Pinewood Group Limited

Report as at and for

the 9 months to

31 December 2020

Third quarter highlights

Operational and industry highlights

- The BFI reported that combined UK film and HETV spend in Q4 CY20 was £1.2 billion for 76 productions, which is the second highest quarterly spend on record
- COVID-safe production guidelines were endorsed by the government and Public Health England in July, with production activity continuing since the summer at Pinewood and Shepperton Studios. The use of “any premises used for the making of a film, television programme, audio programme or audio-visual advertisement” is permitted under The Health Protection (Coronavirus, Restrictions) (England) Regulations
- Adjusted EBITDA grew by 11% to £46.5 million (Q3 YTD FY20: £41.9 million) in the nine months to 31 December. This reflected growth in production accommodation following the opening of Pinewood East phase II (“PWE II”) in autumn 2019 and the two long-term contracts. The TV and Post-Production customers which had delayed their production schedules during Q1 FY21, have largely returned

Strategic highlights

Expansion projects progressing:

- Real estate optimisation (“REO”): ground and enabling works for five new stages at Pinewood West, pre-let to Disney, are virtually complete. The main contract with Sir Robert McAlpine was signed in December 2020 with delivery of the stages expected in April 2022
- Shepperton expansion: received detailed planning consent for Shepperton North West, the first phase of the Shepperton expansion. Another detailed planning application was made for Shepperton South in December 2020, with a decision expected in the coming months
- Pinewood South: following the acquisition of c.77 acres of land adjacent to Pinewood Studios in August 2020, the Group submitted a planning application for the development of a UK Screen Hub. The proposal sets out plans to expand the production accommodation at Pinewood Studios and add a visitor attraction, an educational training hub and a business growth centre. The local planning authority is now expected to give its decision in summer 2021
- Pinewood East Phase 3 (“PWE III”): a planning application has been made for four new soundstages and a workshop on the land adjacent to the existing Pinewood East site; a decision is expected in the first half of 2021

Financial highlights

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

	9 months ended 31 Dec 2020	**9 months ended 31 Dec 2019**	**Year ended 31 March 2020**	**Year ended 31 March 2019**
	£'000	**£'000**	**£'000**	**£'000**
Turnover	71,990	70,491	96,392	85,928
Adjusted EBITDA	46,488	41,888	58,060	44,672
Adjusted EBITDA margins	64.6%	59.4%	60.2%	52.0%
Cash generated from operations	71,168	69,836	74,168	52,748
Capital expenditure*	(20,492)	(34,385)	(34,320)	(42,077)
Adjusted net debt	(421,680)	(450,566)	(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

Turnover for the nine months to 31 December 2020 totalled £72.0 million, £1.5 million ahead of the prior year period (Q3 YTD FY20: £70.5 million). An increase in performance from UK studios was offset by the decrease in revenues in Post-Production, and a minor fall in International revenues following our exit from the agreements with the Malaysian, Welsh and Atlanta studios.

The UK studios' result benefitted from the additional capacity at PWE II, which came on-line in autumn 2019, the two long-term contracts increasing occupancy levels, and strong resales of production accommodation. However, there has been a reduction in revenues from the sale of ancillary studio services (including energy), with these services now covered under the terms of the two long-term contracts. Additionally, the 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 £2.3 million (Q3 YTD FY20: £0.6 million) compared with the contractual amounts due. Partially offsetting this was reduced YTD revenue from two of the three dedicated TV studios, which remained empty due to COVID-19 until July, whereafter productions returned to normalised levels.

The Post-Production business saw a decrease in YTD revenues, mainly from the loss of revenue from the Picture Services and Creative Audio businesses, which we have now exited. However, Q1 FY21 also saw delays in our customers' localisation schedules due to COVID-19, with the business returning over the last six months.

Adjusted EBITDA

Adjusted EBITDA increased by £4.6 million to £46.5 million (Q3 YTD FY20: £41.9 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 studio occupancy; (ii) a higher level of resale income; (iii) a £1.7 million higher uplift as mentioned above following the application of FRS102 to certain indexation clauses of our long-term contracts; (iv) a reduced level of maintenance during the first lockdown and a moderate level of conscious cost control; (v) a reduction in selling, distribution and administrative expenses following the streamlining of business processes since last year and other cost savings since the start of the pandemic and the necessary restrictions; partially offset by (vi) reduced activity within the Post-Production business and also the TV studios with customers now returning following the implementation of COVID-19 secure operating protocols; (vii) slightly reduced profit from exiting the Creative Audio business in March 2020 and (viii) £1.3 million of advisory fees in relation to a small potential acquisition which, subsequently, was not pursued.

Adjusted EBITDA margin of 64.6% (Q3 YTD FY20: 59.4%) remained high at 31 December 2020. The underlying improvement in margin is due to: (i) additional capacity from PWE II; (ii) the completion of the long-term contracts; (iii) strong resales of production accommodation; (iv) the cessation of the lower margin Picture Services and Creative Audio businesses; (v) net cost savings as mentioned above; and (vi) a c. £1.7 million higher uplift following the application of FRS102 to the indexation clauses of certain of our long-term contracts. These improvements were partly offset by a reduction in revenues from the Post-Production business, as a direct result of COVID-19.

