



PINEWOOD

Pinewood Group Limited

Report as at and for

the 3 months to

30 June 2020

First quarter highlights

Operational and industry highlights

- The combined total spend on film and high-end television (“HETV”) production in the UK for the 6-month period to June 2020 was £699 million which, as a result of the pandemic and productions going on hiatus, was 57% lower than the same period last year
- The Group has continued to follow government guidance throughout the pandemic to ensure the safety of its employees, customers and visitors to the studios. The studios remained open during the quarter, with a number of customers at Pinewood and Shepperton providing essential services to the NHS
- The UK Government along with the British Film Commission (“BFC”) recently issued a guidance document for the sector, ‘Working Safely during COVID-19 in Film and HETV Drama Production’, which Pinewood played a leading role in helping to develop
- Whilst predominantly all film and television productions went on hiatus in March, they are now returning. Universal’s *Jurassic World: Dominion* resumed filming in the week commencing 6 July 2020, and a domestic TV show started on 15 July
- Adjusted EBITDA grew by 8% in the quarter to £14.9 million (Q1 2020: £13.8 million). Whilst TV and Post-Production customers have delayed their production schedules from Q1 FY21, most have re-booked for later in the year. This delay has impacted the Group’s results for the quarter, albeit not significantly. The long-term contracts with Disney and Netflix have not been impacted by the pandemic

Strategic highlights

Progressing strategic initiatives:

- Real estate optimisation (“REO”): Enabling works for the 5 new stages at Pinewood West are currently underway; completion is anticipated in early 2022. These stages are pre-let to Disney under the existing long-term contract
- Shepperton expansion: we continue to progress the detailed design and feasibility of the Shepperton Studios expansion to best meet the needs of our customers
- Land acquisitions: in August 2020, the Group acquired c. 77 acres of land to the south and immediately adjacent to Pinewood Studios. The land, by virtue of its adjacency, was a strategic acquisition and provides further potential for the expansion of Pinewood, thereby protecting its pre-eminent position in the industry

Financial highlights

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

	3 months ended 30 June 2020 £'000	3 months ended 30 June 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Turnover	21,915	23,306	96,392	85,928
Adjusted EBITDA	14,895	13,807	58,060	44,672
Adjusted EBITDA margins	68.0%	59.2%	60.2%	52.0%
Cash generated from operations	5,087	9,624	74,168	52,748
Capital expenditure*	(3,375)	(18,699)	(34,320)	(42,077)
Adjusted net debt	(457,478)	(224,810)	(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 3 months to 30 June 2020 ("Q1 2021"), turnover declined by £1.4 million or 6% to £21.9 million (Q1 2020: £23.3 million). The Post-Production business saw a decrease in revenues, with delays in our customers' localisation schedules due to COVID-19, together with the loss of revenue from the Picture Services and Creative Audio businesses which we have now exited.

Within UK Studios, two of the three dedicated TV studios were empty throughout the quarter due to COVID-19, with productions starting to return in July. This decline in revenues was mitigated by revenue growth across production accommodation, with Pinewood East phase II ("PWE II") providing an additional c. 205k sq.ft and the two long-term contracts increasing production accommodation occupancy levels. Additionally, these long-term contracts 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 £0.8 million compared with the contractual amounts due.

Adjusted EBITDA

Adjusted EBITDA increased by £1.1 million to £14.9 million (Q1 2020: £13.8 million) due to: (i) increased revenues from the higher margin UK Studios business, following the opening of PWE II in autumn 2019 and the two long-term contracts with Disney and Netflix, which have supported higher production accommodation occupancy; (ii) a reduction in selling and distribution costs and administrative expenses following the non-recurrence of legal and professional fees in relation to the long-term contracts and streamlining of business processes; (iii) a £0.8 million uplift as mentioned above following the application of FRS102 to the indexation clauses of certain of our long-term contracts; and partially offset by (iv) reduced activity in the Post-Production business and dedicated TV studios, with customers now rescheduling following the relaxation of COVID-19 restrictions in the UK.

Adjusted EBITDA margin of 68.0% (Q1 2020: 59.2%) was unusually high in the quarter. The improvement in margin is due to: (i) the additional c. 205k sq.ft of production accommodation at PWE II; (ii) completion of the long-term contracts; (iii) strong resales of production accommodation; and (iv) temporary cost savings. These were partly offset by a reduction in revenues from the Post-Production and TV businesses, as a direct result of COVID-19.

