Pinewood Finco PLC

Report and financial statements

Year ended 31 March 2020

Company Registration Number: 11054849

Registered No: 11054849

Directors
Paul Golding
Barbara Inskip
Luis Moner Parra

Secretary
Leonie Dorrington-Ward

Auditor
Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3BD

Registered Office
Pinewood Studios
Pinewood Road
Iver Heath
Buckinghamshire
SL0 0NH

Strategic Report

The Directors present the strategic report for the year ended 31 March 2020.

Business review

Pinewood Finco PLC (the "Company") was incorporated in November 2017 as a wholly-owned subsidiary of Pinewood Group Limited for the purpose of administering the external debt of the Pinewood group (the "Group"). In December 2017, the Company issued £250.0 million of 3.75% senior secured notes listed on The International Stock Exchange with the proceeds being used to settle existing external finance held in the Group.

In September 2019, the Company 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 Company's existing £250.0 million 3.75% senior secured notes and pay certain fees and expenses connected with the offering, with the balance lent on to the parent company.

The Company has an arrangement with its parent, Pinewood Group Limited, whereby the Company loans its parent an amount that matches the face value of the senior secured notes. The loan agreement is subordinated under the Company's external debt and bears interest at the same rate as the external debt plus a margin for administration and a charge for the recovery of finance fees incurred by the Company.

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.

Principal risks and uncertainties

The Directors do not consider it appropriate to discuss the risks and uncertainties affecting the Company as a single entity because the company's financial risks are managed on a Group basis.

Further information in respect of the financial risk management of the Group can be found in the consolidated financial statements of Pinewood Group Limited, which is publicly available from Companies House.

Risks associated with Brexit

The Directors believe they have mitigated the interest risk that may be associated with Brexit by the issue of the fixed rate senior secured notes in the year. Full disclosure of the risks associated with exit from the European Union for the Group are disclosed in the Strategic Report of Pinewood Group Limited, which is publicly available from Companies House.

Section 172 Directors' duties

The Directors have regard to the interests of the Company's wider stakeholders, in accordance with s172 of the Companies Act. The Directors are required by law to act in a way that promotes the success of the Company for the benefit of shareholders as a whole. In so doing the Company must also have regard to wider expectations of responsible business behaviour; the likely consequences of any decision in the long term and the desirability of maintaining a reputation for high standards of business conduct.

The Company is part of the Pinewood group headed by Pinewood Group Limited, the Board of which has ultimate responsibility for compliance with Section 172 for the Group. Further details of how the Board undertook its responsibilities during the year ended 31 March 2020 and details of the Group wide considerations can be found in the Strategic Report of Pinewood Group Limited, which is publicly available from Companies House

Strategic Report (continued)

Going Concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company meets its day-to-day working capital requirements through intercompany funding. As at 31 March 2020, £564.1 million (2019: £261.3 million) was owed to the Company by Group undertakings and the company owed £18.8 million (2019: £13.1 million) to Group undertakings. 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 cash resources and facilities for at least the next twelve months from the date of these financial statements and is therefore able to continue providing adequate funding to the Company.

Events after the reporting date

There have been no subsequent events that require adjustment to the accounting estimates and disclosures in the financial statements.

Approved by the Board and signed on its behalf by:

Barbara Inskip
Director

3 September 2020

Directors' Report

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

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)

Results and dividends
The results for the year are set out on page 12. No ordinary dividends were paid (2019: £nil). The Directors do not recommend payment of a final dividend.

Directors' Liabilities
Picture Holdco Limited, an intermediate parent company, has made qualifying third party indemnity provisions for the benefit of the Directors of the Company during the year. These provisions remain in force at the reporting date.

Future developments
The Directors believe that the Company will continue in its current form for the foreseeable future and do not anticipate any future developments in the Company's business.

Auditor
The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic Report
The Company has chosen in accordance with the Companies Act 2006, s.414C(11) to set out in the Company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of disclosures relating to principal risks and uncertainties, going concern and events after the reporting date.

Statement of disclosure to auditor
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, each Director has taken all the necessary steps that they ought to have taken as a Director in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board

Barbara Inskip
Director

3 September 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.

Independent Auditor's Report to the Member of Pinewood Finco PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Pinewood Finco plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its 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 statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 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).

