Pinewood Group Limited

Report as at and for

the year to

31 March 2020

Full year highlights

Operational and industry highlights

- FY20 was a busy year for the business, with the UK stages virtually fully occupied throughout the year
- No Time to Die, 1917, Black Widow were a few of the productions that filmed at our studios during the year
- The combined total spend on film and high-end television (HETV) production in the UK for the 12-month period to March 2020 was £3.6 billion, the highest on record

Strategic highlights

FY20 has been a transformational year for the Group with a number of strategic initiatives delivered:

- Long-term contracts: we entered into two long-term contracts with Disney and Netflix for 100% of the production accommodation at Pinewood and Shepperton respectively. Both contracts commenced during the year, thereby securing revenues for the long-term
- Pinewood East studio expansion: Pinewood East phase II (‘PWE II’) was delivered on time and on budget, adding 4 new stages plus ancillary space, totalling c.205k sq. ft. The whole of phase II has been occupied by Disney under its long-term contract. We are currently finalising the design of phase III, which will provide an additional c.100k sq. ft. of production accommodation and once built, will complete the Pinewood East expansion
- Real estate optimisation (‘REO’): we received planning consent for 5 new stages at Pinewood West, which once complete will be occupied by Disney under the existing long-term contract. The projects are currently in the design and procurement stage, with construction expected to start towards the end of 2020 and completion expected in early 2022
- Shepperton expansion: we obtained outline planning consent during the year to improve and expand the studio by c. 1.2 million sq. ft (GEA). We are currently finalising the design of Shepperton South to best meet the needs of our customers
- International: we rationalised our international presence, selling our stake in Pinewood Atlanta Studios to our JV partner and exiting sales and marketing arrangements in Malaysia and Wales
- Business restructuring: Picture Services and Creative Audio, both of which are within the post-production business, were closed during the year; the space utilised by them will be rented to other occupiers

COVID-19

- The Group has continued to follow government guidance throughout the pandemic to ensure the safety of its employees, customers and visitors to the studios. Pinewood and Shepperton studios have remained fully operational throughout. Whilst predominantly all film and television productions decided to go on hiatus in March, they are now returning. Universal’s *Jurassic World: Dominion* has announced its intention to restart filming in the week commencing 6 July 2020
- The Group played a leading role in helping to develop the ‘Working Safely during COVID-19 in Film and HETV Drama Production’ guidelines produced by the British Film Commission (‘BFC’)
- The two long-term contracts with Disney and Netflix have not been impacted by the pandemic. It is expected that any financial impact would be limited to the smaller business areas of television and post-production. As of the date of this statement, the financial impact has not been significant

Financial highlights

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	3 months ended 31 March 2020 £'000	3 months ended 31 March 2019 £'000
Turnover	96,392	85,928	25,901	22,374
Adjusted EBITDA	58,060	44,672	16,172	11,759
Adjusted EBITDA margins	60.2%	52.0%	62.4%	52.6%
Cash generated from operations	74,168	52,748	4,332	17,988
Capital expenditure*	(34,320)	(42,077)	65	(20,760)
Adjusted net debt	(457,345)	(210,257)	(457,345)	(210,257)

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

Turnover

In the year to 31 March 2020 ("FY20"), turnover increased by £10.5 million or 12.2% to £96.4 million (FY19: £85.9 million). The increase in revenue demonstrates our focus on core business, with UK studios delivering a strong result and tracking well ahead of FY19; this growth was partially offset by a reduction in revenue in the post-production and international businesses.

UK studios benefitted from high demand and occupancy levels in both stage and other production accommodation throughout the year, together with PWE II coming on-line in autumn 2019. Further, our new long-term contracts for production accommodation space at Pinewood and Shepperton contain indexation provisions, which in accordance with FRS102, result in certain revenue over the initial term being recognised on a straight-line basis, rather than increasing each year. As a consequence, revenue is adjusted upwards by £1.4 million compared with the contractual amounts due. Revenue generated from the three dedicated television studios, which are available on a short-term hire basis, has also trended upwards since FY19 with several new shows being filmed at Pinewood.

Revenues from the post-production business were down on prior year, with the cessation of both Picture Services and Creative Audio, which closed in December 2019 and April 2020 respectively. Revenues from our international operations were also lower than in the prior year, with the cessation of the sales and marketing arrangements with the studios in Malaysia and Wales.

Adjusted EBITDA

Adjusted EBITDA increased by £13.4 million to £58.1 million (FY19: £44.7 million) due to: (i) the net increase in turnover commented on above; (ii) an improvement in gross margins by 5.8ppt to 58.1% (FY19: 52.3%) mainly reflecting the growth in UK studio activity and revenues, together with the ending of the lower margin businesses of Picture Services and Creative Audio and the decline in their revenues; (iii) lower administrative costs due to the prior year including a higher level of staff costs and recruitment fees, before and in relation to streamlining and changes to the management structure, together with costs in relation to the ceased Media Investment business; and (iv) 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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	3 months ended 31 March 2020 £'000	3 months ended 31 March 2019 £'000
Profit on ordinary activities after taxation	18,383	21,321	10,701	6,111
Tax charge on profit on ordinary activities	5,939	6,059	1,624	1,300
Net interest payable and other charges	19,564	6,200	2,642	1,857
Depreciation of property, plant and equipment	9,624	8,707	2,599	2,204
Impairment of property, plant and equipment	770	-	770	-
Amortisation of goodwill	563	560	140	140
Loss on disposal of property, plant and equipment	125	952	125	8
EBITDA	**54,968**	**43,799**	**18,601**	**11,620**
Adjusted items ***	3,092	873	(2,429)	199
Operating result from Media Investment	-	-	-	(60)
Adjusted EBITDA	**58,060**	**44,672**	**16,172**	**11,759**

*** Comprises adjusted administrative expenses, stamp duty land tax and profit and losses on disposal of joint ventures and investments. The Group excludes these adjustments when determining the Adjusted EBITDA measure. For further information on adjusted items, see page 10

Cash flow and capital expenditure

The cash balance at 31 March 2020 was £92.7 million compared with a balance of £39.9 million at 31 March 2019 and £43.0 million at 31 March 2018. The movement in cash since 31 March 2019 is attributable to a cash inflow of £53.3 million and a foreign exchange loss on cash balances of £0.5 million.

The cash inflow of £53.3 million at 31 March 2020 compares with a cash outflow of £3.1 million at 31 March 2019. This year-on-year change principally reflects a £43.9 million improvement in net cash from financing activities (net of an additional loan to the parent company), which is largely as a result of the net proceeds from the refinancing in September 2019, receipts totalling £15.4 million from the sale of our 40% share of Pinewood Atlanta Studios and 8% share of POP Global Ltd, a £10.4 million improvement in cash flow from operating activity before changes in working capital and a net improvement in the working capital inflow of £11.0 million, principally in connection with our multi-year and other key contracts around the year end dates. This is offset by £14.0 million and £2.7 million higher interest and tax payments respectively in the year and £7.6 million increased capital expenditure as the Group continued the strategic improvement and expansion of its Pinewood studios. The interest payment on the bonds in FY20 covered a 15-month period due to the change in the scheduled payment date, together with a make-whole payment of £5.9 million and the higher principal values.

Adjusted Net debt and liquidity

Adjusted net debt as at 31 March 2020 stood at £457.3 million, based on the £550.0 million of senior secured notes and a cash balance of £92.7 million. 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 year to March 2020 has been an excellent one for Pinewood Group, both in terms of financial performance and strategic initiatives completed.

The signing of the two long-term contracts with Disney and Netflix at Pinewood and Shepperton has secured the majority of the Group's revenues, thereby significantly improving the risk profile of the company. These contracts enabled us to successfully refinance the business in 2019, extending maturity to 2025.

We completed the second phase of Pinewood East on time and on budget during the year and this space is occupied by Disney as part of their long-term contract. Expansion of Pinewood West is now underway. We are aiming to complete the five new stages in early 2022 and again, this space will be occupied by Disney under its long-term contract.

Our client relationships provide us with a good understanding of current and future demand. In recent years, we have focussed on ensuring that the Group is able to meet long-term demand. For this reason, Pinewood East was launched in 2015 and subsequently expanded. We are now designing the final phase of Pinewood East. Similarly, this year, we secured planning consent for an additional 1.2 million sq. ft. of production accommodation at Shepperton. The Group is well positioned, but any decision to expand will only be taken after a careful assessment of the risks.

Finally, the hard work of our employees has enabled Pinewood and Shepperton to remain open and operational throughout the pandemic. We have continued to follow government guidance to ensure the safety of our staff and customers and it's pleasing to see the gradual return of productions.

The next Investor update is scheduled for 5 August 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 March 2020 ("Q4 2020", "Q4 FY20"), and the comparative period as of and for the 3 months ended 31 March 2019 ("Q4 2019" or "Q4 FY19"), prepared in accordance with FRS 102.
- The audited consolidated financial information of the Group as of and for the year ended 31 March 2020 ("FY20"), and the comparative period as of and for the year ended 31 March 2019 ("FY19"), 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 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 report may include forward-looking statements. All statements other than statements of historical fact included in this 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.

Use of non-FRS 102 financial information

This 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 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, gain/loss on disposal of property, plant and equipment, and adjusted items.

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 (which does not include the impact of income from participating interests).

In this 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 March 2020

Group Statement of Comprehensive Income

Turnover

Turnover increased by £3.5 million or c. 15.8% to £25.9 million (Q4 2019: £22.4 million) in the 3 months to 31 March 2020. UK studios saw increased revenues, with PWE II on-line throughout the quarter, higher occupancy in both stages and other production accommodation in the quarter, and an uplift from recognising certain revenue from the multi-year contracts on a straight-line basis over the initial term. The strong performance from UK studios has been partially offset by the loss in post-production revenues from Picture Services and Creative Audio, which closed in December 2019 and April 2020 respectively.

Cost of sales

Cost of sales increased by c. £0.5 million to £10.4 million (Q4 2019: £9.9 million). Q4 2020 also saw increased rates, security, cleaning and depreciation costs from the opening of PWE II, together with increased energy costs. These cost increases since last year have been mitigated by the closure of Picture Services in Q3 2020, and the removal of the cost base.

Gross profit

Gross profit increased by £3.0 million to £15.5 million (Q4 2019: £12.5 million) for the reasons set out above, with gross margin increasing by 3.9ppt to 59.7% (Q4 2019: 55.8%).

Selling and distribution costs

Selling and distribution costs decreased in the quarter to £0.2 million (Q4 2019 £0.4 million).

Administrative expenses ***

Administration expenses of £1.9 million is c. £0.6 million below the prior year period (Q4 2019: £2.5 million). Q4 2019 included a higher level of recruitment fees and other staff costs, in relation to streamlining and changes to the management structure.

Operating profit ***

Operating profit before adjusted items increased by £3.7 million to £13.3 million and delivered an operating profit margin of 51.4% (Q4 2019: 43.0%).

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 £0.2 million loss in Q4 2019.

Interest receivable and similar income

Interest receivable and similar income increased by c. £1.4 million to £2.8 million (Q4 2019: £1.4 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 £5.4 million (Q4 2019: £3.3 million), with the higher costs principally in relation to the increase in principal value of the senior secured notes.

Tax charge on profit on ordinary activities *** [†]

The tax charge on profit on ordinary activities for the quarter remained at £1.3 million (Q4 2019: £1.3 million).

*** Excluding adjusted items

† The tax charge for the three months to March 2019 has been restated to £1.3 million from £2.1 million. Whilst the tax charge for the full year of FY19 remains as previously stated, the phasing between quarters has been amended.

Cash flow

The cash balance at 31 March 2020 was £92.7 million compared with a balance of £99.4 million at 31 December 2019. Net cash outflow in the quarter was £6.6 million and we recognised a foreign exchange loss of £0.1 million on our overseas cash balances.

There was a £15.8 million cash inflow from operating activities before changes in working capital, offset by an £11.5 million deterioration in working capital due to the payment of VAT in relation to the multi-year contracts invoiced in December 2019 and the unwind of deferred income balances. Net interest paid was £9.2 million, with the first scheduled bond interest payment being made in March. Tax paid was £1.9 million, being the last scheduled instalment in connection with the results for FY20. Capital expenditure* contained £3.3 million of receipts in connection with the sale of two of our investments (the final Atlanta earnout receipt and proceeds of £2.8 million from the sale of our interest in POP Global Ltd), and net capital expenditure of £3.2 million.

Financial update for the year ended 31 March 2020

Group Statement of Comprehensive Income

Turnover

In the year to 31 March 2020 ("FY20"), turnover increased by £10.5 million or 12.2% to £96.4 million (FY19: £85.9 million). The increase in revenue demonstrates our focus on core business, with UK studios delivering a strong result and tracking well ahead of FY19; this growth was partially offset by a reduction in revenue in the post-production and international businesses.

UK studios benefitted from high demand and occupancy levels in both stage and other production accommodation throughout the year, together with PWE II coming on-line in autumn 2019. Further, our new long-term contracts for production accommodation space at Pinewood and Shepperton contain indexation provisions, which in accordance with FRS102, result in certain revenue over the initial term being recognised on a straight-line basis, rather than increasing each year. As a consequence, revenue is adjusted upwards by £1.4 million compared with the contractual amounts due. Revenue generated from the three dedicated television studios, which are available on a short-term hire basis, has also trended upwards since FY19 with several new shows being filmed at Pinewood.

Revenues from the post-production business were down on prior year, with the cessation of both Picture Services and Creative Audio, which closed in December 2019 and April 2020 respectively. Revenues from our international operations were also lower than the prior year, with the cessation of the sales and marketing arrangements with the studios in Malaysia and Wales.

Cost of sales

Cost of sales expenditure decreased by c. £0.6 million to £40.4 million (FY19: £41.0 million). There were savings in our post-production business, as contracted Picture Services and Creative Audio work was completed and the operations closed. Additionally, there was a non-recurrence of a £0.9 million prior year loss on the demolition and disposal of certain assets affected by the real estate optimisation programme. These savings were partially offset by higher depreciation, business rates and facilities costs following the opening of PWE II in autumn 2019, together with the return of energy costs to typical levels following an energy refund in the prior year.

Gross profit

Gross profit increased by £11.0 million to £56.0 million (FY19: £45.0 million) for the reasons set out above. Gross margin increased by 5.8ppt to 58.1% (FY19: 52.3%), with the growth in the higher margin UK studios business and the closure of the Picture Services and Creative Audio businesses, both of which delivered lower margins.

Selling and distribution costs

Selling and distribution costs remained broadly the same at c. £1.6 million (FY19: £1.7 million).

Administrative expenses***

Administrative expenses decreased by £0.6 million to £6.8 million (FY19: £7.4 million). This was mainly due to the prior year including a higher level of staff costs and recruitment fees, before and in relation to streamlining and changes to the management structure, together with costs in relation to the ceased Media Investment business.

