Pinewood Finco PLC

Report and financial statements

Year ended 31 March 2021

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 2021.

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 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 with the balance lent on to its parent company, Pinewood Group Limited. In January 2021, the Company issued a further £200.0 million aggregate principal amount of 3.25% senior secured notes due September 2025. The proceeds of the offering were received on 25 January 2021, and lent on to the Company’s parent entity.

The Company has an arrangement with its parent, whereby the Company loans to its parent an amount that matches the face value of the senior secured notes, 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. Accordingly, there is relative clarity regarding the performance of the Company in terms of its key income and expense in the medium term.

Principal risks and uncertainties

In general, 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 and operational risks are managed on a Group basis. While the principal risk to which the Company is exposed on a standalone basis relates to the ability of its parent to repay its outstanding loan and related interest, the occurrence of this risk is dependent on the trading performance of the wider Group, risks around which are discussed in the consolidated financial statements of Pinewood Group Limited.

Further information in respect of the financial and operational risk management of the Group can be found in the consolidated financial statements of Pinewood Group Limited, which are publicly available from the Company’s registered office given in the notes to the Financial Statements.

Section 172 Directors' duties

The Directors have regard to the interests of the Company's wider stakeholders, in accordance with Section 172 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 2021 and details of the Group-wide considerations can be found in the Strategic Report of Pinewood Group Limited, which is available from Company’s registered office given in the notes to the Financial Statements.

Strategic Report (continued)

Going Concern

In assessing the going concern basis, the Directors considered the Company's business activities, its financial position and the Company's financial risk management objectives and policies. Both before and throughout the pandemic to date, the Company has continued to meet its interest payments to external debt holders, which is the primary cash out flow, through interest receivable earned on the Company's loan to its parent entity, Pinewood Group Limited.

The Company's forecasts and projections, taking account of reasonably possible changes in the trading performance of its parent and related subsidiaries, economic uncertainty, UK-international trade agreements and COVID-19, show that the Company's parent will be able to continue to meet its obligations under its loan from the Company and, therefore, that the Company will be able to operate within the level of its current facilities for at least 12 months following the reporting date.

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

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

16 September 2021

Directors' Report

The Directors present their annual report and audited financial statements of the Group for the year ended 31 March 2021.

Results and dividends
The results for the year are set out on page 14. No ordinary dividends were paid (2020: £nil). The Directors do not recommend payment of a final dividend.

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

Paul Golding
Barbara Inskip
Luis Moner Parra

Directors Duties
The Board recognises the importance of considering the Company's responsibilities and duties to both its shareholder and its broader stakeholder group. The Directors' duties under Section 172 of the Companies Act 2006 help to underpin the good governance of the Company. Details of formal statement of how the Board complied with this legal requirement and met its obligations in respect of Section 172 during the year, is set out in the Strategic Report of Pinewood Group Limited, which is publicly available from the registered address of the Company.

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.

Going Concern
As outlined within the Strategic Report on page 3, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As there are no material uncertainties relating to events or conditions that may cast doubt on the ability of the Company to operate as a going concern, the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

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

- Principal activity – Strategic Report, page 2
- Principal risks and uncertainties – Strategic Report, page 2
- Post balance sheet events – Strategic Report, page 3

Directors' Statement as to Disclosure of Information to Auditor
The Directors who were members of the Board at the time of producing the Directors report are listed on page 1. Having made enquiries of fellow Directors, each of these Directors confirms that:

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

Directors' Report (continued)

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

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

On behalf of the board

Barbara Inskip
Director

16 September 2021

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 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 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD 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 2021 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 loan notes; and • recoverability of receivables from Group undertakings.
Materiality	The materiality that we used in the current year was £397,000 which was determined on the basis of 2% of 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD FINCO PLC (continued)

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- understanding the financing facilities including the nature of facilities, repayment terms and covenants;
- challenging the key assumptions used in the forecasts, such as revenue levels and cashflow, including the ongoing impact of COVID-19;
- assessing the historical accuracy of forecasts prepared by management through retrospective review of previous assumptions and estimates;
- understanding current and future demand in the market, including a review of current external market factors; and
- evaluated the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 loan notes

