

# Pinewood Shepperton plc Interim Report 2008

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## Introduction

**Pinewood Shepperton plc, the leading European provider of studio and related services to the film and television industry,** announces its interim results for the six months to 30 June 2008.

## Highlights

- Revenue of £21.7m (2007: £18.3m)
- Operating profit of £4.8m (2007: £3.6m)
- Profit before tax of £3.8m (2007: £2.9m)
- Diluted earnings per share 7.4p (2007: 5.9p)
- Diluted earnings per share, adjusted for the effects of indexation on deferred tax, 5.9p (2007: 4.9p)
- Interim dividend up 5% to 1.05p (2007: 1.00p)
- New five year banking facilities of £70m arranged in August 2008
- Media Park development strategy progressing:
  - Construction of 42,000 sq ft Technicolor building on schedule and on budget at Pinewood Studios
  - Panalux takes occupation of a redeveloped 16,500 sq ft building at Pinewood Studios
  - 60,000 sq ft Gainsborough building at Shepperton Studios completed and two-thirds occupied in May 2008
- Preparation of planning application for Project Pinewood progressing well

## Operating review

### Film

Pinewood Shepperton's film revenues for the first six months of 2008 highlight its ability to deliver consistent revenues in times of wider economic uncertainty.

Film revenues for the six months ended 30 June 2008 of £13.0m (2007: £10.8m) benefited from the continuation of production of a number of major films carried over from 2007. The largest production based at the studios during the period was the latest 'Bond' film, 'Quantum of Solace' (Sony/Eon). Other major productions included 'The Boat That Rocked' (Working Title) and 'The Wolfman' (Universal).

Sterling, relative to other international currencies, has gradually improved for our US based customers, which together with the new UK film tax regime, continues to make film production in the UK a relatively attractive option for US studios in comparison to other international locations.

At the end of the first half of 2008, the Screen Actors Guild of America (SAG) began negotiations with the major US studios that currently remain unresolved. A new Executive Board for SAG is due to be appointed in September 2008 and US studios anticipate that a resolution to the dispute will be reached thereafter. The Board continues to monitor the situation which, if not resolved, may impact film revenues in 2009.

### Television

Television revenues for the first half of 2008 were £5.8m (2007: £4.7m). Over the past six months the Group has continued to provide the following television facilities and services: dedicated studios, channel hosting, post-production, filmed production and television commercials, demonstrating the versatility of its facilities.

During the first half of 2008, the Group welcomed major television productions including Gladiators, The Lily Allen Show, New Tricks, Little Dorrit and King Lear and has seen repeat business from longstanding productions such as Dragons' Den, My Family and The Weakest Link. The Group is also successfully attracting commercials into the studios, whilst the channel hosting business at Teddington continues to make a significant contribution to television revenues as these facilities expand to meet growing demand.

The Group maintains its strategic aim of diversifying its revenues and developing desirable hubs for the wider creative industries in the UK. Television is a key component of the creative industries and the gradual upgrading of television studio facilities at Pinewood and Teddington continues to ensure that targeted investment in high definition technology meets the requirements of major customers.

### **Media Park**

Media Park income for the six months to 30 June 2008 was £2.9m (2007: £2.8m) after accounting for the Group's 50% interest in the Shepperton Studios Property Partnership. Over 290 businesses now operate from the Group's studios offering a variety of services to the media industry.

Media Park has delivered a stable performance as the Group expands capacity and seeks to implement its master planning consents when pre-lets from major tenants are secured. Developments included the 16,500 sq ft facility for Panalux Limited (Panalux), completed and occupied in the first half of 2008, and Technicolor Limited's (Technicolor) 42,000 sq ft pre-let, which is on schedule and on budget for completion towards the end of 2008.

### **Shepperton Studios Property Partnership**

The joint venture partnership at Shepperton Studios delivered, on schedule and on budget, the 60,000 sq ft Gainsborough building which was opened in May 2008. The new building provides 40,000 sq ft of additional workshop and production facilities, which were immediately utilised by a film production customer. The remaining 20,000 sq ft is now being marketed by the Partnership. Further developments will be in accordance with the Partnership's defined pre-let strategy which requires commitment from a major tenant to occupy a significant proportion of a development.

