PINEWOOD

Pinewood Group plc
Annual Report & Accounts

2016

Pinewood Group plc, a world leading studio and production services operator, delivers another year of strong growth.

STRATEGIC PROCESS

- Strategic review announced on 10 February 2016 in progress.
- The first phase of PSDF is now complete and part occupied.
- Pinewood Atlanta Studios Phase Three construction commenced with completion expected before the end of Pinewood's 2017 financial year.

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HIGHLIGHTS

"The Company is very pleased to report another set of strong results showing a 10.9% increase in group revenue and a 31.1% increase in normalised earnings per share.

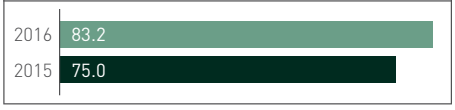
The result of the UK's referendum on membership of the EU is now known. In the context of our business, the decline in the £ sterling exchange rate is undoubtedly positive for our international customers. We will continue to monitor sentiment around the issue going forward.

The Company is also pleased to confirm that the PSDF Phase One became fully operational on 30 June 2016 adding five stages and significant capacity to our existing world class offer. The Company is delighted that the first production to utilise the new facilities is *Film Stars Don't Die In Liverpool* produced by Barbara Broccoli who has a long association with the Pinewood Group through the Bond franchise. We have, as expected, already signed a contract for an additional major film production which will fully utilise these new facilities from August 2016.

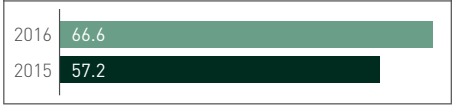
This financial year has started strongly with good visibility for the balance of 2016."

Ivan Dunleavy
Chief Executive

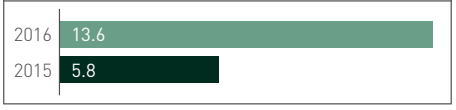
Group Revenue (£m) +10.9%



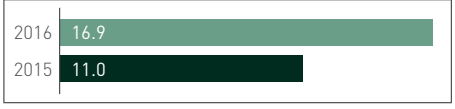
Media Services Revenue (£m) +16.4%



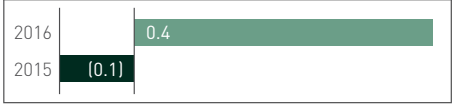
Group Operating Profit (£m) +136.3%



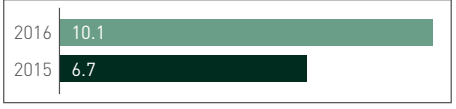
Media Services Operating Profit (£m) +52.6%



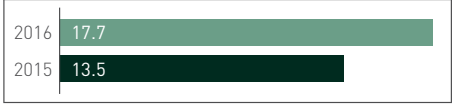
Media Investment Profit after Tax (£m) +457.9%



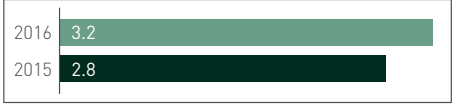
Normalised Profit after Tax (£m) +51.6%



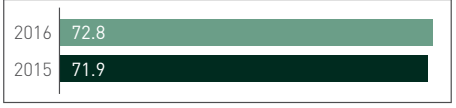
Normalised EPS[i] (pence) +31.1%



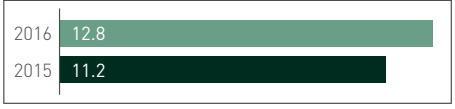
Final dividend per share (pence) +14.3%



Net debt (£m) +1.2%



Adjusted Media Services ROCE[ii] (%) +14.3%



(i) Normalised EPS – EPS adjusted for exceptional items and fair value movements on financial derivatives and the taxation on both of these (See Note 12).

(ii) Adjusted Media Services ROCE – annualised operating profit for Media Services before exceptional items including intersegment revenue and share of results for joint ventures as a percentage of average capital employed, being total equity plus net debt, excluding capital employed in assets under the course of construction (see page 19).

CHAIRMAN'S STATEMENT

Once again Pinewood Group plc has delivered record revenues as the Company capitalises on the continuing demand for screen-based entertainment. Group revenues for the year ended 31 March 2016 were 10.9% higher at £83.2m (year ended 31 March 2015: £75.0m).

The Company remained capacity constrained during the year which makes the results particularly pleasing and gives confidence that the recently opened additional capacity will significantly enhance Pinewood's offer to the global screen-based industries.

The Board's strategy for the Pinewood Group is to capture more of the value chain in content creation across film, television and games. Clearly, expanding facilities at Pinewood Studios will be a major part in delivering this. The Board has identified additional opportunities internationally; in pre and post production; in ancillary services and in consultancy. These opportunities will expand and enhance our offer to customers and will leverage Pinewood's reputation for expertise and excellence.

While management has continued to drive the business forward, delivering another set of excellent results, the Board commissioned a Strategic Review of the capital base and structure.

The Company announced a Strategic Review on 10 February 2016, as follows:

"The objectives of last year's share placing, which was successfully completed on 17 April 2015, were to raise proceeds of £30m to part fund Phase One of the PSDF development and also to create a more diversified shareholder base that would be able to support the Company through subsequent phases of growth and enable the Company to move up to a full listing on the main market.

The shareholder register, however, remains tightly held, which has continued to stifle liquidity in the shares and has prevented the Company from achieving its aim of obtaining a main market listing.

The Board has now determined that it is appropriate to evaluate alternative opportunities to maximise value for the Company's shareholders and to build on Pinewood's successes to date. We believe there is a requirement for a funding strategy to be in place to fully realise the Company's future potential (for instance to fund PSDF Phases Two and Three). Accordingly, Rothschild has been appointed to assist with a Strategic Review of the overall capital base and structure, which could include a sale of the Company."

The Strategic Review is ongoing and we will, of course, update shareholders on its progress when there is further information to share.

The Board has decided to recommend a final dividend of 3.2p per share, recognising the strong performance for the year to 31 March 2016. It is worth recording that as at 31 December 2001, and following the acquisitions of Pinewood and Shepperton Studios, staff numbers were 254. As at 31 March 2016, staff numbers were also 254, but the Group has six additional sites, a television studios business and many other new activities. This is a tribute to management's constant drive for efficiency and our staff's high levels of commitment.

My thanks must go to the staff and management of the Company who have played such an important role in achieving this record performance.

Lord Grade of Yarmouth, CBE
Chairman

10 July 2016

Group revenues
£83.2m

Staff numbers
254

Final dividend
3.2p per share

Aerial of Pinewood Studios
(June 2016) © Pinewood Studios Limited

STRATEGIC REPORT

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the Company's business strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic Report, have complied with Section 414c of the Companies Act 2006.

OUR BUSINESS MODEL

Pinewood Group plc is a leading provider of studio and related services to the global screen-based industries. Our services support the screen-based industries including film production, filmed television and studio television recording, digital content services and the provision of facilities to media related business.

The Group's unique selling point is the breadth of production related facilities and services available 'on-the-lot' which provides clients with a full service offering.

The Company currently has two reporting segments – Media Services, which provides studio and related services to the screen-based industries; and Media Investment, which provides investment funding and production services to the screen-based industries.

The Media Services segment has principally three complementary operating streams – Film; Television; and Media Hub.

Within Film and TV, operations are further divided into Production Services (which includes stage and ancillary), Digital Content Services ("DCS") and International.

DCS offers picture and sound post production, media storage and management and distribution for original English language and internationally re-versioned content.

International operations, which leverage the Pinewood brand, include providing international sales, marketing, studio development and consultancy services in Canada, the Dominican Republic, Malaysia and China plus a joint venture in the United States of America.

The Company's television ("TV") business provides a range of unique TV production facilities, often utilising its stages and DCS offerings to host and service large 'event' television productions. The television offering consists of a comprehensive range of production facilities such as high definition TV studios, film stages and post production services to support all forms of television production.

The Media Hub is currently home to 247 independent businesses representing and providing expertise, equipment and support to the film, television, games, advertising and photographic industries. These companies come together to form a unique cluster and centre of excellence for the entire creative industry.

The Media Investment segment (trading as "Pinewood Pictures") includes an agreement to source and advise on film, high-end television and video game investment opportunities for two media development funds; a £25m fund established by the Isle of Man Treasury and a £30m fund established by the Welsh Government. In addition, the segment involves identification and investment by the Company in British qualifying film and high-end television productions.

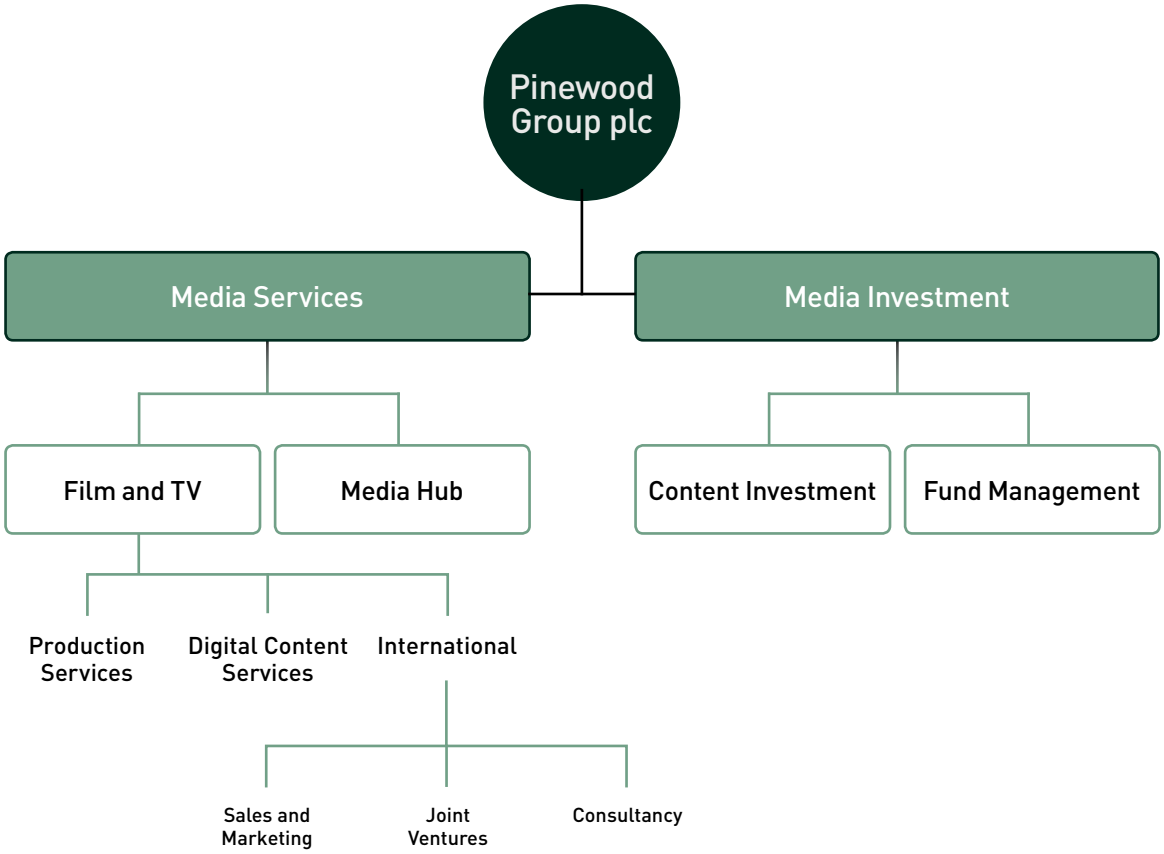
OUR OBJECTIVES AND STRATEGY

The Group's vision is to build upon its UK facility focused business to become a global production services business to the screen-based industries and to develop opportunities to capture more of the value chain. This is reinforced in the Group's mission to:

- continue to be the leading global supplier for the production of film;
- become the leading UK destination for the production of TV, games and digital media;
- leverage our brand through international operations;
- leverage our brand through diversified services and markets;
- exceed our customers' expectations through our commitment to professionalism, quality of service and offering sustainable advantage; and
- increase value for all our stakeholders.

Targeted strategic plans to achieve this mission include:

- Operational growth:
  - increase capacity through expansion of stage and studio facilities and services;
  - investment in digital activities and technology; and
  - increased media and content investment activity.
- Property development:
  - plan to increase overall capacity; and
  - Demand-led Media Hub expansion.
- Leveraging the brand:
  - selective growth through joint ventures with limited capital commitment;
  - lower risk investment in screen content; and
  - provision of investment advice to third party 'content' funds.



FUTURE DEVELOPMENTS

MEDIA SERVICES

The Company continues to focus on being the leading destination for production of film and leveraging the Pinewood brand through additional services and international activities.

THE PINEWOOD STUDIOS DEVELOPMENT FRAMEWORK

The PSDF comprises a substantial expansion of the existing Pinewood Studios by ultimately adding a total of 1,000,000 sq ft of new facilities including ten large stages with supporting workshops, production offices and infrastructure.

Phase One of the scheme incorporates five sound stages totalling 150,000 sq ft, 140,000 sq ft of workshops across ten buildings and office buildings totalling 31,000 sq ft. The stages were completed on 30 June 2016.

The Company will consider the timing of the future phases based on demand, the utilisation of Phase One and availability of appropriate financing.

MEDIA INVESTMENT

Future funds

The Company is considering possible further Media Investment funds. Both in terms of fund advice and direct diversification opportunities, this segment continues to be an important driver for the future.

Pinewood Television

On 26 January 2016, the Company announced a joint venture with StoryFirst PST Limited. The new company is named Pinewood Television Limited ("Pinewood Television") and its principal business is to create, develop and finance high quality drama series for television for the international market.

Helen Gregory has been appointed Creative Director to lead the company and the creative process from development through production to delivery to broadcasters and distributors. Helen is an award winning producer of drama and comedy for BBC 1, BBC 2, BBC 3, ITV, C4, Five and Sky and was previously a commissioning editor for Drama at C4.

Pinewood Television is expected to be both an originating producer and a co-producing partner for major drama projects looking for deficit funding. It is now in the process of arranging long-term dedicated external financing.

OUTLOOK

The Company is very pleased to report another set of strong results showing a 10.9% increase in group revenue and a 31.1% increase in normalised earnings per share.

The result of the UK's referendum on membership of the EU is now known. In the context of our business, the decline in the £ sterling exchange rate is undoubtedly positive for our international customers. We will continue to monitor sentiment around the issue going forward.

The Company is also pleased to confirm that the PSDF Phase One became fully operational on 30 June 2016 adding five stages and significant capacity to our existing world class offer. The Company is delighted that the first production to utilise the new facilities is *Film Stars Don't Die In Liverpool* produced by Barbara Broccoli who has a long association with the Pinewood Group through the Bond franchise. We have, as expected, already signed a contract for an additional major film production which will fully utilise these new facilities from August 2016.

This financial year has started strongly with good visibility for the balance of 2016.

Total War: WARHAMMER
© Games Workshop Limited 2015 © SEGA

Guardians of the Galaxy © Marvel

COMMERCIAL REVIEW

COMMERCIAL DIRECTOR'S OVERVIEW

Media Services has enjoyed another strong performance with total revenues within this segment delivering £66.6m for the year (year ended 31 March 2015: £57.2m), including £0.9m of intersegment revenue (year ended 31 March 2015: £1.3m). Intersegment revenues relate to revenue generated from the utilisation of the Company's core services by the Group's wholly-owned Film Production Companies ("FPCs").

The demand for the Company's facilities throughout the year has been strong, as reflected in stage occupancy of 90% (year ended 31 March 2015: 80%); however this ongoing strong film demand has limited television's access to our film stages.

Revenues grew not only through strong utilisation of ancillary facilities 'on-the-lot' but also due to a positive contribution from our new Pinewood MBS Lighting business both 'on-the-lot' and 'off-the-lot'.

During the year, Pinewood was home to the latest Bond film *SPECTRE* as well as the largest grossing film of 2015, *Star Wars: VII The Force Awakens* (Lucasfilm) and along with Shepperton Studios hosted seven of the top 25 grossing films of the year.

In its first full year of trading, Pinewood Creative, which represents a new activity providing creative services (including 3D printing) to 'on-the-lot' and 'off-the-lot' customers, such as Merlin Entertainment and Hampton Court Palace, enjoyed a strong performance, exceeding expectations.

Digital Content Services delivered record revenues of £9.4m (year ended 31 March 2015: £7.2m) during the year through growing our DPS services (secure management of data generated from film cameras) and also with Disney where I'm pleased that we have renewed our relationship to manage their International release versions for a further five years.

Television had a resilient year, despite strong film demand limiting opportunity, generating revenues of £5.2m (year ending 31 March 2015: £5.8m), with Pinewood's multi-camera HD studios hosting a number of high profile light entertainment shows including *Still Open All Hours* (BBC) and *Birds of A Feather* (Freemantle).

Pinewood is host to 247 (31 March 2015: 242) tenant companies across our Media Hub facilities and it is extremely encouraging that tenant occupancy stands at 98% (year ending 31 March 2015: 97%) with over 90% of companies renewing leases that were due to expire during the year.

Internationally, we have established Production Services businesses in Canada, USA and Ireland where we continue to work with our clients whilst they are on location.

In Atlanta, business was buoyant with the Company's share of joint venture profits increasing from £400,000 for the year ending 31 March 2015 to £1,200,000 for the year ending 31 March 2016. Phase Three of the Pinewood Atlanta Studios development is currently under construction. When completed in early calendar year 2017, we will have added a further 128,000 sq ft of stage space creating a total of 346,000 sq ft of stages at Pinewood Atlanta Studios.

Nick Smith
Commercial Director

10 July 2016

Total revenue
£66.6m

Tenant occupancy
98%

Joint venture profits
£1.1m

COMMERCIAL REVIEW
continued

MEDIA SERVICES REVIEW

Film

Film revenues for the year ended 31 March 2016 were £53.0m (year ended 31 March 2015: £43.9m), a year on year increase of 20.6%. The increase is due to high utilisation of stage and ancillary studio space, expansion of the Group's offering in complementary activities, growth in DCS revenues and a higher level of international activity.

The largest film production based at Pinewood Studios during the period was *Star Wars: Episode VIII* (Lucasfilm) and the largest production at Shepperton Studios was *Beauty and the Beast* (Disney).

Other major productions which were based at Pinewood and Shepperton during the year included the 24th Bond film, *SPECTRE* (Eon), *Rogue One: A Star Wars Story* (Lucasfilm) *Assassin's Creed* (New Regency), *Bridget Jones's Baby* (Working Title/Universal) and *The Huntsman* (Universal).

Pinewood Creative and 3D services have completed work for a number of film, commercials and TV clients "on-the-lot" including Disney, BBC and Discovery Channel. In addition the department has successfully completed work for retailers including Burberry and Harrods; the entertainment market including Merlin Group and Kidzania. They also constructed a number of props and models for major events in the UK including a Henry VIII exhibition at Hampton Court.

DCS revenues included within the total Film revenue for the year ended 31 March 2016 were £9.4m (year ended 31 March 2015: £7.2m).

Notable sound post production work completed during the year included *Everest* (Working Title Films), *Victor Frankenstein* (20th Century Fox), *The Other Side of The Door* (20th Century Fox) and *Roger Waters The Wall* (Universal Pictures). The Company also successfully completed sound work for the video games industry on *Uncharted* (Sony) *Guitar Hero Live* (Activision) and *War Hammer* (Creative Assembly).

Digital Production Services ("DPS"), the secure management of data generated from digital film shoots on set and on location, continues to grow with services provided to productions including *Rogue One: A Star Wars Story* (Lucasfilm), *Jason Bourne 5* (Universal), *Time Out of Mind* (New Regency), *Life on the Road* (Independent) and *Dr. Strange* (Marvel). DCS continues to enhance its offering to productions shooting on film, the growing number of feature films choosing to shoot with digital camera technology and television productions wishing to work in a digital file-based environment at the Studios. As well as the Company offering dailies grading for feature films and TV, the department has expanded its offering with full picture post production services including digital intermediate for Film and TV.

International

International revenues for the year included within Film were £3.5m (year ended 31 March 2015: £3.1m) and relate to sales and marketing agreements in Toronto, Malaysia and Dominican Republic, and consultancy services provided in China, as further discussed below.

Pinewood Toronto Studios

Pinewood Toronto Studios ("PTS") hosted the biggest budget studio film to shoot in Ontario: *Bravo 14* (aka *Suicide Squad*) which began principal photography in June 2015 and ended in September 2015. Other productions to shoot at PTS during the year were Paramount's *xXx: The Return of Xander Cage* and *Downsizing*. TV series *The Expanse – Season 1* (for Syfy Channel) wrapped in September and started prep on Season 2 this April, *The Strain* – (for F/X) started photography for Season 3 this January.

Pinewood Dominican Republic

Pinewood Dominican Republic ("PDR") hosted the Weinstein Company's *47 Meters Down* in August, and as part of Lantica Media's co-financing deal with Pantelion (the Spanish language division of Lionsgate Films): *Ladrones*, *Cinderello*, *Navidad en el Caribe*. PDR handled all production service and water tank work for Paramount's *xXx: The Return of Xander Cage* during February and March 2016.

Rogue One: A Star Wars Story

COMMERCIAL REVIEW
continued

Pinewood Malaysia
Pinewood Iskandar Malaysia Studios hosted the Netflix series *Marco Polo* Season 2 from April 2015 to February 2016.

Pinewood Atlanta Studios
Pinewood Atlanta Studios ("PAS"), hosted Marvel's *Captain America 3: Civil War* and *Guardians of the Galaxy 2* which occupied facilities in late 2015 with production commencing in April 2016. In June 2015, construction was completed on Phase Two of development, comprising 100,000 sq ft of film sound stages (five stages), 45,000 sq ft of workshops and 20,000 sq ft of offices in addition to the six stages built in Phase One. Sony's *Passengers* moved into the Phase Two stages once ready.

PAS has established several exclusive vendor relationships with MBS Lighting, Hollywood Trucks and Home Depot. PAS also took over sales and management of the Pinewood Atlanta Studios Production Centre formerly managed by Rivers Rock LLC.

Pinewood Digital Content Services opened a preview theatre in the Production Centre this March and serviced Fox Searchlight's *Three Billboards outside Ebbing, Missouri* for on-set digital dailies in North Carolina.

Earlier this year PAS announced Phase Three of construction to include six stages, 50,000 sq ft of workshops and 20,000 sq ft of offices which are expected to be completed in early calendar year 2017.

China
The Company provides consultancy services to a number of leading Chinese film industry companies. During the year the Company continued to provide advice on the design and construction of the Qingdao Oriental Movie Metropolis, a film facility comprising 45 stages for the Wanda Group. Construction on Phase One commenced in 2015 with the studio complex scheduled to open in 2017. In addition the Company continues to provide third party advice.

