



Pinewood Shepperton plc Interim Report 2011



Pinewood Shepperton plc

Interim Results for the six months ended 30 June 2011

Pinewood Shepperton plc (the "Company"), a leading provider of services to the global film and television industry, today announces its unaudited interim results for the six months ended 30 June 2011.

Highlights

- Revenue £26.1m (2010: £19.0m)
- Operating profit before exceptional items £6.6m (2010: £2.9m)
- Profit before tax £1.5m (2010: £1.5m)
- Basic earnings per share after adjusting for exceptional items and deferred tax 9.8p (2010: 1.0p)
- Commenced development of additional 30,000 sq ft stage capacity at Pinewood Studios
- Progress on: independent UK film investment, Project *Pinewood* inquiry and energy reduction infrastructure programme

Commenting on today's results, Ivan Dunleavy, Chief Executive, said:

"The first half of the year has delivered a positive performance across the business with good demand from big budget films and large scale TV productions. Despite the current economic uncertainties, the Company is performing strongly. Trading since the 30 June has been buoyant and is expected to continue to perform well for the year as a whole. Our investment in infrastructure to support growth is ongoing and we look to the future with confidence. The period has seen radical change to the shareholder register. We value the long-term support of Peel and Warren James as we take the business forward".

Enquiries:

Pinewood Shepperton plc

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Notes to Editors:

- Pinewood Shepperton plc is Europe's largest provider of stage and studio space.
- Pinewood, Shepperton and Teddington Studios together accommodate 34 stages, five dedicated digital television studios and five digital presentation studios.
- Pinewood Studios is home to Europe's leading studio-based underwater filming stage, as well as one of the largest exterior water tanks in Europe.
- Pinewood Studios has Europe's largest green screen.
- Pinewood and Shepperton Studios have been home to over 1,500 films in the last 75 years.
- Pinewood, Shepperton and Teddington Studios have hosted over 600 TV shows.
- Pinewood Studios will celebrate its 75th birthday on 30 September 2011.

Neither the content of the Company's website nor the content of any website accessible from hyperlinks on the Company's website, nor any other website, is incorporated into, or forms part of this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

Operating Review

Corporate Update

Offer by Peel Acquisitions

On 8 July 2011 the Recommended Cash Offer ("the Offer") by Peel Acquisitions (Pegasus) Limited ("Peel Acquisitions") for the Company closed. Peel Acquisitions is now the largest shareholder with 71.06% of the Company. Warren James Holdings Ltd ("Warren James") is the second largest shareholder with 27.05% of the Company. Both major shareholders have independently stated their long-term support of the Company following conclusion of the Offer. Combined, these shareholdings represent more than 98% of the share capital of the Company. Consequently, the Company wrote to the Financial Service Authority on 15 July 2011 to inform them that the Company no longer complies with the requirements of the UKLA's Listing Rules as to the number of shares to be held in public hands.

As a direct result of the Offer, exceptional costs of £4.0m were incurred and have been written off in the period.

Board Changes

Following the Offer outlined above there have been a number of changes to the Board. Adrian Burn, Senior Independent Director, James Donald and Nigel Hall, Non-Executive Directors, resigned on 12 July 2011. The Company warmly thanks them for their exceptional contribution over the years. The Company welcomes John Whittaker, Peter Hosker, Mark Senior and Neil Lees who are executives of the Peel Group and were appointed Non-Executive Directors of the Company on 12 July 2011.

Company Overview

Pinewood Shepperton plc has three complementary revenue streams - film, television and media park.

Film

Film revenues for the six months to 30 June 2011 were £18.2m (2010: £10.8m), an increase of 68%. Despite the increasingly competitive international market and the number of films which commenced principal photography in the UK during the period being the lowest first half figures since records began in 2003, Pinewood Studios and Shepperton Studios were both busy during the first half of 2011.

The largest film production based at Pinewood Studios during the period was *Dark Shadows* (Warner Bros) and the largest production based at Shepperton Studios was *Wrath of the Titans* (Warner Bros). Other productions that used Pinewood Shepperton facilities included *The Iron Lady* (DJ Films/Pathé), *Gravity* (Warner Bros), *Woman in Black* (Hammer Films), *47 Ronin* (Universal) and *Prometheus* (Fox).

The Company generated digital content services revenues during the period of £3.2m (2010: £3.0m). The development of a digital restoration, preservation and archive facility has ensured the Company continues to invest in its digital infrastructure for the benefit of its film and television productions, developers of computer games and tenants. The Company also provides international language versions to a wide range of productions. The long term agreement with Disney Character Voices International continues.

On 8 March 2011, the Company announced that it would provide investment funding of up to 20% on selected independent British films with total production costs of around £2m each. On 25 July 2011 the Company committed to jointly fund its first such project - *A Fantastic Fear of Everything* (Keel Films/Pinewood Films) directed by Crispan Mills, starring Simon Pegg.

