Television	4,697
Media Park income	2,797
	18,329
Six months ended 30 June 2006	
Film	9,947
Television	5,453
Media Park income	3,329
	18,729
Year ended 31 December 2006	
Film	22,549
Television	11,837
Media Park income	6,318
	40,704

4. Earnings per ordinary share and dividend

Earnings per ordinary share

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

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 excluding exceptional items and the effect of indexation on the deferred tax provision (see Note 2).

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

	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Restated Unaudited £000	Year ended 31 December 2006 Restated Unaudited £000
Profit attributable to equity holders of the Company	2,725	1,977	6,479
<i>Adjustments to profit for calculation of adjusted earnings per share</i>			
Exceptional income	–	–	(1,013)
Taxation adjustments on exceptional items	–	–	305
	2,725	1,977	5,771
Effect of indexation on deferred tax provision	(474)	(554)	(1,009)
	2,251	1,423	4,762
	Thousands	Thousands	Thousands
Basic weighted average number of shares	45,817	45,813	45,817
Dilutive potential ordinary shares resulting from employee share schemes	69	–	57
Diluted weighted average number of shares	45,886	45,813	45,874
	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 December 2006 Unaudited £000
Dividend (final and interim for 2006)	962	–	412

5. 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	Six months ended 30 June 2007 Unaudited	% equity interest	
			Six months ended 30 June 2006 Unaudited	Year ended 31 December 2006 Unaudited
Pinewood Studios Limited	United Kingdom	100	100	100
Shepperton Studios Limited	United Kingdom	100	100	100
Pinewood-Shepperton Studios Limited	United Kingdom	100	100	100
Studiolink Limited	United Kingdom	100	100	100
Teddington Studios Limited	United Kingdom	100	100	100
The Studio Broadcasting Company Limited	United Kingdom	100	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

Pinewood Shepperton plc is the ultimate parent entity.

Joint Ventures

	Country of incorporation	Six months ended 30 June 2007 Unaudited	% equity interest	
			Six months ended 30 June 2006 Unaudited	Year ended 31 December 2006 Unaudited
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.

	Sales to related party £000	Amounts owed by related party £000
Entity with which Michael Grade is associated:		
Six months ended/at 30 June 2007		
ITV	31	5
Six months ended/at 30 June 2006		
BBC	1,080	92
Year ended/at 31 December 2006		
BBC	2,463	99

5. Related party disclosures continued

The Group has entered into 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 2007 was £325,000 (30 June 2006: £nil, 31 December 2006: £196,000). 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 £18,000 (30 June 2006: £nil, 31 December 2006: £47,000). The Group's amounts owed, to the 50% Joint Venture partnership at 30 June 2007 was £150,000 (30 June 2006: £nil, 31 December 2006: £109,000).

The Group has agreed to manage the assets of the Joint Venture partnership and charge an asset manager fee based on independent valuations of the Shepperton Studios site. Asset manager fees charged during the period ended 30 June 2007 were £65,000 (30 June 2006: £nil, 31 December 2006: £39,000). The Group's amounts owed by the 50% Joint Venture partnership at 30 June 2007 was £17,000 (30 June 2006: £nil, 31 December 2006: £8,000).

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 FCA

Head office, Registered office and Directors' address

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Investor relations website

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Advisers

Financial Adviser and Stockbroker

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Legal Advisers to the Company

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Auditors

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Registrars and Receiving Agents

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