Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	946 924 563
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	VERIFONE NORDIC HOLDING AS
Forretningsadresse:	Østre Aker vei 24
	0581 OSLO

Regnskapsår

Årsregnskapets periode:	01.11.2021 - 31.10.2022

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Pål Andre Fredriksen
Dato for fastsettelse av årsregnskapet:	10.07.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert

År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 08.06.2024

Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Annen driftsinntekt			
Kostnader			
Annen driftskostnad		374 064	141 763
Sum kostnader		**374 064**	**141 763**
Driftsresultat		**-374 064**	**-141 763**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap			2 569 195
Renteinntekt fra foretak i samme konsern		4 206 571	5 966 806
Annen finansinntekt		10 718 668	1 396 542
Sum finansinntekter		**14 925 240**	**9 932 543**
Rentekostnad til foretak i samme konsern		1 091 235	1 153 970
Annen finanskostnad		3 192 553	9 982 595
Sum finanskostnader		**4 283 788**	**11 136 565**
Netto finans		**10 641 452**	**-1 204 022**
Ordinært resultat før skattekostnad		**10 267 388**	**-1 345 785**
Skattekostnad på resultat	1	2 258 826	-293 925
Ordinært resultat etter skattekostnad		**8 008 562**	**-1 051 860**
Årsresultat		**8 008 562**	**-1 051 860**
Årsresultat etter minoritetsinteresser		**8 008 562**	**-1 051 860**
Totalresultat		**8 008 562**	**-1 051 860**
Overføringer og disponeringer			
Avsatt til annen egenkapital		8 008 562	
Overført fra annen egenkapital			-1 051 860
Sum overføringer og disponeringer		**8 008 562**	**-1 051 860**

Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	1	3 138 274	3 752 081
Sum immaterielle eiendeler		**3 138 274**	**3 752 081**
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern		302 106 369	302 106 369
Andre langsiktige fordringer		212 747 770	202 736 691
Sum finansielle anleggsmidler		**514 854 138**	**504 843 060**
Sum anleggsmidler		**517 992 413**	**508 595 141**
Omløpsmidler			
Varer			
Fordringer			
Andre kortsiktige fordringer		16 211 055	16 942 385
Sum fordringer		**16 211 055**	**16 942 385**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.		783 495	47 876
Sum bankinnskudd, kontanter og lignende		**783 495**	**47 876**
Sum omløpsmidler		**16 994 550**	**16 990 261**
SUM EIENDELER		**534 986 962**	**525 585 402**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital		242 515	242 515
Overkurs		79 798 052	79 798 052
Sum innskutt egenkapital		**80 040 567**	**80 040 567**

Balanse

Beløp i: NOK	Note	2022	2021
Opptjent egenkapital			
Annen egenkapital		416 758 493	408 749 931
Sum opptjent egenkapital		**416 758 493**	**408 749 931**
Sum egenkapital		**496 799 060**	**488 790 498**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	1		
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		36 017 815	36 575 972
Sum annen langsiktig gjeld		**36 017 815**	**36 575 972**
Sum langsiktig gjeld		**36 017 815**	**36 575 972**
Kortsiktig gjeld			
Leverandørgjeld		525 068	218 932
Betalbar skatt	1	1 645 019	
Sum kortsiktig gjeld		**2 170 087**	**218 932**
Sum gjeld		**38 187 902**	**36 794 904**
SUM EGENKAPITAL OG GJELD		**534 986 962**	**525 585 403**

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Erik Tolo Fostervold
2023-07-10

Til generalforsamlingen i Verifone Nordic Holding AS

Grant Thornton Revisjon AS
Kirkegata 15
0153 Oslo
Org.nr. 987 632 380
T: +47 22 20 04 00
E: grant@no.gt.com

UAVHENGIG REVISORS BERETNING

Uttalelse om revisjonen av årsregnskapet

Konklusjon
Vi har revidert Verifone Nordic Holding AS årsregnskap som viser et overskudd på kr 8.008.562. Årsregnskapet består av balanse per 31. oktober 2022, kontantstrømoppstilling og resultatregnskap for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. oktober 2022, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen
Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i *Revisors oppgaver og plikter ved revisjon av årsregnskapet*. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon
Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon. Dersom vi hadde konkludert med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

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2023-07-10

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Styrets ansvar for årsregnskapet
Styret (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet
Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av årsregnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

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2023-07-10

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- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Oslo, 10.07.2023
Grant Thornton Revisjon AS

Erik Tolo Fostervold
Statsautorisert revisor
(signert elektronisk)

Årsregnskap

Verifone Nordic Holding AS

2022

Verifone Nordic Holding AS
Resultatregnskap

NOTE	DRIFTSINNTEKTER OG DRIFTSKOSTNADER	01.11.21-31.10.22	01.11.20-31.10.21
2	Annen driftskostnad	374 064	141 763
	Sum driftskostnader	**374 064**	**141 763**
	Driftsresultat	**-374 064**	**-141 763**
	FINANSINNTEKTER OG FINANSKOSTNADER		
3	Inntekt på investering i datterselskap og tilknyttet selskap	—	2 569 195
3,6	Renteinntekt fra foretak i samme konsern	4 206 571	5 966 806
8	Annen finansinntekt	10 718 668	1 396 542
3,6	Rentekostnad til foretak i samme konsern	-1 091 235	-1 153 970
8	Annen finanskostnad	-3 192 553	-9 982 595
	Netto finansresultat	**10 641 452**	**-1 204 022**
	Årsresultat før skattekostnad	**10 267 388**	**-1 345 785**
7	Skattekostnad	**2 258 826**	-293 925
	ÅRSRESULTAT	**8 008 562**	**-1 051 860**
	OVERFØRINGER		
5	Overført til annen egenkapital	8 008 562	-1 051 860
	Sum overføringer	**8 008 562**	**-1 051 860**

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Verifone Nordic Holding AS
Balanse pr 31. desember

NOTE	EIENDELER	01.11.21-31.10.22	01.11.20-31.10.21
	Anleggsmidler		
	Immaterielle eiendeler		
7	Utsatt skattefordel	3 138 274	3 752 081
	Sum immaterielle eiendeler	**3 138 274**	3 752 081
	Finansielle anleggsmidler		
3	Investering i annet foretak i samme konsern	302 106 369	302 106 369
6	Andre fordringer	212 747 770	202 736 691
	Sum finansielle anleggsmidler	**514 854 138**	504 843 060
	Sum anleggsmidler	**517 992 413**	**508 595 141**
	Omløpsmidler		
	Fordringer		
6	Andre kortsiktige fordringer	16 211 055	16 942 385
	Sum Fodringer	**16 211 055**	16 942 385
9	**Bankinnskudd, kontanter og lignende**	783 495	47 876
	Sum Omløpsmidler	**16 994 550**	**16 990 261**
	SUM EIENDELER	**534 986 962**	**525 585 402**

Verifone Nordic Holding AS
Balanse pr 31. desember

NOTE	EGENKAPITAL OG GJELD	01.11.21-31.10.22	01.11.20-31.10.21
	Egenkapital		
	Innskutt egenkapital		
4,5	Aksjekapital (242515 aksjer á kr 1)	242 515	242 515
5	Overkurs	79 798 052	79 798 052
	Sum innskutt egenkapital	**80 040 567**	**80 040 567**
	Opptjent egenkapital		
5	Annen egenkapital	416 758 493	408 749 931
	Sum opptjent egenkapital	416 758 493	408 749 931
	Sum egenkapital	**496 799 060**	**488 790 498**
	Gjeld		
	Annen langsiktig gjeld		
6	Øvrig langsiktig gjeld	36 017 815	36 575 972
	Sum annen langsiktig gjeld	36 017 815	36 575 972
	Kortsiktig gjeld		
	Leverandørgjeld	525 068	218 932
7	Betalbar skatt	1 645 019	—
	Sum kortsiktig gjeld	**2 170 087**	**218 932**
	Sum gjeld	**38 187 902**	**36 794 904**
	SUM EGENKAPITAL OG GJELD	**534 986 962**	**525 585 402**

Oslo / USA, 2023

I styret for Verifone Nordic Holding AS

DocuSigned by:

Pål André Fredriksen
styrets leder

DocuSigned by:

John Robert Tracy
styremedlem

Verifone Nordic Holding AS

Noter til regnskapet 31 oktober 2022

Note 1 Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven av 1998 og god regnskapsskikk i Norge.

Datterselskap
Datterselskap vurderes etter kostmetoden i selskapsregnskapet. Investeringen er vurdert til anskaffelseskost for aksjene med mindre nedskrivning har vært nødvendig.
Det er foretatt nedskrivning til virkelig verdi når verdifall skyldes årsaker som ikke kan antas å være forbigående og det må anses nødvendig etter god regnskapsskikk.
Nedskrivninger er reversert når grunnlaget for nedskrivning ikke lenger er til stede.

Inntekt fra selskap i samme konsern
Tjenester inntektsføres i takt med utførelsen, og selskapets inntekter utgjøres av avgift for anvendelse av selskapets utviklede router-løsning samt øvrig viderefakturering til konsernselskap.
Andelen av salgsinntekter som knytter seg til fremtidige serviceytelser balanseføres som uopptjent inntekt ved salget, og inntektsføres deretter i takt med levering av ytelsene.

Hovedregel for vurdering og klassifisering av eiendeler og gjeld
Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Andre eiendeler er klassifisert som omløpsmidler. Fordringer som skal tilbakebetales innen et år er klassifisert som omløpsmidler. Ved klassifisering av kortsiktig og langsiktig gjeld er tilsvarende kriterier lagt til grunn.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi.

Anleggsmidler vurderes til anskaffelseskost, men nedskrives til gjenvinnbart beløp dersom dette er lavere enn bokført verdi, og verdifallet forventes ikke å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives planmessig.

Annen langsiktig gjeld og kortsiktig gjeld er vurdert til pålydende beløp.

Eiendeler og gjeld i utenlandsk valuta
Pengeposter i utenlandsk valuta er i balansen omregnet til balansedagens kurs. Valutaterminkontrakter er balanseført til virkelig verdi på balansedagen.

Immaterielle eiendeler
Utgifter til egen tilvirkning av immaterielle eiendeler, herunder utgifter til egen forskning og utvikling, balanseføres når det er sannsynlig at de fremtidige økonomiske fordelene knyttet til eiendelene vil tilflyte selskapet og anskaffelseskost kan måles pålitelig.

Immaterielle eiendeler som er kjøpt enkeltvis, er balanseført til anskaffelseskost. Immaterielle eiendeler overtatt ved kjøp av virksomhet, er balanseført til anskaffelseskost når kriteriene for balanseføring er oppfylt.

Immaterielle eiendeler med begrenset økonomisk levetid avskrives planmessig. Immaterielle eiendeler nedskrives til gjenvinnbart beløp dersom de forventede økonomiske fordelene ikke dekker balanseført verdi og eventuelle gjenstående tilvirkningsutgifter.

Fordringer
Kundefordringer og andre fordringer er oppført til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene.

Bankinnskudd, kontanter og lignende
Bankinnskudd, kontanter og lignende inkluderer kontanter, bankinnskudd og andre betalingsmidler med forfallsdato som er kortere enn tre måneder fra anskaffelse.