2. 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 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 as applied to listed entities, 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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • treatment of costs associated with the issue of loan notes; and • recoverability of receivables from Group undertakings.
Materiality	The materiality that we used in the current year was £505,000, which was determined on the basis of 2% of expensed costs associated with the loan notes.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the engagement team.
Significant changes in our approach	There were no significant changes in our audit approach apart from the addition of a new key audit matter, being treatment of costs associated with the issue of loan notes.

Independent Auditor's Report to the Member of Pinewood Finco PLC (continued)

4. 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 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Treatment of costs associated with the issue of loan notes	
Key audit matter description	Pinewood Finco plc repaid their existing £250m loan notes ("the original loan notes") and issued £550m of new notes in September 2019 ("the new notes"). Through this funding raise, there were material directly attributable costs incurred which should be capitalised, as well as directly attributable costs on the original loan notes which were required to be de-recognised. Accrued interest and unamortised directly attributable costs are stated in note 10 of the financial statements at £5,514,000 (FY19: £2,205,000). The key audit matter considers the following three factors: 1) correct de-recognition of the remaining directly attributable costs on the original loan notes; 2) correct payment and recognition of any cancellation fees due in respect of the original loan notes; and 3) correct capitalisation and initial amortisation of the directly attributable costs on the new notes. These areas are quantitatively material and involve judgement, specifically to the new notes as to whether all the fees relate to the newly issued loan notes or the new Revolving Credit Facility which is issued in another group entity.

Independent Auditor's Report to the Member of Pinewood Finco PLC (continued)

How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls related to the identification and recognition of directly attributable costs to be capitalised against the relevant financing facility, treatment of de-recognised directly attributable costs on the original loan notes and amortisation on the new notes. We performed tests of detail to review the existence, completeness and valuation of directly attributable costs associated with the new notes, including evaluating that they have been correctly capitalised. We further performed substantive analytical procedures of the fee amortisation to test that this is being allocated correctly over the term of the bond. We recalculated the balance of the unamortised directly attributable costs for the original loan notes and tested whether these were appropriately expensed through the statement of comprehensive income. We reviewed legal documentation to ascertain whether the correct level of cancellation fees were recorded.
Key observations	Based on the work performed we concluded that the treatment of costs associated with the issue of loan notes is reasonable.

5.2 Recoverability of receivables from Group undertakings

Key audit matter description	Receivables from Group undertaking are stated in note 8 of the financial statements at £564,088,000 (FY19: £261,302,000). There is a level of judgement involved in determining the recoverability of these receivables from Group undertakings based on the financial position and future prospects of the Group undertakings. This takes into consideration a range of factors such as assessment of their cash flow forecasts, covenant compliance, use of debt facilities, ability to repay amounts owed, growth rates and historical accuracy of Management's forecasting.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls related to the recoverability of receivables from Group undertakings. We challenged the directors' judgement regarding the appropriateness of the carrying value through obtaining an understanding of and reviewing corroborative evidence supporting the future trading performance of Pinewood Group Limited undertakings including their cash flow forecasts, covenant compliance, use of debt facilities and ability to repay amounts owed. We have assessed the growth rates of the financial performance as well as the capacity of the Group based on capital investments made with the demand to customers to supporting documentation. We also reviewed the historical accuracy of Management's forecasts by comparing the actual results to forecasts.
Key observations	Based on the work performed we concluded that receivables from Group undertakings are appropriately stated.

Independent Auditor's Report to the Member of Pinewood Finco PLC (continued)