Pinewood Production Services
Pinewood International established new production services divisions in Toronto (Pinewood Production Services Canada, "PPSC"), Atlanta (Pinewood Productions Services Georgia, "PPSG") and Ireland (Pinewood Productions Ireland Limited, "PPIL") to facilitate productions shooting outside of the studio lots in each of these territories.

TELEVISION
TV revenues for the year were £5.2m (year ended 31 March 2015: £5.8m), with the year on year reduction being principally due to strong film demand limiting opportunity.

Pinewood's dedicated multi-camera HD studio facilities hosted a number of key UK light entertainment shows including *Birds of A Feather* (Fremantle Media), *Would I Lie To You* (Endemol/Shine) and *Red Dwarf* (BabyCow/UKTV). The TV studios also facilitated the live election coverage for Channel 4 and *A Dinosaur Autopsy* for Discovery network. In addition, utilising the Company's flexible media stages, the television business facilitated *Bring The Noise* (Olga/Sky1) and a number of critically acclaimed dramas including *The Crown* (Leftbank/Netflix) and *Humans* (Kudos/Channel 4).

PINEWOOD STUDIO WALES
Pinewood Studio Wales ("PSW") has played host to a number of key television dramas filming in Wales including *The Bastard Executioner* (Fox) and more recently *Sherlock* (Hartswood/BBC) and *Class*, a BBC *Doctor Who* spin off TV drama. Pinewood DCS in Wales and London is servicing *The Collection* (Lookout Point). The tenant community continues to grow with Alpha Grip and Take 2 joining PSW recently.

Our TV Media Services offer continues to expand and now in addition to our TV studios and media stages we offer Pinewood Creative Services, Pinewood MBS Lighting and a comprehensive range of Digital Content Services to the UK TV market.

MEDIA HUB
Media Hub revenues inclusive of service, utility and facility charges for the year were £7.6m (year ending 31 March 2015: £6.2m). Media Hub revenue now includes £1.2m for Shepperton Media Hub following the Shepperton Studios Property Partnership transaction in December 2014.

The total number of Media Hub companies accommodated at the year end was 247 at Pinewood Studios and Shepperton Studios, with occupancy of 98% across a net lettable area of 306,000 sq ft (year ended 31 March 2015: 242 companies, 97% occupancy, 359,000 sq ft).

The Company accepted a surrender of the Technicolor lease on 1 February 2016. The successful reallocation of this space to Film production accommodation resulted in a 41,000 sq ft reduction in the net lettable area in Media Hub.

International revenues
£3.5m

TV revenues
£5.2m

Media Hub revenues
£7.6m

Media Hub companies accommodated
247

Media Hub occupancy
98%

Net lettable area
306,000 sq ft

Everest © Universal Pictures

COMMERCIAL REVIEW
continued

MEDIA INVESTMENT REVIEW

Media Investment revenue for the year was £17.4m (year ended 31 March 2015: £19.0m).

The year on year reduction is principally driven by a reduction in the earnings and cash neutral Film Production Company activity (£15.5m in the year ending 31 March 2016 versus £17.8m in 2015).

Revenues excluding this have grown by 55.6% from £1.2m in the year ending 31 March 2015 to £1.9m in the year ended 31 March 2016 principally due to other income and commissions earned from the UK distribution activity undertaken by the Company on *Spooks: The Greater Good* and *Pressure* and additional producer fees.

Yu-Fai Suen joined Pinewood Pictures on 7 March 2016 as Managing Director.

Investment advisory

The Company has continued to advise on the Isle of Man Media Development Fund and the Welsh Media Investment Budget.

During the year to date, the Isle of Man MDF has invested in five online games including *JCB: Mars Pioneer* and *Grimm: Origins* (an ancillary to the successful Universal TV series Grimm), as well as Scott Free's *Mindhorn*, a comedy feature film set on the IOM.

Pinewood advised on the Welsh MIB investment into horror feature film *Don't Knock Twice* from the Welsh company Red & Black Films.

The Welsh Ministers also invested, alongside Pinewood, in both Lone Scherfig's *Their Finest* and Amazon-backed TV series *The Collection* to be produced by Lookout Point/ BBC Worldwide. Investment advisory revenue for the year was £0.8m (year ended 31 March 2015: £0.8m).

In addition to the investment made by third party funds, the Group also provided film finance totalling £1.4m to its wholly-owned subsidiary FPCs (year ended 31 March 2015: £1.0m).

During the year the Company earned other commissions and investment recoupment totalling £1.2m against film investments made in prior years (year ended 31 March 2015: £0.5m). The recoupment revenue has been generated principally from the release of *Riot Club* and further income from *Dom Hemingway*.

Film production companies

Revenue from FPCs for the year totalled £15.5m (year ended 31 March 2015: £17.8m). An FPC is considered active from the close of film financing until the production is completed and delivered.

The operating loss from FPC activity of £3.5m (year ended 31 March 2015: £4.3m) was offset by UK Film Tax relief of £3.3m (year ended 31 March 2015: £4.1m) as expected.

Included in the Group net cash balance of £1.4m, is £2.0m (year ended 31 March 2015: £0.6m) restricted solely for use in the production of specific FPC operations. The Group trade receivables balance of £11.4m includes £6.4m (31 March 2015: £0.7m) consolidated from FPC activities whilst the Group trade and other payables balance of £42.7m includes £12.9m (31 March 2015: £5.1m) from FPCs. The year on year variance is driven by the timing of completion of active FPCs.

Media Investment revenue excluding FPCs

£1.9m

Total Media Investment revenue

£17.4m

Their Finest
© Nicola Dove/Their Finest Ltd.

FINANCIAL REVIEW

FINANCE DIRECTOR'S OVERVIEW

Since changing the financial year end, which resulted in the period to 31 March 2012 being a 15-month period, Group revenue has increased from £55.0m for the year ended 31 March 2013 to £83.2m for the year ended 31 March 2016.

In Media Services revenue has grown from £46.5m for the year ended 31 March 2013 to £66.6m for the year ended 31 March 2016, representing compound annual growth of 12.7% over this period. Whilst this includes the impact of the acquisition of the 50% share of Shepperton Studios Property Partnership (Media Hub revenue has increased from £5.6m to £7.6m over this time period principally due to this) the key driver for the increase is Film revenue which has increased from £35.2m in 2013 to £53.0m for the year ended 31 March 2016. The Group's strategy to increase capacity, invest in digital activities and leverage the Pinewood brand is reflected in this growth.

In Media Investment performance is most meaningfully assessed at the profit after tax level which, for the year ended 31 March 2016, is a profit of £0.4m (year ended 31 March 2015: £0.1m loss). The segment (established in 2012) has recorded improving results and the Company believes the profit recorded for the year ended 31 March 2016 once again represents an endorsement of the Group's strategy to increase activity in this segment.

Chris Naisby
Group Finance Director

10 July 2016

FINANCIAL REVIEW
continued

KEY PERFORMANCE INDICATORS

The Board uses a number of key performance indicators ("KPIs") to monitor the Company's performance, as well as to measure progress against the Company's objectives.

The KPIs used to measure performance and which are discussed in further detail below are:

	Year ended 31 March 2016	Year ended 31 March 2015
Media Services		
Revenue (including intersegment)	**£66.6m**	£57.2m
Operating profit before exceptional items	**£16.9m**	£11.0m
Return on capital employed	**12.8%**	11.2%
Stage occupancy	**90%**	80%
Media Hub occupancy (as a % of net lettable area)	**98%**	97%
Media Investment		
Number of active Film Production Companies during the year	**4**	7
Profit/(loss) after tax	**£0.4m**	(£0.1m)
Film finance funding invested by the Group	**£1.6m**	£1.0m
Film finance funding from third party funds	**£7.7m**	£6.4m
Group performance		
Normalised profit after tax	**£10.1m**	£6.7m
Normalised earnings per share	**17.7p**	13.5p
Cash generated from operations	**£21.7m**	£18.4m
Net debt	**£72.8m**	£71.9m

Group profit after tax for the year ended 31 March 2016 was £8.1m (year ended 31 March 2015: £8.1m) including the impact of exceptional items and the movement on fair value of financial derivatives.

Normalised profit after tax and earnings per share are adjusted to exclude exceptional items and the mark to market impact of the Company's financial derivatives. Results for the Group are more meaningfully reviewed at the after tax level due to the impact of the UK Film Tax Credit in the Media Investment segment.

Normalised profit after tax and earnings per share of £10.1m and 17.7p respectively represent growth of 51.6% and 31.1% (year ended 31 March 2015: £6.7m and 13.5p). The growth is driven by increased Media Services sales revenue, the benefit of the acquisition of the 50% share of Shepperton Studios Property Partnership ("SSPP"), previously owned by Aviva Investors, in December 2014, an improved Media Services operating margin, and the profit after tax in Media Investment.

EBITDA (earnings before exceptional items, interest, tax, depreciation and amortisation) for the year was £21.0m (year ended 31 March 2015: £12.2m), including £3.7m of Media Investment loss (year ended 31 March 2015: £5.3m loss) but excluding the EBITDA attributable to the Group's share of joint ventures. After adding back the FPC loss which is offset by the UK Film Tax Relief and the Group's share of joint ventures, adjusted EBITDA is £25.6m (year ended 31 March 2015: £17.6m).

PROFIT MARGINS

The Media Services segment gross margin, including intersegment revenues, for the year ended 31 March 2016 was 41.4% (year ended 31 March 2015: 37.2%). The Media Services operating margin before exceptional items is 25.3% (year ended 31 March 2015: 19.3%). The year on year increase is principally driven by operational gearing and the acquisition of the other 50% of SSPP offset by an increase in depreciation costs.

Results for the Media Investment segment are more meaningfully reviewed at the profit after tax level due to the impact of the UK Film Tax Relief. The profit after tax for the segment is £0.4m (year ended 31 March 2015: £0.1m loss).

Normalised Group profit after tax for the year ended 31 March 2016 was £10.1m which was a 12.1% margin (year ended 31 March 2015: £6.7m, 8.9% margin).

EXCEPTIONAL ITEMS

The Group discloses as exceptional items on the face of the income statement those items which, because of the nature and expected infrequency of the events giving rise to them, merit separate disclosure to allow users of the financial statements to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

The Company earned net exceptional operating income of £0.4m (year ended 31 March 2015: £nil) as detailed below, consisting of £0.3m of exceptional costs and £0.7m of exceptional income.

STRATEGIC REVIEW

On 10 February 2016 the Company announced that it had appointed Rothschild to advise on a strategic review of the Company. Expenses incurred to 31 March 2016 relate to professional fees and were £0.3m (year ended 31 March 2015: £nil).

TECHNICOLOR LEASE SURRENDER

During the year the Company accepted a surrender of the lease to Technicolor Limited. The net income from the lease surrender, after related expenses, was £0.7m (year ended 31 March 2015: £nil).

These exceptional items are further disclosed in Note 7 of these financial statements.

In the prior year to 31 March 2015, the Company also earned exceptional income (after operating profit) of £1,952k, which arose as a result of the SSPP transaction as detailed further in Note 8.

RETURN ON CAPITAL EMPLOYED

The Company measures return on capital employed ("ROCE") for the Media Services segment by reference to annualised operating profit before exceptional items, including intersegment revenue and share of results of joint ventures, as a percentage of average capital employed, being total equity plus net debt. ROCE for the 12 months ended 31 March 2016 was 10.3% (12 months ended 31 March 2015: 10.1%).

The increase in ROCE is principally driven by capital investment during previous years, including SSPP, now becoming revenue generating.

The PSDF is a capital intensive project with significant long-term infrastructure spend front-loaded. Capital employed at 31 March 2016 includes £53.7m of assets in the course of construction and land of £5.3m relating to the project, totalling £59.0m (31 March 2015: £11.4m) which were non-revenue generating in the year, and are not expected to be so until the year ending 31 March 2017. Excluding these assets from average capital employed gives an adjusted ROCE of 12.8% for the year ended 31 March 2016 and 11.2% for the prior period.

TAXATION

The total corporation tax credit for the period, based on profit before tax of £7.8m, was £0.3m (year ended 31 March 2015: £3.1m).

Corporation tax paid in the year ended 31 March 2016 was £1.2m (year ending 31 March 2015: £1.2m).

The Group qualified for an aggregate film tax credit of £3.3m (year ended 31 March 2015: £4.1m) on the expenditure from the film production companies that are group subsidiaries.

The underlying rate of tax on profit before accounting for UK Film Tax Relief from FPCs, prior year adjustments and exceptional items is 23.5% (year ended 31 March 2015: 23%).

FINANCIAL REVIEW
continued

LIQUIDITY MANAGEMENT

The Company's cash balance (including restricted cash of £2.0m) decreased by £5.0m during the year, which includes a £1.5m increase in the FPC cash balance relating to FPC activity that is not available for general business operations. The main drivers of this decrease are the Company's investing activities during the period, principally in relation to the PSDF Phase One development.

As anticipated, capital expenditure has increased from £7.1m in the comparative year to £46.3m principally due to the PSDF Phase One development.

As a result of the share placing on 17 April 2015, the cancellation of existing bank facilities and the inflow from new banking facilities agreed on 6 March 2015, cash inflow from financing activities in the period was £21.8m (year ended 31 March 2015: £35.1m).

The movements in the Company's cash position has had an impact on net debt and gearing. At 31 March 2016 net debt was £72.8m although this included £2.0m of restricted FPC cash. Excluding this amount, net debt was £74.8m (31 March 2015: £71.9m including FPC cash; £72.5m excluding FPC cash). Gearing has decreased from 78.6% at 31 March 2015 to 58.5% at 31 March 2016, excluding fair value and loan issue costs principally due to the cash inflow from financing activities being through relatively more equity than debt at the balance sheet date.

Interest rate risk is the risk that the fair value or future values of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. In order to manage its interest rate risk the Company's policy is to have at least 50% of its borrowings at fixed rates of interest. To do this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

At 31 March 2016, the Group had the following interest rate swaps in place to minimise the volatility in cash flows from a change in LIBOR:

	Effective interest rate %	Maturity	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Interest rate swap	1.33% + variable margin	1 July 2016	**7,500**	7,500
Interest rate swap	1.66% + variable margin	28 November 2016	**7,500**	15,000
Interest rate swap	0.69% + variable margin	4 January 2016	**–**	17,500
Interest rate swap	2.00% + variable margin	30 April 2025	**25,000**	–
			40,000	40,000
Interest rate swap*	2.08% + variable margin	30 April 2022	**25,000**	–
			25,000	–

* The instrument commenced on 1 July 2016 with contractually committed fair value recognised at 31 March 2016.

The interest rate swap finance costs are charged to the Group income statement as payable. Any change in the fair value is recognised in the income statement.

Net finance costs for the period were £6.9m (year ended 31 March 2015: £3.9m) which included fair value movements on interest rate swaps of £2.9m (year ended 31 March 2015: £0.1m).

DIVIDEND

The Board is committed to pay dividends in line with its dividend policy of not less than three times cover. The Board has declared a final dividend of 3.2p (year ended 31 March 2015: 2.8p).

The dividend is £1,837,000 and is to be paid on 3 October 2016 to shareholders on the register at close of business on 2 September 2016 (ex-dividend date of 1 September 2016).

SHARE ISSUANCE

On 17 April 2015 the Company raised £30m (before expenses of £1.2m) by way of a placing of 8,000,000 new ordinary shares at a price of 375p per new ordinary share. As a consequence of the new share issue £1.2m of costs have been charged to the share premium account.

GOING CONCERN

In assessing the going concern basis, the Directors considered the Group's business activities, the financial position of the Group and the Group's financial risk management objectives and policies. The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, economic uncertainty and the results of the European Referendum, show that the Group should be able to operate within the level of its current facilities. Although the Group is in a net current liability position of £22.7m, the Group currently has £62.0m of undrawn committed loan facilities in place. The Directors are confident these undrawn debt facilities provide sufficient headroom to support continued trading.

The Directors have specifically considered the level of capital commitment at 31 March 2016 (see Note 27) and the projected spend on the PSDF compared with the existing financing and the additional financing completed in April 2015 (see Note 22).

Information on the Group's risks, management and exposure are set out in the 'Principal Risks and Uncertainties' section of the Annual Report and Note 29 'Financial risk management, objectives and policies' of these Accounts. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Further information on the Group's borrowings is given in Note 22.

CORPORATE REVIEW

CORPORATE AFFAIRS DIRECTOR'S OVERVIEW

During the year ended 31 March 2016 we have continued to play a key role in working with opinion formers and stakeholders, and deploying evidence-based arguments for the development of policy around the screen-based industries in general, but particularly around skills and training to ensure the UK has a skilled workforce. In 2015 the total UK Film production activity was £1.4bn, the second highest total since records began, and total UK production spend for high-end television programmes was £759m. High levels of production spend have continued with £297m spent on film and high-end television in Q1 2016. With additional stage capacity coming on stream from 30 June 2016 at Pinewood Studios, adding to the skilled workforce to meet the growing demand from film and high-end television productions which is why we have been actively involved in developing these skills with the BFI, Creative Skillset, Film Skills Council, the British Film Commission and the Local Enterprise Partnership.

As Board Director responsible for China, a key part of our international growth strategy, I am pleased with the progress to date. During the year China accounted for 38.3% of international revenues. China is the second largest cinema box office in the world and is likely to be the largest next year. The Company currently provides consultancy services to Chinese film industry companies. During the period, the Company continued to provide advice on the design and construction of the Qingdao Oriental Movie Metropolis, a film facility comprising 45 stages for the Wanda Group. Construction on Phase One commenced in 2015 and is scheduled to open in 2017. In addition the Company completed the provision of consultancy advice to the Shanghai Film Group on its studio facilities in Chidden. The Company is in the process of opening a representative office in Beijing and exporting its UK educational and training initiatives such as *The Business of Film*, MOOC, and the Pinewood Studios Management Diploma to the flourishing Chinese film market.

Andrew M Smith
Corporate Affairs Director

10 July 2016

Film Production Spend
£1.4bn

High-end Television Production Spend
£759m

China: percentage of International Revenues
38.3%

CORPORATE REVIEW
continued

CORPORATE RESPONSIBILITY

Pinewood has been at the forefront of developing a more business focused approach in film making and has developed, in conjunction with the Open University, a free online course (MOOC) *The Business of Film*. The course is available for anyone to inspire learners, whatever their background, to progress and continue to develop the UK industry into the future. Nearly 10,000 people have completed the course to date.

We continue to support and encourage the next generation of employees in the UK screen-based industries. By giving training, studio information visits and work experience, the Company seeks to develop a skilled production resource base in order to maintain the high degree of excellence that draws overseas productions to this country.

During the period we have sponsored Lord Puttnam's Atticus Education Online Seminars on *Creativity in Film* based at Bath Spa University, and the Best British Short Film Award for the Iris Prize through the use of our post production facilities.

The Company supports two undergraduate scholarships to the National Film and Television School. Pinewood offers the Rye Studio School with visits to the Studios and the BFI Academy schemes which introduce young people across the country to film and television production.

Pinewood Studios, Shepperton Studios and Pinewood Studio Wales also work with local schools, colleges and universities, including Buckinghamshire New University, Amersham and Wycombe College, Chalfont Community College and the London Film School. Visits to local secondary schools and colleges (in line with Section 106 for PSDF) to explain about opportunities for work experience and roles working directly for the Pinewood Studios Group and to give information on jobs in the film and TV industries.

EMPLOYEES

Training is seen as serving three main purposes: helping to meet the Company's corporate aims and objectives; helping to improve the individual's performance in undertaking their current duties; and developing the individual's abilities and potential by extending knowledge, skills and influencing attitudes. During the period, 50% of training was health and safety-related and 50% related to skills training and career progression. As part of the Pinewood Studios Group Apprenticeship Scheme, seven apprentices were recruited in 2015 in electrical, plumbing, carpentry and digital. The Company's Studio Management Diploma has been expanded with 44 employees and ten external students having been enrolled on the course since inception in 2013.

The Company actively considers the position of its employees' rights through comprehensive and regularly reviewed employment practices in the areas of recruitment, training, welfare, remuneration and employee relations. As Corporate Affairs Director I have Board responsibility for these areas and regularly update the Board on relevant issues.

At the Executive Management Team level, the Group Human Resources Manager maintains responsibility for all operational human resources issues and provides the Board with a monthly report.

In addition to a published grievance policy, the Company maintains a 'Whistleblower' policy providing an opportunity for employees to raise grievances with senior management initially and then ultimately with the Senior Independent Non-Executive Director, Ruth Prior.

The Company's stated policy on Equal Opportunities recognises the diversity of individuals and has procedures in place to ensure that recruitment and promotion recognises such diversity and is not biased by any consideration of age, gender, disability, colour, racial origin, religion or sexual orientation. We provide employees with reasonable conditions of employment and career prospects.

Employees receive regular and relevant communication via the Company's intranet site *Spotlight* and staff briefings regarding operational issues and trading performance and, where appropriate, the views of employees are sought in guiding business practices and strategy.

EXECUTIVE MANAGEMENT TEAM

The Executive Management Team members are the first line of support for the Board and their combined experience and backgrounds assist us in delivering the Group's strategy and maximising stakeholder value. They are a key part of the succession plan for the Group and their training and development needs are reviewed regularly to ensure that the talent pool is developed and retained.

Details of the Executive Management Team can be found on the Group's website, www.pinewoodgroup.com/about-us/management-team.

HEALTH AND SAFETY

The Company is committed to maintaining a safe working environment and monitoring its already high standards of health and safety, acknowledging its responsibilities under the Health and Safety at Work Act 1974 and subordinate regulations.

The Company places the safety of all persons in high regard and has a detailed policy that clearly details each employee's responsibilities. With the continued high levels of business and the Company's expansion, the Health, Safety and Fire Team remain focused on raising the profile of Health and Safety both within the business and with our clients. The Group Health, Safety and Fire Team are always available to provide advice supplemented by information on the Company's intranet, *Spotlight*, which is accessible to all staff and clients. There has been a very slight increase in the number of minor staff accidents with no reportable injuries under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR").

MT Rainey, Non-Executive Director, had Board accountability during the year for Health and Safety issues, supported by Nicholas Smith, Commercial Director and the Executive Management Team. The Board monitors relevant Health and Safety issues each month.

ENVIRONMENTAL

The Group's environmental policy seeks to minimise any adverse impact that the Group's business activities may have on the environment, to ensure we are compliant with the increasing number of regulatory requirements, to reduce CO_2 emissions and to continuously improve the environmental performance of the Group.

This policy has been endorsed by the Environment Agency who, following a recent visit to Pinewood, commented that the efforts being made were a 'truly international success'.

Key to this success has been the holistic approach taken to all environmental issues including reducing waste, the promotion of travel plans and energy management to reduce CO_2 emissions.

Close co-operative working not only between the different departments within the Company, but with the tenants, productions and the selected partner companies has also helped to achieve this goal.