Reconciliation of profit on ordinary activities after taxation to Adjusted EBITDA

	3 months ended 30 June 2020 £'000	3 months ended 30 June 2019 £'000	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit on ordinary activities after taxation	9,268	7,717	18,383	21,321
Tax charge on profit on ordinary activities	2,463	2,034	5,939	6,059
Net interest payable and other charges	2,484	1,615	19,564	6,200
Depreciation of property, plant and equipment	2,575	2,222	9,624	8,707
Impairment of property, plant and equipment	-	-	770	-
Amortisation of intangible assets	212	140	563	560
(Profit)/ loss on disposal of property, plant and equipment	(93)	-	125	952
EBITDA	16,909	13,728	54,968	43,799
Adjusted items **	(2,014)	79	3,092	873
Adjusted EBITDA	14,895	13,807	58,060	44,672

** Q1 2021 comprises the recognition of £2.0 million of loan notes from the Group's associate undertaking, for £nil consideration. Q1 2020 includes £0.1 million of adjusted items in relating to restructuring costs within ceased operations. FY20 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 6

Cash flow and capital expenditure

The cash balance at 30 June 2020 was £92.5 million compared with a balance of £92.7 million at 31 March 2020 and £25.3 million at 30 June 2019. The movement in cash since 31 March 2020 is attributable to a cash outflow of £0.2 million and a negligible foreign exchange gain on cash balances.

The cash outflow of £0.2 million in Q1 2021 compares with a cash outflow of £14.7 million in Q1 2020. This quarter-on-quarter change principally reflects a £15.3 million reduction in capital expenditure. Q1 2021 includes a relatively low level of spend, with REO and growth plan projects in the planning and site preparation stage, whereas construction of PWE II was well underway in Q1 2020. In addition, net interest paid is £4.5 million lower than in Q1 2020, due to a change in the agreed timing of regular interest payments from June/December to March/September following the refinancing in FY20. This reduction in spend has been partially offset by a £4.5 million decrease from cash generated by operations together with £0.8 million higher net tax paid. Net tax paid increased as Q1 2020 reflected two tax receipts relating to (i) a taxable loss claim in the US, and (ii) a film production company which is now inactive. The reduction in cash generated by operations is mainly due to the timing of lease receipts, together with a higher level of repayments made in connection with resales, and partially offset by a lower level of VAT paid in Q1 2021.

Adjusted Net debt and liquidity

Adjusted net debt as at 30 June 2020 stood at £457.5 million, based on the £550.0 million of senior secured notes and a cash balance of £92.5 million. Adjusted net debt at 31 March 2020 was £457.3 million, based on £550.0 million of senior secured notes and a cash balance of £92.7 million.

Paul Golding, CEO, commented

The industry has been heavily impacted by the pandemic leading to a collapse in spending on film and television production during the first quarter. To help productions return, Pinewood worked alongside government and others in the industry to develop protocols for operating in the new environment. It's good to see both film and television productions back at the studios and shooting again.

Whilst Pinewood has been affected by the virus, the financial impact to date has not been significant. However, it is important that we continue to provide a safe working environment for our staff and customers and to this end we are continually adapting our operating procedures to accord with government guidance.

We remain optimistic about the future. We are investing in the five new stages at Pinewood, progressing our expansion plans at Shepperton and have recently bought another 77 acres of land at Pinewood.

The next Investor update is scheduled for 18 November 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 30 June 2020 ("Q1 2021", "Q1 FY21"), and the comparative period as of and for the 3 months ended 31 June 2019 ("Q1 2020" or "Q1 FY20"), 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 interim report was prepared in accordance with the indenture dated 25 September 2019 among Pinewood Finco PLC, as issuer, the guarantors named therein, Deutsche Trustee Company Limited, as Trustee, and Deutsche Bank AG London Branch, as security agent and as paying agent.

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

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

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

Use of non-FRS 102 financial information

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

In this interim report, "Adjusted EBITDA" is calculated as profit on ordinary activities before interest receivable and similar income, interest payable and similar charges, tax charge/credit on profit on ordinary activities, depreciation of property, plant and equipment, impairment of long-term assets, amortisation of intangible assets, 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 interim report, "adjusted net debt" is calculated as debt net of cash balances, ignoring the unamortised loan issue costs.

Financial update for the 3 months ended 30 June 2020

Group Statement of Comprehensive Income

Turnover

In the 3 months to 30 June 2020, turnover declined by £1.4 million or 6% to £21.9 million (Q1 2020: £23.3 million). The Post-Production business saw a decrease in revenues, with delays in our customers' localisation schedules due to COVID-19, together with the loss of revenue from the Picture Services and Creative Audio businesses which we have now exited.