Reconciliation of profit on ordinary activities after taxation to Adjusted EBITDA

	9 months ended 31 Dec 2020 £'000	**9 months ended 31 Dec 2019 £'000**	**Year ended 31 March 2020 £'000**	**Year ended 31 March 2019 £'000**
Profit after taxation	24,452	7,682	18,383	21,321
Tax charge on profit	7,632	4,315	5,939	6,059
Net interest payable and other charges	6,588	16,922	19,564	6,200
Depreciation of property, plant and equipment	7,772	7,025	9,624	8,707
Impairment of property, plant and equipment	-	-	770	-
Amortisation of intangible assets	743	423	563	560
Loss on disposal of property, plant & equipment	1,857	-	125	952
EBITDA	**49,044**	**36,367**	**54,968**	**43,799**
Adjusted items **	(2,556)	5,521	3,092	873
Adjusted EBITDA	**46,488**	**41,888**	**58,060**	**44,672**

** See note 1 of the accounts for details of adjusted items for the 9 months ended 31 December 2020 and 2021, and the year ended 31 March 2020

Cash flow and capital expenditure

The cash balance at 31 December 2020 was £128.3 million, which compares with £92.7 million as at 31 March 2020 and £99.4 million as at 31 December 2019. The movement in cash since 31 March 2020 is attributable to a cash inflow of £36.0 million and a negligible foreign exchange loss on cash balances.

The cash inflow of £36.0 million in Q3 YTD FY21 compares with a cash inflow of £59.9 million in Q3 YTD FY20, a £23.9 million period-on-period decline in cash flow. However, the prior year period contained a net cash inflow from a number of adjusted items totalling £47.5 million. The cash impact on these adjusted items includes a net £43.4 million cash benefit from the refinancing at September 2019 offset by the associated £5.9 million makewhole payment, £12.1 million of proceeds from the sale of our investment in the Atlanta Studios, £0.7m in connection with the early termination of the agreement with the Malaysian studios, offset by a £2.6 million payment for stamp duty land tax for a restructuring of the studios and £0.1 million in connection with the cessation of the picture services and creative audio businesses. (see page 10 for details of the 2019 refinancing).

Excluding the cash impact of £47.5 million of adjusted items in Q3 YTD FY20, the remaining £23.6 million period-on-period increase in cash flows is mainly due to a net £5.2 million improvement in cash before working capital movements as a result of trading from operations described above, a £5.9 million reduction from working capital and £26.0 million lower capital expenditure following the completion of the major construction project at PWE II in early 2020.

Adjusted Net debt and liquidity

Adjusted net debt as at 31 December 2020 stood at £421.7 million, based on the £550.0 million of senior secured notes and a cash balance of £128.3 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.

On 25 January 2021, the Group issued £200.0 million 3.25% Senior Secured Notes due 2025, under the same terms and conditions as the Group's existing notes. The proceeds will be used for our studio expansion projects and general corporate purposes.

Paul Golding, CEO, commented

Despite the circumstances, our UK studios remain fully operational with 9 productions active across Pinewood and Shepperton. We continue to focus on complying with government guidance and the industry's operating protocols, to help ensure a safe environment for our staff, customers and all those visiting the studios.

Demand for content remains robust, with the five leading streaming platforms having added 147 million subscribers during the course of 2020. This in turn is leading to higher production levels and demand for stage space. The latest BFI statistics, which show a sharp increase in production during the final quarter of last year, are encouraging and it is against this backdrop that we are starting our expansion of Shepperton studios.

Finally, my thanks to our bond investors for their ongoing support of the business and our recent fundraising – we are now in a strong financial position to continue our expansion.

The next investor update is scheduled for 16 June 2021.

General information

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

Presentation of financial information

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

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

- The unaudited consolidated financial information of the Group as of and for the 3 months ended 31 December 2020 ("Q3 2021", "Q3 FY21"), and the comparative period as of and for the 3 months ended 31 December 2019 ("Q3 2020" or "Q3 FY20"), prepared in accordance with FRS 102
- The unaudited consolidated financial information of the Group as of and for the 9 months ended 31 December 2020 ("Q3 YTD 2021", "Q3 YTD FY21"), and the comparative period as of and for the 9 months ended 31 December 2019 ("Q3 YTD 2020" or "Q3 YTD 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 31 December 2020

Group Statement of Comprehensive Income

Turnover

Turnover increased by £1.8 million or 7.4% to £25.3 million (Q3 FY20: £23.6 million). The Group saw broadly typical levels of activity following the industry-wide hiatus of filming and post-production activity earlier in the year. As a result, the Q3 FY21 revenue improvement reflected stronger performance from UK studios, Post-Production revenues in line with the prior year period, partially offset by the loss of revenue from the Picture Services and Creative Audio businesses and the agreement with the Atlanta studios which we have now exited.

UK studios has benefited from the additional production accommodation at PWE II which became available during Q3 FY20, the two long-term contracts which increased production accommodation occupancy levels and which commenced during the second half of FY20, together with a higher level of resale income in the quarter. The three dedicated TV studios continued with busy recording schedules and delivered revenues in line with Q3 FY20.

Finally, the 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 result, revenue is adjusted upwards by £0.7 million (Q3 FY20: £0.6 million) compared with the contractual amounts due.

Cost of sales

Cost of sales expenditure decreased by £0.9 million to £9.7 million (Q2 FY20: £10.6 million). The majority of this reduction followed the closure of both the Picture Services and Creative Audio businesses. Further, there has been a moderate level of cost control in response to the current COVID-19 climate.

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

Gross profit

Gross profit at £15.7 million was £2.7 million higher that prior year (Q3 FY20: £13.0 million). Gross profit margin increased by 6.7 ppt to 61.8% (Q3 FY20: 55.1%), 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 increased by £0.4 million to £0.6 million (Q3 FY20: £0.2 million), with the prior year period particularly low, following the capitalisation of professional fees in Q3 FY20 which had been incurred earlier in the prior year in preparation for and accommodating the long-term contracts.

*Administrative expenses***

Administrative expenses increased by £0.6 million to £1.5 million (Q3 FY20: £0.9 million). At the commencement of the contract with Netflix in Q3 FY20, legal and professional fees incurred earlier in the prior year in relation to the long-term contracts were capitalised and, together with those costs in relation to the contract with Disney, amortised over the life of the contracts.

*Other operating income/ expense ***

Other operating expense was £1.2 million (Q3 FY20: £nil) with the Group recognising advisory fees to 31 December in relation to a small potential acquisition which, subsequently, was not pursued.