International

Pinewood's international initiatives are progressing well. International revenues during the period of £0.4m (2010: £0.3m) are in line with the Company's expectations.

During the period 'Pinewood Toronto Studios' attracted a number of high profile film and television productions which included *Total Recall* (Sony Pictures) and *Still Seas* (Legendary Pictures/Warner Bros). The joint venture 'Pinewood Studio Berlin Film Services' is on track to host its first production later this year. Construction of 'Pinewood Iskandar Malaysia Studios' is underway and the film and television studios are due to open in 2013. The first phase of construction of 'Pinewood Indomina Studios' in the Dominican Republic is now expected to commence in early 2012.

Television

The Company's television revenues were reduced for the period at £4.7m (2010: £5.1m). Notwithstanding the highly competitive television studio market, the Company was unable to meet all the television demand at Pinewood Studios as its television studios were extensively used by film productions.

Pinewood and Teddington television studios played host to new and repeat business from *Lee Mack's All Star Cast* (Zeppotron), *Would I Lie to You* (Zeppotron), *The Rob Brydon Show* (Talkback Thames), *Piers Morgan's Life Stories* (ITV) and *Dick & Dom* (BBC).

During the period, television productions such as *Dragons' Den* (BBC), *New Tricks* (Wall to Wall), used film stages. One of the large stages at Pinewood hosted Sky's live talent show *Got to Dance* with an audience of 1,100, one of the largest audiences for a live studio show. *Dancing on Ice* (ITV) occupied two stages at Shepperton, one for the training rink and the other for the live show.

The transmission facilities at Teddington Studios provide additional services which are attractive to smaller channels. During the period channel hosting facilities were provided to Racing UK, Turf TV and the Chinese Channel.

The outstanding rent review at Teddington Studios was determined on 24 June 2011, following which Teddington Studios Limited has three months to decide whether it will exercise its option to terminate the lease on a minimum of 12 months notice. The Board will now review its options.

Media Park

Media Park revenues for the first half of 2011 were £3.2m (2010: £3.0m) including the Company's 50% interest in the Shepperton Studios Property Partnership (SSPP). Occupancy of 96% (31 December 2010: 90%) was a strong performance in a depressed commercial property market. Media Park comprises 287 (31 December 2010: 297) media related businesses offering services to the film, television, advertising and computer game industries. A number of smaller tenants have vacated and the space released taken up by larger tenants or productions in the period.

During the course of the first half of the year the Company invested in a range of projects including designing and securing planning permission for a new 30,000 sq ft stage at Pinewood Studios, constructing a new production workshop at Shepperton Studios funded by SSPP and continued the three year £3.3m capital project for the electricity supply upgrade from 3 MVA to 15 MVA at Pinewood Studios. The latter significant infrastructure improvement will allow the Company to increase the permanent power provision available to productions at the Studio but also to meet future demand from developing the consented Masterplan.

Project Pinewood

Project *Pinewood* is a project of national and regional significance which will be of long term benefit to all stakeholders at no cost to the taxpayer.

The Company's appeal by way of Public Inquiry against the initial refusal by South Bucks District Council of planning permission for Project *Pinewood* commenced on 5 April 2011 and adjourned on 13 May 2011. It will resume for two days this September. The final decision will be made by the Secretary of State for Communities and Local Government. Total costs incurred since the project inception to 30 June 2011, including the additional cost of responding to the Town or Village Green application, were £7.6m (31 December 2010: £6.0m).

Dividend

Given the costs incurred by the Company as a direct result of the Offer by Peel Acquisitions the Board has determined not to pay an interim dividend for the period.

Outlook

Despite the current economic uncertainty, the Company is performing strongly. Trading since the 30 June 2011 has been buoyant and is expected to continue to perform well for the year as a whole. The Company's investment in infrastructure to support growth is ongoing and the Company looks to the future with confidence.

Ivan Dunleavy
Chief Executive

Financial Review

The Board uses a number of key performance indicators (“KPIs”) to monitor the Company’s performance against budget as well as to measure progress against the Company’s strategic objectives. The KPIs used are revenue, profitability, return on capital employed, cash flow and net debt, all of which are discussed as part of this Financial Review for the six month period ended 30 June 2011.

Revenue

Total revenues for the six months ended 30 June 2011 were £26.1m (2010: £19.0m).

Film revenues were £18.2m (2010: £10.8m), an increase of 68% continuing the Company’s strong performance from the second half of 2010 and also reflecting the Company’s ongoing success in winning business in a buoyant but highly competitive international market. International film revenues of £0.4m (2010: £0.3m) were earned from providing international sales and marketing services in Canada and Malaysia.