Within UK Studios, two of the three dedicated TV studios were empty throughout the quarter due to COVID-19, with productions starting to return in July. This decline in revenues was mitigated by revenue growth across production accommodation, with PWE II providing an additional c. 205,000 sq.ft and the two long-term contracts increasing production accommodation occupancy levels. Additionally, these long-term contracts 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 £0.8 million compared with the contractual amounts due.

Cost of sales

Cost of sales expenditure decreased by c. £1.1 million to £8.4 million (Q1 2020: £9.5 million). The majority of this was from the Post-Production business, following the closure of both the Picture Services and Creative Audio businesses, with a small decline from the delayed localisation activity. In addition, delayed recordings in the TV studios resulted in a further reduction in costs.

These cost reductions were partially offset by higher depreciation, business rates and facilities costs following the opening of PWE II.

Gross profit

Gross profit at £13.5 million was broadly level with prior year (Q1 2020: £13.8 million). Gross profit margin increased by 2.5 ppt to 61.8% (Q1 2020: 59.3%), 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 decreased by £0.2 million to £0.3 million (Q1 2020: £0.5 million), mainly following the streamlining of business processes in the second half of FY20.

Administrative expenses**

Administrative expenses decreased by £0.3 million to £1.6 million (Q1 2020: £1.9 million). This was mainly due to the prior year quarter including an amount for legal and professional fees in relation to the long-term contract with Netflix. These fees were subsequently capitalised in Q3 2020 when the leases commenced, together with those costs in relation to the contract with Disney, and amortised over the life of the leases.

Other operating income/ expense

Other operating income/ expense was £0.5 million (Q1 2020: £nil).

Operating profit **

Operating profit before adjusted items increased by £0.8 million to £12.2 million and delivered an operating profit margin of 55.7% (Q1 2020: 49.0%).

Income from participating interests

During FY20, the Group held an option to increase its equity holding of Pinewood MBS Holdings Limited ('PMBS') from 15% to 25%, resulting in the Group equity accounting for its participating interest, the exercise of the option completing on 15 June 2020. No profit has been recognised in Q1 2021.

Following the sale of our 40% interest in the Pinewood Atlanta Studios, which completed in August 2019, there is no income in the period, compared with a small positive result in Q1 2020.

Interest receivable and similar income

Interest receivable and similar income increased by £1.5 million to £2.9 million (Q1 2020: £1.4 million). This increase mainly relates to interest earned on the loan to the Group's parent company, originally created in December 2017, and which was increased by £175.0 million following the September 2019 refinancing.

Interest payable and similar charges

Interest payable and similar charges increased by £2.3 million to c. £5.4 million (Q1 2020: £3.1 million), following the refinancing in September 2019, and the increase in the principal amount of senior secured notes, together with a £0.3 million adverse movement on the interest rate swaps.

Tax charge on profit on ordinary activities**

Excluding the impact of adjusted items, the tax charge on profit on ordinary activities increased marginally to £2.1 million (Q1 2020: £2.0 million), and an effective tax rate of 21.4% (Q1 2020: 20.8%). The higher effective rate was caused by a higher level of non-allowable depreciation.

** 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.

During the 3 months to 30 June 2020, the following items have been presented as adjusted items:

- Administrative expenses (£2.0 million gain): In June 2020, the step-up associated with the Group's investment in PMBS completed for £nil consideration. The Group also received additional loan notes from PMBS for £nil consideration. These were recognised on the balance sheet at a fair value of £2.0 million, resulting in a corresponding gain in the income statement; and
- A tax charge of £0.4 million in relation to the item above.

The prior year includes £0.1 million of adjusted items in relating to restructuring costs within ceased operations, net of a small tax credit.

Liquidity and capital resources

Cash flow

The cash balance at 30 June 2020 was £92.5 million compared with a balance at 31 March 2020 of £92.7 million. The movement in cash since 31 March 2020 is attributable to a cash outflow of £0.2 million (Q1 2020: £14.7 million) and a negligible foreign exchange gain.

Net cash inflow from operating activities

Net cash inflow from operating activities reduced quarter on quarter by £0.9 million to £3.2 million (Q1 2020: £4.1 million). This was due to: (i) a £1.2 million improvement in cash flows before movements in working capital to £14.9 million, due to the trading results described above excluding the non-cash impact of £0.4 million higher depreciation and amortisation in Q1 2021; (ii) a £5.7 million reduction from working capital following higher resale cash settlements, a higher net unwind of deferred income due to the timing of amounts received in the prior year, partially offset by lower VAT payments in Q1 2021; (iii) £4.5 million lower net interest paid due to a change in the agreed timing of regular interest payments from June/December to March/September; and (iv) £0.8 million of corporation tax received in Q1 2020 and which was not repeated this year, in relation to both a taxable loss claim in the US and a film production company which is now inactive.

