Pinewood Shepperton plc
Notice of Extraordinary General Meeting

Pinewood Shepperton plc
(Registered in England and Wales with No. 3889552)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you should immediately seek advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Pinewood Shepperton plc, please forward this document and the Form of Proxy enclosed as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Notice of the Extraordinary General Meeting of the Company to be held at the offices of JPMorgan Cazenove, 20 Moorgate, London EC2R 9DA on 19 June 2006 at 10.45 am or as soon thereafter as the Annual General Meeting of the Company shall have been concluded or adjourned is set out at the end of this document.

A Form of Proxy for use at the Extraordinary General Meeting is enclosed. However, a proxy may also be appointed for CREST members by using the CREST electronic proxy appointment service. To be valid, any instrument appointing a proxy must be received by Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZX, as soon as possible but, in any event, so as to arrive no later than 10.45 am on 17 June 2006.

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Directors
Michael Grade (Chairman)
Ivan Dunleavy (Chief Executive)
Patrick Garner (Finance Director)
Nicholas Smith (Sales and Marketing Director)
Adrian Burn (Non-Executive Director)
Nigel Hall (Non-Executive Director)
James Donald (Non-Executive Director)

Registered Office
Pinewood Road
Iver Heath
Buckinghamshire
SL0 0NH

2 June 2006

To the holders of ordinary shares of 10p each in the Company.

Dear Shareholder,

Extraordinary General Meeting – Resolution to adopt the Pinewood Shepperton plc 2006 Long-Term Incentive Plan (the 'LTIP').

I am writing to explain the Company's proposed change to its Executive remuneration policy by the implementation of a new LTIP[1].

The Company has examined its remuneration policy for the Executive team of the Company with its retained remuneration consultants, Halliwell Consulting. We have recently consulted the Company's principal shareholders on the detailed terms of the proposed remuneration policy and new share arrangements. We are grateful for shareholders' comments and interest during this consultation process. Following completion of this consultation process, the majority of shareholders of the Company (by percentage holding) have indicated to the Company that they are supportive of the proposals contained in this circular.

We would like you to approve the new LTIP at an Extraordinary General Meeting (the 'EGM') of the Company on 19 June 2006. Notice of the EGM is given on page 20.

Summary of current and proposed remuneration policy

The following tables show the principal changes between the current remuneration policy operated by the Company and the proposed remuneration policy.

Short-term compensation (annual)

Element of the compensation package	Current policy	Proposed policy
Base salary	Lower quartile to median	No change in policy
Bonus potential	Upper quartile	No change in policy
Maximum annual bonus potential	100% of salary for the Executive Directors	No change
Bonus performance targets and method of payment	Bonus targets are based on EBIT and payments of bonus earned are in cash	No change
Benefits	Market rate	No change in policy

1 Long-Term Incentive Plan ('LTIP') – a share plan under which conditional awards of shares with performance conditions attached are made at no cost to participants.

Long-term compensation

Element of the compensation package	Current policy	Proposed policy
Executive share incentives	Median – Upper quartile	Median – Upper quartile
Type of plan	**Option scheme**	**Long-term incentive plan**
Maximum annual share incentive grant	200% of salary	Global limit under all Elements of the LTIP is **250% of salary. Maximum Level 1 Grant is 250% of salary less the Level 2 Grant** proposed by the Remuneration Committee provided that to receive a Level 1 Grant an Executive must have purchased shares equivalent to 50% of the proposed award level i.e. for an Executive to qualify for a 100% of salary grant under Level 1 of the LTIP he would have to purchase shares equivalent to 50% of his salary. **Maximum Level 2 Grant is 150% of salary. Maximum Level 3 Grant is 100% of salary** (participants in Levels 1 and 2 cannot participate in Level 3 which is designed for employees below the Executive Directors).
Performance conditions	**Option scheme**	**Long-term incentive plan**
	100% of the options issued will vest subject to growth in earnings per share of RPI plus 18% per annum over a three year period. 25% of the options issued will vest on achievement of earnings per share of RPI plus 5% per annum. Options vest on a straight line basis between 25% and 100%.	**Part 1** – 50% of the award will be subject to the Company's comparative total shareholder return ('TSR') performance compared to the FTSE Small Cap Index (with a requirement to ensure underlying performance is consistent with the total shareholder return). 20% of the award will be released for median performance ('Threshold'), 80% for upper quartile performance ('Above Average') with full release for upper decile performance ('Maximum'). **Part 2** – 50% of award will be subject to the Company's average ROCE performance. The same release schedule shall apply to this part of the award as applies to the TSR part of the award. (See later for full details of performance conditions for the first grant of awards and the rationale behind their selection).

It is the intention of the Remuneration Committee to continually review the proposed policy on an annual basis to ensure that it is in line with the Company's objectives and shareholders' interests. In addition, the life of the new LTIP is five years requiring the Company to revert to shareholders for a formal approval at the end of this period for any future arrangements.