### **Project Pinewood**

Project Pinewood is a long-term scheme to create a living and working community for the creative industries. The Board expects that following public consultation, a planning application will be made during the fourth quarter of 2008. Development of the scheme will be commenced in collaboration with appropriate partners once planning consent is granted. Total costs incurred to 30 June 2008 were £1.3m, and it is anticipated that a total of £3.0m will be incurred progressing the application to submission by the year end. These costs are included in 'Property, plant and equipment' on the balance sheet.

### **Current trading and outlook**

The Group's diversification and growth strategy is proving well founded. The Group is pleased to have concluded new financing arrangements that will support its growth strategy for the next five years. The level of visibility on prospective revenues reinforces the Board's confidence in the outlook for the year as a whole.

**Ivan Dunleavy**  
Chief Executive

## Financial review

### Revenue

Total revenues for the six months ended 30 June 2008 were £21.7m (2007: £18.3m). Film revenues were £13.0m (2007: £10.8m) generated from the demand for stages and facilities by several large productions. Television revenues of £5.8m (2007: £4.7m) benefited from increased utilisation of Teddington and Pinewood digital television studios. Media Park revenue grew modestly to £2.9m (2007: £2.8m), net of the joint venture partner's 50% interest in Shepperton Studios Property Partnership.

### Profit performance

Gross margin for the period was 42.1% (2007: 38.7%) with operating margin at 22.3% (2007: 19.9%). Reported EBITDA was £6.6m (2007: £5.1m). The improvement in margins and EBITDA is as a result of the impact of operational gearing in the business despite a hardening market for utility costs to which the Group is partially exposed.

Profit before tax was £3.8m (2007: £2.9m), the increase, compared to 2007, being generated from the improved performance in film and television revenues.

### Earnings per share

Basic earnings per share for the period were 7.5p (2007: 5.9p). Basic earnings per share for the period, after adjusting for the effects of indexation on the deferred tax charge, were 6.1p (2007: 4.9p). Diluted earnings per share for the period were 7.4p (2007: 5.9p). Diluted earnings per share, after adjusting for the effects of indexation on the deferred tax charge, were 5.9p (2007: 4.9p). The increases in basic and diluted earnings per share, before and after adjustments, are predominantly due to improved trading.

Diluted and weighted average number of shares in issue in the six months to 30 June 2008 was 46,971,000 (2007: 45,886,000), including the awards granted under the Long Term Incentive Plan during the period.

### Dividend

The Board has declared an interim dividend for 2008 of 1.05p per share (2007: 1.00p per share), an increase of 5% reflecting the Board's confidence in the business. The dividend is to be paid on 7 November 2008 to shareholders on the register on 10 October 2008 (ex dividend date 8 October 2008).

### Cash flow and net debt

Net cash flow from operating activities generated during the six months to 30 June 2008 was £4.2m (2007: £2.5m), the increase resulted from improved trading.

During the period £9.4m (2007: £7.0m) was spent on capital expenditure, the major items being:

- Pre-let developments at Pinewood for Technicolor and Panalux of £3.6m;
- Lifecycle and infrastructure investment of £2.8m;
- The Group's share in the Gainsborough development at Shepperton of £2.3m;
- Project Pinewood costs of £0.7m.

The Group's net debt at 30 June 2008 was £36.4m (30 June 2007: £21.5m), which included £11.4m (30 June 2007: £10.0m) relating to the Group's 50% share of the non-recourse Aviva loans to the Shepperton Studios Property Partnership.

At 31 December 2007 net debt was £30.1m. The increase since that date reflects the ongoing investment commenced in 2007 on key capital projects. These include the pre-let developments for Technicolor and Panalux at Pinewood Studios and also the Group's share of the investment in the Gainsborough building at Shepperton Studios.

In anticipation of the expiry in May 2009 of the banking facilities negotiated at the time of the Initial Public Offering in 2004, the Group completed new five year financing facilities in August 2008. The new banking arrangements support continuing growth in the Group's core film, television, and pre-let development strategies.

