



PINEWOOD

Pinewood Group Limited

Report as at and for

the 9 months to

31 December 2019

Third quarter highlights

Operational and industry highlights

- Stage occupancy, at our UK studios, of 99% in the 9 months to 31 December 2019 compares with 93% in the 9 months to 31 December 2018.
- The combined spend on film and high-end TV production in the UK for 2019 was £3,616 million, a 16% increase from the £3,122 million spend in 2018 and the highest UK production spend figure ever reported.
- The Government's new estimates show the Creative Industries contributed £111.7bn to the UK economy in 2018, accounting for 5.8% of UK GVA. Between 2017 and 2018, the Creative Industries' GVA grew by 7.4% in real terms, which is more than five times the growth rate of the UK economy (1.4% increase).
- The 25th James Bond film, *No Time To Die*, completed principal photography on 25 October 2019.

Strategic highlights

A number of strategic initiatives were addressed over the quarter to 31 December 2019 "Q3 2020":

- Disney: the Group commenced its multi-year contract with Disney on 1 January 2020, which will see them occupy 100% of the existing production accommodation at Pinewood Studios.
- Netflix: the Group commenced its multi-year contract with Netflix on 31 October 2019, which will see them occupy 100% of the existing production accommodation at Shepperton Studios.
- Pinewood Studios expansion: continuing to make progress on delivering the 5 new stages (c.100k sq.ft) at Pinewood West which, subject to achieving planning consent and delivery, will be leased to Disney under the existing long-term contract.
- Shepperton development: We continue to progress the detailed design and assess the feasibility of the expansion.

Financial highlights

The table below provides an overview of key performance indicators for the period:

| | 9 months ended 31 Dec 2019 £'000 | 9 months ended 31 Dec 2018 £'000 | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|--------------------------------|---|---|---|---|
| Revenue * | 70,491 | 63,554 | 85,928 | 79,690 |
| Adjusted EBITDA | 41,888 | 32,915 | 44,672 | 42,338 |
| Adjusted EBITDA margins | 59.4% | 51.8% | 52.0% | 53.1% |
| Cash generated from operations | 69,836 | 34,760 | 52,748 | 23,624 |
| Capital investment** | (34,385) | (21,317) | (42,077) | (6,399) |
| Adjusted net debt | (450,566) | (207,059) | (210,257) | (207,681) |

* Revenue in the year to 31 March 2018 excludes the ceased Media Investment segment

** Capital investment represents the total purchase of property, plant and equipment, purchase of intangible assets, investment in joint ventures and repayments from joint ventures, net of proceeds from disposal of property, plant and equipment, intangibles and joint ventures, as disclosed in the cash flow statement

Turnover

In the 9 months to 31 December 2019 ("Q3 YTD 2020"), turnover increased by £6.9 million or 10.9% to £70.5 million (Q3 YTD 2019: £63.6 million). Throughout the year, UK studios has seen increased revenues, with higher occupancy in other production accommodation, 99% stage occupancy (Q3 YTD 2019: 93%), Pinewood East phase II ('PWE II') coming on-line in Q3 2020 and an increase in the overall rate-card. Further, one of our new multi-year contracts contains an inflationary clause which stipulates that the initial rental will increase by a fixed percentage at each anniversary over the lease term; the increase being reviewed periodically against RPI. In accordance with FRS102, the revenue over the initial lease period is being recognised on a straight-line basis, rather than increasing each year. Revenue generated from the three dedicated television studios has also trended upwards since last year, with several new shows being filmed at Pinewood.

Partially offsetting this strong performance was lower income from our ancillary Picture Services post-production business which we have now exited.

In February, we announced the proposed closure of the Creative Audio department, with the space currently occupied by the team intended to be rented to other occupiers.

Adjusted EBITDA

Adjusted EBITDA increased by £9.0 million to £41.9 million (Q3 YTD 2019: £32.9 million) due to: (i) the increase in revenue commented above; (ii) an improvement in gross margins by 6.4ppt to 57.5% (Q3 YTD 2019: 51.1%) mainly reflecting the growth in UK studio activity and revenues; and (iii) an improvement in occupancy levels and performance at the joint venture in Atlanta before its sale to our joint venture partners.

Reconciliation of profit on ordinary activities after taxation to adjusted EBITDA

| | 9 months ended 31 Dec 2019 £'000 | 9 months ended 31 Dec 2018 £'000 | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 £'000 |
|--|---|---|---|---|
| Profit on ordinary activities after taxation | 7,682 | 15,210 | 21,321 | 24,358 |
| Net Interest payable*** | 5,114 | 4,343 | 6,200 | 2,294 |
| Tax charge on profit on ordinary activities*** | 6,339 | 4,887 | 6,224 | 5,905 |
| Depreciation of property, plant and equipment | 7,025 | 6,502 | 8,707 | 8,811 |
| Amortisation of goodwill | 423 | 423 | 560 | 560 |
| Exceptional items (inc. associated tax) | 15,305 | 546 | 708 | (549) |
| Operating loss from Media Investment | - | 60 | - | 905 |
| (Gain)/Loss on disposal of property, plant and equipment | - | 944 | 952 | 54 |
| Adjusted EBITDA | 41,888 | 32,915 | 44,672 | 42,338 |

*** Excluding exceptional items

Q3 YTD 2020: Net interest payable excludes exceptional interest charges of the make-whole payment and the write-off of unamortised arrangement fees in connection with the December 2017 financing of the £250 million senior secured notes. Tax charge on ordinary activities excludes tax in relation to the exceptional items in the year.

Cash flow and capital expenditure

The cash balance at 31 December 2019 was £99.4 million compared with a balance of £39.9 million at 31 March 2019 and £43.2 million at 31 December 2018. The movement in cash since 31 March 2019 is attributable to a cash inflow of £59.9 million and a foreign exchange loss on cash balances of £0.4 million.

The YTD cash inflow of £59.9 million at 31 December 2019 compares with an increase in cash of £0.1 million at 31 December 2018. This period-on-period change principally reflects a £44.5 million improvement in net

cash from financing activities, which is largely from the net proceeds from the refinancing in September 2019, a receipt of £12.1 million proceeds from the sale of our 40% share of the Pinewood Atlanta Studios, a £6.3 million improvement in cash flow from operating activity before changes in working capital and a net improvement in the working capital inflow of £28.7 million, principally in connection with our multi-year and other key contracts. This is offset by £4.4 million and £2.3 million higher interest and tax payments respectively in the year and £25.1 million increased capital expenditure as the Group continues the strategic improvement and expansion of its Pinewood studios.

Adjusted Net debt and liquidity

Adjusted net debt as at 31 December 2019 stood at £450.6 million, based on the £550.0 million of senior secured notes and a cash balance of £99.4 million and the remaining negligible balance of our asset financing. Adjusted net debt at 31 March 2019 was £210.3 million, based on £250.0 million of senior secured notes and a cash balance of £39.9 million and asset financing of £0.2 million.

Paul Golding, CEO, commented

The UK studios continue to perform well. Importantly, the two long-term contracts with Disney and Netflix at Pinewood and Shepperton have now started thereby ensuring full occupancy of all the existing production accommodation for several years to come. This has transformed the business. Further, securing two of the most prolific content producers is a strong endorsement of Pinewood's expertise in operating world class studios.

The amount spent on film and high-end television production in the UK in 2019 was the highest ever reported. With this demand, we are continuing the detailed design of our expansion plans at Pinewood and Shepperton.

The next Investor update is scheduled for 24 June 2020.

General information

Pinewood is the leading independent provider of the real estate that is required for the production of film and television content. Founded in 1936 and headquartered in the United Kingdom, Pinewood owns premium, large-scale facilities also known as studios, for hosting film, television and other media productions. Our freehold studios are located in prime locations near London and make Pinewood a preferred choice for major film production companies. Pinewood branded studios have hosted over 2,000 films, among them 167 Oscar winners, 228 BAFTA winners and numerous blockbuster film productions with budgets of over \$100.0 million.