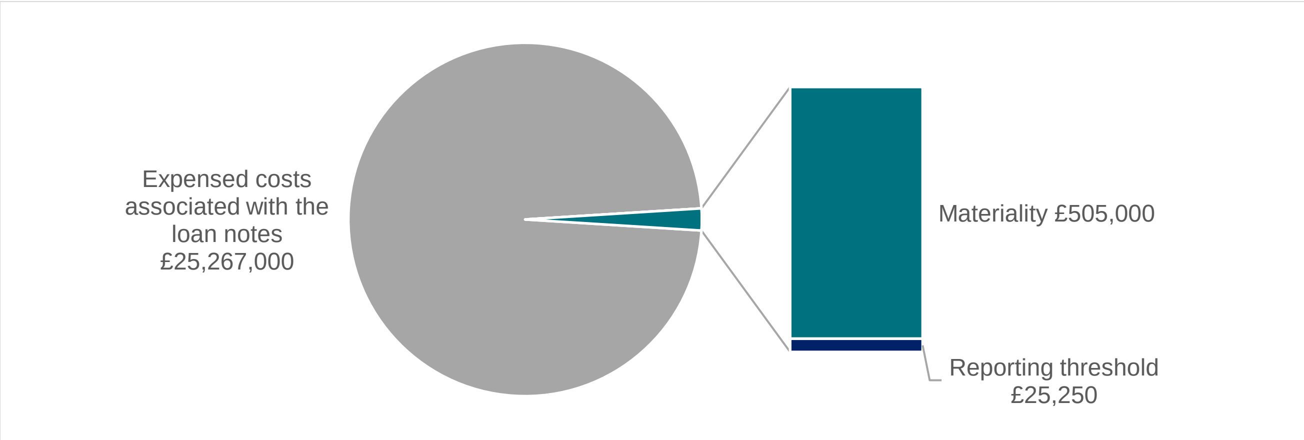
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£505,000 (FY19 £205,000)
Basis for determining materiality	2% of expensed costs associated with the loan notes (FY19: 2% of other interest on financial liabilities). There was no change in the basis for determining materiality, the increase is due to costs incurred on the cancellation of the existing loan facility.
Rationale for the benchmark applied	We determined materiality based on the expensed costs associated with the loan notes as this is a key metric used by Management and investors to assess the Company's position as the debt holding entity of the Pinewood Group.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (FY19: 70%). In determining performance materiality, we considered the following factors:

- the quality of the control environment; and
- the low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £25,250 (FY19: £10,250), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report to the Member of Pinewood Finco PLC (continued)

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the engagement team.

8. 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.

9. 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 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 company or to cease operations, or have no realistic alternative but to do so.

10. 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.

Independent Auditor's Report to the Member of Pinewood Finco PLC (continued)

Report on other legal and regulatory requirements

11. 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. 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

3 September 2020

Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Administrative expenses		**(10)**	(55)
Investment income	5	**26,666**	10,984
Finance costs	6	**(25,977)**	(10,664)
Profit before taxation		**679**	265
Tax on profit		**-**	-
Profit and total comprehensive income for the financial year		**679**	265

All amounts reported in the statement of comprehensive income relate to continuing operations.

The notes on pages 15 to 21 for part of these financial statements.

Statement of Financial Position
as at 31 March 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Trade and other receivables	8	**544,485**	248,063
		544,485	248,063
Current assets			
Trade and other receivables	8	**19,850**	13,248
Cash and cash equivalents		**50**	50
		19,900	13,298
Total assets		**564,385**	261,361
Equity and liabilities			
Share capital	11	**50**	50
Retained earnings	12	**993**	314
Total equity		**1,043**	364
Non-current liabilities			
Interest bearing loans and borrowings	10	**544,486**	247,945
Current liabilities			
Trade and other payables	9	**18,856**	13,052
Total liabilities		**563,342**	260,997
Total equity and liabilities		**564,385**	261,361

The financial statements were approved and authorised for issue by the Board of Directors on 3 September 2020. They were signed on its behalf by:

Barbara Inskip
Director

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

	Share capital £'000	Retained earnings £'000	Total £'000
At 01 April 2019	**50**	**314**	**364**
Profit and total comprehensive income for the year	**-**	**679**	**679**
At 31 March 2020	**50**	**993**	**1,043**
At 01 April 2018	50	49	99
Profit and total comprehensive income for the year	-	265	265
At 31 March 2019	50	314	364

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

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

The Company's principal activities and the nature of its operations are detailed in the Directors' report.

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.

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

The 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 the 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 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, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of Pinewood Group Limited. These consolidated financial statements are available from Companies House.

Going concern
At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Company meets its day-to-day working capital requirements through intercompany funding. As at 31 March 2020, £564.1 million (2019: £261.3 million) was owed to the Company by Group undertakings and the company owed £18.8 million (2019: £13.1 million) to Group undertakings. 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 cash resources and facilities for at least the next twelve months from the date of these financial statements and is therefore able to continue providing adequate funding to the Company.

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

Cash and cash equivalents
Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

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

1 Accounting policies (continued)

Financial instruments
The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest and adjusted for transaction costs.

Impairment of financial assets
Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
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.