The new £70.0m banking facilities comprise a £35.0m revolving credit facility, a £30.0m pre-let development facility and a £5.0m overdraft facility secured by a floating charge over the Group's directly owned assets. The pricing of these facilities reflects current market conditions – margins are variable and will fall in a range of 175 to 225 basis points over LIBOR.

The new banking facilities are in addition to those which continue to be provided to Shepperton Studios Property Partnership by our joint venture partner which total £40.0m. To the extent these loans are drawn (£22.8m at 30 June 2008) they are 50% consolidated in the Group's balance sheet (£11.4m at 30 June 2008).

**Interest**

Finance costs for the six months to 30 June 2008 were £1.0m (2007: £0.8m), reflecting the increased capital expenditure in the Group. Interest cover for the six months, based on operating profit, was a satisfactory 4.6 times compared to 4.8 times for the same period in 2007.

**Hedging**

Pinewood Shepperton uses an interest rate derivative to manage its interest exposure. At 30 June 2008 £7.5m of the Group's drawn revolving credit facility, which amounts to £26.0m, was subject to an interest rate swap. The Board intends to hedge up to 50% of drawings under the new banking facilities. The non-recourse facility within the joint venture is a floating rate facility with the margin geared to base rate.

**Taxation**

The current corporation tax expense for the six months to 30 June 2008, based on profit before tax of £3.8m was £1.2m (2007: £0.9m), a current tax rate of 31% (2007: 32%). After adjusting for the effect indexation has on deferred tax liabilities the effective rate was 9% (2007: 5%).

**Patrick Garner FCA**

Finance Director

# Independent review report

## to the shareholders 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 2008 which comprises the Interim consolidated income statement, Interim consolidated balance sheet, 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 11. 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 2008 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

Registered auditor  
London

27 August 2008

# Interim consolidated income statement

## for the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 Unaudited £000	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
<b>Revenue</b>				
Rendering of services	3	21,709	18,329	37,397
Cost of sales		(12,566)	(11,234)	(22,637)
<b>Gross profit</b>		<b>9,143</b>	7,095	14,760
Selling and distribution expenses		(1,157)	(1,093)	(1,735)
Administrative expenses		(3,145)	(2,360)	(4,942)
<b>Operating profit before exceptional items</b>		<b>4,841</b>	3,642	8,083
Exceptional costs		-	-	(985)
<b>Operating profit</b>		<b>4,841</b>	3,642	7,098
Finance costs		(1,043)	(761)	(1,821)
<b>Profit before tax</b>		<b>3,798</b>	2,881	5,277
Current tax expense		(1,181)	(924)	(2,165)
Deferred tax credit		174	294	819
Effect of indexation on deferred tax provision		666	474	853
Total corporation tax expense		(341)	(156)	(493)
<b>Profit for the period</b>		<b>3,457</b>	2,725	4,784
Attributable to:				
Equity holders of the parent		3,457	2,725	4,784
<b>Earnings per share</b>				
- basic for result for the period	4	7.5p	5.9p	10.4p
- diluted for result for the period	4	7.4p	5.9p	10.3p
- basic for result for the period adjusted for exceptional items	4	7.5p	5.9p	11.9p
- diluted for result for the period adjusted for exceptional items	4	7.4p	5.9p	11.8p
- basic for result for the period adjusted for exceptional items and effect of indexation on deferred tax provision	4	6.1p	4.9p	10.1p
- diluted for result for the period adjusted for exceptional items and effect of indexation on deferred tax provision	4	5.9p	4.9p	9.9p