Presentation of financial information

Unless otherwise indicated, the financial information presented in this report is the historical consolidated financial information of the Group.

This report includes or derives information from the following financial sources:

- The unaudited consolidated financial information of the Group as of and for the 3 months ended 31 December 2019 (“Q3 2020”, “Q3 FY20”), and the comparative period as of and for the 3 months ended 31 December 2018 (“Q3 2019” or “Q3 FY19”), prepared in accordance with FRS 102.
- The unaudited consolidated financial information of the Group as of and for the 9 months ended 31 December 2019 (“Q3 YTD 2020”, “Q3 YTD FY20”), and the comparative period as of and for the 9 months ended 31 December 2018 (“Q3 YTD 2019” or “Q3 YTD FY19”), prepared in accordance with FRS 102.
- The audited consolidated financial information of the Group as of and for the year ended 31 March 2019 (“FY 2019”) is prepared in accordance with FRS 102. The financial year for the Group runs from 1 April following the previous financial year end to 31 March each calendar year.

Further information for the noteholders

This interim report was prepared in accordance with the indenture dated 25 September 2019 among Pinewood Finco PLC, as issuer, the guarantors named therein, Deutsche Trustee Company Limited, as Trustee, and Deutsche Bank AG London Branch, as security agent and as paying agent.

This interim report may include forward-looking statements. All statements other than statements of historical fact included in this interim report, including those regarding the Group’s financial position, business and acquisition strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the out-turned results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Many factors could cause the out-turned results, performance or achievements to differ materially from those in the forward-looking statements. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this interim report. The Group expressly disclaims any obligations or undertaking, except as required by applicable law and regulations to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

The financial results presented in this presentation are preliminary and may change. This financial information includes calculations or figures that have been prepared internally by management and have not been reviewed or audited by our independent chartered accounting firm. There can be no assurance that the Group’s actual results for the period presented herein will not differ from the preliminary financial data presented herein and such changes could be material. This preliminary financial data should not be viewed as a substitute for full financial statements prepared in accordance with FRS 102 and is not necessarily indicative of the results to be achieved for any future periods. This preliminary financial information, and previously reported amounts, could be impacted by the effects of further review by the Board of Directors.

Use of non-FRS 102 financial information

This interim report contains certain non-UK GAAP and non-IFRS financial measures and ratios, including, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net debt, and certain other measures (collectively, “**Non-GAAP Measures**”) that are not required by, or presented in accordance with UK GAAP, IFRS or the accounting measures of any other jurisdiction.

In this interim report, “Adjusted EBITDA” is calculated as profit on ordinary activities before interest receivable and similar income, interest payable and similar charges, tax (credit)/charge on profit on ordinary activities, depreciation of property, plant and equipment, impairment of long-term assets, amortisation of goodwill, exceptional items, operating loss attributable to Media Investment (ceased) and gain/loss on disposal of property, plant and equipment.

In this interim report, “Adjusted EBITDA margin” is calculated as Adjusted EBITDA (which includes the impact of income from participating interests and based on financial statements prepared in accordance with UK GAAP) divided by turnover (excluding Media Investment (ceased)) (which does not include the impact of income from participating interests).

In this interim report, “adjusted net debt” is calculated as debt net of cash balances, ignoring the unamortised loan issue costs.

Financial update for the three months ended 31 December 2019

Group Statement of Comprehensive Income

Turnover

Turnover increased by £3.2 million or c. 15.8% to £23.6 million (Q3 2019: £20.4 million) in the 3 months to 31 December 2019. UK studios saw increased revenues, with higher occupancy in both other production accommodation and stages in the quarter, increased capacity at PWE II, and an uplift from recognising revenue from one of the multi-year contracts on a straight-line basis over the initial term of the lease. The strong performance from the utilisation of the UK studios has been partially offset by a continued reduction in revenue generated by Picture Services, a part of the post-production business which we have now exited.

Cost of sales

Cost of sales increased by c. £0.6 million to £10.6 million (Q3 2019: £10.0 million). Q3 2020 saw increased energy costs, principally due to a significant energy refund earned over a number of years but recognised in Q3 2019. Q3 2020 also saw increased rates, security, cleaning and depreciation costs from the opening of PWE II. These cost increases since last year have been mitigated by savings from reduced costs in Picture Services, as the business closed in Q3 2020.

Gross profit

Gross profit increased by £2.6 million to £13.0 million (Q3 2019: £10.4 million) for the reasons set out above, with gross margin increasing by 4.3ppt to 55.1% (Q3 2019: 50.8%).

Selling and distribution costs

Selling and distribution costs decreased in the quarter to £0.2 million (Q3 2019 £0.6 million). Following the commencement of the Netflix contract during the quarter, and the Disney contract on 1 January, one-off professional fees incurred in preparing for and accommodating the multi-year contracts, which had been expensed in the year, were capitalised in Q3 FY20. These amounts will be amortised over the initial periods of the leases.

Administrative expenses ***

Administration expenses of £0.9 million is c. £0.9 million below the prior year period (Q3 2019: £1.9 million). Following the commencement of the Netflix contract during the quarter, and the Disney contract on 1 January, one-off legal fees, which had been expensed in the year, were capitalised in Q3 FY20. These amounts will be amortised over the initial periods of the leases.

Operating profit ***

Operating profit before exceptional items increased by £3.9 million to £11.8 million and delivered an operating profit margin of 50.1% (Q3 2019: 38.8%).

Income from participating interests

Following the sale of our 40% interest in the joint venture which completed in August 2019 there is no income in the period, compared with a £0.1 million loss in Q3 2019.

Interest receivable and similar income

Interest receivable and similar income increased by c. £1.7 million to £2.9 million (Q3 2019: £1.2 million). The majority of interest receivable relates to interest earned on the loan to the Group's parent company, which was increased as part of the refinancing in September 2019.

Interest payable and similar charges ***

Interest payable and similar charges increased to £4.4 million (Q3 2019: £2.9 million), with higher costs in relation to the senior secured notes, partially offset by an improvement in the fair value of our derivative financial instruments.

Tax charge on profit on ordinary activities ***

The tax charge on profit on ordinary activities increased by £0.3 million to £1.7 million (Q3 2019: £1.4 million).

*** Excluding exceptional items

Cash flow

The cash balance at 31 December 2019 was £99.4 million compared with a balance of £67.5 million at 30 September 2019. Net cash inflow in the quarter was £32.8 million and we recognised a foreign exchange loss of £0.9 million on our overseas cash balances. There was an £11.9 million cash inflow from operating activities before changes in working capital, together with a working capital inflow of £35.2 million principally in connection with our multi-year and other contracts. Capital expenditure of £10.0 million was outlaid in the quarter, relating mainly to the development of Pinewood East phase II, and £3.2 million was paid in refinancing fees.

Financial update for the nine months ended 31 December 2019

Group Statement of Comprehensive Income

Turnover

In the 9 months to 31 December 2019 (“Q3 YTD 2020”), turnover increased by £6.9 million or 10.9% to £70.5 million (Q3 YTD 2019: £63.6 million). Throughout the year, UK studios has seen increased revenues, with higher occupancy in other production accommodation, 99% stage occupancy (Q3 YTD 2019: 93%), Pinewood East phase II (‘PWE II’) coming on-line in Q3 2020 and an increase in the overall rate-card. Further, one of our new multi-year contracts contains an inflationary clause which stipulates that the initial rental will increase by a fixed percentage at each anniversary over the lease; the increase being reviewed periodically against RPI. In accordance with FRS102, the revenue over the initial lease term is being recognised on a straight-line basis, rather than increasing each year. Revenue generated from the three dedicated television studios has also trended upwards since last year, with several new shows being filmed at Pinewood.

Partially offsetting this strong performance was lower income from our ancillary Picture Services post-production business which we have now exited.