Operating profit

Operating profit before adjusted items increased by £11.8 million to £47.7 million and delivered an operating profit margin of 49.5% (FY19: 41.7%).

Income from participating interests

The business delivered a marginally positive result in the period (FY19: £1.4 million loss), following improved occupancy at Pinewood Atlanta Studios in late spring and through to the sale of our 40% interest in the joint venture, which completed in August 2019.

Interest receivable and similar income

Interest receivable and similar income increased by £2.9 million to £8.6 million (FY19: £5.7 million). This increase 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 £4.4 million to c. £16.3 million (FY19: £11.9 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***

Excluding the impact of adjusted items, the tax charge on profit on ordinary activities increased by £1.4 million to £7.6 million (FY19: £6.2 million), and an effective tax rate of 19.0% (FY19: 22.0%). Whilst the increase in tax charge was predominantly due to the higher profit before tax in FY20, the lower effective rate was caused by this year benefitting from a 'loss carry back' claim in the USA and the prior year suffering from a greater degree of unrelieved tax losses.

*** Excluding adjusted items

Adjusted items

The Group presents its results in the statement of comprehensive income to separately identify the impact of certain items ("adjusted items") in order to provide a clear and consistent presentation of the underlying operating performance of the Group. Adjusted items are transactions that are unusual in size or nature or have limited predictive value such as disposals, discontinued operations, impairments, certain fair value remeasurements and other significant items where the Group considers separate disclosure would be useful. In FY20, a significant level of company and financial restructuring has been achieved during the year and the following items have been presented as adjusted items:

- Administrative expenses (£1.4 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 £0.4 million from restructuring activity mainly within post-production; and (iii) a £1.7 million charge in relation to the recognition of PMBS Holding Limited ('PMBS') as an associate following the exercisable option to increase our equity holding from 15% to 25%. In FY15, the Group entered into a studio lighting contract with PMBS, in exchange for a 15% holding of PMBS's equity, with an option to increase this to 25% from December 2019. The Group's option, to increase its equity holding to 25%, became exercisable in FY20 and this led to its reclassification as an associate and the reversal of previously recognised fair value gains down to the original cost of £nil. On 15 June 2020, PMBS confirmed the re-designation of a number of ordinary shares owned by its majority investor to deferred shares, thereby increasing the Group's equity interest in PMBS from 15% to 25%;
- Other operating costs (£0.6 million): Comprises (i) a £0.8 million impairment of post-production fixed assets following the closure of Picture Services and Creative Audio; (ii) a £2.8 million receipt from the sale of our investment in POP Global Ltd, which had previously been fully impaired; and (iii) a one-off stamp duty land tax ('SDLT') payment of £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 year, the structure has been simplified in advance of the commencement of the contract with Netflix, thereby reducing future costs;
- Loss on disposal of participating interests (£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 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 £1.7 million in relation to the items above.

The prior year included £0.9 million of adjusted items relating to restructuring costs from streamlining and changes to the management structure, net of a tax credit of £0.2 million.

Liquidity and capital resources

Cash flow

The cash balance at 31 March 2020 was £92.7 million compared with a balance of £39.9 million at 31 March 2019 and £43.0 million at 31 March 2018. The movement in cash since 31 March 2019 is attributable to a cash inflow of £53.3 million and a foreign exchange loss on cash balances of £0.5 million.

Net cash inflow from operating activities

Net cash inflow from operating activities increased year on year by £4.7 million to £44.3 million (FY19: £39.6 million). This was due to: (i) improved cash flows before movements in working capital of £10.4 million, due to the trading results described before; (ii) an £11.0 million net improvement in working capital with both new multi-year contracts being paid in advance, offset by unwinds of working capital on amounts which had been paid in FY19 in respect of FY20; offset by (iii) a £14.0m increase in net interest paid due to the net increase in principal values of the bond and the on-loan to the parent company, together with a '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 FY20 sees interest payments covering the 15 month period from mid-December 2018 to end-March 2020, rather than for the 12 month period to mid-December 2019; and (iv) higher tax paid of £2.7 million following the start of the revised HMRC payment schedule for UK companies, which sees two additional scheduled payments being made in FY20, which was the year of transition.

Net cash outflow from investing activities

Net cash outflow from investing activities was £209.3 million compared with £42.1 million in FY19. Of the FY20 cash flows, £175.0 million is in connection with increasing the loan to the parent company as a part of the refinancing. Excluding this loan, net cash outflow from investing activities was £34.3 million, a decrease of £7.8 million from prior year. During FY20, we received £12.6 million for the sale of Pinewood's share in the Atlanta joint venture and £2.8 million from the sale of the investment in POP Global Ltd. This supported the continued development of PWE II and real estate optimisation activities, with capital expenditure increasing by £7.6 million to £49.7 million (FY19: £42.1 million).

Net cash flow from financing

Net cash inflow from financing was £218.3 million, before the loan to the parent company of £175.0 million. Net of this loan, net cash inflow was £43.3 million (FY19: outflow £0.6 million). The year-on-year movement largely reflects the net proceeds from the refinancing, before the 'make-whole' payment of £5.9 million, which is reported in net cash flow from operating activities.

Pinewood Group Limited

Report and financial statements

Year ended 31 March 2020

Company Registration Number: 03889552

Registered No: 03889552

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Strategic Report

Business overview

Pinewood Group Limited ("Pinewood" or the "Group") is the leading independent provider of the real estate, infrastructure and supporting services required to produce film and television content. The Group's two freehold studios, Pinewood Studios and Shepperton Studios, are set over 416 acres with approximately 2.1 million square feet of space in prime locations close to central London, which makes Pinewood an attractive choice for major film companies.

The Group has one reportable segment which comprises:

- rental activities at Pinewood Studios and Shepperton Studios including production accommodation, media hub and television studios;
- complementary activities such as post-production and ancillary studio services; and
- other activities such as international sales, marketing and customer support on behalf of third-party studios.

The year to 31 March 2020 has been transformational for the business. The Group signed long-term index-linked contracts for 100% of the production accommodation space at both Pinewood Studios and Shepperton Studios with Disney and Netflix respectively. These contracts will provide the Group with visibility and security of revenues in the medium to long-term.

In October 2019, the Group delivered Pinewood East Phase II which added approximately 205,000 of square feet of lettable space and made an immediate contribution to earnings. Further, in 2019 the Group obtained outline planning consent for the expansion of Shepperton Studios and, in 2020, planning consent to build an additional 5 new stages at Pinewood West (which, once built, will be occupied by Disney under their existing long-term agreement).

The Group also simplified its business in the year by exiting Picture Services and Creative Audio. It also reduced its international presence by disposing of its Atlanta Joint Venture and exiting sales and marketing contracts in Malaysia and Wales, with the Atlanta sales and marketing contract expected to end in 2020.

Towards the end of the fourth quarter, the lockdown and social distancing measures introduced by the UK government in response to the COVID-19 pandemic meant that predominantly all film and television productions at the Pinewood and Shepperton sites went on hiatus. Both Pinewood and Shepperton have remained fully operational throughout the pandemic. The Group has continued to follow government guidance to ensure the safety of its employees, customers and visitors to the studios. Management is working closely with its customers to provide a safe environment for their return. As at the date of this report, film productions are preparing to resume filming, and Universal's *Jurassic World: Dominion* has announced its intention to start filming at Pinewood Studios in the week commencing 6 July 2020.

Strategic Report (continued)

Business review

Statement of Comprehensive Income

The Group presents its results in the statement of comprehensive income to separately identify the impact of certain items ("adjusted items") in order to provide a clear and consistent presentation of the underlying operating performance of the Group. Adjusted items are transactions that are unusual in size or nature or have limited predictive value such as disposals, discontinued operations, impairments, certain fair value remeasurements and other significant items where the Group considers separate disclosure would be useful. Details about what the Group has presented as adjusted items can be found in the "Adjusted items" section below and in Note 3 to the financial statements.

Group revenue increased by 12.2% to £96.4 million in the year (2019: £85.9 million). The strong revenue growth was primarily driven by an improvement in stage occupancy and other production accommodation throughout the year, the contribution from additional lettable space from the completion of Pinewood East Phase II in October 2019 and an increase in television revenues. Partially offsetting this strong performance was lower income from other areas where the Group ceased trading during the year, namely Picture Services and Creative Audio which were a part of the post-production business, together with the cessation of the sales and marketing arrangements in Malaysia and Wales.

Cost of sales expenditure decreased slightly by £0.6 million in year to £40.4 million (2019: £41.0 million). This was mainly due to savings in our post-production business, as contracted Picture Services and Creative Audio work was completed and the operations closed, a one-off £0.9 million loss on disposal recognised in the prior year related to certain assets affected by the real estate optimisation programme, partially offset by higher depreciation, rates and facilities costs following the opening of Pinewood East Phase II in the year.

Gross profit increased by £11.0 million to £56.0 million (2019: £45.0 million) and gross margin improved by 5.8ppt to 58.1% (2019: 52.3%), mainly reflecting the revenue growth in UK studios as mentioned above and the cessation of lower margin businesses.

Selling and distribution costs remained broadly flat at £1.6 million compared with £1.7 million in the prior year. Adjusted administrative expenses decreased by £0.6 million to £6.8 million (2019: £7.4 million). Total administrative expenses were £8.2 million (2019: £8.3 million)

Adjusted operating profit increased by £11.8 million to £47.7 million and delivered an operating profit margin of 49.5% (2019: 41.7%). Total operating profit increased by £10.7 million to £45.6 million.

The Group's 40% joint venture in Atlanta delivered a marginally positive result in the period compared with a £1.4 million loss in the prior year. The sale of the investment completed in August 2019.

Interest receivable and similar income increased by £2.9 million to £8.6 million (2019: £5.7 million). The increase relates to income from the interest bearing loan advanced to the Group's parent company which was increased by £175.0 million following the September 2019 refinancing.

Adjusted interest payable and similar charges increased by £4.4 million to £16.3 million (2019: £11.9 million) attributable to the increase in the principal amount of Senior Secured Notes from £250 million to £550 million in September 2019. Total interest payable and similar charges was £28.1 million and includes £11.8 million of charges associated with the refinancing completed in the year which were presented as adjusted items. There were no adjusted items presented within interest payable and similar charges in the prior year.

The adjusted tax charge on profit on ordinary activities increased by £1.4 million to £7.6 million (2019: £6.2 million), and an adjusted effective tax rate of 19.0% (2019: 22.0%). The lower effective rate was caused by this year benefitting from a 'loss carry back' claim in the USA and the prior year suffering from a greater degree of unrelieved tax losses. The total tax charge on ordinary activities is £5.9 million compared with £6.1 million in the prior year.

Strategic Report (continued)

Business review (continued)

Adjusted items

The significant level of Group and financial restructuring completed during the year has contributed to the recognition of a pre-tax £15.7 million charge (post-tax £14.0 million) related to adjusted items. The following items have been presented as adjustments in the year:

- Administrative expenses (£1.4 million): Comprises (i) £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 £0.4 million in relation to restructuring initiatives; and (iii) a £1.7 million charge in connection with an exercisable option to step-up the Group's equity holding of PMBS Holding Ltd ('PMBS') from 15% to 25%. In 2015, the Group entered into an arrangement with PMBS, in exchange for a 15% holding of PMBS's equity, rising to 25% on completion of the step-up. The step-up became effective on 31 December 2019 and led to the reclassification of PMBS from an investment to an associate held at nil cost. This required the reversal of previously recognised fair value gains. For further details see Significant accounting judgements, estimates and assumptions on page 32;
- Other operating costs (£0.6 million): Comprises (i) a £0.8 million impairment of post-production fixed assets following the closure of Picture Services and Creative Audio; (ii) a £2.8 million receipt from the sale of our investment in POP Global Ltd, which had previously been impaired and held at a value of £nil; and (iii) a one-off stamp duty land tax ('SDLT') payment of £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 year, 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 payment of £2.6 million;
- Loss on disposal of joint ventures (£1.8 million): Relates to the sale of the Group's 40% interest in Pinewood Atlanta Studios which completed in August 2019. This is recognised net of a performance related earn-out income of £0.5 million, which was received in February 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 £1.7 million in relation to the items above.

In the year to 31 March 2019 there were pre-tax adjustments for restructuring costs of £0.9 million (post-tax £0.7 million).

A reconciliation of the financial performance of the Group excluding adjusted items to the total results of the Group is shown in the statement of comprehensive income on page 22.

Statement of Financial Position

Net assets decreased by £56.1 million to £115.0 million (2019: £171.1 million), with the payment of a £75.0 million dividend to the group's parent company following the refinancing in September 2019 and a bonus issue of shares and capital reduction programme, partially offset by total comprehensive income for the year of £18.9 million.

The balance sheet reflects changes since prior year of a net increase of £37.0 million in property, plant and equipment and an investment of £1.0 million in intangible software development, a net increase in cash of £52.7m following the refinancing in September 2019, trading during the year and investment in the Group's capital development programme, and a £183.3 million increase in the non-current trade receivable balance from the Group's parent company following the refinancing. These increases to the net asset position were offset by the sale of the Group's investment in its Atlanta joint venture (2019: £13.3 million), a £297.8 million increase in interest bearing loans and borrowings following the refinancing in September 2019, and a £14.1 million net increase in trade and other payables following the recognition of deferred income following the receipt of rent payable in advance under the two multi-year contracts with Disney and Netflix.

Strategic Report (continued)

Business review (continued)

The net increase of £37.0 million in property, plant and equipment, is principally from the Group’s having completed the core development of c. 205,000 sq.ft of lettable space at Pinewood East Phase II, together with the commencement of planning works for the Group’s next phase of development at Pinewood West and Shepperton studios.

Borrowings

In September 2019, the Group announced it had priced an offering of £550.0 million 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 £250.0 million 3.75% Senior Secured Notes due December 2023, make a loan and dividend distribution to the Pinewood Group parent company totalling £250.0 million and pay certain fees and expenses connected with the offering. The loan to parent company bears interest at 3.55% and is repayable in September 2025 or earlier by mutual agreement.

The Group's super senior revolving credit facility of £50.0 million, which was undrawn at that date, was also extended from May 2023 to March 2025. These facilities are secured on certain of the principal assets of the Group. The facility was undrawn throughout the year.

Adjusted net debt as at 31 March was £457.3 million (2019: £210.3 million). See Performance measures on page 7 for the calculation of adjusted net debt.

Cash flow

The cash balance at 31 March 2020 was £92.7 million compared with a balance of £39.9 million at 31 March 2019 and £99.4 million at 31 December 2019. The movement in cash since 31 March 2019 is attributable to a net cash inflow of £53.3 million and a foreign exchange loss on cash balances of £0.5 million.