# Interim consolidated balance sheet

## at 30 June 2008

	As at 30 June 2008 Unaudited £000	As at 30 June 2007 Unaudited £000	As at 31 December 2007 Audited £000
<b>Assets</b>			
<b><i>Non-current assets</i></b>			
Property, plant and equipment	109,758	91,518	102,257
Intangible assets	5,604	5,604	5,604
	<b>115,362</b>	97,122	107,861
<b><i>Current assets</i></b>			
Inventories	424	309	411
Trade and other receivables	4,675	3,675	4,148
Prepayments	2,074	579	2,121
Cash	912	–	834
	<b>8,085</b>	4,563	7,514
<b>Total assets</b>	<b>123,447</b>	101,685	115,375
<b>Equity and liabilities</b>			
<b><i>Equity attributable to equity holders of parent</i></b>			
Share capital	4,592	4,582	4,591
Share premium	43,620	43,478	43,615
Capital redemption reserve	135	135	135
Merger reserve	348	348	348
Retained earnings	20,217	15,888	17,616
<b>Total equity</b>	<b>68,912</b>	64,431	66,305
<b><i>Non-current liabilities</i></b>			
Interest-bearing loans and borrowings	37,312	20,848	30,894
Deferred tax liabilities	3,081	4,787	3,921
	<b>40,393</b>	25,635	34,815
<b><i>Current liabilities</i></b>			
Trade and other payables	11,619	9,552	12,913
Provisions	371	769	371
Interest-bearing loans and borrowings	–	637	–
Tax payable	2,152	661	971
	<b>14,142</b>	11,619	14,255
<b>Total liabilities</b>	<b>54,535</b>	37,254	49,070
<b>Total equity and liabilities</b>	<b>123,447</b>	101,685	115,375

The financial statements were approved by the Board of Directors on 27 August 2008 and are signed on its behalf by:

**Patrick Garner FCA**  
Finance Director

# Interim consolidated cash flow statement

## for the six months ended 30 June 2008

	<b>Six months ended 30 June 2008 Unaudited £000</b>	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
<b>Cash flow from operating activities</b>			
Profit before tax	<b>3,798</b>	2,881	5,277
<b>Adjustments to reconcile profit before tax to net cash flows</b>			
Exceptional costs	-	-	985
Depreciation	<b>1,715</b>	1,433	3,033
Finance costs	<b>1,043</b>	761	1,821
<b>Cash flow from operating activities before changes in working capital</b>	<b>6,556</b>	5,075	11,116
(Increase)/decrease in trade and other receivables	<b>(434)</b>	1,192	(823)
(Increase)/decrease in inventories	<b>(13)</b>	10	(92)
Decrease in trade and other payables	<b>(916)</b>	(2,565)	(2,434)
<b>Cash generated from operations</b>	<b>5,193</b>	3,712	7,767
Finance costs paid	<b>(1,032)</b>	(775)	(1,809)
Corporation tax paid	-	(440)	(1,354)
<b>Net cash flow from operating activities</b>	<b>4,161</b>	2,497	4,604
<b>Cash flow used in investing activities</b>			
Costs of the Shepperton Studios joint venture transaction	-	(282)	(357)
Proceeds from insurance for 007 stage	-	2,017	2,457
Expenditure on property, plant and equipment	<b>(9,405)</b>	(6,953)	(17,641)
<b>Net cash flow used in investing activities</b>	<b>(9,405)</b>	(5,218)	(15,541)
<b>Cash flow from financing activities</b>			
Proceeds from the issue of shares	<b>6</b>	-	146
Payment of finance lease liabilities	-	(18)	(18)
Dividends paid	<b>(1,056)</b>	(962)	(1,421)
Proceeds from borrowings of joint venture	<b>1,372</b>	-	-
Proceeds from bank borrowings	<b>5,000</b>	2,000	12,000
<b>Net cash flow from financing activities</b>	<b>5,322</b>	1,020	10,707
Net increase/(decrease) in cash	<b>78</b>	(1,701)	(230)
Cash at the start of the period	<b>834</b>	1,064	1,064
<b>Cash/(overdraft) at the end of the period</b>	<b>912</b>	(637)	834