Cost of sales

Cost of sales expenditure decreased by c. £1.1 million to £29.9 million (Q3 YTD 2019: £31.1 million). This was mainly due to the non-recurrence of a £0.9 million prior year loss on disposal of certain assets affected by the real estate optimisation programme. Further, there were savings in our post-production business, together with a release of certain debtor provisions in the period following receipt of cash. These savings were partially offset by higher depreciation and rates following the opening of PWE II in autumn 2019 and the return of energy costs to typical levels following an energy refund in the prior year.

Gross profit

Gross profit increased by £8.1 million to £40.6 million (Q3 YTD 2019: £32.5 million) for the reasons set out above. Gross margin increased by 6.4ppt to 57.5% (Q3 YTD 2019: 51.1%), mainly reflecting the growth in UK studio activity and revenues.

Selling and distribution costs

Selling and distribution costs remained the same at c. £1.3 million (Q3 YTD 2019: £1.3 million).

Administrative expenses***

Administrative expenses decreased slightly by £0.1 million to £4.8 million (Q3 YTD 2019: £4.9 million). It should be noted that with the commencement of the Netflix contract during the quarter, and the Disney contract on 1 January, one-off legal and professional fees which had been expensed in the first half of the year, were capitalised in the Q3 FY20. These amounts will be amortised over the initial periods of the leases.

Operating profit

Operating profit before exceptional items increased by £8.1 million to £34.4 million and delivered an operating profit margin of 48.8% (Q3 YTD 2019: 41.3%).

Income from participating interests

The business delivered a marginally positive result in the period (Q3 YTD 2019: £1.2 million loss), following improved occupancy at the Atlanta Studios. The sale of our 40% interest in the joint venture completed in August 2019.

Interest receivable and similar income

Interest receivable and similar income increased by £1.5 million to £5.8 million (Q3 YTD 2019: £4.3 million). This relates to interest earned on the loan to the Group’s parent company, originally created in December 2017, and which was increased by £175.0 million following the September 2019 refinancing.

Interest payable and similar charges***

Interest payable and similar charges increased by £2.3 million to c. £10.9 million (Q3 YTD 2019: £8.6 million), following the refinancing in September 2019, and the increase in the principal amount of senior secured notes.

Tax charge on profit on ordinary activities***

The tax charge on profit on ordinary activities increased by £1.5 million to £6.3 million (Q3 YTD 2019†: £4.9 million), and an effective tax rate of 21.6% (Q3 YTD 2019: 23.7%). The prior year suffered from a greater degree of unrelieved tax losses, whilst this year is benefitting from the unwinding of a deferred tax liability on accelerated capital allowances, which together explains the change in the effective rate.

*** Excluding exceptional items

† The tax charge for the nine months to December 2018 has been restated to £4.9 million from £4.0 million, following the finalisation of the year end position

Exceptional items

A significant level of company and financial restructuring has been achieved within the first nine months of the year. During the period to December 2019, the following items have been presented as exceptional items:

- Administrative expenses (£1.1 million): Comprises (i) c. £0.7 million of income in relation to the early termination of our sales and marketing arrangement with Iskandar Malaysia Studios; (ii) a cost of £0.1 million in relation to restructuring initiatives mainly delivered in Q1 2020; and (iii) a £1.7 million charge in connection with a step-up in the Group's equity holding of PMBS Holding Ltd ('PMBS') from 15% to 25%. In FY15, the Group awarded an exclusive lighting contract at the Group's studios to PMBS, in exchange for a 15% holding of PMBS's equity, rising to 25% in December 2019. The increase in the Group's equity holding to 25% has led to its reclassification as an associate and the reversal of previously recognised fair value gains down to the original cost of £nil;
- Other operating costs (£2.6 million): Since the acquisition of 50% of Shepperton from the joint venture partners in December 2014, a complex corporate structure has been in place around the subsidiary ownership of the studio. During the period, the structure has been simplified in advance of the commencement of the contract with Netflix, thereby reducing future costs. This resulted in a one-off stamp duty land tax ('SDLT') payment of £2.6 million;
- Loss on disposal of joint ventures (£1.8 million): Relates to the sale of our 40% interest in Pinewood Atlanta Studios. This is recognised net of a performance related earn-out income of £0.5 million, which was earned in December 2019, but received in Q4 2020;
- Interest payable and similar charges (£11.8 million): Comprises charges in relation to the refinancing in September 2019 – (i) £5.9 million 'make-whole' payment to the investors of the £250 million 3.75% senior secured notes, and (ii) £5.9 million write-off in relation to the associated unamortised arrangement fees; and
- A tax credit of £2.0 million in relation to the items above.

The prior year period to December 2018 included restructuring costs net of tax of £0.5 million.

Liquidity and capital resources

Cash flow

The cash balance at 31 December 2019 was £99.4 million compared with a balance of £39.9 million at 31 March 2019 and £43.2 million at 31 December 2018. The movement in cash since 31 March 2019 is attributable to a cash inflow of £59.9 million and a foreign exchange loss on cash balances of £0.4 million.

The YTD cash inflow of £59.9 million at 31 December 2019 compares with an increase in cash of £0.1 million at 31 December 2018. This period-on-period change principally reflects a £44.5 million improvement in net cash from financing activities, which is largely from the net proceeds from the refinancing in September 2019, a receipt of £12.1 million proceeds from the sale of our 40% share of the Pinewood Atlanta Studios, a £6.3 million improvement in cash flow from operating activity before changes in working capital and a net improvement in the working capital inflow of £28.7 million, principally in connection with our multi-year and other key contracts. This is offset by £4.4 million and £2.3 million higher interest and tax payments in the year and

£25.1 million increased capital expenditure as the Group continues the strategic improvement and expansion of its Pinewood studios.

Net cash inflow from operating activities

Net cash inflow from operating activities increased by £28.4 million to £51.1 million (Q3 YTD 2019: £22.7 million). Excluding exceptional payments with respect of: (i) a £5.9 million refinancing 'make-whole' payment; (ii) £2.6 million SDLT payment; (iii) £0.1 million restructuring costs; and (iv) a receipt of 0.7 million from the early termination of the arrangement with Iskandar Malaysia Studios, net cash inflow would have been c. £59.1 million, being a £36.4 million improvement on Q3 YTD 2019.

Whilst cash flow from operations before changes in working capital improved by £6.3 million, principally due to trading at the UK studios, there has been a £28.7 million net improvement in working capital caused by the timing of receipts from our leases around the financial year end and reporting dates. In addition, net interest paid increased by £4.4 million. Although the Group paid an exceptional 'make-whole' payment of £5.9 million as a part of the refinancing of the senior secured notes, the agreed timing of regular interest payments also changed from June/December to March/September, and Q3 YTD 2020 sees interest payments to 24 September 2019 only, rather than for the period to December. Finally, net corporation tax paid has increased period on period by £2.3 million, following the start of the revised HMRC payment schedule which sees two additional scheduled payments being made in the year.

Net cash outflow from investing activities

Net cash outflow from investing activities was £34.4 million compared with £21.3 million in Q3 YTD 2019. This increase was mainly due £28.1 million higher capital expenditure, principally in relation to the development of Pinewood East Phase II together with the Group's real estate optimisation activities, offset by £12.1 million received for the sale of Pinewood's share in the Atlanta joint venture.

Net cash flow from financing

Net cash inflow from financing was £43.2 million (Q3 YTD 2019: outflow £1.3 million). The period-on-period movement largely reflects the net proceeds from the refinancing, before the exceptional 'make-whole' payment of £5.9 million, which is reported in net cash flow from operating activities.