Skatter
Skattekostnaden sammenstilles med regnskapsmessig resultat før skatt. Skatt knyttet til egenkapitaltransaksjoner er ført mot egenkapitalen. Skattekostnaden består av betalbar skatt (skatt på årets direkte skattepliktige inntekt) og endring i netto utsatt skatt. Utsatt skatt og utsatt skattefordel er presentert netto i balansen.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den indirekte metode. Kontanter og kontantekvivalenter omfatter kontanter og bankinnskudd.

Note 2 Andre driftskostnader og godtgjørelser

Ytelser til ledende personer:
Det er ikke utbetalt honorar til styret i Verifone Nordic Holding AS. Det er heller ikke utbetalt lønn eller honorar til daglig leder, som lønnes av datterselskapet Verifone Norway AS.

Pensjonsforpliktelser:
Selskapet har ingen ansatte og er ikke pliktig til å ha en tjenestepensjonsordning etter lov om obligatorisk enestepensjon.

	2022	**2021**
Rådgivning, advokat og revisjonshonorar	358 856	124 377
Annen kostnad	15 208	—
Sum	**374 064**	**124 377**

Note 3 Datterselskap, tilknyttet selskap m.v..

Firma	**Ansk.- tidspunkt**	**Forretningskontor**	**Stemme/eier-andel**	**Bokført verdi 31.10.2022**
Verifone Sweden AB	*10.01.1989*	*Stockholm, Sverige*	100%	537 000
Verifone Norway AS	*01.04.1991*	*Oslo, Norge*	100%	269 006 619
Verifone Denmark A/S	*27.08.1991*	*Herlev, Danmark*	100%	304 000
Verifone Iceland ehf	*08.09.1995*	*Kópavogur, Island*	100%	299 000
Verifone Finland Oy	*31.07.1998*	*Vantaa, Finland*	100%	31 659 750
Verifone Baltic SIA	*11.02.1998*	*Riga, Latvia*	100%	300 000
				302 106 369

Note 4 Aksjekapital og aksjonærinformasjon

Aksjekapitalen i selskapet pr 31.10.22 består av følgende aksjeklasser:

	Antall	**Pålydende**	**Bokført**
Ordinære aksjer	242 515	1	242 515
Sum	**242 515**	**1**	**242 515**

Alle aksjene eies av Electronic Transaction Group Nordic AB, her igjennom med 100% stemmeandel.

Selskapet inngår i konsernregnskapet til Verifone Systems Inc og konsernregnskapet kan fås ved henvendelse til:
Verifone Nordic AB
c/o Gernandt & Danielsson Advokatbyrå KB
Box 5747
114 87 Stockholm
Sverige

Note 5 Egenkapital

Opptjent egenkapital	**Aksjekapital**	**Overkurs**	**Annen egenkapital**	**Sum egenkapital**
Egenkapital 01.11.21	**242 515**	**79 798 052**	**408 749 931**	**488 790 498**
Årets endring i egenkapital:				
Årets resultat	—	—	8 008 562	8 008 562
Egenkapital 31.10.22	**242 515**	**79 798 052**	**416 758 493**	**496 799 060**

Note 6 Transaksjoner og mellomværende med nærstående parter

Transaksjoner med nærstående parter:

	Renteinntekter	
Motpart	**2022**	**2021**
Hypercom France S.a.r.l	1 965 254	1 991 651
Verifone Luxemburg S.a.R.l	2 241 318	3 975 155
Sum	**4 206 571**	**5 966 806**

	Rentekostnader	
Motpart	**2022**	**2021**
Electronic Transaction Group Nordic Holding AB	1 091 235	1 153 970
Sum	**1 091 235**	**1 153 970**

Mellomværende med nærstående parter:

	Andre fordringer	
Motpart	**2022**	**2021**
Hypercom France S.a.r.l (1)	6 145 614	-668 445
Verifone Norway AS	12 498 988	12 498 988
Verifone Baltic SIA	1 510 826	2 242 156
Verifone Luxemburg S.a.R.l	182 505 331	179 308 311
Electronic Transaction Group Nordic Holding AB	26 298 070	26 298 070
Sum	**228 958 829**	**219 679 080**

	Annen langsiktig gjeld	
Motpart	**2022**	**2021**
Electronic Transaction Group Nordic Holding AB	36 017 815	36 575 972
Sum	**36 017 815**	**36 575 972**

Gjeld til konsernselskapet Electronic Transaction Group Nordic Holding AB ble opprinnelig inngått med hovedstol på svenske kroner 63 427 690, tilsvarende norske kroner 61 923 693.
Dette lånet har en rentekostnad på 4% per år, som balanseføres. Per 31. oktober 2022 er balanseførte renter kr 9 071 244 mot kr 8 231 118 i 2021.

Note 7 Skattekostnad

	-20178485.14	14264884
Betalbar skatt	1 645 019	—
Endring i utsatt skatt	613 807	-293 925
For lite avsatt skatt tidligere år		
Virkning av endring i skatteregler		
Skattekostnad	**2 258 826**	**-293 925**
Nominell skattesats	22%	22%

Betalbar skatt i balansen fremkommer som følger:

	2022	2021
Årets betalbare skattekostnad	1 645 019	—
Betalbar skatt i balansen	**1 645 019**	—

Avstemming fra nominell til faktisk skattesats:

	2022	2021
Årsresultat før skatt	10 267 388	-1 345 785
Forventet inntektsskatt etter nominell skattesats 22%	2 258 826	-296 073
Skatteeffekt av følgende poster:		
Ikke fradragsberettigede renter	—	2 148
Skattefritt utbytte		
Andre ikke skattefrie inntekter		
For mye avsatt skatt tidligere år		
Virkning av endringer i skatteregler og - satser		
Effekt av nedvurdert utsatt skattefordel		
Årets skattekostnad	**2 258 826**	**-293 925**
Effektiv skattesats	22%	22%

Spesifikasjon av skatteeffekten av midlertidige forskjeller og underskudd til framføring:	2022	2021
Avskåret rentefradrag	-14 264 884	-15 718 891
Finansielle anleggsmidler		
Varer		
Fordringer	-77 455 503	-77 455 503
Underskudd til fremføring		(1 336 021)
Sum	**-91 720 387**	**-94 510 415**
Ikke balanseført utsatt skattefordel	17 040 211	17 040 211
Netto utsatt fordel/forpl. i balansen	**3 138 274**	**3 752 081**
Nominell skattesats	22%	22%

Note 8 Valutagevinster og valutatap

	2022	2021
Valutagevinst	10 718 668	2 732 563
Valutatap	-3 192 553	9 953 079
Sum	**7 526 115**	**-7 220 516**

Note 9 Bankinnskudd

Bankinnskudd, kontanter o.l. omfatter bundne skattetrekksmidler med kr. 0,-.

Verifone Nordic Holding AS
Kontantstrømoppstilling

	01.11.21-31.10.22	01.11.20-31.10.21
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER		
Årsresultat før skattekostnad	10 267 388	-1 345 785
Periodens betalte skatt	—	—
Endring i leverandørgjeld	—	9 246
Endring i andre omløpsmidler og andre gjeldsposter	306 136	-1 336 021
Endringer i konsernmellomværender	731 330	23 947 918
Netto kontantstrømmer fra operasjonelle aktiviteter	**11 304 854**	**21 275 358**
CASH FLOW INVESTERINGSAKTIVITETER		
Utbetalinger til investeringer i finansielle anleggsmidler	-10 011 078	-19 842 952
Netto kontantstrøm investeringsaktiviteter	**-10 011 078**	**-19 842 952**
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER:		
Netto nedbetaling av langsiktig konsernintern gjeld	-558 157	-1 444 808
Netto kontantstrøm fra finansieringsaktiviteter	**-558 157**	**-1 444 808**
Netto endring i bankinnskudd, kontanter og lignende	**735 619**	**-12 402**
Beholdning av bankinnskudd, kontanter og lignende pr 01.11	47 876	60 279
Beholdning av bankinnskudd, kontanter og lignende pr 31.10	**783 495**	**47 876**

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
24.10.2022	18.10.2022	Vibeke Horne
800 80 000	Din/Deres referanse	Telefon
Skatteetaten.no	AR511533682	90518192
Org.nr	Vår referanse	Postadresse
974761076	2022/5860799	Postboks 9200 Grønland 0134 OSLO

VERIFONE NORDIC HOLDING AS
Postboks 73
0508 OSLO

Att. Nina Beate Omlid Tveit

Fritak for konsernregnskapsplikt for Verifone Nordic Holding AS, org.nr. 946 924 563

Vi viser til deres brev av 18. oktober 2022 hvor dere søker om fritak fra plikten til å utarbeide konsernregnskap for Verifone Nordic Holding AS.

Skattekontoret finner med hjemmel i regnskapsloven § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Verifone Nordic Holding AS. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Verifone Nordic Holding AS er morselskap i et underkonsern, hvor Verifone Systems, Inc. er det ultimate morselskapet og er hjemmehørende i USA. Konsernregnskap utarbeides av Verifone Systems, Inc. på engelsk språk etter USGAAP, hvor Verifone Nordic Holding AS med datterselskaper er omfattet.

Skattekontorets vurdering
Det forutsettes at Verifone Systems, Inc. utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskaper. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med USGAAP og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten å være på norsk, kan være på svensk, dansk eller engelsk.

Skattekontoret gir etter en konkret helhetsvurdering tillatelse til at det gjøres unntak for konsernregnskapsplikten.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Vibeke Horne
rådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

Årsberetning 2022

Virksomheten

VeriFone Nordic Holding AS inngår i VeriFone-konsernet, som har fokus rettet mot elektroniske betalingsløsninger. VeriFone er et amerikansk selskap med datterselskaper over hele verden. Konsernet selger integrerte og frittstående elektroniske betalingsløsninger, løsninger for elektronisk handel med mer. Foruten salg og utleie, utvikler konsernet også programvare for løsningene, samt tilbyr tjenester knyttet til drift og vedlikehold av betalingsløsningene.

Eierforhold og konsernregnskap

Samtlige aksjer i VeriFone Nordic Holding AS er eid av det svenske selskapet Electronic Transaction Group Nordic Holding AB. Konsernet ble i 2011 kjøpt opp av det amerikanske selskapet VeriFone System Inc, som eier selskapet via sitt svenske datterselskap VeriFone Nordic AB. Verifone Nordic Holding AS eier direkte de operative selskapene i Sverige, Norge, Danmark, Island, Finland og Latvia. Indirekte eier selskapet også et operativt selskap i Storbritannia. Fra og med regnskapsåret 2012 utarbeides det ikke eget konsernregnskap for Verifone Nordic Holding AS, og det henvises til konsernselskapet for Verifone Systems Inc.

Omsetning og resultat

Selskapet hadde i 2022 0 kroner i omsetning og driftsresultat ble negativt med 374 064 kroner. Resultatet etter skatt var positivt på 8 millioner kroner.

Soliditet

Selskapet hadde ved utgangen av 2022 en egenkapital på solide 496,8 millioner kroner.

Markedsforhold og fremtidsutsikter

Selskapets regnskap for 2022 er avgitt under forutsetning om fortsatt drift og styret bekrefter at forutsetningen for fortsatt drift er til stede. Selskapets styre mener selskapet og konsernet er meget godt posisjonert med hensyn til produkter.

Organisasjon og miljø

Selskapet hadde ingen ansatte i 2022. Selskapets virksomhet forurenser ikke det ytre miljø.