The cash inflow of £53.3 million at 31 March 2020 compares with a cash outflow of £3.1 million at 31 March 2019. This year-on-year change principally reflects a £43.9 million improvement in net cash from financing activities (net of a new loan to the Group’s parent company), which is largely from the net proceeds from the refinancing in September 2019, receipts totalling £15.4 million from the sale of our 40% share of the Pinewood Atlanta Studios and investment in POP Global Ltd, a £10.4 million improvement in cash flow from operating activity before changes in working capital and a net improvement in the working capital inflow of £11.0 million, principally in connection with our multi-year and other key contracts. This is offset by £14.0 million and £2.7 million higher interest and tax payments in the year and £7.6 million increased expenditure in relation to capital projects (including the Atlanta joint venture in 2019) as the Group continues the strategic improvement and expansion of its studios.

Net cash inflow from operating activities for the year to 31 March 2020 increased by £4.7 million to £44.3 million (2019: £39.6 million).

Whilst cash flow from operations before changes in working capital improved by £10.4 million, principally due to trading at the UK studios, there has been a £11.0 million net improvement in working capital caused by the timing of receipts from our leases around the financial year end dates. In addition, net interest paid increased by £14.0 million, mainly due to a ‘make-whole’ payment of £5.9 million as a part of the refinancing of the Senior Secured Notes and a larger interest payment on the increased principal value of the notes. Additionally, the agreed timing of regular interest payments changed from June/December to March/September, and interest payments in the year covered the 15-month period from mid-December 2018 to end-March 2020, rather than for the 12 month period to mid-December 2019. March 2020 saw the first interest payment of £9.2 million. Finally, net corporation tax paid has increased year on year by £2.7 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 was £209.3 million compared with £42.1 million in 2019. This includes £175.0 million loan to the Group’s parent company, £12.6 million received from the sale of Pinewood’s share in the Atlanta joint venture and £2.8 million received from the sale of Pinewood’s investment in POP Global Ltd. Capital expenditure was £10.8 million higher, principally in relation to the development of Pinewood East Phase II together with the Group’s real estate optimisation activities.

Net cash inflow from financing was £218.3 million (2019: £0.6 million outflow). The year-on-year movement largely reflects the net proceeds from the refinancing, before the £175.0 million loan to the Group’s parent company reported in net cash outflow from investing activities and the ‘make-whole’ payment of £5.9 million, which is reported in net cash flow from operating activities.

Strategic Report (continued)

Performance measures

Performance of the Group is monitored internally using a variety of statutory and alternative performance measures (APMs). APMs are used where management considers they are more representative of underlying trading or in monitoring performance against the Group's objectives. Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is an important metric because it reflects the underlying earnings of the core business by excluding items with limited predictive value or are non-recurring in nature. Accordingly, adjusted EBITDA is reflective of normalised cash flow and is a measure monitored by the Group’s investors and other stakeholders. The adjusted net debt measure is considered helpful to understand the effective interest rate calculations on the Group’s borrowings by excluding accrued interest and amortised cost adjustments. Definitions of the APMs and reconciliations to the equivalent statutory measures are detailed below.

For the year ended 31 March	Note	**2020** **£’000**	2019 £’000
Turnover	2	**96,392**	85,928
Adjusted EBITDA (see below)		**58,060**	44,672
Adjusted EBITDA margins (adjusted EBITDA/Turnover)		**60.2%**	52.0%
Cash generated from operations		**74,168**	52,748
Adjusted net debt (see below)		**(457,345)**	(210,257)
Capital expenditure		**34,320**	42,077

Capital expenditure 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, investments and joint ventures, as disclosed in the cash flow statement.

Reconciliation of profit on ordinary activities after taxation to adjusted EBITDA

For the year ended 31 March	Note	**2020** **£’000**	2019 £’000
Profit on ordinary activities after taxation		**18,383**	21,321
Tax charge on profit on ordinary activities	11	**5,939**	6,059
Net interest payable and similar charges	9/10	**19,564**	6,200
Depreciation of property, plant and equipment	4	**9,624**	8,707
Impairment of property plant and equipment	4	**770**	-
Amortisation of goodwill	4	**563**	560
Loss on disposal of property, plant and equipment	4	**125**	952
EBITDA		**54,968**	43,799
Adjusted items:			
Administrative expenses	3	**1,434**	873
Other operating expenses (excluding impairment)	3	**(158)**	-
Loss on disposal of participating interests	3	**1,816**	-
Adjusted EBITDA		**58,060**	44,672

Strategic Report (continued)

Performance measures (continued)

Reconciliation of adjusted net debt

As at 31 March	Note	**2020** **£'000**	2019 £'000
Current assets: Cash and cash equivalents	18	**92,655**	39,914
Current borrowings: Asset financing		**-**	(171)
Non-current borrowings: High yield bond	21	**(544,486)**	(247,945)
Drawn loan facilities less current assets		**(451,831)**	(208,202)
Secured loan arrangement costs		**-**	1,268
Net debt		**(451,831)**	(206,934)
Adjustments:			
Interest accrued		**50**	2,812
Secured loan arrangement costs		**-**	(1,268)
High yield bond arrangement costs		**(5,564)**	(4,867)
Adjusted net debt		**(457,345)**	(210,257)

Principal risks and uncertainties

The Group's principal risks and uncertainties are as follows:

Commercial and general risk
Historically, the Group faced uncertainty that should customer demand increase or decrease over a given period, occupancy rates could increase or decrease accordingly. The Group has significantly mitigated commercial risk through the long-term contracts signed with Netflix and Disney which ensures full occupancy of the production accommodation at Pinewood Studios and Shepperton Studios in the medium to long-term. However, television productions, media hub and post-production are excluded from the long-term arrangements and certain costs of producing our services, including staff and other operating costs are not fixed or recharged under the long-term agreements and could increase, eroding margins.

UK Trade agreements
The outcome of final negotiations between the UK and the EU regarding a potential trade deal remain uncertain, as does the broader impact on global trade resulting from the UK's exit from the EU. The long-term occupancy contracts with Netflix and Disney provide the Group with security of revenues and cash flows in a post-Brexit economy. Furthermore, the contracts are denominated in sterling which offers additional protection against potential currency devaluation. The majority of our other customers are UK registered and the Group has relatively little exposure to cross border trading between the UK and EU.

A devaluation of sterling may increase the cost of imported supplies for our construction activities and specialist equipment. It is challenging to assess the impact on Pinewood's third-party suppliers, particularly at the second or third level down in a supply chain, be it for goods or services. Some of these services sit several levels below the primary supplier to Pinewood. Consequently, whilst it may be possible to interrogate primary suppliers of goods and services about the impact of the various forms of Brexit on their supplies to Pinewood, they may not be in a position to assess the impact on their sub-suppliers at lower levels of the supply chain.

Development risk
The Group may undertake a number of capital expenditure programmes, including in connection with the further development and expansion of its existing studios; the inability to complete such projects on time or at all or to the specification required, the inability to generate the desired returns therefrom or the inability to raise additional capital as might be required to complete such projects could have a material adverse effect on our business, financial condition and results of operations.

The Group engages advisors with the necessary experience to complement the Group's in-house teams and manage this risk.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Business continuity and disaster recovery
A major incident such as a fire or an explosion could put people and/or the sites of operation at risk, result in a loss of turnover and damage the Group's reputation.

A dedicated health, safety and fire team carries out regular risk evaluation. A Business Continuity Team is also in place to ensure that the operational business continues as far as possible in the event of a major incident. The Group has an insurance portfolio, which looks to mitigate potential incidents described. It also invests in information technology and monitors the adequacy of its applications in use on an ongoing basis.

Regulatory and environmental risk
We are exposed to risks relating to regulations and liabilities arising from our operations and assets including environmental, health and safety laws and liabilities.

Financial risk management
The main risk currently arising from the Group's financial instruments is liquidity risk. Fiscal regime risk, credit risk, foreign exchange risk and fiscal incentives are also considered below.

- ***Liquidity risk***

The Group manages its exposure to liquidity risk at Group level. The Group's objective is to maintain a balance between the continuity of operating and development funding and flexibility using cash and a revolving credit facility.

At the reporting date of 31 March 2020, the Group has banking facilities of up to £600 million, comprising a £50 million super senior secured revolving credit facility and a £550 million senior secured high yield bond. These facilities expire in March 2025 and September 2025 respectively and are secured on certain of the principal assets of the Group. The revolving credit facility has one covenant and a range of events of default. The Group's borrowings are subject to certain covenants and a deterioration in performance and profitability could affect the Group's ability to satisfy such covenants.

- ***Fiscal regime***

Changes to the UK's film, animation, video games and high-end television tax incentives or an increase of incentives in overseas jurisdictions could damage the attractiveness of the UK as a destination for film content creation. The Group monitors the cultural and economic contribution that screen-based industries make to the UK economy.

The burden of tax and business rates could increase due to changes in tax laws, rules or treaties or their application or interpretation, adverse decisions of tax authorities or current or future tax audits.

- ***Credit risk***

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss.

Customer credit risk is managed across the Group in accordance with policy, procedures and controls relating to customer credit risk management. The Group trades with recognised, creditworthy third parties and it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The long-term contracts entered into with Netflix and Disney during year has concentrated the Group credit risk, although this is mitigated by the billing of studio space in advance. The limited studio space, which is not leased under the multi-year contracts, is billed in tranches prior to and throughout the period of customer occupancy, thereby allowing credit risk to be better controlled. Receivable balances are monitored on an ongoing basis to manage the Group's exposure to bad debts.

- ***Foreign exchange risk***

The Group does not hedge against foreign currency exposure due to its minimal exposure to foreign currency movements as its business is conducted primarily in UK sterling. The Board continues to review this area to identify any potential exposure.

Strategic Report (continued)

Principal risks and uncertainties (continued)

COVID-19

The Group's UK sites have remained open and operational throughout the COVID-19 crisis and have been operated in accordance with government guidance. The outbreak may impact how media content is produced by the industry in the short to medium term and therefore our business. The virus may also impact expansion plans at our existing studios, either through disruption of supply chains or delays to construction activities from the introduction of necessary social distancing measures, or through potential customers willingness to take space in any new development not covered by the terms of the long term contracts.

The Board is committed to maintaining the health and wellbeing of all persons using the studios and continue to monitor the developing situation and consistently adhere to relevant legislation and the prevailing UK government guidance. In response to the outbreak, the Group established a task force responsible for delivering a plan to mitigate the risks of transmission as our staff, customers and visitors return to the studios. The plan has been implemented at both Pinewood Studios and Shepperton Studios and covers the five 'key steps' identified by the UK government set out below:

- Completion of COVID-19 risk assessments;
- Reinforcement of cleaning processes, handwashing and hygiene;
- Supporting employees to work from home wherever possible;
- Maintaining social distancing on site; and
- Managing transmission risk when minimum social distancing cannot be maintained.

The Group is working with customers to co-ordinate and support them, as well as contributing to industry-specific consultations and codes of conduct in order to maintain, encourage and enforce safe ways of working. Our production and tenant customers are also developing their own risk assessments, procedures and 'Staying COVID-19 Secure in 2020' plans for working at our sites. All persons operating at our sites will need to ensure they comply with government guidance, including the creation of their own COVID-19 risk assessment and related procedures as appropriate. Communication and coordination are central to managing and mitigating the risks presented by COVID-19.

Sustainability

The Group is dedicated to contributing to a sustainable future for the screen-based industries, leading the way in building and operating sustainable film and television studios. The Group is continually striving to improve its environmental performance and minimise negative impacts on the surrounding environment. Our approach to sustainability is multi-faceted, including energy and carbon reduction, sustainable travel, environmental protection and environmental enhancement.

Onsite initiatives to improve the local environment have included the planting of approximately 28,500 trees on Pinewood East and the installation of green roofs on the Pinewood East stages. Along with projects to reduce energy consumption on site, the Group works with partners such as BAFTA, Film London and the BFI to engage the wider industry on sustainability initiatives. Further, the Group moved its power consumption to 100% renewably sourced contracts during the year.

With the opening of Pinewood East Phase II the Group's carbon footprint has increased from the previous year. However, the intensity of carbon dioxide per square foot has reduced.

In the period covered by this report the Group has continued to roll out LED lighting upgrade projects, upgrade heating systems, run more electric vehicles in its studio fleet and has increased visibility of internal energy use by installing a greater number of automatic meter reading solutions. An example project of work undertaken is refitting a stage with LED lighting, which is expected to save 105,774 kWh of electricity per year.

Strategic Report (continued)

Sustainability (continued)

The Group's UK carbon footprint is shown in the below table.

For the year ended 31 March	2020	2019
Energy consumption used to calculate emissions (kWh)	**48,072,335**	43,727,622
Emissions from combustion of gas tCO_2e (Scope 1)	**3,441**	2,868
Emissions from combustion of other fuels tCO_2e (Scope 1)	**2,467**	1,770
Emissions from combustion of fuel for transport purposes tCO_2e (Scope 1)	**9**	14
Emissions from business travel in rental cars or employee owned vehicles tCO_2e (Scope 3)	**1**	1
Emissions from purchased electricity tCO_2e (Scope 2)	**5,117**	5,941
Total gross tCO_2e	**11,035**	10,594
Intensity ratio: tCO_2e/ft^2 floor area	**0.0053**	0.0057
Methodology	**GHG Reporting Protocol**	GHG Reporting Protocol

Section 172 Statement

The Directors are responsible for acting, in good faith, to promote the success of the company for the benefit of its shareholders as a whole whilst having regard to the matters set out in s.172(1)(a)-(f) Companies Act 2006.

Board of Directors
At the date of this report, the Board consists of six Directors. Their names can be found on page 1. Barbara Inskip was appointed to the Board of Directors in May 2019.

Throughout the year, all Directors received training on their duties from a professional adviser and had the opportunity to receive advice from the Company Secretary and independent advisers, when judged necessary. The duties fulfilled by the Directors are, in part, set out in the company's governance framework. The framework exists to promote effective controls and a culture of transparency within the Group. Where appropriate, the Directors discharge certain day-to-day responsibilities to the Management Committee and other senior employees, to deliver the strategy and manage risk.

In addition to corporate governance, the Board is responsible for setting the culture and strategic direction of the Group and engaging with each of its key stakeholders to ensure the long-term success of the business. The Board meets quarterly to review these matters, as well as the Group's policies and procedures. Further information on this can be found in the sections below.

Culture and values
The Group's vision is to be the leading studio partner to the global and progressive production community. The Board is responsible for establishing and embedding a culture that aligns to this vision. The key values that underpin our culture are:

- passion for the services that the business delivers;
- pioneering and can-do attitude;
- integrity and respect;
- diversity and inclusion; and
- teamwork

The Directors recognise the importance of articulating the Group's culture to all employees. Our performance management and rewards are aligned to the Group's values and thus influence our ways of working.