Television revenues of £4.7m (2010: £5.1m) reflect the diversion of some of the Company’s television facilities at Pinewood Studios for film production for which there has been high demand. As a consequence the Company was unable to meet all the demand from television customers.

Included within film and television revenues are digital content services revenues which cover sound and picture post production, foreign language versioning, digitisation and archival services. For the six months to 30 June 2011, revenues were £3.2m (2010: £3.0m).

Media Park revenues, inclusive of service, utility and facility charges, were £3.2m (2010: £3.0m) including the Company’s 50% interest of £0.3m (2010: £0.4m) from the Shepperton Studios Property Partnership.

Profit performance and earnings per share

Gross profit was £11.3m (2010: £6.8m) with gross margins achieving 43% (2010: 36%).

Operating profit before exceptional items increased to £6.6m (2010: £2.9m), resulting in an operating profit margin of 25.3% (2010: 15.0%) before exceptional items. EBITDA, i.e. earnings before exceptional items, interest, tax, depreciation and amortisation was £8.4m (2010: £4.8m). Profit before tax after exceptional items was £1.5m (2010: £1.5m).

Basic earnings per share were 1.3p (2010: 2.7p). Basic earnings per share, after adjusting for exceptional items and the effects of the release for the provision of potential capital gains tax on properties were 9.8p (2010: 1.0p).

Diluted earnings per share were 1.3p (2010: 2.6p). Diluted earnings per share after adjusting exceptional items and the effects of the release of the provision of the potential gains tax on properties were 9.8p (2010: 1.0p).

The diluted weighted average number of shares in issue was 46.3m (2010: 47.8m).

Return on capital employed

The Company measures return on capital employed by reference to annualised operating profit before exceptional items, as a percentage of average capital employed, being total equity plus interest bearing loans and borrowings, which for the 12 months ended 30 June 2011 was 10.7% (2010: 6.3%).

Exceptional income

The Company successfully agreed a VAT refund during the period relating to prior years which after costs amounted to £0.5m.

Exceptional costs

Exceptional costs for the period were £4.0m. The Company incurred advisors costs in connection with the Offer for the Company by Peel Acquisitions which amounted to £2.7m. Following the Offer by Peel Acquisitions becoming unconditional on 21 June 2011, the Company's Long Term Incentive Plan awards and its Save As You Earn scheme were accelerated, resulting in a non-cash charge to the Income Statement of £1.3m.

Dividend

Given the costs incurred by the Company as a direct result of the Offer by Peel Acquisitions the Board has determined not to pay an interim dividend for the period.

Cash flow and net debt

The Company generated operating cash flow of £6.4m (2010: £5.0m). After adjusting for movements in working capital, cash generated from operations was £7.6m (2010: £5.5m) from which finance costs of £1.4m (2010: £1.5m) and corporation tax of £1.1m (2010: £0.9m) were paid.

During the period the cash outflow on capital expenditure amounted to £4.8m, including £1.8m of capital expenditure payable carried forward from 31 December 2010. The main items of expenditure during the period were: life cycle expenditure £2.1m, infrastructure power upgrade £0.7m and Project *Pinewood* costs of £1.7m.

Net debt at 30 June 2011 was £43.3m (31 December 2010: £42.7m) which included £12.0m (31 December 2010: £12.0m) relating to the Company's 50% interest in the non-recourse Aviva loan to the Shepperton Studios Property Partnership ("SSPP").

One of the pre-conditions of the Offer by Peel Acquisitions for Pinewood Shepperton plc was that the current banking facilities remained in place to August 2013. The Board was required to agree a waiver of a change of control clause within the banking documentation. The variations to the banking documentation required the Company to pay a fee to the banks of £235,000 which has been included in exceptional costs. In addition, there has been an increase in the margin by 25 basis points which took effect from 12 July 2011. The Board also cancelled £18.0m of the undrawn pre-let development facility.

The Company's amended banking facilities of £52m, post the Offer by Peel Acquisitions, comprises a £35m revolving credit facility, a £12m pre-let development facility and a £5m overdraft facility, all of which are secured by a floating charge over the Company's assets.

The revolving and pre-let development facilities contain no scheduled repayments and mature in August 2013. The £5m overdraft facility is available until August 2013 and is subject to annual reviews. As at 30 June 2011, £23.5m (31 December 2010: £22.5m) of the revolving credit facility and £6.5m (31 December 2010: £6m) of the pre-let development facility were drawn. The overdraft facility at 30 June 2011 and 31 December 2010 was undrawn. There are a range of covenants relating to the revolving credit facility, pre-let facility and overdraft facility. The Company was covenant compliant with adequate headroom on all covenants at 30 June 2011.