The following factors have underlined a requirement for the Remuneration Committee's policy to change:

- the need in the current climate to more clearly align Executives' interests with those of shareholders;
- the requirement to ensure greater transparency on how the Company sets each element of the compensation package and associated performance hurdles;
- a desire by the Company to better target its long-term share incentives to the strategy of the Company and the factors affecting the market in which the Company operates;
- the retention of key Executives of the Company;
- the accounting changes for options resulting in a P&L charge; and
- the need for Executives to build up meaningful shareholdings.

Executive share incentives

Current policy: Median to upper quartile

Proposed policy: Median to upper quartile
The Remuneration Committee is proposing to change its policy on Executive share schemes both in terms of the maximum award granted each year, the method of delivery and the performance targets attached to share awards. It is the Committee's intention to introduce this new share scheme policy after shareholder approval at the EGM on 19 June 2006.

The Company will not grant any further awards to Executive Directors or other members of the Executive Management Group in accordance with the current share scheme policy under the existing Executive Share Option Scheme.

The Company is proposing to implement a new Long-Term Incentive Plan known as 'The Pinewood Shepperton plc 2006 Long-Term Incentive Plan'. The LTIP will replace all the Company's discretionary share schemes for participants. Participants in the LTIP will not be entitled to the grant of awards under any other discretionary share plan operated by the Company (participants will also be entitled to participate in any all-employee arrangements operated by the Company).

Summary of principal terms of the new LTIP
The LTIP has three levels of participation. Set out below are the three levels of participation and their main features:

Level 1 – the main features of Level 1 are:

- participation is restricted to Executive Directors of the Company;

- the Remuneration Committee will determine whether to offer Level 1 awards on an annual basis;

- if participants wish to participate in Level 1 of the LTIP they are required to purchase shares from their own resources (known as Executive Shares). The maximum value of Executive Shares which can be purchased is equal to 50% of the annual grant under Level 2 proposed by the Remuneration Committee (provided that the total Level 1 and Level 2 awards do not exceed 250% of salary p.a.);

- for every Executive Share purchased by the participant the Company will increase the LTIP award by two shares, these shares will be released on the third anniversary of their date of grant provided the following conditions are satisfied:
    - continued employment over this period by the participant;
    - retention of the associated Executive Shares over this period; and
    - the satisfaction of the attached performance conditions at the appropriate performance level (the performance conditions are the same conditions as apply to Level 2 awards).

Level 2 – the main features of Level 2 are:

- participation is restricted to Executive Directors of the Company;

- the Remuneration Committee will determine the actual grants under Level 2 of the Plan on an annual basis;

- the maximum annual grant under Level 2 is 150% of the relevant participant's base salary p.a.;

- awards of shares under Level 2 will be released to the participant on the third anniversary of their date of grant provided the following conditions are satisfied:
    - continued employment of the participant over this period; and
    - the satisfaction of the attached performance conditions at the appropriate performance level.

Level 3 – the main features of Level 3 are:

- participation is restricted to the senior management of the Company excluding the Executive Directors;
- the Board will determine the actual levels of grant under Level 3 of the Plan based on such objective criteria as they determine;
- the maximum annual grant under Level 3 is 100% of the relevant participant's base salary p.a.;
- awards of shares under Level 3 will be released to the participant on the third anniversary of their date of grant provided the following conditions are satisfied:
  – continued employment of the participant over this period; and
  – the satisfaction of the attached performance conditions at the appropriate performance level.

The following table sets out the terms and conditions which apply to all awards under the LTIP:

Feature of the Plan	Detail
Participation	**Level 1** – Executive Directors (if they chose to participate and provided offered in relevant year).
	Level 2 – Executive Directors (at the discretion of the Remuneration Committee).
	Level 3 – Senior Management, excluding Executive Directors (participation at the discretion of the Board).
Maximum annual award limit (%age of basic salary)	**Level 1** – the maximum Level 1 award is equal to the Level 2 award granted (up to a maximum combined Level 1 and 2 award of 250% of salary p.a.).
	Level 2 – 150% of salary p.a. In practice it is intended that the annual grant limit on an ongoing basis will be 125% of salary for the Executive Directors.
	Level 3 – 100% of salary p.a.
Holding period	Three years.
Performance conditions	50% of the award is subject to the Company's TSR performance compared to the Small Cap Index over the holding period.
	50% of the award is subject to the Company's average ROCE over the holding period.
Corporate dilution limits (covering new issue shares and treasury shares)	10% in 10 years under **all** share arrangements. 5% in 10 years for **all** discretionary share arrangements (no discretion to exceed the 5% limit). There will be no formal flow limits on the issue of new shares. However, the Remuneration Committee will monitor the issue of new shares to ensure a balanced policy.
Cessation of employment	The award will lapse if the participant is a bad leaver (Executive Shares cannot be forfeited under any circumstances). If the participant is a good leaver the amount of the award released on cessation will be pro-rated depending upon the proportion of the performance period completed and proportionate satisfaction of the performance conditions.
Change of control	The number of shares capable of release on a change of control may be pro-rated to time at the discretion of the Remuneration Committee[2]. Of these shares the actual number released will be dependent on the proportionate satisfaction of the performance conditions.