Recycling

The Company continues to recycle as much domestic waste as possible and diverts any non-recyclable waste from landfill to local Energy from Waste (EfW) facilities where it is incinerated to generate electricity for use in the neighbouring areas.

New operational procedures now ensure that any 'trade' waste generated by the Studios is segregated to improve recycling rates, deliver further cost savings and generate recycling rebates. This system also allows for the re-use of unwanted materials, furniture and equipment or for it to be donated to local charities and organisations.

A regular audit of the Studios' waste enables its source to be identified and for it to be categorised and weighed to provide valuable information as to where and how the volumes can be further reduced.

CORPORATE REVIEW
continued

Travel Plan
Travel Plan measures continue to be promoted to staff, tenants and productions to further reduce the number of vehicles arriving at the Studios, to cut the associated CO_2 emissions and to encourage sustainable travel options and meet our targets for PSDF.

An independent travel survey has shown that the number of Single Occupancy Vehicles (SOV) arriving at the studio on the date of the survey constituted just 57% of all the journeys made. This is the lowest recorded rate since the first survey in 2011 when the SOV figure was at 65%.

Some of the travel initiatives include participation in the Cycle to Work scheme, provision of cycle shelters, travel information points, travel surveys, video conferencing facilities and the installation of electric car charging points. The Guaranteed Lift Home Policy and a Season Ticket Loan Scheme are also used to encourage staff to choose more sustainable modes of transport.

The two hybrid pool cars that are available when making business journeys also help to reduce CO_2 emissions and, as they are centrally booked, this encourages members of staff to share journeys with their colleagues.

The shuttle bus services provided to and from local railway stations for anyone arriving at the Studios, have the greatest impact on reducing the number of car journeys and the associated CO_2 emissions. In 2015 approximately 115,000 passenger journeys were made across the Group, which was the highest figure since the service began in 2008.

The addition of a new shuttle service to and from Gerrard's Cross in 2015 has assisted with the growth in passenger figures and is now becoming a well-established service.

In total approximately 678,000 passenger journeys have been made on the shuttle buses since 2008, when they first became operational.

Energy
The Group's absolute (or total) CO_2 emissions for 2015/16 were 4% lower than those in 2014/15 and 13% below those from the baseline year of 2010/11.

The 2015/16 benchmark CO_2 figure shows a reduction of 34% when compared to the Company's baseline CO_2 figure of 2010/11.

The significant reductions in CO_2 figures are achieved by the continuing investment and focus on the Group's energy saving measures and procedures identified by the Carbon Management Group. The Group consists of representatives from various Departments to identify and implement initiatives to reduce CO_2 emissions and energy consumption including:

- the conversion of Pinewood from gas oil to gas;
- replacing existing gas oil boilers with more energy-efficient gas fired models;
- measuring and monitoring of energy consumption;
- management of Building Management Systems (BMS);
- the identification of unnecessary energy consumption;
- extending the use of the Automated Meter Reading (AMR) system; and
- the installation of energy-efficient motors, devices and systems wherever possible, including stage lighting and boiler controls.

Compliance schemes
The Company has to participate in the Government's Carbon Reduction Commitment Energy Efficiency Scheme (CRC), which aims to cut CO_2 emissions by reducing energy consumption. An 'Allowance' must be purchased from the Department of Energy and Climate Change (DECC) for every qualifying tonne of CO_2 emitted by the Group.

The Group must now also comply with additional mandatory schemes including the Energy Saving Opportunities Scheme (ESOS) that requires energy audits to be carried out every four years, Minimum Energy Performance Standards (MEPS) that sets minimum standards for a building's energy efficiency and the Heat Network (Metering and Billing) Regulations 2014 that requires specific heating systems to be identified and reported. In addition to the reporting element this scheme also requires that heat meters are installed in specified locations to assist with the monitoring of energy use.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board views effective risk management as a primary part of the Group's wider strategy and is fully committed to the identification, evaluation and management of significant risks facing the Group. The table below outlines the key risks and uncertainties identified by the Board, together with an outline of mitigation activities.

1. General risks

RISK	DESCRIPTION	MITIGATION
IMPORTANCE OF KEY CUSTOMERS AND BIG BUDGET FILMS	The Group's largest customers account for a high percentage of revenues. If 'big budget' filmmakers cease to choose the Group's facilities, or if Pinewood's key customer base experiences financial difficulties, this could reduce revenues.	The Group maintains strong, long-standing relationships through consistent levels of service and retention of employees to offer continuity. The Group continues to diversify its revenues through the development of its strategy and demand for the Group's facilities continues to exceed supply. In addition, strong relationships are maintained with key industry decision-makers at Government level to continue to highlight the importance of the tax credit regime.
COMPETITION	The Group competes in an international marketplace and film producers are able to choose from a number of studios worldwide. Were other existing studios to invest significantly, or new studios to be successfully established either in the UK or elsewhere, this may have a material adverse effect on the Group's market share, reduce its bargaining power in commercial negotiations, and threaten profitability due to ongoing operational costs being largely fixed in nature.	The Directors believe that the Group has significant competitive advantage in its market. The Group continues to invest both in the UK and overseas to ensure that the expectations and demand from the industry are met. This includes investment in the PSDF and also further investment in foreign studio operations such as Pinewood Atlanta Studios via a joint venture with River's Rock LLC.
INDUSTRIAL ACTION	Members of the various trade guilds/unions work on a high proportion of UK inward investment films. Industrial action could impact on the production of films and television programmes at the Group's studio facilities and, consequently, could have a material impact on the Group's business.	The Group maintains strong, long-standing relationships with members of guilds and unions.
LOSS OF REPUTATION	The Group provides services to the worldwide film and television industries which requires a strong reputation. Damage to that reputation could have an adverse effect on the Group.	The Directors and Executive Management team maintain strong relationships and open lines of communication with customers and international partners, and consider the risks pertaining to such partners before entering into any significant commercial arrangements. The Group invests in and adapts all key sites to maintain high levels of security, and continues to focus closely on safeguarding confidentiality.

PRINCIPAL RISKS AND UNCERTAINTIES
continued

1. General risks continued

RISK	DESCRIPTION	MITIGATION
EXIT FROM THE EUROPEAN UNION ("EU")	The decision to exit from the EU may have a limited impact on demand for the Group's facilities.	The Group's exposure to a UK exit from the EU is largely mitigated as its most significant customers are US-based. The Group also has a significant presence in a number of overseas markets.
RISK OF PANDEMICS, ACTS OF TERRORISM AND NATURAL DISASTERS	Diseases, terrorist threats and natural disasters may reduce the appeal to customers of travel and may impact local operational capability.	With UK-based studios and operational partners in a number of international locations the Group consider that the availability of location options would reduce the risk in this area.

2. Financial risks

RISK	DESCRIPTION	MITIGATION
FISCAL INCENTIVES	Changes to the UK's film, animation, video games and high-end television tax incentives or an increase of incentives in overseas jurisdictions could damage the attractiveness of the UK as a destination for film making.	Reasoned, evidence-based arguments continue to be put forward to the Government highlighting the cultural and economic contribution that screen-based industries make to the UK economy.
EXCHANGE RATES	The majority of international film and high-end television clients are in the US and an adverse movement in currency exchange rates may result in a reduction in the Group's competitive edge versus other European or international locations.	The Group assesses the need for a formal foreign exchange hedging strategy on an annual basis. The risk is mitigated in part by the Group's strategy to invest in international sites. The Group also holds funds in foreign currencies in international bank accounts which can be used for operational purposes as required.
TREASURY	Risks exist in a number of areas including credit risk, liquidity risk, interest rate risk and market risk.	These are discussed in detail in Note 29 to the Annual Report.

3. Operational risks

RISK	DESCRIPTION	MITIGATION
PINEWOOD STUDIOS DEVELOPMENT FRAMEWORK ("PSDF")	The construction of Phase One of the PSDF is dependent on the performance of third party contractors and may suffer delays or may fail to achieve expected results.	A leading construction company has been appointed on a fixed price contract, with the necessary scale and credentials to undertake this project. The Group has engaged experienced project managers within the business to monitor the progress of the construction. As at 31 March 2016 the project was nearing completion with the five sound stage structures in place and being internally fitted out. The site has become operational.

3. Operational risks continued

RISK	DESCRIPTION	MITIGATION
BUSINESS CONTINUITY AND DISASTER RECOVERY	A major incident such as a fire or an explosion could put people and/or the sites of operation at risk, result in a loss of revenue and damage the Group's reputation. In addition, given the profile of the business and its operations, there is a risk that its sites of operation or information technology systems could be subject to cyber-attack or acts of terrorism. If these occur, there is no guarantee that trading will not suffer in the short or medium term.	A dedicated Health, Safety and Fire Team carries out regular risk evaluation. Further details can be found in the Corporate Responsibility section of the Annual Report. A Business Continuity Team is also in place to ensure that the operational business continues as far as possible in the event of a major incident. The Group has an insurance portfolio, which looks to mitigate potential incidents described. It also invests in information technology and monitors the adequacy of its applications in use on an ongoing basis.
ENVIRONMENTAL	While the Directors believe that the Group currently complies with applicable environmental laws and regulations, any future changes or developments in environmental regulation may adversely affect its operations, results or financial condition. A number of buildings at Pinewood Studios and Shepperton Studios are many decades old and contain asbestos. If an accident or other unanticipated event were to result in any asbestos becoming exposed at either studio, there is a risk that filming could be interrupted or otherwise affected.	Details of the Group's environmental policy are included on pages 25–26 of this report. The Group has a health and safety process for dealing with any asbestos that becomes exposed and, in accordance with health and safety legislation, engages the services of a specialist asbestos remover if required. All productions on site are required to have public liability insurance in place prior to accessing any facilities.
ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL	The Group relies on the continued services and performance of the Executive Directors. The Directors place considerable importance on attracting and retaining top quality personnel and acknowledge that competition for such personnel in the industry and wider market is intense.	The Executive Directors are subject to service agreements with notice periods commensurate to their level of seniority. The Group has a Remuneration Committee which reviews compensation packages against market comparable data to ensure a competitive offering.
RISING ENERGY PRICES	There is a general climate of increasing prices for all forms of energy.	The Group engages energy consultants who monitor, and provide advice on the energy markets. The Group has also invested in an energy efficient replacement equipment programme and an Automated Meter Reading system to measure and monitor energy consumption.

By order of the Board,

Ivan Dunleavy
Chief Executive

10 July 2016

CORPORATE GOVERNANCE STATEMENT

The Company is not required to comply with the UK Corporate Governance Code ("the Code") as it is listed on the AIM operated by the London Stock Exchange. The Company has not elected to voluntarily adopt the Code, however it is committed to high standards of corporate governance and has adopted procedures to institute good governance where practical and appropriate for an organisation of its size and complexity. The information included in this report is designed to illustrate the Company's commitment to an appropriate governance framework and is not a statement of compliance with the Code.

MEMBERSHIP OF THE BOARD

As at 31 March 2016, the Board comprised of the Non-Executive Chairman, Lord Grade of Yarmouth; four Executive Directors: Ivan Dunleavy (Chief Executive), Nicholas Smith, Andrew M. Smith, and Christopher Naisby; and three Non-Executive Directors: Ruth Prior (Senior Independent Director), MT Rainey and Steven Underwood.

Further details of the Board members, including details of appointments and resignations that have occurred subsequent to the year end, can be found on page 34 of the Annual Report.

ROLE AND RESPONSIBILITY OF THE BOARD

The Board is responsible for determining corporate strategy, treasury policy, approval of capital expenditure projects in excess of £75,000, dividend policy, interim and annual financial statements, all regulatory communications required by the Group and appointments to the Board. The Board continues to maintain and, where it considers necessary, enhance the financial disciplines across the Group.

In advance of the monthly Board meeting, the Board members are provided with comprehensive historic and forward-looking financial and operational information, to support their understanding of the business and related strategic and operational issues, and to enable them to fulfil their responsibilities accordingly. Where there are specific items that require Board approval additional reports and supporting information is circulated. Directors are provided with regular access to the Company Secretary and to the Executive Management Team to facilitate their understanding of significant operational issues and assessment of the Group's prospects, including the ongoing consideration of succession planning. This also ensures that the Directors can make further enquiries on financial, operational and strategic matters as and when required. There are also procedures in place to enable Board members to take independent professional advice as necessary.

INDEPENDENCE OF DIRECTORS

Steven Underwood is an executive of the Peel Group which held 39.09% of the Company's issued share capital as at 31 March 2016 and as such is not deemed to be independent under the Code.

The Board is of the view that all of the Non-Executive Directors contributed significantly to the Group's strategic direction over the year, and that their level of experience made a significant and valuable contribution to the Board.

On 5 May 2015, Dr. Catherine Raines and MT Rainey were appointed to the Board, joining Ruth Prior as Independent Non-Executive Directors. Dr. Catherine Raines subsequently resigned on 13 August 2015 to take up a position as Chief Executive, UKTI.

The terms and conditions of appointment of the Non-Executive Directors are available for inspection upon request from the Company Secretary.

CONFLICTS OF INTEREST

In accordance with Section 175 of the Companies Act 2006, procedures have been put into place for the disclosure by Directors of potential and/or actual conflicts of interest and these have been operated effectively. Each potential and/or actual conflict is disclosed as it arises and is considered by an appropriate quorum of Directors. Directors leave a Board meeting when matters relating to them, or which may constitute a conflict of interest, are being discussed.

For the year ended 31 March 2016 the Group had in place a share dealing code for dealings in shares by Directors and senior employees which is appropriate for an AIM-listed company. Following the end of the financial year (on 3 July 2016), the new Regulation (EU) NO. 596/2014 ("MAR") on market abuse and insider dealing came into force and the Company has updated its policies accordingly. The Directors comply with Rule 21 of the AIM Rules for Companies and Article 19 of MAR relating to their dealings and take all reasonable steps to ensure compliance by the Group's applicable employees.

MEETINGS OF DIRECTORS

The following table sets out attendance of the Directors at the Board and Committee meetings during the year ended 31 March 2016:

	Board Meetings	Additional Board meetings/calls	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Number of meetings	***10***	***7***	***3***	***4***	***4***
Chairman					
Lord Grade of Yarmouth	10	6	–	4	2
Executive Directors					
Ivan Dunleavy	10	6	–	–	–
Nicholas Smith	10	4	–	–	–
Andrew M. Smith	10	6	–	–	–
Christopher Naisby	10	7	–	–	–
Steven Christian	1	–	–	–	–
Non-Executive Directors					
Ruth Prior	10	6	3	2	4
Steven Underwood	10	5	3	4	4
MT Rainey	9	3	–	4	4
Dr. Catherine Raines	3	–	–	–	–

Executive Directors maintain regular and structured dialogue with major shareholders via direct scheduled meetings. In addition, the Chairman is available to meet significant shareholders, as required.

CORPORATE GOVERNANCE STATEMENT
continued

BOARD COMMITTEES

The Board has established three Committees: Audit, Nomination and Remuneration. The Chairman and members of these Committees are appointed by the Board following consultation with the appropriate Committee's chairperson.

The terms of reference of the Audit, Nomination and Remuneration Committees are contained in the 'Corporate Governance' sub-section of the Company's Investor Relations website at www.pinewoodgroup.com/investor-relations/board-directors/corporate-governance. Further details of the Committees are set out below.

Audit Committee

Ruth Prior, Chairperson
Steven Underwood

The Audit Committee reports to the full Board of the Company and is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and the Group's internal control and risk management systems, including consideration of the need for an internal audit function;
- making recommendations to the Board for a resolution to be put to the shareholders for their approval in general meetings on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor; and
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process and implementing a policy on the engagement of the external auditor to supply non-audit services as described further below.

The Group's external auditors meet directly with the Audit Committee in advance of full year and interim results and on other occasions as required.

The Audit Committee also reviews the effectiveness of the internal and external audit process including the issue of auditor independence.

Nomination Committee

Lord Grade of Yarmouth, Chairman
Ruth Prior
Steven Underwood
Dr. Catherine Raines (appointed to Committee on 29 June 2015, resigned 13 August 2015)
MT Rainey (appointed to Committee on 29 June 2015)

The Nomination Committee's nomination duties are to make recommendations to the Board on all proposed appointments of Directors, to review succession plans for the Group and to review Board effectiveness.

Remuneration Committee

Steven Underwood, Chairman (stood down as Chairman on 29 June 2015)
Lord Grade of Yarmouth
Ruth Prior (stood down from Committee on 29 June 2015 and reappointed on 28 September 2015)
MT Rainey (appointed to Committee as Chairperson on 29 June 2015)

A detailed report on the Remuneration Committee's activities is contained within the Directors' remuneration report.

INTERNAL CONTROL

The Board acknowledges that it is responsible for the Group's system of internal control and has reviewed its effectiveness over the year. The Audit Committee has reviewed the effectiveness of the internal control systems and has found the systems to be effective. The internal control systems implemented at the Company for the year under review, and continuing, is structured in order that the Group's risks are effectively identified, evaluated and managed to provide reasonable, but not absolute, reassurance that there is no material misstatement or loss.

The main elements of the Group's internal control system, including risk identification, are as follows:

Board
The Board of Directors is ultimately responsible for internal control procedures with an organisational structure that supports clearly defined authority levels. The primary responsibility for the operation of the internal control systems lies with the Executive Directors and the Executive Management Team. Board meetings include consideration of strategic, financial, operational and compliance issues which are endorsed through assessment by the Audit Committee of the effectiveness of the internal, financial and operating control environment.

Operating company controls
The identification and mitigation of major business risks is the responsibility of the Executive Directors and Executive Management Team who have ongoing operational responsibility. A part of this remit includes the maintenance and regular review of procedures to identify and mitigate potential areas of risk supported by the Group's in-house Legal Counsel in addition to external adviser guidance. This process and review also ensures that procedures comply with Group policies and guidelines.

Authorisation procedures
The authorisation procedures in respect of matters such as purchase commitments, capital expenditure, investment limits and treasury transactions are defined within the Group.

Insurance
The Company has granted an indemnity to all its Directors against liability brought by third parties, subject to the conditions set out in the Companies Act 2006. The continuing adequacy of insurance cover for the Group is evaluated on an annual basis and the Board have concluded that the insurance cover for the Group is currently adequate.

Financial reporting
In advance of each financial year, the Board approves a comprehensive budget incorporating a detailed appraisal of underlying assumptions and business risks. The Board is provided with financial information on a monthly basis detailing historical and forecast results against budget and prior year, incorporating monthly and year to date trading results, statement of financial position and summary notes, cash flow statement, capital expenditure, levels of indebtedness and covenant compliance. In addition, monthly Board meetings include an appraisal of current forecasts, treasury policy, financial resources, borrowing facilities and hedging strategy. The Executive Management Team is also provided with key financial data on a monthly basis to assess performance against budgets and provide explanations on the results to the Board.

Treasury management
The treasury function is managed in accordance with guidance approved by the Board and procedures are regularly reviewed to ensure that they remain suitable. Appropriate segregation of duties is in place and significant transactions are authorised by the Board. Financial reports and analysis are provided to the Board on a monthly basis as noted in 'Financial reporting' above.

Shareholder communication
The Company maintains a communication strategy with its shareholders. The Company also communicates regularly with the employees of the Group. All Company announcements are posted on the investor relations website, www.pinewoodgroup.com/investor-relations, as they are released. This website also includes historic financial and share price information, as well as a link to 'About us' which provides information on the Group.

Additionally, the Annual General Meeting to be held this year on 26 September 2016 will provide shareholders with a further opportunity to meet and question the Company's Board, and to review the results and business during the year ended 31 March 2016.

By order of the Board,

Andrew M. Smith
Company Secretary

10 July 2016

BOARD OF DIRECTORS

NON-EXECUTIVE CHAIRMAN

Lord Grade of Yarmouth, CBE ‡ψ (73)
began his career as a sports journalist. Previous positions include Chief Executive of Channel 4, Chairman and Chief Executive of First Leisure plc and Chairman of the Governors of the BBC and Chairman and Chief Executive of ITV plc and Chairman of Ocado plc. He is a Director of National Angels Ltd and GradeLinnit Ltd. Lord Grade has been Chairman of Pinewood Group plc since February 2000. He was created a Life Peer in 2011.

EXECUTIVE DIRECTORS

Ivan Dunleavy, Chief Executive (56)
has spent his career in media businesses initially in finance roles. Prior to his current role he was Chief Executive of VCI plc. He is also a Director of the industry trade body, UK Screen Association Limited and is a Director of Creative Skillset (the sector skills council for the UK creative industries). He is also a member of the British Film Commission's Business Group and British Screen Advisory Council.

Nicholas Smith, Commercial Director (54)
joined the Company in May 2002 having previously held Sales and Marketing roles with media companies including London Weekend Television and United News and Media. He was appointed to the Pinewood Board in July 2005. Subsequently as part of the management team involved in establishing Pinewood Malaysia Studios, Nick was invited to join the Board of Iskandar Malaysia Studios as a Non-Executive Director in February 2012. Nick has also served as a Director of the Production Guild of Great Britain and is currently on the Advisory Board of the EUFCN (European Film Commission Network).

Andrew M. Smith, Corporate Affairs Director and Company Secretary (54)
joined the Company in June 2008 as Group Director Corporate Affairs. He was appointed Company Secretary in December 2010 and was appointed to the Board in May 2012. Prior to this he was Managing Partner of The Policy Partnership. He is a member of the Film Skills Council, the British Film Commission Advisory Board, and Chairman of the Buckinghamshire Thames Valley Local Enterprise Partnership. He is a Non-Executive Director of Bucks Business First Ltd.

Christopher Naisby, FCCA, Finance Director (44)
joined the Company in 2001 having previously held a number of positions in the Finance teams of construction and media companies, including Reed Elsevier. Christopher was appointed to the Board of Pinewood Group plc in September 2013.

NON-EXECUTIVE DIRECTORS

Ruth Prior, *‡ψ (48)
is currently Deputy Chief Financial Officer at Worldpay. Prior to her current role, she was Group Chief Operating Officer and Group Chief Financial Officer of the EMI group of companies (2010–2012) and Finance Director of Portfolio Business at Terra Firma Capital Partners Limited (2002–2010). She was appointed to the Board of Pinewood Group plc in 2012.

Steven Underwood, ACA *‡ψ (42)
joined the Board of the Peel Group as Corporate Development Director in March 2007 and was promoted to Chief Executive in April 2012. He previously spent eight years in Investment Banking with Rothschild. He represents the Peel Group on the Boards of a number of its investee companies.

On 5 May 2015, two new Independent Non-Executive Directors were appointed.