In addition to the £52m banking facilities, there are non-recourse facilities provided to SSPP by the Company's joint venture partner Aviva which total £40m of which £24m was drawn at the period end. This loan, which is 50% consolidated at £12m (31 December 2010: £12m) is included in the Company's statement of financial position. These facilities, which are available until 2026, are covenant free with no scheduled repayments.

Investment property

Investment property is recognised in accordance with IAS 40 as a category within assets in the Company's statement of financial position. At 30 June 2011 investment property was recorded at the carrying cost of £6.3m (31 December 2010: £6.3m).

Capital commitments

The Company had capital commitments of £8.8m at 30 June 2011 (31 December 2010: £3.9m), relating to energy infrastructure upgrades and construction of the new stage.

Related party transactions

The related party transactions which have taken place are set out in Note 14 to the condensed set of financial statements together with any changes in related party transactions disclosed in the Annual Report for the year ended 31 December 2010 that could have a material effect on the financial position or performance of the Company.

Financial gearing

At 30 June 2011, net debt including the Company's share of the SSPP non-recourse drawn loan was £43.3m (31 December 2010: £42.7m). Financial gearing at 30 June 2011, excluding fair value and loan issue costs, was 55.8% (31 December 2010: 55.8%).

Finance costs and hedging

Net finance costs were £1.6m (2010: £1.7m). The Company has at its disposal undrawn facilities for which it pays non-utilisation fees as a percentage of the margin. Net finance costs were covered 4.1 times (2010: 1.7 times) by operating profit before exceptional items for the period. The Company continued to use interest rate derivatives to manage interest rate exposure.

The Company has a £7.5m hedge with an effective rate of 2.89%, plus a variable margin that was entered into in April 2009 and expires in July 2013. The Company also has a £15m hedge with an effective rate of 5.195% plus a variable margin that was entered into in October 2009 and expires in July 2013.

At 30 June 2011, £22.5m (31 December 2010: £22.5m) of the Company's facilities were under interest rate swaps and £1.6m (31 December 2010: £1.8m) under a fixed interest rate asset financing facility.

Project Pinewood

Included within "property, plant and equipment" on the statement of financial position, is £7.6m of costs incurred to 30 June 2011 (31 December 2010: £6.0m) in relation to Project *Pinewood*. Capitalisation of costs is based on the Board's judgement that the economic benefits expected from the asset will exceed the carrying value. Costs are reviewed monthly by the Board, taking into consideration all aspects of the project, the Board views the carrying value of the capitalised costs incurred up to 30 June 2011 to be appropriate.

Taxation

The current corporation tax expense for the period ended 30 June 2011, based on profit before tax of £1.5m was £1.1m, a current tax rate of 73% (31 December 2010: 35%) due to non tax allowable exceptional items.

Going concern

In assessing the going concern basis, the Directors considered the Company's business activities, the financial position of the Company and the company's financial risk management objectives and policies. The Directors considered that the Company has adequate resources to continue in operational existence for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

Change in accounting reference date

The Board has decided to change the Company's accounting reference date from 31 December to 31 March. Accordingly, the 12 month accounting period that would have ended on 31 December 2011 has been extended to a 15 month accounting period ending on 31 March 2012.

As a result of the change in the accounting reference date, the next financial reports to be issued by the Company will be unaudited interim accounts for the 6 months to 31 December 2011 to be published by 29 February 2012 and audited accounts for the 15 month period ending on 31 March 2012 to be published by 31 July 2012.

Patrick Garner FCA

Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINWOOD SHEPPERTON PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises of the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flow, Consolidated Statement of Changes in Equity and related notes 1- 17. We have read the other information contained in the half yearly 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 International Standard on Review Engagements 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly 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 half-yearly 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 half-yearly 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 half-yearly financial report for the six months ended 30 June 2011 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
Date

Group income statement for the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Revenue				
Rendering of services	3	26,069	18,987	43,409
Cost of sales		(14,732)	(12,228)	(26,007)
Gross profit		11,337	6,759	17,402
Selling and distribution expenses		(904)	(744)	(1,561)
Administrative expenses		(3,837)	(3,136)	(6,766)
Operating profit before exceptional items		6,596	2,879	9,075
Exceptional income	4	500	544	632
Exceptional costs	5	(3,991)	(223)	(579)
Operating profit		3,105	3,200	9,128
Finance costs		(1,602)	(1,666)	(3,309)
Profit before tax		1,503	1,534	5,819
Current tax expense	6	(1,091)	(514)	(2,016)
Deferred tax credit /(charge)	6	189	(318)	(97)
Effect of indexation on deferred tax provision		-	521	582
Total corporation tax expense		(902)	(311)	(1,531)
Profit for the period		601	1,223	4,288
Attributable to:				
Equity holders of the parent		601	1,223	4,288
Earnings per share				
- basic for result for the period	7	1.3p	2.7p	9.3p
- diluted for result for the period	7	1.3p	2.6p	8.9p

