

Prime Focus World, N.V. and subsidiaries

Combined Consolidated Financial Statements as of and for the
Years ended March 31, 2023, 2022 and 2021, and Independent
Auditor's Report

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PRIME FOCUS WORLD N.V.

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders' and Board of Directors of Prime Focus World, N.V.
Amsterdam, The Netherlands

Opinion on the Financial Statements

We have audited the combined consolidated financial statements of Prime Focus World, N.V. and subsidiaries (the "Company"), which comprise the combined consolidated balance sheets as of March 31, 2023 and 2022, and the related combined consolidated statements of operations and comprehensive income (loss), cash flows, and equity (deficit) for each of the three years in the period ended March 31, 2023, and the related notes to the combined consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as March 31, 2023 and 2022, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the companies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1 to the financial statements, a studio rental business of Prime Focus Limited ("PFL"), the Company's Parent, (the "Contributed Business") was contributed to the Company by the shareholders of PFL during the year ended March 31, 2023. The accompanying financial statements are labeled as "combined consolidated" reflecting the fact that during the years ended March 31, 2021 and 2022 the transfer of the Contributed Business had not been finalized with the results of the Contributed Business being combined with those of Prime Focus World N.V. Subsequent to the completion of the contribution during the year ended 2023, the Contributed Business has been consolidated as part of Prime Focus World, N.V. Our opinion is not modified with respect to this matter.

As discussed in Notes 1 and 20 to the financial statements, the accompanying financial statements include significant transactions and affiliations between the Company and the Company's Parent or affiliates of the Company's Parent. Accordingly, the accompanying financial statements may not be indicative of the financial condition that would have existed or the results of operations that would have been achieved if the Company had operated without such affiliations. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the companies' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the companies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the companies' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

June 26, 2023

PRIME FOCUS WORLD N.V.
COMBINED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	As of March 31,	
	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 12,896	\$ 23,407
Trade and other receivables (net of allowances for doubtful accounts of \$5,310 and \$3,825 as of March 31, 2023 and 2022, respectively)	221,122	167,732
Prepaid expenses and other current assets	12,534	15,249
Total current assets	246,552	206,388
Property, plant and equipment, net	70,205	46,930
Operating lease right-of-use assets	70,855	77,754
Content investments	6,736	9,764
Trade and other receivables	55,772	22,350
Deferred tax assets, net	24,904	26,507
Income tax receivables	2,455	2,330
Goodwill	69,394	72,033
Intangible assets, net	36,576	30,885
Other non-current assets	4,345	3,318
Total assets	\$ 587,794	\$ 498,259
Liabilities, convertible redeemable preferred shares, and equity (deficit)		
Current liabilities		
Accounts payable	\$ 28,543	\$ 29,253
Accrued liabilities	39,620	25,492
Current portion of long-term and other debt	36,810	57,197
Operating lease liabilities	10,031	13,409
Income tax payable	3,011	4,318
Deferred revenue	30,212	24,472
Other current liabilities	10,536	8,849
Total current liabilities	158,763	162,990
Debt, net of financing cost	321,939	227,051
Operating lease liabilities	75,441	84,896
Deferred tax liabilities, net	5,516	4,325
Other non-current liabilities	9,302	8,580
Total liabilities	570,961	487,842
Commitments and contingencies (Note 18)		
Convertible redeemable preferred shares		
Class B convertible redeemable preferred shares (€0.01 par value; 1,000,000 shares authorized; 187,500 and 187,500 shares issued and outstanding at March 31, 2023 and 2022, respectively)	16,226	15,514
Equity (deficit)		
Common Stock	77	77
Treasury shares	(21,500)	(21,500)
Share subscription amount	3,407	-
Retained earnings (deficit)	26,471	(22,732)
Additional paid in capital	62,554	83,314
Accumulated other comprehensive loss	(71,266)	(44,832)
Total deficit attributable to Prime Focus World, N.V.	(257)	(5,673)
Non-controlling interest	864	576
Total equity (deficit)	607	(5,097)
Total liabilities, convertible redeemable preferred shares, and equity (deficit)	\$ 587,794	\$ 498,259

The accompanying notes are an integral part of these combined consolidated financial statements.

PRIME FOCUS WORLD N.V.
COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	Year ended March 31,		
	2023	2022	2021
Revenue	\$ 526,275	\$ 409,298	\$ 306,603
Operating expenses			
Employee benefits expense, net	(326,906)	(245,623)	(179,303)
Depreciation and amortization expense	(31,557)	(28,914)	(30,062)
Other operating expenses, net	(86,512)	(63,606)	(57,707)
Related party other operating expenses, net	(3,580)	(2,247)	(2,385)
Operating income	77,720	68,908	37,146
Other income (expense)			
Interest income	254	283	190
Interest expense	(15,007)	(12,341)	(13,577)
Income before income taxes	62,967	56,850	23,759
Income tax expense	(13,385)	(17,570)	(11,277)
Net income	49,582	39,280	12,482
Add: Net (profit) / loss attributable to non-controlling interests	(379)	407	612
Net income attributable to Prime Focus World N.V.	\$ 49,203	\$ 39,687	\$ 13,094

The accompanying notes are an integral part of these combined consolidated financial statements.

PRIME FOCUS WORLD N.V.
COMBINED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year ended March 31,		
	2023	2022	2021
Net income	\$ 49,582	\$ 39,280	\$ 12,482
Other comprehensive (loss) income, net of income tax:			
Exchange differences on translating foreign operations	(26,525)	(3,220)	1,436
Total comprehensive income (loss) for the year	23,057	36,060	13,918
Net loss attributable to non-controlling interests	(379)	407	612
Other comprehensive (income) loss attributable to non-controlling interests	91	(44)	32
Total comprehensive income (loss) for the year attributable to Prime Focus World N.V.	\$ 22,769	\$ 36,423	\$ 14,562

The accompanying notes are an integral part of these combined consolidated financial statements.

PRIME FOCUS WORLD N.V.
COMBINED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)
(In thousands)

	<u>Common stock</u>				<u>Treasury shares</u>	<u>Share subscription amount</u>	<u>Retained earnings (deficit)</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated other comprehensive income / (loss)</u>	<u>Shareholders' equity (deficit)</u>	<u>Non-controlling interest</u>	<u>Total equity (deficit)</u>
	<u>Ordinary I shares</u>		<u>Ordinary II shares</u>									
	<u>No. of shares</u>	<u>Par value</u>	<u>No. of share</u>	<u>Par value</u>								
At March 31, 2020	5,208,517	\$74	257,942	\$3	\$(21,500)	\$-	\$(75,513)	\$73,460	\$(43,036)	\$(66,512)	\$-	\$(66,512)
Net income / (loss)	-	-	-	-	-	-	13,094	-	-	13,094	(612)	12,482
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	1,468	1,468	(32)	1,436
Net contribution from / (distribution to) Parent	-	-	-	-	-	-	-	832	-	832	-	832
Contribution from non-controlling interest holders (NCI)	-	-	-	-	-	-	-	-	-	-	1,583	1,583
Stock compensation expense (1)	-	-	-	-	-	-	-	323	-	323	-	323
At March 31, 2021	5,208,517	\$74	257,942	\$3	\$(21,500)	\$-	\$(62,419)	\$74,615	\$(41,568)	\$(50,795)	\$939	\$(49,856)
Net income / (loss)	-	-	-	-	-	-	39,687	-	-	39,687	(407)	39,280
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	(3,264)	(3,264)	44	(3,220)
Net contribution from / (distribution to) Parent	-	-	-	-	-	-	-	7,863	-	7,863	-	7,863
Stock compensation expense (1)	-	-	-	-	-	-	-	836	-	836	-	836
At March 31, 2022	5,208,517	\$74	257,942	\$3	\$(21,500)	\$-	\$(22,732)	\$83,314	\$(44,832)	\$(5,673)	\$576	\$(5,097)
Net income / (loss) for the year	-	-	-	-	-	-	49,203	-	-	49,203	379	49,582
Other comprehensive income / (loss)	-	-	-	-	-	-	-	-	(26,434)	(26,434)	(91)	(26,525)
Net contribution from / (distribution to) Parent	-	-	-	-	-	-	-	(21,357)	-	(21,357)	-	(21,357)
Cash received from exercise of stock options	-	-	-	-	-	3,407	-	-	-	3,407	-	3,407
Stock compensation expense (1)	-	-	-	-	-	-	-	597	-	597	-	597
At March 31, 2023	<u>5,208,517</u>	<u>\$74</u>	<u>257,942</u>	<u>\$3</u>	<u>\$(21,500)</u>	<u>\$3,407</u>	<u>\$26,471</u>	<u>\$62,554</u>	<u>\$(71,266)</u>	<u>\$(257)</u>	<u>\$864</u>	<u>\$607</u>

(1) This amount in equity corresponds to stock compensation charge recorded through income statement for the years ended March 31, 2023, 2022 and 2021, for equity awards. In addition, amount recorded outside equity for stock compensation expense recorded for liability awards totalled \$315, \$353 and \$1,394 for the years ended March 31, 2023, 2022 and 2021, respectively.

The accompanying notes are an integral part of these combined consolidated financial statements.

PRIME FOCUS WORLD N.V.
COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended March 31,		
	2023	2022	2021
Net income	\$ 49,582	\$ 39,280	\$ 12,482
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	31,557	28,914	30,062
Stock compensation expense	912	1,189	1,717
Deferred tax	7,243	10,359	4,244
Write-off and amortization of debt financing cost	3,047	1,219	1,341
Non-cash lease expense	7,923	7,784	6,716
Provision for doubtful receivables, deposits, and advances	1,742	681	706
Loss on sale of investment	-	-	578
(Gain) on modification of leases	-	-	(634)
(Gain) loss on disposal of property, plant and equipment (net)	68	(46)	871
Net unrealized foreign exchange loss (gain)	(20,745)	3,120	(869)
Changes in operating assets and liabilities:			
Trade and other receivables	(97,408)	(59,744)	2,596
Prepaid expenses and other current assets	4,287	(6,947)	1,638
Content investments	2,645	(7,210)	(1,072)
Other non-current assets	(593)	(80)	(8)
Accounts payable and accrued liabilities	16,644	(3,947)	9,246
Other current liabilities	(3,714)	5,857	(8,624)
Deferred revenue	8,269	6,666	(23,643)
Operating lease liabilities	(11,452)	(8,029)	(2,301)
Other non-current liabilities	1,283	600	2,323
Net cash provided by operating activities	1,290	19,666	37,369
Cash flow from investing activities			
Purchases of property, plant and equipment	(27,869)	(6,108)	(3,557)
Purchase of intangible assets (including under development)	(15,364)	(2,177)	(6,949)
Contribution in joint venture	(347)	(1,178)	-
Total cash used in investing activities	(43,580)	(9,463)	(10,506)
Cash flow from financing activities			
Repayment of lease liabilities	(19,351)	(21,918)	(12,471)
Proceeds from long-term borrowings	33,515	78,215	-
Repayments of long-term borrowings	(9,927)	(16,640)	(7,298)
Proceeds from short-term borrowings	69,054	21,472	54,414
Repayment of short-term borrowings	(25,552)	(75,682)	(59,842)
Proceeds from (repayment of) bank overdrafts (net)	11,317	(4,543)	4,665
(Distribution to) contribution from Parent (net)	(21,074)	(2,387)	1,017
Payment of cash-settled options	-	(2,386)	-
Payment of long-term debt financing cost	(8,385)	(1,281)	(918)
Cash received from exercise of stock options	3,407	-	-
Total cash used in financing activities	33,004	(25,150)	(20,433)
Effect of exchange rates on cash and cash equivalents	(1,955)	(2,753)	2,872
Changes in cash, cash equivalents and restricted cash	(11,241)	(17,700)	9,302
Cash, cash equivalents and restricted cash at the beginning of the year	24,863	42,563	33,261
Cash, cash equivalents and restricted cash at the end of the year	\$ 13,622	\$ 24,863	\$ 42,563
Supplemental disclosure of cash flow information:			
Cash paid for interest (net)	\$ 13,505	\$ 11,749	\$ 10,596
Cash paid for income taxes	\$ 7,749	\$ 3,709	\$ 8,888
Non-cash transactions			
Purchase of property, plant and equipment and Intangible assets financed by accounts payable and finance leases	\$ 13,507	\$ 28,781	\$ 10,390
Operating lease right-of-use assets on new lease transactions	\$ 4,884	\$ 1,010	\$ 21,601
Lease incentive receivable on new lease transactions	\$ -	\$ -	\$ 3,657
Long term debt availed in settlement of short-term borrowings on account of refinancing	\$114,594	\$ -	\$ -

The accompanying notes are an integral part of these combined consolidated financial statements.