Culture remains on the Board's agenda as a subject of continuous review. Through the results of the employee engagement survey, employee retention metrics and customer feedback, the Management Committee evaluates the extent to which the culture is emulated by employees and makes recommendations to the Board as relevant.

Strategic Report (continued)

Section 172 Statement (continued)

Strategy

To achieve its vision, the Group has set out a strategy focused on three pillars:

- Focus on the core business: maintain our position as the leading independent provider of infrastructure for the production film and television content;
- Expand at home: pursue demand led expansion of our UK studios whilst maintaining a judicious approach to development risk; and
- Rationalise international presence and expand in strategic markets: be present in those international markets that are important to our customers.

Over the last three years, the Directors have focused on delivering this strategy and executed several key initiatives, a selection of which are listed below:

- Focus on the core business: (i) entered into two long-term leases for 100% of the UK production accommodation; and (ii) exited non-core business lines such as the media investment;
- Expand at home: (i) completed two phases of expansion of Pinewood East, adding 9 stages plus ancillary production accommodation totalling c. 0.5m sq ft
- Rationalise international presence and expand in strategic markets: (i) sold our 40% stake in the Atlanta JV; and (ii) terminated our agreements for the studios in Malaysia and Wales. The Group continues to consider opportunities in the important international markets.

Stakeholder engagement

Engaging with our stakeholders helps us to identify and deliver the objectives that matter most to them. The objectives of our stakeholders are embedded in the Group's culture, values and strategy as described above. Additionally, the Board considers more specific needs and objectives of the key stakeholders during the quarterly board meetings, either via feedback from senior management or targeted communications such as the Pinewood Employee Engagement Survey. The Board delegates follow-up actions to achieve such objectives as appropriate.

Stakeholders' interests	How we engage	Outcomes
Our customers		
• First class infrastructure required for the production of film and television content in locations close to London • Outstanding customer service • Availability of highly skilled crew base capable of producing films and television content to an exceptional standard • Stable and reliable subsidies for the production of content • An ecosystem of companies able to service productions • Technology and skills capable of producing world class audio mixes – often multilingual – in tight timeframes	• Collaborate closely with our customers to understand their latest infrastructure and service requirements • Solicit feedback through customer surveys and forums comprising occupiers of the Media Hub that make up the ecosystem	• Acquired additional land adjacent to Shepperton Studios and obtained planning consent for 1.2 million square feet of additional production accommodation • Engaged and worked with leading consultants to design new stages • Formalised networking groups, to improve communication between occupiers of the Media Hub and productions • Invested in technology and skills to deliver multilingual audio mixes for our customers

Strategic Report (continued)

Section 172 Statement (continued)

<table>
<tr><th>Stakeholders' interests</th><th>How we engage</th><th>Outcomes</th></tr>
<tr><td colspan="3">Our employees</td></tr>
<tr><td>Career progression
Learning / development opportunities
Timely and efficient communication channels
Health, safety and wellbeing
Diversity and inclusion
Aligning company and employee interests</td><td>Conduct an annual all-staff engagement survey
Seek employees’ views through multiple channels, including: the intranet, 1-to-1 meetings, monthly briefings on business activities and quarterly all-staff meetings
Offer employees the opportunity to undertake professional accreditation courses sponsored by the company
Provide annual training for all staff in aspects of HS&E and cyber security</td><td>Created a career development framework, with benchmarking of roles, job grades and a remuneration structure
97 employees gained trade and professional skills during the year through a mixture of training courses, academic qualifications, professional body certifications, apprenticeships and university work placements
Provided an external employee assistance programme to support the well-being of staff
Established a health and safety committee with a wide cross-section of employee representatives that meets quarterly</td></tr>
<tr><td colspan="3">Suppliers and other partners</td></tr>
<tr><td>Long-term partnerships
Clear understanding of required service levels
Timely and efficient communication channels
Fair payment terms</td><td>Tender expiring contracts and newly required services, before entering into formal agreements, where applicable
Conduct initiation processes to foster collaborative partnerships with suppliers
Regular service delivery meetings between our key suppliers and operational and procurement staff
Proactively seek to work with SMEs in the local area</td><td>Our suppliers have the technical competencies to support our infrastructure and are able to deliver to a high standard and often to tight deadlines
Contracts with a number of key suppliers (including security and cleaning) were considered and approved by the Board in 2019/2020</td></tr>
</table>

Strategic Report (continued)

Section 172 (continued)

Stakeholders' interests	How we engage	Outcomes
Community and environment		
• A responsible and considerate neighbour • Timely and efficient communication channels with frequent information sharing • Employment opportunities for the local community • Sustainable environmental policies and practices	• Andrew Smith serves as chairman of the Buckinghamshire Thames Valley Local Enterprise Partnership and as a director of Buckinghamshire Business First • Employ a dedicated Community Liaison officer to maintain an open communication channel • Consult with local communities regarding expansion plans and proposals from planning through to construction • Host tours and annual careers fairs for local schools, colleges, and universities	• Sponsor scholarships to the National Film & Television School • Support Pinewood apprenticeships • Hosted annual careers fairs attracting 5000+ students • Offer free shuttle bus services for staff, customers, and local residents • Reduced the carbon footprint at our UK Studios by 32% between March 2015 and March 2020 • Procure 100% of electricity from renewable resources • The Group works with partners such as BAFTA, Film London and the BFI to increase environmental awareness of productions

Policies and procedures

The Directors have put in place policies and procedures to support the Group's operating strategy in light of their Section 172 duties. These include:

(i) Reserved matters

Under the process to approve reserved matters, critical business and strategic decisions for the Group or subsidiary companies are reserved solely to the Boards of Directors. Business managers submit matters for Board consideration. The submissions are monitored by the Company Secretary and all approvals noted in quarterly board reporting.

(ii) Delegation – Authorised Signatories Process

The Board oversees a delegated and authorised signature process, whereby certain matters can be dealt with by the Executive Directors, the Management Committee and Heads of Department. Monthly Management Committee meetings, including the four Executive Directors, are held. The Board maintains a close working relationship with the Executive Directors and has oversight of day-to-day business and strategic matters of the Group.

(iii) Anti-bribery and Corruption

The Board is committed to the prevention, deterrence and detection of bribery and corruption, instigating a clear policy of non-tolerance of all forms of bribery and corruption within our business. The Board oversees its responsibilities through the General Counsel, who report to the Board and investigate all breaches or suspected breaches of the policy and take appropriate action.

(iv) Whistleblowing

The Board is committed to conducting all business in an honest and ethical manner. It has approved the Group's whistleblowing policy to encourage the timely reporting of suspected wrongdoing and has appointed whistleblowing officers to oversee the policy. The Board does not tolerate retaliation and whistle-blowers must not suffer detrimental treatment as a result of raising a genuine concern.

Strategic Report (continued)

Section 172 (continued)

(v) Anti-Slavery

The Board has a clear stance of zero-tolerance of all forms of slavery, human trafficking and other exploitation in any part of the Group's business or in its supply chain. The Board approves an annual statement, made on behalf of the Group pursuant to section 54, Part 6, Modern Slavery Act 2015, and receives regular updates on progress and actions relating to minimising risk within the Group's supply chain.

(vi) Staying COVID-19 Secure in 2020

The Board oversees its responsibilities in relation to Staying COVID-19 Secure in 2020 through the COVID-19 Task Force, headed up by the Head of Business Compliance. The Task Force contains members of the Management Committee and subject matter experts, reporting directly to the Board on matters of policy, process and performance.

(vii) Advice available to the Board

The Board has access to the services of the General Counsel and may take independent professional advice where it judges it necessary to do so in order to discharge their responsibilities as Directors.

Information: The Directors arrange to receive and consider information required to carry out their duties and:

- Receive regular business updates and financial performance reviews against budget;
- Receive quarterly reports from the Legal Department and from the other functional areas;
- Discuss and approve the annual operating plan;
- Consider and debate strategic business decisions, which impact the long-term direction of the Group, such as the two multi-year contracts and investment plans; and
- Receive quarterly and ad-hoc reports from the Health, Safety, Environmental and Compliance teams.

Post balance sheet events

The impact of the Covid-19 pandemic on the Group's operations is discussed within the Strategic Report on pages 2, 9 and 14. Subsequent to the balance sheet date, the Group has monitored performance. No adjustments to the key estimates and judgements have been identified.

On 15 June 2020 the Group's associate undertaking, PMBS Holding Limited ("PMBS"), confirmed the re-designation of a number of ordinary shares owned by its majority investor to deferred shares, thereby increasing the Group's equity interest in PMBS from 15% to 25% and completing the step-up described on page 32. In accordance with the investment agreement, PMBS also issued to the Group additional unsecured loan notes with a principal value of £2.0 million. No cash consideration was transferred.

Strategic Report (continued)

Going concern

In assessing the going concern basis, the Directors considered the Group's business activities, the financial position of the Group and the Group's financial risk management objectives and policies. The Group meets its day-to-day operating requirements through its cash resources and operating cashflows. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, economic uncertainty, Brexit and COVID-19, show that the Group will be able to operate within the level of its current facilities.

Information on the Group's financial risk management, together with other Principal Risks and Uncertainties are detailed above in the Strategic Report. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

Barbara Inskip

Director

23 June 2020

Directors' Report

The Directors present their annual report and audited financial statements of the Group for the year ended 31 March 2020.

Results and Dividends

Group profit on ordinary activities after taxation for the year ended 31 March 2020 was £18.4 million (2019: £21.3 million), including the impact of adjusted items and the movement on fair value of financial derivatives.

Dividends of £75 million were paid during the year (2019: nil). The Directors do not recommend payment of a final dividend.

Directors

The Directors, who served during the year and to the date of signing, unless otherwise indicated, were as follows:

Paul Golding	
Barbara Inskip	(Appointed 17 May 2019)
Luis Moner Parra	
Christopher Naisby	(Resigned 17 May 2019)
Nathan Shike	
Andrew Smith	
Alison Trewartha	

Directors Duties

The Board recognises the importance of considering the Group's responsibilities and duties to both its shareholders and its broader stakeholder group. The Directors' duties under Section 172 of the Companies Act 2006 help to underpin the good governance which is central to the way we work. Details of formal statement of how the Boards of the Group and its subsidiaries complied with this legal requirement and met its obligations in respect of Section 172 during the year, is set out on page 10.

Directors' Liabilities

The Company has granted an indemnity to one or more of its Directors against liability brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report.

Employees

The Group actively considers the position of its employees' rights through comprehensive and regularly reviewed employment practices in the areas of recruitment, training, welfare, remuneration and employee relations (see Section 172 Statement on page 12 for further information on employee engagement). In addition to a published grievance policy, the Group maintains a 'whistle-blower' policy providing an opportunity for employees to raise grievances with senior management. The Group also provides all staff with access to an externally run Employee Assistance Programme that provides free and confidential advice.

The Group's stated policy on Equal Opportunities recognises the diversity of individuals and has procedures in place to ensure that recruitment and promotion recognises such diversity and is not biased by consideration of age, gender, disability, colour, racial origin, religion or sexual orientation. We provide employees with reasonable conditions of employment and career prospects. The Group supports its disabled employees with regular training and support through the equal opportunity and training policies.

The Group has regular contact with employees via its intranet site, Spotlight, and via regular catch ups and briefings. These methods are used to ensure employees are kept up to date with the performance of the business. In addition, the Group continuously manages employees' performance.

Investing in skills, training and development remains a focus for the Group. This year the Group implemented a new Career Development Framework which demonstrates to staff how they can progress their career at Pinewood through a grading structure, job profiles and development plans.

The Group also has a well-developed work apprenticeship scheme providing "in work" apprenticeships in areas such as plumbing, electrical and carpentry. The Group currently has four apprentices whose training is paid for by the Apprenticeship Levy. The Group also works in partnership with Universities to provide paid work placement year opportunities for Sound students in its post-production department.

Directors' Report (continued)

Sustainability

The Group's approach to sustainability, including information on energy usage and carbon emissions, can be found in the Strategic Report on pages 9-10.

Branches outside of the United Kingdom

The Group operates through various subsidiary undertakings in various jurisdictions as disclosed in Note 5 to the Parent Company financial statements. PSL Consulting Limited, a group company, operated a Beijing Representative Office during the year, which was a branch established in China as defined by Section 1046(3) of the Companies Act 2006. The branch was closed in September 2019.

Going Concern

As outlined within the Strategic Report on page 15, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As there are no material uncertainties relating to events or conditions that may cast doubt on the ability of the Group to continue as a going concern, the Group continues to adopt the going concern basis of accounting in preparing the financial statements.

Other Directors' Report Disclosure Requirements

Certain disclosures required by section 414C(11) of the Companies Act 2006 to be included in the Directors Report have been included elsewhere in this Annual Report, as follows:

- Principal activities - Strategic Report, page 2
- Principal risks and uncertainties - Strategic Report, pages 7-9
- Post balance sheet events - Strategic Report, page 14
- Indication of future developments - Strategic Report, page 2

Directors' Statement as to Disclosure of Information to Auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow Directors, each of these Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

Leonie Dorrington-Ward

Company Secretary

23 June 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Pinewood Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Pinewood Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group Statement of Comprehensive Income;
- the Group Statement of Financial Position;
- the Group Statement of Cash Flows;
- the Group Statement of Changes in Equity;
- the related notes to the Group Financial Statements 1 to 27;
- the Parent Statement of Financial Position;
- the Parent Statement of Changes in Equity; and
- the related notes to the Parent Company Financial Statements 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Pinewood Group Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the Members of Pinewood Group Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Evans, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom
23 June 2020

Group Statement of Comprehensive Income
for the year ended 31 March 2020

		31 March 2020			31 March 2019		
		Adjusted	**Adjusted items (Note 3)**	**Total**	Adjusted	Adjusted items (Note 3)	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Turnover	2	**96,392**	**-**	**96,392**	85,928	-	85,928
Cost of sales		**(40,369)**	**-**	**(40,369)**	(40,956)	-	(40,956)
Gross profit		**56,023**	**-**	**56,023**	44,972	-	44,972
Selling & distribution costs		**(1,574)**	**-**	**(1,574)**	(1,717)	-	(1,717)
Administrative expenses		**(6,758)**	**(1,434)**	**(8,192)**	(7,388)	(873)	(8,261)
Other operating expenses		**-**	**(612)**	**(612)**	-	-	-
Operating profit/(loss)	4	**47,691**	**(2,046)**	**45,645**	35,867	(873)	34,994
Loss on disposal of participating interests		**-**	**(1,816)**	**(1,816)**	-	-	-
Income/(loss) from participating interests		**57**	**-**	**57**	(1,414)	-	(1,414)
Interest receivable and similar income	9	**8,577**	**-**	**8,577**	5,679	-	5,679
Interest payable and similar charges	10	**(16,333)**	**(11,808)**	**(28,141)**	(11,879)	-	(11,879)
Profit/(loss) on ordinary activities before taxation		**39,992**	**(15,670)**	**24,322**	28,253	(873)	27,380
Tax (charge)/credit	11	**(7,607)**	**1,668**	**(5,939)**	(6,224)	165	(6,059)
Profit/(loss) on ordinary activities after taxation attributable to equity shareholders		**32,385**	**(14,002)**	**18,383**	22,029	(708)	21,321
Other comprehensive income							
Currency exchange differences		**540**	**-**	**540**	809	-	809
Total comprehensive income		**32,925**	**(14,002)**	**18,923**	22,838	(708)	22,130

The notes on pages 26 to 50 form part of these financial statements.