Group statement of other comprehensive income for the six months ended 30 June 2011

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Profit for the period	601	1,223	4,288
Net loss on cash flow hedges	(209)	(1,037)	(1,185)
Transfer of cash flow hedge interest to income statement	399	423	848
Taxation	(66)	172	78
Other comprehensive income/(loss) for the period, net of tax	124	(442)	(259)
Total comprehensive income for the period, net of tax	725	781	4,029
Attributable to:			
Equity holders of the parent	725	781	4,029

Group statement of financial position at 30 June 2011

	Notes	As at 30 June 2011 Unaudited £000	As at 30 June 2010 Unaudited £000	As at 31 December 2010 Audited £000
Assets				
Non-current assets				
Property, plant and equipment	10	117,188	112,355	115,385
Investment property	11	6,314	6,339	6,360
Intangible assets	9	5,604	5,604	5,604
Long-term asset		337	-	347
		129,443	124,298	127,696
Current assets				
Inventories		559	523	491
Trade and other receivables		4,580	6,620	5,355
Prepayments		3,198	1,820	1,980
Cash		1,093	498	495
		9,430	9,461	8,321
Total assets		138,873	133,759	136,017
Equity and liabilities				
Equity attributable to equity holders of parent				
Share capital		4,725	4,623	4,623
Share premium		43,847	43,692	43,692
Capital redemption reserve		135	135	135
Merger reserve		348	348	348
Fair value of cash flow hedge		(1,062)	(1,369)	(1,186)
Retained earnings		28,255	24,848	27,448
Total equity		76,248	72,277	75,060
Non-current liabilities				
Interest-bearing loans and borrowings		44,425	47,044	43,190
Deferred tax liabilities		1,206	1,505	1,306
		45,631	48,549	44,496
Current liabilities				
Trade and other payables		15,967	12,310	15,387
Tax payable		1,027	623	1,074
		16,994	12,933	16,461
Total liabilities		62,625	61,482	60,957
Total equity and liabilities		138,873	133,759	136,017

The financial statements were approved by the Board of Directors on 23 August 2011 and are signed on its behalf by:

Patrick Garner FCA
Finance Director

Group statement of cash flows for the six months ended 30 June 2011

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Cash flow from operating activities			
Profit before tax	1,503	1,534	5,819
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Exceptional items – non cash	1,268	(244)	(126)
Depreciation	1,792	1,892	3,755
Share-based payment charges	204	156	202
Finance costs	1,602	1,666	3,309
Cash flow from operating activities before changes in working capital	6,369	5,004	12,959
Increase in trade and other receivables	(443)	(3,127)	(2,140)
Increase in inventories	(68)	(186)	(154)
Increase in trade and other payables	1,773	3,792	6,891
Cash generated from operations	7,631	5,483	17,556
Finance costs paid	(1,395)	(1,502)	(2,990)
Corporation tax paid	(1,138)	(854)	(1,906)
Net cash flow from operating activities	5,098	3,127	12,660
Cash flow from/(used in) investing activities			
Purchase of property, plant and equipment	(4,805)	(2,822)	(6,673)
Additions to long-term assets	-	-	(347)
Net cash flow used in investing activities	(4,805)	(2,822)	(7,020)
Cash flow (used in)/from financing activities			
Proceeds from the issue of shares	171	-	-
Payment of asset financing liabilities	(210)	(160)	(379)
Dividends paid	(1,156)	-	(1,619)
Proceeds from asset financing	-	1,297	1,297
Repayment of bank borrowings	1,500	-	(3,500)
Net cash flow from financing activities	305	1,137	(4,201)
Net increase in cash	598	1,442	1,439
Cash/(overdraft) at the start of the period	495	(944)	(944)
Cash at the end of the period	1,093	498	495

Group reconciliation of movement in net debt for the six months ended 30 June 2011

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Reconciliation of net cash flow to movement in net debt			
Increase in cash	598	1,442	1,439
Repayments of asset financing obligations	210	160	379
Proceeds from asset financing	-	(1,297)	(1,297)
Amortisation of loan issue costs	(136)	(144)	(286)
Repayment of bank borrowings	-	-	3,500
Proceeds from bank borrowings	(1,500)	-	-
Movement in fair value of cash flow hedge	191	(614)	(337)
Movement in net debt	(637)	(453)	3,398
Net debt at start of period	(42,695)	(46,093)	(46,093)
Net debt at end of period	(43,332)	(46,546)	(42,695)
Attributable to:			
Cash	1,093	498	495
Non-current liabilities			
Revolving credit facility loan	(23,500)	(26,000)	(22,500)
Pre-let development facility loan	(6,500)	(6,000)	(6,000)
Drawn facility loan			
Fair value of cash flow hedge	(1,433)	(1,901)	(1,624)
Unamortised loan issue costs	641	919	777
Asset financing	(1,631)	(2,060)	(1,841)
Share of joint venture loan	(12,002)	(12,002)	(12,002)
Interest-bearing loans and borrowings	(44,425)	(47,044)	(43,190)
Net debt at end of period	(43,332)	(46,546)	(42,695)