Key audit matter description	Pinewood Finco plc raised an additional £200m of new loan notes in January 2021. Through this funding raise, there were material directly attributable costs incurred which should be capitalised. Accrued interest, unamortised arrangement fees and premium are stated in note 10 of the financial statements at £2,345,000 (FY20: £5,514,000). The key audit matter considers the correct capitalisation and initial amortisation of the origination fees of the new notes given these are quantitatively material.
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 fees to be capitalised. We performed tests of detail to assess the existence and completeness of bond fees, including evaluating that they have been correctly capitalised. We further performed substantive analytical procedures of the fee amortisation to test this is being allocated correctly over the term of the bond. We recalculated the balance of the unamortised loan fees for the original loan notes and that they have been appropriately expensed through the statement of comprehensive income.
Key observations	Based on the work performed we concluded that the treatment of costs associated with loan notes is reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD FINCO PLC (continued)

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 £768,911,000 (FY20: £564,088,000). 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, the fair value of property, plant and equipment owned by the group, 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 assessing corroborative evidence supporting the future trading performance of Pinewood Group Limited undertakings including their cash flow forecasts, covenant compliance, use of debt facilities, the fair value of property, plant and equipment owned by the group, 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 assessed 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.

6. Our application of materiality

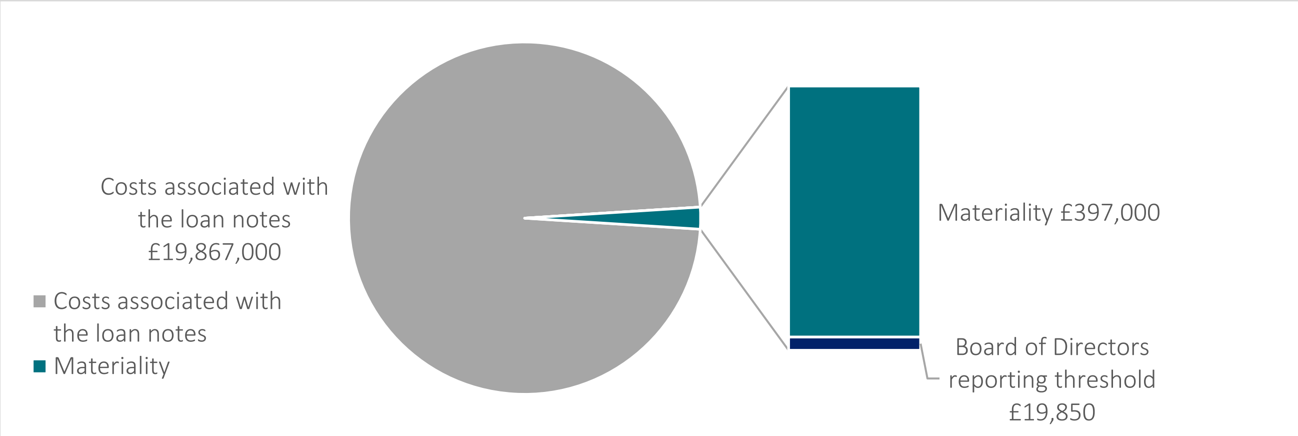
6.1. Materiality

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	£397,000 (FY20: £505,000)
Basis for determining materiality	2% of costs associated with the loan notes (FY20: 2% of costs associated with the loan notes) There was no change in the basis for determining materiality, the decrease is due to costs incurred on the cancellation of the existing loan facility in the prior year.
Rationale for the benchmark applied	We determined materiality based on the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD FINCO PLC (continued)



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 FY21 audit (FY20: 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 £19,850 (FY20: £25,250), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained in the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD FINCO PLC (continued)

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.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management and the Board of Directors about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD FINCO PLC (continued)

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board of Directors and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

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

13.1. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD FINCO PLC (continued)

13.2. 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.

14. 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
16 September 2021

Statement of Comprehensive Income
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Administrative expenses		**(9)**	(10)
Investment income	5	**20,746**	26,666
Finance costs	6	**(19,867)**	(25,977)
Profit before taxation		**870**	679
Tax on profit	7	**-**	-
Profit and total comprehensive income for the financial year		**870**	679

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

The notes on pages 17 to 23 form part of these financial statements.