Net cash outflow from investing activities

Net cash outflow from investing activities was £3.4 million compared with £18.7 million in Q1 2020. Q1 2020 comprised capital expenditure principally in relation to the development of PWE II, whereas this quarter included amounts in relation to progressing the Real Estate Optimisation programme and planning applications at Pinewood and Shepperton, together with the completion of the final workshop on PWE II.

Net cash flow from financing

Net cash outflow from financing was £nil in the quarter (Q1 2020: £0.1 million).

Pinewood Group Limited

Interim condensed consolidated financial statements

Period ended 30 June 2020

Company Registration Number: 03889552

Group Statement of Comprehensive Income

for the three month period ended 30 June 2020

	3 months ended 30 Jun 2020			3 months ended 30 Jun 2019			Full year 31 Mar 2020	
	Note	Adjusted	Adjusted items (Note 1)	Total	Adjusted	Adjusted items (Note 1)	Total	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover		21,915	-	21,915	23,306	-	23,306	96,392
Cost of sales		(8,366)	-	(8,366)	(9,485)	-	(9,485)	(40,369)
Gross profit		13,549	-	13,549	13,821	-	13,821	56,023
Selling & distribution costs		(256)	-	(256)	(499)	-	(499)	(1,574)
Administrative expenses		(1,641)	2,014	373	(1,905)	(79)	(1,984)	(8,067)
Other operating income/(expenses)		549	-	549	-	-	-	(737)
Operating profit/(loss)	2	12,201	2,014	14,215	11,417	(79)	11,338	45,645
Loss on disposal of participating interests		-	-	-	-	-	-	(1,816)
Income from participating interests		-	-	-	28	-	28	57
Interest receivable and similar income	3	2,917	-	2,917	1,437	-	1,437	8,577
Interest payable and similar charges	4	(5,401)	-	(5,401)	(3,052)	-	(3,052)	(28,141)
Profit/(loss) on ordinary activities before taxation		9,717	2,014	11,731	9,830	(79)	9,751	24,322
Tax (charge)/credit	5	(2,080)	(383)	(2,463)	(2,049)	15	(2,034)	(5,939)
Profit/(loss) on ordinary activities after taxation attributable to equity shareholders		7,637	1,631	9,268	7,781	(64)	7,717	18,383
Other comprehensive income								
Currency exchange differences		84	-	84	475	-	475	540
Total comprehensive income		7,721	1,631	9,352	8,256	(64)	8,192	18,923

The notes on pages 14 to 25 form part of these financial statements.

Group Statement of Financial Position

as at 30 June 2020

	Note	30 Jun 2020 £'000	30 Jun 2019 £'000	31 Mar 2020 £'000
Assets				
Non-current assets				
Intangible assets	7	5,804	5,117	5,638
Property, plant and equipment	8	304,430	284,162	303,922
Interests in associates and joint ventures	6	4,453	13,697	2,320
Other investments		-	1,680	-
Trade and other receivables	9	320,422	135,734	317,653
		635,109	440,390	629,533
Current assets				
Inventories		56	61	56
Trade and other receivables	9	10,651	16,439	9,269
Cash and cash equivalents		92,522	25,300	92,655
		103,229	41,800	101,980
Total assets		738,338	482,190	731,513
Equity and liabilities				
Share capital	10	1	5,741	1
Share premium	11	-	76,696	-
Capital redemption reserve	11	-	135	-
Merger reserve	11	-	348	-
Translation reserve	11	2,219	2,070	2,135
Retained earnings	11	122,168	94,315	112,900
Total equity		124,388	179,305	115,036
Non-current liabilities				
Interest bearing loans and borrowings	12	549,148	244,579	544,486
Derivative financial instruments	13	3,176	2,396	2,743
Deferred tax liabilities	5	3,657	3,208	3,587
		555,981	250,183	550,816
Current liabilities				
Interest bearing loans and borrowings	12	-	110	-
Trade and other payables	14	57,969	52,592	65,661
		57,969	52,702	65,661
Total liabilities		613,950	302,885	616,477
Total equity and liabilities		738,338	482,190	731,513