**Group statement of changes in equity
From 1 January 2011 to 30 June 2011**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Fair value of cash flow hedge reserve £000	Retained earnings £000	Total equity £000
At 1 January 2011 (Audited)	4,623	43,692	135	348	(1,186)	27,448	75,060
Profit for the period	-	-	-	-	-	601	601
Other comprehensive income	-	-	-	-	124	-	124
Total recognised income and expense for the period	-	-	-	-	124	601	725
Equity dividends (note 7)	-	-	-	-	-	(1,156)	(1,156)
New shares issued (note 8)	102	155	-	-	-	(86)	171
Vesting of LTIP grants	-	-	-	-	-	86	86
Vesting of LTIP grants	-	-	-	-	-	(86)	(86)
Share-based payment	-	-	-	-	-	1,448	1,448
At 30 June 2011 (Unaudited)	4,725	43,847	135	348	(1,062)	28,255	76,248

From 1 January 2010 to 31 December 2010

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Fair value of cash flow hedge reserve £000	Retained earnings £000	Total equity £000
At 1 January 2010 (Audited)	4,610	43,692	135	348	(927)	24,692	72,550
Profit for the period	-	-	-	-	-	1,223	1,223
Other comprehensive income/(loss)	-	-	-	-	(442)	-	(442)
Total recognised income and expense for the period	-	-	-	-	(442)	1,223	781
Equity dividends	-	-	-	-	-	(1,110)	(1,110)
New shares issued	13	-	-	-	-	(13)	-
Share-based payment	-	-	-	-	-	43	43
At 30 June 2010 (Unaudited)	4,623	43,692	135	348	(1,369)	24,835	72,264
Profit for the period	-	-	-	-	-	3,065	3,065
Other comprehensive income/(loss)	-	-	-	-	183	-	183
Total recognised income and expense for the period	-	-	-	-	183	3,065	3,248
Equity dividends	-	-	-	-	-	(509)	(509)
New shares issued	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	57	57
At 31 December 2010 (Audited)	4,623	43,692	135	348	(1,186)	27,448	75,060

Notes to the consolidated financial statements at 30 June 2011

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 2011 were authorised for issue by the Board of Directors on 23 August 2011.

2. Basis of preparation and accounting policies

Basis of preparation

The unaudited interim consolidated financial statements for the six months ended 30 June 2011 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 2010, from which the 31 December 2010 comparative information included in the interim consolidated financial statements have been extracted. The financial statements for the year ended 31 December 2010, 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 condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party transactions as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS1 Presentation of Financial Statements (Amendment)

The option clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statement. The Group provides this analysis in the statement of changes in equity.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

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 2010.

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.

Project Pinewood

The costs incurred from inception to 30 June 2011 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 the Board's 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 2011 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 26 'Financial risk management, objectives and policies' of the Group's Annual Report for the year ended 31 December 2010. 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 Company operates in one principal continuing area of activity, that of media services, primarily arising in the United Kingdom. It provides studio and related services to the global film and television industry.

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

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Film	18,178	10,834	29,051
Television	4,664	5,139	8,206
Media Park	3,227	3,014	6,152
	26,069	18,987	43,409

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

4. Exceptional income

Exceptional income for the period was £500,000 and consists of:

VAT claim

The Group successfully agreed a VAT refund of £500,000 during the period relating to prior periods. This benefit has been treated in the income statement as exceptional.

5. Exceptional costs

Exceptional costs for the period were £3,991,000 and consist of:

Acquisition by Peel Acquisitions

The Group incurred exceptional costs of £2,676,000 in the six months ended 30 June 2011 in relation to the acquisition of a majority shareholding in the Company by Peel Acquisitions.

Accelerated share option costs due to the acquisition by Peel Acquisitions

The Group also incurred £1,268,000 of accelerated share based charges as a result of the Offer by Peel Acquisitions becoming unconditional on 21 June 2011.

Group reorganisation

The Group incurred exceptional reorganisation costs of £47,000 in relation to the restructuring of certain business areas in the six months ended 30 June 2011.

6. Taxation

The current corporation tax expense for the period ended 30 June 2011, based on profit before tax of £1.5m was £1.1m, a current tax rate of 73% (31 December 2010: 35%) due to non tax allowable exceptional items.