2 The Remuneration Committee will consult with the Company's major shareholders in advance to obtain their views on how this discretion should be exercised in the particular circumstances arising.

Proposed levels of first grant and ongoing maintenance grants

The following table sets out the level of the proposed first grant of awards under the LTIP for participants:

Name	Level 1 percentage of salary award	Level 2 percentage of salary award	Level 3 percentage of salary award
Ivan Dunleavy	125%	125%	n/a
Patrick Garner	125%	125%	n/a
Nick Smith	125%	125%	n/a
Level 3 participant	n/a	n/a	50%

The following points should be noted:

- it has been assumed that all participants take maximum advantage of the Level 1 potential award;
- to receive a 125% of salary Level 1 award the relevant participant would have to purchase Executive Shares with a value of 62.5% of salary.

The Remuneration Committee may review the levels of grant under the LTIP on an annual basis to ensure that they remain appropriate. It should, therefore, be noted that the review may result in the Remuneration Committee reducing the value of future annual grants under the LTIP.

Performance conditions and basis of selection

It is the intention of the Remuneration Committee to impose two performance conditions under the LTIP.

50% Total Shareholder Return – 50% of the awards under the LTIP will be based on comparative Total Shareholder Return ('TSR'[3]) performance:

Company comparative TSR performance	%age of 50% of the award released
<Median	0%
Median*	20%
Upper quartile*	80%
Upper decile*	100%

*Straight line release between points.

3 Total Shareholder Return is a performance condition based on the notional return (share price and dividends) over the performance period on investing in one share of the Company at the beginning of this period. This return is then compared against the return of the companies constituting the Comparator Group and the Company's TSR performance is ranked. The Company's ranking will determine if any of the award is released.

The Comparator Group selected is the FTSE Small Cap Index. The Remuneration Committee felt that an Index was more appropriate than a bespoke comparator group when comparing the Company's performance due to the lack of similar companies which made it impossible to select a viable group.

The rationale behind the selection of TSR as a performance measure was:

- that it ensures that part of the potential benefit to the Executives is based on the Company's comparative returns to similar sized listed companies irrespective of general market conditions;
- the Committee believes that the value of the Company's Executive team and the strategy they are implementing will be reflected in the share price of the Company going forward; comparative total shareholder return is a measure operated in conjunction with the majority of LTIPs;
- the measure is generally supported by shareholders; and
- it will reduce the P&L cost of the awards.

The Remuneration Committee will ensure that the underlying financial performance of the Company is consistent with its TSR performance. One of the measures which will obviously be considered when making this determination is the ROCE performance of the Company.

50% Average ROCE[4] – 50% of the award will be based on the Company's average annual ROCE:

Annual average ROCE	%age of 50% of the award released
<12%	0%
12%*	20%
15%*	80%
16%*	100%

*Straight line release between points.

The rationale behind the selection of ROCE as a performance measure was the cyclical nature of the media business of the Company which makes any earnings growth measure vulnerable to the point in the cycle when the measurement starts. The Remuneration Committee, therefore, feels that ROCE is appropriate for the Company because:

- ROCE measures the efficiency with which capital is employed by the management of the Company and therefore is much less vulnerable to peaks and troughs in revenue;
- ROCE helps to ensure the most effective allocation of capital investment within the business; and
- ROCE also helps to ensure that any investments by the Company are effectively incorporated and deliver the required level of return on the capital used to make them. This will provide reassurance that the Company's investment strategy will be value driven rather than earnings driven.

4 Return on Capital Employed ('ROCE') will be calculated using the same methodology as the ROCE calculation in the statutory accounts of the Company. The ROCE formulae which will be used is as follows:–

Operating Profit before Exceptional administrative expenses, Finance costs and taxation (in accordance with the Income statement in the statutory accounts)

Divided by
Capital employed being Total equity, Interest bearing loans and Borrowings less cash (in accordance with the Balance sheet in the statutory accounts)

Release of first grant of awards

The following table sets out the release of the first grant of awards assuming that Executive Directors take maximum advantage of the Level 1 award potential. ALL PERCENTAGES ARE PERCENTAGES OF SALARY:

Level of performance	Average annual ROCE	TSR compared to Small Cap Index	Executive Directors Level 1	Executive Directors Level 2	Executive Directors Total	Level 3 participants
Threshold	12%	Median	25%	25%	50%	25%
Above average	15%	UQ	100%	100%	200%	50%
Maximum	16%	UD	125%	125%	250%	50%

It should be noted to receive a 125% of salary Level 1 award the Executive Director will have to purchase shares equivalent to 62.5% of salary.

Shareholding guideline

The Remuneration Committee is keen to encourage Executives to build significant shareholdings in the Company in relation to their remuneration. The introduction of a shareholding guideline will encourage Executives to build up a minimum shareholding in the Company.