Pinewood Group Limited

Interim condensed consolidated financial statements

Period ended 31 December 2019

Company Registration Number: 03889552

Pinewood Group Limited

Condensed Group Statement of Comprehensive Income

for the nine months to 31 December 2019

| | Notes | 9 month period ended 31 Dec 2019 | | | 9 month period ended 31 Dec 2018 | | | Year ended |
|--|-------|---|---|----------------|---|---|----------------|----------------------|
| | | Before Exceptional items £'000 | Exceptional items (Note 1) £'000 | Total £'000 | Before Exceptional items £'000 | Exceptional items (Note 1) £'000 | Total £'000 | 31 Mar 2019 £'000 |
| Turnover | | 70,491 | - | 70,491 | 63,554 | - | 63,554 | 85,928 |
| Cost of sales | | (29,939) | - | (29,939) | (31,058) | - | (31,058) | (40,956) |
| Gross profit | | 40,552 | - | 40,552 | 32,496 | - | 32,496 | 44,972 |
| Selling and distribution costs | | (1,326) | - | (1,326) | (1,336) | - | (1,336) | (1,717) |
| Administrative expenses | | (4,843) | (1,105) | (5,948) | (4,925) | (674) | (5,599) | (8,261) |
| Other operating costs | | - | (2,643) | (2,643) | - | - | - | - |
| Operating profit / (loss) | 2 | 34,383 | (3,748) | 30,635 | 26,235 | (674) | 25,561 | 34,994 |
| Loss on disposal of participating interests | | - | (1,773) | (1,773) | - | - | - | - |
| Income from participating interests | | 57 | - | 57 | (1,249) | - | (1,249) | (1,414) |
| Interest receivable and similar income | 3 | 5,776 | - | 5,776 | 4,278 | - | 4,278 | 5,679 |
| Interest payable and similar charges | 4 | (10,890) | (11,808) | (22,698) | (8,621) | - | (8,621) | (11,879) |
| Profit / (loss) before taxation | | 29,326 | (17,329) | 11,997 | 20,643 | (674) | 19,969 | 27,380 |
| Tax (charge) / credit | 5 | (6,339) | 2,024 | (4,315) | (4,887) | 128 | (4,759) | (6,059) |
| Profit / (loss) after taxation | | 22,987 | (15,305) | 7,682 | 15,756 | (546) | 15,210 | 21,321 |
| Other comprehensive income | | | | | | | | |
| Exchange differences on translation of foreign operations on consolidation | | 826 | - | 826 | 1,295 | - | 1,295 | 809 |
| Total comprehensive income for the period | | 23,813 | (15,305) | 8,508 | 17,051 | (546) | 16,505 | 22,130 |

The notes on pages 5 to 11 form part of these financial statements.

Pinewood Group Limited

Condensed Group Statement of Financial Position

as at 31 December 2019

| | Notes | 31 Dec 2019 £'000 | 31 Dec 2018 £'000 | 31 Mar 2019 £'000 |
|--|-------|----------------------|----------------------|----------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | 6 | 5,263 | 3,501 | 4,622 |
| Property, plant and equipment | 7 | 301,640 | 247,091 | 266,876 |
| Interests in associates and joint ventures | 8 | 2,428 | 13,772 | 13,308 |
| Other investments | | - | 1,680 | 1,680 |
| Trade and other receivables | 9 | 314,883 | 133,018 | 134,369 |
| | | 624,214 | 399,062 | 420,855 |
| Current assets | | | | |
| Inventories | | 59 | 52 | 36 |
| Trade and other receivables | 9 | 11,698 | 14,495 | 14,156 |
| Cash and cash equivalents | 10 | 99,440 | 43,173 | 39,914 |
| | | 111,197 | 57,720 | 54,106 |
| Total assets | | 735,411 | 456,782 | 474,961 |
| Equity and liabilities | | | | |
| Share capital | 11 | 1 | 5,741 | 5,741 |
| Share premium | 12 | - | 76,696 | 76,696 |
| Capital redemption reserve | 12 | - | 135 | 135 |
| Merger reserve | 12 | - | 348 | 348 |
| Translation reserve | 12 | 2,421 | 2,081 | 1,595 |
| Retained earnings | | 102,199 | 80,487 | 86,598 |
| Total equity | | 104,621 | 165,488 | 171,113 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 14 | 548,581 | 244,359 | 246,677 |
| Derivative financial instruments | 15 | 2,241 | 1,752 | 2,206 |
| Deferred tax liabilities | 5 | 3,127 | 3,205 | 3,233 |
| | | 553,949 | 249,316 | 252,116 |
| Current liabilities | | | | |
| Interest-bearing loans and borrowings | 14 | 6 | - | 171 |
| Trade and other payables | 16 | 76,835 | 41,978 | 51,561 |
| | | 76,841 | 41,978 | 51,732 |
| Total liabilities | | 630,790 | 291,294 | 303,848 |
| Total equity and liabilities | | 735,411 | 456,782 | 474,961 |

The notes on pages 5 to 11 form part of these financial statements.

Pinewood Group Limited

Condensed Group Statement of Cash Flows

for the nine months to 31 December 2019

| | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|--|--|--|------------------------------------|
| Cash flow from operating activities: | | | |
| Profit on ordinary activities before taxation | 11,997 | 19,969 | 27,380 |
| <i>Adjustments to reconcile profit on ordinary activities before taxation to net cash flows:</i> | | | |
| Depreciation, impairment and amortisation | 7,448 | 6,923 | 9,267 |
| Loss on disposal of joint ventures | 1,773 | - | - |
| Loss on disposal of property, plant and equipment | - | 944 | 952 |
| (Profit)/loss from participating interests | (57) | 1,249 | 1,414 |
| Interest receivable and similar income | 3 (5,776) | (4,278) | (5,679) |
| Interest payable and similar charges | 4 22,698 | 8,621 | 11,879 |
| Fair value adjustment on PMBS Holding Limited | 1,680 | - | - |
| Cash flow from operating activities before changes in working capital | 39,763 | 33,428 | 45,213 |
| Decrease in trade and other receivables | 945 | 12,442 | 12,066 |
| (Increase)/decrease in inventories | (23) | 15 | 25 |
| Increase/(decrease) in trade and other payables | 29,151 | (11,125) | (4,556) |
| Cash generated from operations | 69,836 | 34,760 | 52,748 |
| Interest paid | (14,266) | (9,935) | (10,171) |
| Interest received | 61 | 88 | 732 |
| Corporation tax received | 790 | 931 | 901 |
| Corporation tax paid | (5,316) | (3,118) | (4,649) |
| Net cash flow from operating activities | 51,105 | 22,726 | 39,561 |
| Cash flow used in investing activities: | | | |
| Proceeds from disposal of joint ventures | 12,069 | - | - |
| Proceeds from disposal of property, plant and equipment | - | - | 48 |
| Purchase of property, plant and equipment | (45,448) | (18,343) | (37,925) |
| Purchase of intangible assets | (1,006) | - | (1,258) |
| Investment in joint ventures | - | (2,974) | (2,942) |
| Net cash flow used in investing activities | (34,385) | (21,317) | (42,077) |
| Cash flow from financing activities: | | | |
| Dividends paid | (75,000) | - | - |
| Repayment of asset financing obligations | (165) | (549) | (613) |
| Loan made to parent undertaking | (175,000) | - | - |
| Repayment of loan notes | (250,000) | - | - |
| Proceeds from Issue of loan notes net of fees | 543,380 | (730) | - |
| Net cash flow from financing activities | 43,215 | (1,279) | (613) |
| Net increase/(decrease) in cash and cash equivalents | 59,935 | 130 | (3,129) |
| Foreign exchange movement | (409) | - | - |
| Cash and cash equivalents at the start of the period | 39,914 | 43,043 | 43,043 |
| Cash and cash equivalents at the end of the period | 99,440 | 43,173 | 39,914 |

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The notes on pages 5 to 11 form part of these financial statements.