Group Statement of Cash Flows

for the three month period ended 30 June 2020

		3 months ended 30 Jun 2020	2019	Year ended 31 Mar 2020
	Note	£'000	£'000	£'000
Cash flow from operating activities:				
Profit on ordinary activities before taxation		11,731	9,751	24,322
<i>Adjustments to reconcile profit on ordinary activities before taxation to net cash flows:</i>				
Depreciation, impairment and amortisation	2	2,787	2,362	10,957
Profit on disposal of joint ventures and investments		-	-	(985)
(Profit)/loss on disposal of property, plant and equipment	2	(93)	-	125
Fair value adjustment on PMBS Holdings Limited	1	(2,014)	-	1,680
Income from participating interests		-	(28)	(57)
Unrealised foreign exchange gains		(10)	-	-
Interest receivable and similar income	3	(2,917)	(1,437)	(8,577)
Interest payable and similar charges	4	5,401	3,052	28,141
Cash flow from operating activities before changes in working capital		14,885	13,700	55,606
(Increase)/decrease in trade and other receivables		(1,591)	(2,585)	3,645
Increase in inventories		-	(25)	(20)
(Decrease)/increase in trade and other payables		(8,207)	(1,466)	14,937
Cash generated from operations		5,087	9,624	74,168
Interest paid		(436)	(4,919)	(23,769)
Interest received		28	15	334
Corporation tax received in respect of FPC activity		-	366	366
Net corporation tax paid		(1,491)	(1,021)	(6,820)
Net cash flow from operating activities		3,188	4,065	44,279
Cash flow used in investing activities:				
Proceeds from disposal of property, plant and equipment		180	-	615
Purchase of property, plant and equipment		(3,177)	(18,064)	(48,714)
Purchase of intangible assets		(378)	(635)	(1,579)
Proceeds from disposal of joint ventures and investments		-	-	15,358
Loans made to parent undertakings		-	-	(175,000)
Net cash flow used in investing activities		(3,375)	(18,699)	(209,320)
Cash flow (used in)/from financing activities:				
Dividends paid		-	-	(75,000)
Repayment of loan notes		-	-	(250,000)
Proceeds from issue of loan notes		-	-	550,000
Payment of loan issue costs and finance arrangement fees		-	-	(6,500)
Repayment of asset financing obligations		-	(61)	(165)
Net cash flow (used in)/from financing activities		-	(61)	218,335
Net (decrease)/increase in cash and cash equivalents		(187)	(14,695)	53,294
Currency exchange movement		54	81	(553)
Cash and cash equivalents at the start of the year		92,655	39,914	39,914
Cash and cash equivalents at the end of the period		92,522	25,300	92,655

Reconciliation of Movement in Net Debt

for the three month period ended 30 June 2020

	3 months ended 30 Jun 2020 £'000	2019 £'000	Year ended 31 Mar 2020 £'000
(Decrease)/increase in cash and cash equivalents	(187)	(14,695)	53,294
Currency exchange movement	54	81	(553)
Repayment of loan notes	-	-	250,000
Payment of interest on loan notes	-	4,688	16,842
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	-	61	165
Loan arrangement costs recognised within other receivables	-	-	(544)
Interest expense on loan notes	(4,662)	(2,590)	(14,728)
Other non-cash movement	-	-	6
Movement in net debt	(4,795)	(12,455)	(244,897)
Net debt at the start of the year	(451,831)	(206,934)	(206,934)
Net debt at the end of the period	(456,626)	(219,389)	(451,831)
Net debt at the end of the period excluding restricted cash	(456,695)	(219,828)	(451,869)

Group Statement of Changes in Equity

for the three month period ended 30 June 2020

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 01 April 2020	1	-	2,135	-	112,900	115,036
Profit for the period	-	-	-	-	9,268	9,268
Currency exchange differences	-	-	84	-	-	84
Total comprehensive income for the period	-	-	84	-	9,268	9,352
At 30 June 2020	1	-	2,219	-	122,168	124,388
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 2019	5,741	76,696	1,595	483	86,598	171,113
Profit for the period	-	-	-	-	7,717	7,717
Currency exchange differences	-	-	475	-	-	475
Total comprehensive income for the period	-	-	475	-	7,717	8,192
At 30 June 2019	5,741	76,696	2,070	483	94,315	179,305

Notes to the Condensed Consolidated Financial Statements

for the three month period ended 30 June 2020

1 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.