Statement of Financial Position
as at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Trade and other receivables	8	747,558	544,485
		747,558	544,485
Current assets			
Trade and other receivables	8	21,359	19,850
Cash and cash equivalents		920	50
		22,279	19,900
Total assets		769,837	564,385
Equity and liabilities			
Share capital	11	50	50
Retained earnings	12	1,863	993
Total equity		1,913	1,043
Non-current liabilities			
Interest bearing loans and borrowings	10	747,655	544,486
		747,655	544,486
Current liabilities			
Trade and other payables	9	20,269	18,856
		20,269	18,856
Total liabilities		767,924	563,342
Total equity and liabilities		769,837	564,385

The financial statements were approved and authorised for issue by the Board of Directors on 16 September 2021. They were signed on its behalf by:

Barbara Inskip
Director

Statement of Changes in Equity
for the year ended 31 March 2021

	Share capital £'000	Retained Earnings £'000	Total £'000
At 01 April 2020	**50**	**993**	**1,043**
Profit and total comprehensive income for the year	**-**	**870**	**870**
At 31 March 2021	**50**	**1,863**	**1,913**
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

Notes to the Financial Statements
for the year ended 31 March 2021

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

The 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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

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

The financial statements of the Company are consolidated in the financial statements of Pinewood Group Limited. These consolidated financial statements are available from the registered office address given above.

Going concern
In assessing the going concern basis, the Directors considered the Company's business activities, its financial position and the Company's financial risk management objectives and policies. Both before and throughout the pandemic to date, the Company has continued to meet its interest payments to external debt holders, which is the primary cash out flow, through interest receivable earned on the Company's loan to its parent entity, Pinewood Group Limited.

The Company's forecasts and projections, taking account of reasonably possible changes in the trading performance of its parent and related subsidiaries, economic uncertainty, UK-international trade agreements and COVID-19, show that the Company's parent will be able to continue to meet its obligations under its loan from the Company, and therefore that the Company will be able to operate within the level of its current facilities for at least 12 months following the reporting date.

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Notes to the Financial Statements (continued)

for the year ended 31 March 2021

1 Accounting policies (continued)

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.

Financial instruments

General financial instruments policy

The Company applies Sections 11 and 12 of FRS 102 in respect of financial instruments.

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

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

Financial assets and liabilities

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

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

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

Equity instruments

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

Interest bearing loans and borrowings

Loans and borrowings payable and receivable are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration transferred, adjusted for directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, allocating the interest income or interest expense over the relevant period.

Impairment of financial assets

At the end of each reporting period financial assets measured at amortised cost (including trade receivables) are assessed for objective evidence of impairment. If an asset is impaired, the loss recognised is the difference between the carrying amount and the present value of future estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Notes to the Financial Statements (continued)

for the year ended 31 March 2021

1 Accounting policies (continued)

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 recognised only to the extent that the revised carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been previously recognised.

Fair value measurement

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

Income tax

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

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

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

There are no significant accounting judgements exercised in the preparation of the Company's financial statements. The Company's key sources of estimation uncertainty relate to the recoverability of receivables from its parent and other Group undertakings.

As at the reporting date, the Company has a loan due from its parent company of £747.6 million, which is due for repayment in 2025. This loan is considered fully recoverable. The loan bears interest at 3.4% per annum. The interest rate on the loan was determined with reference to the Company's borrowing following its refinancing in 2019 and was considered to be a market rate of interest at that time.

The Company holds a further receivable from its parent company of £21.4 million. This amount is repayable on demand and does not bear interest. The Company considers this balance to be fully recoverable.

Notes to the Financial Statements (continued)
for the year ended 31 March 2021

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 as the Directors emoluments cannot be allocated on a meaningful basis.