Pinewood Group Limited

Condensed Reconciliation of Movement in Net Debt

for the nine months to 31 December 2019

| | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|--|--|--|------------------------------------|
| Increase / (decrease) in cash and cash equivalents | 59,935 | 130 | (3,129) |
| Foreign exchange movement | (409) | - | - |
| Repayments of loan notes | 250,000 | - | - |
| Payment of interest on loan notes | 7,656 | 9,063 | 9,063 |
| Loss on extinguishment of loan notes and facilities | (5,919) | - | - |
| Proceeds from issue of loan notes net of fees paid | (543,380) | - | - |
| Repayments of asset financing obligations | 165 | 492 | 553 |
| Secured loan arrangement costs recognised within other receivables | (218) | - | - |
| Amortisation of secured loan arrangement costs | - | - | (14) |
| Interest expense on loan notes | (10,043) | (7,792) | (10,327) |
| Movement in net debt | <u>(242,213)</u> | <u>1,893</u> | <u>(3,854)</u> |
| Net debt at the start of the period | <u>(206,934)</u> | <u>(203,080)</u> | <u>(203,080)</u> |
| Net debt at the end of the period | <u>(449,147)</u> | <u>(201,187)</u> | <u>(206,934)</u> |
| Net debt at end of period excluding restricted cash | <u>(449,200)</u> | <u>(202,230)</u> | <u>(207,044)</u> |

Condensed Group Statement of Changes in Equity

for the nine months to 31 December 2019

| | Share capital £'000 | Share premium £'000 | Translation reserve £'000 | Other reserves £'000 | Retained earnings £'000 | Total equity £'000 |
|--|------------------------|------------------------|---------------------------------|-------------------------|-------------------------------|-----------------------|
| At 01 April 2018 | 5,741 | 76,696 | 786 | 483 | 65,277 | 148,983 |
| Profit for the year | - | - | - | - | 21,321 | 21,321 |
| Translation reserve movement | - | - | 809 | - | - | 809 |
| Total comprehensive income for the year | - | - | 809 | - | 21,321 | 22,130 |
| At 31 March 2019 | <u>5,741</u> | <u>76,696</u> | <u>1,595</u> | <u>483</u> | <u>86,598</u> | <u>171,113</u> |
| At 01 April 2019 | 5,741 | 76,696 | 1,595 | 483 | 86,598 | 171,113 |
| Profit for the period | - | - | - | - | 7,682 | 7,682 |
| Translation reserve movement | - | - | 826 | - | - | 826 |
| Total comprehensive income for the period | - | - | 826 | - | 7,682 | 8,508 |
| Dividends | - | - | - | - | (75,000) | (75,000) |
| Reduction in share capital | (5,740) | - | - | - | 5,740 | - |
| Cancellation of share premium account | - | (76,696) | - | - | 76,696 | - |
| Shares issued and allotted as bonus shares | 204,183 | - | - | (483) | (203,700) | - |
| Cancellation of bonus shares | (204,183) | - | - | - | 204,183 | - |
| | <u>(5,740)</u> | <u>(76,696)</u> | <u>-</u> | <u>(483)</u> | <u>7,919</u> | <u>(75,000)</u> |
| At 31 December 2019 | <u>1</u> | <u>-</u> | <u>2,421</u> | <u>-</u> | <u>102,199</u> | <u>104,621</u> |
| At 01 April 2018 | 5,741 | 76,696 | 786 | 483 | 65,277 | 148,983 |
| Profit for the period | - | - | - | - | 15,210 | 15,210 |
| Translation reserve movement | - | - | 1,295 | - | - | 1,295 |
| Total comprehensive income for the period | - | - | 1,295 | - | 15,210 | 16,505 |
| At 31 December 2018 | <u>5,741</u> | <u>76,696</u> | <u>2,081</u> | <u>483</u> | <u>80,487</u> | <u>165,488</u> |

The notes on pages 5 to 11 form part of these financial statements.

Pinewood Group Limited

Notes to the Condensed Consolidated Financial Statements

for the nine months to 31 December 2019

| 1 Exceptional items | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|--|---|---|---------------------------------------|
| Administration costs: | | | |
| Restructuring costs | (92) | (674) | (873) |
| Fair value adjustment on PMBS Holding Limited | (1,680) | - | - |
| Termination of agreement with Pinewood Iskandar Malaysia Studios | 667 | - | - |
| | <u>(1,105)</u> | <u>(674)</u> | <u>(873)</u> |
| Other operating costs | (2,643) | - | - |
| Loss on disposal of joint ventures | (1,773) | - | - |
| Interest payable and similar charges: | | | |
| Settlement payment due on bond redemption | (5,889) | - | - |
| Loss on extinguishment of loan notes and facilities | (5,919) | - | - |
| | <u>(11,808)</u> | <u>-</u> | <u>-</u> |
| Tax credit on exceptional items | 2,024 | 128 | 165 |
| | <u>(15,305)</u> | <u>(546)</u> | <u>(708)</u> |

Administration costs

Administration costs in the current period include restructuring charges of £92k relating to the ceased activities in the Picture Services business. Costs of £873k and £674k were incurred in the prior year to March 2019 and 9 months to December 2018 respectively in relation to streamlining and changes to the management structure.

In December 2019, the Group interest in PMBS Holding Limited increased from 15% to 25% and the investment was classified as an associate. The transaction required the reversal of previously recognised unrealised fair value gains which resulted in a charge of £1,680k to the Statement of Comprehensive Income in the current period (Note 8).

In July 2019, the Group announced that its collaboration with Pinewood Iskandar Malaysia Studios ended by mutual agreement. The early termination of this agreement resulted in a receipt of £667k, net of costs, which was credited to the Statement of Comprehensive Income.

Other operating costs

Shepperton Studios has been held by the Group through a complex corporate structure, with high maintenance costs. In October 2019, this was restructured to simplify the subsidiary ownership of the studio. The exercise included a transaction subject to stamp duty land tax and £2,643k land transfer tax was paid in the period and recognised in the Statement of Comprehensive Income. The restructure was undertaken in advance of entering into the contract with Netflix and is expected to reduce annual operating costs.

Loss on disposal of joint ventures

In August 2019, the Group completed the sale of its equity investment in Pinewood Atlanta Studios to its joint venture partner for proceeds, net of costs, of 12,069k, recording a loss on disposal of £1,773k. The sale agreement contained earnout provisions linked to the financial performance of the studios for the year ended 31 December 2019. The loss on disposal is partially offset by a credit of £531k relating to earnout payments attributable to 2019 received in February 2020.

Interest payable and similar charges

In September 2019, the Group issued £550m aggregate principal amount of 3.25% Senior Secured Notes due 2025 and agreed an extended revolving credit facility. Part of the proceeds from the issue was used to fully redeem the Group's previous £250m 3.75% Senior Secure Notes due 2023. The early redemption of the previous loan notes included a "make-whole" payment of £5.9m to the bondholders. In addition, the derecognition of the previous loan notes and facility fees held at amortised cost resulted in an extinguishment charge of £5.9m. Both the make-whole payment and extinguishment charge have been presented as exceptional items within interest payable and similar charges.

| 2 Operating profit | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|--|---|---|---------------------------------------|
| Operating profit is stated after charging/(crediting): | | | |
| Depreciation of property, plant and equipment | 7,025 | 6,502 | 8,707 |
| Loss on disposal of property, plant and equipment | - | - | 952 |
| Operating lease payments | 801 | 470 | 957 |
| Amortisation of goodwill | 423 | 423 | 560 |
| Net foreign exchange gains | (13) | - | (97) |

Depreciation is included within cost of sales and amortisation of goodwill is included in administrative expenses in the Statement of Comprehensive Income.