Prime Focus World N.V.

Combined consolidated financial statements as of and for three years ended March 31, 2023

(Figures in \$'000 unless otherwise specified)

1. General information

Prime Focus World N.V. ("PFW") is a private limited company incorporated on August 16, 2011 and domiciled in The Netherlands. The registered office is Basisweg 10, 1043AP Amsterdam, The Netherlands.

PFW, its subsidiaries and joint venture (together "PFW Group" or "Group" or the "Company" or "we") are a global technology services entity providing computer-generated visual special effects services, or VFX, through a variety of outputs, including photoreal image generation, two dimension to three dimension (3D), content conversion and animation services for visual content used in film, television, over-the-top (OTT), virtual reality (VR), virtual production, location-based entertainment and other production services. PFW is a subsidiary of Prime Focus Limited ("PFL" or "the Parent"), a company incorporated in India and listed on the National Stock Exchange and Bombay Stock Exchange under the symbols PFOCUS and 532748, respectively. PFW is more commonly known by the name "DNEG" within the entertainment industry.

As discussed in Note 20, the Combined Consolidated financial statements for the periods presented include significant transactions and affiliations between the PFW and the Parent or affiliates of the Parent. Accordingly, the accompanying Combined Consolidated financial statements may not be indicative of the financial condition that would have existed or the results of operations that would have been achieved if the PFW had operated without such affiliations. The accompanying Combined Consolidated financial statements present the historical results of operations and assets and liabilities of PFW and the Other Production Services business (described below) as if they were operated on a standalone basis. The net cash effect of transactions with PFL and affiliates, are reflected in the Combined Consolidated statements of cash flow as a financing activity.

All figures, except share and per share data, are in USD thousands (\$'000s) unless otherwise specified. References to "fiscal year" in the accompanying Combined Consolidated Financial Statements refer to the respective year ended March 31st.

Contribution of Other Production Service Business from Parent

On January 22, 2022, the boards of PFW and PFL approved an agreement for PFL to contribute a business segment of PFL to PFW in exchange for consideration of \$48.9 million. The business segment contributed to PFW consists of a business that provides various media production services, including rental of studios, cameras and other equipment and is referred to in these Combined Consolidated financial statements as the "Other Production Services business". The contribution of the Other Production Services business to PFW was approved by shareholders and made effective from March 31, 2022. The consideration for the Other Production Services business was transferred to PFL in full during the year ended March 31, 2023. Accordingly, during the year ended March 31, 2023, the contribution of the Other Production Services Business from the Parent was completed. The accompanying financial statements are labelled as "Combined Consolidated" reflecting the fact that during the years ended March 31, 2021 and 2022 the Other Production Services Business contribution had not been finalized with the results of the Other Production Services Business being combined with those of Prime Focus World N.V. Subsequent to the completion of the contribution during the year ended March 31, 2023, the Other Production Service Business has been consolidated as part of Prime Focus World, N.V.

Given that the Other Production Services business and PFW are under common control, the accompanying Combined Consolidated financial statements include the balance sheet and results of operations of the Other Production Services business starting from April 1, 2020 as if the Other Production Services business was part of PFW from inception and applied consistent US generally accepted accounting principles. As PFL and the Company are under common control, the assets and liabilities of the Contributed Business have been recorded in the financial statements using PFL's carrying basis. Any intercompany balances between the Other Production Services business and PFW have been eliminated, including the amount of the consideration agreed to between PFW and PFL for the Other Production Services business, in combining the Other Production Services business with PFW's operations for all periods presented.

The following summarizes the financial statement amounts of the Other Production Services business included in the accompanying Combined Consolidated financial statements for each of the periods presented:

	As of March 31, 2023	As of March 31, 2022
Trade receivables, net of allowance	\$ 3,896	\$ 5,766
Property, plant and equipment	15,232	14,887
Operating lease right-of-use assets	3,165	3,919
Other assets	3,348	944
Total assets	25,641	25,516
Total liabilities	7,786	8,411
Net assets	\$ 17,855	\$ 17,105

Prime Focus World N.V.**Combined consolidated financial statements as of and for three years ended March 31, 2023***(Figures in \$'000 unless otherwise specified)*

	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
Revenue	\$ 14,260	\$ 13,737	\$ 8,283
Expenses	(13,835)	(10,075)	(8,825)
Income tax expense	-	(952)	-
Net income (loss)	\$ 425	\$ 2,710	\$ (542)

2. Summary of significant accounting policies**Basis of presentation and combination**

These Combined Consolidated financial statements have been prepared in accordance with United States ("U.S.") Generally Accepted Accounting Principles ("U.S. GAAP"). The Combined Consolidated financial statements include the operations of PFW, its wholly owned subsidiaries and joint venture for which PFW is the primary beneficiary and the Other Production Services business contributed by the Parent. All intercompany balances and transactions have been eliminated in combination.

Use of estimates and assumptions in preparing combined consolidated financial statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires management to exercise judgment in applying the Group's accounting policies. On an ongoing basis, PFW evaluates its estimates, including, among others, those related to revenue, variable consideration, allowance for doubtful accounts, fair value measurements including common stock valuations, useful lives of property, plant and equipment, goodwill and finite-lived intangible assets, accounting for income taxes, stock-based compensation expense, content investments and revenue participation rights, and commitments and contingencies. PFW's estimates are based on historical experience, its future expectations and the relevant market information that are believed to be reasonable and supportable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from its current estimates and those differences may be material.

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and held with banks including demand deposits, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less. The Company's cash balances exceed those that are federally or governmentally insured. To date, the Company has not recognized any losses caused by uninsured balances.

Restricted Cash - The Group classifies all cash whose use is limited by contractual provisions as restricted cash. Restricted cash arises from the requirement for the Company to maintain cash of \$726 and \$1,456 as collateral for bank guarantees as of March 31, 2023 and 2022, respectively.

Reconciliation of cash, cash equivalents and restricted cash:

	As of March 31,	
	2023	2022
Cash and cash equivalents	\$ 12,896	\$ 23,407
Restricted cash (included in other non-current assets)	726	1,456
Total cash, cash equivalents, and restricted cash	\$ 13,622	\$ 24,863

Accounts receivable

Receivables are reported at estimated net realizable values. Accordingly, the Group estimates allowances for doubtful accounts. The allowance for doubtful accounts reflects estimates of credit losses based on historical experience, as well as current and expected economic conditions and industry trends. As part of forming these estimates, the Group also reviews delinquency status determined by classifying or aging individual invoices in terms of the length of the period past due, analyzing historical account write-off rates relative to receivable balances, based on economic conditions and based on the credit worthiness of individual customers. Receivables are written off when determined to be uncollectible.

Prime Focus World N.V.

Combined consolidated financial statements as of and for three years ended March 31, 2023

(Figures in \$'000 unless otherwise specified)

Investment in content production

As of March 31, 2023 and 2022, PFW's Combined Consolidated balance sheets include investments in content production of \$6,736 and \$9,764 respectively, and PFW expects to make further such investments in the future. The Chief Operating Decision Maker ("CODM") is not regularly reviewing discrete financial information concerning content investments, and has not established separate management processes for the new line of business such that it does not represent a separate reportable segment. Results of operations for content investments were insignificant for the years ended March 31, 2023, 2022 and 2021.

The Group recognizes its investments in content production as financial assets held at amortized cost. The Group applies the expected credit loss model for recognizing impairment losses on the financial assets. In its assessment, the Group considers the entire production cycle of content development from initial concept to ultimate monetization, and the expected cash flows from green lit, or those advancing to production, projects. The Group estimates the cash inflows expected in excess of the investment amount using the expected value method, and records as variable consideration the portion, if any, of that amount for which it is probable that a significant reversal will not subsequently occur. This consideration is recognized as revenue from content investments.

In certain cases the Company has made advances to customers as an incentive to enter into production services contracts. These advances will be recognized as a reduction of contract consideration over the duration of the contract and at March 31, 2023 and 2022, represented approximately \$16,076 and \$16,360, respectively, included in Trade Receivables in the accompanying Combined Consolidated balance sheets. See Note 10 for further information concerning such advances.

Business combinations

Business combinations are accounted for using the acquisition method. The Group measures and recognizes separately from Goodwill the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their acquisition-date fair values.

When the consideration in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period (period not exceeding one year) adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. The subsequent accounting for changes in fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates.

In the case of Business combinations that are under common control, the net assets are recognized by the Group at the historical cost of the Parent of the entities under common control. Any difference between the proceeds transferred and the carrying amounts of the net assets is recognized in equity. The effect of common control acquisition is reflected in the Combined Consolidated Balance Sheets and the Combined Consolidated Statements of Operations on a combined basis for all the years presented under which the entities were under common control.

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition (other than a common control transaction) and the fair value of the assets acquired and liabilities assumed. Goodwill is not amortized but is evaluated for impairment annually, or more frequently if indicators of impairment are present or changes in circumstances suggest that impairment may exist. The Group comprises two operating segments – VFX services and Other Production Services. Discrete financial information is not available or reviewed below this level by the CODM and the Group has determined such segments are also the reporting units of the Group. Accordingly, Goodwill is tested for impairment at the VFX services reporting unit level, as there is no goodwill specific to the Other Production Services. To test goodwill for impairment, the Group first performs a qualitative assessment to determine if it is more likely than not that the carrying amount of a reporting unit exceeds its fair value. If factors indicate that the fair value of the reporting unit is less than its carrying amount, the Group performs a quantitative assessment and the fair value of the reporting unit is determined under the income approach by analyzing the expected present value of future cash flows. If the carrying amount of the reporting unit is greater than its fair value, the reporting unit's goodwill is impaired. The goodwill impairment is equal to the difference between the carrying amount of the reporting unit and its fair value, not to exceed the carrying amount of the goodwill.

The Group performed a qualitative assessment as of March 31, 2023, and 2022. Based on this assessment, the Group determined that it was not more-likely-than-not that the goodwill was impaired and no goodwill impairments were identified during the three years ended March 31, 2023.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment.

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Depreciation is calculated to write down the cost of fixed assets to their residual values on a straight-line basis over their estimated useful economic life as follows:

Equipment, fixtures and fittings	Over 3 to 13 years (Weighted average – 7.12 years)
Motor vehicles	Over 4 to 8 years (Weighted average – 7.02 years)
Leasehold improvements	Over the period of the lease or useful economic life, whichever is shorter

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Combined Consolidated Statements of Operations.

Intangible assets

Externally acquired finite-lived intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their estimated useful economic lives. The estimated useful economic life and amortization method are reviewed at the end of each reporting period, any change in estimate is accounted for on a prospective basis.

At initial recognition, intangible assets acquired in a business combination are recognized at their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any, and are amortized on a straight-line basis over the estimated useful life of the asset.

The Group capitalizes certain qualified costs incurred in connection with the development of internal-use software. The Group evaluates the costs incurred during the application development stage of internal use software to determine whether the costs meet the criteria for capitalization. Costs related to preliminary project activities and post implementation activities including maintenance are expensed as incurred. Capitalized software is stated at cost less accumulated amortization.

Finite-lived intangible assets that were acquired in a business combination, such as trade names, customer relationships and developed technology are amortized on a straight-line basis over their estimated useful economic lives. The Group has determined the following estimated useful lives based on the nature of the asset, including any contractual periods of use, and by review of publicly-available estimates used by companies within the general entertainment industry:

Software and developed technology	Up to 8 years (Weighted average – 2.98 years)
Brand	Indefinite life
Other intangible assets - Trade names	Up to 8 years (Weighted average – 8.00 years)

The period of amortization starts at the point at which the asset becomes available to produce economic returns, which in the case of acquired intangibles is when the associated asset is purchased.