## Interim consolidated reconciliation of movement in net debt for the six months ended 30 June 2008

	<b>Six months ended 30 June 2008 Unaudited £000</b>	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash	<b>78</b>	(1,701)	(230)
Amortisation of loan issue costs	<b>(46)</b>	(46)	(92)
Repayments of finance lease obligations	<b>-</b>	18	18
Proceeds from borrowings of joint venture	<b>(1,372)</b>	-	-
Proceeds from bank borrowings	<b>(5,000)</b>	(2,000)	(12,000)
Movement in fair value of cash flow hedge	<b>-</b>	4	4
<b>Movement in net debt</b>	<b>(6,340)</b>	(3,725)	(12,300)
Net debt at the start of the period	<b>(30,060)</b>	(17,760)	(17,760)
<b>Net debt at the end of the period</b>	<b>(36,400)</b>	(21,485)	(30,060)

## Interim consolidated statement of changes in equity

from 1 January 2008 to 30 June 2008

	Share capital £000	Share premium £000	Retained earnings £000	Merger reserve £000	Capital redemption reserve £000	Total equity £000
<b>At 1 January 2008</b>	4,591	43,615	17,616	348	135	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</b>	<b>4,592</b>	<b>43,620</b>	<b>20,217</b>	<b>348</b>	<b>135</b>	<b>68,912</b>

## Interim consolidated statement of changes in equity

from 1 January 2007 to 31 December 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
<b>At 1 January 2007</b>	4,582	43,478	14,020	348	(3)	135	62,560
Profit for the period	-	-	2,725	-	-	-	2,725
<b>Transfers to the income statement</b>							
On cash flow hedges	-	-	-	-	3	-	3
<b>Total recognised income and expense for the period</b>	-	-	2,725	-	3	-	2,728
Equity dividends	-	-	(962)	-	-	-	(962)
Share-based payment	-	-	105	-	-	-	105
<b>At 30 June 2007</b>	4,582	43,478	15,888	348	-	135	64,431
Profit for the period	-	-	2,059	-	-	-	2,059
Tax on items taken directly to or transferred from equity	-	-	(17)	-	-	-	(17)
<b>Total recognised income and expense for the period</b>	-	-	2,042	-	-	-	2,042
Equity dividends	-	-	(459)	-	-	-	(459)
New shares issued	9	137	-	-	-	-	146
Share-based payment	-	-	145	-	-	-	145
<b>At 31 December 2007</b>	4,591	43,615	17,616	348	-	135	66,305

# Notes to the interim consolidated financial statements

## at 30 June 2008

### 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 2008 were authorised for issue in accordance with a resolution of the Directors on 27 August 2008.

### 2. Basis of preparation and accounting policies

The interim consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with The Disclosure and Transparency Rules of the Financial Services Authority and 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 240 of the Companies Act 1985, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007, from which the 31 December 2007 comparative information included in these interim consolidated financial statements have been extracted. The financial statements for the year ended 31 December 2007, 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 2007. The IFRIC interpretations, amendments to existing standards and new standards which became mandatory for accounting periods beginning on or after 1 January 2008 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 2008 where the impact is considered material.

### 3. Revenue analysis

	<b>Six months ended 30 June 2008 Unaudited £000</b>	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
Film	<b>13,055</b>	10,835	19,548
Television	<b>5,761</b>	4,697	12,085
Media Park	<b>2,893</b>	2,797	5,764
	<b>21,709</b>	18,329	37,397

## 4. Earnings per ordinary share and dividends

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

	<b>Six months ended 30 June 2008 Unaudited £000</b>	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
Profit attributable to equity holders of the Company	<b>3,457</b>	2,725	4,784
<i>Adjustments to profit for calculation of adjusted earnings per share</i>			
Exceptional items	-	-	985
Taxation adjustments on exceptional items	-	-	(296)
	<b>3,457</b>	2,725	5,473
Effect of indexation on deferred tax provision	<b>(666)</b>	(474)	(853)
	<b>2,791</b>	2,251	4,620
	<b>Thousands</b>	Thousands	Thousands
Basic weighted average number of ordinary shares	<b>45,914</b>	45,817	45,861
Dilutive potential ordinary shares resulting from employee share schemes	<b>1,057</b>	69	587
Diluted weighted average number of ordinary shares	<b>46,971</b>	45,886	46,448
<b>Dividends</b>			
	<b>Six months ended 30 June 2008 Unaudited £000</b>	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
Dividend (final and interim for 2007)	<b>1,056</b>	-	459
Dividend (final for 2006)	-	962	962
	<b>1,056</b>	962	1,421

## 5. Provisions

The Group has established a provision for the maintenance of the Shepperton Studios property in accordance with the terms of the Shepperton Studios Limited lease with the joint venture partnership based on an independent surveyors report. The maintenance is expected to be completed by 31 December 2008.