	3 months ended 30 Jun 2020	2019	Year ended 31 Mar 2020
Income/(expense)	£'000	£'000	£'000
Administrative expenses:			
Restructuring costs	-	(79)	(426)
Termination of agreement with Pinewood Iskandar Malaysia Studios	-	-	672
Fair value adjustment on PMBS Holding Limited ("PMBS")	2,014	-	(1,680)
Administrative expenses adjusted items	2,014	(79)	(1,434)
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	(383)	15	1,668
Adjusted items per statement of comprehensive income	1,631	(64)	(14,002)

3 months to 30 June 2020

Administrative expenses

In June 2020, the step-up associated with the Group's investment in PMBS completed for £nil consideration. The step-up resulted in the Group's equity interest in PMBS increasing from 15% to 25% and the issue by PMBS to the Group of additional loan notes with a face value of £2.0 million. The additional loan notes were initially recognised on the balance sheet at fair value, estimated to be the face value, resulting in a corresponding gain in the income statement of £2.0 million.

Year to 31 March 2020

Administrative expenses

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.

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

1 Adjusted items (continued)

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.

During the year to 31 March 2020, the Group reviewed the Creative Services operations and closed the Picture Services and Creative Audio business lines. 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.

2 Operating profit

	3 months ended 30 Jun		Year ended
	2020	2019	31 Mar 2020
Operating profit is stated after charging/(crediting):	£'000	£'000	£'000
Depreciation of property, plant and equipment	2,575	2,222	9,624
Impairment of property, plant and equipment	-	-	770
(Profit)/loss on disposal of property, plant and equipment	(93)	-	125
Operating lease payments	337	222	1,061
Amortisation of intangible assets	212	140	563
Net foreign exchange (gains)/losses	(18)	1	3

Depreciation charges are included within cost of sales, amortisation of goodwill is included within administrative expenses, profit or loss on disposal and impairments are included within other operating income/expenses.

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

3 Interest receivable and similar income

	3 months ended 30 Jun		Year ended
	2020	2019	31 Mar 2020
	£'000	£'000	£'000
<i>On financial assets measured at amortised cost:</i>			
Interest receivable from joint ventures and associates	119	-	46
Interest receivable on loan due from parent undertaking	2,770	1,371	8,284
Bank interest receivable	28	7	127
	2,917	1,378	8,457
<i>On financial assets measured at fair value:</i>			
Loan interest receivable	-	59	120
	-	59	120
	2,917	1,437	8,577

4 Interest payable and similar charges

	3 months ended 30 Jun		Year ended
	2020	2019	31 Mar 2020
	£'000	£'000	£'000
<i>On financial instruments measured at amortised cost:</i>			
Bank loan and overdraft interest	97	110	325
Senior Secured Notes	4,662	2,590	14,728
Loss on extinguishment of loan notes and facilities	-	-	11,808
	4,759	2,700	26,861
<i>On financial instruments measured at fair value:</i>			
Interest rate swap payments	189	142	634
Fair value movements of derivative financial instruments	433	190	538
	622	332	1,172
<i>Not on financial instruments:</i>			
Finance lease interest	-	12	54
Other interest	20	8	54
	20	20	108
	5,401	3,052	28,141

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

5 Tax on profit on ordinary activities

	3 months to 30 Jun		Year ended
	2020	2019	31 Mar 2020
	£'000	£'000	£'000
(a) Analysis of charge for the period:			
<i>Current tax:</i>			
UK corporation tax charge	1,922	1,809	3,919
Amounts payable for group tax relief	404	255	1,617
Foreign corporation tax	74	11	629
Foreign tax suffered	-	-	73
UK Film tax relief	-	-	3
Double taxation credit	-	-	(51)
Amounts over provided in previous years	-	-	(583)
	2,400	2,075	5,607
<i>Deferred tax:</i>			
Relating to origination and reversal of temporary differences	63	(41)	313
Effect of change in deferred tax rates	-	-	301
Amounts over provided in previous years	-	-	(282)
	63	(41)	332
Tax charge in the Group statement of comprehensive income	2,463	2,034	5,939
<i>The tax charge in the Group statement of comprehensive income comprises:</i>			
Tax on profit before adjusted items	2,080	2,049	8,469
UK Film tax relief	-	-	3
Amounts over provided in previous years	-	-	(865)
Tax benefit of adjusted items	383	(15)	(1,668)
Tax charge in the Group statement of comprehensive income	2,463	2,034	5,939

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

5 Tax on profit on ordinary activities (continued)

	3 months to 30 Jun 2020 £'000	2019 £'000	Year ended 31 Mar 2020 £'000
(b) Factors affecting current taxation for the period:			
Profit on ordinary activities before tax	11,731	9,751	24,322
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	2,229	1,853	4,621
<i>Adjustments in respect of:</i>			
UK Film tax relief	-	-	3
Corporation tax overprovided in previous years	-	-	(583)
Deferred tax overprovided in previous years	-	-	(282)
Non-allowable depreciation on buildings	234	169	826
Gain on disposal of joint venture	-	-	922
Other non-allowable expenses	(17)	5	278
Unrelieved tax losses	-	-	9
Double taxation relief	-	-	(51)
Overseas tax at different rates	17	2	(68)
Group tax relief	(404)	(255)	(1,617)
Amounts payable for group tax relief	404	255	1,617
Land remediation relief	-	-	(39)
Deferred tax - effect of taxation rate change	-	5	303
	2,463	2,034	5,939