*Operating profit ***

Operating profit before adjusted items increased by £0.5 million to £12.3 million and delivered an operating profit margin of 48.5% (Q3 FY20: 50.1%). The advisory fees for the aborted acquisition reduced the operating profit margin by 5.1 ppt.

Income from participating interests

During FY20, the Group held an option to increase its equity holding of PMBS Holding 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 Q3 FY21.

Following the sale of our 40% interest in the Pinewood Atlanta Studios, which completed in August 2019, there is no income in either the period or prior year period.

Interest receivable and similar income

Interest receivable and similar income of £2.9 million was flat on prior year (Q3 FY20: £2.9 million) and mainly reflects interest receivable from the Group's parent company.

Interest payable and similar charges **

Interest payable and similar charges increased by £0.4 million to c.£4.9 million (Q3 FY20: £4.4 million), mainly due to a fair value 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 to £2.4 million (Q3 FY20: £2.2 million), and an effective tax rate of 23.8% (Q3 FY20: 21.0%). The higher effective tax rate in Q3 FY21 mainly relates to a higher level of non-allowable depreciation and other expenditure.

** Excluding adjusted items
+ Tax for Q3 YTD FY20 has been re-allocated between the 'adjusted' income statement and adjusting items by £0.2m. This was correctly reflected for the full year in Q4 YTD FY20 reporting

Cash flow

The cash balance at 31 December 2020 was £128.3 million compared with £77.6 million at 30 September 2020. Net cash inflow in the quarter was £50.9 million and we recognised a foreign exchange loss of £0.2 million on our overseas cash balances. There was a £15.6 million cash inflow from operating activities before changes in working capital, together with a working capital inflow of £45.1 million. Interest paid totalled £0.3 million and tax paid of £2.0 million mainly represented the third quarterly instalment payment. Capital expenditure of £7.5 million was paid in the quarter, mainly relating to the Group's growth plan.

Financial update for the 9 months ended 31 December 2020

Group Statement of Comprehensive Income

Turnover

Turnover for the nine months to 31 December 2020 totalled £72.0 million, £1.5 million ahead of the prior year period (Q3 YTD FY20: £70.5 million). An increase in performance from UK studios was offset by the decrease in revenues in Post-Production, and a minor fall in International revenues following our exit from the agreements with the Malaysian, Welsh and Atlanta studios.

The UK studios' results benefitted from the additional production accommodation at PWE II, which became available in autumn 2019, the two long-term contracts increasing production accommodation occupancy levels, and strong resales of production accommodation. However, there has been a reduction in revenues from the sale of ancillary studio services (including energy), with these services now covered under the terms of the two long-term contracts. Additionally, the 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 £2.3 million (Q3 YTD FY20: £0.6 million) compared with the contractual amounts due.

Partially offsetting this was reduced YTD revenue from two of the three dedicated TV studios, which remained empty due to COVID-19 until July, whereafter productions returned to normalised levels.

The Post-Production business saw a decrease in YTD revenues, mainly from the loss of revenue from the Picture Services and Creative Audio businesses, which we have now exited. However, Q1 FY21 also saw delays in our customers' localisation schedules due to COVID-19, with the business returning over the last six months.

Cost of sales

Cost of sales expenditure decreased by c. £2.7 million to £27.3 million (Q3 YTD FY20: £29.9 million). The majority of this followed the closure of both the Picture Services and Creative Audio businesses. In addition, delayed recordings in the TV studios during Q1 FY21 and lower usage of our ancillary studio services by our customers, resulted in a reduction in costs in the period. Further, the production hiatus in Q1 FY21 resulted in a lower level of wear and tear and maintenance required at the studios, together with a moderate level of conscious cost control in response to the current COVID-19 climate.

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 £44.7 million was £4.1 million higher than prior year (Q3 YTD FY20: £40.6 million). Gross profit margin increased by 4.6 ppt to 62.1% (Q3 YTD FY20: 57.5%), with the growth in the higher margin UK studios business, the moderate level of cost control 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 were flat on last year at £1.3 million (Q3 YTD FY20: £1.3 million), with the benefit from streamlining business processes in the second half of FY20 and lower expenditure on international events and travel since the start of the pandemic and the necessary restrictions, offset by an increase in studio-related advisory fees.

Administrative expenses**

Administrative expenses are in line with the prior year period at £4.9 million (Q3 YTD FY20: £4.8 million).

Other operating income/expense**

Other operating income/expense was a £2.4 million net expense (Q3 YTD FY20: £nil). This includes a net expense from the loss on disposal of property at Pinewood Studios following the clearance of three areas in advance of the construction of five new stages, which will be occupied by Disney under the long-term contract. In addition, the Group has recognised £1.3 million of advisory fees to 31 December in relation to a small potential acquisition which, subsequently, was not pursued.

Operating profit **

Operating profit before adjusted items increased by £1.7 million to £36.1 million and delivered an operating profit margin of 50.2% (Q3 YTD FY20: 48.8%). The advisory fees for the aborted acquisition reduced the Q3 YTD FY21 operating profit margin by 1.7 ppt.

Income from participating interests

During FY20, the Group held an option to increase its equity holding of PMBS Holding Limited (‘PMBS’) from 15% to 25%. This resulted in the Group equity accounting for its participating interest, with the exercise of the option completing on 15 June 2020. No profit has been recognised in Q3 YTD FY21. Following the sale of our 40% interest in the Atlanta studios, which completed in August 2019, there is no income in the period, compared with a small positive result in Q3 YTD FY20.