Basic financial liabilities
Basic financial liabilities including trade and other payables, and the secured loan notes, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Equity instruments
Equity instruments issued by the Company are recorded at the fair value of the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

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 net profit as reported in the income statement 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 Company'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 and not in the income statement.

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.

Significant accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Capitalised bond issue fees

In September 2019, the Company 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 Company's existing £250.0 million 3.75% senior secured notes and pay certain fees and expenses connected with the offering. The remaining proceeds were lent on to the parent company.

The refinancing exercise undertaken by the Group comprised the issue of the senior notes by the Company and arrangement of a £50.0 million revolving credit facility which is available to be drawn upon by the Company's parent. Legal and professional fees incurred in relation to the refinancing exercise as a whole totalled £6.5 million. Fees associated with arranging the revolving credit facility could not be separately identified and therefore the Directors exercised judgement to allocate the total issuance costs on a proportional basis between the senior notes and the credit facility. This allocation resulted in £6.0 million of fees being accounted for by the Company as capitalised bond issue fees and the remaining £0.5 million allocated to the Company's parent as facility arrangement fees.

Impairment of amounts due from group

The Company reviews amounts due from group undertakings for evidence of impairment that indicate the carrying amount may not be recoverable. Determining whether an amount due from group companies is impaired requires an estimation of the recoverable amount. The Directors have considered the forecasted performance of the group and have concluded there are no indicators of impairment in the amounts due from group companies.

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

2 Employees

There were no persons employed and remunerated by the Company (including Directors) during the current and prior year. No Directors received any remuneration from the Company during the current or prior year. Directors emoluments and service costs are paid for by other Pinewood group companies and no recharge is made to the Company in respect of these amounts.

3 Auditor's remuneration

Fees payable to the auditor of the Company in respect of the audit of these financial statements, amounting to £19,000 (2019: £9,000), are borne by other Group companies and no recharge is made to the Company in respect of these costs.

4 Segmental reporting

The Directors believe that the Company operates only one reporting segment and consequently no further segmental reporting is deemed necessary.

5 Investment income

	2020 **£'000**	2019 £'000
Interest receivable from Group companies	**16,051**	10,984
Gain on extinguishment of intercompany loan	**10,615**	-
	26,666	10,984

The gain on extinguishment of intercompany loan comprises £4.7 million from the derecognition of a previous loan arrangement measured at amortised cost and a reimbursement from the parent company of £5.9 million for a make-whole payment made by the Company to bondholders on redemption of the 3.75% senior secured notes in September 2019 (Note 8).

6 Finance costs

	2020 **£'000**	2019 £'000
On financial liabilities measured at amortised cost		
Interest payable to Group undertakings	**709**	319
Loan note interest	**14,728**	10,345
Loss on extinguishment of loan notes	**10,540**	-
	25,977	10,664

The loss extinguishment of loan notes comprises a make-whole payment of £5.9 million made to the holders of the Company's 3.75% senior secured notes on redemption of the debt in September 2019 and £4.6 million resulting from the derecognition of the remaining loan note balance associated with the unamortised arrangement fees.

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

7 Taxation

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard tax rate as follows.

	2020	2019
	£'000	£'000
Profit before taxation:	**679**	265
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**129**	50
Group tax relief	**(129)**	(50)
	-	-

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.

8 Trade and other receivables

	2019	2019
	£'000	£'000
Amount falling due within one year:		
Amounts owed by Group undertakings	**19,603**	13,239
Prepayments and accrued income	**247**	9
Total amounts falling due within one year	**19,850**	13,248
Amount falling due after more than one year:		
Amounts owed by group undertakings	**544,485**	248,063
Total amounts falling due after more than one year	**544,485**	248,063
Total trade and other receivables	**564,335**	261,311

In 2017, the Company issued £250.0 million 3.75% senior secured notes (Note 10) and entered into an associated loan agreement with its parent company, Pinewood Group Limited. The Company agreed to loan its parent an amount equal to the principal amount of the senior secured notes under matching payment terms. The loan agreement was subordinated to the Company's external debt, bore interest at the same rate as the senior secured notes plus a margin of 0.15% and included a charge for the recovery of arrangement fees incurred by the Company. The amount owed under the loan agreement with the parent company was due to be repaid in December 2023 and was subsequently measured at amortised cost.