Group Statement of Financial Position
as at 31 March 2020

	Note	**2020 £'000**	2019 £'000
Assets			
Non-current assets			
Intangible assets	13	**5,638**	4,622
Property, plant and equipment	14	**303,922**	266,876
Interests in associates and joint ventures	8	**2,320**	13,308
Other investments	15	**-**	1,680
Trade and other receivables	17	**317,653**	134,369
		629,533	420,855
Current assets			
Inventories		**56**	36
Trade and other receivables	17	**9,269**	14,156
Cash and cash equivalents	18	**92,655**	39,914
		101,980	54,106
Total assets		**731,513**	474,961
Equity and liabilities			
Share capital	19	**1**	5,741
Share premium	20	**-**	76,696
Capital redemption reserve	20	**-**	135
Merger reserve	20	**-**	348
Translation reserve	20	**2,135**	1,595
Retained earnings	20	**112,900**	86,598
Total equity		**115,036**	171,113
Non-current liabilities			
Interest bearing loans and borrowings	21	**544,486**	246,677
Derivative financial instruments	22	**2,743**	2,206
Deferred tax liabilities	11	**3,587**	3,233
		550,816	252,116
Current liabilities			
Interest bearing loans and borrowings	21	**-**	171
Trade and other payables	23	**65,661**	51,561
		65,661	51,732
Total liabilities		**616,477**	303,848
Total equity and liabilities		**731,513**	474,961

The financial statements of Pinewood Group Limited (registered number: 03889552) were approved and authorised for issue by the Board of Directors on 23 June 2020. They were signed on its behalf by:

Barbara Inskip
Director

Group Statement of Cash Flows

for the year ended 31 March 2020

	Note	**2020 £'000**	2019 £'000
Cash flow from operating activities:			
Profit on ordinary activities before taxation		**24,322**	27,380
Adjustments to reconcile profit on ordinary activities before taxation to net cash flows:			
Depreciation, impairment and amortisation	4	**10,957**	9,267
Profit on disposal of joint ventures and investments	3	**(985)**	-
Loss on disposal of property, plant and equipment	4	**125**	952
Fair value adjustment on PMBS Holdings Limited	3	**1,680**	-
(Income)/loss from participating interests		**(57)**	1,414
Interest receivable and similar income	9	**(8,577)**	(5,679)
Interest payable and similar charges	10	**28,141**	11,879
Cash flow from operating activities before changes in working capital		**55,606**	45,213
Decrease in trade and other receivables	17	**3,645**	12,066
(Increase)/decrease in inventories		**(20)**	25
Increase/(decrease) in trade and other payables	23	**14,937**	(4,556)
Cash generated from operations		**74,168**	52,748
Interest paid		**(23,769)**	(10,171)
Interest received		**334**	732
Corporation tax received in respect of FPC activity		**366**	901
Corporation tax paid		**(6,820)**	(4,649)
Net cash flow from operating activities		**44,279**	39,561
Cash flow used in investing activities:			
Proceeds from disposal of property, plant and equipment		**615**	48
Purchase of property, plant and equipment		**(48,714)**	(37,925)
Purchase of intangible assets		**(1,579)**	(1,258)
Proceeds from disposal of joint ventures and investments		**15,358**	-
Investment in joint ventures		**-**	(2,942)
Loans made to parent undertakings		**(175,000)**	-
Net cash flow used in investing activities		**(209,320)**	(42,077)
Cash flow (used in)/from financing activities:			
Dividends paid	12	**(75,000)**	-
Repayment of loan notes	21	**(250,000)**	-
Proceeds from issue of loan notes	21	**550,000**	-
Payment of loan issue costs and finance arrangement fees		**(6,500)**	-
Repayment of asset financing obligations		**(165)**	(613)
Net cash flow from/(used in) financing activities		**218,335**	(613)
Net increase/(decrease) in cash and cash equivalents		**53,294**	(3,129)
Currency exchange movement		**(553)**	-
Cash and cash equivalents at the start of the year		**39,914**	43,043
Cash and cash equivalents at the end of the year	18	**92,655**	39,914

Included within the cash and cash equivalents balance is a total of £38,000 (2019: £110,000) which is unavailable for general use. See Note 18.

Reconciliation of Movement in Net Debt
for the year ended 31 March 2020

	2020 £'000	2019 £'000
Increase/(decrease) in cash and cash equivalents	**53,294**	(3,129)
Currency exchange movement	**(553)**	-
Repayment of loan notes	**250,000**	-
Payment of interest on loan notes	**16,842**	9,063
Loss on extinguishment of loan notes and facilities	**(5,919)**	-
Proceeds from issue of loan notes	**(550,000)**	-
Payment of loan issue costs and finance arrangement fees	**6,500**	-
Loan issue costs accrued	**40**	-
Repayments of asset financing obligations	**165**	553
Loan arrangement costs recognised within other receivables	**(544)**	-
Amortisation of secured loan arrangement costs	**-**	(14)
Interest expense on loan notes	**(14,728)**	(10,327)
Other non-cash movement	**6**	-
Movement in net debt	**(244,897)**	(3,854)
Net debt at the start of the year	**(206,934)**	(203,080)
Net debt at the end of the year	**(451,831)**	(206,934)
Net debt at the end of the year excluding restricted cash	**(451,869)**	(207,044)

Group Statement of Changes in Equity
for the year ended 31 March 2020

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 01 April 2019	**5,741**	**76,696**	**1,595**	**483**	**86,598**	**171,113**
Profit for the year	**-**	**-**	**-**	**-**	**18,383**	**18,383**
Currency exchange differences	**-**	**-**	**540**	**-**	**-**	**540**
Total comprehensive income for the year	**-**	**-**	**540**	**-**	**18,383**	**18,923**
Equity 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**	**-**
At 31 March 2020	**1**	**-**	**2,135**	**-**	**112,900**	**115,036**
At 01 April 2018	5,741	76,696	786	483	65,277	148,983
Profit for the year	-	-	-	-	21,321	21,321
Currency exchange differences	-	-	809	-	-	809
Total comprehensive income for the year	-	-	809	-	21,321	22,130
At 31 March 2019	5,741	76,696	1,595	483	86,598	171,113

Notes to the Consolidated Financial Statements
for the year ended 31 March 2020

Pinewood Group Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The registered office is located at Pinewood Studios, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH.

The Group's principal activities and the nature of its operations are detailed in the Strategic Report on page 2.

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and prior year.

Accounting convention
These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are presented in sterling, which is also the main functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except where otherwise indicated.

Going concern
In assessing the going concern basis, the Directors considered the Group’s business activities, the financial position of the Group and the Group’s financial risk management objectives and policies. The Group meets its day-to-day operating requirements through its cash resources and operating cashflows. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, economic uncertainty, Brexit and COVID-19, show that the Group will be able to operate within the level of its current facilities.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries up to 31 March 2020. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation. All subsidiaries are consolidated for the financial year ending 31 March 2020 regardless of the individual entities' statutory reporting date. Individual entities within the Group that have a functional currency other than sterling are translated to sterling so that the consolidated financial statements may be presented.

Presentation of results
The Group presents its results in the statement of comprehensive income to separately identify the impact of certain items (“adjusted items”) in order to provide a clear and consistent presentation of the underlying operating performance of the Group. Adjusted items are transactions that are unusual in size or nature or have limited predictive value such as disposals, discontinued operations, impairments, certain fair value remeasurements and other significant items where the Group considers separate disclosure would be useful. Details about what the Group has presented as adjusted items can be found in Note 3 to the financial statements.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

1 Accounting policies (continued)

Turnover
Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration receivable, net of discounts, rebates, VAT and other sales taxes or duty. The Group has assessed its turnover arrangements and has concluded that it is acting as a principal in all of its turnover arrangements. Where a contract spans an accounting cut-off date, the value of the turnover recognised is the time proportion of the total value of the contract completed by the cut-off date. The following specific recognition criteria apply for turnover generated from the Group's single reportable segment:

- Film customers utilise services for a period of time. Turnover is recognised as the Group earns the right to consideration for the service provided and this is time apportioned and earned as time elapses.
- Film turnover is also derived from international sales and marketing agreements and certain consultancy agreements. Revenue is recognised on a stage of completion basis by reference to costs issued for the former and based on the passage of time for the latter.
- Television turnover is derived from the provision of services and is recognised on a time apportioned basis in relation to the television production process.
- Media Hub turnover is derived from customers contracting to use the Group's facilities for a period of time. Turnover is recognised on a straight-line basis over the term of the agreement.

Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

In the consolidated financial statements exchange differences arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognised in other comprehensive income and reported under equity.

All other exchange differences are recognised in profit or loss in the period in which they arise.

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Pensions and other post-employment benefits
The Group operates a defined contribution scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

Interest receivable and payable
Interest receivable and payable is recognised using the effective interest rate method.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1 Accounting policies (continued)

Corporation tax

Corporation tax expense represents the sum of the tax currently payable. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Corporation tax relating to items recognised directly in equity is recognised in other comprehensive income and the statement of changes in equity.

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to, or allow for, tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Film tax credits

Film tax credits are recognised in profit or loss for the period in line with the cost incurred over the period of a film project. Where the rate of expenditure incurred is not proportionate to the rate of qualifying expenditure, the difference in film tax credits is accrued or deferred on the Group statement of financial position.

Film investments

Film investments are classified as investments at fair value and due to the uncertainty of return on investment are typically determined to have a £nil fair value. The Group reviews the fair value at least annually. Any net changes in fair value are recognised in the statement of comprehensive income.

Intangible assets (excluding goodwill)

Intangible software assets are capitalised at cost and subsequently amortised over their useful economic life. The Group's intangible software asset is currently under construction and the useful economic life will be determined at the point the software is ready for use.

Goodwill

Goodwill arising on a business combination is initially measured at cost, being the excess of the purchase consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any amortisation or accumulated impairment loss. Goodwill is expected to have a useful life of 10 years and is amortised on a straight-line basis over that period. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to the related cash-generating unit monitored by management. Where the recoverable amount of the cash-generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised in the statement of comprehensive income.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost to the Group less accumulated depreciation and any impairment loss. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is calculated on all property, plant and equipment, other than land, from the time they are available for use on a straight-line basis over the estimated useful life as follows:

- Freehold buildings - 30 to 50 years
- Freehold improvements - 5 to 25 years
- Fixtures, fittings and equipment - 3 to 10 years

Land and assets under construction are not depreciated.

The carrying value of freehold land and buildings within 'Property, plant and equipment' in the statement of financial position is based on external valuations undertaken by an independent firm of Chartered Surveyors in February 2000 (as amended in January 2001) and November 2000, on each occasion to establish the fair values of the Pinewood Studios and Shepperton Studios businesses acquired. These valuations were used to establish the initial cost of the freehold land and buildings to the Group. Subsequent additions, disposals and depreciation have been recorded in line with Group accounting policies.

The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and is written down immediately to the recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Interests in associates and joint ventures

Associates are undertakings where the Group is considered to have the ability to exercise significant influence over the operating and financial decisions of the undertaking. Joint ventures arise when two or more parties have joint control of the rights and net assets of the undertaking.

The Group accounts for associates and joint ventures under the equity method of accounting. Under the equity method of accounting, the investment is initially recognised in the Group statement of financial position at cost and adjusted thereafter to recognise the Group's share in income and other comprehensive income of the participating interest. Should the Group's share of losses of the associate or joint venture exceed the Group's interest in that undertaking, the Group discontinues recognising its share of further losses. Additional losses are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Inventories

Inventory is valued at the lower of cost and estimated selling price less costs to complete and sell. Inventory held for distribution at no or nominal consideration is measured at cost, adjusted where applicable for any loss of service potential, such as benefits expected from use or sale of the inventory. Cost is determined using the weighted average cost.

At each reporting date, the Group assesses whether inventories are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

1 Accounting policies (continued)

Impairment of assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments
Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Equity instruments
Equity instruments issued by the Company are recorded at the fair value of proceeds received, cash or other resources received or receivable, net of direct issue costs.

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique.

Interest bearing loans and borrowings
Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair values of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, allocating the interest income or interest expense over the relevant period.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1 Accounting policies (continued)

Derivative financial instruments

The Group has interest rate swaps to hedge against risks associated with interest rate fluctuations. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. The Group reports the movement in fair value through profit or loss.

The fair values of the interest rate swap contracts are determined by reference to market values for similar instruments.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest payable and similar charges.

Leases

The Group as lessee - finance leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Group substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are expensed as incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The Group as lessee - operating leases

All other leases are operating leases and the annual rentals are charged to profit or loss on a straight-line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised on a straight-line basis over the lease term.

The Group as lessor - operating leases

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease and recognised as turnover. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the term. Initial direct costs associated with arranging the operating lease are included in the carrying amount of the underlying leased asset and recognised in the statement of comprehensive income on a straight-line basis in proportion to the recognition of lease income.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1 Accounting policies (continued)

Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect reported amounts at the end of the year.

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are:

Significant accounting judgements

Identification of adjusted items
The Group presents its results in the statement of comprehensive income to separately identify the impact of certain items ("adjusted items") in order to provide a clear and consistent presentation of the underlying operating performance of the Group. Adjusted items are transactions that are unusual in size or nature or have limited predictive value such as disposals, discontinued operations, impairments, certain fair value remeasurements and other significant items. The identification and presentation of transactions as adjusted items requires judgement.

Recoverability of trade and other receivables
The recoverability of financial assets, including trade and other receivables, requires judgement. The Group regularly reviews financial assets for evidence of impairment and as at 31 March 2020 had recorded provision of £0.5 million against trade receivables. As at the balance sheet date, the Company has a loan due from the Group's parent undertaking of £317.7 million due for repayment in 2025 and is considered fully recoverable.

Classification of investment in PMBS Holding Limited
In 2015, the Group entered into an agreement to acquire a 15% equity interest in PMBS Holding Limited (PMBS) and its wholly owned subsidiary Pinewood MBS Lighting Limited, a company that was subsequently granted an arrangement to provide lighting services at the Group's UK facilities. The agreement included an option to step-up the Group's equity interest in PMBS to 25% after 5 years for nil consideration. In December 2019, the option became exercisable and the majority investor in PMBS served notice to defer a number of its ordinary shares in PMBS sufficient to increase the Group's interest to 25%. The re-designation of these deferred shares is automatic and does not require shareholder approval or resolution.