Mary Teresa ("MT") Rainey, ψ‡ (60)
is currently Chair of leading Digital Strategy Agency Th_nk Ltd, a position she has held since 2008. She is also a Non-Executive Director of Channel 4 and Vice Chair of Creative Skillset (the sector skills council for the UK creative industries). In addition, Ms Rainey is the founder of Horsesmouth.co.uk, a social enterprise for online mentoring. Prior to this portfolio of roles, Ms Rainey had a long career in advertising both in the UK and the US. In 1993, she founded the advertising agency Rainey Kelly Campbell Roalfe, which she grew to being a top 20 agency before it was sold to Y&R, a subsidiary of WPP plc, and it was then built to being one of the top five agencies in the UK where it now remains. Previous non-executive directorships held by Ms Rainey include WH Smith plc and STV Group plc.

Dr. Catherine Raines, (53)
joined the Board on 5 May 2015 and resigned on 13 August 2015 to take up a position as Chief Executive, UKTI.

* Member of the Audit Committee
‡ Member of the Remuneration Committee
ψ Member of the Nomination Committee

Aerial of Pinewood Atlanta Studios
(June 2016) © Pinewood Atlanta LLC

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 March 2016.

An indication of likely future developments in the business of the Company is included within the Strategic Report.

Information about the use of financial instruments by the Company is given in Note 29 to the financial statements.

RESULT AND DIVIDENDS

Profit for the year ended 31 March 2016 was £8.1m (year ended 31 March 2015: £8.1m).

The Directors recommend a final dividend of 3.2p per ordinary share in respect of the year ended 31 March 2016 (year ended 31 March 2015: 2.8p) for approval at the Annual General Meeting which together with the interim dividend of 0.8p (year ended 31 March 2015: 0.7p) makes a total dividend for the year of 4.0p (year ended 31 March 2015: 3.5p).

DIRECTORS AND THEIR INTERESTS

The Directors who served throughout the year, except as noted, and their interests in the share capital of the Company as at 31 March 2015, 31 March 2016 and 7 July 2016 were as follows:

	Number of ordinary shares at 31 March 2015	**Number of ordinary shares at 31 March 2016**	Number of ordinary shares at 7 July 2016
Lord Grade of Yarmouth, CBE	17,500	**17,500**	17,500
Ivan Dunleavy	–	**177,884**	177,884
Nicholas Smith	–	**89,131**	89,131
Andrew M. Smith	–	**19,376**	19,376
Christopher Naisby	–	**19,376**	19,376
Steven Christian (resigned 5 May 2015)	10,000	**–**	–
Ruth Prior	–	**–**	–
Steven Underwood	–	**–**	–
Neil Lees (resigned 17 April 2015)	–	**–**	–
Thomas Allison (resigned 17 April 2015)	8,000	**–**	–
MT Rainey (appointed 5 May 2015)	–	**–**	–
Dr. Catherine Raines (appointed 5 May 2015, resigned 13 August 2015)	–	**–**	–

At the forthcoming Annual General Meeting to be held on 26 September 2016, Ivan Dunleavy and Ruth Prior will retire by rotation and, being eligible, will offer themselves for re-election.

SUBSTANTIAL SHAREHOLDINGS

Beneficial interests amounting to 3% or more of the issued share capital of the Company, as notified to the Company, as at 31 March 2016 and at 7 July 2016 are as follows:

	7 July 2016		31 March 2016	
	Number of ordinary 10p shares	Percentage of issued ordinary share capital	Number of ordinary 10p shares	Percentage of issued ordinary share capital
Goodweather Investment Management Limited	22,443,396	39.09%	22,443,396	39.09%
Warren James Holdings Limited ("Warren James")	14,983,990	26.10%	14,983,990	26.10%
Treasury, a Department of the Isle of Man Government	2,052,255	3.57%	2,052,255	3.57%
Aviva Investors	8,114,364	14.13%	7,513,544	13.09%
Crystal Amber Advisers	3,246,500	5.65%	3,646,500	6.35%
James Sharp & Co	1,801,359	3.14%	1,856,559	3.23%

No holder of shares in the Company has any special rights with regard to control of the Company and all issued shares are fully paid.

Save as set out below, there are no agreements known to the Company between holders of shares in the Company which may result in restrictions on the transfer of shares or on voting rights in relation to the Company.

The undertakings given by Peel Holdings Land and Property Group Limited on behalf of Goodweather Investment Management Limited and Warren James to the Company and N+1 Singer in connection with the cancellation of the listing of the Company's shares on the Official List and the removal of such shares from trading on the main market of the London Stock Exchange and the admission of the shares to trading on AIM on 23 July 2012 were terminated on Admission of the new ordinary shares on 17 April 2015.

The Company, N+1 Singer, Peel Holdings (IOM) Limited ("Peel Holdings (IOM)") and Peel Holdings Land and Property Group Limited (both of which companies are members of the Peel Group) entered into a new agreement, the Peel Relationship Agreement with the Company. N+1 Singer and Warren James entered into the Warren James Relationship Agreement, upon Admission of the new ordinary shares.

PEEL RELATIONSHIP AGREEMENT

The Peel Relationship Agreement regulates certain aspects of the continuing relationship between the Group and the Peel Group to ensure that the Group is capable at all times of carrying on its business independently of the Peel Group and that any future transactions between the Group and the Peel Group are on an arm's length basis. The Peel Relationship Agreement also provides that there should always be a majority of Directors on the Board, and on any Committee of the Board, who are independent of the Company's shareholders.

The Peel Relationship Agreement provided that the Peel Group would not acquire ordinary shares for one year from Admission (i.e. from 17 April 2015), irrespective of whether the Peel Relationship Agreement terminated prior to that date.

The Company has undertaken to the Peel Group that (i) it will not without the consent of Peel Holdings (IOM) create a new class of security, alter the rights attaching to the Company's ordinary shares, grant any options to subscribe for new ordinary shares or allot or issue any shares for non-cash consideration; and (ii) it will enforce the terms of the Warren James Relationship Agreement.

The Peel Relationship Agreement terminates on the date upon which the ordinary shares are no longer admitted to trading on AIM, the Main Market or any other recognised investment exchange or any other regulated or prescribed market or, if earlier, the later of the date upon which (i) the Peel Group ceases to hold 25% or more of the ordinary shares; and (ii) the Peel Group ceases to have a representative Director on the Board.

DIRECTORS' REPORT
continued

WARREN JAMES RELATIONSHIP AGREEMENT

The Warren James Relationship Agreement regulates certain aspects of the continuing relationship between the Group and the Warren James Group to ensure that the Group is capable at all times of carrying on its business independently of Warren James and that any future transactions between the Group and the Warren James Group are on an arm's length basis. The Warren James Relationship Agreement also provides that there should always be a majority of Directors on the Board, and on any Committee of the Board, who are independent of the Company's shareholders.

The Warren James Relationship Agreement provides that the Warren James Group will not acquire shares in the Company for one year from Admission (i.e. from 17 April 2015), irrespective of whether the Warren James Relationship Agreement terminates prior to that date. This restriction is subject to certain exceptions, including for acquisitions made pursuant to a general offer or scheme of arrangement or to maintain an aggregate holding of no less than 25.1% of the Company's issued share capital or at any time with N+1 Singer's consent.

The Company has undertaken to the Warren James Group that (i) it will not without Warren James' consent, as the case may be, create a new class of security, alter the rights attaching to the ordinary shares, grant any options to subscribe for new ordinary shares or allot or issue any shares for non-cash consideration; and (ii) it will enforce the terms of the Peel Relationship Agreement.

The Warren James Relationship Agreement terminates on the date upon which the Company's ordinary shares are no longer admitted to trading either on AIM, the Main Market or any other recognised investment exchange or any other regulated or prescribed market or, if earlier, the date upon which the Warren James group ceases to hold 25% or more of the ordinary shares.

GOING CONCERN

As outlined within the Strategic Report on page 21 the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements, as there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 34.

Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that at the date of approval of this Annual Report:

(1) so far as they are aware, there is no relevant information of which the Group's auditors are unaware; and

(2) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

Andrew M. Smith
Company Secretary

10 July 2016

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee ("the Committee") to advise it on appropriate policies and procedures in determining suitable remuneration packages for Executive Directors and senior management.

The Committee's responsibilities include the monitoring, review and recommendation to the Board on the Group's broad policy for the remuneration of all Executive Directors and to determine, and thereafter review at least annually, the remuneration packages of all Executive Directors including basic salary, pension arrangements and annual and long-term incentives and, as appropriate, make recommendations in respect of other senior management. In addition, the Committee reviews the corporate targets and objectives relating to the Executive Directors' compensation including an evaluation of their performance.

GENERAL POLICY

The Group's remuneration policy is to provide remuneration packages to Executive Directors and senior management which align their interests to those of shareholders whilst retaining appropriate flexibility to cater for potential future changes in remuneration policy best practice and the environment in which the Group operates. Group policy aims to provide competitive rewards based on the achievement of recognised short-term and long-term performance based targets, recognising that the value of awards to Executive Directors and employees should be commensurate with individual responsibilities within the Group.

The Committee has concluded following a review of the implementation of the policy and the positioning of the current levels of remuneration that the remuneration policy remains valid for 2016 and that no changes are required to its implementation.

COMPONENTS OF THE EXECUTIVE DIRECTORS' REMUNERATION

The key components of the Executive Directors' remuneration are:

Basic salary and benefits in kind

The basic salary for each Executive Director reflects the Committee's assessment of performance, responsibilities and market value for comparable positions.

Benefits in kind include provision of a car allowance, pension, medical and life insurance and permanent health insurance.

Annual bonus

The Executive Directors participate in an annual bonus scheme, which is linked to the achievement of annual financial targets set by the Committee, based on the Group's budget approved prior to the commencement of the financial year.

Long-Term Incentive Plan ("LTIP")

The Executive Directors, and certain members of the Executive Management Team, participate in an LTIP scheme where contributions will be made by the Company to the scheme over a five-year period, commencing 1 April 2012, providing the target EBITDA (earnings before interest, tax, depreciation and amortisation) is achieved in each of the relevant years.

The first payment from the LTIP to Executive Directors was made on 31 March 2015 and comprised the cumulative award of the first three years of the scheme which exceeded the scheme EBITDA milestone.

In the event that each of the EBITDA milestones is achieved the value of the LTIP scheme at the end of the fifth year would be £5m. However, the scheme contains provisions should the milestone be exceeded to increase the value up to a maximum of £6m.

Pension arrangements

For Executive Directors only basic salary is pensionable. All Executive Directors are eligible to become members of the personal pension plan arranged by the Group which is a defined contribution scheme.

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

The Executive Directors have rolling Service Agreements that are subject to 12 months' notice which the Committee regards as appropriate in the event of termination of an Executive Director's Service Agreement. The Service Agreements of the Executive Directors (other than for Nicholas Smith) specify the compensation which must be paid to the Executive Director where the Company terminates the agreement either without notice or without cause, which is limited to salary and benefits payable during the Executive Director's notice period (salary only in the case of Andrew M. Smith and Christopher Naisby). The Service Agreement of Nicholas Smith provides that the Company may opt to terminate the agreement with notice or a payment in lieu of notice, and provides for inherent mitigation.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' REMUNERATION

The Chairman is appointed for an initial term of one year and thereafter on a rolling basis with notice to terminate of six months (or immediately by the Company in certain circumstances such as breach of terms).

Independent Non-Executive Directors are appointed for an initial term of three years unless terminated earlier by, and at the discretion of, either party upon one month's written notice subject to retirement by rotation with immediate right of termination by the Company in specific circumstances including breach of terms.

Non-Executive Directors appointed under the agreement with Peel Acquisitions (as outlined below) are appointed for a rolling term of 12 months subject to normal provisions of appointment at the Company's first Annual General Meeting following their appointment and retirement by rotation with immediate right of termination by the Company in specific circumstances including breach of terms.

Retirements by rotation are noted in the Directors' report. The appointment and reappointment of the Chairman and Non-Executive Directors are matters reserved for the full Board.

The fees of the Chairman and Independent Non-Executive Directors are determined by the Remuneration Committee reflecting market practice, levels of service, together with their contribution of time and expertise in support of the Group and are reviewed annually. The Chairman and Independent Non-Executive Directors are not eligible for pension scheme membership (other than under statutory obligations) and do not participate in any of the Group's bonus or LTIP.

Non-Executive Directors appointed under the agreement with Peel Acquisitions are not entitled to receive any fees.

Agreement with Peel Acquisitions

The Company entered into an agreement with Peel Acquisitions pursuant to which Peel Acquisitions has agreed to supply the Company with Non-Executive Directors. As consideration for the supply of the Non-Executive Directors, the Company has agreed to pay a fee of £40,000 per annum for each Non-Executive Director that is supplied (exclusive of VAT where applicable). Either party may terminate the agreement by giving three months' prior written notice. In the prior year ended 31 March 2015, Peel Acquisitions provided three Non-Executive Directors, namely Steven Underwood, Thomas Allison and Neil Lees. During the year, Thomas Allison and Neil Lees have since resigned, on 17 April 2015.

DIRECTORS' REMUNERATION REPORT
continued

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 MARCH 2016

	Year ended 31 March 2016						Year ended 31 March 2015
	Basic salary and fees £	Benefits in kind £	Annual Bonus £	LTIP £	Pension contributions £	Total remuneration £	Total remuneration £
Chairman							
Lord Grade of Yarmouth	**105,000**	**nil**	**nil**	**nil**	**nil**	**105,000**	105,000
Executive Directors							
Ivan Dunleavy	**369,617**	**19,898**	**122,225**	**624,350**	**46,189**	**1,182,279**	1,834,514
Nicholas Smith	**246,069**	**13,655**	**81,370**	**435,153**	**36,910**	**813,157**	1,048,549
Andrew M Smith	**153,793**	**9,514**	**50,856**	**141,898**	**23,069**	**379,130**	477,651
Christopher Naisby	**180,346**	**4,265**	**59,637**	**141,898**	**18,936**	**405,082**	355,110
Steve Christian*	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	177,097
Non-Executive Directors							
Ruth Prior	**42,000**	**504**	**nil**	**nil**	**2,100**	**44,604**	44,688
Steven Underwood**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
Neil Lees**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
Thomas Allison**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
MT Rainey	**36,667**	**400**	**nil**	**nil**	**1,333**	**38,400**	nil
Dr. Catherine Raines	**10,923**	**91**	**nil**	**nil**	**nil**	**11,014**	nil

The table above discloses amounts on an accrued basis.

* The Group had a consultancy agreement with Gasworks Media Limited, a company incorporated in the Isle of Man, whose sole shareholder, Steve Christian, was also an Executive Director of the Group during the year until 5 May 2015. The total value of the transactions, including reimbursement of expenses, during the period until 5 May 2015 was £26,000 (31 March 2015: £384,000). See Note 28 for further details.

** Non-Executive Directors provided under the agreement with Peel Acquisitions do not receive remuneration.

On behalf of the Board,

MT Rainey
Chairman of the Remuneration Committee

10 July 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the Company for that period.

In preparing the parent Company 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

DIRECTORS' RESPONSIBILITIES STATEMENT

continued

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board,

Andrew M. Smith
Company Secretary

10 July 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD GROUP PLC

We have audited the financial statements of Pinewood Group plc for the year ended 31 March 2016 which comprise the Group Income Statement, the Group Statement of Comprehensive Income; the Group and parent Company Balance Sheets, the Group Cash Flow Statement, the Group and parent Company Statements of Changes in Equity and the related Notes 1 to 29 for the Group accounts and 1 to 15 for the parent Company. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2016 and of the Group's profit and the parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINEWOOD GROUP PLC

continued

SEPARATE OPINION IN RELATION TO IFRSs AS ISSUED BY THE IASB

As explained in Note 1 to the Group financial statements, the Group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Rachel Argyle, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, UK

10 July 2016

GROUP INCOME STATEMENT

for the year ended 31 March 2016 and 31 March 2015

	Notes	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Revenue – continuing operations	3	**83,182**	75,002
Cost of sales		**(58,357)**	(58,027)
Gross profit		**24,825**	16,975
Selling and distribution expenses		**(2,155)**	(2,036)
Administrative expenses:			
– Recurring activities in the ordinary course of business		**(9,358)**	(9,222)
– Exceptional items	7	**416**	–
Total administrative expenses		**(8,942)**	(9,222)
(Loss)/profit on disposal of property, plant and equipment		**(122)**	41
Operating profit	4	**13,606**	5,758
Comprising:			
– Operating profit from Media Services activities, before exceptional items		**16,855**	11,043
– Operating loss from Media Investment in respect of Film Production Companies		**(3,475)**	(4,328)
– Operating loss from Media Investment activities, excluding Film Production Companies		**(190)**	(957)
– Exceptional items	7	**416**	–
		13,606	5,758
Exceptional income	8	**–**	1,952
Share of results of joint ventures	9	**1,102**	1,149
Finance costs	10	**(6,880)**	(3,890)
Profit before tax		**7,828**	4,969
Current corporation tax expense		**(2,544)**	(1,814)
UK Film Tax Relief from Film Production Companies		**3,340**	4,062
Deferred tax (charge)/credit		**(503)**	879
Total tax credit	11	**293**	3,127
Profit for the year		**8,121**	8,096
Attributable to:			
Equity holders of the parent		**8,121**	8,096
Earnings per share			
Basic and diluted for result for the year	12	**14.2p**	16.4p

The Notes on pages 53 to 94 are an integral part of these consolidated financial statements.

GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2016 and 31 March 2015

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit for the year, and total comprehensive income for the year, net of tax	**8,121**	8,096
Attributable to:		
Equity holders of the parent	**8,121**	8,096

The Notes on pages 53 to 94 are an integral part of these consolidated financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

at 31 March 2016 and 31 March 2015

	Notes	**31 March 2016 £000**	31 March 2015 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**214,449**	165,398
Investment property	14	**–**	5,796
Intangible assets	15	**5,604**	5,604
Long-term assets	16	**166**	510
Investment in joint ventures	9	**6,552**	4,026
Deferred tax asset	11	**–**	119
		226,771	181,453
Current assets			
Inventories	17	**47**	50
Trade receivables	18	**11,391**	5,690
Prepayments and other receivables	19	**7,175**	6,912
Cash and cash equivalents	20	**1,383**	6,357
		19,996	19,009
Total assets		**246,767**	200,462
Equity and liabilities			
Equity attributable to equity holders of parent			
Share capital	21	**5,741**	4,941
Share premium		**76,696**	48,718
Capital redemption reserve	21	**135**	135
Merger reserve	21	**348**	348
Retained earnings		**43,436**	37,381
Total equity		**126,356**	91,523
Non-current liabilities			
Interest-bearing loans and borrowings	22	**74,164**	78,275
Derivative financial instruments	23	**3,122**	310
Deferred tax liabilities	11	**384**	–
		77,670	78,585
Current liabilities			
Derivative financial instruments	23	**70**	13
Trade and other payables	24	**42,671**	30,341
Provisions	25	**–**	–
		42,741	30,354
Total liabilities		**120,411**	108,939
Total equity and liabilities		**246,767**	200,462

The financial statements of Pinewood Group plc, Company number: 03889552, were approved and authorised for issue by the Board of Directors on 10 July 2016. They were signed on its behalf by:

Christopher Naisby, FCCA
Finance Director

The notes on pages 53 to 94 are an integral part of these consolidated financial statements.

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2016 and 31 March 2015

	Notes	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Cash flow from operating activities:			
Profit before tax		**7,828**	4,969
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation, impairment and amortisation	4	**7,681**	6,455
Loss/(gain) on disposal of property, plant and equipment	4	**122**	(41)
Exceptional income		**249**	(2,318)
Share of results of joint ventures	9	**(1,102)**	(1,149)
Finance costs	10	**6,880**	3,890
Cash flow from operating activities before changes in working capital		**21,658**	11,806
(Increase)/decrease in trade and other receivables	18,19	**(7,361)**	5,909
Decrease in inventories	17	**3**	262
Increase in trade and other payables		**7,373**	899
Decrease in provisions	25	**–**	(499)
Cash generated from operations		**21,673**	18,377
Finance costs paid		**(3,444)**	(2,463)
Corporation tax received in respect of FPC activity		**3,344**	1,402
Corporation tax paid		**(1,151)**	(1,211)
Net cash flow from operating activities		**20,422**	16,105
Cash flow from/(used in) investing activities:			
Proceeds from disposal of property, plant and equipment		**487**	56
Purchase of property, plant and equipment		**(46,283)**	(7,074)
Investment acquisitions		**–**	(36,800)
Investment in joint ventures	9	**(1,845)**	(2,588)
Distributions from joint ventures	9	**421**	820
Net cash flow used in investing activities		**(47,220)**	(45,586)
Cash flow (used in)/from financing activities:			
Dividends paid	12	**(2,066)**	(1,285)
Proceeds from issue of shares		**28,779**	–
Repayment of asset financing obligations		**(1,024)**	(1,542)
Proceeds from asset financing		**–**	1,152
Repayment of bank borrowings	22	**(75,000)**	(4,500)
Proceeds from bank borrowings	22	**73,000**	41,500
Payment of loan issue fees		**(1,865)**	(262)
Net cash flow from financing activities		**21,824**	35,063
Net (decrease)/increase in cash and cash equivalents		**(4,974)**	5,582
Cash and cash equivalents/(overdraft) at the start of the year		**6,357**	775
Cash and cash equivalents at the end of the year	20	**1,383**	6,357

Included within the cash and cash equivalents balance is a total of £2,040,000 (year ended 31 March 2015: £550,000) which is unavailable for general use. See Note 20.

The Notes on pages 53 to 94 are an integral part of these consolidated financial statements.

GROUP RECONCILIATION OF MOVEMENT IN NET DEBT

for the year ended 31 March 2016 and 31 March 2015

	Notes	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Reconciliation of net cash flow to movement in net debt:			
(Decrease)/increase in cash and cash equivalents		**(4,974)**	5,582
Repayments of bank borrowings		**75,000**	4,500
Proceeds from bank borrowings		**(73,000)**	(41,500)
Repayments of asset financing obligations		**1,024**	1,542
Proceeds from asset financing		**–**	(1,152)
Loan issue costs		**1,865**	262
Amortisation of loan issue costs		**(778)**	(988)
Movement in net debt		**(863)**	(31,754)
Net debt at the start of the year		**(71,918)**	(40,164)
Net debt at the end of the year		**(72,781)**	(71,918)
Attributable to:			
Cash and cash equivalents	20	**1,383**	6,357
Non-current liabilities			
Term and revolving credit facilities	22	**(73,000)**	(75,000)
Asset financing	22	**(2,251)**	(3,275)
Unamortised loan issue costs	22	**1,087**	–
Interest-bearing loans and borrowings		**(74,164)**	(78,275)
Net debt at end of year		**(72,781)**	(71,918)
Net debt at end of year excluding restricted cash		**(74,821)**	(72,468)

The Notes on pages 53 to 94 are an integral part of these consolidated financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

FROM 1 APRIL 2015 TO 31 MARCH 2016

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2015	**4,941**	**48,718**	**135**	**348**	**37,381**	**91,523**
Equity issue	**800**	**29,200**	**–**	**–**	**–**	**30,000**
Costs of equity placing	**–**	**(1,222)**	**–**	**–**	**–**	**(1,222)**
Profit for the year	**–**	**–**	**–**	**–**	**8,121**	**8,121**
Equity dividends (Note 12)	**–**	**–**	**–**	**–**	**(2,066)**	**(2,066)**
At 31 March 2016	**5,741**	**76,696**	**135**	**348**	**43,436**	**126,356**

FROM 1 APRIL 2014 TO 31 MARCH 2015

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2014	4,941	48,718	135	348	30,570	84,712
Profit for the year	–	–	–	–	8,096	8,096
Equity dividends (Note 12)	–	–	–	–	(1,285)	(1,285)
At 31 March 2015	4,941	48,718	135	348	37,381	91,523

The Notes on pages 53 to 94 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Group financial statements of Pinewood Group plc for the year ended 31 March 2016 were authorised for issue by the Board of the Directors on 10 July 2016 and the statement of financial position was signed on the Board's behalf by the Finance Director. Pinewood Group plc is a public limited company incorporated and domiciled in England and Wales. The registered office is located at Pinewood Studios, Pinewood Road, Iver Heath, Buckinghamshire SL0 0NH, United Kingdom. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") as they apply to the financial statements of the Group for year ended 31 March 2016. The Group's financial statements are also consistent with IFRSs as issued by the International Accounting Standards Board ("IASB"). The principal accounting policies adopted by the Group are set out in Note 2.