3 Interest receivable and similar income

| | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|--|---|---|---------------------------------------|
| <i>On financial assets measured at amortised cost:</i> | | | |
| Interest receivable from joint ventures | 19 | - | 24 |
| Loan interest receivable | 5,514 | 3,991 | 5,325 |
| Bank interest receivable | 61 | 88 | 102 |
| | <u>5,594</u> | <u>4,079</u> | <u>5,451</u> |
| <i>On financial assets measured at fair value:</i> | | | |
| Fair value movements of derivative financial instruments | - | 30 | - |
| Loan interest receivable | 182 | 169 | 228 |
| | <u>5,776</u> | <u>4,278</u> | <u>5,679</u> |

Pinewood Group Limited

Notes to the Condensed Consolidated Financial Statements (continued)
for the nine months to 31 December 2019

4 Interest payable and similar charges

| | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|---|---|---|---------------------------------------|
| <i>On financial instruments measured at amortised cost:</i> | | | |
| Bank loan and overdraft interest | 287 | 259 | 383 |
| Loan note interest | 10,043 | 7,792 | 10,346 |
| Loss on extinguishment of loan notes and facilities | 11,808 | - | - |
| | <u>22,138</u> | <u>8,051</u> | <u>10,729</u> |
| <i>On financial instruments measured at fair value:</i> | | | |
| Interest rate hedging | 472 | 498 | 639 |
| Fair value movements of derivative financial instruments | 35 | - | 425 |
| | <u>507</u> | <u>498</u> | <u>1,064</u> |
| <i>Not on financial instruments:</i> | | | |
| Finance lease interest | 37 | 47 | 60 |
| Other interest paid | 16 | 25 | 26 |
| | <u>53</u> | <u>72</u> | <u>86</u> |
| | <u>22,698</u> | <u>8,621</u> | <u>11,879</u> |

5 Tax on profit on ordinary activities

(a) Analysis of charge for the year:

Current tax:

| | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|---|---|---|---------------------------------------|
| UK corporation tax charge | 3,030 | 3,886 | 5,326 |
| Amounts payable for Group tax loss relief | 765 | 744 | 1,020 |
| Foreign corporation tax | 626 | 26 | 36 |
| Foreign tax suffered | 55 | 59 | 81 |
| UK film tax relief | - | (10) | (14) |
| Double taxation credit | (39) | (37) | (50) |
| Amounts over provided in previous years | - | - | (415) |
| | <u>4,437</u> | <u>4,668</u> | <u>5,984</u> |

Deferred tax:

| | | | |
|---|--------------|-----------|-----------|
| Relating to origination and reversal of temporary differences | (122) | 90 | 124 |
| Amounts over provided in previous years | - | - | (49) |
| | <u>(122)</u> | <u>90</u> | <u>75</u> |

Tax charge in the Group income statement

| | | | |
|--|--------------|--------------|--------------|
| | <u>4,315</u> | <u>4,759</u> | <u>6,059</u> |
|--|--------------|--------------|--------------|

b) Reconciliation of the total tax charge

| | | | |
|--|--------|--------|--------|
| Accounting profit before corporation tax | 11,997 | 19,969 | 27,380 |
| Profit on ordinary activities multiplied by UK rate of 19% | 2,279 | 3,794 | 5,202 |

Adjustments in respect of:

| | | | |
|--|--------------|--------------|--------------|
| Corporation tax over provided in previous years | - | - | (442) |
| Film tax credit | - | (10) | (14) |
| Deferred tax over provided in previous years | - | - | (49) |
| Non allowable depreciation on buildings | 534 | 463 | 635 |
| Loss on disposal of ineligible assets | 79 | - | - |
| Other non allowable expenses | 1,207 | 242 | 332 |
| Unrelieved tax losses and other deductions arising | - | 389 | 545 |
| Overseas tax at higher rate | 241 | (85) | (116) |
| Benefit of losses arising in Picture HoldCo Limited | (765) | (748) | (1,020) |
| Amounts payable for group tax losses | 765 | 748 | 1,020 |
| Effect of rate change on provision for deferred taxation | 14 | (7) | (9) |
| Double tax relief | (39) | (37) | (50) |
| Other adjustments | - | 9 | 25 |
| Corporation tax expense reported in the Group income statement | <u>4,315</u> | <u>4,759</u> | <u>6,059</u> |

c) Deferred tax

| | Opening balance 01 April 2018 £'000 | Charged to Income Statement £'000 | Closing balance 31 Dec 2018 £'000 |
|--|--|--|--|
| Accelerated capital allowances | 3,676 | 90 | 3,766 |
| Short-term temporary differences | (896) | - | (896) |
| Fair value adjustment on stepped acquisition | 335 | - | 335 |
| | <u>3,115</u> | <u>90</u> | <u>3,205</u> |

Net deferred tax liability

| | Opening balance 01 April 2019 £'000 | Credited to Income Statement £'000 | Forex £'000 | Closing balance 31 Dec 2019 £'000 |
|--|--|---|----------------|--|
| Accelerated capital allowances | 3,751 | (122) | 16 | 3,645 |
| Short-term temporary differences | (853) | - | - | (853) |
| Fair value adjustment on stepped acquisition | 335 | - | - | 335 |
| | <u>3,233</u> | <u>(122)</u> | <u>16</u> | <u>3,127</u> |

Pinewood Group Limited

Notes to the Condensed Consolidated Financial Statements (continued)
for the nine months to 31 December 2019

| 6 Intangible assets | Software £'000 | Goodwill £'000 | Total £'000 |
|----------------------------|-------------------|-------------------|----------------|
| Cost | | | |
| At 31 March 2018 | - | 5,604 | 5,604 |
| Additions | - | - | - |
| At 31 December 2018 | - | 5,604 | 5,604 |
| Additions | 1,258 | - | 1,258 |
| At 31 March 2019 | 1,258 | 5,604 | 6,862 |
| Additions | 1,064 | - | 1,064 |
| At 31 December 2019 | 2,322 | 5,604 | 7,926 |
| Amortisation | | | |
| At 31 March 2018 | - | 1,680 | 1,680 |
| Provided during the period | - | 423 | 423 |
| At 31 December 2018 | - | 2,103 | 2,103 |
| Provided during the period | - | 137 | 137 |
| At 31 March 2019 | - | 2,240 | 2,240 |
| Provided during the period | - | 423 | 423 |
| At 31 December 2019 | - | 2,663 | 2,663 |
| Net book value | | | |
| At 31 December 2019 | 2,322 | 2,941 | 5,263 |
| At 31 March 2019 | 1,258 | 3,364 | 4,622 |
| At 31 December 2018 | - | 3,501 | 3,501 |
| At 31 March 2018 | - | 3,924 | 3,924 |

Goodwill has been acquired through business combinations.

Following a review for indicators of impairment at the reporting date, it was determined that there were no indicators that the carrying value exceeded the recoverable amount.

Software relates to an asset under the course of construction and as such is not being amortised.

7 Property, plant and equipment

| | Freehold land and buildings £'000 | Leasehold improvements £'000 | Fixtures, fittings and equipment £'000 | Assets under construction £'000 | Total £'000 |
|----------------------------|---|------------------------------------|---|---------------------------------------|----------------|
| Cost | | | | | |
| At 31 March 2018 | 262,969 | 179 | 44,831 | 1,303 | 309,282 |
| Additions | 4,841 | - | 2,025 | 14,279 | 21,145 |
| Disposals | (1,025) | (179) | (376) | - | (1,580) |
| At 31 December 2018 | 266,785 | - | 46,480 | 15,582 | 328,847 |
| Additions | 6,214 | - | 143 | 15,640 | 21,997 |
| Reclassification | (13) | - | - | 13 | - |
| Disposals | (8) | - | (2) | - | (10) |
| At 31 March 2019 | 272,978 | - | 46,621 | 31,235 | 350,834 |
| Additions | 9,657 | - | 1,978 | 30,154 | 41,789 |
| Reclassification | 58,412 | - | 803 | (59,215) | - |
| Disposals | - | - | (19) | - | (19) |
| At 31 December 2019 | 341,047 | - | 49,383 | 2,174 | 392,604 |
| Depreciation | | | | | |
| At 31 March 2018 | 44,730 | 26 | 31,085 | - | 75,841 |
| Provided during the period | 4,585 | 6 | 1,911 | - | 6,502 |
| Disposals | (351) | (32) | (204) | - | (587) |
| At 31 December 2018 | 48,964 | - | 32,792 | - | 81,756 |
| Provided during the period | 1,539 | - | 666 | - | 2,205 |
| Disposals | (3) | - | - | - | (3) |
| At 31 March 2019 | 50,500 | - | 33,458 | - | 83,958 |
| Provided during the period | 4,906 | - | 2,119 | - | 7,025 |
| Disposals | - | - | (19) | - | (19) |
| At 31 December 2019 | 55,406 | - | 35,558 | - | 90,964 |
| Net book value | | | | | |
| At 31 December 2019 | 285,641 | - | 13,825 | 2,174 | 301,640 |
| At 31 March 2019 | 222,478 | - | 13,163 | 31,235 | 266,876 |
| At 31 December 2018 | 217,821 | - | 13,688 | 15,582 | 247,091 |
| At 31 March 2018 | 218,239 | 153 | 13,746 | 1,303 | 233,441 |

Assets under construction at 31 March 2019 and 31 December 2018 primarily related to costs capitalised on the development of Pinewood East. Phase Two of Pinewood East became operational in October 2019. As at 31 December 2019, the remaining assets under construction mainly comprises costs associated with the redevelopment of certain lettable space at Pinewood West and Shepperton. Assets under construction are not depreciated until the development is available for use.