As part of a refinancing exercise In September 2019, the Company issued £550.0 million aggregate principal amount of 3.25% senior secured notes. Part of the proceeds from the issue was used to fully redeem the Company's existing £250.0 million 3.75% senior secured notes. In addition, Pinewood Group Limited settled it's £250.0 million existing loan with the Company and a new loan agreement was entered with the Company for £550.0 million, with payment terms matching the senior secured notes and falling due for repayment in September 2025. The new loan agreement bears interest at the same 3.25% rate as the external debt plus a margin of 0.15% to compensate the Company for the administration of the external debt. The loan agreement also allowed for a charge to recover the arrangement fees incurred by the Company. The amount owed under the loan agreement with the parent company is measured at amortised cost.

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

8 Trade and other receivables (continued)

The derecognition of amounts owed under the previous loan agreement resulted in an extinguishment gain of £4.7 million. In addition, the previous loan agreement required Pinewood Group Limited to compensate the Company for a make-whole payment it was required to make to the previous bondholders on early redemption of the external debt. The amount charged to Pinewood Group Limited to recover the make-whole payment was £5.9 million. Both the make-whole payment received from the parent company and extinguishment gain were recorded in the statement of comprehensive income within investment income (Note 5).

All other amounts due from group undertakings are unsecured, bearing interest at 4.05% (2019: 4.05%) and there are no terms for fixed payment.

9 Trade and other payables

	2020 **£'000**	2019 £'000
Amount falling due within one year:		
Amounts owed to group undertakings	**18,816**	13,052
Accruals	**40**	-
	18,856	13,052

Amounts due to group undertaking bear interest at a rate of 4.05% (2019: 4.05%) and are repayable on demand.

10 Interest bearing loans and borrowings

	Maturity	**2020** **£'000**	2019 £'000
Non-Current borrowings			
3.75% senior secured notes	December 2023	**-**	247,945
3.25% senior secured notes	September 2025	**544,486**	-
		544,486	247,945
Loans payable after one year:			
Capital balance		**550,000**	250,000
Accrued interest and unamortised arrangement fees		**(5,514)**	(2,055)
		544,486	247,945
Amounts falling due after five years:			
Payable other than by instalments		**550,000**	-

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, lent on to the Company's parent under a loan arrangement (Note 8) and were used to fully redeem the Company's existing £250.0 million 3.75% senior secured notes due December 2023 and pay certain fees and expenses connected with the offering. The loan notes are listed on The International Stock Exchange.

On redemption of the Company's existing £250.0 million 3.75% senior secured notes, an extinguishment charge of £4.6 million was recorded in the income statement and presented within finance costs (Note 6). 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. The Company was also required to make a make-whole payment of £5.9 million to the holders of the 3.75% senior secured notes on early redemption of the debt (Note 6).The loan notes are secured by fixed and floating charges over the UK based trade and assets of the group headed by Picture Holdco Limited.

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

11 Share capital

	2020	2019
	£'000	£'000
Ordinary share capital issued and fully paid up		
50,000 Ordinary shares of £1 each	**50**	50
	50	50

The company's ordinary shares, which carry no rights to fixed income, each carry the right to one vote at the general meetings of the company.

12 Reserves

Retained earnings
Retained earnings represents cumulative profit and loss net of distributions to owners.

13 Ultimate parent undertaking and controlling party

The immediate parent company is Pinewood Group Limited, a company incorporated in England & Wales. Pinewood Group Limited has its registered office at Pinewood Studios, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH. Pinewood Group Limited is the smallest group to prepare consolidated financial statements which include the results of the Company.

The largest group which prepares consolidated financial statements which include the results of the Company is headed by Picture Holdco Limited, a company incorporated in England and Wales. The registered office address of Picture Holdco Limited is 4th Floor, 18 St. Swithin's Lane, London, EC4N 8AD.

The consolidated financial statements of Pinewood Group Limited and Picture Holdco Limited are both available from Companies House.

The ultimate parent undertaking and controlling party is PW Real Estate Fund III GP Limited (a company incorporated in Jersey), in its capacity as General Partner of PW Real Estate Fund III LP (a limited partnership formed in Jersey). The registered office of PW Real Estate Fund III GP Limited and PW Real Estate Fund III LP is: 1 Waverley Place, Union Street, St Helier, Jersey, JE1 1SG.