Interest receivable and similar income

Interest receivable and similar income increased by £2.8 million to £8.6 million (Q3 YTD FY20: £5.8 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 £4.3 million to £15.2 million (Q3 YTD FY20: £10.9 million), following the refinancing in September 2019, and the increase in the principal amount of senior secured notes, and a £0.2 million higher charge 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 by £0.8 million to £7.0 million (Q3 YTD FY20: £6.2 million), with an effective tax rate of 23.8% (Q3 YTD FY20: 21.0%). The increase in rate this year is connected with a higher level of non-allowable depreciation and other expenses, and the non-deductible loss on disposal of property.

** Excluding adjusted items

+ Tax for Q3 YTD FY20 has been re-allocated between the ‘adjusted’ income statement and adjusting items by £0.2m. This was correctly reflected for the full year in Q4 YTD FY20 reporting

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 9 months to 31 December 2020, the following items have been presented as adjusted items:

- Other operating income (£0.5 million gain): The sales and marketing arrangement with the Atlanta studios was terminated in Q3 FY21, and £0.5 million of unamortised deferred trademark royalties in connection with Pinewood Forest LLC, originally recognised on balance sheet in 2016, were released to the income statement;
- Fair value gain on loan to participating interests (£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 £0.6 million in relation to the items above and a small catch up on tax from the sale of the Group’s equity interest in the Atlanta studios.

The prior year includes i) £0.7 million income in relation to the early termination of the sales and marketing arrangement with the Malaysian studios, ii) a cost of £0.1 million for restructuring activities within ceased operations, iii) a £1.7 million charge in connection with the option to increase the Group’s holding in PMBS from 15% to 25%, iv) £2.6 million of stamp duty land tax paid in connection with Shepperton Studios, v) a £1.8 million loss on disposal of the Group’s share in Pinewood Atlanta studios, vi) £11.8 million of interest payable and similar charges in relation to the refinancing in September 2019 and vii) a £1.8 million tax credit, thereon.

Liquidity and capital resources

Cash flow

The cash balance at 31 December 2020 was £128.3 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 inflow of £36.0 million (Q3 YTD FY20: inflow of £59.9 million) and a negligible foreign exchange loss. The prior period included the net cash benefit from the refinancing in September 2019 and a number of adjusted items, whereas there is no overall cash impact from adjusted items in the nine months to 31 December 2020.

Net cash inflow from operating activities

Net cash inflow from operating activities increased period on period by £5.4 million to £56.5 million (Q3 YTD FY20: £51.1 million), due to several key factors.

Firstly, there has been an £7.2 million improvement in cash flows before movements in working capital to £47.0 million (Q3 YTD FT20: £39.8 million), due to the non-repeat of £2.6 million of stamp duty land tax paid in the prior year in connection with the restructure of the Group's property portfolio, £0.5 million of adjusted income from the release of a trademark royalty at the end of the arrangement with the Atlanta studios in Q3 FY21, and the improved trading results described above, but excluding the non-cash impact of £1.1 million higher depreciation and amortisation and the £1.9 million loss on disposal of fixed assets in Q3 YTD FY21.

Secondly, there has been a £5.9 million reduction from working capital. This is due to higher resale cash settlements, the unwind of the trademark royalty (mentioned above), the commencement of the two long-term contracts where cash is paid in advance, which is partially offset by timing on VAT payments in Q3 YTD FY21.

The Group has also paid £4.4 million lower net interest, mainly due to Q3 YTD FY20 including a £5.9 million make-whole payment and 9-months of interest paid in relation to the original £250.0 million loan notes as a result of the refinancing, whereas Q3 YTD FY21 includes only 6-months of interest paid on the higher debt position[++]. Finally, net tax paid is £0.4 million higher than the prior year period, with corporation tax refunds in FY20, which are 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 £20.5 million compared with £209.4 million in Q3 YTD FY20. Q3 YTD FY21 included net expenditure in relation to our growth projects (including the acquisition of land adjacent to Pinewood, the REO programme, progressing planning applications at Pinewood and Shepperton, and the completion of the final workshop on PWE II) and other lifecycle capital expenditure. The prior year period comprised £46.5 million of capital expenditure principally in relation to the development of PWE II, £175.0 million of cash from the refinancing being lent to the Group's parent company, partially reduced by £12.1 million of cash receipts from the sale of the Group's equity interest in the Atlanta studios.

Net cash flow from financing

Net cash outflow from financing was £nil in the quarter (Q3 FY 2020: £218.2 million). The prior year mainly reflected cash movements from the refinancing on 25 September 2019, with a net £300.0 million increase in senior secured notes, of which £75.0 million was paid as a dividend to the Group's parent company and £6.6 million paid in arrangement fees.

[++] Debt position represents Senior secured notes

Pinewood Group Limited

Interim condensed consolidated financial statements

Period ended 31 December 2020

Company Registration Number: 03889552

Group Statement of Comprehensive Income

for the nine month period ended 31 December 2020

		9 months ended 31 Dec 2020			9 months ended 31 Dec 2019			Full year 31 Mar 2020
		Adjusted	**Adjusted items (Note 1)**	**Total**	Adjusted	Adjusted items (Note 1)	Total	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Turnover		**71,990**	**-**	**71,990**	70,491	-	70,491	96,392
Cost of sales		**(27,268)**	**-**	**(27,268)**	(29,939)	-	(29,939)	(40,369)
Gross profit		**44,722**	**-**	**44,722**	40,552	-	40,552	56,023
Selling & distribution costs		**(1,286)**	**-**	**(1,286)**	(1,326)	-	(1,326)	(1,574)
Administrative expenses		**(4,875)**	**-**	**(4,875)**	(4,843)	(1,105)	(5,948)	(8,067)
Other operating income/(expenses)		**(2,445)**	**542**	**(1,903)**	-	(2,643)	(2,643)	(737)
Operating profit/(loss)	2	**36,116**	**542**	**36,658**	34,383	(3,748)	30,635	45,645
Loss on disposal of participating interests		**-**	**-**	**-**	-	(1,773)	(1,773)	(1,816)
Fair value gain on loan to participating interests		**-**	**2,014**	**2,014**	-	-	-	-
Income from participating interests		**-**	**-**	**-**	57	-	57	57
Interest receivable and similar income	3	**8,638**	**-**	**8,638**	5,776	-	5,776	8,577
Interest payable and similar charges	4	**(15,226)**	**-**	**(15,226)**	(10,890)	(11,808)	(22,698)	(28,141)
Profit/(loss) before taxation		**29,528**	**2,556**	**32,084**	29,326	(17,329)	11,997	24,322
Tax (charge)/credit	5	**(7,015)**	**(617)**	**(7,632)**	(6,161)	1,846	(4,315)	(5,939)
Profit/(loss) after taxation attributable to equity shareholders		**22,513**	**1,939**	**24,452**	23,165	(15,483)	7,682	18,383
Other comprehensive income								
Currency exchange differences		**(504)**	**-**	**(504)**	826	-	826	540
Total comprehensive income		**22,009**	**1,939**	**23,948**	23,991	(15,483)	8,508	18,923