7. 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:

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Profit attributable to equity holders of the parent	601	1,223	4,288
<i>Adjustments to profit for calculation of adjusted earnings per share</i>			
Exceptional income	(500)	(544)	(632)
Exceptional costs	3,991	223	579
Taxation adjustments on exceptional items	441	84	19
Tax adjustment on prior years exceptional items	-	-	45
Adjusted profit for adjusted earnings per share	4,533	986	4,299
Effect of release of deferred tax provision on property assets	-	(521)	(582)
Adjusted profit for adjusted earnings per share	4,533	465	3,717
	Thousands	Thousands	Thousands
Basic weighted average number of ordinary shares	46,257	46,137	46,201
Dilutive potential ordinary shares resulting from employee share schemes	-	1,643	2,024
Diluted weighted average number of ordinary shares	46,257	47,780	48,225
Earnings per share			
- basic for result for the period	1.3p	2.7p	9.3p
- diluted for result for the period	1.3p	2.6p	8.9p
- basic for result for the period adjusted for exceptional items and effect of release of provision for potential capital gains tax on properties	9.8p	1.0p	8.0p
- diluted for result for the period adjusted for exceptional items and effect of release of provision for potential capital gains tax on properties	9.8p	1.0p	7.7p

Dividend paid

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Final dividend for 2009 paid at 2.40p per share	–	–	1,110
Interim dividend for 2010 paid at 1.10p per share	–	–	509
Final dividend for 2010 paid at 2.50p per share	1,156	–	–
	1,156	–	1,619

8. Share capital and reserves

Authorised

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Ordinary shares of 10p each	7,000	7,000	7,000

Issued, called up and fully paid

	Six months ended 30 June 2011 Unaudited		Six months ended 30 June 2010 Unaudited		Year ended 31 December 2010 Audited	
	No.	£000	No.	£000	No.	£000
Ordinary shares of 10p each	46,232,006	4,623	46,104,906	4,610	46,104,906	4,610
Shares issued under the Company Share option schemes:						
10p ordinary shares issued on 31 March 2010			127,100	13	127,100	13
10p ordinary shares issued on 21 June 2011	800,000	80	–	–	–	–
10p ordinary shares issued on 8 July 2011	60,892	6	–	–	–	–
10p ordinary shares issued on 8 July 2011	155,785	16	–	–	–	–
	47,248,683	4,725	46,232,006	4,623	46,232,006	4,623

Shares issued on the 8 July have been included in share capital at 30 June 2011 as they were issued to satisfy awards made under share-based payment plans that vested on 21 June 2011 as a result of the offer by Peel Acquisitions becoming unconditional in all respects.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

Share option schemes

The Company had one share-based payment plan under which options to subscribe for the Company's shares have been granted. As a result of the recommended cash offer by Peel Acquisitions becoming unconditional on 21 June 2011, 155,785 shares were issued under this scheme, post 30 June 2011, and the scheme closed.

Long-term incentive plan

The Company had a long-term incentive plan under which awards for the Company's shares have been granted to certain executives and senior employees. As a result of the recommended cash offer by Peel Acquisitions becoming unconditional on 21 June 2011, 860,892 shares were issued under this scheme, 60,892 post 30 June 2011, and the scheme closed.

Nature and purpose of reserve

Reserve for own shares

Included within the cash capital account are the costs of Pinewood Shepperton plc shares purchased in the market and held by the Pinewood Shepperton plc Employee Benefit Trust to satisfy future exercise of awards under the Company share option scheme. As at 31 December 2010 the Company held 127,100 (2009: nil) of its own shares at an average cost of 10p per share. As a result of the recommended cash offer by Peel Acquisitions becoming unconditional on 21 June 2011, 127,100 shares were used to satisfy the exercise of awards under the Company share option scheme.

Share premium reserve

The share premium increased by £155,000 (2010: nil) in the period as a result of the shares issued under the share option scheme noted in the table above.

Capital redemption reserve

The capital redemption reserve arose as a result of the repurchase of shares in 2001.

9. Intangible assets and impairment testing

**Goodwill
£000**

At 30 June 2011, 30 June 2010 and 31 December 2010

5,604

The goodwill of £5.6m (2010: £5.6m) has been acquired through business combinations and has been allocated to the Company'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 Company'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 Company's annual financial statements for the year ended 31 December 2010.

10. Property, plant and equipment

Significant additions

During the six months ended 30 June 2011, the Company incurred expenditure of £3.5m (30 June 2010: £1.6m) which included £1.6m (30 June 2010: £0.4m) for Project *Pinewood*.

11. 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 2011, the Company recognised an investment property with a cost of £6.3m (30 June 2010: £6.3m).

12. Commitments and contingencies

Capital commitments

At 30 June 2011, the Company had capital commitments contracted for but not provided in the interim financial statements totalling £8.8m (30 June 2010: £3.9m) in relation to the completion of certain capital expenditure projects.