2. ACCOUNTING POLICIES

Basis of preparation and statement of compliance

The consolidated financial statements of Pinewood Group plc and all of its subsidiaries have been prepared in accordance with IFRS as adopted by the EU as they apply to the financial statements of the Group for the year ended 31 March 2016 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the years ended 31 March 2016 and 31 March 2015. The Group financial statements are presented in UK sterling and all values are rounded to the nearest thousand pounds (£000), except when otherwise indicated. The Group financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) to fair value.

Going concern

In assessing the going concern basis, the Directors considered the Group's business activities, the financial position of the Group and the Group's financial risk management objectives and policies. The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, economic uncertainty and the results of the European Referendum, show that the Group should be able to operate within the level of its current facilities. Although the Group is in a net current liability position of £22.7m, the Group currently has £62.0m of undrawn committed loan facilities in place. The Directors are confident these undrawn debt facilities provide sufficient headroom to support continued trading.

The Directors have specifically considered the level of capital commitment at 31 March 2016 (see Note 27) and the projected spend on the PSDF compared with the existing financing and the additional financing completed in April 2015 (see Note 22).

Information on the Group's risks, management and exposure are set out in the 'Principal Risks and Uncertainties' section of the Annual Report and Note 29 'Financial risk management, objectives and policies' of these Accounts. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

The Group's assessment of going concern is explained further in the Strategic Report on page 21 of the Annual Report and further information on the Group's borrowings is given in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

2. ACCOUNTING POLICIES continued

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of Pinewood Group plc and its subsidiaries as at 31 March 2016 and 31 March 2015. All intercompany transactions, balances, income and expenses are eliminated in full on consolidation. All subsidiaries are consolidated for the financial year ending 31 March 2016 regardless of the individual entities statutory reporting date.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Pinewood Group plc has control.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, with the exception of newly applicable standards, amendments or interpretations issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for annual periods beginning on or after 1 January 2015.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Annual Improvements to IFRSs 2010 – 2012 Cycle

Annual Improvements to IFRSs 2011 – 2013 Cycle

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRS 16	*Leases*
IAS 16 and IAS 38 (amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*
IAS 11 (amendments)	*Accounting for Acquisitions of Interests in Joint Operations*
IAS 16 and IAS 41 (amendments)	*Agriculture: Bearer Plants*
IAS 27 (amendments)	*Equity Method in Separate Financial Statements*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Annual Improvements to IFRSs:	
2012–2014 cycle (amendments)	*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting*

The Directors do not expect that the adoption of the Standards listed above will have a significant impact on the financial statements of the Group in future periods, except that: IFRS 9 will impact both the measurement and disclosures of financial instruments; IFRS 15 may have an impact on revenue recognition and related disclosures; and IFRS 16 may have an impact on the accounting for leases. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 or IFRS 16 until a detailed review has been completed.

2. ACCOUNTING POLICIES continued

Summary of significant accounting policies

Interests in joint ventures

The Group has interests in joint ventures which are joint arrangements. A joint venture is a joint arrangement whereby two or more parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Foreign currency translation

The functional and presentation currency of Pinewood Group plc and its subsidiaries is UK sterling (UK £).
Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of transactions. Exchange differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the statement of financial position date of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the consolidated income statement.

Revenue recognition

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

Media Services:

- Film customers utilise services for a period of time. Film revenues are also derived from international agreements to provide sales and marketing services. Revenue is recognised as the Group earns the right to consideration for the service provided and this is time apportioned and earned as time elapses.
- Television revenue is derived from the provision of services and is recognised on a time apportioned basis in relation to the television production process.
- Media Hub revenue, which includes revenue from investment property, is derived from customers contracting to use the Group's facilities for a period of time. Revenue is recognised on a straight-line basis over the term of the agreement.

Media Investment:

- External investment advisory revenue is derived from the provision of services on a per film investment basis, with revenue from an annual management fee recognised on a straight-line basis over the course of the year.
- Film Production Companies revenue relates to the funding provided from the various financiers (excluding loans against tax credit, which are recognised as a liability on the balance sheet). Revenue recognised is the proportion of completion of the relevant project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

2. ACCOUNTING POLICIES continued

Film investments

Film investments are classified as investments at fair value with any impairment in the investment expensed in the income statement. The Company reviews the fair value at least annually. Any net changes in fair value are recognised in the income statement.

Operating profit

Operating profit is stated after charging exceptional items but before the share of results of joint ventures and finance costs.

Tax

Deferred tax

Deferred corporation tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred corporation tax liabilities are recognised for all taxable temporary differences:

- except where the deferred corporation tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred corporation tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- where the deferred corporation tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred corporation tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred corporation tax asset to be utilised.

Deferred corporation tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Corporation tax

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

Corporation tax relating to items recognised directly in equity is recognised in other comprehensive income and the statement of changes in equity and not in the income statement.

2. ACCOUNTING POLICIES continued

Film tax credits
Film tax credits are recognised in line with the cost incurred over the period of a film project. Where the rate of expenditure incurred is not proportionate to the rate of qualifying expenditure, the difference in film tax credits is accrued or deferred on the balance sheet.

Value added tax
The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of value added tax included.

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

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand. For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

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

Derivative financial instruments
The Group has interest rate swaps to hedge against risks associated with interest rate fluctuations. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The Group reports the movement in fair value through profit or loss as permitted by International Accounting Standard 39 *Financial Instruments: Recognition and Measurement* ("IAS 39").

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

2. ACCOUNTING POLICIES continued

Provisions

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

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received under it.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangements at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased item, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability, using the effective interest rate method. Finance charges are recognised in the income statement on a straight-line basis.

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

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Operating lease income is recognised as Media Hub revenue in the income statement on a straight-line basis over the lease term.

Property, plant and equipment

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

Freehold buildings	– 50 years
Freehold improvements	– 25 years
Fixtures, fittings and equipment	– 3 to 10 years
Leasehold improvements	– shorter of 25 years or the term of the lease

Land and assets under construction are not depreciated.

2. ACCOUNTING POLICIES continued

Property, plant and equipment continued

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising in de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of certain investment capital expenditure projects that necessarily take a substantial period of time to get ready for their intended use, or sale, are capitalised as part of the cost of the respective assets. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group has capitalised borrowing costs for all eligible assets where development or construction was commenced on or after 1 January 2007. No charges have been made for borrowing costs incurred prior to this date that have been expensed.

Investment property

As defined by IAS 40 Investment property ("IAS 40"), investment property is property held to earn rental income and/or for capital appreciation. Assets classified as investment property are carried at cost (including transaction costs) less accumulated depreciation and any recognised impairment in value, and exclude the costs of the day-to-day servicing of an investment property. The depreciation policies for investment property are in accordance with the Group depreciation policy, as defined within the 'Property, plant and equipment' accounting policy. In accordance with IAS 40, the Group has determined the fair value of assets classified as investment. The key assumptions used in arriving at the fair value and the fair value are contained in Note 14, 'Investment property'. As at 31 March 2016 the investment property has been reclassified to Property, Plant and Equipment.

Impairment of assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

2. ACCOUNTING POLICIES continued

Impairment of assets continued

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over the remaining useful life.

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to the related cash-generating unit monitored by management. Where the recoverable amount of the cash-generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised in the income statement.

Intangible assets

Intangible assets, when identified, are capitalised at cost and subsequently amortised over their useful economic life.

Available-for-sale financial assets

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value though profit or loss.

Certain loans and receivables are also designated as available-for-sale, in particular those for which the holder may not recover substantially all of its initial investment. IAS 39 permits entities to designate, at the time of acquisition, any loan or receivable as available-for-sale, in which case it is measured at fair value with changes in fair value recognised in equity.

The Group evaluates its available-for-sale financial assets and whether the ability to sell them is still appropriate.

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

2. ACCOUNTING POLICIES continued

Long-term assets

Costs incurred in the establishment of long-term agreements are capitalised on the statement of financial position and categorised as long-term assets.

These costs are reviewed at least annually for any impairment in their carrying value and once the long-term agreement becomes operational the costs are amortised over the term of the agreement.

Impairment costs and amortisation are expensed to the consolidated income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on the estimated selling price less any estimated further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoice value and recoverable amount.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified and are determined using business knowledge and individual circumstances specific to each customer.

Exceptional items

The Group discloses as exceptional items on the face of the income statement those material items of income or expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate disclosure to allow users of the financial statements to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Dividends

The equity transaction is recognised when the shareholders' right to receive payment is established.

Share issue costs

Costs directly attributable to the raising of equity are charged to the share premium account.

Significant accounting judgements, estimates and assumptions

Estimates

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

Judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

2. ACCOUNTING POLICIES continued

Impairment of goodwill

The carrying amount of goodwill at 31 March 2016 was £5,604,000 (31 March 2015: £5,604,000) and wholly relates to the Media Services cash-generating unit. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the Media Services cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The cash flows are derived from the Board approved budget for the next year and the Board approved long range plan for the Media Services segment only, and do not include non-cash-generating assets, any activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the Media Services cash-generating unit. This assessment is sensitive to the discount rate used for the calculation of present values of cash flows.

The key assumptions used to determine the value in use are further explained in Note 15.

The Pinewood Studio Development Framework ("PSDF")

At 31 March 2016, £53.7m of capital expenditure had been incurred, to that date, in respect of PSDF, excluding land. Whilst PSDF itself will not be treated as a separate business unit going forward, and will be part of the Media Services segment, the Directors have conducted a separate impairment review on the PSDF asset at the year end and are satisfied there are no indicators of impairment.

Going concern

Information on the Group's risks, management and exposure are set out in the 'Principal risks and uncertainties' section of the Annual Report and Note 29 'Financial risk management, objectives and policies' of these Accounts. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in the operational business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

3. SEGMENT INFORMATION AND REVENUE ANALYSIS

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

The Group has determined it has two reportable segments, Media Services, which provides studio and related services to the film, television and wider creative industries, and Media Investment, which provides content investment and production services, principally to the film industry.

The accounting policies of all operating segments are the same as those described in Note 2, 'Accounting policies'.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market price.

Segment data for the year ended 31 March 2016 and 2015 is presented below:

Revenue:	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Media Services:		
Film	**52,987**	43,946
Intersegment Film	**856**	1,256
Television	**5,202**	5,826
Media Hub	**7,552**	6,199
	66,597	57,227
Media Investment:		
Film Production Companies	**15,451**	17,752
Investment advisory	**804**	804
Investment recoupment	**578**	475
Other income and commissions	**608**	–
	17,441	19,031
Total segmental revenue	**84,038**	76,258
Elimination of intersegment revenue	**(856)**	(1,256)
Group revenue	**83,182**	75,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

3. SEGMENT INFORMATION AND REVENUE ANALYSIS continued

	Year ended 31 March 2016			Year ended 31 March 2015		
Income statement:	**Media Services £000**	**Media Investment £000**	**Total £000**	Media Services £000	Media Investment £000	Total £000
Segment revenue – total	**66,597**	**17,441**	**84,038**	57,227	19,031	76,258
Cost of sales	**(39,018)**	**(19,339)**	**(58,357)**	(35,933)	(22,094)	(58,027)
Elimination of intersegment revenue	**(856)**	**–**	**(856)**	(1,256)	–	(1,256)
Gross profit/(loss)	**26,723**	**(1,898)**	**24,825**	20,038	(3,063)	16,975
Selling and distribution expenses	**(2,155)**	**–**	**(2,155)**	(2,036)	–	(2,036)
Administrative expenses:						
Recurring in the ordinary course of business	**(7,591)**	**(1,767)**	**(9,358)**	(7,000)	(2,222)	(9,222)
Exceptional items	**416**	**–**	**416**	–	–	–
Total administrative expenses	**(7,175)**	**(1,767)**	**(8,942)**	(7,000)	(2,222)	(9,222)
(Loss)/profit on disposal of property, plant and equipment	**(122)**	**–**	**(122)**	41	–	41
Operating profit/(loss)	**17,271**	**(3,665)**	**13,606**	11,043	(5,285)	5,758
Operating profit/(loss) before exceptional expenses	**16,855**	**(3,665)**	**13,190**	11,043	(5,285)	5,758
Exceptional income				1,952	–	1,952
Share of results of joint ventures	**1,102**	**–**	**1,102**	1,149	–	1,149
Finance costs	**(6,880)**	**–**	**(6,880)**	(3,890)	–	(3,890)
Profit/(loss) before tax	**11,493**	**(3,665)**	**7,828**	10,254	(5,285)	4,969
Corporation tax (expense)/credit	**(3,574)**	**1,030**	**(2,544)**	(2,199)	385	(1,814)
UK Film Tax Relief	**–**	**3,340**	**3,340**	–	4,062	4,062
Deferred tax credit/(charge)	**(206)**	**(297)**	**(503)**	155	724	879
Total corporation tax (expense)/credit	**(3,780)**	**4,073**	**293**	(2,044)	5,171	3,127
Profit/(loss) after tax	**7,713**	**408**	**8,121**	8,210	(114)	8,096

During the year, the Group provided film finance totalling £1,445,000 to its wholly-owned subsidiary film production companies for the production of *Their Finest Hour and a Half* and *The Collection* (year ended 31 March 2015: £969,000 *Take Down* and *Genius*).

Geographical information

Although revenues continue to arise predominantly in the United Kingdom, being the Group's country of domicile, the Group's international activity continues to increase. For the year ended 31 March 2016, £3.5m of revenue was generated from the Group's overseas activities, representing 4% of total revenue (year ended 31 March 2015: £3.1m, 4%).

Information about major customers

Revenue from one Media Services customer, operating through several separate subsidiaries, of £23.5m (year ended 31 March 2015: one customer £22.6m) was recognised in the year. No other single customer contributed 10% or more of the Group's revenue in either 2015 or 2016.

4. OPERATING PROFIT

This is stated after charging/(crediting):

	Notes	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Cost of inventories recognised as an expense		**457**	1,342
Staff costs	6	**15,833**	14,777
Depreciation of property, plant and equipment	13	**7,238**	5,961
Depreciation of investment property	14	**99**	133
Loss/(gain) on disposal of property, plant and equipment		**122**	(41)
Operating lease payments		**60**	1,319
Impairment of long-term assets	16	**168**	156
Amortisation of long-term assets	16	**176**	205

The Shepperton Studios premises have been wholly-owned since 3 December 2014 (see Note 28), and therefore there have been no operating lease payments relating to the cost to the Group of the operating lease of the Shepperton Studios premises (year ended 31 March 2015: £833,000). In the prior year ended 31 March 2015, operating lease payments relating to the Teddington Studios premises were £486,000. An option to terminate the leasehold interest in Teddington Studios was exercised during the prior year ended 31 March 2015.

5. AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Fees payable to Company's auditor for the audit of Parent Company and Group financial statements	**40**	40
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**95**	92
Total audit fees	**135**	132
Fees payable to the Company's auditor and its associates for other services:		
Audit-related assurance services	**29**	28
Other assurance services	**8**	12
Taxation compliance services	**–**	15
Taxation advisory services	**23**	69
Corporate finance services	**–**	102
Total fees for other services	**60**	226
Total fees	**195**	358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

(a) Staff costs including Directors:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Wages and salaries	**11,627**	10,774
Social security costs	**1,249**	1,073
Pension costs	**1,005**	836
Long-term incentive plan	**1,673**	1,871
Other employee benefits	**279**	223
	15,833	14,777

(b) Average monthly number of employees, including Executive Directors:

	Year ended 31 March 2016 No.	Year ended 31 March 2015 No.
Management	**24**	16
Operational	**82**	85
Administration	**32**	32
Executive	**4**	5
Technical	**82**	73
Sales	**30**	26
	254	237

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS continued

(c) Directors' remuneration:

	Year ended 31 March 2016						
	Basic salary and fees £	Benefits in kind £	Annual Bonus £	LTIP £	Pension contributions £	Total remuneration £	Year ended 31 March 2015 Total remuneration £
Chairman							
Lord Grade of Yarmouth	**105,000**	**nil**	**nil**	**nil**	**nil**	**105,000**	105,000
Executive Directors							
Ivan Dunleavy	**369,617**	**19,898**	**122,225**	**624,350**	**46,189**	**1,182,279**	1,834,514
Nicholas Smith	**246,069**	**13,655**	**81,370**	**435,153**	**36,910**	**813,157**	1,048,549
Andrew M. Smith	**153,793**	**9,514**	**50,856**	**141,898**	**23,069**	**379,130**	477,651
Christopher Naisby	**180,346**	**4,265**	**59,637**	**141,898**	**18,936**	**405,082**	355,110
Steve Christian*	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	177,097
Non-Executive Directors							
Ruth Prior	**42,000**	**504**	**nil**	**nil**	**2,100**	**44,604**	44,688
Steven Underwood**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
Neil Lees**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
Thomas Allison**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
MT Rainey	**36,667**	**400**	**nil**	**nil**	**1,333**	**38,400**	nil
Dr. Catherine Raines	**10,923**	**91**	**nil**	**nil**	**nil**	**11,014**	nil

The table above discloses amounts on an accrued basis.

* The Group had a consultancy agreement with Gasworks Media Limited, a company incorporated in the Isle of Man, whose sole shareholder, Steve Christian, was also an Executive Director of the Group during the year until 5 May 2015. The total value of the transactions, including reimbursement of expenses, during the period until 5 May 2015 was £26,000 (31 March 2015: £384,000). See Note 28 for further details.

** Non-Executive Directors provided under the agreement with Peel Acquisitions do not receive remuneration.

Peel Acquisitions provided 3 Non-Executive Directors, namely Steven Underwood, Thomas Allison and Neil Lees. During the year, on 17 April 2015, Thomas Allison and Neil Lees resigned.

The 'key management personnel' are the same as the Directors noted above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

7. EXCEPTIONAL ADMINISTRATIVE ITEMS

Exceptional administrative items relating to the year ended 31 March 2016 totalled £416,000 and consisted of exceptional administrative expenses of £322,000 and exceptional administrative income of £738,000, as detailed below:

Strategic review

The Group incurred exceptional costs of £322,000 during the year in relation to a strategic review which commenced in February 2016.

Technicolor lease surrender

During December 2015 Technicolor Limited, a tenant, served notice to break its lease. After deducting applicable costs, the net surrender premium of £738,000 was accounted for as exceptional income.

The Group did not incur any exceptional administrative expenses or income during the prior year ended 31 March 2015.

8. EXCEPTIONAL INCOME (AFTER OPERATING PROFIT)

SSPP derecognition

In the prior year until 3 December 2014, the Group held a 50% share in Shepperton Studios Property Partnership ("SSPP") which was treated as a joint venture under IFRS 11 Joint Arrangements. On 3 December 2014, the Group acquired the 50% previously owned by clients of Aviva Investors, with the resultant 100% ownership leading to SSPP becoming a subsidiary undertaking of the Company. In accordance with IFRS 3 'Business Combinations', the previous investment in the venture was derecognised resulting in a net gain of £1,952,000 (after accounting for transaction costs of £974,000 and loan break costs in SSPP of £366,000).

9. INTERESTS IN JOINT VENTURES

As at 31 March 2016, the Group had interests in the following joint ventures:

Joint venture name	Principal place of business	% ownership interest	% voting rights
Pinewood Atlanta LLC	USA	40	50
PAS Holdings Fayette LLC	USA	40	50
Pinewood Television Limited	UK	50	50

As at 31 March 2015, the Group had the following interests in joint ventures:

Joint venture name	Principal place of business	% ownership interest	% voting rights
Pinewood Atlanta LLC	USA	40	50
PAS Holdings Fayette LLC	USA	40	50

9. INTERESTS IN JOINT VENTURES continued

Pinewood Atlanta LLC/PAS Holdings Fayette LLC (collectively "Pinewood Atlanta Studios")

The Group has a 40% interest in a joint venture with River's Rock LLC which has developed and operates a film studio, known as Pinewood Atlanta Studios, in Atlanta, Georgia. The Group also provides sales and marketing services to the joint venture. Pinewood Atlanta Studios is strategic to the Group's business given the similarity in nature to the Group's core Media Services operations.

The summarised financial information below represents amounts in Pinewood Atlanta Studios statement of financial position at that date, prepared in accordance with IFRSs, adjusted by the Group for equity accounting purposes.

	Pinewood Atlanta Studios	
	31 March 2016 £000	31 March 2015 £000
Non-current assets	**69,241**	49,744
Current assets	**1,114**	983
Non-current liabilities (non-recourse)	**(41,017)**	(30,343)
Current liabilities	**(5,969)**	(3,238)
Equity attributable to owners	**23,369**	17,146

Other joint venture interests

During the current year to 31 March 2016, the Group acquired a 50% interest in Pinewood Television Limited. As at the balance sheet date, the entity was in start-up phase, having incurred certain start-up costs and not yet commenced revenue generation.

During the prior year to 31 March 2015, the Group acquired the 50% interest in SSPP previously held by the clients of Aviva Investors as described in Note 8. As a result of the transaction, the Group now owns 100% of SSPP which has given the Group full control over the Shepperton site and future investment in the facilities there. Fuller details of this prior year transaction are included in the Annual Report and Accounts for the year ended 31 March 2015.

The summarised financial information below represents amounts in Pinewood Atlanta Studios' and Pinewood Television Limited's income statement for the year to 31 March 2016, and in SSPP's income statement until 3 December 2014, being the date of disposal of the Group's joint venture interest in the prior year.