The notes on pages 17 to 28 form part of these financial statements.

Group Statement of Financial Position

as at 31 December 2020

	Note	**31 Dec 2020 £'000**	31 Dec 2019 £'000	31 Mar 2020 £'000
Assets				
Non-current assets				
Intangible assets	7	**6,008**	5,263	5,638
Property, plant and equipment	8	**316,396**	301,640	303,922
Interests in associates	6	**4,613**	2,428	2,320
Trade and other receivables	9	**325,963**	314,883	317,653
		652,980	624,214	629,533
Current assets				
Inventories		**55**	59	56
Trade and other receivables	9	**5,327**	11,698	9,269
Cash and cash equivalents		**128,320**	99,440	92,655
		133,702	111,197	101,980
Total assets		**786,682**	735,411	731,513
Equity and liabilities				
Share capital	10	**1**	1	1
Share premium	11	**-**	-	-
Capital redemption reserve	11	**-**	-	-
Merger reserve	11	**-**	-	-
Translation reserve	11	**1,631**	2,421	2,135
Retained earnings	11	**137,352**	102,199	112,900
Total equity		**138,984**	104,621	115,036
Non-current liabilities				
Interest bearing loans and borrowings	12	**549,682**	548,581	544,486
Derivative financial instruments	13	**2,798**	2,241	2,743
Deferred tax liabilities	5	**3,856**	3,127	3,587
		556,336	553,949	550,816
Current liabilities				
Interest bearing loans and borrowings	12	**-**	6	-
Trade and other payables	14	**91,362**	76,835	65,661
		91,362	76,841	65,661
Total liabilities		**647,698**	630,790	616,477
Total equity and liabilities		**786,682**	735,411	731,513

Group Statement of Cash Flows
for the nine month period ended 31 December 2020

	Note	9 months ended 31 Dec **2020** **£'000**	2019 £'000	Year ended 31 Mar 2020 £'000
Cash flow from operating activities:				
Profit before taxation		**32,084**	11,997	24,322
Adjustments to reconcile profit before taxation to net cash flows:				
Depreciation, impairment and amortisation	2	**8,515**	7,448	10,957
Loss/(profit) on disposal of joint ventures and investments		**-**	1,773	(985)
Loss on disposal of property, plant and equipment	2	**1,857**	-	125
Fair value (gain)/loss on investment in participating interests	1	**(2,014)**	1,680	1,680
Income from participating interests		**-**	(57)	(57)
Unrealised foreign exchange gains		**(27)**	-	-
Interest receivable and similar income	3	**(8,638)**	(5,776)	(8,577)
Interest payable and similar charges	4	**15,226**	22,698	28,141
Cash flow from operating activities before changes in working capital		**47,003**	39,763	55,606
Decrease in trade and other receivables		**3,444**	945	3,645
Decrease/(increase) in inventories		**1**	(23)	(20)
Increase in trade and other payables		**20,720**	29,151	14,937
Cash generated from operations		**71,168**	69,836	74,168
Interest paid		**(9,794)**	(14,266)	(23,769)
Interest received		**49**	61	334
Corporation tax (paid)/received in respect of FPC activity		**-**	316	366
Net corporation tax paid		**(4,956)**	(4,842)	(6,820)
Net cash flow from operating activities		**56,467**	51,105	44,279
Cash flow from/(used in) investing activities:				
Proceeds from disposal of property, plant and equipment		**195**	-	615
Purchase of property, plant and equipment		**(19,710)**	(45,448)	(48,714)
Purchase of intangible assets		**(977)**	(1,006)	(1,579)
Proceeds from disposal of joint ventures and investments		**-**	12,069	15,358
Loans made to parent undertakings		**-**	(175,000)	(175,000)
Net cash flow used in investing activities		**(20,492)**	(209,385)	(209,320)
Cash flow (used in)/from financing activities:				
Dividends paid		**-**	(75,000)	(75,000)
Repayment of loan notes		**-**	(250,000)	(250,000)
Proceeds from issue of loan notes		**-**	550,000	550,000
Payment of loan issue costs and finance arrangement fees		**-**	(6,620)	(6,500)
Repayment of asset financing obligations		**-**	(165)	(165)
Net cash flow from financing activities		**-**	218,215	218,335
Net increase in cash and cash equivalents		**35,975**	59,935	53,294
Currency exchange movement		**(310)**	(409)	(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		**128,320**	99,440	92,655

Reconciliation of Movement in Net Debt
for the nine month period ended 31 December 2020