Resultatdisponering

Selskapet hadde i 2022 et årsresultat på positive 8 008 562 kroner. Det er ikke avsatt til utbytte, hele beløpet på 8 008 562 kroner er overført til annen egenkapital.

Annet

Styret kjenner ikke til noe forhold av viktighet for å bedømme selskapets stilling og resultat som ikke fremgår av resultatregnskap og balanse med noter. Det har heller ikke inntrådt forhold etter regnskapsårets utgang som etter styrets syn har betydning for bedømmelsen av regnskapet.

Oslo,
Styret for Verifone Nordic Holding AS

DocuSigned by: John Tracy
John Robert Tracy

DocuSigned by: Pål F
Pål Fredriksen
Styreleder

Consolidated Financial Statements

VERIFONE SYSTEMS, INC.

For the Years Ended October 31, 2022 and 2021
With Report of Independent Certified Public Accountants

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VERIFONE SYSTEMS, INC.

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FINANCIAL STATEMENTS

GRANT THORNTON LLP
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San Jose, CA 95113

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
VeriFone Systems, Inc.

Opinion
We have audited the consolidated financial statements of VeriFone Systems, Inc., and subsidiaries (the “Company”), which comprise the consolidated balance sheets as of October 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 Company 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.

Adoption of new accounting standard
As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases in fiscal year 2022 due to the adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, and the related amendments.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

GrantThornton

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Company's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's 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.

Grant Thornton LLP

San Jose, California
January 13, 2023

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VERIFONE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended October 31, 2022	2021
	(in thousands)	
Net revenues:		
Systems	$ 734,238	$ 730,806
Services	713,247	743,974
Total net revenues	1,447,485	1,474,780
Cost of net revenues:		
Systems	452,277	457,685
Services	358,695	362,137
Amortization of purchased intangible assets	94,105	102,370
Total cost of net revenues	905,077	922,192
Gross margin	542,408	552,588
Operating expenses:		
Research and development	145,828	169,831
Sales and marketing	117,104	117,939
General and administrative	128,204	132,468
Acquisition related	2,569	6,296
Amortization of purchased intangible assets	133,262	140,736
Total operating expenses	526,967	567,270
Operating income (loss)	15,441	(14,682)
Interest expense, net	(131,510)	(151,120)
Other income (expense), net	37,111	(7,250)
Loss before income taxes	(78,958)	(173,052)
Income tax provision	44,578	14,897
Consolidated net loss	(123,536)	(187,949)
Net income (loss) attributable to noncontrolling interests	263	(4,171)
Net loss attributable to VeriFone Systems, Inc. stockholders	$ (123,799)	$ (183,778)

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

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VERIFONE SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years ended October 31,	
	2022	**2021**
	(in thousands)	
Consolidated net loss	$ (123,536)	$ (187,949)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(137,485)	28,741
Unrealized loss on derivatives designated as cash flow hedges		
Change in unrealized income (loss) on derivatives designated as cash flow hedges	30,568	(872)
Amounts reclassified out of Accumulated other comprehensive loss	11,445	49,755
Net change in unrealized gain (loss) on derivatives designated as cash flow hedges	42,013	48,883
Net change in other	5,119	3,133
Other comprehensive income (loss)	(90,353)	80,757
Total comprehensive loss	(213,889)	(107,192)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	(707)	(2,106)
Comprehensive loss attributable to VeriFone Systems, Inc. stockholders	$ (213,182)	$ (105,086)

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

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VERIFONE SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

	As of October 31,	
	2022	2021
	(in thousands, except par value and share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 97,860	$ 106,143
Accounts receivable, net of allowances of $7,843 and $7,447	211,039	235,839
Inventories	141,603	104,616
Prepaid expenses and other current assets	184,530	141,455
Total current assets	635,032	588,053
Property and equipment, net	82,122	86,533
Purchased intangible assets, net	911,498	1,199,194
Goodwill	1,549,157	1,585,547
Deferred tax assets, net	21,791	12,563
Right-of-use assets	49,006	—
Other long-term assets	161,859	124,988
Total assets	$ 3,410,465	$ 3,596,878
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 149,908	$ 167,630
Accruals and other current liabilities	357,077	340,446
Contract liabilities	42,613	48,612
Short-term debt	50,552	38,451
Total current liabilities	600,150	595,139
Long-term contract liabilities	32,974	34,129
Deferred tax liabilities, net	118,677	196,533
Long-term lease liabilities	38,176	—
Long-term debt	2,043,185	2,055,894
Other long-term liabilities	120,068	62,472
Total liabilities	2,953,230	2,944,167
Stockholders' equity:		
Common Stock: $0.001 par value, 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	1,722,199	1,702,783
Accumulated deficit	(1,095,964)	(972,165)
Accumulated other comprehensive income (loss)	(175,937)	(86,554)
Total stockholders' equity	450,298	644,064
Noncontrolling interests in subsidiaries	6,937	8,647
Total equity	457,235	652,711
Total liabilities and equity	$ 3,410,465	$ 3,596,878

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

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VERIFONE SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock Voting		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling interests in subsidiaries	Total Equity
	Shares	Amount						
					(In thousands)			
Balance as of October 31, 2020	**1**	**$ —**	**$ 1,698,172**	**$ (788,387)**	**$ (162,693)**	**$ 747,092**	**$ 33,120**	**$ 780,212**
Stock-based compensation expense	—	—	4,161	—	—	4,161	3,379	7,540
Issuance of common stock	—	—	450	—	—	450	—	450
Dividends paid to noncontrolling interest stockholders	—	—	—	—	—	—	(696)	(696)
Business divestiture	—	—	—	—	(2,553)	(2,553)	(24,753)	(27,306)
Adjustment on redemption of noncontrolling interest	—	—	—	—	—	—	(297)	(297)
Total comprehensive loss	—	—	—	(183,778)	78,692	(105,086)	(2,106)	(107,192)
Balance as of October 31, 2021	**1**	**$ —**	**$ 1,702,783**	**$ (972,165)**	**$ (86,554)**	**$ 644,064**	**$ 8,647**	**$ 652,711**
Stock-based compensation expense	—	—	4,008	—	—	4,008	—	4,008
Capital contribution from investor group	—	—	15,005	—	—	15,005	—	15,005
Issuance of common stock	—	—	403	—	—	403	—	403
Dividends paid to noncontrolling interest stockholders	—	—	—	—	—	—	(1,003)	(1,003)
Total comprehensive loss	—	—	—	(123,799)	(89,383)	(213,182)	(707)	(213,889)
Balance as of October 31, 2022	**1**	**$ —**	**$ 1,722,199**	**$ (1,095,964)**	**$ (175,937)**	**$ 450,298**	**$ 6,937**	**$ 457,235**

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

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VERIFONE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended October 31, 2022	2021
	(in thousands)	
Cash flows from operating activities		
Consolidated net loss	$ (123,536)	$ (187,949)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Depreciation	31,859	33,361
Amortization of purchased intangible assets	227,367	243,106
Stock-based compensation expense	4,008	7,540
Amortization of debt issuance costs	9,652	9,882
Deferred income tax	(67,535)	(21,342)
Other	(54,973)	17,104
Net cash provided by operating activities before changes in operating assets and liabilities	26,842	101,702
Changes in operating assets and liabilities:		
Accounts receivable, net	14,436	(29,137)
Inventories	(43,123)	(11,851)
Prepaid expenses and other assets	(2,402)	17,238
Accounts payable	(17,226)	62,098
Contract liabilities	(1,537)	(3,033)
Other current and long-term liabilities	102,801	16,555
Net change in operating assets and liabilities	52,949	51,870
Net cash provided by operating activities	79,791	153,572
Cash flows from investing activities		
Capital expenditures	(59,597)	(53,461)
Business divestiture	—	(18,890)
Consideration from investment sale	—	14,025
Other investing activities, net	(2,129)	(2,797)
Net cash used in investing activities	(61,726)	(61,123)
Cash flows from financing activities		
Proceeds from debt	104,000	70,000
Repayments of debt	(113,787)	(123,842)
Capital contribution from the investor group	15,005	—
Other financing activities, net	11,952	(28,225)
Net cash provided by (used in) financing activities	17,170	(82,067)
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash	(8,012)	2,074
Net increase in cash, cash equivalents and restricted cash	27,223	12,456
Cash, cash equivalents and restricted cash, beginning of period	183,090	170,634
Cash, cash equivalents and restricted cash, end of period	$ 210,313	$ 183,090
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 127,175	$ 139,592
Cash paid for income taxes	$ 32,794	$ 38,241

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

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Principles of Consolidation and Summary of Significant Accounting Policies

Business Description

VeriFone Systems, Inc. (Verifone, Company, us, we, and our) is a FinTech leader providing valuable end-to-end payment and commerce solutions to the world's best-known retail brands, major financial institutions, distribution partners, and directly to all types and sizes of merchants. The company's global services platform is built on a four-decade history of innovation and uncompromised security. Trusted and recognized by consumers for its growing footprint of devices and ecommerce services in more than 150 countries, businesses choose Verifone for its global scale, local capabilities, omnichannel prowess and solution flexibility.

We are a privately held company and a wholly-owned subsidiary of Vertex Holdco, Inc ("Vertex Holdco"). Vertex Holdco is owned by an investor group led by Francisco Partners and British Columbia Investment Management Corporation ("Investor group").

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of VeriFone Systems, Inc. and our wholly-owned and majority-owned subsidiaries. Amounts pertaining to the noncontrolling ownership interests held by third parties in the operating results and financial position of our majority-owned subsidiaries are reported as noncontrolling interests. All intercompany accounts and transactions have been eliminated. The Consolidated Financial Statements also include the results of companies acquired by us from the date of each acquisition. Investments in businesses that we do not control, but in which we have the ability to exercise significant influence over operating and financial matters, are accounted for using the equity method.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions about future events that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including but not limited to, the potential impacts arising from the COVID-19 pandemic. As the extent and duration of the impacts of COVID-19 remain unclear, the Company's estimates and assumptions may evolve as conditions change. Actual results could differ materially from these estimates.

Significant Accounting Policies

Foreign Currency

We determine the functional currency for Verifone and our subsidiaries by reviewing the currencies in which their respective operating activities occur. For our subsidiaries whose functional currencies are not the U.S. Dollar, we generally translate assets and liabilities using exchange rates in effect as of the applicable balance sheet dates. Revenue and expenses for these subsidiaries are translated using average rates which approximate those in effect during the period. Foreign currency translation gains and losses are included in stockholders' equity as a component of Accumulated other comprehensive income (loss) in our Consolidated Balance Sheets.

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Monetary assets and liabilities denominated in currencies other than the functional currency of that subsidiary are remeasured to the functional currency using exchange rates in effect as of the applicable balance sheet dates. We recognized a remeasurement gain of $34.8 million and a remeasurement loss of $12.9 million for the fiscal year ended October 31, 2022 and 2021 that were recorded as Other income (expense), net in our Consolidated Statements of Operations.

Revenue Recognition

The following is a description of principal activities from which the Company generates its revenues.