As at 31 December 2019, the Group deemed that the holding of an exercisable option to step-up the equity in PMBS gave the Group an effective interest in PMBS of 25% and after reviewing all the facts and circumstances considered the Group had significant influence over the entity. Accordingly, PMBS was classified as an associate prospectively from 31 December 2019. As at 31 March 2020, PMBS had not yet served the required notices to confirm the re-designation of deferred shares, nor issued the new share certificates and therefore the Group's legal interest in PMBS remained at 15% at the balance sheet date.

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 classification of PMBS to an associate, the financial asset was derecognised, rerecognised 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 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 the recognition of an unrealised non-cash charge of £1.7 million, presented in the Statement of Comprehensive Income as an adjusted item (note 3). In addition, the Group reclassified its investment in PMBS Holding Limited loan notes from Trade and other receivables to Interests in associates.

PMBS made the required notices to confirm the re-designation of deferred shares and legally increase the Group's interest in the associate to 25% on 15 June 2020.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1 Accounting policies (continued)

Significant accounting estimates

Valuation of loan notes in PMBS Holding Limited

The Group holds loan notes issued by PMBS. The loan notes are due to be paid by 2025 and bear interest at 8% per annum, settled in June and December. The loan notes are classified as a financial asset measured at fair value through profit or loss and following the reclassification of PMBS from investment to associate described above, are presented on the statement of financial position within Interests in associates.

The fair value of the loan notes is established using a discounted cashflow model. The Group considers the coupon rate on the loan notes of 8% to be a market rate of interest and as such are discounted at that rate. The repayment of the loan notes is dependent on the future cash generation of PMBS and therefore a significant deterioration in the revenues of PMBS could impact the recoverability of the loan notes.

As at 31 March 2020, the loan notes were valued at £2.3 million. Increasing the discount rate used to value the cash flows to 10% would reduce the valuation to £2.1 million.

Loan to parent company

As at 31 March 2020, the Group has a loan due from its parent undertaking of £317.7 million which bears interest at 3.55% per annum. The interest rate on the loan was determined with reference to the Group's borrowings following the refinancing completed in the year and was considered to be a market rate of interest at that time.

S106 liability

In order to facilitate the construction of Pinewood East, the Group entered into a Section 106 agreement with Buckinghamshire County Council. Under this agreement the Group must pay for traffic improvements at the Iver Heath Five Points roundabout. These improvements, the implementation of which the Group is currently in discussion with Buckinghamshire County Council, have been estimated and capitalised at cost. During the year, the Group reviewed the latest cost estimates associated with the project and increased the amount provided by £2.0 million to £6.0 million (2019: £4.0 million). This amount is included in accruals and capitalised within the gross cost of plant, property and equipment. The capitalised cost is being depreciated over 50 years and has a remaining NBV of £5.8 million (2019: £3.8 million).

Fixed asset useful economic lives.

The Group holds property, plant and equipment at amortised cost, the total gross cost of which is £385.2 million at 31 March 2020 (2019: £350.8 million). Accumulated depreciation is £81.3 million (2019: £84.0 million) and the charge for the period, including impairments, is £10.4 million (2019: £8.7 million). If the average useful economic life of the assets was reduced by 15% the charge would increase by £1.7 million.

Other estimates, assumptions and judgements are applied by the Group. These include, but are not limited to, accruals and provisions for impairments of assets. These estimates, assumptions and judgements are also evaluated on a continual basis but are not significant.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

2 Turnover and segment information

The Group identifies its operating segments based on a combination of factors, including the nature and type of service provided and differences in regulatory environment. Operating segments are aggregated where there is a high degree of consistency across these factors, and the segments have similar economic characteristics. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Group has only one reportable segment involving the provision of studio and related services to the film, television and wider creative industries. All turnover, expenses, corporate activities and non-current assets can be assigned to this segment and no additional segment analysis is disclosed.

Turnover by geographical region

Turnover continues to arise predominantly in the United Kingdom, being the Group's country of domicile, with turnover from the Group's international activity representing 2.1% (2019: 3.6%).

	2020	2019
	£'000	£'000
United Kingdom	**94,336**	82,865
North America	**1,697**	2,446
Rest of the World	**359**	617
	96,392	85,928

Non-current assets by geographical region

Items of property, plant and equipment with a carrying value of £nil (2019: £0.2 million) is held outside the UK. Interests in associates and joint ventures of £nil (2019: £13.3 million) is domiciled outside the UK.

Turnover by major customer

In the year to 31 March 2020, three customers, including their subsidiaries, individually contributed £35.6 million, £15.9 million and £9.7 million to Group turnover. During the year, the Group entered into long-term contracts for production accommodation with two of these customers. No other customer contributed 10% or more of the Group's turnover. In 2019 a single customer and its subsidiaries contributed £37.9 million, being 44% of the Group turnover.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

3 Adjusted items

The Group separately presents, as adjusted items, gains and losses on major disposals, certain remeasurements and other significant items. All of the adjusted items shown below are transactions that are either unusual in size or nature or have limited predictive value. Providing additional information on adjusted items and presenting them separately from the total statutory performance of the Group is considered helpful in order to provide a consistent presentation of the underlying operating performance of the Group.

Income/(expense)	**2020 £'000**	2019 £'000
Administrative expenses:		
Restructuring costs	**(426)**	(873)
Termination of agreement with Pinewood Iskandar Malaysia Studios	**672**	-
Fair value adjustment on PMBS Holding Limited ("PMBS")	**(1,680)**	-
Administrative expenses adjusted items	**(1,434)**	(873)
Other operating expenses:		-
Stamp duty land tax	**(2,643)**	-
Profit on disposal of POP Global Ltd	**2,801**	-
Impairment of property, plant and equipment	**(770)**	-
Other operating expenses adjusted items	**(612)**	-
Loss on disposal of participating interests adjusted items	**(1,816)**	-
Interest payable and similar charges:		
Settlement payment due on bond redemption	**(5,889)**	-
Loss on extinguishment of loan notes and facilities	**(5,919)**	-
Interest payable and similar charges adjusted items	**(11,808)**	-
Tax credit on adjusted items	**1,668**	165
Adjusted items per statement of comprehensive income	**(14,002)**	(708)

Administrative expenses
Administrative expenses in the current period include restructuring charges of £0.4 million (2019: £0.9 million).

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 £0.7 million, net of costs, which was credited to the Statement of Comprehensive Income in the year to 31 March 2020.

In 2015, the Group entered into an agreement to acquire a 15% equity interest in PMBS and its wholly owned subsidiary Pinewood MBS Lighting Limited, a company that was subsequently granted an arrangement to provide lighting services at the Group's UK facilities. The agreement included an option to step-up the Group's equity interest in PMBS to 25% after 5 years for nil consideration. In December 2019, the option became exercisable and led to the reclassification of PMBS as an associate prospectively from that date and the reversal of £1.7 million previously recognised fair value gains down to the original cost of £nil. For further details, see Significant accounting judgements, estimates and assumptions on page 32.

Other operating expenses
In October 2019, a restructure was undertaken to optimise ownership of the Group's property portfolio across subsidiary undertakings. The exercise included a transaction subject to stamp duty land tax and an amount of £2.6 million land transfer tax was subsequently calculated and paid in the year. The restructure is expected to facilitate current and future commercial arrangements.

In February 2020, the Group received £2.8 million for the sale of its interest in POP Global Ltd. The investment was previously fully impaired and held at nil cost.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

3 Adjusted items (continued)

During the year, the Group reviewed the Creative Services operations and closed the Picture Services and Creative Audio business lines. In March 2020, property, plant and equipment associated with these business lines were assessed and impaired down to their realisable value, resulting in an impairment charge of £0.8 million.

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 £12.6 million, recording a loss on disposal of £1.8 million. The sale agreement contained earnout provisions linked to the financial performance of the studios for the year ended 31 December 2019. The sale proceeds include £0.6 million relating to earnout payments received following the disposal.

Interest payable and similar charges
In September 2019, the Group issued £550 million 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 £250 million 3.75% Senior Secured Notes due 2023. The early redemption of the previous loan notes included a "makewhole" payment of £5.9 million 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 £5.9 million. Both the makewhole payment and extinguishment charge have been presented as adjusted items within interest payable and similar charges.

4 Operating profit

Operating profit is stated after charging/(crediting):	**2020** **£'000**	2019 £'000
Depreciation of property, plant and equipment	**9,624**	8,707
Impairment of property, plant and equipment	**770**	-
Loss on disposal of property, plant and equipment	**125**	952
Operating lease payments	**1,061**	957
Amortisation of goodwill	**563**	560
Net foreign exchange losses/(gains)	**3**	(97)

Depreciation charges are included within cost of sales, amortisation of goodwill is included within administrative expenses and impairments are included within other operating expenses.

5 Auditor's remuneration

The analysis of auditor's remuneration is as follows:	**2020** **£'000**	2019 £'000
Fees payable to Group's auditor for the audit of Parent Company and Group financial statements	**52**	50
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**149**	140
Total audit fees	**201**	190
Fees payable to the Group's auditor and its associates for other services:		
Tax services	**109**	-
Other assurance services	**268**	-
Total fees for other services	**377**	-
Total fees	**578**	190

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

6 Staff costs and numbers

	2020	2019
Staff costs including Directors	**£'000**	£'000
Salaries	**10,195**	10,792
Social security costs	**984**	1,090
Pension costs	**807**	752
Other employee benefits	**301**	276
	12,287	12,910

	2020	2019
Average monthly number of employees including Executive Directors		
Management	**9**	9
Operational	**85**	89
Administration	**25**	27
Executive	**3**	3
Technical	**80**	108
Sales	**21**	25
	223	261

7 Directors' emoluments

	2020	2019
	£'000	£'000
Salaries	**594**	451
Pension costs	**32**	46
Compensation for loss of office	**-**	241
Other employee benefits	**8**	11
	634	749

As at 31 March 2020 the number of Directors to whom retirement benefits were accruing under defined contribution schemes was 2 (as at 31 March 2019: 2). The emoluments of the highest paid Director were £351,000 (2019: £453,000, including £241,017 compensation for loss of office); pensions contributions were £7,000 (2019: £20,000). No share options have been held by any Directors in the period. The Directors are considered to be the only key management personnel.

Amounts paid to third parties in relation to Directors services in the period are £0.3 million (2019: £0.3 million).

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

8 Interests in associates and joint ventures

	2020 £'000	2019 £'000
Associates		
Equity investment	-	-
Loan notes	2,320	-
	2,320	-
Joint ventures		
Equity investment	-	13,308
Loan notes	-	-
	-	13,308
Total investment in associates and joint ventures	**2,320**	13,308

At 31 March 2020, the Group had interests in the following associates

Company name	Principal activity	Country of incorporation	% equity interest
PMBS Holding Limited	Holding company	United Kingdom	15%

Prior to 31 December 2019, the equity interest in PMBS Holding Limited ("PMBS") was classified as a financial asset measured at fair value through profit or loss and presented within Other investments (Note 15). Following the classification of PMBS to an associate, the financial asset was derecognised and rerecognised as an interest in associate at nil cost. In addition the Group reclassified its investment in PMBS loan notes from Trade and other receivables to Interests in associates. For further information on PMBS see Significant accounting judgements on page 32 and Note 3.

At 31 March 2020, the Group had no interests in joint ventures. The Group's previous 40% joint venture interests in Pinewood Atlanta LLC and PAS Holdings Fayette LLC were disposed of in August 2019 (Note 3).

9 Interest receivable and similar income

	2020 £'000	2019 £'000
On financial assets measured at amortised cost:		
Interest receivable from joint ventures and associates	46	24
Interest receivable on loan due from parent undertaking	8,284	5,325
Bank interest receivable	127	102
	8,457	5,451
On financial assets measured at fair value:		
Loan interest receivable	120	228
	120	228
	8,577	5,679

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

10 Interest payable and similar charges

	2020	2019
	£'000	£'000
On financial instruments measured at amortised cost:		
Bank loan and overdraft interest	**325**	383
Senior Secured Notes	**14,728**	10,346
Loss on extinguishment of loan notes and facilities	**11,808**	-
	26,861	10,729
On financial instruments measured at fair value:		
Interest rate swap payments	**634**	639
Fair value movements of derivative financial instruments	**538**	425
	1,172	1,064
Not on financial instruments:		
Finance lease interest	**54**	60
Other interest	**54**	26
	108	86
	28,141	11,879

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

11 Tax on profit on ordinary activities

	2020	2019
(a) Analysis of charge for the year:	**£'000**	£'000
Current tax:		
UK corporation tax charge	**3,919**	5,326
Amounts payable for group tax relief	**1,617**	1,020
Foreign corporation tax	**629**	36
Foreign tax suffered	**73**	81
UK Film tax relief	**3**	(14)
Double taxation credit	**(51)**	(50)
Amounts over provided in previous years	**(583)**	(415)
	5,607	5,984
Deferred tax:		
Relating to origination and reversal of temporary differences	**313**	124
Effect of change in deferred tax rates	**301**	-
Amounts over provided in previous years	**(282)**	(49)
	332	75
Tax charge in the Group statement of comprehensive income	**5,939**	6,059

The tax charge in the Group statement of comprehensive income comprises:		
Tax on profit before adjusted items	**8,469**	6,702
UK Film tax relief	**3**	(14)
Amounts over provided in previous years	**(865)**	(464)
Tax benefit of adjusted items	**(1,668)**	(165)
Tax charge in the Group statement of comprehensive income	**5,939**	6,059

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

11 Tax on profit on ordinary activities (continued)

(b) Factors affecting current taxation for the year:	**2020 £'000**	2019 £'000
Profit on ordinary activities before tax	**24,322**	27,380
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**4,621**	5,202
Adjustments in respect of:		
UK Film tax relief	**3**	(14)
Corporation tax overprovided in previous years	**(583)**	(442)
Deferred tax overprovided in previous years	**(282)**	(49)
Non-allowable depreciation on buildings	**826**	635
Gain on disposal of joint venture	**922**	-
Other non-allowable expenses	**278**	332
Unrelieved tax losses	**9**	545
Double taxation relief	**(51)**	(50)
Overseas tax at different rates	**(68)**	(116)
Group tax relief	**(1,617)**	(1,020)
Amounts payable for group tax relief	**1,617**	1,020
Land remediation relief	**(39)**	-
Deferred tax - effect of taxation rate change	**303**	(9)
Other adjustments	**-**	25
	5,939	6,059

(c) Deferred tax	**2020 £'000**	2019 £'000
Deferred tax relates to the following		
Group comprehensive statement of income:		
Accelerated capital allowances	**(658)**	75
Short term temporary differences	**951**	-
Fair value adjustments	**39**	-
	332	75

Group statement of financial position	At 31 March 2019 £'000	Charged to profit or loss £'000	Currency exchange £'000	At 31 March 2020 £'000
Accelerated capital allowances	3,751	(658)	22	**3,115**
Short term temporary differences	(853)	951	-	**98**
Tax losses	-	-	-	**-**
Fair value adjustment in respect of SSPP acquisition	335	39	-	**374**
Net deferred tax liability	3,233	332	22	**3,587**

The deferred tax assets are shown net against the non-current deferred tax liability in the statement of financial position.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

11 Tax on profit on ordinary activities (continued)

The main rate of UK corporation tax in the period was 19%. In March 2020, the Chancellor announced that the planned reduction in the corporation tax rate to 17% from 1 April 2020 would no longer take place, and the rate would remain at 19% going forwards. Following a Budget resolution on 17 March 2020, the 19% rate was substantively enacted. Accordingly, UK deferred balances have been recognised at 19% (2019: 17%) in the period.