Guarantees

At 30 June 2011, the Company had guarantees in place, in the form of documentary credits, that were not provided for in the interim financial statements totalling £155,000 (30 June 2010: £163,250) in relation to certain Section 278 highways related infrastructure.

13. Financial risk management, objectives and policies

The financial risk management, objectives and policies of the Company are disclosed in the Group's 2010 Annual Report.

14. 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	
		2010	2009
Pinewood Studios Limited	United Kingdom	100	100
Shepperton Studios Limited	United Kingdom	100	100
Pinewood-Shepperton Studios Limited	United Kingdom	100	100
Teddington Studios 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
Saul's Farm and Stables Limited	United Kingdom	100	100
Saul's Farm Limited	United Kingdom	100	100
Pinewood Malaysia Limited	United Kingdom	100	100
Pinewood Germany Limited	United Kingdom	100	100
Pinewood Dominican Republic Limited	United Kingdom	100	100
Pinewood Shepperton Facilities Limited	United Kingdom	100	-
Pinewood Films Limited	United Kingdom	100	-
Pinewood Films Fantastic Limited	United Kingdom	100	-
Pinewood USA Inc	USA	100	-
Pinewood Film Production Studios Canada Inc	Canada	100	-

Pinewood Shepperton plc is the parent entity of the Company.

		% Joint venture interest	
Joint ventures			
Shepperton Studios (General Partner) Limited	United Kingdom	50	50
Shepperton Studios Property Partnership	United Kingdom	50	50
Pinewood Studio Berlin Film Services GmbH	Germany	50	50

14. Related party disclosures (continued)

Shepperton Studios Limited has a commercial property lease on the Shepperton Studios property. The net cost to the Company of principal lease rentals during the period ended 30 June 2011 was £537,000 (30 June 2010: £446,000). In addition the Company 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 Company of the top up rent was £100,000 (30 June 2010: nil).

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 2011 were £57,000 (30 June 2010: £50,000). The Company's share of amounts owed by the 50% joint venture partnership at 30 June 2011 was £753,000 (30 June 2010: £610,000).

Pinewood Germany Limited has entered into a 50/50 joint venture with Studio Hamburg GmbH, to market their existing studio facilities in Hamburg and Berlin.

15. Obligations under leases

Operating lease commitments – Company as a lessee

Teddington Studios

Teddington Studios Limited has entered into a commercial property lease on the Teddington Studios property with a third party. The lease term expires on 24 August 2024, with a tenant's break option exercisable after completion of the tenant's rent review which commences no later than 24 August 2009. Teddington Studios Limited has three months following determination of the 24 August 2009 rent review to give no less than twelve months notice following the rent review to terminate the lease. Under the terms of the agreement the tenant may not assign the lease earlier than 23 October 2009. The outstanding rent review at Teddington Studios was determined on 24 June 2011. The Board is reviewing its options.

Future minimum rentals payable on the non-cancellable Teddington Studios operating lease as at 30 June are as follows:

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Within one year	662	662	662
After one year but not more than five years	110	662	993
	772	1,324	1,655

Shepperton Studios

Shepperton Studios Limited entered into a commercial property lease on the Shepperton Studios property with Shepperton Studios Property Partnership, its 50% owned joint venture partnership. The lease term expires on 18 August 2026 with no break option.

Under the terms of the agreement the tenant may not assign the lease until 18 August 2016.

The net cost to the Company of future minimum rentals payable under the non-cancellable Shepperton Studios property operating lease as at 30 June is as follows:

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Within one year	1,040	892	940
After one year but not more than five years	4,160	3,568	3,760
After five years but not more than 20 years	10,504	9,933	9,964
	15,704	14,393	14,664

Operating lease commitments – Group as a lessor

The Group has entered into a commercial property lease on the property classified as Investment property. This non-cancellable lease has a remaining term of between 9 and 14 years. The lease includes a clause to enable upward revision of the principal rental charge on an annual basis subject to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Six months ended 30 June 2011 Unaudited £000	Six months ended 30 June 2010 Unaudited £000	Year ended 31 December 2010 Audited £000
Within one year	518	518	518
After one year but not more than five years	2,080	2,080	2,080
After five years but not more than 20 years	1,303	1,821	1,562
	3,901	4,419	4,160

16. Principal risks and uncertainties

There are no changes to the assessment and considerations of the principal risks as disclosed in the Company's 2010 Annual Report.

The principal risks to which the Company is exposed are disclosed in the 'Key business risks' section and Note 26 of the Annual Report for the year ended 31 December 2010. An electronic version of the Annual Report can be found in the investor relations section of the Company's website: www.pinewoodshepperton.com

17. 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 Company 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 23 August 2011:

Ivan Dunleavy
Chief Executive

Patrick Garner FCA
Finance Director