Products and services	Nature, timing of satisfaction of performance obligations, and significant payment terms
Systems	Systems revenues include the sales of Point of Sale (POS) terminal devices, essential perpetual software licenses and related accessories. The Company recognizes revenues when the control of the systems transfers to the customer. This usually occurs when the product is shipped to the customer. The hardware is typically billed upon shipment and the standard payment terms of the Company is Net 30 days.
Services	Services include but are not limited to device repair, transaction processing, extended warranty and installation of devices. The Company recognizes revenue as services are provided to the customer. Billings for services vary but typically occur as the services are performed and the standard payment terms of the Company is Net 30 days.

Systems net revenues include net revenues from the sale of products and essential perpetual software licenses and accessories. Services net revenues include net revenues from payment-related services, installation, customer support, repair services related to our systems solutions, transaction processing, term based software licenses, custom software development, extended warranties and leases of our products.

We sell our products to customers under a contract or by purchase order. Agreements with end users, resellers, value-added resellers, and distributors generally have no rights of return, stock rotation rights, or price protection. We consider a contract to have been established when it has been approved, we can identify each party's rights and obligations, we can identify the payment terms for the goods or services to be transferred, the contract has commercial substance and it is probable that we will collect substantially all of the consideration to which we expect to be entitled.

In contracts with multiple performance promises, we identify each promise and evaluate whether each is distinct at contract inception. Performance promises that are not distinct at contract inception are combined until a group of performance promises is distinct. POS terminal equipment systems are typically sold with embedded essential software. The equipment and the embedded essential software licenses are not distinct because neither is ever sold separately and each are considered inputs to a combined output for which our customers contract. Thus, these two performance promises are combined as a single performance obligation.

We often sell POS equipment together with other related services such as installation, optional software, warehousing and/or maintenance and support services. We consider the installation, optional software, warehousing, maintenance and support services to be separate performance obligations since they are both capable of being distinct (as they are useful to the customers together with the POS equipment that we sell on a standalone basis) and distinct within the context of the contract.

The transaction price is frequently a fixed fee due at contract inception or periodically during the period of performance for related services. Certain contracts for transaction processing and payment services may include variable consideration, either a fixed rate per transaction or in the form of tiered discounts that may apply, depending on the transaction levels the customer generates each month or year, on a prospective basis. The Company assesses whether the customer has a material right on a contract by contract basis.

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We allocate the transaction price to each distinct performance obligation based on the relative standalone selling price for each performance obligation. Our transaction processing and payment services constitute a series, and the variable consideration associated with transaction processing services will generally be allocated to each distinct time increment (typically a day or a month) of the series since the variable payments in these cases relate specifically to our efforts to process transactions in each distinct time increment of the series and we believe that such allocation generally is consistent with the allocation objective.

We typically have observable evidence of the standalone selling price for POS equipment and related accessories as these are sold frequently on a standalone basis and services are subject to optional renewal periods. When we are unable to establish selling price using observable evidence, we use cost plus margin or adjusted market approach.

Net revenues from sales to end-users, resellers, value-added resellers, and distributors are generally recognized upon shipment of the product. Revenues for related services are recognized as those services are delivered since the customer benefits from the services as we perform them.

We recognize revenue from operating lease arrangements over the term of the applicable lease arrangements. Net revenues from operating lease arrangements represent less than five percent of our total net revenues and are classified as Services net revenues.

Net revenues from services obligations, to be provided over a period of time, are initially deferred and then recognized over the contract period as customers simultaneously consume and receive benefits, given that the services comprise distinct performance obligations that are satisfied over time. Net revenues from services contracted on a per incident basis are recognized as a transaction occur which is the point in time when services are performed. Variable fees for transaction processing and payment services are recognized in the month in which they are earned because the terms of the variable payments relate specifically to the outcome from transferring the distinct time increment (typically a day or month) of service and because such amounts reflect the fees to which the Company expects to be entitled for providing the access to services for that period, consistent with the allocation objective. Transaction processing and payment services are a series of distinct services that are substantially the same and have the same pattern of transfer to the customer, which is an output method based on passage of time as this is the method that best depicts the Company's pattern of performance.

We periodically enter into software development contracts with our customers that we recognize as net revenues at a point in time upon transfer of control to the customer when the software development promise qualifies as a separate performance obligation (generally when customization is not significant). Provisions for losses on software development contracts are recorded in the period they become evident. Net revenues from software development contracts comprise approximately one percent of our total net revenues.

Warranty

Our equipment is generally sold with an included 12-month warranty which includes provision for unconditional replacement or repair of equipment that fails during the warranty period. We do not treat included basic warranty as a separate performance obligation. We accrue for estimated warranty obligations when revenue is recognized based on an estimate of future warranty costs for delivered products. Such estimates are based on historical experience and expectations of future costs. At least annually or whenever circumstances warrant, we evaluate and adjust the accrued warranty costs to the extent actual warranty costs vary from the original estimates. We also sell extended warranties, usually for terms of two to four years. Fees for extended warranty are considered separate performance obligations. The service is billed at contract inception and are recorded as a contract liability which is amortized and recognized as revenue over the service period using the time elapsed method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Contract Assets and Liabilities

Billing requirements for equipment vary by contract but are generally structured around the completion of certain performance obligations, such as installation and integration occurring after delivery of equipment. Billing requirements for services depend upon the service category. For specific service obligations, billing occurs upon completion of the service. For transaction service subscriptions, billing is generally a periodic pre-determined amount based on the nature service. In the case of contracted software/systems development projects, billing generally occurs upon achievement of certain milestones defined in the contract. Our payment terms vary by contract but are generally between 30 and 60 days after invoicing.

When we receive consideration, or when such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, we record a contract liability. This typically results from billings in advance of completing our performance obligations under the contract.

Allowance for doubtful accounts

An allowance for doubtful accounts is established with respect to those amounts that we determine to be doubtful of collection using specific identification of doubtful accounts and an aging of receivables analysis based on invoice due dates. Actual collection losses may differ materially from management's estimates. Uncollectible receivables are written off against the allowance for doubtful accounts when all efforts to collect them have been exhausted. Accounts receivable payment terms are generally between net 30 to 60 days, unless special payment terms are arranged.

Shipping and Handling Costs

We have elected to account for shipping and handling as activities to fulfill the promise to transfer the goods. As such, the shipping and handling costs incurred for delivery to customers are expensed as incurred and are included in Cost of net revenues in our Consolidated Statements of Operations. In those instances where we bill shipping and handling costs to customers, the amounts billed are classified as Net revenues in our Consolidated Statements of Operations.

Contract costs

Costs associated with maintenance contracts, including extended warranty contracts, are expensed when they are incurred. Commissions paid for equipment sales are not material to our financial results and are expensed in the period in which related equipment is delivered to the customer. External legal fees, travel and other costs that would have been incurred regardless of whether the contract was obtained are expensed when incurred. Incremental costs of obtaining a contract are expensed as incurred if the amortization period of the asset that otherwise would have been recognized is estimated to be one year or less.

Stock-Based Compensation

We measure stock-based compensation cost at the grant date, based on the estimated fair value of the award and the estimated number of shares we ultimately expect will vest. Stock-based compensation cost is recognized as expense on a straight-line basis over the requisite service period. Cash flows resulting from the tax benefits due to tax deductions in excess of the compensation cost recognized for those awards are classified as financing cash flows.

Advertising Costs

Advertising costs are expensed as incurred and were immaterial for all periods presented in our Consolidated Statements of Operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Research and Software Development Costs

Research and development costs are generally expensed when incurred.

Software development costs incurred to develop software products for resale, including the costs of software components of our products, are subject to capitalization beginning when a product's technological feasibility has been established and ending when a software or product is available for general release to our customers. In most instances, our products are released soon after technological feasibility has been established; therefore, software development costs incurred subsequent to achievement of technological feasibility are usually not significant, and generally most software development costs have been expensed as incurred. Capitalized costs of software for resale are amortized on a straight-line basis over the estimated life of the software or associated product, generally three to five years, commencing when the respective software or product is available to our customers.

Software development costs for internal use software are subject to capitalization during the application development stage, beginning when a project, that will result in additional functionality, is approved and ending when the software is put into productive use. Capitalized internal use software costs are amortized on a straight-line basis over the estimated life of the software, generally three to six years, commencing when the respective software is put into productive use.

Restructuring

The determination of when we accrue for employee involuntary termination benefits depends on whether the termination benefits are provided under a one-time benefit arrangement or under an on-going benefit arrangement. We record charges for one-time benefit arrangements in accordance with ASC 420 *Exit or Disposal Cost Obligations* and charges for on-going benefit arrangements in accordance with ASC 712 *Nonretirement Postemployment Benefits*.

We recognize a liability for costs associated with cancellation of contracts when the liability is incurred. We measure these liabilities at fair value. Costs to terminate a contract before the end of its term are recognized when we terminate the contract in accordance with the contract terms. Costs that will continue to be incurred under a contract for its remaining term without economic benefit are recognized at the contract cancellation date.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities, and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. In evaluating our ability to recover our deferred tax assets management considers all available positive and negative evidence including the past operating results, the existence of cumulative losses in past fiscal years, and the forecasted future taxable income in the jurisdictions in which we have operations.

We have established valuation allowances on U.S. deferred tax assets and certain non-U.S. deferred tax assets because realization of these tax benefits through future taxable income is not more likely than not as of October 31, 2022 and October 31, 2021. We intend to maintain the valuation allowances until sufficient positive evidence exists to support the reversal of the valuation allowances. We make estimates and judgments about our future taxable income that are based on assumptions that are consistent with our plans and estimates. Should the actual amounts differ from the estimates, the amount of the valuation allowance could be materially impacted. An increase in the valuation allowance would result in additional tax expense in such period.

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenues and expenses for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

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The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws. Our estimate for the potential outcome of any uncertain tax issue is based on detailed facts and circumstances of each issue. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations and financial condition.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds, and time deposits with maturities of three months or less when purchased.

Inventories

Inventories are stated at the lower of standard cost or net realizable value. We compute inventory cost using standard costs, primarily on a FIFO method. Standard costs approximate actual costs, including materials, manufacturing costs, in-bound freight costs, and inbound-related supply chain costs. We regularly monitor inventory quantities on hand and committed orders with contract manufacturers, and record write-downs for excess and obsolete inventories based primarily on usage and our estimated forecast of product demand. Such write-downs establish a new cost basis of accounting for the related inventory.

Consigned inventories from our contract manufacturers where title has not been transferred to us are excluded from our inventories. In certain circumstances, we are obligated to prepay deposits to our contract manufacturers based on a percentage of the value of the inventories consigned to us, and after a certain period of time has elapsed, we may be required to prepay the full amount if we have not taken title to the inventory. Prepayments for consigned inventory are included in Prepaid expenses and other current assets in our Consolidated Balance Sheets.

Generally, we take title to consigned inventories when we ship to our customers, and record the full cost of the inventories as Cost of net revenues at that time. We must purchase the consigned inventories from our contract manufacturers after a certain agreed-upon period of time, ranging from 30 days to one year. Consigned inventories are included in our calculation of minimum order commitments from our contract manufacturers.

Fair Value Measurements

We measure and record certain of our financial assets and liabilities at fair value on a recurring basis. We also apply the provisions of fair value measurement to various non-recurring measurements for our financial and non-financial assets and liabilities.

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When estimating fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, credit risk, and risk of non-performance.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In measuring fair value, we follow a three-level hierarchy based on the inputs used:

Level 1 — Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2 — Other inputs that are directly or indirectly observable in the marketplace, such as similar instruments in an active market, or computations using, among other inputs, forward pricing curves, credit default spreads, or the Black-Scholes-Merton valuation model.
Level 3 — Unobservable inputs that are supported by little or no market activity.