12 Dividends

	2020	2019
	£'000	£'000
Dividend paid at 130.64p per share	**75,000**	-
	75,000	-

13 Intangible assets

	Software £'000	**Goodwill £'000**	**Total £'000**
Cost			
At 31 March 2019	1,258	5,604	6,862
Additions	1,579	-	1,579
At 31 March 2020	**2,837**	**5,604**	**8,441**
Amortisation			
At 31 March 2019	-	2,240	2,240
Provided during the year	-	563	563
At 31 March 2020	**-**	**2,803**	**2,803**
Net book value			
At 31 March 2020	**2,837**	**2,801**	**5,638**
At 31 March 2019	1,258	3,364	4,622

Goodwill has been acquired through business combinations and has been allocated to the Group's only cash-generating unit. 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.

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

14 Property, plant and equipment

	Freehold land and buildings	Fixtures, fittings and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 31 March 2019	272,978	46,621	31,235	350,834
Additions	13,816	2,905	31,453	48,174
Reclassification	58,412	803	(59,215)	-
Disposals	(572)	(13,210)	-	(13,782)
Exchange movements	-	9	-	9
At 31 March 2020	**344,634**	**37,128**	**3,473**	**385,235**
Depreciation				
At 31 March 2019	50,500	33,458	-	83,958
Provided during the year	6,791	2,833	-	9,624
Impairments	66	704	-	770
Disposals	(140)	(12,902)	-	(13,042)
Exchange movements	-	3	-	3
At 31 March 2020	**57,217**	**24,096**	**-**	**81,313**
Net book value				
At 31 March 2020	**287,417**	**13,032**	**3,473**	**303,922**
At 31 March 2019	222,478	13,163	31,235	266,876

Assets under construction at 31 March 2019 primarily related to costs capitalised on the development of Pinewood East. Phase Two of Pinewood East became operational in October 2019. As at 31 March 2020, the remaining assets under construction mainly comprises costs associated with the redevelopment of certain lettable space at Pinewood West. 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 March 2020 (2019: £2.3 million).

15 Other investments

	£'000
At 31 March 2019	**1,680**
Reclassification to interest in associates and joint ventures (Note 8)	**(1,680)**
At 31 March 2020	**-**

Notes to the Consolidated Financial Statements (continued)
for the year ended 31 March 2020

16 Financial instruments held at fair value through profit or loss

	2020 £'000	2019 £'000
Financial assets measured at fair value through profit or loss:		
Other investments (Note 15)	**-**	1,680
Loan notes receivable (See below)	**2,320**	2,336
Fair value at 31 March	**2,320**	4,016
Financial liabilities measured at fair value through profit or loss:		
Derivatives (Note 22)	**2,743**	2,206
Fair value at 31 March	**2,743**	2,206

Total fair value losses on financial instruments held at fair value through profit and loss on the Group statement of comprehensive income were as follows:

	2020 £'000	2019 £'000
Other investments (Note 15)	**-**	-
Derivatives (Note 22)	**538**	425
Total losses	**538**	425

Loan notes receivable

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

Loan notes receivable are due for repayment by 2025. Interest is charged at 8% and is receivable in June and December each year. The par value of the loan notes is £2.3 million and the fair value is determined using an 8% discount rate (2019: 8%) which is considered an appropriate market rate consistent with the specific risks of the instrument.

17 Trade and other receivables

	2020 £'000	2019 £'000
Amount falling due within one year:		
Trade receivables	**3,554**	9,096
Trade receivables - Film production companies	**-**	109
Prepayments and other receivables	**4,763**	2,615
Corporation tax receivable	**952**	-
Loan notes receivable	**-**	2,336
	9,269	14,156
Amount falling due after more than one year:		
Loans due from parent undertakings	**317,653**	134,369
	317,653	134,469
	326,922	148,525

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

17 Trade and other receivables (continued)

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

Following management's review of assets for impairment, trade receivables above are stated net of a provision of £0.5 million (2019: £0.6 million) against bad debts. In the year ended 31 March 2020 a credit of £0.4 million (2019: £0.1 million charge) was recognised in the Group statement of comprehensive income and are included within administrative expenses.

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%).

18 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. These operations have now ceased.

	2020	2019
	£'000	£'000
Cash available for general use	**92,617**	39,804
Restricted cash and cash equivalents	**38**	110
	92,655	39,914

19 Share capital

	2020	2019
	£'000	£'000
57,409,926 Ordinary shares of 0.001p each (2019: 57,409,926 Ordinary shares of 10p each)	**1**	5,741

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.

20 Reserves

Share premium and other reserves

Share premium comprised consideration received for shares issued above their nominal value net of transaction costs. Other reserves comprised a Capital redemption reserve of £0.1 million and a Merger reserve of £0.3 million. The share premium and other reserves were utilised in full through the issue of bonus shares in September 2019.

Translation reserve

Cumulative foreign currency impact of the 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

21 Interest bearing loans and borrowings

	Maturity	2020 £'000	2019 £'000
Current borrowings:			
Asset financing		**-**	171
		-	171
Non-current borrowings:			
Revolving credit facility	March 2025	**-**	-
3.75% Senior Secured Notes	December 2023	**-**	247,945
3.25% Senior Secured Notes	September 2025	**544,486**	-
Non-current drawn loan facilities		**544,486**	247,945
Secured bank loan arrangement costs		**-**	(1,268)
		544,486	246,677
Total current and non-current		**544,486**	246,848

The effective interest rates of the above borrowings are: Revolving credit facility - LIBOR plus variable margin; 3.75% Senior Secured Notes - 4.28%; and 3.25% Senior Secured Notes - 3.48%.

In September 2019, the Group announced it had priced an offering of £550.0 million 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 £250.0 million 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 £50.0 million was also amended and extended from May 2023 to March 2025.

On redemption of the Group's existing £250.0 million 3.75% Senior Secured Notes and amendment of the revolving credit facility, an extinguishment charge of £5.9m was recorded in the statement of comprehensive income and presented within finance costs as an adjusted item (Note 3). Directly attributable costs of £6.0 million were recognised at the inception of the £550.0 million 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 £0.5 million associated with the arrangement of the 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

21 Interest bearing loans and borrowings (continued)

The available and undrawn committed facilities are as follows.

At 31 March 2020	Within 1 year £'000	2 – 5 years £'000	5+ years £'000	Total £'000
Facilities:				
Revolving credit facility	-	50,000	-	50,000
Loan notes	-	-	550,000	550,000
Total facilities	**-**	**50,000**	**550,000**	**600,000**
Drawn loans:				
Revolving credit facility	-	-	-	-
Loan notes	-	-	(550,000)	(550,000)
Total drawn loans	**-**	**-**	**(550,000)**	**(550,000)**
Undrawn facilities:				
Revolving credit facility	-	50,000	-	50,000
Loan notes	-	-	-	-
Undrawn committed facilities	**-**	**50,000**	**-**	**50,000**

At 31 March 2019	Within 1 year £'000	2 – 5 years £'000	5+ years £'000	Total £'000
Facilities:				
Revolving credit facility	-	50,000	-	50,000
Asset financing facility	171	-	-	171
Loan notes	-	250,000	-	250,000
Total facilities	171	300,000	-	300,171
Drawn loans:				
Revolving credit facility	-	-	-	-
Asset financing facility	(171)	-	-	(171)
Loan notes	-	(250,000)	-	(250,000)
Total drawn loans	(171)	(250,000)	-	(250,171)
Undrawn facilities:				
Revolving credit facility	-	50,000	-	50,000
Asset financing facility	-	-	-	-
Loan notes	-	-	-	-
Undrawn committed facilities	-	50,000	-	50,000

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

22 Derivative financial instruments

The Group's interest rate swaps are recognised as derivative financial instruments.

	2020	2019
	£'000	£'000
Financial liabilities carried at fair value:		
Non-current derivative financial instrument liabilities	**2,743**	2,206
	2,743	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 undrawn debt obligations. The main terms of the Group's interest rate swaps, including the notional amounts, are detailed below.

Effective interest rate %	**Maturity**	**2020**	2019
		£'000	£'000
2.00% + variable margin	April 2025	**25,000**	25,000
2.08% + variable margin	April 2022	**-**	25,000
2.16% + variable margin	April 2022	**25,000**	-
		50,000	50,000

Fair value movements on interest rate swaps are recognised in the statement of comprehensive income within interest payable and similar charges. Cash settlements on the swap are charged to the statement of comprehensive income. The swaps settle in cash on a quarterly basis.

23 Trade and other payables

	2020	2019
	£'000	£'000
Trade payables	**8,224**	2,048
Trade payables - Film production companies	**83**	517
Corporation tax payable	**-**	1,967
Value added tax	**1,009**	1,385
Other payables	**766**	635
Accruals	**4,852**	4,807
Amounts due to parent company	**5,685**	4,078
Capital expenditure related payables	**9,212**	9,753
Deferred royalty	**630**	669
Deferred income	**35,163**	25,665
Deferred income - Film production companies	**37**	37
	65,661	51,561

Amounts due to parent company bear interest at 3.55% (2019: 4.05%) and have no fixed repayment terms.

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

At 31 March 2020, the Group had total capital commitments contracted for, but not provided in the financial statements, of £0.5 million (2019: £26.9 million) in respect of development expenses arising from Pinewood East.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

24 Obligations under leases

Operating leases as lessee

Future minimum rentals payable on the Group's non-cancellable operating leases as at 31 March 2020 and 31 March 2019 are as follows:

	2020	2019
	£'000	£'000
Within one year	**838**	733
After one year but not more than five years	**1,416**	2,249
	2,254	2,982

Operating leases as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2020 and 31 March 2019 are as follows:

	2020	2019
	£'000	£'000
Within one year	**66,974**	-
After one year but not more than five years	**278,218**	22,544
More than five years	**395,152**	-
	740,344	22,544

The increase in operating lease income reflects the two new long-term contracts for production accommodation space entered into during the year. Both contracts contain index-linked increases.

Finance leases as lessee

There were no finance leases as at 31 March 2020. The future minimum payments under finance leases as at 31 March 2019 were are as follows:

	2020	2019
	£'000	£'000
Within one year	**-**	173
	-	173

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

25 Related party transactions

The Group has elected not to disclose related party transactions entered into between wholly owned members of its wider group in accordance with paragraph 33.1A of FRS 102.

The Group's subsidiary undertakings are listed in Note 5 to the Parent Company financial statements.

A number of the Group's subsidiary undertakings have claimed exemption from audit, these are listed in Note 5 to the Parent Company financial statements.

Transactions between the Group and its related parties are disclosed below:

	2020	2019
	£'000	£'000
Sales to associates and joint ventures	**1,848**	2,330
Purchases from associates and joint ventures	**321**	628
Amounts owed to associates and joint ventures	**-**	46
Amounts owed by associates and joint ventures	**104**	356

For information on the loans due from an associate undertaking see note 8.

26 Ultimate parent undertaking and controlling party

The immediate parent is Picture Holdco Limited, a company incorporated in England & Wales. The ultimate parent undertaking and controlling party is PW Real Estate Fund III GP Limited, in its capacity as General Partner of PW Real Estate Fund III LP.

The registered office address of Picture Holdco Limited is 4th Floor, 18 St. Swithin's Lane, London, EC4N 8AD. Picture Holdco Limited is the only parent of Pinewood Group Limited which prepares consolidated financial statements, and these will be publicly available at Companies House.

27 Events after the reporting date

The impact of the Covid-19 pandemic on the Group's operations is discussed within the Strategic Report on pages 2, 9 and 14. Subsequent to the balance sheet date, the Group has monitored performance. No adjustments to the key estimates and judgements have been identified.

On 15 June 2020 the Group's associate undertaking, PMBS Holding Limited ("PMBS"), confirmed the re-designation of a number of ordinary shares owned by its majority investor to deferred shares, thereby increasing the Group's equity interest in PMBS from 15% to 25% and completing the step-up described on page 32. In accordance with the investment agreement, PMBS also issued to the Group additional unsecured loan notes with a principal value of £2.0 million. No cash consideration was transferred.

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Parent Company Statement of Financial Position
as at 31 March 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investments	5	**33,006**	33,006
Intangible assets	4	**2,837**	1,258
Trade and other receivables	6	**317,653**	134,369
		353,496	168,633
Current assets			
Trade and other receivables	6	**186,776**	257,287
Cash and cash equivalents		**74,501**	23,653
		261,277	280,940
Total assets		**614,773**	449,573
Equity and liabilities			
Share capital	7	**1**	5,741
Share premium		**-**	76,696
Capital redemption reserve		**-**	135
Merger reserve		**-**	348
Translation reserve		**1,355**	1,243
Retained earnings		**3,970**	8,439
Total equity		**5,326**	92,602
Non-current liabilities			
Interest bearing loans and borrowings	8	**544,485**	246,686
Derivative financial instruments	9	**2,743**	2,206
		547,228	248,892
Current liabilities			
Interest bearing loans and borrowings	8	**-**	171
Trade and other payables	10	**62,219**	107,908
		62,219	108,079
Total liabilities		**609,447**	356,971
Total equity and liabilities		**614,773**	449,573

As permitted by section 408(4) of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The loss of the Company for the year was £12.4 million (2019: £1.3 million).

The financial statements of Pinewood Group Limited (registered number: 03889552) were approved and authorised for issue by the Board of Directors on 23 June 2020. They were signed on its behalf by:

Barbara Inskip
Director

The notes on pages 53 to 61 form part of these financial statements.