The Group's long-term loan is secured by a floating charge over the Group's assets.

No assets were held under finance leases at 31 December 2019. Included within Fixtures, fittings and equipment at 31 December 2018 were assets held under finance leases with a net book value £1,742k.

Pinewood Group Limited

Notes to the Condensed Consolidated Financial Statements (continued) for the nine months to 31 December 2019

8 Interests in associates and joint ventures

| | 31 Dec 2019 £'000 | 31 Dec 2018 £'000 | 31 Mar 2019 £'000 |
|---|----------------------|----------------------|----------------------|
| Associates | | | |
| Equity | - | - | - |
| Loan notes | 2,428 | - | - |
| Net investment in associates | <u>2,428</u> | <u>-</u> | <u>-</u> |
| Joint ventures | | | |
| Equity | - | 13,772 | 13,308 |
| Loan notes | - | - | - |
| Net investment in joint ventures | <u>-</u> | <u>13,772</u> | <u>13,308</u> |
| Total | | | |
| Equity | - | 13,772 | 13,308 |
| Loan notes | 2,428 | - | - |
| Total net investment in associates and joint ventures | <u>2,428</u> | <u>13,772</u> | <u>13,308</u> |

At 31 December 2019, the Group had interests in the following associates

| Company name | Principal Activity | Country of incorporation | % equity interest |
|----------------------|--------------------|--------------------------|-------------------|
| PMBS Holding Limited | Holding company | United Kingdom | 25.0% |

The registered office of PMBS Holding Limited is: Pinewood Studios, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH.

In 2014, the Group entered into an agreement to acquire a 15% equity interest in PMBS Holding Limited and its wholly owned subsidiary Pinewood MBS Lighting Limited, a company that was subsequently granted an exclusive 10 year arrangement to provide lighting services at the Group's UK facilities. The agreement allowed the Group to increase its equity interest in PMBS Holding Limited to 25% after 5 years for £nil consideration. This equity increase became effective on 31 December 2019, from which date the Group classified its investment in PMBS Holding Limited as an associate.

Prior to 31 December 2019, the initial 15% equity interest in PMBS Holding Limited was classified as a financial asset measured at fair value through profit or loss and presented within Other investments. Following the increase in the equity interest to 25%, the financial asset was derecognised, recognised as an interest in associate and measured at the original cost of the investment in accordance with FRS 102. The total equity interest in PMBS Holding Limited was acquired at £nil cost to the Group. Accordingly, the recognition of the investment as an associate required the cumulative unrealised fair value gains booked in prior years to be reversed, resulting in an unrealised non-cash charge of £1,680k in the Statement of Comprehensive Income for the current period (Note 1). In addition, the Group reclassified its investment in PMBS Holding Limited loan notes from Trade and other receivables to interests in associates. The loan notes receivable are due for repayment by 1 January 2025. Interest, which is rolled up, is charged at 8% and is receivable in June and December each year.

At 31 December 2019, the Group had no interests in joint ventures. The Group's previous 40% joint venture interest in the Pinewood Atlanta Studios was disposed of in August 2019 (Note 1).

9 Trade and other receivables

| | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|--|---|---|---------------------------------------|
| Amounts falling due within one year: | | | |
| Trade receivables - Media services | 7,337 | 7,992 | 9,096 |
| Trade receivables - Film production companies | - | 34 | 109 |
| Prepayments and other receivables | 4,361 | 4,192 | 2,615 |
| Loan notes receivable | - | 2,277 | 2,336 |
| | <u>11,698</u> | <u>14,495</u> | <u>14,156</u> |
| Amounts falling due after more than one year: | | | |
| Loans due from parent undertakings | 314,883 | 133,018 | 134,369 |
| | <u>314,883</u> | <u>133,018</u> | <u>134,369</u> |
| | <u>326,581</u> | <u>147,513</u> | <u>148,525</u> |

From 31 December 2019, the loan notes receivable have been reclassified and included within interests in associates and joint ventures (Note 8).

At 31 December 2019, trade receivables are stated net of a provision of £7k (2018: £753k) for bad debts. In the nine months ended 31 December 2019 a net amount of £430k (2018: £143k) was credited to administrative expenses within the income statement in respect of bad debts, primarily attributable to the receipt of cash associated with amounts previously provided.

In September 2019, the Company used part of the proceeds from the issue of 3.25% Senior Secured Notes to advance an additional £175m to its parent undertaking under a new loan agreement. Loans due from parent undertakings are due for repayment in September 2025 (2018: December 2023) and carry interest charged at 3.55% (2018: 4.05%).

10 Cash and cash equivalents

Included within the cash and cash equivalents balance per the statement of financial position at the reporting date are amounts unavailable for general use. These amounts relate to funds reserved solely for use in the production of specific Media Investment Film production company operations.

| | 31 Dec 2019 £'000 | 31 Dec 2018 £'000 | 31 Mar 2019 £'000 |
|--------------------------------------|----------------------|----------------------|----------------------|
| Cash available for general use | 99,387 | 42,130 | 39,804 |
| Restricted cash and cash equivalents | 53 | 1,043 | 110 |
| Net cash and cash equivalents | <u>99,440</u> | <u>43,173</u> | <u>39,914</u> |

Pinewood Group Limited

Notes to the Condensed Consolidated Financial Statements (continued)
for the nine months to 31 December 2019

11 Share capital

| | 31 Dec 2019 £'000 | 31 Dec 2018 £'000 | 31 Mar 2019 £'000 |
|--|----------------------|----------------------|----------------------|
| Issued, called up and fully paid | | | |
| 57,409,926 Ordinary shares of 0.001p each (2018: 57,409,926 Ordinary shares of 10p each) | <u>1</u> | <u>5,741</u> | <u>5,741</u> |

In order to increase distributable reserves, in September 2019 the Company completed a reduction of its share capital whereby (i) the entire amount of the Company's share premium account was cancelled and credited to Retained earnings, (ii) 20,436,072,037,040 ordinary shares which were issued by way of a bonus issue, part of which was used to capitalise the Company's Merger and Capital redemption reserve, were cancelled and (iii) the nominal value of each ordinary share was reduced from 10p to 0.001p.

The Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

12 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs. The share premium reserve was cancelled in full in September 2019.

Other reserves

Other reserves comprised a Capital redemption reserve of £135k and a Merger reserve of £348k. Both reserves were utilised in full through the issue of bonus shares in September 2019.

Translation reserve

Cumulative effect of the effect of foreign currency translation of operations with a functional currency other than Sterling in line with the Group's foreign currency translation accounting policy.

Retained earnings

Cumulative profit and loss net of distributions to owners.