## 6. 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	% equity interest		
		Six months ended 30 June 2008 Unaudited	Six months ended 30 June 2007 Unaudited	Year ended 31 December 2007 Audited
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	100
Baltray No.2 Limited	United Kingdom	100	100	100
Shepperton Management Limited	United Kingdom	100	100	100
Saul's Farm and Stables Limited	United Kingdom	100	–	100
Saul's Farm Limited	United Kingdom	100	–	100

Pinewood Shepperton plc is the ultimate parent entity of the Group.

### Joint ventures

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

During the period the Group had transactions with 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 2008</b>		
ITV	105	31
<i>Six months ended/at 30 June 2007</i>		
ITV	31	5
<i>Year ended/at 31 December 2007</i>		
ITV	165	15

### Joint ventures

The Group 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 2008 was £338,000 (30 June 2007: £325,000). 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 £42,000 (30 June 2007: £18,000). The Group's share of amounts owed to the 50% joint venture partnership at 30 June 2008 was £62,000 (30 June 2007: £150,000).

### *Joint ventures continued*

The Group 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 2008 were £63,000 (30 June 2007: £65,000). The Group's share of amounts owed by the 50% joint venture partnership at 30 June 2008 was £17,000 (30 June 2007: £8,000).

## **7. Principal risks and uncertainties**

There are no changes to the assessment and considerations of the principal risks as disclosed in the Group's 2007 Annual Report.

Principal risks considered by the Group include a downturn in film production activity in the UK, potential delay in revenue generation from the Group's Media Park development enhancement strategy and the timing of television production. Additionally, the Group is mindful of such issues as the US dollar to sterling exchange rate, the dispute involving the Screen Actors Guild of America and the maintenance of fiscal incentives relevant to film production in the UK.

Other principal risks to which the Group are exposed include interest rate risk, credit risk, liquidity risk, foreign currency risk and market risk. Details of which can be found in Note 23: Derivatives and Financial Instruments in the Group's 2007 Annual Report. 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)

## **8. Property, plant and equipment**

### *Significant additions*

During the six months ended 30 June 2008 the Group incurred capital expenditure of £9.4m.

## **9. Post balance sheet events**

On 15 August 2008 the Group completed new five year financing facilities with its bankers; The Royal Bank of Scotland plc, Lloyds TSB Bank plc and Allied Irish Banks, p.l.c.

## **10. Commitments and contingencies**

### *Capital commitments*

At 30 June 2008, the Group had capital commitments contracted for but not provided in the accounts totalling £2.8m (30 June 2007: nil) in relation to the completion of certain capital expenditure projects.

## **11. 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;
- (b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (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 27 August 2008

**Ivan Dunleavy**  
Chief Executive

**Patrick Garner FCA**  
Finance Director

# 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 and Marketing Director</i>
Adrian Burn FCA	<i>Non-Executive Director</i>
Nigel Hall FCA	<i>Non-Executive Director</i>
James Donald FRICS	<i>Non-Executive Director</i>

## Company secretary

D M Richardson

## Head office, Registered office and Directors' address

Pinewood Road  
Iver Heath  
Buckinghamshire SL0 0NH

## Investor relations website

available at [www.pinewoodgroup.com](http://www.pinewoodgroup.com)

## Advisers

### Corporate broker

JPMorgan Cazenove Limited  
20 Moorgate  
London EC2R 6DA

### Financial adviser

Lazard & Co., Limited  
50 Stratton Street  
London W1J 8LL

### Legal advisers to the Company

Travers Smith LLP  
10 Snow Hill  
London EC1A 2AL

### Auditors

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

### Registrars and Receiving agents

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

### Principal bankers

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

Lloyds TSB Bank plc  
25 Gresham Street  
London EC2V 7HN

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



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