	Pinewood Atlanta Studios		**Other joint venture interests**		**Total joint ventures**	
	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Revenue	**11,203**	5,814	**–**	645	**11,203**	6,459
Profit/(loss) and total comprehensive income/(loss)	**2,987**	1,255	**(196)**	1,498	**2,791**	2,753
Group's share of results of joint ventures	**1,200**	400	**(98)**	749	**1,102**	1,149
Distributions received from joint venture during the year	**421**	–	**–**	820	**421**	820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

9. INTERESTS IN JOINT VENTURES continued

Other joint venture interests continued

Reconciliation of the above summarised financial information to the carrying amount of the interest in SSPP and Pinewood Atlanta Studios recognised in the consolidated financial statements:

	Pinewood Atlanta Studios		Other joint venture interests		Total joint ventures	
	31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Net assets of joint venture	**23,369**	17,146	**304**	–	**23,673**	17,146
Proportion of Group's ownership interest in the joint ventures	**(14,021)**	(10,288)	**(152)**	–	**(14,173)**	(10,288)
Other adjustments:						
Equity contribution from partner	**(2,948)**	(2,832)	**–**	–	**(2,948)**	(2,832)
Carrying amount of the Group's interest in the joint venture	**6,400**	4,026	**152**	–	**6,552**	4,026

Reconciliation of movement in investment in joint ventures:

	31 March 2016 £000	31 March 2015 £000
Investment in joint ventures at 1 April	**4,026**	7,394
Additional investment in joint ventures	**1,845**	2,588
Share of results of joint ventures	**1,102**	1,149
Less disposal of joint ventures	**–**	(6,285)
Less distributions received from joint ventures	**(421)**	(820)
Investment in joint ventures at 31 March	**6,552**	4,026

10. FINANCE COSTS

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Bank loans and overdrafts	**2,733**	2,376
Interest rate hedging	**362**	233
Finance fee amortisation	**778**	989
Finance charges payable under asset financing	**137**	145
Other finance charges	**–**	18
Fair value movements of derivative financial instruments	**2,870**	129
	6,880	3,890

11. TAXATION

(a) The major components of corporation tax expense are:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Consolidated income statement:		
Current corporation tax:		
UK corporation tax charge	**2,212**	1,646
Foreign Tax suffered	**224**	49
UK Film Tax Relief	**(3,340)**	(4,062)
Tax adjustments in respect of disposals	**–**	413
Amounts over/(under) provided in previous years	**108**	(294)
Total current corporation tax credit	**(796)**	(2,248)
Deferred tax:		
Relating to origination and reversal of temporary differences	**45**	(313)
Effect of change in deferred tax rates	**2**	–
Amounts over/(under) provided in previous years	**456**	(566)
Total deferred tax charge/(credit)	**503**	(879)
Tax credit in the income statement	**(293)**	(3,127)
The tax credit in the income statement comprises:		
Tax on profit before exceptional items	**2,976**	1,417
UK Film Tax Relief	**(3,340)**	(4,062)
Tax over/(under) provided in previous years	**564**	(860)
Tax provision adjustments relating to exceptional items	**(493)**	378
Tax credit in the income statement	**(293)**	(3,127)

The Group statement of changes in equity is set out on page 52.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

11. TAXATION continued

(b) Reconciliation of the total tax credit

A reconciliation between the tax credit and the product of accounting profit multiplied by the standard rate of corporation tax in the UK for the year ended 31 March 2016 and 2015 is as follows:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Accounting profit before corporation tax	**7,828**	4,969
Profit on ordinary activities multiplied by UK rate of 20% (2015: 21%)	**1,566**	1,043
Adjustments in respect of:		
UK Film Tax Relief	**(3,340)**	(4,062)
Corporation tax over/(under) provided in previous years	**108**	(294)
Deferred tax over provided in previous years	**546**	(138)
Prior period deferred tax adjustment in respect of Q Stage	**–**	(428)
Non-allowable depreciation on buildings	**355**	230
Profit from associate	**(420)**	(84)
Other non-allowable expenses	**400**	129
Overseas tax at higher rate	**483**	49
Utilisation of previously unrecognised tax losses	**–**	(223)
Effect of taxation rate change on provision for deferred taxation	**9**	15
Fair value adjustment in respect of SSPP acquisition	**–**	223
Gain on disposal of sub-licence	**–**	413
Corporation tax credit reported in the Group income statement	**(293)**	(3,127)

(c) Deferred tax

Deferred tax relates to the following:

Consolidated income statement:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Deferred tax credit arising on accelerated capital allowances	**292**	(474)
Short-term temporary differences	**(127)**	30
Tax losses	**373**	(825)
Fair value adjustment in respect of SSPP acquisition	**(35)**	390
Net deferred tax charge/(credit)	**503**	(879)

11. TAXATION continued

(c) Deferred tax continued

Consolidated statement of financial position:

	Balance at 31 March 2015 £000	**Charged to income statement £000**	**Balance at 31 March 2016 £000**
Accelerated capital allowances	688	**292**	**980**
Short-term temporary differences	(262)	**(127)**	**(389)**
Tax losses	(935)	**373**	**(562)**
Fair value of SSPP acquisition	390	**(35)**	**355**
Net deferred tax liability/(asset)	(119)	**503**	**384**

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

The main rate of UK corporation tax reduced to 20% from 1 April 2015. Reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 8 July 2015. These reduce the main rate to 19% from 1 April 2017 and 18% from 1 April 2020. The 2016 Summer Budget announced a further rate reduction to 17% from 1 April 2020, however this rate has not yet been substantively enacted. Deferred tax balances have been calculated at 18%.

(d) Potential unrecognised deferred tax assets

A potential deferred tax asset of £6,000 (31 March 2015: £7,000) in respect of £9,000 (31 March 2015: £9,000) non-trading losses in Saul's Farm Limited and £27,000 (31 March 2015: £27,000) trading losses in Teddington Studios Limited has not been recognised as it is not anticipated that suitable gains will arise to enable them to be offset against taxable profits.

In the prior year, capital losses in Pinewood-Shepperton Studios Limited of £501,000 were fully utilised. No further deferred tax assets relating to these capital losses remains.

12. EARNINGS PER ORDINARY SHARE AND DIVIDEND

Earnings per ordinary share

Basic earnings per ordinary share are calculated by dividing profit for the period attributable to the holders of ordinary equity of the parent by the weighted average number of ordinary shares outstanding during the period.

There are no potential ordinary shares outstanding from employee share schemes and therefore basic earnings per share are equivalent to diluted earnings per share.

The Group presents as exceptional items on the face of the income statement those items where the cost is of such size or incidence that the additional disclosure is required for the reader to understand the financial statements.

Basic and diluted earnings per share are also presented adjusting for the combined effect of any such exceptional items and fair value movements on financial derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

12. EARNINGS PER ORDINARY SHARE AND DIVIDEND continued

Earnings per ordinary share continued

The following reflects the profit and number of shares used in the basic and diluted earnings per ordinary share computations:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit attributable to equity holders of the parent	**8,121**	8,096
Adjustments to profit for calculation of normalised earnings per share:		
Exceptional items	**(416)**	–
Exceptional income (after operating profit)	**–**	(1,952)
Fair value movements of derivative financial instruments	**2,870**	129
Taxation adjustments on non-recurring items and fair value movements	**(493)**	378
Adjusted profit for normalised earnings per share	**10,082**	6,651

	Thousands	Thousands
Basic and diluted weighted average number of ordinary shares	**57,038**	49,410

	Year ended 31 March 2016	Year ended 31 March 2015
Earnings per share:		
Basic and diluted for result for the year	**14.2p**	16.4p
Basic and diluted for result for the year adjusted for exceptional items	**17.7p**	13.5p

Dividend paid

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Final dividend for year ending 31 March 2014 paid at 1.9p per share	**–**	939
Interim dividend for year ending 31 March 2015 paid at 0.7p per share	**–**	346
Final dividend for year ending 31 March 2015 paid at 2.8p per share	**1,607**	–
Interim dividend for year ending 31 March 2016 paid at 0.8p per share	**459**	–
	2,066	1,285

The Board is recommending a final dividend of 3.2p per share for approval at the Annual General Meeting to be paid on 3 October 2016 to shareholders on the register at close of business on 2 September 2016 (ex-dividend date of 1 September 2016). Based on the shares in issue at the date the Board approved the Group financial statements, this would amount to a final dividend payment of £1,837,000 (year ended 31 March 2015: £1,607,000).

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land £000	Freehold buildings and improvements £000	Leasehold improvements £000	Fixtures, fittings and equipment £000	Assets under construction £000	Total £000
Cost:						
At 1 April 2014	56,684	66,913	3,379	35,919	3,467	166,362
Acquisition of JV interest	–	46,030	–	–	–	46,030
Additions	31	2,431	406	1,578	2,671	7,117
Disposals	–	–	(226)	(1,651)	–	(1,877)
At 31 March 2015	56,715	115,374	3,559	35,846	6,138	217,632
Additions	**–**	**2,080**	**75**	**1,779**	**47,572**	**51,506**
Disposals	**–**	**(1,009)**	**–**	**(1,064)**	**–**	**(2,073)**
Transfer from investment property	**–**	**6,330**	**–**	**–**	**–**	**6,330**
Reclassification	**–**	**3,407**	**(3,407)**	**–**	**–**	**–**
At 31 March 2016	**56,715**	**126,182**	**227**	**36,561**	**53,710**	**273,395**
Depreciation:						
At 1 April 2014	7,690	14,757	1,991	23,697	–	48,135
Provided during the year	–	3,175	201	2,585	–	5,961
Depreciation on disposals	–	–	(226)	(1,636)	–	(1,862)
At 31 March 2015	7,690	17,932	1,966	24,646	–	52,234
Provided during the year	**–**	**5,007**	**14**	**2,217**	**–**	**7,238**
Depreciation on disposals	**–**	**(374)**	**–**	**(1,034)**	**–**	**(1,408)**
Transfer from investment property	**–**	**882**	**–**	**–**	**–**	**882**
Reclassification	**–**	**1,966**	**(1,966)**	**–**	**–**	**–**
At 31 March 2016	**7,690**	**25,413**	**14**	**25,829**	**–**	**58,946**
Net book value:						
At 31 March 2016	**49,025**	**100,769**	**213**	**10,732**	**53,710**	**214,449**
At 31 March 2015	49,025	97,442	1,593	11,200	6,138	165,398

Assets under construction at 31 March 2016 and 2015 relate to costs capitalised under the Pinewood Studio Development Framework. These are not depreciated. Land at 31 March 2016 and 2015 includes £5.3m of land for use in the PSDF. Construction of Phase One of the development continued during the year ended 31 March 2016 and became operational on 30 June 2016.

No borrowing costs were capitalised during the current or prior year.

The Group's long-term loan is secured by a floating charge over the Group's assets.

Fixtures, fittings and equipment include the following amounts where the Group is a lessee under non-cancellable finance lease agreements:

	31 March 2016 £000	31 March 2015 £000
Cost – capitalised finance leases	**5,227**	5,227
Accumulated depreciation	**(1,593)**	(873)
Net book value	**3,634**	4,354

The lease terms are five years, and ownership of the assets lies within the Group. Lease rentals amounting to £1,024,000 (year ended 31 March 2015: £1,384,000) relating to the lease of this equipment are included in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

14. INVESTMENT PROPERTY

	£000
Cost:	
At 31 March 2015 and 31 March 2014	**6,615**
Disposals	(285)
Transfer to property, plant and equipment	(6,330)
At 31 March 2016	**–**
Depreciation:	
At 31 March 2014	686
Provided during the year	133
At 31 March 2015	**819**
Provided during the year	99
Depreciation on disposal	(36)
Transfer to property, plant and equipment	(882)
At 31 March 2016	**–**
Net book value:	
At 31 March 2016	**–**
At 31 March 2015	5,796

As at 31 March 2015, the Group's investment property related to a long-term single building tenancy at Pinewood Studios. During the year to 31 March 2016, the lease was surrendered, and the building is being reconfigured for use by the Pinewood business. Consequently, the asset has been reclassified from Investment Property to Property, Plant and Equipment.

The property was held at cost and no independent valuation has been undertaken as at 31 March 2016 as the property is now classified as Property, Plant and Equipment. At 31 March 2015, a Directors' valuation was carried out in accordance with the 'Red Book' to determine the fair value of the investment property at that date. A yield based valuation was used which provided a fair value of £8,182,000 using a 7.00% yield on annual rental income of £606,000 and allowing for purchasers costs of 5.76%.

15. INTANGIBLE ASSETS

	Goodwill £000
At 31 March 2016 and 31 March 2015	**5,604**

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

The recoverable amount of the cash-generating unit is based on a value in use calculation and is tested at least annually for impairment. Other than goodwill there are no intangible assets with indefinite lives.

Outcome of impairment review

The recoverable amount of the Group's Media Services cash-generating unit exceeds its carrying value and no impairment charge has been recognised (year ended 31 March 2015: no impairment charge recognised).

Key assumptions

The value in use calculations use five year cash flow projections derived from the Board approved budget for the next year and the Board approved long range plan and do not include non-cash-generating assets, any activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit. The key assumptions used in the value in use calculations are:

15. INTANGIBLE ASSETS continued

Discount rate

The discount rate reflects the current market assessment of the risks specific to the cash-generating unit. The discount rate was calculated using the Group's cost of debt together with an estimate based on the average cost of equity, adjusted to reflect the market assessment of any risk specific to the cash-generating unit for which future estimates of cash flows have not been adjusted. The pre-tax discount rate used for the year ended 31 March 2016 is 9.3% (year ended 31 March 2015: 8.7%).

Perpetuity growth rate

The cash flows subsequent to the Board approved period are based on the long-term growth rate prospects of the industry in which the Group operates. The perpetuity growth rate used is 2.5% (year ended 31 March 2015: 2.5%).

Cash flow from operations

Cash flow projections have been estimated using a combination of assumptions including, but not limited to, facility utilisation, income growth and Media Hub void ratios and rent increases. Considering previously achieved trading levels and the anticipated future operating environment for the business and taking into account any cost efficiencies which may be achieved, the Company has retained the assumptions used in its Board approved budget and its long range plan.

Sensitivities

The Group's impairment review is sensitive to a change in the key assumptions used, notably the discount rate. The discount rate would need to move to 17.8% to result in a breakeven position and, should the discount rate remain at 9.3%, the perpetuity growth rate would need to be a negative 11.7% to reach a breakeven point. Based on the Group's sensitivity analysis, a reasonably possible change in a single factor would not cause an impairment charge.

16. LONG-TERM ASSETS

	Toronto long-term agreement £000	Malaysia long-term agreement £000	Dominican Republic long-term agreement £000	Atlanta long-term agreement £000	China long-term agreement £000	Total £000
Cost:						
At 31 March	**94**	**198**	**65**	**498**	**156**	**1,011**
Amortisation:						
At 31 March 2014	75	–	65	–	–	140
Impairment during the year	–	–	–	–	156	156
Provided during the year	19	20	–	166	–	205
At 31 March 2015	94	20	65	166	156	501
Impairment during the year	–	168	–	–	–	168
Provided during the year	–	10	–	166	–	176
At 31 March 2016	**94**	**198**	**65**	**332**	**156**	**845**
Carrying value:						
At 31 March 2016	**–**	**–**	**–**	**166**	**–**	**166**
At 31 March 2015	–	178	–	332	–	510

The Group signed a five year sales and marketing agreement with Pinewood Toronto Studios on 26 May 2009. Transaction costs in relation to this agreement were recognised as a long-term asset and have been amortised over the term of the original agreement, ending in May 2014. The agreement was renewed during the prior year for a further five years to 26 May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

16. LONG-TERM ASSETS continued

Pinewood Malaysia Limited signed a long-term agreement on 16 December 2009 until the ten year anniversary of the opening of Pinewood Iskandar Malaysia Studios to provide marketing, operations and management support. Transaction costs of £198,000 in relation to this agreement were recognised as a long-term asset. The costs were being amortised over the period of the agreement from when the Studio opened for business in April 2014. During the year, the decision was made to impair the remaining carrying value of the asset.

Pinewood Dominican Republic Limited signed an agreement on 20 May 2010 with a term of 15 years to provide sales, marketing and operations support to Pinewood Dominican Republic Studios. Transaction costs of £65,000 in relation to this agreement were previously recognised as a long-term asset.

Transaction costs of £498,000 in relation to the Pinewood Atlanta Studios joint venture were previously recognised as a long-term asset and are being amortised over the first three years of the Studio's operations, commencing April 2014. Details of the Group's investment in the joint venture is included in Note 9.

Transaction costs of £156,000 incurred in relation to the Song Lin joint operation with Seven Stars Media Limited were previously recognised as a long-term asset and were subsequently fully impaired in the year ended 31 March 2015.

17. INVENTORIES

	31 March 2016 £000	31 March 2015 £000
Consumables	**47**	50

18. TRADE RECEIVABLES

	31 March 2016 £000	31 March 2015 £000
Trade receivables – Media Services	**5,006**	4,942
Trade receivables – Film Production Companies	**6,385**	748
	11,391	5,690

As at 31 March 2016 and 2015, the ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total £000	**Neither past due nor impaired £000**	**<30 days £000**	**30–60 days £000**	**60–90 days £000**	**90+ days £000**
2016	**11,391**	**11,303**	**58**	**25**	**5**	**–**
2015	5,690	5,399	162	45	10	74

At 31 March 2016, trade receivables of £170,000 (31 March 2015: £365,000) were impaired and fully provided for (see Note 29 for further details).

18. TRADE RECEIVABLES continued

The movement in impairment loss recognised is recorded within 'Selling and distribution expenses' in the Group income statement and is as follows:

	£000
At 1 April 2015	365
Provision for the year	170
Utilised during the year	(365)
At 31 March 2016	**170**

19. PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2016 £000	31 March 2015 £000
Prepayments and other receivables	**3,766**	3,303
Value added tax	**1,197**	–
Corporation tax recoverable	**2,212**	3,609
	7,175	6,912

20. CASH AND CASH EQUIVALENTS

Included within the cash and cash equivalents/(overdraft) balance per the statement of financial position at the year end are amounts unavailable for general use. These amounts relate to funds reserved solely for use in the production of specific Media Investment FPC operations.

The reconciliation below shows the breakdown of total cash per the statement of financial position at the year end:

	31 March 2016 £000	31 March 2015 £000
(Overdraft)/cash available for general use	**(657)**	5,807
Restricted cash and cash equivalents	**2,040**	550
Net cash and cash equivalents	**1,383**	6,357

21. SHARE CAPITAL AND RESERVES

Authorised

	£000
As at 31 March 2016 and 31 March 2015:	
Ordinary shares of 10p each	**7,000**

Issued, called up and fully paid

	31 March 2016		31 March 2015	
	No.	£000	No.	£000
Ordinary shares of 10p each	**57,409,926**	**5,741**	49,409,926	4,941
Shares in issue:				
As at 31 March	**57,409,926**	**5,741**	49,409,926	4,941

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

On 17 April 2015, 8,000,000 new ordinary shares of par value 10p were issued for cash and admitted to trading on AIM giving rise to gross proceeds of £30.0m. The net proceeds of this share issue were used to reduce drawn bank debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

21. SHARE CAPITAL AND RESERVES continued

Nature and purpose of other reserves

Share premium

As a result of the issue of new ordinary shares at an exercise price of 375p, the share premium reserve was credited with £29,200,000, before directly attributable expenses totalling £1,222,000 were deducted.

Capital redemption reserve

The capital redemption reserve, totalling £135,000, arose as a result of the repurchase of shares in 2001.

Merger reserve

On acquiring Shepperton Studios Limited the Company issued ordinary shares as part of the consideration. Merger relief was taken in accordance with Section 131 of the Companies Act 1985 (since succeeded by Section 612 of the Companies Act 2006), and hence £348,000 was credited to the merger reserve.

22. INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	Maturity	31 March 2016 £000	31 March 2015 £000
Current borrowings				
Bank overdraft	Base rate + 2.5% margin	Annual renewal	**657**	–
Non-current borrowings				
Term loan facility	LIBOR + variable margin	29 May 2019	**73,000**	–
Revolving credit facility	LIBOR + variable margin	20 November 2019	**–**	75,000
Asset financing	6.20%	5 November 2019	**2,251**	3,275
Non-current drawn loan facilities			**75,251**	78,275
Secured bank loan arrangement costs			**(1,087)**	–
			74,164	78,275
Total current and non-current interest-bearing loans and borrowings			**74,821**	78,275

Banking facilities

On 6 March 2015, the Company conditionally agreed proposed new banking facilities of up to £135.0m with Lloyds Bank plc, The Royal Bank of Scotland plc, HSBC Bank plc and Barclays Bank Plc, comprising:

- a £100.0m term loan facility committed to 29 May 2019, £45.0m of which was utilised to refinance the Company's existing committed debt facilities and the remaining £55m (the "Development Tranche") available to draw down prior to 30 September 2016 to fund phase one of the PSDF, with scheduled repayments commencing in June 2017; and
- a £35.0m multicurrency revolving credit facility, which will be available to draw down until 30 April 2019.

The Group has also retained its £5.0m overdraft facility which is subject to annual review.

On 17 April 2015, the Group fully repaid and terminated its previous banking facility and drew under the new agreement for the first time.

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

22. INTEREST-BEARING LOANS AND BORROWINGS continued

The term facility contains scheduled repayments of £2.5m on 30 June 2017 and 31 December 2017, increasing to £5.0m on each of 30 June 2018 and 31 December 2018. The revolving credit facility has no scheduled repayments. On 25 January 2016 and 17 February 2016 the Company made payments of £5.0m and £4.0m respectively against previous term loan drawdowns. The Company's banks have agreed that these payments do not represent repayments.

The facility has a range of covenants and events of default together with variable margins between 175 and 375 basis points over LIBOR.

Covenants

The banking agreements contain a range of covenants. The Group was covenant compliant at 31 March 2016.

Asset financing facility

The asset financing facility comprises of both a sterling chattel mortgage facility and a finance lease facility which are over a fixed term with fixed monthly payments and are secured over identifiable assets of an equal value. These assets are classified as 'Fixtures, fittings and equipment' within 'Property, plant and equipment' in the statement of financial position.