The following table shows the minimum guideline shareholding as a percentage of salary which Executives will be encouraged to build up over a five year period:

Executive Directors	Over five year period
Chief Executive Officer	200%
Other Executive Directors	100%

Participants will be required to retain a proportion of the share awards released each year to build up the shareholding requirement over a five year period. For example, awards granted in 2006, 2007 and 2008 will be released in 2009, 2010 and 2011. A proportion of each released award shall be retained as shares so that by the end of 2011 participants should have met the minimum shareholding requirement.

When considering whether the participant has met the shareholding guideline the Remuneration Committee will take into account all shares held by the Executive. Participants will only be required to meet the minimum shareholding guideline from shares provided through the Company share arrangements; if these do not provide shares the Executive will not be expected to purchase shares in the market. If the Company share arrangements provide the Executive with shares and the appropriate percentage is not retained by the Executive, the Remuneration Committee will take this into account when considering the level of future awards.

Copies of the rules of the Pinewood Shepperton plc 2006 Long-Term Incentive Plan will be available at the offices of Halliwell Consulting, Floor 7, 1 Threadneedle Street, London, EC4R 8AW and at the registered office of the Company, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH during usual office hours (Saturdays, Sundays and public holidays excepted) from the date of despatch of this circular until the date of the EGM, and at the place of the EGM for at least 15 minutes prior to and during the EGM.

Action to be taken

You are asked to either:

1. Complete the attached Form of Proxy and return it, together with any power of attorney or authority under which it is signed or a notarially certified or office copy thereof, to Lloyds TSB Registrars, The Causeway, Worthing, Sussex BN99 6ZX, so as to arrive no later than 10.45 am on 17 June 2006; or

2. If you hold your shares in uncertificated form, use the CREST electronic proxy appointment service, details of which are set out in Note 3 to the Notice of Extraordinary General Meeting.

Completion of the Form of Proxy or appointment through CREST does not prevent you from attending and voting in person.

Recommendation

Your Directors believe that the LTIP is in the best interests of shareholders and the Company and recommend that you vote in favour of the resolution at the EGM. Due to the inherent conflict of interest in voting in favour of the LTIP your Executive Directors, as potential beneficiaries, feel that it is appropriate to abstain in respect of their shareholdings, amounting to 1,156,171 ordinary shares and 2.5% of the ordinary share capital of the Company.

Yours sincerely

Nigel Hall
Remuneration Committee Chairman

Glossary of terms

Term	Meaning
'Close Period'	any time when employees of the Company are prohibited from dealing in shares by the Model Code (contained in the annex to Chapter 9 of the Listing Rules), a company code or any other regulation which prohibits dealing in shares.
'Committee'	the Remuneration Committee of the Company.
'Control'	the meaning of control set out in Section 840 of the Income and Corporation Taxes Act 1988.
'LTIP awards'	Level 1 LTIP awards and Level 2 LTIP awards or Level 2 LTIP awards and/or Level 3 LTIP awards.
'Participant'	an eligible employee approved by the Committee and granted an LTIP award.
'Rules'	the rules of the LTIP setting out the terms and conditions relating to participation.
'Shares'	ordinary shares of the Company.

Appendix 1

Pinewood Shepperton plc 2006 Long-Term Incentive Plan (the 'LTIP')

Operation
The Committee, the members of which are Non-Executive Directors, supervise the operation of the LTIP in respect of the Executive Directors and Senior Employees of the Company.

Eligible employees
Any employee of the Company selected by the Committee, typically the Executive Directors, Members of the Executive Management Group and senior Executives within the business. Non-Executive Directors are not eligible to participate in the Plan.

Grant of awards
LTIP awards will normally be granted to each participant within a 42 day period following the date of publication of the interim or annual results of the Company. No awards will be granted during a Close Period. LTIP awards will either be conditional grants of shares or nil cost options. LTIP awards may also be granted by the trustees of an employee benefit trust (see below).

Types of LTIP awards
There are three types of LTIP awards under the Plan:

- *Level 1 LTIP award* – Level 1 LTIP awards can only be granted to eligible employees who are Executive Directors of the Company and can only be operated in conjunction with a Level 2 LTIP award. In order to receive a Level 1 LTIP award the Executive Director has to purchase shares (known as 'Executive Shares'). The maximum value of Executive Shares which can be purchased is equivalent to 50% of the Level 2 LTIP award. For each Executive Share purchased the Committee shall grant two shares under the Level 1 LTIP award.

- *Level 2 LTIP award* – Level 2 LTIP awards can only be granted to eligible employees who are Executive Directors of the Company.

- *Level 3 LTIP award* – Level 3 LTIP awards can be granted to any eligible employee excluding the Executive Directors.

Conditions attaching to LTIP awards
LTIP awards are subject to a holding period of no less than three years from the date of grant. For LTIP awards to be granted in respect of FY2006 the holding period has been set at three years. The release of LTIP awards will be subject to the satisfaction of performance conditions. In addition, for Level 1 LTIP awards to be released the participant must be retain the associated Executive Shares throughout the holding period. The current performance conditions are set out in full in the accompanying letter from the Chairman of the Committee.