Intangible assets with indefinite useful economic lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the Combined Consolidated Statements of Operations when the asset is derecognized.

Leases and Right of Use Assets

The Group determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities current and non-current in the Combined Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, current portion of long-term and other debt, and debt in the Combined Consolidated Balance Sheets.

Operating lease and finance lease ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, the Group generally use our incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that Group will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term under other operating expenses under the heading 'Leases, facilities and related costs'. The Group has lease agreements with lease and non-lease components which are accounted as a single lease component. Finance lease expense is recognized under Interest expense as interest on finance lease liability and under Depreciation and Amortization as depreciation of equipment acquired under finance lease arrangement.

The group estimates and recognises an asset retirement obligation for its operating leases in based on the expectations of usage of the properties, removal, restoration costs, inflation and applicable discount rates.

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Impairment of long-lived assets

The Group periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life of the property, improvements, and other long-lived assets or render them not recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. An impairment loss for the amount by which the carrying amount of the assets exceeds its fair value would be recognized if the sum of the undiscounted future cash flows is less than the carrying amount of an asset. There were no such losses for each of the three years in the period ended March 31, 2023.

Foreign currency translation

Transactions and balances:

Transactions in currencies other than the functional currency of an entity are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. The share capital of the Group is denominated in Euros and is translated at a historical rate.

Exchange differences, a gain of \$18,535 in fiscal year 2023, a gain of \$4,413 in fiscal year 2022, and a gain of \$583 in fiscal 2021, respectively, arising on the settlement of monetary items, and on the translation of monetary items denominated in foreign currencies, are included in the Combined Consolidated Statements of Operations for the period as part of other operating expenses, net, and exchange differences on foreign currency borrowings, a gain of \$9,986 in fiscal year 2023, a gain of \$553 in fiscal year 2022, and a loss of \$619 in fiscal year 2021, respectively, are considered as part of interest expense.

Translation and transaction risk:

We operate internationally and, as a result, are exposed to changes in various foreign currency exchange rates. Although our reporting currency is the U.S. dollar, the functional currencies used to measure our significant operations include U.S. dollars, Pound sterling, Canadian dollars, Indian rupees and Australian dollars. We generated 36.2%, 19.5%, 40.4%, 3.6% and 0.3% of our combined revenue in U.S. dollars, Pound sterling, Canadian dollars, Indian rupees and Australian dollars, respectively, and incurred 7.8%, 30.3%, 37.6%, 24.0% and 0.3% of our combined costs in the United States, the United Kingdom, Canada, India and Australia, respectively, for the fiscal year ended March 31, 2023. Our costs are predominantly denominated in the local currencies of the countries where we operate. For the year ended March 31, 2022, we generated 36.9%, 19.9%, 39.8% and 3.4% of our combined revenue in U.S. dollars, Pound sterling, Canadian dollars and Indian rupees, respectively, and incurred 4.7%, 40.8%, 31.0% and 23.5% of our costs in the United States, the United Kingdom, Canada and India, respectively. In addition, our net assets in non-U.S. dollar operations were approximately \$3.4 million and \$130.6 million as of March 31, 2023 and 2022, respectively. As a consequence, we have considerable revenues, expenses, assets and liabilities in foreign currencies, and we translate such revenues and expenses into U.S. dollars at prevailing exchange rates for inclusion in our Combined Consolidated financial statements. Our currency exposure, which is both translation exposure and transaction exposure, to changes in exchange rates is significant given a substantial amount of our revenues, expenses, assets and liabilities are denominated in differing currencies.

Translation risk is the risk that exchange rates impact the value of our revenues, expenses, assets and liabilities reported in U.S. dollars on our Combined Consolidated statement of operations and balance sheet. For instance, the weakening of the U.S. dollar against the Pound sterling would result in an increase in our Pound sterling denominated revenues and expenses as reported in U.S. dollars and, conversely, the strengthening of the U.S. dollar against the Pound sterling would result in a decrease in our Pound sterling denominated revenues and expenses as reported in U.S. dollars. As many of our subsidiaries and affiliates operate in markets other than United States, these effects may be significant. We are primarily subject to translation effects with respect to our non-U.S. dollar revenues, expense, assets and liabilities.

With respect to translation risk a 10% strengthening of the U.S. dollar against other currencies at the reporting date would have decreased equity by \$0.3 million and increased profit by \$10.4 million as of and for the year ended March 31, 2023, respectively, decreased equity by \$13.06 million and increased profit by \$9.35 million as of and for the fiscal year ended March 31, 2022, respectively, and decreased equity by \$6.5 million and increased profit by \$5.7 million as of and for the year ended March 31, 2021, respectively.

Transaction risk is the exchange risk resulting from the time lag between entering into a contract and settling it. We are therefore exposed to movements in exchange rates on monetary assets and liabilities, including intercompany balances, that are denominated in currencies other than the functional currency of the entity in which they are recorded.

With respect to transaction risk, a 10% strengthening of the U.S. dollar against other currencies at the reporting date would have increased equity by \$5.2 million and decreased profit by \$0.5 million as of and for the year ended March 31, 2023, respectively, increased equity by \$15.3 million and increased profit by \$10.8 million as of and for the year ended March 31, 2022, respectively, and increased equity by \$6.5 million and increased profit by \$15.6 million as of and for the year ended March 31, 2021, respectively. We have entities in various functional currencies and are therefore exposed to transaction risk for the monetary assets and liabilities at the reporting date for those entities.

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Subsidiaries and joint venture ('Components'):

The results and financial position of all the Group entities that have a functional currency different from the reporting currency are translated into the presentation currency as follows:

Assets and liabilities for each of entities combined are translated at the closing rate at the date of the Combined Consolidated Balance Sheet.

Income and expenses for each of entities combined are translated at average exchange rates for the fiscal year.

All resulting exchange differences, together with exchange differences on translation of net investments in foreign operations, are recognized within accumulated other comprehensive income (loss), as a separate component of equity on combination.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. On disposal of a foreign operation, the cumulative exchange differences recognized in accumulated other comprehensive income relating to that operation up to the date of disposal are transferred to the Combined Consolidated Statements of Operations as part of the income or loss on disposal.

Retirement benefits

Defined contribution plan:

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are recognized as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plan:

For defined benefit retirement plans, the projected benefit obligation is determined using actuarial valuation at the end of each reporting period. Remeasurement comprising actuarial gains and losses are recognized immediately in the Combined Consolidated Statements of Operations. Past service cost is recognized in other comprehensive income / (loss) when the plan amendment or curtailment occurs, or when the Group recognizes related restructuring costs or termination benefits, if earlier. These costs are subsequently amortized in the Combined Consolidated Statements of Operations over the plan participants' remaining service periods. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs. Defined benefit plan balances are insignificant for all periods presented.

The Group presents service costs within Employee Benefits Expense in the Combined Consolidated Statements of Operations. A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

Income taxes

The Group accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets (DTA) and deferred tax liabilities (DTL) for the expected future tax consequences of events that have been included in the financial statements. Under this method, Group determines DTA and DTL on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on DTA and DTL is recognized in income in the period that includes the enactment date.

The Group recognizes DTA without a valuation allowance to the extent that it believes these assets are more likely than not to be realized. In making such a determination, The Group considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under the tax law, and results of recent operations. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized based on currently available evidence. If the Group determines that it would be able to realize our DTA in the future in excess of the net recorded amount, it would make an adjustment to the DTA valuation allowance, which would reduce the provision for income taxes.

The Group would record uncertain tax positions on the basis of a two-step process in which (1) it determined whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Group recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. If any, the Group recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

The Group believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position.

Significant judgment:

Deferred tax assets arise in respect of unutilized losses and other temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilized or to the extent they can be offset against related deferred tax liabilities. In assessing recoverability, estimation is made of the future forecasts of taxable profit and the impact of tax planning strategies and carry back potential where permitted.

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If these forecast profits do not materialize, they change, or there are changes in tax rates or to the period over which the losses or temporary differences might be recognized, then the value of deferred tax assets will need to be revised in a future period.

The Group has losses and other temporary differences in respect of which a valuation allowance has been recognized in the Combined Consolidated Financial Statements. This situation can arise in loss-making subsidiaries where the future economic benefit of these temporary differences is estimated to be not probable. It can also arise where the temporary differences are of such a nature that their value is dependent on only certain types of profit being earned, such as capital profits. If trading or other appropriate profits are earned in future in these companies, these losses and other temporary differences may yield benefit to the Group in the form of a reduced tax charge (also refer Note 6).

The Group is subject to tax in numerous jurisdictions, giving rise to complex tax issues that require management to exercise judgement in making tax determinations. In particular, although we report cross-border transactions undertaken between Group subsidiaries on an arm's-length basis in tax returns in accordance with Organization for Economic Co-operation and Development ("OECD") guidelines, transfer pricing relies on the exercise of judgement and it is frequently possible for there to be a range of legitimate and reasonable views. In assessing our transfer pricing policy, management uses in-house tax experts, professional firms with expertise in transfer pricing and previous experience to inform the evaluation of risk.

Revenue Recognition

The Group applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfils its obligations under each of its arrangements:

- identify the contract with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to performance obligations in the contract, and
- recognize revenue as the performance obligation is satisfied.

Rendering of visual effects services:

The Group provides visual special effects services to clients in the film, broadcast and commercials sectors. These services are generally provided as fixed price contracts with contract terms generally ranging over a period of three to twelve months.

The Group recognizes revenue when, or as, we satisfy our performance obligations under a contract. A performance obligation is the unit of account for revenue recognition and refers to a promise in a contract to transfer a distinct service or good to the customer. The Group contracts have a single performance obligation related to the delivery of visual effects services, that may involve significant integration of various activities that are performed together to deliver a combined service and the promise to transfer the individual services is not separately identifiable from other promises in our contracts and, therefore, is not distinct. The Group recognizes revenue over the period of the contract as the Group's performance does not create an asset with an alternative use to it since the project will be specific to the customer and the Group has an enforceable right to payment for performance completed to date. The Group uses an input method based on labor days spent as a proportion of the estimated total for the project to recognize revenue. Labor days are adjusted for productivity efficiencies by geography based on past experiences.

Rendering of Other Production Services:

The Group provides Other Production Services to clients in the film, broadcast and commercials sectors. These services are generally provided as fixed price contracts with contract terms generally ranging over a period of one to six months.

The Group recognizes revenue when, or as, we satisfy our performance obligations under a contract. The Group uses an input method based on studio and equipment rental days for rental revenues, labor hours/days spent for digital intermediate as a proportion of the total deliverable to recognize revenue.

Taxes, such as sales or value-added taxes, collected from customers and remitted directly to government authorities are excluded from the transaction price and not recorded in revenues and expenses.

Contracts with variable consideration terms:

Some customer contracts for the provision of services are structured so that the economic benefits that flow to the Group are subject to variability based on a future event, such as the performance of the film at the box office. Certain contracts with customers also have variable consideration provisions that are based on achieving certain minimum amounts of government tax credits based on various factors including the value of work performed and qualifying labor spend in specific locations.

The Group generally determines standalone selling prices based on the prices included in the client contracts, using expected costs plus margin. The price as specified in our client contracts is generally considered the standalone selling price as it is an observable input that depicts the price as if sold to a similar client in similar circumstances. For variable consideration, the Group estimates the transaction price at contract inception, including any variable consideration, and updates the estimate each reporting period for any changes in circumstances. The Group estimates the amount of variable consideration using the expected value method and determines the portion, if any, of that amount for which it is probable that a significant reversal will not subsequently occur.

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When the determination to recognize revenue for variable consideration is reached, the Group calculates revenue following the input method for contract revenue recognition using the amount of variable consideration determined to not be probable of significant reversal.