Borrowing facilities

The available but undrawn committed facilities are as follows:

31 March 2016:

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
Facilities:							
Bank overdraft	5,000	–	–	–	–	–	5,000
Term and revolving credit facility		–	–	80,000	–	–	80,000
Development facility	–	–	–	55,000	–	–	55,000
Asset financing facility	747	780	559	165	–	–	2,251
Total facilities	5,747	780	559	135,165	–	–	142,251
Drawn loans:							
Bank overdraft	(657)	–	–	–	–	–	(657)
Term and revolving credit facility		–	–	(45,000)	–	–	(45,000)
Development facility	–	–	–	(28,000)	–	–	(28,000)
Asset financing facility	(747)	(780)	(559)	(165)	–	–	(2,251)
Total drawn loans	(1,404)	(780)	(559)	(73,165)	–	–	(75,908)
Undrawn facilities:							
Bank overdraft	4,343	–	–	–	–	–	4,343
Term and revolving credit facility	–	–	–	35,000	–	–	35,000
Development facility	–	–	–	27,000	–	–	27,000
Undrawn committed facilities	4,343	–	–	62,000	–	–	66,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

22. INTEREST-BEARING LOANS AND BORROWINGS continued

Borrowing facilities continued

31 March 2015:

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
Facilities:							
Bank overdraft	5,000	–	–	–	–	–	5,000
Term and revolving credit facility	–	50,000	–	–	–	–	50,000
Acquisition facility	–	35,000	–	–	–	–	35,000
Asset financing facility	1,024	747	780	559	165	–	3,275
Total facilities	6,024	85,747	780	559	165	–	93,275
Drawn loans:							
Term and revolving credit facility	–	(40,000)	–	–	–	–	(40,000)
Acquisition facility	–	(35,000)	–	–	–	–	(35,000)
Asset financing facility	(1,024)	(747)	(780)	(559)	(165)	–	(3,275)
Total drawn loans	(1,024)	(75,747)	(780)	(559)	(165)	–	(78,275)
Undrawn facilities:							
Bank overdraft	5,000	–	–	–	–	–	5,000
Term and revolving credit facility	–	10,000	–	–	–	–	10,000
Undrawn committed facilities	5,000	10,000	–	–	–	–	15,000

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's interest rate swaps are recognised as derivative financial instruments. Fair value movements are recognised in the income statement within finance costs. Further details can be found in Note 29.

	31 March 2016 £000	31 March 2015 £000
Financial liabilities carried at fair value through profit or loss:		
Non-current derivative financial instrument liabilities	**3,122**	310
Current derivative financial instrument liabilities	**70**	13
	3,192	323

24. TRADE AND OTHER PAYABLES

	31 March 2016 £000	31 March 2015 £000
Trade payables – Media Services	**2,447**	6,104
Trade payables – FPCs	**6,144**	4,334
Value added tax	**–**	549
Other payables	**1,865**	1,445
Accruals	**8,837**	6,619
Capital expenditure related payables	**6,455**	1,347
Deferred income – Media Services	**10,135**	9,139
Deferred income – FPCs	**6,788**	804
	42,671	30,341

Terms and conditions of the above financial liabilities:

- Group trade creditors are non-interest bearing and at 31 March 2016 were equivalent to 49 days (31 March 2015: 56 days) of purchases, excluding film production companies.
- Other payables are non-interest bearing and are settled as they become due.
- Accruals are non-interest bearing and are settled as they become due.
- Deferred income is recognised as it is earned.

25. PROVISIONS

The provision that was fully utilised in the year to 31 March 2015 related to an onerous lease that had existed following the exercise of an option by Teddington Studios Limited to terminate its leasehold interest in Teddington Studios on 24 December 2014.

	Onerous Lease Provision £000
Balance at 1 April 2014	499
Utilisation of provision	(499)
Balance at 31 March 2015 and 31 March 2016	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

26. OBLIGATIONS UNDER LEASES

Operating lease commitments – Company as a lessee

Future minimum rentals payable on the Group's non-cancellable operating leases as at 31 March 2016 and 31 March 2015 are as follows:

	31 March 2016 £000	31 March 2015 £000
Within one year	**426**	60
After one year but not more than five years	**4,068**	1,676
After five years but not more than 20 years	**5,002**	5,469
	9,496	7,205

Included is an agreement for lease relating to Pinewood Wales that was signed on 16 July 2014 and the Group is operating under until such time as the formal lease is signed.

Operating lease commitments – Group as a lessor

The Group granted a 15 year Full Repairing and Insuring lease to Technicolor Limited, the occupier of the property previously classified as Investment Property, with the tenant's first option to break on 11 June 2016 with a penalty clause; principal rent subject to upwards-only annual reviews in line with RPI capped at 4%.

As disclosed in Note 14, the Group's Investment Property related to a long-term single building tenancy at Pinewood Studios. During the year, the lease was surrendered by Technicolor Limited, and the building is being reconfigured for use by the Pinewood business. Consequently, the asset has been reclassified during the year ended 31 March 2016 from Investment Property to Property, Plant and Equipment.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March 2016 and 31 March 2015 are as follows:

	31 March 2016 £000	31 March 2015 £000
Within one year	**–**	606
After one year but not more than five years	**–**	1,789
	–	2,395

27. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 March 2016, the Group had total capital commitments contracted for, but not provided in the accounts, of £25,500,000 (31 March 2015: £2,454,000) in respect of development expenses arising from the PSDF.

Guarantees

At 31 March 2016, the Group had guarantees in place, in the form of documentary credits, that were not provided for in the accounts totalling £125,000 (31 March 2015: £155,000) in relation to certain Section 278 highways related infrastructure for PSDF.

28. RELATED PARTY DISCLOSURES

The Group consists of a parent Company, Pinewood Group plc, incorporated in the UK and a number of subsidiaries and joint ventures held directly and indirectly by Pinewood Group plc. Listed below are details of the interests in subsidiaries, including the country of incorporation which is also equivalent to each entity's operating territory. Details of joint ventures are included in Note 9.

28. RELATED PARTY DISCLOSURES continued

Subsidiaries

Company name	Country of incorporation	% equity interest 31 March 2016	% equity interest 31 March 2015
Pinewood Studios Limited	United Kingdom	**100**	100
Shepperton Studios Limited	United Kingdom	**100**	100
Pinewood-Shepperton Studios Limited	United Kingdom	**100**	100
Teddington Studios Limited	United Kingdom	**100**	100
Pinewood PSB Limited	United Kingdom	**100**	100
Pinewood Film Advisors Limited	United Kingdom	**100**	100
Pinewood Film Advisors (W) Limited	United Kingdom	**100**	100
Saul's Farm Limited	United Kingdom	**100**	100
Shepperton Studios (General Partner) Limited	United Kingdom	**100**	100
Pinewood Shepperton Limited	United Kingdom	**100**	100
Baltray No.1 Limited	United Kingdom	**100**	100
The Studios Unit Trust	Jersey	**100**	100
Shepperton Studios Property Partnership	United Kingdom	**100**	100
Baltray No.2 Limited	United Kingdom	**100**	100
Shepperton Management Limited	United Kingdom	**100**	100
Pinewood Shepperton Facilities Limited	United Kingdom	**100**	100
PSL Consulting Limited	United Kingdom	**100**	100
Pinewood Studio Wales Limited	United Kingdom	**100**	100
Pinewood Germany Limited	United Kingdom	**100**	100
Pinewood Film Services GmbH	Germany	**100**	100
Pinewood Dominican Republic Limited	United Kingdom	**100**	100
Pinewood Malaysia Limited	United Kingdom	**100**	100
Pinewood China Limited	United Kingdom	**100**	100
Pinewood Atlanta Limited	United Kingdom	**100**	100
Pinewood USA Inc.	USA	**100**	100
Pinewood Film Production Studios Canada Inc.	Canada	**100**	100
Pinewood Production Services Canada Inc.	Canada	**100**	100
Pinewood Films Limited	United Kingdom	**100**	100
Pinewood Last Passenger Limited	United Kingdom	**100**	100
Pinewood Belle Limited	United Kingdom	**100**	100
Pinewood Camera Trap Limited	United Kingdom	**100**	100
Pinewood Christmas Candle Limited	United Kingdom	**100**	100
Pinewood Robot Overlords Limited	United Kingdom	**100**	100
Pinewood Riot Club Limited	United Kingdom	**100**	100
Pinewood Pressure Limited	United Kingdom	**100**	100
Pinewood KYF Limited	United Kingdom	**100**	100
Pinewood Films No.10 Limited	United Kingdom	**100**	100
Pinewood Films No.11 Limited	United Kingdom	**100**	100
Pinewood Films No.12 Limited	United Kingdom	**100**	100
Pinewood Films No.13 Limited	United Kingdom	**100**	100
Pinewood Films No.14 Limited	United Kingdom	**100**	100
Pinewood Films No.15 Limited	United Kingdom	**100**	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

28. RELATED PARTY DISCLOSURES continued

Subsidiaries continued

Company name	Country of incorporation	% equity interest 31 March 2016	% equity interest 31 March 2015
Pinewood Films No.16 Limited	United Kingdom	**100**	100
Pinewood Media Development Limited	United Kingdom	**100**	–
Pinewood Productions Ireland	Ireland	**100**	–
Spacebear IR DAC	Ireland	**100**	–

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities, with the exception of the cash restrictions relating to several film production company subsidiaries ("Pinewood Films No.X Limited") as detailed in Note 20.

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

Company name	Expiration date of financial support
Baltray No.1 Limited	20 October 2016
Pinewood Shepperton Studios Limited	29 September 2016
Pinewood Film Advisors (W) Limited	20 October 2016
Pinewood PSB Limited	20 October 2016
Pinewood Germany Limited	20 October 2016
Sauls Farm Limited	20 October 2016
Pinewood Films Limited	20 October 2016
Pinewood Studio Wales Limited	22 October 2016

Shepperton Studios Limited has a commercial property lease on the Shepperton Studios property, owned by Shepperton Studios Property Partnership, which became a wholly-owned subsidiary on 3 December 2014. In the prior year, the net cost to the Group of principal lease rentals for the period up to 3 December 2015 was £834,000. In addition, the Group paid a top up rent to the partnership based on certain of its trading activities at the Shepperton Studios site for which the net cost to the Group in the prior year for the period to 3 December 2014 was £55,000.

Shepperton Management Limited manages the assets of the partnership and until 3 December 2014 charged an asset management fee based on independent valuations of the Shepperton Studios site. Asset management fees charged in the prior year during the period to 3 December 2014 were £279,000.

28. RELATED PARTY DISCLOSURES continued

Subsidiaries continued

Peel Management fee

On 16 August 2012, the Group agreed an Advisory and Non-Executive Directors Services fee of £40,000 per Director per annum with Peel Acquisitions (Pegasus) Limited. Fees charged in relation to these services during the year were £50,000 (year ended 31 March 2015: £120,000) of which £nil remains outstanding for payment by the Group at 31 March 2016 (31 March 2015: £nil).

Transaction with Director

The Group had a consultancy agreement with Gasworks Media Limited, a company incorporated in the Isle of Man, whose sole shareholder, Steve Christian, was also an Executive Director of the Group until his resignation on 5 May 2015. The total value of the transactions during the year was £26,000 (year ended 31 March 2015: £384,000), of which £nil remains outstanding for payment by the Group at 31 March 2016 (31 March 2015: £nil).

Audit exemption

Pinewood Group plc has given statutory guarantees against all the outstanding liabilities of the below listed wholly-owned subsidiaries at 31 March 2016 under Section 479A of the Companies Act 2006, thereby allowing these subsidiaries to be exempt from the annual audit requirement for the year ended 31 March 2016.

Although the Company does not anticipate the guarantees to be called upon, the book values of the guaranteed liabilities, excluding intercompany balances, for each relevant subsidiary at 31 March 2016 are set out below.

Company name	Company Registration Number	Book value of liabilities 31 March 2016 £000
Baltray No.1 Limited	05776674	**178**
Baltray No.2 Limited	05778635	**–**
Pinewood Dominican Republic Limited	07096246	**668**
Pinewood Film Advisors (W) Limited	08864165	**73**
Pinewood Films Limited	07660856	**–**
Pinewood Germany Limited	07079399	**–**
Pinewood Malaysia Limited	07074446	**70**
Pinewood PSB Limited	06300755	**6,374**
Pinewood Studio Wales Limited	08863162	**768**
PSL Consulting Limited	08655214	**882**
Saul's Farm Limited	06233879	**–**
Shepperton Management Limited	05907027	**–**
Shepperton Studios (General Partner) Limited	05913009	**–**
Teddington Studios Limited	05365850	**–**
Pinewood Media Development Limited	09592018	**8**
Pinewood Robot Overlords Limited	08370083	**2**
Pinewood Riot Club Limited	08446929	**1**
Pinewood Pressure Limited	08519564	**1**
Pinewood KYF Limited	08599286	**3**
Pinewood Films No. 10 Limited	08818148	**87**
Pinewood Films No. 12 Limited	08865668	**493**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

29. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, chattel mortgages, finance leases and trade and other payables. The main purpose of these financial liabilities is to provide finance for the Group's operations. The Group has financial assets such as trade and other receivables and cash that arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors oversee the management of these risks and are supported by the appropriate members of the Executive Management Team together with specialist advisors as required. All derivative activities for risk management purposes are carried out with specialists involved who have the appropriate skills and experience. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. The Group's financial instruments affected by market risk include loans and borrowings and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future values of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. In order to manage its interest rate risk the Group's policy is to have at least 50% (31 March 2015: 50%) of its borrowings at fixed rates of interest. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principle amount.

At 31 March 2016, the Group had the following interest rate swaps in place to minimise the volatility in cash flows from a change in LIBOR:

	Effective interest rate %	Maturity	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Interest rate swap	1.33% + variable margin	1 July 2016	**7,500**	7,500
Interest rate swap	1.66% + variable margin	28 November 2016	**7,500**	15,000
Interest rate swap	0.69% + variable margin	4 January 2016	**–**	17,500
Interest rate swap	2.00% + variable margin	30 April 2025	**25,000**	–
			40,000	40,000
Interest rate swap*	2.08% + variable margin	30 April 2022	**25,000**	–
			25,000	–

* This instrument commences on 1 July 2016 but fair value recognised at 31 March 2016.

The interest swap finance costs are charged to the Group income statement when they are payable. These are payable on a quarterly basis in March, June, September and December. The change in the fair value is recognised in the income statement.

At 31 March 2016, £73,000,000 of the Group's term and revolving facility (31 March 2015: £75,000,000) had been drawn (see Note 22). £33,000,000 (31 March 2015: £35,000,000) of drawn facility is at a floating interest rate of LIBOR plus a margin, or UK Bank base rate plus a margin, and is therefore subject to market risk through interest rate fluctuations. The remaining drawn loan of £40,000,000 (31 March 2015: £40,000,000) has been converted to a fixed rate with interest rate swaps.

29. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES continued

Interest rate risk continued

The Group has entered asset financing facilities over a fixed term with fixed monthly payments and which are secured over identifiable assets of an equal value. These assets are classified as 'Fixtures, fittings and equipment' within 'Property, plant and equipment' on the statement of financial position. At 31 March 2016, the balance payable was £2,251,000 (31 March 2015: £3,275,000).

Taking into consideration the fixed rate instruments in place, a one percentage point increase in LIBOR would increase the interest charge, and reduce the Group profit before taxation, by £330,000 (31 March 2015: £350,000).

At 31 March 2016, after taking into account the effect of interest rate swaps and the asset finance facility, approximately 56% (31 March 2015: 55%) of the Group's borrowings are at a fixed rate of interest.

A summary of fixed and floating rate debt at 31 March 2016 is as follows:

31 March 2016:

	Within 1 year £000	**1–2 years £000**	**2–3 years £000**	**3–4 years £000**	**4–5 years £000**	**More than 5 years £000**	**Total £000**
Secured bank loan at floating rate	**–**	**–**	**–**	**(73,000)**	**–**	**–**	**(73,000)**
Portion of secured loan effectively converted to fixed rate with an interest rate swap	**–**	**–**	**–**	**(50,000)**	**–**	**–**	**(50,000)**
Effective floating portion of secured loan at floating rate	**–**	**–**	**–**	**(23,000)**	**–**	**–**	**(23,000)**
Fixed rate asset financing	**(747)**	**(780)**	**(559)**	**(165)**	**–**	**–**	**(2,251)**
Fixed rate drawn loan	**–**	**–**	**–**	**(50,000)**	**–**	**–**	**(50,000)**
Floating rate drawn loans	**–**	**–**	**–**	**(23,000)**	**–**	**–**	**(23,000)**
Total drawn loans	**(747)**	**(780)**	**(559)**	**(73,165)**	**–**	**–**	**(75,251)**

31 March 2015:

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
Secured bank loan at floating rate	–	(75,000)	–	–	–	–	(75,000)
Portion of secured loan effectively converted to fixed rate with an interest rate swap	–	(40,000)	–	–	–	–	(40,000)
Effective floating portion of secured loan at floating rate	–	(35,000)	–	–	–	–	(35,000)
Fixed rate asset financing	(1,024)	(747)	(780)	(559)	(165)	–	(3,275)
Fixed rate drawn loan	–	(40,000)	–	–	–	–	(40,000)
Floating rate drawn loans	–	(35,000)	–	–	–	–	(35,000)
Total drawn loans	(1,024)	(75,747)	(780)	(559)	(165)	–	(78,275)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

29. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES continued

Foreign currency risk continued

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

Equity price risk

The Group does not hedge against equity price risk as it does not have exposure in this area.

Credit risk

Credit risk is the risk that a counter-party will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables, and financial instruments.

Credit risks related to receivables

Customer credit risk is managed across the Group in accordance with policy, procedures and controls relating to customer credit risk management. The Group trades with recognised, creditworthy third parties and it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to manage the Group's exposure to bad debts. The requirement for impairment is reviewed each month on an individual customer basis and not on a collective basis. The review to assess the need for impairment is not dependent on the age of the receivable and is determined using business knowledge and individual circumstances specific to each customer. There were no changes to the Group policy during the year. As at 31 March 2016 the Group's maximum exposure to credit risk was £11,561,000 (31 March 2015: £6,055,000), of which £170,000 (31 March 2015: £365,000) is considered to be potentially impaired and £88,000 (31 March 2015: £291,000) has exceeded credit terms but has not been impaired. Note 18 provides further details of the ageing profile of receivables.

Credit risks related to financial instruments

With respect to credit risk relating to cash, cash equivalents and other financial instruments the Group's exposure to credit arises from default of the counter-party, with the maximum exposure equal to the carrying amount of these instruments. At 31 March 2016 the Group has a negative cash balance (31 March 2015: positive cash balance) and has a total of £40,000,000 interest rate swaps (31 March 2015: £40,000,000) and a £2,251,000 (31 March 2015: £3,275,000) asset financing facility agreement.

29. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES continued

Liquidity risk

The Group's objective is to maintain a balance between the continuity of operating and development funding and flexibility through the use of an overdraft facility and a term and revolving credit facility. Short-term flexibility is achieved by the overdraft facility of £5,000,000 (31 March 2015: £5,000,000) which, as at 31 March 2016, was available to the Group for drawdown (subject to an annual review).

As part of the banking facilities agreed on 6 March 2015 (see Note 22) which became active on 17 April 2015, the Group has term and revolving credit facilities available to 30 April 2019.

The Board has reviewed the Group's banking facilities and current levels of headroom on those facilities and considers that there is sufficient capacity going forward.

The table below summarises the maturity profile of the Group's main financial liabilities based on contractual undiscounted payments at 31 March 2016 and 31 March 2015:

At 31 March 2016:

	On demand £000	**Less than 3 months £000**	**3–12 months £000**	**1–5 years £000**	**> 5 years £000**	**Total £000**
Drawn facility loans	–	518	1,554	76,891	–	78,963
Derivative financial instruments	–	–	70	–	3,122	3,192
Asset financing	–	206	619	1,566	–	2,391
Trade and other payables	25,748	–	–	–	–	25,748
	25,748	**724**	**2,243**	**78,457**	**3,122**	**110,294**

At 31 March 2015:

	On demand £000	Less than 3 months £000	3-12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Drawn facility loans	–	2,853	4,058	73,774	–	80,685
Derivative financial instruments	–	–	13	310	–	323
Asset financing	–	341	798	2,390	–	3,529
Trade and other payables	20,398	–	–	–	–	20,398
	20,398	3,194	4,869	76,474	–	104,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

29. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES continued

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and liabilities as at 31 March 2016 and 31 March 2015:

	Book value		Fair value	
	31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Financial assets				
Cash and cash equivalents	**1,383**	6,357	**1,383**	6,357
Trade receivables	**11,391**	5,690	**11,391**	5,690
Financial assets	**12,774**	12,047	**12,774**	12,047
Financial liabilities				
Interest-bearing loans and borrowings:				
Floating rate borrowings	**33,000**	35,000	**33,000**	35,000
Floating rate borrowings converted to fixed rate	**40,000**	40,000	**40,000**	40,000
Asset financing	**2,251**	3,275	**2,391**	3,529
Total interest-bearing loans and borrowings	**75,251**	78,275	**75,391**	78,529
Trade and other payables	**42,671**	30,341	**42,671**	30,341
Financial liabilities	**117,922**	108,616	**118,062**	108,870
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swap (£7.5m at 1.33% + variable margin)	**27**	62	**27**	62
Interest rate swap (£7.5m at 1.66% + variable margin) (2015: £15m)	**63**	248	**63**	248
Interest rate swap (£17.5m at 0.69% + variable margin)	**–**	13	**–**	13
Interest rate swap (£25.0m at 2.00% + variable margin)	**1,624**	–	**1,624**	–
Interest rate swap (£25.0m at 2.08% + variable margin)	**1,478**	–	**1,478**	–
Interest rate swaps – fair value of liability	**3,192**	323	**3,192**	323

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

As at 31 March 2016, there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities. The fair value of floating and fixed rate borrowings approximate to the carrying value because interest rates are reset to market rates at intervals of less than one year.

29. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES continued

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 March 2016, the Group held interest rate swap contracts and had an asset financing liability. The fair value of these derivative financial instruments is estimated by discounting the future contracted cash flow using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7 Financial Instruments: Disclosures.

During the year ended 31 March 2016, there were no transfers between the different fair value measurement levels.

As at 31 March 2016, the total interest rate instruments outstanding were for principal amounts totalling £40,000,000. Two contracts totalling £15,000,000 mature during the period to November 2016 and therefore the cash flows and resulting effect on profit and loss are expected to occur over that period. The fair values of the interest rate instruments are disclosed as derivative financial instruments totalling £3,192,000 in the statement of financial position. Any movements in the fair values of the contracts are recognised in the income statement.