Equity Investments

We evaluate our equity investments to determine whether an investee is a variable interest entity (VIE). If we conclude that an investee is a VIE, we evaluate our power to direct the activities of the investee, our obligation to absorb the expected losses of the investee and our right to receive the expected residual returns of the investee to determine whether we are the primary beneficiary of the investee. If we are the primary beneficiary of a VIE, we consolidate such entity and reflect the noncontrolling interest of other beneficiaries of that entity.

If an entity fails to meet the characteristics of a VIE, then we evaluate such entity under the voting model. Under the voting interest entity model, we consolidate the entity if we have a controlling financial interest of more than 50 percent and the noncontrolling shareholders do not have substantive participating rights.

We periodically reassess whether we are the primary beneficiary of a VIE. The reassessment process considers whether we have acquired the power to direct the most significant activities of the VIE through changes in governing documents or other circumstances. We also reconsider whether entities previously determined not to be VIEs have become VIEs, and vice versa, based on changes in facts and circumstances including changes in contractual arrangements and capital structure.

If we do not consolidate the investee, we account for the investment under either the equity method or fair value alternative. Equity investments are accounted for under the equity method if we are able to exert significant influence over the investee but do not have a controlling financial interest. If we do not have significant influence over the investee, we account for it under the fair value alternative. The carrying value of equity investments are included in Other long-term assets in our Consolidated Balance Sheets.

Equity method investments are initially recorded at fair value and are adjusted for our proportionate share of the earnings and losses of the equity method investee. Earnings and losses of equity method investments are based on the most recently available financial statements of the investee and are included in Other income (expense), net in our Consolidated Statements of Operations. Basis differences between the cost of an equity method investment and the underlying equity in the long-lived assets are amortized over the estimated economic useful life of the underlying long-lived asset and the amortization expense is included in Other income (expense), net in our Consolidated Statements of Operations. We measure our fair value alternative equity investments which do not have a readily determinable fair value at cost less impairment and adjust for observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Such investments are evaluated for impairment each reporting period.

Derivative Financial Instruments

We use derivative financial instruments to manage exposures to interest rate risks. Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in interest rates.

We do not use derivative financial instruments for speculative or trading purposes, nor do we hold or issue leveraged derivative financial instruments. Our derivative financial instruments do not include a right of offset, and we do not offset derivative financial assets against derivative financial liabilities.

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Our derivative financial instruments consist of interest rate swaps and caps, which we use to hedge a portion of the variability in cash flows related to our interest payments. Our derivative financial instruments are reported at fair value at the end of each reporting period. We use the income approach to value the interest rate swaps, using observable Level II inputs at the measurement date and discount future amounts to a single present amount reflecting current market expectations. Level II inputs for the valuations include London Interbank Offered Rate (USD LIBOR) rate curves, futures, volatilities and basis spreads at each period end date. Derivative asset and liability fair values are adjusted for credit quality.

The variable cash flow on our term debt and derivative financial instruments is based upon USD LIBOR rates which will discontinue on June 30, 2023 and be replaced by a spread-adjusted Secured Overnight Financing Rate (SOFR) in contracts lacking adequate fallback language. When we enter into hedges we formally assess hedge effectiveness. In our initial assessment, we applied several optional expedients provided under ASU 2020-04 Reference Rate Reform (Topic 848) to disregard the impact of the pending rate changes due to reference rate reform.

After our initial effectiveness assessment, we assess the effectiveness qualitatively on an ongoing basis. When an anticipated transaction is no longer likely to occur, the corresponding derivative instrument is ineffective as a hedge, and changes in fair value of the instrument are recognized in Other income (expense), net in the Consolidated Statements of Operations.

We record the estimated fair value of our outstanding derivative financial instruments on our Consolidated Balance Sheets at the end of each reporting period as either assets or liabilities. Gains and losses arising from derivative financial instruments that are designated as cash flow hedges are recorded in Accumulated other comprehensive income (loss) on our Consolidated Balance Sheets, and are subsequently reclassified into earnings in the period or periods during which the underlying transactions affect earnings.

Long-Lived Assets

Fixed assets are stated at cost, net of accumulated depreciation and amortization. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, generally ranging from three to ten years, except buildings which are depreciated over 50 years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful life of the asset.

Revenue generating assets are comprised of tangible assets that are generating revenues under rental or service based arrangements. Revenue generating assets are stated at cost, net of accumulated depreciation, and are generally depreciated on a straight-line basis over the estimated useful lives of the assets, generally five years. Payments to acquire revenue generating assets are included in Capital expenditures within cash flows from investing activities on our Consolidated Statements of Cash Flows.

Equipment under finance type leases is recorded at the lesser of the present value of the minimum lease payments at the beginning of the lease term or the fair value of such equipment. Leased equipment is amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of such equipment.

Purchased intangible assets that have finite useful lives are amortized on a straight-line basis over their estimated period of benefit, generally ranging from one to 15 years. Intangible assets with indefinite lives such as In-process research and development (IPR&D) are not amortized, but subject to an impairment assessment annually on August 1. If the project is completed, the carrying value of the related intangible asset is amortized over the estimated life of the asset beginning in the period in which the project is completed and sales of the related product commenced.

If the estimated period of benefit for any of our long-lived assets is determined to have changed, we amortize the remaining net book values over the revised period of benefit.

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We periodically evaluate whether changes have occurred that would render our long-lived assets not recoverable. If such circumstances arise, we use an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying amount of the assets over the fair value of such assets, with the fair value generally determined based on an estimate of discounted future cash flows. For assets held for sale, to the extent the carrying value is greater than the asset's fair value less costs to sell, an impairment loss is recognized for the difference.

Goodwill

Goodwill is measured as the excess of consideration transferred and the net of the acquisition date fair value of assets acquired and liabilities assumed in a business acquisition. Goodwill is not amortized for accounting purposes.

We review the goodwill allocated to each of our reporting units for possible impairment annually on August 1 and whenever events or changes in circumstances indicate its carrying amount may not be recoverable. We have two reporting units: Systems and Services. When assessing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a quantitative impairment test. If, we conclude otherwise, then no further action is taken. In a quantitative impairment test, we measure the recoverability of goodwill by comparing a reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit, and record an impairment charge for any excess.

In assessing the qualitative factors, we assess relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances, and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgments and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, VeriFone specific events, and share price trends, and making the assessment as to whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

The carrying amount of each reporting unit is determined based upon the assignment of our assets and liabilities, including existing goodwill and other intangible assets, to the identified reporting units. Where an acquisition benefits only one reporting unit, we assign, as of the acquisition date, all goodwill for that acquisition to the reporting unit that will benefit. Where we have an acquisition that benefited more than one reporting unit, we allocate the goodwill to our reporting units as of the acquisition date such that the goodwill assigned to a reporting unit is the excess of the fair value of the acquired business, or portion thereof, to be included in that reporting unit over the fair value of the individual assets acquired and liabilities assumed that are assigned to the reporting unit.

Debt Issuance Costs and Original Issue Discounts

Costs incurred in connection with the issuance of new debt are generally capitalized and amounts paid in connection with the modification of existing debt are generally expensed as incurred. Capitalizable debt issuance costs paid to third parties and original issue discounts paid to creditors, net of amortization, are offset against the associated Short-term and Long-term debt on our Consolidated Balance Sheets.

Amortization expense on capitalized debt issuance costs and original issue discounts related to loans with fixed payment terms is calculated using the effective interest method over the term of the associated loans. Amortization expense on capitalized debt issuance costs and original issue discounts related to revolving loans are calculated using the straight-line method over the term of the revolving loan commitment. Amortization expense is recorded in Interest expense, net in our Consolidated Statements of Operations. When debt is extinguished prior to the maturity date, any remaining associated debt issuance costs or original issue discounts are expensed to Interest expense, net in our Consolidated Statements of Operations.

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Leases

We determine whether an arrangement is a lease for accounting purposes at contract inception. For our operating leases, we record a right-of-use (ROU) assets in our consolidated balance sheet, which represents our right to control the use of an underlying asset for the lease term. A corresponding lease liability, which represents our obligation to make lease payments arising from lease, is recorded in Accrued and other liabilities and Long-term lease liability in our Consolidated Balance Sheets.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate to calculate the present value of the lease payments. The incremental borrowing equals the rate of interest we would have to pay or borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The incremental borrowing rate is determined at the beginning of each fiscal period, and is applied to all leases entered in that fiscal period.

We elected the short-term lease exception and will not recognize ROU assets or lease liabilities for qualifying leases with a term of less than 12 months from lease commencement. Lease payments for short-term leases are recognized on straight-line basis.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of the identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from our estimates. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Uncertain tax positions and tax-related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We reevaluate these items quarterly with any adjustments to our preliminary estimates being recorded to goodwill provided that we are within the measurement period, and we continue to collect information in order to determine their estimated values. Subsequent to the measurement period or our final determination of the tax allowance's estimated value, changes to these uncertain tax positions and tax-related valuation allowances will affect our Income tax provision (benefit) in our Consolidated Statements of Operations and could have a material impact on our results of operations and financial position.

Acquisition-related costs are expensed as incurred.

Concentrations of Credit Risk

Our ability to generate revenues can be impacted by a variety of economic factors, such as country specific and global economic growth, infrastructure development, expanding presence of Internet and wireless connectivity and support from governments seeking to modernize their economies and to encourage electronic payment transactions as a means of driving commerce and improving tax collection. In addition, factors such as the advancement in payment technologies, price sensitivities, country specific compliance requirements or regulatory mandates and customer preferences for point of sale experiences also impact our ability to generate revenues. These factors can affect the nature, amount, timing and uncertainty of our revenues and cash flows.

Cash is placed on deposit in major financial institutions around the world. Some of these deposits may be in excess of insured limits. We believe that the financial institutions that hold our cash are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

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We invest cash not required for use in operations in high credit quality securities based on our investment policy. The investment policy has limits based on credit quality, investment concentration, investment type, and maturity that we believe reduce the risk of loss. Investments are of a short-term nature and include investments in money market funds and time deposits.

Our derivative financial instruments expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement when we have an unrealized gain on the instrument. We believe the counterparties for our outstanding contracts are large, financially sound institutions, and thus we do not anticipate nonperformance by these counterparties. However, given the high debt levels of many countries and institutions worldwide, the failure of the counterparties is possible. We have not experienced any investment losses due to institutional failure or bankruptcy.

Our accounts receivable are derived from sales to a large number of direct customers, resellers, and distributors globally. We perform ongoing evaluations of our customers' financial condition and limit the amount of credit extended when deemed necessary, but generally require no collateral. As of October 31, 2022 and 2021, no single customer accounted for more than 10% of our total Accounts receivable, net. For fiscal years ended October 31, 2022 and 2021, no single customer accounted for more than 10% of our total Net revenues.

We utilize a limited number of third parties to manufacture our products, and rely upon these contract manufacturers to produce and deliver products on a timely basis and at an acceptable cost. Furthermore, a majority of our manufacturing activities are concentrated in China, Thailand, Malaysia, Vietnam and Brazil. As a result, disruptions to the business or operations of the contract manufacturers or to their ability to produce the required products in a timely manner could significantly impact our business and operations. In addition, a number of components that are necessary to manufacture and assemble our systems are specifically customized for use in our products and are obtained from sole source suppliers on a purchase order basis. Because of the customized nature of these components and the limited number of available suppliers, if we were to experience a supply disruption, it would be difficult and costly to find alternative sources in a timely manner.