Contract Assets (Unbilled Revenue) and Contract Liabilities (Deferred Revenue):

The Group's contracts with customers generally contain a combination of payments upon commencement of work, linked to the achievement of production milestones or passage of time, and upon or after the delivery of work. These give rise to contract assets or liabilities depending on the stage of completion of the project. A contract asset results when performance obligations are satisfied on a contract in advance of invoicing. The Group records contract liabilities when the Group receives customer payments in advance of the performance obligations being satisfied on the Group's contracts. The contract liability balance as of April 1, 2022 was \$24,472. The Group recognized \$24,472 of revenue during the fiscal year ended March 31, 2023, from the beginning contract liability balance as of April 1, 2022. The contract liability balance as of April 1, 2021 was \$17,819. The Group recognized \$17,101 of revenue during the fiscal year ended March 31, 2022, from the beginning contract liability balance as of April 1, 2021. The contract liability as of March 31, 2023 and 2022 were \$30,212 and \$24,472, respectively and contract assets as of March 31, 2023 and 2022 were \$169,687 and \$120,629, respectively. Revenue allocated to remaining performance obligations, which includes deferred income and amounts that will be invoiced and recognized as revenue in future periods, is \$257,922 as of March 31, 2023. We expect to recognize revenue of \$257,922 in fiscal 2024 and thereafter.

Estimate at Completion:

The Group employs an Estimate at Completion ("EAC") process in which management reviews the estimates contract revenues and of total labor hours to hours incurred by contract. This EAC process requires management judgment relative to assessing risks, estimating contract revenue, determining reasonably dependable efforts estimates, and making assumptions. Since certain contracts can extend over a longer period of time and involve multiple changes in scope, the impact of revisions in efforts and revenue estimates during the progress of work may adjust the current period earnings through a cumulative catch-up basis. This method recognizes, in the current period, the cumulative effect of the changes on current and prior quarters. Additionally, if the current contract estimate indicates a loss, a provision is made for the total anticipated loss in the period that it becomes evident. Contract cost and revenue estimates for significant contracts are generally reviewed and reassessed bi-monthly. The majority of revenue recognized over time uses an EAC process. The net aggregate effects of these changes in estimates on contracts accounted for under the percentage of completion method in the year ended March 31, 2023 was approximately \$15,907 of unfavorable operating income, related to net changes in estimates that unfavorably impacted revenue which was mainly attributable to unanticipated overruns in certain projects which are not compensated by customer in part due to Company's inefficiency in execution. The net aggregate effects of the changes in estimates on contracts accounted for under the percentage of completion method in the year ended March 31, 2022 was approximately \$1,797 of favorable operating income, related to net changes in estimates that favorably impacted revenue. The net aggregate effects of the changes in estimates on contracts accounted for under the percentage of completion method in the year ended March 31, 2021 was approximately \$1,163 of unfavorable operating income, related to net changes in estimates that unfavorably impacted revenue.

Tax credits and other incentives

The Group's operations are eligible to earn various tax credits and other incentives based on work performed and other activities undertaken. These include film tax credits in our main operating locations in Canada, the United Kingdom and Australia, which are based on a combination of qualifying labor spends and costs of work performed. These tax credits are generally claimed by our customers and are included in the overall consideration in a customer contract. Where contracts are based on achieving certain minimum amounts of government tax credits, these are treated as variable consideration provisions. In certain instances, such tax credits may be claimed by the Group, and are recorded as Revenue once there is reasonable assurance that the Group will comply with the local compliance regulations attaching to them and that the credits will be received.

The Group's operations are also eligible to receive tax credits in respect of qualifying research and development activities, in particular Research and Development Credits ("RDEC") in the United Kingdom and Scientific Research and Experimental Development ("SR&ED") credits in Canada. These credits are not recognized until there is reasonable assurance that the Group will comply with the local compliance regulations attaching to them and that the credits will be received.

Beginning in fiscal year 2023, the Group's operations based in Australia are eligible for a payroll tax exemption of AUD 6,967 and an incentive for qualified infrastructure and equipment spend of up to AUD 25,050, with both incentives being linked to creating a committed level of job opportunities in Australia. These incentives are not recognized until there is reasonable assurance that the Group will comply with the applicable local regulations attached to them and that the credits will be received. The amount of incentives recognized in fiscal year 2023 is insignificant.

These incentives and credits are recognized as a reduction of the associated costs to which the credits and incentives relate in the Combined Consolidated Statements of Operations on a systematic basis over the periods in which the Group recognizes as expenses the related costs which the credits are intended to compensate. Generally, these incentives are to compensate for employee benefits expense and are recognized as an offset of those associated costs in the accompanying Combined Consolidated Statements of Operations. Incentives linked to equipment are recognised over the life of the asset as an offset to Depreciation and Amortization in the accompanying Combined Consolidated Statements of Operations.

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Grants from the government are recognized at their expected value where there is an established grant program and there is reasonable assurance that the grant will be received, and the Group has complied with all requirements for receiving the grant.

Grants from government such as wage subsidy programs, consequent to the impact of COVID-19 are recognized as a deduction to Employee benefits expense in the period in which the entity qualifies to receive it. In the year ended March 31, 2022, the Group received subsidies of \$11,194 under the Canada Emergency Wage Subsidy ("CEWS"), and of \$200 under the UK Coronavirus Job Retention Scheme. There were no such grants during the year ended March 31, 2023. These amounts are included as a reduction of Employee benefits expense in the accompanying Combined Consolidated Statements of Operations.

Other operating expenses, net

Other operating expenses, net, includes research and development expenses and advertising expenses.

The Group has expensed research and development cost of \$4,843, \$4,897 and \$5,328 for the years ended March 31, 2023, 2022 and 2021, respectively.

The Group has incurred advertising cost of \$514, \$267 and \$33 for the years ended March 31, 2023, 2022 and 2021, respectively.

Credit risk management

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from clients and cash. Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

The Group seeks to minimize its credit risk where possible by obtaining credit checks, payments in advance and other payment guarantees. The Group is also exposed to credit risk in respect of its cash and seeks to minimize this risk by holding funds on deposit with major financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the accompanying Combined Consolidated Balance Sheets. The highest single third-party credit risk exposure including trade receivables, unbilled revenue and other receivables is March 31, 2023: \$27,063 and March 31, 2022: \$16,546.

Cash is held with various financial institutions having a high credit-rating assigned by credit-rating agencies at March 31, 2023 and 2022. The total amount of cash and cash equivalents as of March 31, 2023 is \$12,896 and March 31, 2022 is \$23,407.

Fair value of assets and liabilities

Fair value accounting is applied for all assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Group follows the established framework for measuring fair value and disclosing fair value measurements, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Share-based payment arrangements

Equity-settled share-based payments to employees, consultants and to certain members of the Board of Directors of PFW and its subsidiaries are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-based transactions are set out in Note 17.

The fair value determined at the grant date of the equity-based payments is expensed using the graded attribution method over the vesting period, based on the Group's estimate of the amount of such equity instruments that will eventually vest, with a corresponding increase to shareholders' equity. At the end of each reporting period, the Group revises the number of equity instruments expected to vest based on actual forfeitures. The impact of the revision of the original vesting is recognized in the Combined Consolidated Statements of Operations such that the cumulative expense reflects the revised vesting, with a corresponding adjustment to the Additional Paid-in Capital Account.

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For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in the Combined Consolidated Statements of Operations for the year.

3. Recently issued accounting pronouncements

Accounting Pronouncements not adopted as of the year ended March 31, 2023

The FASB has issued Accounting Standards Update (ASU) No. 2023-02, Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method — a consensus of the Emerging Issues Task Force.

Under the ASU, if certain conditions are met, a reporting entity may elect to account for its tax equity investments by using the proportional amortization method regardless of the program from which it receives income tax credits. The ASU's amendments "remove the specialized guidance for [low-income-housing tax credit] investments that are not accounted for using the proportional amortization method and instead require that those LIHTC investments be accounted for using the guidance in other [GAAP]." For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period.

On March 27, 2023, the FASB issued ASU 2023-01,1 which amends certain provisions of ASC 842 that apply to arrangements between related parties under common control. Specifically, the ASU:

- Offers private companies, as well as not-for-profit entities that are not conduit bond obligors, a practical expedient that gives them the option of using the written terms and conditions of a common-control arrangement when determining whether a lease exists and the subsequent accounting for the lease, including the lease's classification (Issue 1).
- Amends the accounting for leasehold improvements in common-control arrangements for all entities (Issue 2). The amendments in this Update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance.

On December 21, 2022, the FASB issued ASU 2022-06 to defer the sunset date of ASC 848: Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting, until December 31, 2024. In March 2021, the UK Financial Conduct Authority 'FCA' announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of USD LIBOR would be June 30, 2023, which is beyond the current sunset date of Topic 848. Because the current relief in Topic 848 may not cover a period of time during which a significant number of modifications may take place, the amendments in this Update defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The ASU became effective upon issuance.

On September 29, 2022, the FASB issued ASU 2022-04 to enhance transparency about an entity's use of supplier finance programs. Under the ASU, the buyer in a supplier finance program is required to disclose information about the key terms of the program, outstanding confirmed amounts as of the end of the period, a roll forward of such amounts during each annual period, and a description of where in the financial statements outstanding amounts are presented. The amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted.

On June 30, 2022, the FASB issued ASU 2022-03,1 which (1) clarifies the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction and (2) requires specific disclosures related to such an equity security. Under current guidance, stakeholders have observed diversity in practice related to whether contractual sale restrictions should be considered in the measurement of the fair value of equity securities that are subject to such restrictions. On the basis of interpretations of existing guidance and the current illustrative example in ASC 820-10-55-52 (Example 6, Case A) of a restriction on the sale of an equity instrument, some entities use a discount for contractual sale restrictions when measuring fair value, while others view the application of such a discount to be inconsistent with the principles of ASC 820. To reduce the diversity in practice and increase the comparability of reported financial information, ASU 2022-03 clarifies this guidance and amends the illustrative example. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.

The Group is evaluating the impact of the above pronouncements.

Prime Focus World N.V.**Combined consolidated financial statements as of and for three years ended March 31, 2023***(Figures in \$'000 unless otherwise specified)***4. Revenue and segment information***Seasonality of revenue:*

We experience, and expect to continue to experience, seasonal fluctuations in our results of operations due to changes in the ultimate release dates of our projects and the number of projects on which we work. Prior to the COVID-19 pandemic, motion picture studios generally released their major high budget films, which are typically films with significant VFX content, in the months of March to August and again around the holiday period of November and December.

Unlike major Hollywood studios that typically release high-budget films in March through August in the ordinary course of business, and again in November and December, television, OTT, AR/VR and location-based and experiential entertainment content providers typically do not adhere to the same release schedule, and content release dates can vary significantly from project to project. Our services are typically completed approximately two to four weeks prior to the release date of these projects. Many of the films that we provide VFX services for are released during these time periods, so we are typically busier in the months leading up to these release dates. Accordingly, prior to the COVID-19 pandemic, the months of January to June were generally our busiest periods, and we would typically convert more of our order book into revenue during these periods, which would be reflected in our first and fourth fiscal quarter results of operations. In addition to these seasonal trends and the impact of the COVID-19 pandemic, our results of operations may fluctuate period to period based on a number of factors, many of which are beyond our control, such as changes in content provider management and distribution platforms, consolidation among content producers, changes in the availability of creative talent, changes in our production schedule and suspensions or terminations of all or part of our engagements. Moreover, although certain elements of our business have begun to return to pre-COVID-19 pandemic norms, no assurances can be given as to whether the trends in seasonality and impacts of the COVID-19 pandemic described above will continue or change significantly in the short or longer term.

Revenue information:

The Group disaggregates VFX services revenues from contracts with customers into two categories: DNEG and ReDefine. These two categories align to how the Group markets its VFX services to the entertainment industry, wherein the DNEG line is focused on offering creative services to United States and Canada among other markets, and ReDefine is focused on offering creative services to China and India among other markets. The Group determines that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Other Production Services include studio, equipment rental and other post-production services provided to customers in India.

The table below presents disaggregated revenues for the fiscal years ended March 31, 2023, 2022 and 2021:

	Year ended March 31,		
	2023	2022	2021
Revenue			
VFX Services			
DNEG	\$ 431,907	\$ 338,056	\$ 260,660
ReDefine	80,108	57,505	37,660
Other Production Services	14,260	13,737	8,283
	\$ 526,275	\$ 409,298	\$ 306,603

Segment information:

The Group defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate resources by the CODM. The Group has determined that the Chief Executive Officer is its CODM. Based on internal reporting provided to the CODM, the Group's operations predominantly relate to the provision of visual special effects (VFX) services and Other Production Services. Discrete financial information is not available or reviewed at a level below this level and, accordingly, there are only two reportable segments – VFX services and Other Production Services.