All other financial instruments for which the fair value is disclosed are classified as level 1 in the fair value hierarchy.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business as a going concern and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the strategy, objectives, policies or processes during the years ended 31 March 2016 and 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Included within net debt are interest-bearing loans and borrowings (excluding the derivatives, fair value of the interest rate swap and loan costs) and cash. Equity includes all capital and reserves of the Group. The gearing ratio is reviewed regularly by management with the appropriate measures being considered to maintain a capital structure to support the business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2016 continued

29. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES continued

Capital management continued

	31 March 2016 £000	31 March 2015 £000
Non-current liabilities		
Non-current drawn loan facilities	**75,251**	78,275
Secured bank loan arrangement costs	**(1,087)**	–
Derivative financial instruments	**3,122**	310
Interest-bearing loans and borrowings	**77,286**	78,585
Current liabilities		
Derivative financial instruments	**70**	13
Current assets		
Cash	**(1,383)**	(6,357)
Net debt including derivative financial instruments	**75,973**	72,241
Total equity	**126,356**	91,523
Gearing ratio	**60.1%**	78.9%
Net debt excluding derivatives, financial instruments and loan arrangement costs	**73,868**	71,918
Gearing ratio	**58.5%**	78.6%

Significant accounting policies

Details of the significant accounting policies and methods adopted for each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

at 31 March 2016

	Notes	**31 March 2016 £000**	31 March 2015 £000
Assets			
Non current assets			
Investments	7	**32,705**	32,705
Long-term assets	8	**166**	332
Deferred tax asset		**388**	241
		33,259	33,278
Current assets			
Cash		**1,107**	–
Prepayments and other receivables	9	**226,062**	202,758*
		227,169	202,758
Total assets		**260,428**	236,036
Equity and liabilities			
Equity attributable to equity holders			
Called up share capital	10	**5,741**	4,941
Share premium	10	**76,696**	48,718
Capital redemption reserve	10	**135**	135
Merger reserve	10	**348**	348
Retained earnings		**18,367**	23,287*
Total equity		**101,287**	77,429
Non current liabilities			
Interest bearing loans and borrowings	11	**74,164**	78,275
Derivative financial instruments	12	**3,122**	310
		77,286	78,585
Current liabilities			
Derivative financial instruments	12	**70**	13
Trade and other payables	13	**81,785**	80,009
		81,855	80,022
Total liabilities		**159,141**	158,607
Total equity and liabilities		**260,428**	236,036

* Restated for the effects of a prior year adjustment – see Note 2.

The financial statements of Pinewood Group plc, Company number: 03889552, were approved and authorised for issue by the Board of Directors on 10 July 2016. They were signed on its behalf by:

Christopher Naisby, FCCA
Finance Director

The Notes on pages 97 to 107 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FROM 1 APRIL 2015 TO 31 MARCH 2016

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2015	**4,941**	**48,718**	**135**	**348**	**23,287***	**77,429**
Equity placing	**800**	**29,200**	**–**	**–**	**–**	**30,000**
Costs of equity placing	**–**	**(1,222)**	**–**	**–**	**–**	**(1,222)**
Loss for the year	**–**	**–**	**–**	**–**	**(2,854)**	**(2,854)**
Equity dividends (Note 6)	**–**	**–**	**–**	**–**	**(2,066)**	**(2,066)**
At 31 March 2016	**5,741**	**76,696**	**135**	**348**	**18,367**	**101,287**

* See Note 2 for details of the prior year adjustment impacting Retained earnings.

From 1 April 2014 to 31 March 2015

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 April 2014	4,941	48,718	135	348	1,004	55,146
Profit for the year as previously stated	–	–	–	–	26,206	26,206
Prior year adjustment (Note 2)	–	–	–	–	(2,638)	(2,638)
Profit for the year as restated	–	–	–	–	23,568	23,568
Equity dividends (Note 6)	–	–	–	–	(1,285)	(1,285)
At 31 March 2015	4,941	48,718	135	348	23,287	77,429

The Notes on pages 97 to 107 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

1. AUTHORISATION OF FINANCIAL STATEMENTS

The Company's ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange. The financial statements of Pinewood Group plc for the year ended 31 March 2016 were authorised for issue by the Board of the Directors on 10 July 2016 and the statement of financial position was signed on the Board's behalf by the Finance Director. Pinewood Group plc is a public limited company incorporated and domiciled in England and Wales. The registered office is located at Pinewood Studios, Pinewood Road, Iver Heath, Buckinghamshire, SL0 0NH, United Kingdom.

2. ACCOUNTING POLICIES

Accounting convention

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2016 the Company has adopted FRS 101 (Financial Reporting Standard 101) and has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements except for the reclassification of intercompany balances from being due in over one year to being due within one year as there are no fixed repayment terms on intercompany loans.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements except as noted below.

Fixed asset investments

Investments in subsidiaries are stated initially at cost. The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Company income statement

The Company has taken advantage of the exemption available under Section 408 of the Companies Act 2006 not to present its own income statement. The loss after tax of the Company for the year was £2,854,000 (year ended 31 March 2015 profit: £26,206,000).

Prior year adjustment

The Company financial statements of Pinewood Group plc for the year ended 31 March 2015 reflected dividend income of £30m from a subsidiary company, Pinewood Shepperton Studios Limited ("PSSL"). It was subsequently discovered that PSSL had insufficient distributable reserves to pay this dividend. It therefore subsequently revised its dividend by £2.6m to £27.4m and recognised a corresponding adjustment to its amounts owed to the Company.

This correction had not been reflected in the financial statements of the Company for the year ended 31 March 2015. Management consider this to be a material error and have adjusted the prior year comparatives instead of the current period.

The adjustment has resulted in a restatement of the Company's prior year profit from £26.2m to £23.6m being the reduction of £2.6m in dividend income. Amounts due from subsidiary undertakings, which were disclosed within Prepayments and other Receivables as £204.4m in the prior year statement of financial position, have been restated as £201.8m.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016 continued

3. AUDITOR'S REMUNERATION

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Audit of the financial statements	**6**	6
Other fees to auditors:		
– taxation services	**6**	6
	12	12

4. DIRECTORS' REMUNERATION

	Year ended 31 March 2016						Year ended 31 March 2015
	Basic salary and fees £	**Benefits in kind £**	**Annual Bonus £**	**LTIP £**	**Pension contributions £**	**Total remuneration £**	Total remuneration £
Chairman							
Lord Grade of Yarmouth	**105,000**	**nil**	**nil**	**nil**	**nil**	**105,000**	105,000
Executive Directors							
Ivan Dunleavy	**369,617**	**19,898**	**122,225**	**624,350**	**46,189**	**1,182,279**	1,834,514
Nicholas Smith	**246,069**	**13,655**	**81,370**	**435,153**	**36,910**	**813,157**	1,048,549
Andrew M. Smith	**153,793**	**9,514**	**50,856**	**141,898**	**23,069**	**379,130**	477,651
Christopher Naisby	**180,346**	**4,265**	**59,637**	**141,898**	**18,936**	**405,082**	355,110
Steve Christian*	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	177,097
Non-Executive Directors							
Ruth Prior	**42,000**	**504**	**nil**	**nil**	**2,100**	**44,604**	44,688
Steven Underwood**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
Neil Lees**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
Thomas Allison**	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**	nil
MT Rainey	**36,667**	**400**	**nil**	**nil**	**1,333**	**38,400**	nil
Dr. Catherine Raines	**10,923**	**91**	**nil**	**nil**	**nil**	**11,014**	nil

The table above discloses amounts on an accrued basis.

* The Group had a consultancy agreement with Gasworks Media Limited, a company incorporated in the Isle of Man, whose sole shareholder, Steve Christian, was also an Executive Director of the Group during the year until 5 May 2015. The total value of the transactions, including reimbursement of expenses, during the period until 5 May 2015 was £26,000 (31 March 2015: £384,000). See Note 28 of the consolidated Group financial statements for further details.

** Non-Executive Directors provided under the agreement with Peel Acquisitions do not receive remuneration.

Peel Acquisitions Ltd. provided 3 Non-Executive Directors, namely Steven Underwood, Thomas Allison and Neil Lees. During the year, on 17 April 2015, Thomas Allison and Neil Lees resigned.

None of the above Directors received reimbursement for expenses during the year requiring separate disclosure as required by The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008.

The Company had no employees other than the Directors above in either the current or previous year.

The 'key management personnel' are the same as the Directors noted above.

5. TAXATION

(a) Analysis of (credit)/charge for the year:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Current tax:		
UK corporation tax	**(1,149)**	–
Deferred tax:		
Origination and reversal of timing differences	**(171)**	51
Total deferred tax	**(171)**	51
Change in tax rates	**24**	–
Total tax (credit)/charge	**(1,296)**	51

(b) Factors affecting tax (credit)/charge for the year:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Accounting (loss)/profit before corporation tax	**(4,151)**	26,257
(Loss)/profit on ordinary activities multiplied by UK rate of 20% (2015: 21%)	**(830)**	5,514
Non-deductible expenses	**94**	36
Other short-term timing differences	**–**	169
Group relief claimed	**548**	632
Group income	**–**	(6,300)
Effect of variance between current and deferred tax rate	**42**	–
Adjustment in respect of prior periods	**(1,150)**	–
Corporation tax (credit)/expense reported in the income statement	**(1,296)**	51

6. DIVIDENDS PAID

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Final dividend for year ending 31 March 2014 paid at 1.9p per share	**–**	939
Interim dividend for year ending 31 March 2015 paid at 0.7p per share	**–**	346
Final dividend for year ending 31 March 2015 paid at 2.8p per share	**1,607**	–
Interim dividend for year ending 31 March 2016 paid at 0.8p per share	**459**	–
	2,066	1,285

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016 continued

7. INVESTMENTS

	£000
Cost:	
At 31 March 2016 and 31 March 2015	**32,705**

Details of the investments in which the Group and the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital or Joint Venture interests are as follows:

Subsidiaries

		% equity interest	
Company name	**Country of incorporation**	**31 March 2016**	31 March 2015
Pinewood Studios Limited*	United Kingdom	**100**	100
Shepperton Studios Limited*	United Kingdom	**100**	100
Pinewood-Shepperton Studios Limited	United Kingdom	**100**	100
Teddington Studios Limited	United Kingdom	**100**	100
Pinewood PSB Limited	United Kingdom	**100**	100
Pinewood Film Advisors Limited	United Kingdom	**100**	100
Pinewood Film Advisors (W) Limited	United Kingdom	**100**	100
Saul's Farm Limited*	United Kingdom	**100**	100
Shepperton Studios (General Partner) Limited*	United Kingdom	**100**	100
Pinewood Shepperton Limited	United Kingdom	**100**	100
Baltray No.1 Limited*	United Kingdom	**100**	100
The Studios Unit Trust	United Kingdom	**100**	100
Shepperton Studios Property Partnership	United Kingdom	**100**	100
Baltray No.2 Limited*	United Kingdom	**100**	100
Shepperton Management Limited*	United Kingdom	**100**	100
Pinewood Shepperton Facilities Limited*	United Kingdom	**100**	100
PSL Consulting Limited	United Kingdom	**100**	100
Pinewood Studio Wales Limited*	United Kingdom	**100**	100
Pinewood Germany Limited*	United Kingdom	**100**	100
Pinewood Film Services GmbH	Germany	**100**	100
Pinewood Dominican Republic Limited*	United Kingdom	**100**	100
Pinewood Malaysia Limited*	United Kingdom	**100**	100
Pinewood China Limited*	United Kingdom	**100**	100
Pinewood Atlanta Limited*	United Kingdom	**100**	100

7. INVESTMENTS continued

Company name	Country of incorporation	% equity interest 31 March 2016	% equity interest 31 March 2015
Pinewood USA Inc.*	USA	**100**	100
Pinewood Film Production Studios Canada Inc.*	Canada	**100**	100
Pinewood Production Services Canada Inc.*	Canada	**100**	100
Pinewood Films Limited*	United Kingdom	**100**	100
Pinewood Last Passenger Limited**	United Kingdom	**100**	100
Pinewood Belle Limited**	United Kingdom	**100**	100
Pinewood Camera Trap Limited**	United Kingdom	**100**	100
Pinewood Christmas Candle Limited**	United Kingdom	**100**	100
Pinewood Robot Overlords Limited**	United Kingdom	**100**	100
Pinewood Riot Club Limited**	United Kingdom	**100**	100
Pinewood Pressure Limited**	United Kingdom	**100**	100
Pinewood KYF Limited**	United Kingdom	**100**	100
Pinewood Films No.10 Limited**	United Kingdom	**100**	100
Pinewood Films No.11 Limited**	United Kingdom	**100**	100
Pinewood Films No.12 Limited**	United Kingdom	**100**	100
Pinewood Films No.13 Limited**	United Kingdom	**100**	100
Pinewood Films No.14 Limited**	United Kingdom	**100**	100
Pinewood Films No.15 Limited**	United Kingdom	**100**	100
Pinewood Films No.16 Limited**	United Kingdom	**100**	100
Pinewood Media Development Limited	United Kingdom	**100**	–
Pinewood Productions Ireland Limited*	Ireland	**100**	–
Spacebear IR DAC	Ireland	**100**	–

* Held by Pinewood-Shepperton Studios Limited.
** Held by Pinewood Films Limited.

As at 31 March 2016, the Company had interests in the following joint ventures:

Joint ventures

Joint venture name	Principal place of business	% ownership interest	% voting rights
Pinewood Atlanta LLC	USA	40	50
PAS Holdings Fayette LLC	USA	40	50
Pinewood Television Limited	UK	50	50

The accounting reference date for Pinewood Atlanta LLC and PAS Holdings Fayette LLC is 31 December.

The accounting reference date for Pinewood Television Limited is 30 September.

The Company accounts for its investments in subsidiaries using the cost model.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016 continued

7. INVESTMENTS continued

Audit exemption

Pinewood Group plc has given statutory guarantees against all the outstanding liabilities of the below listed wholly-owned subsidiaries at 31 March 2016 under Section 479A of the Companies Act 2006, thereby allowing these subsidiaries to be exempt from the annual audit requirement for the year ended 31 March 2016.

Although the Company does not anticipate the guarantees to be called upon, the book values of the guaranteed liabilities, excluding intercompany balances, for each relevant subsidiary at 31 March 2016 are set out below.

Company name	Company Registration Number	Book value of liabilities 31 March 2016 £000
Baltray No.1 Limited	05776674	178
Baltray No.2 Limited	05778635	–
Pinewood Dominican Republic Limited	07096246	668
Pinewood Film Advisors (W) Limited	08864165	73
Pinewood Films Limited	07660856	–
Pinewood Germany Limited	07079399	–
Pinewood Malaysia Limited	07074446	70
Pinewood PSB Limited	06300755	6,374
Pinewood Studio Wales Limited	08863162	768
PSL Consulting Limited	08655214	882
Saul's Farm Limited	06233879	–
Shepperton Management Limited	05907027	–
Shepperton Studios (General Partner) Limited	05913009	–
Teddington Studios Limited	05365850	–
Pinewood Media Development Limited	09592018	8
Pinewood Robot Overlords Limited	08370083	2
Pinewood Riot Club Limited	08446929	1
Pinewood Pressure Limited	08519564	1
Pinewood KYF Limited	08599286	3
Pinewood Films No.10 Limited	08818148	87
Pinewood Films No.12 Limited	08865668	493

8. LONG-TERM ASSETS

	Toronto long-term agreement £000	Atlanta long-term agreement £000	China long-term agreement £000	Total £000
Cost:				
At 31 March	**94**	**498**	**156**	**748**
Amortisation:				
At 31 March 2014	75	–	–	75
Provided during the year	19	166	–	185
Impairment in the year	–	–	156	156
At 31 March 2015	94	166	156	416
Impairment during the year	–	–	–	–
Provided during the year	–	166	–	166
At 31 March 2016	**94**	**332**	**156**	**582**
Carrying value:				
At 31 March 2016	**–**	**166**	**–**	**166**
At 31 March 2015	–	332	–	332

The Group signed a five year sales and marketing agreement with Pinewood Toronto Studios on 26 May 2009. Transaction costs in relation to this agreement were recognised as a long-term asset and have been amortised over the term of the original agreement, ending in May 2014. The agreement was renewed during the prior year for a further five years to 26 May 2019.

Transaction costs of £498,000 in relation to the Pinewood Atlanta Studios joint venture were previously recognised as a long-term asset and are being amortised over the first three years of the Studio's operations, commencing April 2014. Details of the Group's investment in the joint venture is included in Note 9 of the consolidated Group financial statements.

Transaction costs of £156,000 incurred in relation to the Song Lin joint operation with Seven Stars Media Limited were previously recognised as a long-term asset and were fully impaired in the year ended 31 March 2015.

9. PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2016 £000	31 March 2015 £000
Due from subsidiary undertakings	**224,912**	201,811
Prepayments and accrued income	**90**	947
Corporation tax receivable	**1,060**	–
	226,062	202,758

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2016 continued

10. SHARE CAPITAL AND RESERVES

Authorised

	£000
As at 31 March 2016 and 31 March 2015: ordinary shares of 10p each	**7,000**

Issued, called up and fully paid

	31 March 2016		31 March 2015	
	No.	**£000**	No.	£000
Ordinary shares of 10p each	**57,409,926**	**5,741**	49,409,926	4,941
Shares in issue:				
As at 31 March	**57,409,926**	**5,741**	49,409,926	4,941

On 17 April 2015, 8,000,000 new ordinary shares of par value 10p were issued for cash and admitted to trading on AIM, giving rise to gross proceeds of £30.0m. The proceeds of this share issue were used to reduce drawn bank debt.

Nature and purpose of other reserves

Share premium

As a result of the issue of new ordinary shares at an exercise price of 375p, the share premium reserve was credited with £29,200,000, before directly attributable expenses totalling £1,222,000 were deducted.

Capital redemption reserve

The capital redemption reserve, totalling £135,000, arose as a result of the repurchase of shares in 2001.

Merger reserve

On acquiring Shepperton Studios Limited the Company issued ordinary shares as part of the consideration. Merger relief was taken in accordance with Section 131 of the Companies Act 1985 (since succeeded by Section 612 of the Companies Act 2006), and hence £348,000 was credited to the merger reserve.

11. INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	**Maturity**	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Current borrowings				
Bank overdraft (Note 13)	Base rate + 2.5% margin	Annual renewal	**–**	793
Non-current borrowings				
Term loan facility	LIBOR + variable margin	29 May 2019	**73,000**	–
Revolving credit facility	LIBOR + variable margin	20 November 2019	**–**	75,000
Asset financing	6.20%	5 November 2019	**2,251**	3,275
Non-current drawn loan facilities			**75,251**	78,275
Secured bank loan arrangement costs			**(1,087)**	–
			74,164	78,275
Total current and non-current interest-bearing loans and borrowings			**74,164**	79,068

11. INTEREST-BEARING LOANS AND BORROWINGS continued

On 6 March 2015, the Company conditionally agreed proposed new banking facilities of up to £135m with Lloyds Bank plc, The Royal Bank of Scotland plc, HSBC Bank plc and Barclays Bank Plc, comprising:

- a £100m term loan facility committed to 29 May 2019, £45.0m of which was utilised to refinance the Company's existing committed debt facilities and the remaining £55m (the "Development Tranche") available to draw down prior to 30 September 2016 to fund phase 1 of the PSDF, with scheduled repayments commencing in June 2017; and
- a £35m multicurrency revolving credit facility, which will be available to draw down until 30 April 2019.

The Group has also retained its £5m overdraft facility which is subject to annual review.

On 17 April 2015, the Group fully repaid and terminated its existing banking facility and drew under the new agreement for the first time.

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

The term facility contains scheduled repayments of £2.5m on 30 June 2017 and 31 December 2017, increasing to £5.0m on each of 30 June 2018 and 31 December 2018. The revolving credit facility has no scheduled repayments. On 25 January 2016 and 17 February 2016 the Company made payments of £5.0m and £4.0m respectively against previous term loan drawdowns. The Company's banks have agreed that these payments do not represent repayments.

The facility has a range of covenants and events of default together with variable margins ranging between 175 and 375 basis points over LIBOR.

Covenants

The banking agreements contain a range of covenants. The Group was covenant compliant at 31 March 2016.

Asset financing facility

The asset financing facility comprises of both a sterling chattel mortgage and a finance lease facility which are over a fixed term with fixed monthly payments and are secured over identifiable assets of an equal value. These assets are classified as 'Fixtures, fittings and equipment' within 'Property, plant and equipment' in the statement of financial position.

Borrowing facilities

The available but undrawn committed facilities are detailed in Note 22 of the consolidated Group financial statements.

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2016 continued

11. INTEREST-BEARING LOANS AND BORROWINGS continued

Interest rate swaps

To minimise the volatility in cash flows from a change in LIBOR, at 31 March 2016, the Group held interest rate swaps designated as hedges against drawn debt obligations amounting to £40,000,000 (31 March 2015: £40,000,000) as detailed below. Further information can be found in Note 29 of the consolidated Group financial statements.

	Effective interest rate %	Maturity	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Interest rate swap	1.33% + variable margin	1 July 2016	**7,500**	7,500
Interest rate swap	1.66% + variable margin	28 November 2016	**7,500**	15,000
Interest rate swap	0.69% + variable margin	4 January 2016	**–**	17,500
Interest rate swap	2.00% + variable margin	30 April 2025	**25,000**	–
			40,000	40,000
Interest rate swap*	2.08% + variable margin	30 April 2022	**25,000**	–
			25,000	–

* The instrument commences on 1 July 2016 but fair value recognised at 31 March 2016.

The Company's economic hedges of interest rate risk are treated as derivative financial instruments and fair value movements are recognised in the income statement.

The interest swap finance costs are charged to the income statement when they are payable. These are payable on a quarterly basis in March, June, September and December.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's interest rate swaps are recognised as derivative financial instruments. Fair value movements are recognised in the income statement within finance costs. Further details can be found in Note 29 to the consolidated Group financial statements.

	31 March 2016 £000	31 March 2015 £000
Financial liabilities carried at fair value through profit or loss:		
Non-current derivative financial instrument liabilities	**3,122**	310
Current derivative financial instrument liabilities	**70**	13
	3,192	323

13. TRADE AND OTHER PAYABLES

	31 March 2016 £000	31 March 2015 £000
Bank overdraft	**–**	793
Amounts due to subsidiary companies	**75,807**	73,660
Other creditors	**5,978**	5,495
Corporation tax	**–**	61
	81,785	80,009

14. RELATED PARTY DISCLOSURES

The Company has taken the exemption available to it under FRS 101 Reduced Disclosure Framework not to disclose its related party transactions with wholly-owned subsidiaries.

15. ULTIMATE PARENT UNDERTAKING

The ultimate holding company in the year until 17 April 2015 was Tokenhouse Limited, a company incorporated in the Isle of Man.

Tokenhouse Limited is controlled by the 1997 Billown Settlement Trust.

The largest group of companies of which the Company was a member until 17 April 2015 that produces consolidated accounts is Peel Holdings Group Limited, a Company incorporated in the Isle of Man.

The smallest group of companies, of which the Company was a member until 17 April 2015 that produces consolidated accounts is Goodweather Holdings Limited, a company incorporated in the Isle of Man.

Following an equity transaction on 17 April 2015, Goodweather Investment Management Limited's shareholding reduced below 50% to 39.09%. No shareholder has a greater than 50% holding in the Company as a result.

COMPANY INFORMATION

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A M Smith

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London E14 5HP

HSBC Bank plc
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ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting of the Company, to be held at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL at 10.30 am on 26 September 2016, together with an explanation of the resolutions to be proposed at the meeting, will be contained in a circular to shareholders enclosed with the Annual Report.

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