Reclassifications

Certain immaterial prior period amounts have been reclassified to conform to the current financial statement presentation.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-02, Leases (Topic 842). The guidance within all of the leasing accounting standard updates is effective for annual periods for the Company beginning after December 15, 2021 and interim periods beginning after December 15, 2022. The standard is to be applied on a modified retrospective basis. Early adoption is permitted.

The Company elected to adopt the guidance as of November 1, 2021, using modified retrospective transition approach and applied transition requirements as of November 1, 2021, as permitted. Adoption of the lease accounting guidance did not have a material impact on the Company's reported earnings or cash flows, however, adoption did result in a material impact to the Company's balance sheet to establish the right-of-use lease assets and associated lease liabilities. Specifically, the Company established a right-of-use lease asset of $53.3 million, a $16.2 million short-term lease liability, and a $39.5 million long-term lease liability.

Refer to Note 10 for further details.

In March 2020, the Financial Accounting Standards Board issued ASU No 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 provides temporary optional expedients and exceptions to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the LIBOR and other interbank offered rates to alternative reference rates. ASU 2020-04 is effective beginning on March 12, 2020, and the Company may elect to apply the

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amendments prospectively through December 31, 2022. The Company elected to adopt the guidance as of November 1, 2021 and had no material impact to our financial statements.

Recent Accounting Pronouncements Not Yet Adopted

During June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses" (as amended by ASU 2018-19, 2019-10 and 2019-11), which introduces new guidance for the accounting for credit losses on financial instruments and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. The new standard must generally be adopted using a modified retrospective transition method, through a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period. We are currently in the process of evaluating the impact of this new pronouncement on our consolidated financial position and results of operations and our adoption timing.

In October 2021, the Financial Accounting Standards Board issued ASU No 2021-08, "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities for Contracts with Customers" ("ASU 2021-08"). ASU 2021-08 requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 "Revenue from Contracts with Customers" instead of fair value as required by current GAAP rules. The standard is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. We expect this standard will have a positive impact on our reported revenue from our acquired businesses as the fair value of contract liabilities traditionally is less than the amount reported under Topic 606. The magnitude of the impact on our consolidated results of operation will depend on the significance of contract assets and liabilities recorded by business we acquire in the future. We plan on early adopting this standard.

In October 2021, the Financial Accounting Standards Board issued ASU No 2021-07, "Compensation- Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards" ("ASU 2021-07"). ASU 2021-07 allows private companies to use a reasonable approach to estimate the fair value of its shares when valuing share based payments. This standard is effective for fiscal years beginning after December 15, 2021.

Note 2. Business Combinations

VeriFone China Divestiture

On August 1, 2021, we divested our controlling interest in Verifone Systems (China), Inc. ("China business") to the former general manager and minority shareholder of this business. The general manager and the China business are related parties to Verifone. The divested interest represented 17.7% of the outstanding shares of the China business. We received consideration with a fair value of $15.7 million including $4.3 million in cash, forgiveness of $1.8 million in amounts due to the China business and $9.6 million in a five year promissory note issued by the China business. We retained a 33% equity interest in the China business, in the form of preferred equity that has a $29.0 million liquidation preference.

In conjunction with the equity transfer, the parties signed an agreement to transfer certain China intellectual property to us. This technology is incorporated in certain Verifone point of sale devices. Verifone is obligated to pay a fixed per unit royalty on purchased units during a five year period. Royalties under this agreement are capped at $10.0 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At the divestiture date, we determined that the China business is a variable interest entity and that we are not the primary beneficiary. Our assessment included the following significant judgments and assumptions:

- The general manager acquired a controlling financial interest in the China business upon the close of the transaction and is not acting as our agent.
- The general manager has the power to direct the activities that are most significant to the China business via his representation on the board of directors.
- Our involvement with the China business including the rights and obligations under the promissory note and intellectual property agreement are considered insignificant to the China business' point of sale business.
- The China business is expected to service its obligations under the promissory note based upon its current financial position and expected cash flows generated from its domestic operations.

On the close date, we derecognized the assets of the China business and recognized a gain on the divestiture of $1.2 million within Other income (expense), net. The results of the China business are not included in our consolidated results after the divestiture date.

Our investment in the China business is not common stock or common stock equivalent, so we account for our retained investment as a fair value alternative investment without a readily determinable fair value. The initial fair value of our equity interest at the divestiture date was $30.3 million and was determined using the income approach. The income approach, which we believe most appropriately measures the fair value of this income producing asset, calculates fair value by discounting estimated after-tax cash flows to a present value, using a risk-adjusted discount rate. Our investment is classified as Level 3 because we use significant unobservable inputs to determine the expected cash flows and an appropriate discount rate to calculate the fair value. The significant unobservable inputs we use to value this investment include our estimate of the future expected revenues, margins and other cash outlays, as well as expected terminal value growth rates of the China business. See Note 7, *Equity Investments* for additional information.

For years ending October 31, 2022 and 2021, we applied $4.3 million and $1.8 million in royalties and service fees due to the China business against the promissory note. The promissory note was $4.1 million and $8.0 million at October 31, 2022 and 2021.

Note 3. Employee Benefit Plans

Retirement and Post-employment Plans

We maintain defined contribution retirement plans in certain countries, including a 401(k) plan for our U.S. employees. During the fiscal years 2022 and 2021, we contributed $8.8 million and $9.5 million to these plans.

We have defined benefit pension plans, as required by local laws, for our employees in certain countries, and non-retirement post-employment benefit plans for our employees in certain countries. These plans are not considered material to our financial position or results of operations.

Equity Incentive Plan

2018 Equity Incentive Plan

On August 20, 2018, Vertex Holdco, Inc. approved the 2018 Vertex Holdco, Inc. Stock Incentive Plan (the *2018 Plan*) pursuant to which Vertex Holdco may grant options, stock appreciation rights, and other stock-based awards to its employees and those of its affiliates, for up to an aggregate of 22.2 million shares plus any shares purchased at fair market value under a share purchase program. Under this equity incentive plan, time-based stock options of 1.4 million and performance based stock

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

options of 1.3 million were granted to key employees, directors, and other service providers of the Company during each of the fiscal years ended October 31 2022 and 2021.

The Plan is administered by a committee of the Vertex Holdco board of directors. Such committee determines the terms of each stock-based award grant under the 2018 Equity Incentive Plan, except that the exercise price of any granted options and the grant price of any granted stock appreciation rights may not be lower than the fair market value of one share of common stock of Holdco as of the date of grant. Vertex Holdco is the parent entity of VeriFone Systems, Inc.

Stock option awards are granted with an exercise price equal to or greater than the grant date fair value of the common stock and have a maximum term of ten years. Time-based awards have a vesting term over a period of 1 to 4 years from the date of grant.

The following table provides a summary of stock option activity for the fiscal year 2022:

	Number of Shares (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (in years)
Outstanding at beginning of period	8,821	$ 10.12	
Granted	2,794	$ 11.66	
Exercised	(40)	$ 10.00	
Canceled	(1,049)	$ 10.34	
Expired	(332)	$ 10.07	
Outstanding at end of period	10,194	$ 10.54	7.64
Vested or expected to vest at October 31, 2022	6,605	$ 10.46	7.43
Exercisable at October 31, 2022	3,305	$ 10.09	6.58

As of October 31, 2022, 12.0 million shares remained available for future grants under this plan. For purposes of the number of shares issuable under this plan, any awards granted as stock options are counted as one share for every award granted.

We estimate the grant-date fair value of stock options using the Black-Scholes-Merton valuation model, using the following weighted-average assumptions:

	Years Ended October 31,	
	2022	2021
Expected term (in years)	6.11	6.07
Risk-free interest rate	3.06 %	0.77 %
Expected dividend rate	— %	— %
Expected stock price volatility	49.3 %	33.7 %

These assumptions used to value our awards are determined as follows:

- The expected term of the options is based on the simplified method due to the lack of sufficient historical exercise data to provide a reasonable basis.
- The expected stock price volatility is derived by using the historical volatility of a group of peer companies since our shares are not traded publicly.
- The average risk-free interest rate is based on the U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the awards.

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- The dividend yield assumption is based on our dividend history and future expectations of dividend payouts. We do not expect to have dividends in the future.

As of October 31, 2022 and 2021, total unrecognized stock-based compensation expense for unvested options was $8.2 million and $5.5 million and is expected to be recognized over a weighted average period of approximately 3.1 years and 2.4 years. The weighted-average grant-date fair value for stock options granted during the fiscal years ended October 31, 2022 and 2021 was $4.11 and $2.57. The total fair value of stock options vested during the fiscal years ended October 31, 2022 and 2021 was $3.7 million and $3.3 million.

Topco Profit Interest Units

On October 4, 2022, Vertex Topco LP ("Topco") issued a total of 2.7 million profit interest units in Topco including 1.3 million time-based units and 1.4 million performance units. The units entitled the holder the rights to Topco distributions in excess of the threshold of $11.66. Time-based units vest over a four year service period from the date of grant and the performance units vest upon the achievement of a two times total equity return to the existing Topco partners. The units have a maximum term of ten years.

The fair value attributed to the time-based units was $2.5 million at the grant date. The fair value of the time-based units will be recognized over the remaining service period. The fair value of the performance units will not be recognized until it is probable the performance conditions will be satisfied.

Stock-Based Compensation Expense

The following table presents the stock-based compensation expense recognized in our Consolidated Statements of Operations (in thousands):

	Years ended October 31,	
	2022	2021
Cost of net revenues	$ 395	$ 498
Research and development	647	747
Sales and marketing	1,456	1,552
General and administrative	1,510	4,743
Total stock-based compensation expense	$ 4,008	$ 7,540

The stock based compensation expense includes $3.4 million of expense in 2021 for the stock awards related to the acquisition of the China business in 2019.

Our computation of stock-based compensation expense includes an estimate of award forfeitures based on historical experience. We record compensation expense only for those awards that are expected to vest.

Performance-based stock options ultimately vest depending upon satisfaction of conditions that only arise in the event of a sale of the Company. No compensation expense will be recognized on these stock options unless it becomes probable the performance conditions will be satisfied.

VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 4. Income Taxes

Income (loss) before income taxes consisted of the following (in thousands):

	Years ended October 31,	
	2022	2021
United States	$ (173,991)	$ (262,377)
Foreign	95,033	89,325
Income (loss) before income taxes	$ (78,958)	$ (173,052)

The provision for (benefit from) income taxes consisted of the following (in thousands):

	Years Ended October 31,	
	2022	2021
Current:		
Federal	695	490
State	(83)	544
Foreign	111,501	35,205
Total current provision for income taxes	112,113	36,239
Deferred:		
Federal	3,646	796
State	1,465	2,731
Foreign	(72,646)	(24,869)
Total deferred benefit from income taxes	(67,535)	(21,342)
Income tax provision (benefit)	$ 44,578	$ 14,897

A reconciliation of taxes computed at the federal statutory income tax rate to the provision for (benefit from) income taxes is as follows (in thousands):

	Years Ended October 31,	
	2022	2021
Provision for (benefit from) income taxes computed at the federal statutory rate	(16,581)	(36,341)
State income tax, net of federal tax benefit	914	2,562
Foreign income taxes at other than U.S. rates	46,045	8,773
Valuation allowance, net	(22,332)	38,776
Israel settlement deferred tax liability	24,235	—
Base Erosion and Anti-Abuse Tax (BEAT) Disallowance	15,623	—
Other	(3,326)	1,127
Income tax provision (benefit)	$ 44,578	$ 14,897

On March 27, 2020, The Coronavirus Aid, Relief, and Economic Security Act (CARES) Act was signed into law. The CARES Act includes, among other items, provisions relating to refundable payroll tax credits, deferment of the employer portion of certain payroll taxes, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act allows losses incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding tax years and to offset 100% of regular taxable income in such years. As a result of the CARES Act, some of the net operating losses generated in 2018 through 2020 were carried back to prior taxable years on provision basis.

VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of our deferred tax assets and liabilities were as follows (in thousands):

	October 31, 2022	October 31, 2021
Deferred tax assets:		
Loss carry forwards	$ 154,708	$ 127,750
Basis differences in deductible goodwill and purchased intangibles	48,759	28,985
Foreign tax credit carry forwards	17,426	33,616
Accrued expenses and reserves	44,881	47,042
Contract liabilities	7,840	9,369
Unrealized foreign currency losses	15,406	9,887
Right of use lease liabilities	6,274	—
R&D credit carry forwards	7,322	8,639
Interest carry forwards	88,047	76,423
Inventories	12,673	12,909
Other deferred tax assets	19,158	24,482
Total deferred tax assets	422,494	379,102
Valuation allowance	(340,132)	(329,468)
Deferred tax liabilities:		
Basis differences on purchased intangibles	(96,466)	(138,107)
Basis differences in investments in foreign subsidiaries	(17,566)	(79,132)
Other deferred tax liabilities	(65,216)	(16,366)
Total deferred tax liabilities	(179,248)	(233,605)
Net deferred tax liabilities	$ (96,886)	$ (183,971)

The realization of deferred tax assets is dependent primarily on generating sufficient U.S. and foreign taxable income in future fiscal years. We regularly assess the need for a valuation allowance against deferred tax assets. In making that assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more-likely-than-not that some or all of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, we consider the cumulative loss in the U.S. as a significant piece of negative evidence. We will continue to assess the realizability of the deferred tax assets in each of the applicable jurisdictions going forward and adjust the valuation allowance accordingly. We intend to maintain the valuation allowances until sufficient positive evidence exists to support the reversal of the valuation allowance.

The valuation allowance increased by $10.7 million in fiscal year 2022 primarily due to increased tax attributes as a result of current year losses.

The tax loss carry forwards as of October 31, 2022 were related primarily to tax losses of $1,079 million in the U.S. federal jurisdiction, of which $403.8 million can be carried forward indefinitely, $95.4 million in Ireland, $13.4 million in Romania $57.9 million in France, $3.7 million in Netherlands, $11.2 million in the Hong Kong, $9 million in Germany, $234.3 million in Luxembourg and $15.4 million in various other non-U.S. countries. Approximately $421.9 million of foreign tax losses may be carried forward indefinitely. The remaining approximately $18.4 million of foreign tax losses is subject to limited carry forward

VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

terms of 3 to 20 years, and will expire at various dates beginning in fiscal year 2023, if not utilized. Various states have tax loss carry forwards of $599.7 million that will expire at various dates beginning in fiscal year 2023 if not utilized.

Due to our acquisition by the Investor group in fiscal year 2018, utilization of $585.9 million of our U.S. NOL and tax credit carryforwards may be subject to annual limitation due to the ownership change limitations provided by Sections 382 and 383 of the Internal Revenue Code and similar state provisions. Such an annual limitation may result in the expiration of certain NOLs and tax credits before future utilization

As of October 31, 2022, we have recorded U.S. foreign tax credit carry forwards of $17.3 million which will expire at various dates beginning in fiscal year 2023, if not utilized. In addition, we have recorded U.S. federal and state research and development tax credit carry forwards of $17.1 million and $4.8 million, which will expire at various dates beginning in fiscal year 2029, if not utilized.

Israel Tax Audit Assessment

We were under audit by the Israeli Tax Authorities (ITA) for fiscal years 2011 through 2015. The ITA issued a tax assessment in October 2014 for fiscal year 2009 or alternatively for fiscal year 2008 claiming there was a business restructuring that resulted in a transfer of some functions, assets and risks from VeriFone Israel Ltd. to the U.S. parent Company that the ITA claim was a sale valued at 1.36 billion New Israeli Shekels (NIS) (approximately $388 million at the foreign exchange rate as of October 31, 2022). We filed our objection to the tax assessment in January 2015 and received the ITA decision through an Order (a second stage assessment) in January 2016. The Order increased the value of the sale to 2.20 billion NIS in fiscal year 2009 (approximately $627.6 million at the foreign exchange rate as of October 31, 2022) or alternatively 2.23 billion NIS in fiscal year 2008 (approximately $636.1 million at the foreign exchange rate as of October 31, 2022) and contended secondary adjustments relating to a deemed dividend and/or interest.

Based on the Order, these and other claims resulted in a potential tax liability and deficiency penalty assessment in the amount of 1.40 billion NIS (approximately $399.4 million at the foreign exchange rate as of October 31, 2022), if the claim was assessed for fiscal year 2009, to 1.65 billion NIS (approximately $470.7 million at the foreign exchange rate as of October 31, 2022) if the claim was assessed for fiscal year 2008, including interest, the required Israeli price index adjustments (referred to as the linkage differentials) and deficiency fines (as applicable) through October 31, 2022. The ITA's contention regarding secondary adjustments relating to deemed dividend was not quantified by them.

We believed the ITA's assessment position was without merit and appealed the assessment to the district court. We agreed with the ITA to repay our $69.0 million intercompany loan from VeriFone Israel Ltd. to the extent of the amount of a final agreed tax assessment concerning fiscal year 2008 and fiscal year 2009 or a judgment of a district court in an appeal on the decision of the ITA in the objection, if any.

The ITA also had issued tax assessments in October 2017 and 2018 for fiscal years 2011-2012 and 2013-2014 that included secondary adjustments relating to a deemed dividend and/or interest with respect to the contention concerning business restructuring in 2008 or 2009. The ITA's contention regarding secondary adjustments relating to deemed dividend was not quantified by them. We had filed our objection to the assessments.

In order to avoid the potential hazards and uncertainties of litigating the dispute to a final conclusion, we had advanced negotiations with the ITA in an attempt to settle the disputes and reach a comprehensive settlement. During fiscal year 2022, we reached tentative agreements regarding some of the formerly outstanding issues and engaged in continuing advanced negotiations regarding the remaining issues in dispute. Our Israeli Counsel and the ITA held various negotiation meetings and exchanged proposed settlement sums. On November 14, 2022, we have reached an agreement with the ITA and entered into a Settlement Agreement and conclusively ended all of the disagreements between us and the ITA on all disputes. As part of the Settlement Agreement, the Company agreed to pay the ITA in a total sum of 347.5 million NIS ($99.1 million in USD at the foreign exchange rate as of October 31, 2022) in installments starting in fiscal year 2023 through fiscal year 2026. This led to

VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

additional income tax expense of $24.2 million for the year ended October 31, 2022 and a $99.1 million long-term liability for this uncertain tax position as of October 31, 2022.

Other Audits

We have certain other foreign subsidiaries under audit by foreign tax authorities, including Germany for years 2013 through 2018, India for years 2008 through 2017, Romania for years 2011 through 2016, Philippines for year 2019, Thailand for years 2019 through 2020, and Singapore for years 2018 through 2019. Although we believe we have appropriately provided for income taxes for the years subject to audit, the Germany, India, Romania, Philippines, Thailand, and Singapore taxing authorities may adopt different interpretations. We have not yet received any final determinations with respect to these audits. We have accrued tax liabilities associated with these audits. With few exceptions, we are no longer subject to tax examination for periods prior to 2008.

The aggregate changes in the balance of gross unrecognized tax benefits were as follows (in thousands):

	October 31,	
	2022	2021
Balance at beginning of period	$ 303,083	$ 302,317
Lapse of statute of limitations	(1,382)	(945)
Increases in balances related to tax positions taken during prior periods	52,063	2,051
Decreases in balances related to tax positions taken during prior periods	(7,532)	(5,713)
Increases in balances related to tax positions taken during current period	4,070	5,373
Settlements	(192)	—
Balance at end of period	$ 350,110	$ 303,083

Of the total $350.1 million gross unrecognized tax benefits, 74.9 million, if recognized, will affect our effective tax rate. The amount of unrecognized tax benefits could be reduced upon closure of tax examinations or if the statute of limitations on certain tax filings expires without assessment from the tax authorities. As a result of the final settlement of the Israeli tax audits on November 14, 2022, we believe that it is reasonably possible there will be a decrease of uncertain tax benefits in the amount of $58.9 million and related accrued interest of $40.1 million in fiscal year 2023, for a total amount of $99.1 million. In addition, we believe that it is reasonably possible that there could be an immaterial reduction in unrecognized tax benefits due to statute of limitation expirations in multiple tax jurisdictions during the next 12 months. Interest and penalties accrued on these uncertain tax positions will also be released upon the expiration of statutes of limitations. Interest and penalties recognized in each statement of operations were not material. As of October 31, 2022, we have accrued 41.2 million for the payment of interest and penalties related to unrecognized tax benefits. We recognize interest and penalties related to unrecognized tax benefit on the income tax line in the accompany consolidated statement of operations. Accrued interest and penalties are included on the related liability lines in the consolidated balance sheet.

We are subject to income tax in many jurisdictions in and outside of the U.S. Our operations in the US and certain jurisdictions remain subject to examination for years 2004 to 2022, some of which are currently under audit by local tax authorities. The resolution of each of these audits is not expected to be material to our consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 5. Balance Sheet Components

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows (in thousands):

	October 31,	
	2022	2021
Cash and cash equivalents	$ 97,860	$ 106,143
Restricted cash included in Prepaid expenses and other current assets	105,889	73,547
Restricted cash included in Other long-term assets	6,564	3,400
Total cash, cash equivalents and restricted cash	$ 210,313	$ 183,090

Restricted cash was mainly comprised of cash held on behalf of customers as part of our transaction processing services.

As of October 31, 2022 and 2021, $71.1 million and $75.3 million of our cash and cash equivalents were held by our foreign subsidiaries. If we decide to distribute or use such cash and cash equivalents outside those foreign jurisdictions, including a distribution to the U.S., we may be subject to additional taxes or costs.