Revenue

	Year ended March 31,		
	2023	2022	2021
VFX services	\$ 512,015	\$ 395,561	\$ 298,320
Other Production Services	14,260	13,737	8,283
Total combined consolidated revenue	\$ 526,275	\$ 409,298	\$ 306,603

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Income/(loss) before tax

	Year ended March 31,		
	2023	2022	2021
VFX services profit	\$ 62,542	\$ 53,188	\$ 24,301
Other Production Services profit (loss)	425	3,662	(542)
Total combined consolidated income before tax	\$ 62,967	\$ 56,850	\$ 23,759

Assets

	As of March 31,	
	2023	2022
VFX services assets	\$ 562,153	\$ 472,743
Other Production Services assets	25,641	25,516
Combined consolidated total assets	\$ 587,794	\$ 498,259

Subsequent to the issuance of the fiscal year 2022 financial statements, the Company identified an error in the disclosure of VFX services assets and total assets as of March 31, 2022. The Company has corrected the amounts for VFX services assets and total assets as of March 31, 2022 in the table above from \$473,972 and \$499,308, respectively, as previously reported, to \$472,743 and \$498,259, respectively, as corrected. The disclosure correction was not material to the accompanying Combined Consolidated Financial Statements.

Other significant items

	Year ended March 31,		
	2023	2022	2021
VFX Services operating income	\$ 76,876	\$ 65,057	\$ 37,365
Other Production Services operating income (loss)	844	3,851	(219)
Total combined consolidated operating income	\$ 77,720	\$ 68,908	\$ 37,146
Purchases of property, plant, equipment and intangibles for VFX	\$ 52,562	\$ 34,908	\$ 19,635
Purchases of property, plant, equipment and intangibles for Other Production Services	4,178	2,158	1,261
Total combined consolidated property, plant and equipment and intangibles	\$ 56,740	\$ 37,066	\$ 20,896
VFX Services depreciation and amortization	\$ 27,834	\$ 25,519	\$ 26,889
Other Production Services depreciation and amortization	3,723	3,395	3,173
Total combined consolidated depreciation and amortization	\$ 31,557	\$ 28,914	\$ 30,062
VFX Services interest expense	\$ 14,566	\$ 12,107	\$ 13,253
Other Production Services interest expense	441	234	324
Total combined consolidated interest expense	\$ 15,007	\$ 12,341	\$ 13,577

Purchases of property, plant and equipment above include non-cash additions for each of the periods presented.

Geographical information

The PFW Group operates in five principal geographical areas – The Netherlands (Country of Domicile), United Kingdom, United States of America, India, and Canada. Other recently setup operations in Bulgaria, Hungary, Spain and Australia are individually not significant at present.

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The Group's revenue from external customers by location of customers and information about its non-current assets by location of assets are detailed below:

	Year ended March 31,		
	2023	2022	2021
Revenue			
The Netherlands	\$ -	\$ -	\$ -
United Kingdom	116,926	88,749	42,385
United States of America	2,690	13,454	11,663
India	23,884	18,446	9,619
Canada	380,095	288,487	242,291
Rest of the world	2,680	162	645
	\$ 526,275	\$ 409,298	\$ 306,603

	As of March 31,	
	2023	2022
Long-lived assets		
The Netherlands	\$ -	\$ -
United Kingdom	50,656	52,391
United States of America	1,637	1,559
India	43,940	40,053
Canada	34,844	30,680
Rest of the world	9,984	1
	\$ 141,061	\$ 124,684

Long-lived assets represent Property, plant and equipment, net and operating lease right-of-use assets.

In the years ended March 31, 2023 and 2022, there is no individual customer production contract contributing more than 10% of the Group's combined revenue. In the year ended March 31, 2021, revenue from one individual customer production contract represents 11.3% of the Group's combined revenue. The Group contracts separately with various affiliates of a limited number of global entertainment studio companies for its production services. For the fiscal years ended March 31, 2023, 2022 and 2021, 53.4%, 55.1% and 48.4%, respectively, of revenue was contributed by the affiliates of three such global studio companies, and 24.7%, 22.7% and 20.7%, respectively, of revenue was contributed by the affiliates of one such global studio company.

5. Other operating expenses

The following table presents the principal components of other operating expenses for the years ended March 31, 2023, 2022 and 2021.

	Year ended March 31,		
	2023	2022	2021
Leases, facilities and related costs	\$ 26,606	\$ 26,504	\$ 24,693
Legal and professional fees	14,017	5,042	7,904
Technical service costs	30,984	20,222	9,819
Foreign exchange gains, net	(18,535)	(4,413)	(583)
Other general administrative expenses	33,440	16,251	15,874
	\$ 86,512	\$ 63,606	\$ 57,707

Legal and professional fees include costs incurred towards a withdrawn US bond offering of Nil, Nil and \$3,191 for the years ended March 31, 2023, 2022 and 2021, respectively.

On January 25, 2022, Sports Ventures Acquisition Corp. ("SVAC") entered into a Business Combination Agreement with Prime Focus World N.V. to acquire all of the ordinary and preferred shares of PFW issued and outstanding from the stockholders of PFW in exchange for SVAC Class A Ordinary Shares ("Business Combination"). Upon closing, Prime Focus World N.V. was to become a wholly owned subsidiary of SVAC.

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Concurrently with the execution of the Business Combination Agreement, SVAC entered into subscription agreements with certain investors (the "PIPE Investors"), pursuant to which the PIPE Investors agreed to subscribe for and purchase, and SVAC has agreed to issue and sell to the PIPE Investors, an aggregate of 16,800,000 SVAC Class A Ordinary Shares at a price of \$10.00 per share, for aggregate gross proceeds of \$168.0 million (the "PIPE Investment"). The PIPE Investment would be consummated substantially concurrently with the Closing of the Business Combination.

On June 15, 2022, SVAC and Prime Focus World N.V. entered into a Termination Agreement, pursuant to which, SVAC and Prime Focus World N.V. mutually agreed to terminate the Business Combination Agreement. The decision took into account prevailing market conditions, the general difficulties facing special purpose acquisition companies, and other market factors. The termination of the Business Combination Agreement became effective as of such date.

As a result of the Termination Agreement, the Business Combination Agreement is of no further force and effect, SVAC and Prime Focus World N.V. released all existing claims that they may presently have against one another arising out of the Business Combination Agreement, and the agreements entered into in connection with the Business Combination Agreement, including, but not limited to, (i) the Amended and Restated Registration Rights Agreement, by and among SVAC and holders, (ii) the Sponsor Support Agreement, by and among SVAC, PFW and the Sponsor, (iii) the Backstop Agreement, by and among SVAC, PFW and the Sponsor, (iv) the Stockholder Support Agreements, (v) the PFL Agreement and (vi) the Subscription Agreements by and among SVAC and certain institutional and private investors, in each case as defined in the Business Combination Agreement, have also been terminated and are no longer be effective, as applicable, in accordance with their respective terms. In connection with the execution of the Termination Agreement, PFW paid a fee equal to \$1,500 to the Sponsor.

This termination fee along with the related transaction costs of \$6,321 was recognized as an expense in the Group's Combined Consolidated financial statements for the year ended March 31, 2023 under legal and professional fees. During the year ended March 31, 2022 and year ended March 31, 2021 legal and professional fees includes \$1,362 and \$Nil of such costs, respectively.

6. Income taxes

PFW is incorporated in The Netherlands and its operations are conducted throughout various subsidiaries in a number of countries throughout the world. Consequently, income taxes have been provided based on the laws and rates in effect in the countries which operations are conducted or in which PFW's subsidiaries are considered resident for corporate income tax purposes.

Following are the domestic and foreign components of net income before income tax for the years ended March 31, 2023, 2022 and 2021

	2023	2022	2021
Income (loss) before income taxes			
The Netherlands (domestic)	\$ (6,511)	\$ (30,554)	\$ (17,380)
Other than the Netherlands (foreign)	69,478	87,404	41,139
	<u>\$ 62,967</u>	<u>\$ 56,850</u>	<u>\$ 23,759</u>

Income tax (expense) benefit recognized in the accompanying Combined Consolidated Statements of Operations

	2023	2022	2021
Current tax			
The Netherlands	\$ -	\$ -	\$ -
Other than the Netherlands	(6,142)	(7,211)	(7,033)
Deferred tax			
The Netherlands	-	-	-
Other than the Netherlands	(7,243)	(10,359)	(4,244)
Income tax expense	<u>\$ (13,385)</u>	<u>\$ (17,570)</u>	<u>\$ (11,277)</u>

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The difference between the tax provision and the amount calculated by applying the standard corporate tax rate in The Netherlands (25%) to the income (loss) before tax is shown below for the years ended March 31, 2023, 2022 and 2021:

	2023		2022		2021	
Income before tax	\$ 62,967		\$ 56,850		\$ 23,759	
Income tax expense calculated at 25%	(15,742)	25.0%	(14,213)	25.0%	(5,940)	25.0%
<u>Effects of:</u>						
Non-deductible expenses	(439)	0.7	(7)	0.0	(593)	2.5
Non-taxable income	37	(0.1)	703	(1.2)	456	(1.9)
Change in tax rates in various jurisdiction	1,304	(2.2)	(190)	0.3	775	(3.3)
Utilization of previously unrecognized losses and other temporary difference items	755	(1.2)	360	(0.6)	1,333	(5.6)
Deferred tax on undistributed reserves	(768)	1.2	(1,059)	1.9	(1,245)	5.2
Change in valuation allowance	692	(1.1)	(1,887)	3.3	(4,834)	20.3
Foreign rate differential	794	(1.3)	626	(1.1)	(1,228)	5.3
Others	(18)	0.0	(1,903)	3.3	(1)	0.0
Tax (expense) benefit	\$ (13,385)	21.0%	\$ (17,570)	30.9%	\$ (11,277)	47.5%

Deferred tax

Deferred tax is calculated under the asset and liability method using tax rates enacted at the balance sheet date which will apply when temporary differences are expected to reverse.

Significant components of deferred tax assets (liabilities) as of March 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets		
Net operating losses	\$ 13,241	\$ 15,487
Property, equipment and intangible assets	24,838	27,370
Interest limitation	6,332	6,332
Stock option compensation	1,457	1,052
Unrealized profit within group	383	590
Retirement benefit obligation	1,595	1,233
Provision for doubtful debts and advances	1,772	585
Provision for expenses	1,255	813
Debt refinance costs	1,576	-
Others	915	1,244
Subtotal	53,364	54,706
Valuation allowance	(15,775)	(16,467)
Total deferred tax assets	\$ 37,589	\$ 38,239
Deferred tax liabilities		
Property, equipment and Intangible assets	(13,958)	(12,217)
Undistributed earnings	(4,183)	(3,720)
Others	(60)	(120)
Total deferred tax liabilities	(18,201)	(16,057)
Net deferred tax assets	\$ 19,388	\$ 22,182

Prime Focus World N.V.**Combined consolidated financial statements as of and for three years ended March 31, 2023***(Figures in \$'000 unless otherwise specified)*

For purposes of presentation of deferred tax assets and liabilities on the accompanying Combined Consolidated Balance Sheets, the Group nets deferred tax assets and deferred tax liabilities together based on the respective jurisdictions to which the deferred tax assets or liabilities relate with the resulting amounts presented as follows as of March 31, 2023 and 2022:

	2023	2022
Deferred tax assets	\$ 24,904	\$ 26,507
Deferred tax liabilities	(5,516)	(4,325)
Net deferred tax assets	\$ 19,388	\$ 22,182

As of March 31, 2023, the Group had \$56.0 million of net operating loss carry forwards ("NOLs") primarily in the Netherlands, the United Kingdom (UK), India and Canada and \$8.8 million of state net operating loss carry forwards in the US, available to reduce future taxable income, of which \$53.6 million mainly in the UK and India, will be carried forward indefinitely and remainder of losses will expire beginning in 2023.