	9 months ended 31 Dec		Year ended
	2020	2019	31 Mar 2020
	£'000	£'000	£'000
Net increase in cash and cash equivalents	**35,975**	59,935	53,294
Currency exchange movement	**(310)**	(409)	(553)
Repayment of loan notes	**-**	250,000	250,000
Payment of interest on loan notes	**8,938**	7,656	16,842
Loss on extinguishment of loan notes and facilities	**-**	(5,919)	(5,919)
Proceeds from issue of loan notes	**-**	(550,000)	(550,000)
Payment of loan issue costs and finance arrangement fees	**-**	6,620	6,500
Loan issue costs and finance arrangement fees accrued	**-**	434	40
Repayments of asset financing obligations	**-**	165	165
Loan arrangement costs recognised within other receivables	**-**	(652)	(544)
Interest expense on loan notes	**(14,134)**	(10,043)	(14,728)
Other non-cash movement	**-**	-	6
Movement in net debt	**30,469**	(242,213)	(244,897)
Net debt at the start of the year	**(451,831)**	(206,934)	(206,934)
Net debt at the end of the period	**(421,362)**	(449,147)	(451,831)
Net debt at the end of the period excluding restricted cash	**(421,429)**	(449,200)	(451,869)

Group Statement of Changes in Equity
for the nine month period ended 31 December 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	**-**	**-**	**-**	**-**	**24,452**	**24,452**
Currency exchange differences	**-**	**-**	**(504)**	**-**	**-**	**(504)**
Total comprehensive income for the period	**-**	**-**	**(504)**	**-**	**24,452**	**23,948**
At 31 December 2020	**1**	**-**	**1,631**	**-**	**137,352**	**138,984**
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	-	-	-	-	7,682	7,682
Currency exchange differences	-	-	826	-	-	826
Total comprehensive income for the period	-	-	826	-	7,682	8,508
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 December 2019	1	-	2,421	-	102,199	104,621

Notes to the Condensed Consolidated Financial Statements
for the nine month period ended 31 December 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.

	9 months ended 31 Dec		Year ended
	2020	2019	31 Mar 2020
Income/(expense)	**£'000**	£'000	£'000
Administrative expenses:			
Restructuring costs	**-**	(92)	(426)
Termination of agreement with Pinewood Iskandar Malaysia Studios	**-**	667	672
Fair value adjustment on PMBS Holding Limited ("PMBS")	**-**	(1,680)	(1,680)
Administrative expenses adjusted items	**-**	(1,105)	(1,434)
Other operating income/(expenses):			
Termination of agreement with Pinewood Forest	**542**	-	-
Stamp duty land tax	**-**	(2,643)	(2,643)
Profit on disposal of POP Global Ltd	**-**	-	2,801
Impairment of property, plant and equipment	**-**	-	(770)
Other operating income/(expenses) adjusted items	**542**	(2,643)	(612)
Loss on disposal of participating interests adjusted items	**-**	(1,773)	(1,816)
Fair value gain on loan to participating interests adjusted items	**2,014**	-	-
Interest payable and similar charges:			
Settlement payment due on bond redemption	**-**	(5,889)	(5,889)
Loss on extinguishment of loan notes and facilities	**-**	(5,919)	(5,919)
Interest payable and similar charges adjusted items	**-**	(11,808)	(11,808)
Tax (charge)/credit on adjusted items	**(617)**	1,846	1,668
Adjusted items per statement of comprehensive income	**1,939**	(15,483)	(14,002)

9 months to 31 December 2020

Other operating income/(expenses)
In October 2020, the Group formally ended its relationship with its former joint venture, Pinewood Atlanta Studios, following disposal of the Group's equity investment in 2019. Subsequent to the sale, the Group continued its previous licence arrangement with the Pinewood Forest complex, owned by Pinewood Atlanta Studios. This arrangement was terminated in October 2020 and resulted in a £0.5 million credit recognised within other operating income/(expenses).

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.

Tax on adjusted items
The tax charge for the period to 31 December 2020 includes £0.1 million associated with the disposal of participating interests recorded in the previous year.

Notes to the Condensed Consolidated Financial Statements (continued)

for the nine month period ended 31 December 2020

1 Adjusted items (continued)

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.

Other operating income/(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.

Notes to the Condensed Consolidated Financial Statements (continued)

for the nine month period ended 31 December 2020

2 Operating profit

	9 months ended 31 Dec		Year ended
	2020	2019	31 Mar 2020
Operating profit is stated after charging/(crediting):	**£'000**	£'000	£'000
Depreciation of property, plant and equipment	**7,772**	7,025	9,624
Impairment of property, plant and equipment	**-**	-	770
Loss on disposal of property, plant and equipment	**1,857**	-	125
Operating lease payments	**958**	801	1,061
Amortisation of software	**323**	-	-
Amortisation of goodwill	**420**	423	563
Net foreign exchange (gains)/losses	**(33)**	(13)	3

Depreciation charges and amortisation of software 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.

3 Interest receivable and similar income

	9 months ended 31 Dec		Year ended
	2020	2019	31 Mar 2020
	£'000	£'000	£'000
On financial assets measured at amortised cost:			
Interest receivable from joint ventures and associates	**279**	19	46
Interest receivable on loan due from parent undertaking	**8,310**	5,514	8,284
Bank interest receivable	**49**	61	127
	8,638	5,594	8,457
On financial assets measured at fair value:			
Loan interest receivable	**-**	182	120
	-	182	120
	8,638	5,776	8,577

Notes to the Condensed Consolidated Financial Statements (continued)

for the nine month period ended 31 December 2020

4 Interest payable and similar charges

	9 months ended 31 Dec **2020**	2019	Year ended 31 Mar 2020
	£'000	£'000	£'000
On financial instruments measured at amortised cost:			
Senior Secured Notes	**14,134**	10,043	14,728
Loss on extinguishment of loan notes and facilities	**-**	11,808	11,808
	14,134	21,851	26,536
On financial instruments measured at fair value:			
Interest rate swap payments	**684**	472	634
Fair value movements of derivative financial instruments	**55**	35	538
	739	507	1,172
Not on financial instruments:			
Finance lease interest	**-**	37	54
Other interest	**353**	303	379
	353	340	433
	15,226	22,698	28,141