	3 months to 30 Jun 2020 £'000	2019 £'000	Year ended 31 Mar 2020 £'000
(c) Deferred tax			
Deferred tax relates to the following			
<i>Group comprehensive statement of income:</i>			
Accelerated capital allowances	63	(41)	(658)
Short term temporary differences	-	-	951
Fair value adjustments	-	-	39
	63	(41)	332

	At 1 Apr 2020 £'000	Charged to profit or loss £'000	Currency exchange £'000	At 30 Jun 2020 £'000
Group statement of financial position				
Accelerated capital allowances	3,115	63	7	3,185
Short term temporary differences	98	-	-	98
Tax losses	-	-	-	-
Fair value adjustment in respect of SSPP acquisition	374	-	-	374
Net deferred tax liability	3,587	63	7	3,657

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

6 Interests in associates and joint ventures

	30 Jun 2020 £'000	30 Jun 2019 £'000	31 Mar 2020 £'000
<i>Associates</i>			
Equity investment	-	-	-
Loan notes	4,453	-	2,320
	4,453	-	2,320
<i>Joint ventures</i>			
Equity investment	-	13,697	-
Loan notes	-	-	-
	-	13,697	-
Total investment in associates and joint ventures	4,453	13,697	2,320

At 30 June 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	25%

7 Intangible assets

	Software £'000	Goodwill £'000	Total £'000
Cost			
At 31 March 2019	1,258	5,604	6,862
Additions	635	-	635
At 30 June 2019	1,893	5,604	7,497
Additions	944	-	944
At 30 March 2020	2,837	5,604	8,441
Additions	378	-	378
At 30 June 2020	3,215	5,604	8,819
Amortisation			
At 31 March 2019	-	2,240	2,240
Provided during the period	-	140	140
At 30 June 2019	-	2,380	2,380
Provided during the period	-	423	423
At 30 March 2020	-	2,803	2,803
Provided during the period	72	140	212
At 30 June 2020	72	2,943	3,015
Net book value			
At 30 June 2020	3,143	2,661	5,804
At 31 March 2020	2,837	2,801	5,638
At 30 June 2019	1,893	3,224	5,117
At 31 March 2019	1,258	3,364	4,622

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

8 Property, plant and equipment

	Freehold land and buildings £'000	Fixtures, fittings and equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 31 March 2019	272,978	46,621	31,235	350,834
Additions	691	720	18,097	19,508
Disposals	-	(19)	-	(19)
At 30 June 2019	273,669	47,322	49,332	370,323
Additions	13,125	2,185	13,356	28,666
Reclassification	58,412	803	(59,215)	-
Disposals	(572)	(13,191)	-	(13,763)
Exchange movements	-	9	-	9
At 31 March 2020	344,634	37,128	3,473	385,235
Additions	811	556	1,802	3,169
Reclassification	1	-	(1)	-
Disposals	(344)	(84)	-	(428)
Exchange movements	-	1	-	1
At 30 June 2020	345,102	37,601	5,274	387,977
Depreciation				
At 31 March 2019	50,500	33,458	-	83,958
Provided during the period	1,540	682	-	2,222
Disposals	-	(19)	-	(19)
At 30 June 2019	52,040	34,121	-	86,161
Provided during the period	5,251	2,151	-	7,402
Impairments	66	704	-	770
Disposals	(140)	(12,883)	-	(13,023)
Exchange movements	-	3	-	3
At 31 March 2020	57,217	24,096	-	81,313
Provided during the period	1,879	696	-	2,575
Disposals	(258)	(83)	-	(341)
At 30 June 2020	58,838	24,709	-	83,547
Net book value				
At 30 June 2020	286,264	12,892	5,274	304,430
At 31 March 2020	287,417	13,032	3,473	303,922
At 30 June 2019	221,629	13,201	49,332	284,162
At 31 March 2019	222,478	13,163	31,235	266,876

As at 30 June 2020, 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.