The Group assesses its valuation allowance annually based on the available positive and negative evidence, including a history of taxable income and estimates of future taxable income. In assessing the realizability of deferred tax assets, the Group considers whether it is more likely than not that all or some portion of deferred tax assets will not be realized.

As of March 31, 2023, and 2022, the Group established a valuation allowance of \$15,775 and \$16,467 respectively, to record its DTAs at an amount it believes to be more likely than not able to be realized. The valuation allowance decreased by approximately \$692 in 2023 from 2022 primarily due to utilization of NOLs and other assets in Netherlands and India in respect of which valuation allowance had previously recognized. The valuation allowance is based on estimates of taxable income by jurisdiction in which we operate and the period over which deferred tax assets will be recoverable. In the event that actual results differ from these estimates or the estimates are adjusted in future periods, the valuation allowance may need to be adjusted, which could materially impact our financial position and results of operations.

The Group is subject to income taxes in all the locations in which the group is operating. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Group's tax years remain open for examination by all tax authorities subject to period of limitation of respective jurisdiction and generally are open for the tax years 2021 through 2023. These audits could include examining the timing and amount of deductions, the allocation of income among various tax jurisdictions and compliance with Federal, State, local, and foreign tax laws.

Uncertain tax positions

Gross unrecognized tax benefits related to uncertain tax positions as of March 31, 2023, 2022, and 2021 were \$2,400. There has been no movement during the years.

The Group estimates that these liabilities as of March 31, 2023 would be reduced by \$1,700 by offsetting tax benefits associated with correlative effects of potential transfer pricing adjustments. If recognized, the resulting tax benefit would affect our effective tax rates for fiscal years 2023, 2022 and 2021 by Nil, Nil and \$700, respectively.

As of March 31, 2023, we had accrued interest expense related to uncertain tax positions of \$220. The provision for income taxes for 12 months ended March 31, 2023 includes interest expense related to uncertain tax positions of \$120.

The aggregate changes in the gross unrecognized tax benefits related to uncertain tax positions for the years ended March 31, 2023, 2022 and 2021 were as follows:

	2023	2022	2021
Beginning unrecognized tax benefits	\$ 2,400	\$ 2,400	\$ -
Increases for tax positions related to the current year	-	-	2,400
Increases for tax positions related to prior years	-	-	-
	\$ 2,400	\$ 2,400	\$ 2,400

We do not anticipate any other significant increase or decrease to our tax contingencies for unresolved issues within the next 12 months.

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(Figures in \$'000 unless otherwise specified)

7. Goodwill

The Group has one reporting unit with Goodwill (VFX services), which is also the reportable segment. The changes in the carrying amount of goodwill as of March 31, 2023 and 2022 are as follows:

	2023	2022
Opening	\$ 72,033	\$ 73,635
Impact of exchange rates	(2,639)	(1,602)
Closing	\$ 69,394	\$ 72,033

8. Intangible assets, net

The gross carrying amount and accumulated amortization of intangible assets, net, as of March 31, 2023 were as follows:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life (Years)
Brand	\$ 8,142	\$ -	\$ 8,142	Indefinite
Software and developed technology	110,457	(92,246)	18,211	1-8
Other intangible assets	1,052	(1,052)	-	1-8
Software and technology under development	10,223	-	10,223	
Total intangible assets	\$ 129,874	\$ (93,298)	\$ 36,576	

The gross carrying amount and accumulated amortization of intangible assets, net, as of March 31, 2022 were as follows:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life (Years)
Brand	\$ 8,659	\$ -	\$ 8,659	Indefinite
Software and developed technology	102,963	(81,113)	21,850	1-8
Other intangible assets	939	(890)	49	1-8
Software and technology under development	327	-	327	
Total intangible assets	\$ 112,888	\$ (82,003)	\$ 30,885	

The Group has considered the Brand acquired pursuant to the acquisition of Double Negative Holdings Limited as having an indefinite life on the basis of the recognition enjoyed by the brand and the decision of the Group to continue with usage of the brand for the purpose of its operations. The brand is an international brand (tier 1 visual effects service provider) with global recognition. Management believes there is no foreseeable limit over which the Group will continue to generate revenues from its continued use. Supporting this assumption is the fact that the brand held is established, well known, and can reasonably be expected to generate revenues beyond the Group's strategic planning horizon. The brand is tested for impairment annually. There are not believed to be any legal, regulatory, or contractual provisions that limit the useful life of the brand.

During the years ended March 31, 2023, 2022, and 2021, the amortization expense was \$15,343, \$12,830 and \$11,862, respectively.

The estimated amortization expense remaining relating to intangible assets for each of the years ending March 31, are as follows:

2024	\$ 12,788
2025	6,558
2026	3,413
2027	2,489
2028	2,414
Thereafter	772
	\$ 28,434

Also, refer to note 12 for assets pledged.

Prime Focus World N.V.**Combined consolidated financial statements as of and for three years ended March 31, 2023***(Figures in \$'000 unless otherwise specified)***9. Property, plant and equipment, net**

Property, plant and equipment, net consist of the following as of March 31, 2023 and 2022:

	2023	2022
Leasehold improvements	\$ 23,075	\$ 22,823
Motor vehicles	425	104
Equipment, fixtures, and fittings	182,734	165,225
Gross property, plant and equipment	206,234	188,152
Less: accumulated depreciation	(136,029)	(141,222)
Property, plant and equipment, net	\$ 70,205	\$ 46,930

During the years ended March 31, 2023, 2022, and 2021, depreciation expense was \$16,214, \$16,084 and \$18,200, respectively.

The gross book value of property, plant and equipment includes assets held under finance lease agreements amounting to \$88,001 and \$61,937 as of March 31, 2023 and 2022, respectively and accumulated depreciation includes \$61,164 and \$40,259 as of March 31, 2023 and 2022, respectively.

Also, refer to Note 12 for assets pledged.

10. Trade and other receivables, net of allowance

Trade and other receivables, net of allowance consist of the following as of March 31, 2023 and 2022:

	2023	2022
Current		
Trade receivables	\$ 72,400	\$ 52,460
Unbilled revenue	141,048	105,054
Advances for revenue participation rights	4,627	6,928
Tax-credit and grants receivables	4,459	4,475
Other advances recoverable	3,898	2,640
Allowance for doubtful accounts	(5,310)	(3,825)
	\$ 221,122	\$ 167,732
Non-Current		
Tax credit receivables	\$ 10,127	\$ -
Unbilled revenue	28,640	15,575
Advances for revenue participation rights and other	17,005	6,775
	\$ 55,772	\$ 22,350

Advances for revenue participation rights represent amount paid to customers upon entering into a production contract. Such amounts are amortized as a reduction of revenue as production services are delivered in the contract.

Trade receivables

Trade receivables and unbilled revenue which are linked to ultimate collection of tax credits by the customers, that management believes will take more than 12 months to be realized, have been classified as Non-current. The average credit period for trade receivables at March 31, 2023: 44 days, March 31, 2022: 30 days and March 31, 2021: 50 days. No interest is charged on trade receivables. The allowance for doubtful accounts for trade receivables and unbilled revenue has been provided based on the expected credit loss allowance and is computed based on a provision matrix which considers historical credit loss experience and adjusted for forward-looking information.

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(Figures in \$'000 unless otherwise specified)

The following table presents the change in the allowance for doubtful accounts for the fiscal years ended March 31, 2023, 2022 and 2021:

	2023	2022	2021
Allowance for doubtful accounts, beginning balance	\$ 3,825	\$ 4,193	\$ 3,990
Provision for doubtful accounts	1,742	681	706
Amounts written off	-	(860)	(565)
Impact of exchange rate	(257)	(189)	62
Allowance for doubtful accounts, ending balance	\$ 5,310	\$ 3,825	\$ 4,193

11. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following as at March 31, 2023 and 2022:

	2023	2022
Input tax claimable	\$ 7,824	\$ 5,722
Advance to creditors	1,485	156
Prepaid expenses	2,695	8,326
Security deposits	530	1,045
	\$ 12,534	\$ 15,249

12. Debt (includes finance lease liabilities)

Debt consists of the following as of March 31, 2023 and 2022:

	2023	2022
Current		
Term loan	\$ 8,039	\$ 35,161
Revolving and other credit facilities	18,728	8,971
Finance lease liabilities	10,090	13,340
Unamortized debt issuance cost	(47)	(275)
	36,810	57,197
Non-current		
Term loan	286,888	105,431
Revolving and other credit facilities	24,736	105,057
Finance lease liabilities	17,759	18,094
Unamortized debt issuance cost	(7,444)	(1,531)
	321,939	227,051
Total debt	\$ 358,749	\$ 284,248

The following table presents maturities of borrowings for fiscal years after March 31, 2023:

	Term loan and Revolving and other credit facilities	Finance lease liabilities	Total
2024	\$ 26,767	\$ 10,090	\$ 36,857
2025	2,373	7,868	10,241
2026	307,269	4,681	311,950
2027	1,506	4,462	5,968
2028	476	748	1,224
Thereafter	-	-	-
	\$ 338,391	\$ 27,849	\$ 366,240

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(Figures in \$'000 unless otherwise specified)

The term loan and revolving and other credit facilities are comprised of the following as of March 31, 2023 and 2022:

Nature of Loan	2023	2022	Security, Interest and Maturity details Include breakdown of currency drawn
Bank line of credit	\$ 7,364	\$ 7,781	As of March 31, 2023 bank line of credit of \$3.8 million was drawn in GBP and \$3.6 million was drawn in US Dollars, and as of March 31, 2022 bank line of credit of \$3.9 million was drawn in GBP and \$3.8 million was drawn in US Dollars. It is collateralized by assets of a Parent and a subsidiary of the Group, pledge of 30% shares of Prime Focus Technologies and a subsidiary of the Group, corporate guarantee issued by the Group and the Parent and personal guarantee of Namit Malhotra. The rate of interest applicable on the facility is approximately SOFR/ EURIBOR plus 4.25%. The amounts drawn under this facility are repayable in 180 days.
Term Loan	278,223	139,326	<p>As of March 31, 2023 term loan of \$201.6 million was drawn in US Dollars, \$73.7 million in GBP and \$2.9 million in INR. As of March 31, 2022 term loan of \$105.1 million was drawn in US Dollars, \$31.0 million in GBP and \$3.2 million in INR.</p> <p>On November 17, 2022, the Company has refinanced all its existing debt such that the new facility comprise of a Term loan of \$206 million and £60.6 million and a Revolving Credit Facility (RCF) of \$85 million. The term loan is secured by present and future assets and corporate guarantees of the Company and the subsidiaries of the Group in UK and Canada including pledge over their shares.</p> <p>The interest rate on loan is SOFR/SONIA plus margin ranging from 2.50% to 3.75% per annum which is subject to leverage levels. The loan is repayable in full on termination of three years starting from November 17, 2022 and maturing on November 16, 2025, with an option of extension by 1 year subject to lender's consent.</p> <p>Working Capital Term Loan facility obtained in India is 100% Credit Guaranteed by National Credit Guarantee Trust Company Limited under Emergency Credit Line Guarantee Scheme. It carries second charge over present and future current assets, movable fixed assets and assets of Parent's India business (excluding specific assets charged against finance lease), second charge by way of pledge over 30% shares of Prime Focus Technologies, Personal Guarantee of Namit Malhotra and pledge of shares of the Parent held by Parent's promoters. Tenor of the loan is 6 years from September 2021, repayable in 48 equal instalments after moratorium of 2 years. Interest rate applicable is 1% over 1 year Marginal Cost of Funds Based Lending Rate (MCLR) subject to cap of 9.25%.</p>
Term loan – others	9,320	-	The facility comprises of financing provided by the financial institutions and the vehicle loan availed in India. The financing facility provided by financial institutions of \$9,138 is secured by certain assets of the Group. The rate of interest on the loan varies from 4.89% to 19.38% and is repayable in 12 months to 36 months from the date on which it is borrowed. The vehicle loan availed of \$182 is secured by the associated vehicles. The rate of interest on the loan is 7.90% and is repayable in 60 months.
Revolving Facility Loan	34,253	101,945	<p>As of March 31, 2023 revolving facility loan of \$23.0 million in GBP. As of March 31, 2022 revolving facility loan of \$28.6 million was drawn in US Dollars and \$73.3 million in GBP.</p> <p>This facility was a part of a debt refinancing during fiscal 2023, for terms and conditions of debt refer to disclosure in Term Loan above.</p> <p>In addition, the group has availed a bank overdraft of \$11.3 million as of March 31, 2023 and Nil as of March 31, 2022.</p>
Revolving Facility Loan - Others	1,740	3,762	Revolving facility loan others of \$0.6 million and \$1.1 million was drawn in GBP and INR, respectively, as of March 31, 2023 and \$3.7 million was drawn in GBP as of March 31, 2022. Revolving facility loan others is secured by underlying licenses, software of the subsidiary of the Group. The rate of interest applicable on the facility is 2.73% to 12.76%. The loan is repayable over a period ranging from 2 to 4 years.
Less: Current	330,900 (26,720)	252,814 (43,857)	
Non-current	\$304,180	\$208,957	

Prime Focus World N.V.**Combined consolidated financial statements as of and for three years ended March 31, 2023***(Figures in \$'000 unless otherwise specified)***Notes:**

- During the year, the Group has complied with all applicable bank covenants including the financial covenants specified in the debt agreements of interest coverage ratio and leverage ratio required to be measured at each quarter-end. As of March 31, 2023 the interest coverage is required to be above 4X of trailing twelve months earnings before interest, tax, depreciation and amortization and further adjusted for items as defined in the respective debt agreements including stock-based compensation and extraordinary or unusual items ('TTM EBITDA') and leverage ratio, defined in the respective debt agreements as total debt less cash divided by TTM EBITDA, is to be below 3.75X of TTM EBITDA.
- As of March 31, 2023 and 2022, the estimated fair value of debt, including the current portion, was \$358,772 and \$284,680, respectively. The estimated fair values are based on Level 2 inputs.