Limits
The maximum market value of shares subject to an LTIP award at the relevant date of grant shall not exceed in aggregate 250% of the participant's salary in any calendar year. This limit is subject to the following sub-limits:

- *Level 1 LTIP award* – the maximum market value of shares subject to a Level 1 LTIP award is 125% of the participant's salary in any calendar year.

- *Level 2 LTIP award* – the maximum market value of shares subject to a Level 2 LTIP award is 150% of the participant's salary in any calendar year.

- *Level 3 LTIP award* – the maximum market value of shares subject to a Level 3 LTIP award is 100% of the participant's salary in any calendar year.

The Company may issue up to 10% of its shares within a 10 year period to satisfy awards to participants in the LTIP and any other share plan operated by the Company under which shares are issued. Where awards, which will be satisfied by the issue of shares are granted to Executives on a discretionary basis, no more than 5% of the Company's shares will be issued under the LTIP or any other Executive share plan operated by the Company. The Committee will be monitoring the issue of shares during the 10 year period. It should be noted that where the Company uses treasury shares to satisfy its obligations under share arrangements they shall be added to the number of shares issued for the purposes of these limits.

Release of LTIP awards

LTIP awards will normally be released at the end of the applicable holding period, subject to the satisfaction of the performance conditions, and any other conditions, determined at the date of grant of the relevant LTIP award. In the case of Level 1 LTIP awards the participant shall be required to retain his Executive Shares throughout the holding period if his associated Level 1 LTIP award is to be capable of release.

The release of LTIP awards is conditional upon the participant paying any taxes due as a result of such a release. It is the current intention that the Company will pay employers' National Insurance contributions.

If the performance conditions are not satisfied or partially satisfied at the end of the holding period, the LTIP award or the balance of the LTIP award (as appropriate) not released shall lapse. There will be no re-testing of the performance conditions.

Allotment and transfer of shares

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the shares are acquired but will otherwise rank pari passu with existing shares. Application will be made for the admission of the new shares to be issued to the Official List of the Financial Services Authority and to trading on the London Stock Exchange plc's market for listed securities following the release of an LTIP award.

Cessation of employment

If a participant leaves employment prior to the expiry of the holding period then the LTIP award will normally lapse. If a participant's cessation of employment is the result of specified events, for example injury, disability, ill health, retirement redundancy or death, the Committee may determine that part or all of that participant's LTIP awards may be released to the participant.

In applying this discretion the Committee shall pro-rate the number of shares subject to the LTIP award which shall be released dependent upon the proportion of the relevant holding period completed on the date of cessation. Further, LTIP awards shall only be released if the attached performance conditions are proportionately satisfied on the date of cessation.

Change of control

In the event of a takeover, reconstruction, amalgamation or winding up of the Company then the number of shares subject to the LTIP awards, which will be released, shall be dependent upon the extent to which the attached performance conditions have been satisfied on the date of the occurrence of the event. In addition, the Remuneration Committee may in its discretion[5] take into account the amount of the relevant holding periods of LTIP awards completed on the change of control in determining the number of shares released.

In certain circumstances, LTIP awards may be exchanged for awards over shares in the acquiring company.

It should be noted that LTIP awards will only be released on a reconstruction or amalgamation of the Company in circumstances where the reconstruction or amalgamation amounts to a proper change in control of the Company i.e. new ownership of the Company. In the event of a merger or demerger of the Company, the Committee may determine that all LTIP awards may be released provided that the above change of control provisions are applied. Further, for these provisions to apply, the merger or demerger must amount to a proper change in control of the Company. Alternatively, the number of shares comprised in an LTIP award may be adjusted, as the Committee in its discretion shall determine and the advisers of the Company confirm to be fair and reasonable.

5 The Remuneration Committee will consult with the Company's major shareholders in advance to obtain their views on how this discretion should be exercised in the particular circumstances arising.

Adjustment of awards

On a variation of the capital of the Company, the number of shares subject to an LTIP award may be adjusted in such manner as the Committee determines and the advisers of the Company confirm to be fair and reasonable.

Duration

The Committee may not grant awards under the LTIP more than five years after its approval unless the LTIP is extended pursuant to shareholder authority for a further period of up to five years.

Amendments

Amendments to the rules may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of shares that may be issued cannot be altered to the advantage of participants without prior shareholder approval, except for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Group.

The Committee may add to, vary or amend the rules of the LTIP by way of a separate schedule in order that the LTIP may operate to take account of local legislative and regulatory treatment for participants or the relevant group company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the LTIP as summarised above.

General

Shares acquired, awards and any other rights granted pursuant to the LTIP are non-pensionable.

Non-transferability of LTIP awards

LTIP awards are not transferable except in the case of a participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the participant.