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

9 Trade and other receivables

	30 Jun 2020	30 Jun 2019	31 Mar 2020
	£'000	£'000	£'000
<i>Amount falling due within one year:</i>			
Trade receivables	4,520	8,969	3,554
Trade receivables - Film production companies	-	34	-
Prepayments and other receivables	5,677	5,041	4,763
Corporation tax receivable	454	-	952
Loan notes receivable	-	2,395	-
	10,651	16,439	9,269
<i>Amount falling due after more than one year:</i>			
Loans due from parent undertakings	320,422	135,734	317,653
	320,422	135,734	317,653
	331,073	152,173	326,922

From 31 December 2019, the loan notes receivable have been reclassified and included within interests in associates and joint ventures (Note 6).

Following management's review of assets for impairment, trade receivables above are stated net of a provision of £0.6 million (2019: £0.2 million) against bad debts. In the period ended 30 June 2020 a credit of £0.1 million (2019: £0.4 million) was recognised in the Group statement of comprehensive income and is 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 £175.0 million to its parent undertaking under a new loan agreement. Loans due from parent undertakings are due for repayment in September 2025 (2019: December 2023) and carry interest charged at 3.55% (2019: 4.05%).

10 Share capital

	30 Jun 2020	30 Jun 2019	31 Mar 2020
	£'000	£'000	£'000
57,409,926 Ordinary shares of 0.001p each (2019: 57,409,926 Ordinary shares of 10p each)	1	5,741	1

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

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

11 Reserves

Share premium and other reserves

Share premium of £76.7m 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.

12 Interest bearing loans and borrowings

	Maturity	30 Jun 2020	30 Jun 2019	31 Mar 2020
		£'000	£'000	£'000
<i>Current borrowings:</i>				
Asset financing		-	110	-
		-	110	-
<i>Non-current borrowings:</i>				
Revolving credit facility	March 2025	-	-	-
3.75% Senior Secured Notes	December 2023	-	245,847	-
3.25% Senior Secured Notes	September 2025	549,148	-	544,486
Non-current drawn loan facilities		549,148	245,847	544,486
Secured bank loan arrangement costs		-	(1,268)	-
		549,148	244,579	544,486
Total current and non-current		549,148	244,689	544,486

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%.

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 Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

12 Interest bearing loans and borrowings (continued)

The available and undrawn committed facilities are as follows.

At 30 June 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
<hr/>				
At 30 June 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	110	-	-	110
Loan notes	-	250,000	-	250,000
Total facilities	110	300,000	-	300,110
Drawn loans:				
Revolving credit facility	-	-	-	-
Asset financing facility	(110)	-	-	(110)
Loan notes	-	(250,000)	-	(250,000)
Total drawn loans	(110)	(250,000)	-	(250,110)
Undrawn facilities:				
Revolving credit facility	-	50,000	-	50,000
Asset financing facility	-	-	-	-
Loan notes	-	-	-	-
Undrawn committed facilities	-	50,000	-	50,000

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

13 Derivative financial instruments

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

	30 Jun 2020	30 Jun 2019	31 Mar 2020
	£'000	£'000	£'000
<i>Financial liabilities carried at fair value:</i>			
Non-current derivative financial instrument liabilities	3,176	2,396	2,743
	3,176	2,396	2,743

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	30 Jun 2020	30 Jun 2019	31 Mar 2020
		£'000	£'000	£'000
2.00% + variable margin	April 2025	25,000	25,000	25,000
2.08% + variable margin	April 2022	-	25,000	-
2.16% + variable margin	April 2022	25,000	-	25,000
		50,000	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.

14 Trade and other payables

	30 Jun 2020	30 Jun 2019	31 Mar 2020
	£'000	£'000	£'000
Trade payables	5,543	1,646	8,224
Trade payables - Film production companies	73	481	83
Corporation tax payable	-	3,011	-
Value added tax	3,060	-	1,009
Other payables	904	939	766
Accruals	4,863	5,196	4,852
Amounts due to parent company	6,089	4,078	5,685
Capital expenditure related payables	9,204	11,365	9,212
Deferred royalty	623	670	630
Deferred income	27,573	25,169	35,163
Deferred income - Film production companies	37	37	37
	57,969	52,592	65,661

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 30 June 2020, the Group had total capital commitments contracted for, but not provided in the financial statements, of £0.1 million (2019: £14.0 million) in respect of development expenses arising from Pinewood East.

Notes to the Condensed Consolidated Financial Statements (continued)

for the three month period ended 30 June 2020

15 Events after the reporting date

No significant events have occurred after the balance sheet date

16 Principal risks and uncertainties

There are no significant changes to the principal risks and uncertainties disclosed in the consolidated financial statements of Pinewood Group Limited which are publicly available from Companies House.