The Group has given a bank guarantee of \$6,607 and \$11,353 as of March 31, 2023 and 2022, respectively, to a landlord as security for future lease rentals. The associated right of use operating lease assets and operating lease liabilities are recorded for these leases in the accompanying Combined Consolidated Balance Sheets. In addition, the Group has given performance guarantee of Nil and \$731 as of March 31, 2023 and 2022, respectively, to a customer in India with a lien on bank fixed deposit.

There is \$60,264 and \$46,877 of unused committed amounts under the existing credit facility as of March 31, 2023 and March 31, 2022, respectively, which are available to be drawn down fully by the Company. The Group periodically has bank overdrafts with certain of the banks used in its business operations. Bank overdrafts totalled \$11,317 and Nil at March 31, 2023 and March 31, 2022, respectively. Bank overdrafts are included in Current portion of long term debt and other in the accompanying Combined Consolidated balance sheets with changes in the balance included as a financing activity in the accompanying Combined Consolidated statement of cash flows.

Interest expense

The following table presents interest expense for the years ended March 31, 2023, 2022 and 2021:

	2023	2022	2021
Interest on lease liabilities	\$ 2,333	\$ 2,037	\$ 2,681
Interest on loans and bank overdraft	9,064	8,453	9,175
Bank charges and processing fees	3,468	1,621	945
Other interest expense	142	230	776
	\$ 15,007	\$ 12,341	\$ 13,577

Interest expense includes exchange (gain) loss of \$(9,986), \$(553) and \$619 for years ended March 31, 2023, March 31, 2022 and March 31, 2021 respectively on foreign currency borrowings. Further, interest expense includes \$133, Nil and Nil for the years ended March 31, 2023, 2022 and 2021, respectively, as additional charge on extinguishment of debt.

13. Other current liabilities

Other current liabilities consist of the following as of March 31, 2023 and 2022:

	2023	2022
Current		
Advance from customers	\$ 37	\$ -
Retirement benefit obligation	90	440
VAT/GST taxes	8,528	8,198
Employment taxes	1,881	211
	\$ 10,536	\$ 8,849

14. Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

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Financial assets / (financial liabilities)	March 31, 2023	March 31, 2022	Fair Value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Cash-settled option	\$(315)	\$ -	Level 3	Expected settlement	NA	NA
Total financial assets / (financial liabilities)	\$(315)	\$ -				

All the other financial assets and liabilities of the Group which have been described in Notes 6, 8, 9, 10, 12 and 17 are not measured at fair value on a recurring basis.

Carrying amounts of cash and cash equivalents, trade receivables, other financial assets, trade payables and other financial liabilities, carried at amortized cost as of March 31, 2023 and March 31, 2022 approximate the fair value.

Reconciliation of level 3 fair value measurements – Financial liability

Closing balance at March 31, 2021 (Financial liability)	\$ -
Settled during the year	-
Closing balance at March 31, 2022 (Financial liability)	\$ -
Addition during the year	(315)
Closing balance at March 31, 2023 (Financial liability)	\$ (315)

15. Common stock

PFW had the following authorized and allotted shares as of the years ended March 31, 2023 and 2022:

	2023		2022	
	Numbers (in full figures)	Par value \$'000	Numbers (in full figures)	Par value \$'000
Authorized				
Ordinary I shares of €0.01 each	16,500,000	\$ 237	16,500,000	\$ 237
Ordinary II shares of €0.01 each	5,000,000	72	5,000,000	72
Allotted, issued and fully paid				
Ordinary I shares of €0.01 each	5,208,517	74	5,208,517	74
Ordinary II shares of €0.01 each	257,942	3	257,942	3

PFW has Ordinary I and Ordinary II class of shares which carry equal voting rights, equal rights to income and distributions of assets on liquidation or otherwise, and no right to fixed income. During March 2019, Ordinary II shares were repurchased by the Company and held as treasury shares.

The Company had reserved shares of common stock for issuance in connection with the following:

	2023	2022
	Numbers (in full figures)	Numbers (in full figures)
Conversion of Class B Preferred Shares	187,500	187,500
Stock option outstanding	507,796	871,934
Total shares reserved	695,296	1,059,434

Prime Focus World N.V.**Combined consolidated financial statements as of and for three years ended March 31, 2023***(Figures in \$'000 unless otherwise specified)***16. Class B Convertible Redeemable Preferred Shares**

PFW had the following authorized and allotted convertible redeemable preferred shares as of the years ended March 31, 2023, 2022 and 2021:

	2023		2022		2021	
	Numbers (in full figures)	Par value \$'000	Numbers (in full figures)	Par value \$'000	Numbers (in full figures)	Par value \$ '000
Authorized						
Convertible redeemable preferred shares of €0.01 each	1,000,000	\$ 14	1,000,000	\$ 14	1,000,000	\$ 14
Allotted, issued and fully paid						
Convertible redeemable preferred shares of €0.01 each	187,500	3	187,500	3	187,500	3

On March 19, 2013, PFW issued 187,500 Class B Convertible Redeemable Preferred Shares ("Class B Preferred"), which carry a par value of € 0.01 per share, for \$ 10.0 million. There is no activity during the years ended March 31, 2023, 2022 and 2021.

The Class B Preferred Shares form a separate class and carry equal rights.

The Preferred Shares are senior to the ordinary shares of PFW with respect to distribution of assets and rights upon liquidation of PFW or a Sale Transaction, with the ability to redeem the shares at an amount equal to the original issue price plus any dividends declared but unpaid thereon. The holder of the Class B Preferred is entitled to the same dividend or distribution that the Board may declare to the holders of the Ordinary shares.

The Class B Preferred shareholders are entitled to vote together with Ordinary shareholders and the number of entitled votes is calculated based on an as converted basis according to the then applicable conversion rate of the Class B Preferred Shares to ordinary shares.

All outstanding Class B Preferred Shares automatically convert into ordinary shares in the event of a qualifying initial public offering (QIPO). A QIPO for the purposes of a required conversion is the listing of shares on an internationally recognized stock exchange with a minimum market capitalization of at least \$370 million immediately after such listing. If PFW has not consummated an IPO within 66 months of the issuance of the Class B Preferred Shares, the holder has the right to require PFW to redeem all of the Class B Preferred Shares for cash at the price of the amount of initial consideration plus a return that yields an internal rate of return of 5%. Further, based on mutual agreement via letter dated September 17, 2018, the maturity date has been extended to December 2023.

Class B Preferred shares of \$10.0 million does not have a stated maturity date or any mandatory redemption provisions or an unconditional obligation that must or may be settled in a variable number of shares, therefore are classified outside of permanent equity and disclosed as Redeemable preferred shares in the accompanying Combined Consolidated Balance Sheets along with contractual return of \$6.2 million and \$5.5 million recognized at the 5% internal rate of return as of March 31, 2023 and 2022, respectively.

17. Share-based payments

During fiscal year 2014, the Board of Directors and Shareholders' of PFW approved a share option plan for the Group and reserved 973,285 common shares for issuance thereunder. All share-based payments are issued in PFW's functional currency of U.S. dollars.

Pursuant to such plan, equity-settled options totalling 938,218 ordinary shares were granted to certain executives / consultants and to certain members of the Board of Directors.

i. Equity-settled options:

Each equity-settled share option converts into one ordinary share of PFW on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date its eligible to exercise to the date of the expiry. Out of 938,218 options granted, 507,796 options are outstanding as at March 31, 2023.

During the year ended March 31, 2023, 32,924 options were awarded and no options were awarded in the years ended March 31, 2022 and 2021. Of the options awarded in fiscal 2023, 24,232 equity-settled options awarded to an employee were with the right to sell the options back to the Company at fixed price. The buyback amount vested of \$315 is treated as cash-settled liability.

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The fair value of option award in the year ended March 31, 2023 was estimated using a Black Scholes option valuation model that uses the assumptions noted in the following table:

(In absolute numbers)	2023
Weighted average grant date fair value	\$38.08
Share price	\$61.90
Exercise price	\$50.0 – \$61.9
Expected term	5 to 7.5 years
Expected volatility	49.7% - 55.1%
Expected dividend	0%
Risk free rate	3.65% – 4.36%

- Expected Volatility - the Group estimated volatility for option grants by evaluating the average of the annualized price volatility of comparable companies for the period immediately preceding the option grant for a term that is approximately equal to the options' expected term.
- Expected Term - The expected term of the Group's options represents the period that the stock-based awards are expected to be outstanding.
- Dividend Yield - the Group has not declared or paid dividends to date and does not anticipate declaring dividends. As such, the dividend yield has been estimated to be zero.
- Risk-Free Interest Rate - The risk-free interest rate is based on the government bonds with a term that is equal to the options' expected term at the grant date.

The exercise prices of 83,096 options were modified to \$39.4 per share during the year ended March 31, 2022. The fair value of these grants was re-measured on the date of modification.

The incremental charge of \$204 due to difference in modification date fair value based on revised terms and original terms is recognized to the extent options are already vested immediately in the Combined Consolidated Statements of Operations during the year ended March 31, 2022.

Movement in equity-settled shares options during the current year:

(In absolute numbers)

	2023		2022		2021	
	Numbers of options	Weighted average exercise price	Numbers of options	Weighted average exercise price	Numbers of options	Weighted average exercise price
Balance at the beginning of the year	871,934	\$27.36	874,064	\$30.48	905,294	\$31.16
Granted during the year	32,924	\$60.33	-	-	-	-
Forfeited during the year	(21,557)	\$48.93	(2,130)	\$50.00	(31,230)	\$50.00
Exercised during the year	(375,505)	\$9.07	-	-	-	-
Expired during the year	-	-	-	-	-	-
Balance at the end of the year	507,796	\$40.16	871,934	\$27.36	874,064	\$30.48
Fully vested and Exercisable at the end of the year	242,891	\$31.66	590,870	\$14.68	571,009	\$13.45

The aggregate intrinsic value of fully vested and exercisable options as of March 31, 2023 is \$7,799. During the year ended March 31, 2023, 375,505 options were exercised whereas no options were exercised during the years ended on March 31, 2022 and 2021.

Total fair value of shares vested in the years ended on March 31, 2023 is \$1,067, March 31, 2022 is \$1,179 and March 31, 2021 is \$637. The weighted average remaining contractual life in respect of share-based options outstanding is 1,392 days as of March 31, 2023 and 1,448 days as of March 31, 2022. The weighted average remaining contractual life in respect of share-based options exercisable is 951 days as of March 31, 2023 and 1,167 days as of March 31, 2022.