Employee benefit trust

The Company intends to establish a discretionary employee benefit trust to be used in conjunction with the LTIP (the 'Employee Trust'). The Employee Trust will be established as an employees' share scheme within the meaning of Section 743 of the Companies Act and will have full discretion with regard to the application of the trust fund (subject to recommendations from a committee of the Board). The Company will be able to fund the Employee Trust to acquire shares in the market and/or to subscribe for shares at nominal value in order to satisfy awards granted under the LTIP from time to time. Any shares issued to the Employee Trust in order satisfy LTIP awards will be treated as counting towards the dilution limits that apply to the LTIP (see above). For the avoidance of doubt, any shares acquired by the Employee Trust in the market will not count towards these limits. In addition, unless prior shareholders' approval is obtained, the Employee Trust will not hold more than 5% of the issued share capital of the Company at any one time (other than for the purposes of satisfying LTIP awards that it has granted).

The Employee Trust may also be used as a nominee to facilitate the holding of Executive Shares purchased pursuant to a Level 1 LTIP award. Any Executive Shares held by the Employee Trust in its capacity as nominee will not count towards the dilution limits that apply to the LTIP (see above).

Note:

This Appendix 1 summarises the main features of the LTIP but does not form part of it and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. Copies of the rules will be available for inspection at the offices of Halliwell Consulting, Floor 7, 1 Threadneedle Street, London EC2R 8AW and at the registered office of the Company, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH during usual office hours (Saturdays, Sundays and public holidays excepted) from the date of despatch of the Chairman's letter up to and including the date of the EGM and at the meeting itself. The Directors reserve the right, up to the time of the meeting, to make such amendments and additions to the rules as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix 1.

Appendix 2

Potential value of the first awards under the proposed new LTIP and corporate benefits (illustrative only)

Background

The tables in this section of the circular show the potential value of LTIP awards and the corporate benefits to the Company and its shareholders based on the following assumptions:

Assumption	Detail
Salary	The following table sets out the salary assumptions used in the modelling:

Name	Position	Salary
Ivan Dunleavy	Chief Executive Officer	£272,500
Patrick Garner	Finance Director	£170,000
Nick Smith	Sales and Marketing Director	£115,000

Assumption	Detail
Salary increases	5% p.a.
Grants	The following table sets out the proposed level of initial grants under the LTIP:

Name	Level 1 percentage of salary award	Level 2 percentage of salary award	Level 3 percentage of salary award
Ivan Dunleavy	125%	125%	n/a
Patrick Garner	125%	125%	n/a
Nick Smith	125%	125%	n/a
Level 3 participants	n/a	n/a	50%

The Remuneration Committee may review the levels of grant under the LTIP on an annual basis to ensure that they remain appropriate. It should, therefore, be noted that the review may result in the Remuneration Committee reducing the value of future annual grants under the Plan.

Assumption	Detail
Release of awards	The following table sets out the release schedule for all awards granted under the LTIP:

Level of performance	Average annual ROCE	TSR compared to Small Cap Index	Executive Directors Level 1	Executive Directors Level 2	Executive Directors Total	Level 3 participants
Threshold	12%	Median	25%	25%	50%	25%
Above average	15%	UQ	100%	100%	200%	50%
Maximum	16%	UD	125%	125%	250%	–

All percentages in the above table are of salary not percentages of the award released.

Assumption	Detail
Share price growth	Threshold performance 7.5% p.a.
	Above average performance 15% p.a.
	Maximum performance 20% p.a.
Lapse rate	0%

It should be noted that the modelling covers five consecutive annual grants under the LTIP. The assumptions used are based on historical analysis and therefore there is no guarantee that the actual value of awards released or corporate performance set out above will be achieved. The Company is setting out the figures purely to illustrate the relationship between the rewards provided to the Executives for a given level of comparative performance and the corresponding benefit to the Company and its shareholders.

The following points should be considered when looking at the potential value of awards:

- the modelling assumes that the proposed level of awards will continue throughout the modelled period;
- the modelling assumes that the Remuneration Committee will offer a Level 1 award each year and that Executives purchase shares equivalent to 62.5% of salary p.a. to ensure the maximum Level 1 award of 125% of salary p.a. (i.e. the purchase of shares equivalent to 312.5% of salary over the five year period modelled);
- no Executive will receive any benefit unless the corporate performance conditions are satisfied and they remain employed at the end of the three year holding periods;
- for the Executives to receive the threshold level of benefits modelled, the following performance over three year performance periods will have been achieved:
- 7.5% p.a. share price growth (not a performance condition but an assumption used in the modelling);
- average ROCE over the period of 12%p.a.; and
- median TSR performance against the FTSE Small Cap Index;
- for the Executives to receive the above average level of benefits modelled, the following performance over three year performance periods will have been achieved:
- 15% p.a. share price growth (not a performance condition but an assumption used in the modelling);
- average ROCE over the period of 15%p.a.; and
- upper quartile TSR performance against the FTSE Small Cap Index;
- for the Executives to receive the maximum level of benefits modelled, the following performance over three year performance periods will have been achieved:
- 20% p.a. share price growth (not a performance condition but an assumption used in the modelling);
- average ROCE over the period of 16%p.a.; and
- upper decile TSR performance against the FTSE Small Cap Index;

In addition, for benefits to be paid in consecutive years the level of performance must be achieved for each grant.