13 Dividends

| | 9 month period ended 31 Dec 2019 £'000 | 9 month period ended 31 Dec 2018 £'000 | Year ended 31 Mar 2019 £'000 |
|---|---|---|---------------------------------------|
| 2019 Interim dividend paid at 130.64p per share (2018: nil) | <u>75,000</u> | <u>-</u> | <u>-</u> |

14 Interest bearing loans and borrowings

| | 31 Dec 2019 £'000 | 31 Dec 2018 £'000 | 31 Mar 2019 £'000 |
|--|----------------------|----------------------|----------------------|
| Current borrowings | | | |
| Asset financing | 6 | - | 171 |
| Non-current borrowings | | | |
| Revolving credit facility (i) March 2025 | - | - | - |
| Asset financing November 2019 | - | 232 | - |
| 3.75% Senior Secured Notes (ii) December 2023 | - | 245,409 | 247,945 |
| 3.25% Senior Secured Notes (iii) September 2025 | <u>548,581</u> | <u>-</u> | <u>-</u> |
| Non-current drawn loan facilities | 548,581 | 245,641 | 247,945 |
| Secured bank loan arrangement costs | - | (1,282) | (1,268) |
| | <u>548,581</u> | <u>244,359</u> | <u>246,677</u> |
| Total current and non-current interest-bearing loans and borrowings | <u>548,587</u> | <u>244,359</u> | <u>246,848</u> |

The effective interest rates of the above loans and borrowings are: (i) Revolving credit facility - LIBOR plus variable margin; (ii) 3.75% Senior Secured Notes - 4.28%; (iii) 3.25% Senior Secured Notes - 3.49%.

In September 2019, the Group announced it had priced an offering of £550m aggregate principal amount of 3.25% Senior Secured Notes due September 2025. The proceeds of the offering were received on 25 September 2019 and were used to fully redeem the Group's existing £250m 3.75% Senior Secured Notes due December 2023, make a loan and dividend distribution to the Pinewood Group parent company and pay certain fees and expenses connected with the offering. The Group's super senior revolving credit facility of £50m was also extended from May 2023 to March 2025.

On redemption of the Group's existing £250m 3.75% Senior Secured Notes and amendment of the revolving credit facility, an extinguishment charge of £5.9m was recorded in the income statement and presented within finance costs. Directly attributable costs of £6.4m were recognised at the inception of the £550m 3.25% Senior Secured Notes and are being amortised as part of the effective interest rate method in accordance with the Group's accounting policy. In addition, costs incurred of £652k associated with the arrangement of the super senior revolving credit facility are presented within trade and other receivables and are being amortised on a straight line basis. Previously, bank loan arrangement costs were presented within loans and borrowings.

These facilities are secured on certain of the principal assets of the Group.

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Notes to the Condensed Consolidated Financial Statements (continued)
for the nine months to 31 December 2019

14 Interest bearing loans and borrowings (continued)

Borrowing facilities

The available but undrawn committed facilities are as follows:

| At 31 December 2019 | Within 1 year £'000 | 1-4 years £'000 | 5+ years £'000 | Total £'000 |
|-------------------------------------|--------------------------------|----------------------------|---------------------------|------------------------|
| Facilities: | | | | |
| Bank overdraft | - | - | - | - |
| Revolving credit facility | - | - | 50,000 | 50,000 |
| Asset financing facility | 6 | - | - | 6 |
| Loan notes | - | - | 550,000 | 550,000 |
| Total facilities | 6 | - | 600,000 | 600,006 |
| Drawn loans: | | | | |
| Bank overdraft | - | - | - | - |
| Revolving credit facility | - | - | - | - |
| Asset financing facility | (6) | - | - | (6) |
| Loan notes | - | - | (550,000) | (550,000) |
| Total drawn loans | (6) | - | (550,000) | (550,006) |
| Undrawn facilities: | | | | |
| Bank overdraft | - | - | - | - |
| Revolving credit facility | - | - | 50,000 | 50,000 |
| Asset financing facility | - | - | - | - |
| Loan notes | - | - | - | - |
| Undrawn committed facilities | - | - | 50,000 | 50,000 |
| At 31 December 2018 | Within 1 year £'000 | 1-4 years £'000 | 5+ years £'000 | Total £'000 |
| Facilities: | | | | |
| Bank overdraft | - | - | - | - |
| Revolving credit facility | - | 50,000 | - | 50,000 |
| Asset financing facility | - | 232 | - | 232 |
| Loan notes | - | 250,000 | - | 250,000 |
| Total facilities | - | 300,232 | - | 300,232 |
| Drawn loans: | | | | |
| Bank overdraft | - | - | - | - |
| Revolving credit facility | - | - | - | - |
| Asset financing facility | - | (232) | - | (232) |
| Loan notes | - | (250,000) | - | (250,000) |
| Total drawn loans | - | (250,232) | - | (250,232) |
| Undrawn facilities: | | | | |
| Bank overdraft | - | - | - | - |
| Revolving credit facility | - | 50,000 | - | 50,000 |
| Asset financing facility | - | - | - | - |
| Loan notes | - | - | - | - |
| Undrawn committed facilities | - | 50,000 | - | 50,000 |

15 Derivative financial instruments

The Group's interest rate swaps are recognised as derivative financial instruments. Fair value movements are recognised in the income statement within interest receivable and similar income or interest payable and similar charges as appropriate.

| | 31 Dec 2019 £'000 | 31 Dec 2018 £'000 | 31 Mar 2019 £'000 |
|---|----------------------|----------------------|----------------------|
| Maturity | | | |
| Financial liabilities carried at fair value: | | | |
| Non-current derivative financial instrument liabilities | 2,241 | 1,752 | 2,206 |
| | 2,241 | 1,752 | 2,206 |

Interest rate swaps

To minimise the volatility in cash flows from a change in LIBOR, the Group held interest rate swaps designated as hedges against drawn debt obligations as detailed below.

| | 31 Dec 2019 £'000 | 31 Dec 2018 £'000 | 31 Mar 2019 £'000 |
|----------------------------------|----------------------|----------------------|----------------------|
| Maturity | | | |
| Effective interest rate % | | | |
| 2.00% + variable margin | 30 April 2025 | 25,000 | 25,000 |
| 2.08% + variable margin | 30 April 2022 | - | 25,000 |
| 2.16% + variable margin | 30 April 2022 | 25,000 | - |
| | | 50,000 | 50,000 |

The Group's economic hedges of interest rate risk are treated as derivative financial instruments and fair value movements are recognised in the income statement.

The interest swap finance costs are charged to the income statement when the swap is payable. The swaps are payable on a quarterly basis.

Pinewood Group Limited

Notes to the Condensed Consolidated Financial Statements (continued) for the nine months to 31 December 2019

16 Trade and other payables

| | 31 Dec 2019 | 31 Dec 2018 | 31 Mar 2019 |
|---|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 |
| Trade payables - Media services | 2,142 | 1,133 | 2,048 |
| Trade payables - Film production companies | 98 | 1,739 | 517 |
| Corporation tax payable | 726 | 2,931 | 1,967 |
| Value added tax | 6,118 | 198 | 1,385 |
| Other payables | 1,448 | 2,598 | 635 |
| Accruals | 4,322 | 3,771 | 4,807 |
| Amounts due to parent company | 4,844 | 3,055 | 4,078 |
| Capital expenditure related payables | 6,152 | 7,176 | 9,753 |
| Deferred royalty | 608 | 634 | 669 |
| Deferred income - Media services | 50,377 | 18,706 | 25,665 |
| Deferred income - Film production companies | - | 37 | 37 |
| | <u>76,835</u> | <u>41,978</u> | <u>51,561</u> |

No fixed security has been given in respect of any of the items listed above.

At 31 December 2019, the Group had no capital commitments contracted for, but not provided in the financial statements. At 31 March 2019, there was £26,943k of capital commitments in respect of development expenses arising from Pinewood East and other various projects.

17 Subsequent events

No significant events have occurred after the balance sheet date.

18 Principal risks and uncertainties

There are no changes to the assessment and considerations of the principal risks as disclosed in the Group's Annual Report for the year ending 31 March 2019.

An electronic version of the Annual Report and accounts can be obtained from Companies House.