Notes to the Condensed Consolidated Financial Statements (continued)
for the nine month period ended 31 December 2020

5 Tax

	9 months to 31 Dec **2020** **£'000**	2019 £'000	Year ended 31 Mar 2020 £'000
(a) Analysis of charge for the period:			
Current tax:			
UK corporation tax charge	**5,589**	3,030	3,919
Amounts payable for group tax relief	**1,425**	765	1,617
Foreign corporation tax	**209**	626	629
Foreign tax suffered	**55**	55	73
UK Film tax relief	**-**	-	3
Double taxation credit	**(39)**	(39)	(51)
Amounts under/(over) provided in previous years	**117**	-	(583)
	7,356	4,437	5,607
Deferred tax:			
Relating to origination and reversal of temporary differences	**276**	(122)	313
Effect of change in deferred tax rates	**-**	-	301
Amounts over provided in previous years	**-**	-	(282)
	276	(122)	332
Tax charge in the Group statement of comprehensive income	**7,632**	4,315	5,939
The tax charge in the Group statement of comprehensive income comprises:			
Tax on profit before adjusted items	**7,015**	6,161	8,469
UK Film tax relief	**-**	-	3
Amounts over provided in previous years before adjusted items	**-**	-	(865)
Amounts under provided in previous years on adjusted items	**117**	-	-
Tax charge/(credit) on adjusted items	**500**	(1,846)	(1,668)
Tax charge in the Group statement of comprehensive income	**7,632**	4,315	5,939

Notes to the Condensed Consolidated Financial Statements (continued)

for the nine month period ended 31 December 2020

5 Tax (continued)

(b) Factors affecting taxation charge for the period:	9 months to 31 Dec **2020** **£'000**	2019 £'000	Year ended 31 Mar 2020 £'000
Profit before tax	**32,084**	11,997	24,322
Profit multiplied by the standard rate of corporation tax in the UK of 19%	**6,096**	2,279	4,621
Adjustments in respect of:			
UK Film tax relief	**-**	-	3
Corporation tax under/(over) provided in previous years	**117**	-	(583)
Deferred tax overprovided in previous years	**-**	-	(282)
Non-allowable depreciation on buildings	**707**	454	720
Amortisation of goodwill	**80**	80	106
Gain on disposal of joint venture	**-**	-	922
Other non-allowable expenses	**588**	1,286	278
Unrelieved tax losses	**-**	-	9
Double taxation relief	**(39)**	(39)	(51)
Overseas tax at different rates	**83**	241	(68)
Group tax relief	**(1,425)**	(765)	(1,617)
Amounts payable for group tax relief	**1,425**	765	1,617
Land remediation relief	**-**	-	(39)
Deferred tax - effect of taxation rate change	**-**	14	303
	7,632	4,315	5,939

(c) Deferred tax	9 months to 31 Dec **2020** **£'000**	2019 £'000	Year ended 31 Mar 2020 £'000
Deferred tax relates to the following			
Group comprehensive statement of income:			
Accelerated capital allowances	**238**	(122)	(658)
Short term temporary differences	**38**	-	951
Fair value adjustments	**-**	-	39
	276	(122)	332

Group statement of financial position	At 1 Apr 2020 £'000	Charged to profit or loss £'000	Currency exchange £'000	At 31 Dec 2020 £'000
Accelerated capital allowances	3,115	238	(2)	**3,351**
Short term temporary differences	98	38	(5)	**131**
Fair value adjustment in respect of SSPP acquisition	374	-	-	**374**
Net deferred tax liability	3,587	276	(7)	**3,856**

Notes to the Condensed Consolidated Financial Statements (continued)

for the nine month period ended 31 December 2020

6 Interests in associates

	31 Dec 2020 £'000	31 Dec 2019 £'000	31 Mar 2020 £'000
Loan notes	**4,613**	2,428	2,320
Total investment in associates	**4,613**	2,428	2,320

At 31 December 2020, the Group had an interest in the following associate:

Company name	Principal activity	Country of incorporation	% equity interest
PMBS Holding Limited	Holding company	United Kingdom	25%

Loan notes receivable are due for repayment by 2025. Interest is charged at 8% and is receivable in June and December each year. During the period PMBS Holding Limited issued to the Group additional loan notes with a face value of £2.0 million for nil consideration, resulting in a corresponding gain in the income statement (Note 1).

7 Intangible assets

	Software £'000	**Goodwill £'000**	**Total £'000**
Cost			
At 31 March 2019	1,258	5,604	6,862
Additions	1,064	-	1,064
At 31 December 2019	2,322	5,604	7,926
Additions	515	-	515
At 31 March 2020	2,837	5,604	8,441
Additions	**1,113**	**-**	**1,113**
At 31 December 2020	**3,950**	**5,604**	**9,554**
Amortisation			
At 31 March 2019	-	2,240	2,240
Provided during the period	-	423	423
At 31 December 2019	-	2,663	2,663
Provided during the period	-	140	140
At 31 March 2020	-	2,803	2,803
Provided during the period	**323**	**420**	**743**
At 31 December 2020	**323**	**3,223**	**3,546**
Net book value			
At 31 December 2020	**3,627**	**2,381**	**6,008**
At 31 March 2020	2,837	2,801	5,638
At 31 December 2019	2,322	2,941	5,263
At 31 March 2019	1,258	3,364	4,622