The tables do not include base salary, annual bonus, pension or other benefits in kind paid to Executives.

The following table summarises the cost and benefits of the new policy for the three levels of corporate performance:

	Total benefit to participants £	Total charge to the P&L account £	Value created for shareholders £
Summary details			
Threshold performance (Median TSR)	2,701,171	4,023,703	66,728,725
Above average performance (UQ TSR)	11,298,902	7,345,415	168,077,013
Maximum performance (UD TSR)	15,618,617	8,460,060	261,547,056

Notes:

1) Total benefit to participants equates to the aggregate market value of release of the LTIP end of the relevant performance period.

2) Total charge to the P&L account equates to the charge arising from the operation of the new LTIP.

3) Value created is calculated by taking the market capitalisation on the date of the award in 2006 market capitalisation in 2013.

Expected benefit to Executives

For the purposes of calculating the benefit accruing to the participants, the benefit arising from the LTIP is calculated as the total market value of the number of shares which are released to an Executive Director based on the satisfaction of the attached performance conditions (measured three years following the date of award) in accordance with the assumptions set out above. The following table sets out the expected future benefit under the proposed new policy for the Chief Executive, Finance Director, Sales and Marketing Director and a typical Level 3 participant (it should be noted that the total benefit in the summary table is for all participants modelled):

Expected future benefit	2009 £	2010 £	2011 £	2012 £	2013 £	Total £
Threshold performance (Median TSR)						
Level 1						
CEO	84,631	88,863	93,306	97,972	102,870	467,642
FD	52,798	55,437	58,209	61,120	64,176	291,740
S&M	35,716	37,502	39,377	41,346	43,413	197,354
Level 2						
CEO	84,631	88,863	93,306	97,972	102,870	467,642
FD	52,798	55,437	58,209	61,120	64,176	291,740
S&M	35,716	37,502	39,377	41,346	43,413	197,354
Level 3						
Example	23,293	24,458	25,681	26,965	28,313	128,709
Above average performance (Upper Quartile TSR)						
Level 1						
CEO	414,438	435,160	456,918	479,764	503,753	2,290,034
FD	258,549	271,476	285,050	299,302	314,268	1,428,645
S&M	174,901	183,646	192,828	202,469	212,593	966,436
Level 2						
CEO	414,438	435,160	456,918	479,764	503,753	2,290,034
FD	258,549	271,476	285,050	299,302	314,268	1,428,645
S&M	174,901	183,646	192,828	202,469	212,593	966,436
Level 3						
Example	57,033	59,884	62,879	66,023	69,324	315,142
Maximum performance (Upper Decile TSR)						
Level 1						
CEO	588,600	618,030	648,932	681,378	715,447	3,252,387
FD	378,000	396,900	416,745	437,582	459,461	2,088,689
S&M	248,400	260,820	273,861	287,554	301,932	1,372,567
Level 2						
CEO	588,600	618,030	648,932	681,378	715,447	3,252,387
FD	378,000	396,900	416,745	437,582	459,461	2,088,689
S&M	248,400	260,820	273,861	287,554	301,932	1,372,567
Level 3						
Example	64,800	68,040	71,442	75,014	78,765	358,061

Charge to the profit and loss account of the Company

It should be noted that the charge to the profit and loss account has been based on the new accounting principles set out in IFRS 2. This requires the Company to spread the fair market value of any share instruments it grants to employees on the date of grant over the vesting period.

For LTIP awards the fair market value has been calculated using the market value of all conditional shares awarded at the date of grant adjusted to take into account the TSR performance condition applying to 50% of the award. We have assumed that the TSR condition reduces the fair market value of this part of the LTIP award by 40%.

For the non-market based performance condition applying to the other 50% of the LTIP awards, the annual P&L charge will be adjusted to take into account the estimated number of shares which will be released based on the Company's performance at each balance sheet date.

Given that an employers' NI liability will crystallise on the release of any share incentive (both options and LTIP awards) the charge to the profit and loss account also includes the annual increase in the associated employers' NI provision as a consequence of the resultant increase in value of the share incentive each year.

Annual P&L charge	2006 £	2007 £	2008 £	2009 £	2010 £	2011 £	2012 £	Total £	Total benefit £
Minimum threshold performance (Median TSR)									
Level 1	98,863	203,562	314,488	330,212	346,723	220,503	112,292	1,627,292	956,736
Level 2	98,863	203,562	314,488	330,212	346,723	220,503	112,941	1,627,292	956,736
Level 3	46,971	97,025	150,399	157,919	165,814	99,849	51,142	769,120	787,698
Total	244,698	504,149	779,374	818,343	859,260	540,856	277,024	4,023,703	2,701,171
Above average performance (Upper Quartile TSR)									
Level 1	186,391	389,237	610,968	641,516	673,592	385,881	197,646	3,085,231	4,685,115
Level 2	186,391	389,237	610,968	641,516	673,592	385,881	197,646	3,085,231	4,685,115
Level 3	70,992	148,471	233,423	245,094	257,349	145,236	74,389	1,174,954	1,928,671
Total	443,774	926,946	1,455,358	1,528,126	1,604,532	916,998	469,682	7,345,415	11,928,902
Maximum threshold performance (Upper Decile TSR)									
Level 1	217,500	457,875	725,869	762,162	800,270	444,962	227,907	3,636,546	6,713,642
Level 2	217,500	457,875	725,869	762,162	800,270	444,962	227,907	3,636,546	6,713,642
Level 3	70,992	149,450	236,924	248,770	261,208	145,236	74,389	1,186,969	2,191,333
Total	505,992	1,065,200	1,688,661	1,773,094	1,861,749	1,035,160	530,204	8,460,060	15,618,617