Parent Company Statement of Changes in Equity
for the year ended 31 March 2020

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 01 April 2019	**5,741**	**76,696**	**1,243**	**483**	**8,439**	**92,602**
Loss for the year	**-**	**-**	**-**	**-**	**(12,388)**	**(12,388)**
Currency exchange differences	**-**	**-**	**112**	**-**	**-**	**112**
Total comprehensive income for the year	**-**	**-**	**112**	**-**	**(12,388)**	**(12,276)**
Equity 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**	**-**
At 31 March 2020	**1**	**-**	**1,355**	**-**	**3,970**	**5,326**
At 01 April 2018	5,741	76,696	887	483	9,709	93,516
Loss for the year	-	-	-	-	(1,270)	(1,270)
Currency exchange differences	-	-	356	-	-	356
Total comprehensive income for the year	-	-	356	-	(1,270)	(914)
At 31 March 2019	5,741	76,696	1,243	483	8,439	92,602

Notes to the Parent Company Financial Statements
for the year ended 31 March 2020

Pinewood Group Limited ("the Company") is a private company limited by shares incorporated and domiciled in England. The registered office is located at Pinewood Studios, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH.

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and prior year.

Accounting convention
These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under historical cost convention, modified to include certain financial instruments at fair value.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 ‘Statement of Financial Position’ – Reconciliation of the opening and closing number of shares;
- Section 7 ‘Statement of Cash Flows’ – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instrument Issues’ – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 ‘Related Party Disclosures’ – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements on pages 22 to 50.

Going concern
In assessing the going concern basis, the Directors considered the Company’s business activities, the financial position of the Company and the Company’s financial risk management objectives and policies. The Company meets its day-to-day working capital requirements through its bank facilities. The Company’s forecasts and projections, taking account of reasonably possible changes in trading performance, economic uncertainty and Brexit, show that the Company will be able to operate within the level of its current facilities. The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Fixed asset investments
Investments in subsidiaries, associates and joint ventures are stated initially at cost. The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Intangible assets (excluding goodwill)
Intangible software assets are capitalised at cost and subsequently amortised over their useful economic life. The Company’s intangible software asset is currently under construction and the useful economic life will be determined at the point the software is ready for use.

Notes to the Parent Company Financial Statements (continued)

for the year ended 31 March 2020

1 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

In the Company statement of financial position, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of proceeds received, cash or other resources received or receivable, net of direct issue costs.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair values of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, allocating the interest income or interest expense over the relevant period. The loan issue costs are amortised in the income statement over the remaining maturity of the loans at a constant carrying amount and are reviewed for changes in circumstances that may indicate that the loans will not be held to maturity.

Derivative financial instruments

The Company has interest rate swaps to hedge against risks associated with interest rate fluctuations. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. The Company reports the movement in fair value through profit or loss.

The fair values of the interest rate swap contracts are determined by reference to market values for similar instruments.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Notes to the Parent Company Financial Statements (continued)

for the year ended 31 March 2020

1 Accounting policies (continued)

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect reported amounts at the reporting date. Estimates, assumptions and judgements are applied by the Company. These include, but are not limited to, recoverability of financial assets, accruals and provisions for impairments of investments. These estimates, assumptions and judgements are also evaluated on a continual basis but are not significant.

2 Profit and loss

As permitted by section 408(4) of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The loss of the Company for the year was £12.4 million (2019: £1.3 million).

3 Staff costs and numbers

Staff costs including Directors	**2020 £'000**	2019 £'000
Salaries	**1,020**	1,212
Social security costs	**30**	45
Pension costs	**31**	39
Other employee benefits	**14**	16
	1,095	1,312

Average monthly number of employees including Executive Directors	**2020**	2019
Management	-	2
Administration	2	6
Executive	2	1
Sales	2	-
	6	9

4 Intangible assets

	Software £'000
Cost and net book value	
At 31 March 2019	1,258
Additions	1,579
At 31 March 2020	**2,837**

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

Notes to the Parent Company Financial Statements (continued)

for the year ended 31 March 2020

5 Investments

	£'000
Cost and net book value at 31 March 2020 and 31 March 2019	**33,006**

Details of investments in which the Company holds 20% or more of the nominal value of ordinary share capital (or other class of share capital where marked[2], see below) are as follows:

Company name	Principal activity	Country of incorporation	% equity interest
Pinewood-Shepperton Studios Limited[1,2]	Holding company	United Kingdom	100%
Pinewood PSB Limited[1]	Property development	United Kingdom	100%
Pinewood Film Advisors Limited[1]	Film investment advice	United Kingdom	100%
Pinewood Film Advisors (W) Limited[1]	Film investment advice	United Kingdom	100%
Pinewood Studios Limited	Film studio services	United Kingdom	100%
Shepperton Studios Limited	Film studio services	United Kingdom	100%
Shepperton Studios (General Partner) Limited	Property investment	United Kingdom	100%
Pinewood Shepperton Limited	Dormant	United Kingdom	100%
Baltray No.1 Limited	Property investment	United Kingdom	100%
Baltray No.2 Limited	Property investment	United Kingdom	100%
Shepperton Management Limited	Property support	United Kingdom	100%
Pinewood Shepperton Facilities Limited	Property support	United Kingdom	100%
PSL Consulting Limited	Film services	United Kingdom	100%
Pinewood Studio Wales Limited	Film services	United Kingdom	100%
Pinewood Germany Limited	Dormant	United Kingdom	100%
Pinewood Film Services GmbH[4]	Dormant	Germany	100%
Pinewood Dominican Republic Limited	Film services	United Kingdom	100%
Pinewood Malaysia Limited	Film services	United Kingdom	100%
Pinewood USA Inc.[3]	Film services	USA	100%
Pinewood Film Production Studios Canada Inc.[4]	Film services	Canada	100%
Pinewood Production Services Canada Inc.	Film services	Canada	100%
Pinewood Films Limited	Film investment	United Kingdom	100%
Pinewood Media Development Limited	Film services	United Kingdom	100%
Pinewood Productions Ireland Limited	Film services	Ireland	100%
Space Bear IR Designated Activity Company[4]	Film services	Ireland	100%
Pinewood Camera Trap Limited	Film production	United Kingdom	100%
Pinewood Films No. 11 Limited	Film production	United Kingdom	100%
Pinewood Films No. 12 Limited	Film production	United Kingdom	100%
Pinewood Films No. 13 Limited	Film production	United Kingdom	100%
Pinewood Films No. 14 Limited	Film production	United Kingdom	100%
Where Hands Touch (FPC) Limited	Film production	United Kingdom	100%
Shepperton Studios Property Partnership[2]	Property investment	United Kingdom	100%
Pinewood Finco PLC[1]	Financial services	United Kingdom	100%

Notes to the Parent Company Financial Statements (continued)

for the year ended 31 March 2020

5 Investments (continued)

[1] Directly held.

[2] Investment held as follows:

- Pinewood-Shepperton Studios Limited - 17,830 ordinary shares of 5p each with a nominal value of £892, and 942,700 redeemable shares of 10p each with a nominal value of £94,270. Further details included in the subsidiary financial statements of Pinewood-Shepperton Studios Limited.
- Shepperton Studios Property Partnership - Limited Partnership in which Baltray No. 1 Limited and Baltray No. 2 Limited are Limited Partners.

[3] The reporting date for Pinewood USA Inc. is 31 December.

[4] At the date of approval of these financial statements, this company had an active proposal to strike off.

The registered office of the subsidiaries (or local equivalent) are as follows:

- All United Kingdom subsidiaries - Pinewood Studios, Pinewood Road, Iver Heath, SL0 0NH
- All Irish subsidiaries - Second Floor, 10 South Anne Street, Dublin 2, Ireland
- Pinewood Film Services GmbH – c/o Greenfort Partnerschaft von Rechtsanwalten, Arndstasse 28, 60325 Frankfurt am Main, Germany
- Pinewood USA Inc. - c/o Katten Munchin Rosenman LLP, 2029 Century Park East, Suite 2600, Los Angeles, CA 90067, USA
- Pinewood Production Services Canada Inc. - 225 Commissioners Street, Toronto, ON M4M 0A1, Canada
- Pinewood Film Production Studios Canada Inc. - Suite 2600, Three Bentall Centre, PO Box 49314, 595 Burrard Street, Vancouver BC, V7X 1L3, Canada

Associates and joint ventures

As at 31 March 2020, the Company had interests in the following associates:

Company name	Principal activity	Country of incorporation	% equity interest
PMBS Holding Limited	Holding company	United Kingdom	15%

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

The Company had no interests in joint ventures as at 31 March 2020.

Notes to the Parent Company Financial Statements (continued)

for the year ended 31 March 2020

5 Investments (continued)

Audit exemption

Pinewood Group Limited has given statutory guarantees against all the outstanding liabilities of the below listed wholly-owned subsidiaries at 31 March 2020 under Section 479A of the Companies Act 2006, thereby allowing these subsidiaries to be exempt from the annual audit requirement for the year ended 31 March 2020.

Although the Company does not anticipate the guarantees to be called upon, the book values of the guaranteed liabilities, excluding intragroup balances, for each relevant subsidiary at 31 March 2020 are set out below:

Company name	Company registration number	Liabilities to non-group entities £000
Baltray No.1 Limited	05776674	**691**
Baltray No.2 Limited	05778635	**-**
Pinewood Camera Trap Limited	08153323	**2**
Pinewood Dominican Republic Limited	07096246	**164**
Pinewood Films Limited	07660856	**-**
Pinewood Films No. 13 Limited	09006529	**10**
Pinewood Malaysia Limited	07074446	**-**
Pinewood Media Development Limited	09592018	**-**
Pinewood Studio Wales Limited	08863162	**5**
PSL Consulting Limited	08655214	**-**
Shepperton Management Limited	05907027	**-**
Shepperton Studios (General Partner) Limited	05913009	**-**
Pinewood Germany Limited	07079399	**-**
Pinewood Shepperton Facilities Limited	07527390	**-**
Pinewood Films No. 11 Limited	08865342	**-**
Pinewood Films No. 12 Limited	08865668	**2**
Where Hands Touch (FPC) Limited	09443603	**-**

6 Trade and other receivables

	2020	2019
	£’000	£’000
Amount falling due within one year:		
Prepayments and other receivables	**606**	59
Amounts due from subsidiary undertakings	**186,170**	257,228
	186,776	257,287
Amount falling due after more than one year:		
Loans due from parent undertakings	**317,653**	134,369
	317,653	134,369
	504,429	391,656

Loans due from subsidiary undertakings are repayable on demand and interest is charged at 4.05% (2019: 4.05%). The loan due from the parent company is repayable by September 2025 and carries interest at 3.55% (2019: 4.05%).

Notes to the Parent Company Financial Statements (continued)

for the year ended 31 March 2020

7 Share capital

	2020	2019
	£'000	£'000
57,409,926 Ordinary shares of 0.001p each (2019: 57,409,926 Ordinary shares of 10p each)	**1**	5,741

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.

8 Interest bearing loans and borrowings

	Maturity	**2020**	2019
		£'000	£'000
Current borrowings:			
Asset financing		**-**	171
		-	171
Non-current borrowings			
Loan from subsidiary undertaking	September 2025	**544,485**	247,954
Non-current drawn loan facilities		**544,485**	247,954
Secured bank loan arrangement costs		**-**	(1,268)
		544,485	246,686
Total current and non-current		**544,485**	246,857

In 2017, Pinewood Finco PLC (Finco), a subsidiary undertaking, entered into a loan agreement with the Company whereby Finco agreed to loan the Company £250 million subordinated under Finco's external debt. The principal and term of the loan agreement matched the terms of the Finco external debt and fell due for repayment in September 2023.

In September 2019, Finco announced it had priced an offering of £550 million aggregate principal amount of 3.25% Senior Secured Notes due September 2025. The proceeds of the offering were received on 25 September 2019 at which point the Company and Finco settled the existing loan agreement and entered into a new loan agreement with a principal and term that matched the 3.25% Senior Secured Notes issued by Finco. The new loan agreement is for a principal of £550 million, bears interest at 3.25% plus a margin of 0.15% per annum and includes a charge for the recovery of the finance fees incurred by Finco directly related to arranging the external debt. Repayments of interest and capital are required to be made in sufficient time for Finco to make onward payment to its external debt providers. As a result, the capital balance falls due for repayment in September 2025.

The proceeds of the offering were subsequently used by the Group to fully redeem Finco's existing external debt and make a loan and dividend distribution to the Pinewood Group parent company.

Details of effective interest rates, total facilities and maturities, are listed in Note 21 of the consolidated Group financial statements.

Amounts included above which fall due after five years are as follows:

	2020	2019
	£'000	£'000
Payable other than by instalments	**550,000**	-

Notes to the Parent Company Financial Statements (continued)

for the year ended 31 March 2020

9 Derivative financial instruments

The Company's interest rate swaps are recognised as derivative financial instruments. Fair value movements are recognised in the statement of comprehensive income within interest payable and similar charges.

Further details can be found in Note 22 to the consolidated Group financial statements.

	2020	2019
	£'000	£'000
Financial liabilities carried at fair value:		
Non-current derivative financial instrument liabilities	**2,743**	2,206

10 Trade and other payables

	2020	2019
	£'000	£'000
Other creditors	**2,897**	2,350
Amounts due to parent undertakings	**-**	-
Amounts due to subsidiary undertakings	**59,322**	105,558
	62,219	107,908

Intragroup balances are repayable on demand and interest is charged at 4.05% (2019: 4.05%).

11 Related party transactions

The Company has elected not to disclose related party transactions entered into between wholly owned members of its wider group in accordance with paragraph 33.1A of FRS 102.

12 Contingent liability

The Company has committed to provide financial support to several of its wholly owned subsidiary undertakings in a net current liability position to an amount as may be required to enable each subsidiary to fulfil its operational commitments to meet liabilities as and when they fall due and carry on their business as a going concern. Where it is required, Pinewood Group Limited intends to extend such support for a further 12 months from the date the current commitments expire as shown below.

Company name	Expiration date of financial support
Pinewood Film Advisors (W) Limited	19 December 2020
Pinewood PSB Limited	19 December 2020
Pinewood-Shepperton Studios Limited	19 December 2020
Shepperton Studios Property Partnership	19 December 2020
Pinewood Studios Limited	19 December 2020

The Company, together with certain subsidiary undertakings had at the financial statement date granted a cross guarantee in favour of its bankers in respect of the bank borrowings of the Group. The guarantee was secured by a floating charge which as at 31 March 2020 was £552,743,000 (2019: £252,377,000).

Notes to the Parent Company Financial Statements (continued)

for the year ended 31 March 2020

13 Ultimate parent undertaking and controlling party

The immediate parent is Picture Holdco Limited, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party is PW Real Estate Fund III GP Limited, in its capacity as General Partner of PW Real Estate Fund III LP.

The registered office address of Picture Holdco Limited is 4th Floor, 18 St. Swithin's Lane, London, EC4N 8AD. Picture Holdco Limited is the parent of the largest group for which consolidated accounts are prepared which include the results of Pinewood Group Limited, and these will be publicly available at Companies House. The smallest group for which consolidated accounts are prepared is for Pinewood Group Limited which are shown on pages 22 to 50 of these financial statements.