3 Auditor's remuneration

Fees payable to the auditor of the Company in respect of the audit of these financial statements, amounting to £21,000 (2020: £19,000), 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

	2021	2020
	£'000	£'000
Interest receivable from Group companies	**20,746**	16,051
Gain on extinguishment of intercompany loan	**-**	10,615
	20,746	26,666

6 Finance costs

	2021	2020
	£'000	£'000
On financial liabilities measured at amortised cost		
Interest payable to Group undertakings	**-**	709
Senior Secured Notes	**19,867**	14,728
Loss on extinguishment of loan notes and facilities	**-**	10,540
	19,867	25,977

Notes to the Financial Statements (continued)
for the year ended 31 March 2021

7 Taxation

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

	2021	2020
	£'000	£'000
Profit before taxation:	**870**	679
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**165**	129
Group tax relief	**(165)**	(129)
Tax on profit	**-**	-

The main rate of UK corporation tax in the year was 19%. In the March 2021 budget, an increase in the main rate of UK corporation tax from 19% to 25% was announced, with effect from April 2023. The 2021 Finance Bill had not been substantively enacted as at the reporting date.

8 Trade and other receivables

	2021	2020
	£'000	£'000
Amount falling due within one year:		
Amounts owed by parent undertaking	**21,353**	19,603
Prepayments and accrued income	**6**	247
Total amounts falling due within one year	**21,359**	19,850
Amount falling due after more than one year:		
Amounts owed by parent undertaking	**747,558**	544,485
Total amounts falling due after more than one year	**747,558**	544,485
Total trade and other receivables	**768,917**	564,335

In September 2019, the Company announced it had priced an offering of £550 million aggregate principal amount of 3.25% Senior Secured Notes due September 2025. The proceeds of the offering were received on 25 September 2019 at which point the Company and its parent, Pinewood Group Limited ("Pinewood"), entered into a loan agreement with a principal and term that matched the 3.25% Senior Secured Notes issued by the Company. In January 2021, the Company issued an additional £200.0 million aggregate principal amount of Senior Secured Notes under its existing indenture and subsequently entered into a corresponding agreement to increase the principal amount of the loan with Pinewood.

As at 31 March 2021, the loan agreement between Pinewood and the Company is for a principal of £750 million, bears interest at 3.25% plus a margin of 0.15% per annum and includes a charge for the recovery of the finance fees incurred, net of premiums received, by the Company directly related to arranging the external debt. Repayments of interest and capital are required to be made in sufficient time for the Company to make onward payment to its external debt providers. As a result, the capital balance falls due for repayment in September 2025.

All other amounts due from group undertakings are repayable on demand, and are non-interest bearing (2020: interest charged at 4.05%).

Notes to the Financial Statements (continued)

for the year ended 31 March 2021

9 Trade and other payables

	2021	2020
	£'000	£'000
Amount falling due within one year:		
Amounts owed to group undertakings	**20,101**	18,816
Accruals	**168**	40
	20,269	18,856

Amounts due to group undertakings are repayable on demand and are non-interest bearing (2020: interest charged at 4.05%).

10 Interest bearing loans and borrowings

	Maturity	**2021**	2020
		£'000	£'000
Non-Current borrowings			
3.25% Senior Secured Notes	September 2025	**747,655**	544,486
		747,655	544,486

The effective interest rates of the above borrowings are: £550 million 3.25% Senior Secured Notes – 3.48% and £200 million 3.25% Senior Secure notes – 3.00%.

In January 2021, the Company issued £200.0 million aggregate principal amount of Senior Secured Notes under the same terms and conditions as the Company's outstanding 3.25% Senior Secured Notes due 2025. Including a premium and accrued interest, the Company received gross proceeds of £206.6 million. This issue brings the total aggregate principal amount issued under the indenture to £750.0 million, which is presented as a single financial instrument.

Directly attributable costs of £6.0 million and £2.1 million were recognised at the inception of the £550.0 million and £200.0 million 3.25% Senior Secured Notes respectively. Directly attributable costs are being amortised as part of the effective interest rate method in accordance with the Company's accounting policy.

The £750 million 3.25% Senior Secured Notes are secured by fixed and floating charges over the UK based trade and assets of the group headed by Picture Holdco Limited.

11 Share capital

	2021	2020
	£'000	£'000
Ordinary share capital issued and fully paid up		
50,000 Ordinary shares of £1 each	**50**	50
	50	50

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

Notes to the Financial Statements (continued)
for the year ended 31 March 2021

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 the respective Companies’ registered addresses.

The ultimate parent undertaking and controlling party is PW Real Estate Fund III GP Limited, in its capacity as General Partner of PW Real Estate Fund III LP.