Value creation for shareholders

The following tables set out the value created for shareholders, ignoring dividend payments, based on a 7.5% annual share price growth for threshold performance, 15% for above average performance and 20% for maximum performance and the expected payment to Executives for delivering that performance:

Date of release of LTIP award	2009	2010	2011	2012	2013
Threshold performance (Median TSR)					
Current market capitalisation on date of first award	101,250,000	108,843,750	117,007,031	125,782,559	135,216,250
Market capitalisation on release	125,782,559	135,216,250	145,357,469	156,259,279	167,978,725
Vaue created for shareholders (ignoring dividends)	24,532,559	26,372,500	28,350,438	30,476,721	32,762,475
% Total Return to Shareholder	24.23%	24.23%	24.23%	24.23%	24.23%
Value of shares released to Executives	488,844	513,286	538,950	565,898	594,193
% of Total return attributable to Executives	1.99%	1.95%	1.90%	1.86%	1.81%
Above average performance (Upper Quartile TSR)					
Current market capitalisation on date of first award	101,250,000	116,437,500	133,903,125	153,988,594	177,086,883
Market capitalisation on release	153,988,594	177,086,883	203,649,915	234,197,403	269,327,013
Vaue created for shareholders (ignoring dividends)	52,738,594	60,649,383	69,746,790	80,208,809	92,240,130
% Total Return to Shareholder	52.09%	52.09%	52.09%	52.09%	52.09%
Value of Shares released to Executives	2,044,816	2,147,057	2,254,410	2,367,131	2,485,487
% of Total Return attributable to Executives	3.88%	3.54%	3.23%	2.95%	2.69%
Maximum performance (Upper Decile TSR)					
Current market capitalisation on date of first award	101,250,000	121,500,000	145,800,000	174,960,000	209,952,000
Market capitalisation on release	174,960,000	209,952,000	251,942,400	302,330,880	362,797,056
Vaue created for shareholders (ignoring dividends)	73,710,000	88,452,000	106,142,400	127,370,880	152,845,056
% Total Return to Shareholder	72.80%	72.80%	72.80%	72.80%	72.80%
Value of shares released to Executives	2,826,576	2,967,905	3,116,300	3,272,115	3,435,721
% of Total return attributable to Executives	3.83%	3.36%	2.94%	2.57%	2.25%

Notice of Extraordinary General Meeting

Pinewood Shepperton plc
(Registered in England and Wales with No. 3889552)

NOTICE IS HEREBY given that an Extraordinary General Meeting of Pinewood Shepperton plc (the 'Company') will be held at the offices of JP Morgan Cazenove, 20 Moorgate, London EC2R 6DA on 19 June 2006 at 10.45 am or as soon thereafter as the Annual General Meeting of the Company shall have been concluded or adjourned for the purpose of considering and if thought fit passing the following resolution which will be proposed as an ordinary resolution:

Ordinary resolution

That the Pinewood Shepperton plc 2006 Long-Term Incentive Plan and the Employee Benefit Trust to be established for use in connection with the Plan, the principal terms of which are summarised in the Circular to shareholders set out below and the rules of which are produced to the Meeting and initialled by the Chairman for the purpose of identification, be and are hereby approved and that the Directors be authorised to do all acts and things which they may consider necessary or expedient to carry the Plan into effect.

By order of the Board

Nigel Wolfin ACA
Company Secretary
2 June 2006

Notes:

(1) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.

(2) To appoint a proxy you may:

(a) use the Form of Proxy enclosed with this Notice of Extraordinary General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 10.45 am on 17 June 2006 at the offices of Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6ZX; or

(b) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note (3) below.

Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent you from attending and voting in person.

(3) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Extraordinary General Meeting to be held on 19 June 2006 and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a '**CREST Proxy Instruction**') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent, (ID 7RA01), by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.

(4) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 10.45 am on 17 June 2006 shall be entitled to attend and vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 10.45 am on the day preceding the date fixed for the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

(5) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(6) The rules of the Pinewood Shepperton plc 2006 Long-Term Incentive Plan will be available for inspection at the registered office of the Company, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Extraordinary General Meeting and will be available for inspection at the place of the Extraordinary General Meeting for at least 15 minutes prior to and during the Meeting.