Share-based compensation cost included in Employee benefit expense is \$912 for March 31, 2023, \$1,189 for March 31, 2022 and \$1,717 for March 31, 2021. The tax benefit recognized is \$192 for March 31, 2023 and \$198 for March 31, 2022 and \$541 for March 31, 2021.

As of March 31, 2023, the total compensation cost related to non-vested awards not yet recognized is \$2,032 and the weighted-average period over which it is expected to be recognized is 1,517 days.

Prime Focus World N.V.**Combined consolidated financial statements as of and for three years ended March 31, 2023***(Figures in \$'000 unless otherwise specified)***ii. Cash-settled stock options:**

The Board of Directors approved a grant of 57,429 cash settled options on June 27, 2017, which vest over a period of 48 months to 60 months from October 1, 2014 and expire within ten years from the aforesaid date. In case of phantom stock options, the participants are entitled to a cash payment amounting to the difference between the exercise price of the options and the exit proceeds allocated to each share underlying the options in case of an employee continuing employment and change of control or listing of PFW on certain stock exchanges subject to some conditions. During fiscal year 2022 all of the phantom stock options were exercised and fully settled at equity share price of \$37.51 per option.

Movement in cash-settled shares options during the current year:

	2023		2022		2021	
	Numbers of options	Weighted average exercise price	Numbers of options	Weighted average exercise price	Numbers of options	Weighted average exercise price
Balance at the beginning of the year	-	-	54,178	\$ 0.01	54,178	\$ 0.01
Granted during the year	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Settled during the year	-	-	(54,178)	\$0.01	-	-
Balance at the end of the year	-	-	-	-	54,178	\$0.01
Fully vested and Exercisable at the end of the year	-	-	-	-	-	-

The weighted average remaining contractual life in respect of share-based options is Nil days as of March 31, 2023 and 2022 and 1,279 days as of March 31, 2021.

18. Contingent liabilities and commitments***Legal proceedings:***

The Group is involved from time to time in various claims, proceedings, and litigation. The Group establishes reserves for specific legal proceedings when it determines that the likelihood of an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. Management has not identified any legal matters where it believes an unfavorable outcome is reasonably possible and/or for which an estimate of possible losses can be made. Management does not believe that the resolution of these matters would have a material impact on the financial statements.

Also refer to Note 12 for information on bank guarantees.

Other commitments consist of the following as of March 31, 2023 and 2022:

	2023	2022
Estimated amount of contracts remaining to be executed on account of capital expenditure	\$ 7,884	\$ 2,579

19. Leases***Lessee Arrangements***

The Group's operating leases primarily consist of property for production facilities and office space for general and administrative purposes. The Group also has finance leases, primarily for equipment.

The Group determines whether a new contract is a lease at contract inception or for a modified contract at the modification date. Our leases may require us to make fixed rental payments and fixed non-lease costs relating to the leased asset. Fixed non-lease costs, for example common-area maintenance costs, are included in the measurement of the right-of-use asset and lease liability as the Group does not separate lease and non-lease components.

Some of our leases include renewal and/or termination options. If it is reasonably certain that a renewal or termination option will be exercised, the exercise of the option is considered in calculating the term of the lease.

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As of March 31, 2023 and 2022 the Group has recorded right of use assets of \$3,065 and \$3,919, respectively, and lease liabilities of \$3,655 and \$4,299, respectively, for studios and other facilities for which the Parent provides the Group the right to use, as the arrangement consists of lease under ASC 842. Operating lease rental expenses related to studios and other facilities provided by Parent for the years ended March 31, 2023, 2022 and 2021 were \$1,193, \$1,232 and \$1,033, respectively.

The Group's operating and finance right-of-use assets and lease liabilities and the associated financial statement line items as of March 31, 2023 and 2022 are as follows:

Lease Assets and Liabilities	Financial Statement Line Items	2023	2022
Operating lease assets	Operating lease assets	\$ 70,855	\$ 77,754
Finance lease assets	Property, plant and equipment, net	26,837	21,678
Total lease assets, net		\$ 97,692	\$ 99,432
Operating lease liabilities – current	Operating lease liabilities – current liabilities	\$ 10,031	\$ 13,409
Finance lease liabilities – current	Current portion of long-term debt and other	10,090	13,340
Operating lease liabilities - non-current	Operating lease liabilities	75,441	84,896
Finance lease liabilities - non-current	Debt	17,759	18,094
Total lease liabilities		\$ 113,321	\$ 129,739

The components of lease expense for the years ended March 31, 2023 and 2022 are as follows:

	Year ended March 31,	
	2023	2022
Finance lease cost		
Depreciation of right-of-use assets	\$ 10,444	\$ 12,455
Interest on lease liabilities	2,333	1,803
Operating lease cost	12,751	12,103
Short-term lease cost	4,431	1,666
Total lease cost	\$ 29,959	\$ 28,027

Weighted average remaining lease term

Operating lease	8.96 Years	10.34 Years
Finance lease	2.54 Years	2.73 Years

Weighted average discount rate

Operating lease	5.35%	5.11%
Finance lease	9.30%	6.64%

Maturities of lease liabilities as of March 31, 2023, are as follows

	Operating leases	Finance leases
Year ending March 31, 2024	\$ 16,132	11,802
Year ending March 31, 2025	14,337	9,235
Year ending March 31, 2026	11,783	5,382
Year ending March 31, 2027	10,835	4,792
Year ending March 31, 2028	9,809	685
Thereafter	44,544	-
Total undiscounted future lease payments	107,440	31,896
Less: Imputed interest	21,968	4,047
Total reported lease liability	\$ 85,472	\$ 27,849

20. Related party disclosures

The financial information in these Combined Consolidated financial statements may not necessarily reflect the combined consolidated financial position, results of operations and cash flows of the Group in the future or what they would have been had the Group not been affiliated with the Parent or Parent affiliates. For the majority of services provided, costs were determined based on specific identification by the associated vendors delivering such services. For those costs were shared with the Parent or Parent affiliates, management believes that the methods used to allocate expenses to the Group are reasonable.

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Further information on transactions with the Parent and Parent affiliates including and the Group for for the years ended March 31, 2023, 2022 and 2021 are as follows:

	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
Net business combination under common control	\$ -	\$ 4,048	\$ 2,098
Income from operations	(196)	-	-
Finance cost (net)	140	-	-
Other operating expenses, net	4,079	2,891	3,029
Operating expenses paid on behalf of Parent	(174)	-	-
Expenses paid on behalf of the PFW Group	183	268	256
Purchase of assets from affiliates	2,066	-	-
Net contribution from / (distribution to) Parent and affiliates	(27,455)	656	(4,551)
Net transaction with Parent and affiliates *	\$ (21,357)	\$ 7,863	\$ 832

* Of the net transactions with Parent and affiliates, \$21,074 and \$2,387 resulted in cash distributed to Parent and affiliates during the years ended March 31, 2023 and 2022, respectively and \$1,017 resulted in contribution from Parent and affiliates during the year ended March 31, 2021. Given the Parent has retained all the cash and cash equivalents for this business for periods prior to this business being contributed, the cash flow generated or used during each period is reflected as a cash contribution or distribution. Net transaction with Parent and affiliates in the table above includes the impact of foreign currency gains/losses resulting in differences between the amounts presented above and the cash amounts distributed to Parent and affiliates. Further during the year ended March 31, 2023, amounts associated with the net business combination under common control contained non-cash transactions which along with the foreign currency changes resulted in cash distributed to Parent and affiliates being lower by \$283 than the amounts shown above. During the year ended March 31, 2022, amounts associated with the net business combination under common control contained non-cash transactions which along with the foreign currency changes resulted in cash distributed to Parent and affiliates being lower by \$10,250 than the amounts shown above.

Outstanding balances for related parties (which has been included as a component of equity (deficit) in the accompanying Combined Consolidated Financial Statements) as of March 31, 2023 and 2022 are as follows:

	2023	2022
Balance due from (to) / from		
Parent and affiliated holding companies	\$ 933	\$ 46,613
Other common controlled entities of the Parent	(456)	489
	\$ 477	\$ 47,102
Deferred consideration payable		
Parent and holding companies	\$ -	\$ 62,490

Deferred consideration represents the balance of amounts payable to Parent towards the purchase consideration of the Other Production Services business and VFX business of Parent located in India which was settled during the year in full along with the settlement amounts owed by the Parent of \$43,692.

The Parent has given guarantees on behalf of the Group amounting to \$7,320 as of March 31, 2023, \$17,688 as of March 31, 2022 and \$18,224 as of March 31, 2021.

On May 9, 2022 Namit Malhotra exercised his 375,505 share-based options and paid the exercise price of \$3,407 which is pending for allotment. Namit Malhotra through A2R Holdings, an entity owned by him, acquired on May 18, 2021, 336,294 Ordinary I shares and on August 6, 2021 187,500 Class B Preferred Shares from existing shareholders of Prime Focus World N.V.

21. Incamera joint venture and non-controlling interest

Incamera Limited, a 50:50 joint venture was established on February 1, 2021 between the Company and General Systems Vehicle Limited (GSV). Incamera Limited is in the business of providing virtual production services.

The Group has committed to provide consideration to the joint venture of \$1,583 of which 50% is payable upfront and balance is payable in two equal instalments on completion of first and second year respectively subject to continuation of GSV as JV partner. GSV has contributed an equivalent amount by way of know-how and intellectual property.

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Incamera Limited has insufficient equity to finance its activities without additional subordinated financial support and hence is considered to be a variable interest entity, of which the primary beneficiary is determined to be the Group given its power and economic benefits in the venture.

The assets and liabilities recognized on the date of formation of joint venture:

Intangible assets	\$ 3,166
Non-controlling interest	(1,583)
Net assets recognized	<u>\$ 1,583</u>
Consideration provided by the Group in formation	<u>\$ 1,583</u>

Activity in the non-controlling interest for the years ended March 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of the period	\$ 576	\$ 939
Investment by non-controlling interest	-	-
Net profit / (loss) attributable to non-controlling interest	379	(407)
Other comprehensive income (loss) attributable to non-controlling interest	(91)	44
Balance, end of the period	<u>\$ 864</u>	<u>\$ 576</u>

As of March 31, 2023, the assets of \$15,682 of Incamera Limited can be used only to settle obligations related to Incamera Limited of \$14,041. As of March 31, 2022, the assets of \$2,744 of Incamera Limited can be used only to settle obligations related to Incamera Limited of \$1,000. These monetary liabilities of Incamera Limited do not have recourse to the general creditors of the Group.

22. Events after the balance sheet date

On April 13, 2023 the group has entered into a binding Memorandum of Understanding (MOU) with the Parent's subsidiary Prime Focus Technologies Limited ("PFT") to purchase its identified assets along with its operating subsidiaries in one or multiple transactions. Parties will enter into definitive agreement within a span of 6 months to 1 year along with business valuation and necessary shareholder and regulatory approvals. As a definitive agreement between the parties was not reached as of March 31, 2023, for purposes of the accompanying Combined Consolidated Financial Statements, the operations of PFT to be acquired from the Parent have not been included in any of the periods presented.

On May 2, 2023, the Writers Guide of America labor unit has started a labor dispute ("WGA Strike") with Alliance of Motion Pictures and Television Producers. The Company has not experienced nor has any current knowledge or information indicating any major impact from the WGA Strike, in such areas as contract cancellations, loss of customers, delays in project delivery or deterioration in collectability, that would negatively affect the Company's financial position or operations as of and for the year ended March 31, 2023. The duration of the WGA Strike and the resulting ultimate impact on the Company's financial position or operations of the WGA Strike cannot be predicted or determined at this time.

On June 7, 2023, International Finance Corporation ("IFC") entered into agreement with the group by amending existing debt facilities to finance a term loan of \$75 million for creation of jobs that require advanced skills and training, addition of more opportunities for women to redress the gender imbalance in the industry, also to focus on wider Environmental and Social Management System commitments by aligning with IFC's Performance Standards.

The Group has evaluated subsequent events through June 26, 2023, which is the date the Combined Consolidated financial statements were available to be issued.