Notes to the Condensed Consolidated Financial Statements (continued)

for the nine month period ended 31 December 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	8,219	1,978	31,592	41,789
Reclassification	59,850	803	(60,653)	-
Disposals	-	(19)	-	(19)
At 31 December 2019	341,047	49,383	2,174	392,604
Additions	4,159	927	1,299	6,385
Disposals	(572)	(13,191)	-	(13,763)
Exchange movements	-	9	-	9
At 31 March 2020	344,634	37,128	3,473	385,235
Additions	**8,239**	**1,313**	**12,756**	**22,308**
Reclassification	**1**	**-**	**(1)**	**-**
Disposals	**(3,797)**	**(580)**	**-**	**(4,377)**
Exchange movements	**-**	**(18)**	**-**	**(18)**
At 31 December 2020	**349,077**	**37,843**	**16,228**	**403,148**
Depreciation				
At 31 March 2019	50,500	33,458	-	83,958
Provided during the period	4,906	2,119	-	7,025
Disposals	-	(19)	-	(19)
At 31 December 2019	55,406	35,558	-	90,964
Provided during the period	1,885	714	-	2,599
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	**5,690**	**2,082**	**-**	**7,772**
Disposals	**(1,822)**	**(503)**	**-**	**(2,325)**
Exchange movements	**-**	**(8)**	**-**	**(8)**
At 31 December 2020	**61,085**	**25,667**	**-**	**86,752**
Net book value				
At 31 December 2020	**287,992**	**12,176**	**16,228**	**316,396**
At 31 March 2020	287,417	13,032	3,473	303,922
At 31 December 2019	285,641	13,825	2,174	301,640
At 31 March 2019	222,478	13,163	31,235	266,876

As at 31 December 2020, assets under construction mainly comprises costs associated with the redevelopment of certain lettable space at Pinewood West and the development of land at Shepperton Studios. Assets under construction are not depreciated until the development is available for use.

Notes to the Condensed Consolidated Financial Statements (continued)
for the nine month period ended 31 December 2020

9 Trade and other receivables

	31 Dec 2020 £'000	31 Dec 2019 £'000	31 Mar 2020 £'000
Amount falling due within one year:			
Trade receivables	**2,483**	7,337	3,554
Prepayments and other receivables	**2,514**	4,361	4,763
Corporation tax receivable	**330**	-	952
	5,327	11,698	9,269
Amount falling due after more than one year:			
Loans due from parent undertakings	**325,963**	314,883	317,653
	325,963	314,883	317,653
	331,290	326,581	326,922

Following management's review of assets for impairment, trade receivables above are stated net of a provision of £nil (2019: £nil) against bad debts. In the period ended 31 December 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.

Loans due from parent undertakings are due for repayment in September 2025 and carry interest charged at 3.55%.

10 Share capital

	31 Dec 2020 £'000	31 Dec 2019 £'000	31 Mar 2020 £'000
57,409,926 Ordinary shares of 0.001p each	**1**	1	1

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

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.

Notes to the Condensed Consolidated Financial Statements (continued)
for the nine month period ended 31 December 2020

12 Interest bearing loans and borrowings

	Maturity	31 Dec 2020 £'000	31 Dec 2019 £'000	31 Mar 2020 £'000
Current borrowings:				
Asset financing		**-**	6	-
		-	6	-
Non-current borrowings:				
3.25% Senior Secured Notes	September 2025	**549,682**	548,581	544,486
		549,682	548,581	544,486
Total current and non-current		**549,682**	548,587	544,486

The effective interest rate of the Senior Secured Notes is 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.

In January 2021, the Group issued £200.0 million of additional loan notes under the same terms and conditions as the existing 3.25% Senior Secure Notes. See note 15.

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

The available and undrawn committed facilities are as follows:

At 31 December 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	-	**600,000**	-	**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**

Notes to the Condensed Consolidated Financial Statements (continued)
for the nine month period ended 31 December 2020

12 Interest bearing loans and borrowings (continued)

At 31 December 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	6	-	-	6
Loan notes	-	-	550,000	550,000
Total facilities	6	-	600,000	600,006
Drawn loans:				
Revolving credit facility	-	-	-	-
Asset financing facility	(6)	-	-	(6)
Loan notes	-	-	(550,000)	(550,000)
Total drawn loans	(6)	-	(550,000)	(550,006)
Undrawn facilities:				
Revolving credit facility	-	-	50,000	50,000
Asset financing facility	-	-	-	-
Loan notes	-	-	-	-
Undrawn committed facilities	-	-	50,000	50,000

13 Derivative financial instruments

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

	31 Dec 2020	31 Dec 2019	31 Mar 2020
	£'000	£'000	£'000
Financial liabilities carried at fair value:			
Non-current derivative financial instrument liabilities	**2,798**	2,241	2,743
	2,798	2,241	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**	**31 Dec 2020**	31 Dec 2019	31 Mar 2020
		£'000	£'000	£'000
2.00% + variable margin	April 2025	**25,000**	25,000	25,000
2.16% + variable margin	April 2022	**25,000**	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.

Notes to the Condensed Consolidated Financial Statements (continued)

for the nine month period ended 31 December 2020

14 Trade and other payables

	31 Dec 2020	31 Dec 2019	31 Mar 2020
	£'000	£'000	£'000
Trade payables	**4,677**	2,142	8,224
Trade payables - Film production companies	**70**	98	83
Corporation tax payable	**396**	726	-
Value added tax	**9,844**	6,118	1,009
Other payables	**1,290**	1,448	766
Accruals and deferred income	**56,028**	54,699	40,052
Amounts due to parent company	**7,110**	4,844	5,685
Capital expenditure related payables	**11,947**	6,152	9,212
Deferred royalty	**-**	608	630
	91,362	76,835	65,661

Amounts due to parent company are interest free and have no fixed repayment terms.

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

At 31 December 2020, the Group had total capital commitments contracted for, but not provided in the financial statements, of £41.8 million (2019: £nil million) in respect of studio development projects.

15 Events after the reporting date

On 25 January 2021, the Group completed the pricing and issue of £200.0 million 3.25% Senior Secured Notes due 2025, under the same terms and conditions as the Group's existing notes. Including accrued interest and premium, the Group received gross proceeds of £206.6 million. The proceeds will be used for expansion projects, general corporate purposes and to pay expenses directly attributable to the issue.

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.