Allowances for doubtful accounts

Activity related to the allowances for doubtful accounts consisted of the following (in thousands):

	Years Ended October 31,	
	2022	2021
Balance at beginning of period	$ 7,447	$ 4,340
Charges to bad debt expense	2,559	4,673
Write-offs, recoveries and adjustments	(2,163)	(1,566)
Balance at end of period	$ 7,843	$ 7,447

Inventories

Inventories consisted of the following (in thousands):

	October 31,	
	2022	2021
Raw materials	$ 27,336	$ 33,700
Work-in-process	1,136	1,096
Finished goods	113,131	69,820
Total inventories	$ 141,603	$ 104,616

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	October 31, 2022	October 31, 2021
Prepaid expenses	$ 33,783	$ 34,522
Prepaid taxes	27,686	26,116
Restricted cash	105,889	73,547
Other current assets	17,172	7,270
Total prepaid expenses and other current assets	$ 184,530	$ 141,455

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	Estimated Useful Life (Years)	October 31, 2022	October 31, 2021
Revenue generating assets	5	$ 112,328	$ 102,742
Computer hardware and software	3-5	36,938	40,749
Machinery and equipment	3-10	21,687	13,999
Leasehold improvements	Lesser of the term of the lease or the estimated useful life	11,805	15,096
Office equipment, furniture, and fixtures	3-5	5,696	6,055
Buildings	50	1,902	1,896
Total depreciable property and equipment, at cost		190,356	180,537
Accumulated depreciation		(111,711)	(99,021)
Depreciable property and equipment, net		78,645	81,516
Construction in progress		2,307	3,847
Land		1,170	1,170
Total property and equipment, net		$ 82,122	$ 86,533

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Accruals and Other Current Liabilities

Accruals and other current liabilities consisted of the following (in thousands):

	October 31,	
	2022	2021
Merchant payable	$ 111,686	$ 93,555
Accrued expenses	96,614	85,747
Other current liabilities	61,028	53,261
Accrued compensation	33,512	41,800
Accrued interest	27,832	16,656
Short-term lease liability	14,688	—
Accrued contingent liabilities	11,717	14,402
Derivative financial instruments	—	35,025
Total accruals and other current liabilities	$ 357,077	$ 340,446

Other current liabilities were comprised primarily of accrued warranty, customer deposits, sales and value-added taxes payable and income tax accrual.

Accrued Warranty

Activity related to accrued warranty consisted of the following (in thousands):

	Years Ended October 31,	
	2022	2021
Balance at beginning of period	$ 7,853	$ 7,251
Warranty charged to Cost of net revenues	4,271	7,125
Utilization of warranty accrual and others	(5,701)	(6,523)
Balance at end of period	6,423	7,853
Less: current portion	(5,608)	(6,805)
Long-term portion	$ 815	$ 1,048

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Accumulated Other Comprehensive Loss

Activity related to Accumulated other comprehensive loss consisted of the following (in thousands):

	Foreign currency translation adjustments [1]	Unrealized gain (loss) on derivatives designated as cash flow hedges [2]	Other [3]	Total
Balance as of October 31, 2020	$ (90,922)	$ (72,014)	$ 243	$ (162,693)
Gains (losses) before reclassifications, net of tax	31,297	(827)	1,386	31,856
Amounts reclassified out of Accumulated other comprehensive loss, net of tax	(4,619)	49,755	(853)	44,283
Other comprehensive income (loss)	26,678	48,928	533	76,139
Balance as of October 31, 2021	$ (64,244)	$ (23,086)	$ 776	$ (86,554)
Gains (losses) before reclassifications, net of tax	(137,485)	30,568	5,973	(100,944)
Amounts reclassified out of Accumulated other comprehensive loss, net of tax	970	11,445	(854)	11,561
Other comprehensive income (loss)	(136,515)	42,013	5,119	(89,383)
Balance as of October 31, 2022	$ (200,759)	$ 18,927	$ 5,895	$ (175,937)

(1) In 2022, amounts reclassified from Accumulated other comprehensive loss, net of tax, were recorded in Noncontrolling interests in subsidiaries in the Consolidated Balance Sheets. In 2021, $2.5 million and $2.1 million reclassified from Accumulated other comprehensive loss, net of tax, were recorded in Other income (expense), net in the Consolidated Statements of Operations and Noncontrolling interests in subsidiaries in the Consolidated Balance Sheets. The related tax impacts were insignificant.
(2) Amounts reclassified from Accumulated other comprehensive loss, net of tax, were recorded in Interest expense, net in the Consolidated Statements of Operations. The related tax impacts were insignificant.
(3) Amounts reclassified from Accumulated other comprehensive loss, net of tax, were recorded in General and administrative expenses in the Consolidated Statements of Operations. The related tax impacts were insignificant.

Note 6. Financial Instruments

Fair Value Measurements

Our financial assets and liabilities consist principally of cash, accounts receivable, accounts payable, debt, interest rate swap and caps and are reported at fair value. The estimated fair value of cash, accounts receivable, and accounts payable approximates their carrying value. The estimated fair value of our debt approximates the carrying value because the interest rate on such debt adjusts to market rates on a periodic basis. Interest rate swaps and caps are recorded at estimated fair value on a recurring basis.

Interest Rate Cap Agreements Designated as Cash Flow Hedges

We use interest rate caps to hedge the variability in cash flows related to interest payments of our term loans. In our fiscal quarter ending on October 31, 2022, we entered into interest rate caps with a notional value of $1.2 billion and a cap rate of 4.0% and an interest rate cap with a notional value of $0.25 billion and a cap rate of 4.5%. The 4% interest rate caps mature on August 20, 2025 and the 4.5% interest rate cap matures on March 25, 2024. All interest rate caps are effective on November 30, 2022. The interest rate cap agreements require us to pay premiums of $2.1 million, $5.4 million and $15.6 million in the fiscal years ending October 31, 2023, 2024 and 2025.

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The interest rate caps qualify for hedge accounting treatment as cash flow hedges. We excluded the time value from our initial assessment of hedge effectiveness and will recognize the interest rate cap premiums in Interest expense, net on a straight line basis over the term of the interest rate caps.

As of October 31, 2022, we recorded assets related to our interest rate caps of $16.4 million. As of October 31, 2021, we recorded liabilities related to our interest rate swaps of $37.4 million. The assets and liabilities are measured at fair value on a recurring basis and are classified in Level 2 within the fair value hierarchy. There were no transfers in fair value hierarchy in the fiscal years ended October 31, 2022 and 2021.

As of October 31, 2022, the estimated net derivative gain related to our cash flow hedges included in Accumulated other comprehensive loss that will be reclassified into earnings in the next 12 months is $8.0 million. The derivative loss reclassified from Accumulated other comprehensive loss to Interest expense, net was $11.4 million and $49.8 million for the fiscal years ended October 31, 2022 and 2021.

Cash Flows Attributed to Interest Rate Swaps

For the fiscal year ending October 31, 2022 and 2021, we paid interest expense of $24.8 million and $36.8 million on the interest rate swap agreements modified June 24, 2019. These cash payments are included in Other financing activities, net on the Consolidated Statements of Cash Flows.

Note 7. Equity Investments

Equity Method Investments

We have two equity method investments. We had a 25.3% equity interest in Gas Media Holdings, LLC ("Gas Media") at October 31, 2022 and 2021. We divested a portion of our investment in Gas Media during the year ended October 31, 2021 for $14.0 million in cash consideration. The consideration received is presented in cash from investing activities on the Consolidated Statements of Cash Flows. We determined that Gas Media is not a variable interest entity.

We own a 10% equity interest in Curb Intermediate Holdings I, a limited liability company ("Curb"). We determined that this investment is an interest in a variable interest entity and that we are not the primary beneficiary. We account for this investment using the equity method, because the investee is a limited liability company and we have a greater than 3% to 5% ownership, so we are deemed to have significant influence over the entity.

The carrying value of our equity method investments was $38.8 million and $32.9 million as of October 31, 2022 and 2021 and was included in Other long-term assets in our Consolidated Balance Sheets. Our share of the income in the equity method investments for the fiscal year ended October 31, 2022 and 2021 was $6.2 million and $5.3 million. Our basis difference between the equity method investments and the carrying value of underlying equity in net assets is $23.6 million and $22.2 million as of October 31, 2022 and 2021.

We have made the election to use a one-month lag to record our share of Gas Media's results and a three month lag to record our share of Curb results.

We have agreed to guarantee, in certain circumstances, up to $12.5 million of debt issued to Gas Media. We have also guaranteed lease commitments of up to $3.9 million per year until December 31, 2023 relating to the Curb investment. Our maximum exposure on these equity method investments is based on the carrying value of investments to date and the extent of guarantees discussed above. As of October 31, 2022, we have not made any payments and no amounts are accrued related to these guarantees. See Note 11, *Commitments and Contingencies*, for further information.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The carrying value of our equity method investments in Gas Media is $35.2 million and $32.1 million as of October 31, 2022 and 2021. Summarized financial information for Gas Media as of September 30, 2022 and 2021 and for the twelve month periods ending September 30, 2022 and 2021 is presented in the following table (in thousands):

	September 30,	
	2022	2021
Acquired intangible assets, net	$ 34,362	$ 40,637
Goodwill	92,462	92,462
Term loan	(7,953)	(26,774)
Other assets, net	20,245	20,599
Total assets, net	$ 139,116	$ 126,924

	Twelve Months Ended September 30,	
	2022	2021
Revenues	$ 95,061	$ 82,789
Operating income	33,322	30,170
Net income	12,202	22,139

Fair Value Alternative Investments

We have investments accounted for under the fair value alternative that have a carrying value of $34.0 million and $34.1 million as of October 31, 2022 and 2021 and was included in Other long-term assets in our Consolidated Balance Sheets. One of these investments is in variable interest entity where we are not the primary beneficiary. Our known maximum exposure to loss on the variable interest entity is our carrying value of the investments of $30.3 million and a promissory note issued by the variable interest entity with a carrying value of $4.1 million on October 31, 2022. These investments do not have a readily determinable fair values and we did not record any other-than-temporary impairments for the fiscal years ended October 31, 2022 and 2021. See Note 2, *Business Combinations* for more information on the fair value alternative investment addition for the year ended October 31, 2021.

Note 8. Goodwill and Purchased Intangible Assets

Goodwill

Activity related to goodwill for the fiscal years ended October 31, 2022 and 2021 consisted of the following (in thousands):

	Years Ended October 31,	
	2022	2021
Balance at the beginning of period	$ 1,585,547	$ 1,590,590
Divestitures	—	(13,769)
Currency translation adjustments	(36,390)	8,726
Balance at the end of period	$ 1,549,157	$ 1,585,547

During the fourth quarter of fiscal year 2022, we completed our annual impairment assessment and concluded that there was no impairment to goodwill. We used the qualitative method in our 2022 annual assessment related to both of our reporting units.

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Purchased Intangible Assets, Net

Purchased intangible assets, net consisted of the following (in thousands):

	October 31, 2022			October 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 1,141,185	$ (473,661)	$ 667,524	$ 1,231,999	$ (387,437)	$ 844,562
Developed technology	478,135	(349,556)	128,579	501,526	(273,738)	227,788
Trade name	158,800	(44,453)	114,347	158,800	(33,866)	124,934
Other	2,886	(1,838)	1,048	3,106	(1,196)	1,910
Total	$ 1,781,006	$ (869,508)	$ 911,498	$ 1,895,431	$ (696,237)	$ 1,199,194

Activity related to the gross carrying amount of purchased intangible assets during the fiscal year ended October 31, 2022 includes $4.5 million in acquisition additions offset by $15.1 million in retirements and $103.8 million in currency translation adjustments. Activity related to accumulated amortization amount of purchased intangible assets during the fiscal year ended October 31, 2022 included $227.4 million in amortization offset by $39.0 million in currency translation adjustments and $15.1 million in retirements.

Activity related to the gross carrying amount of purchased intangible assets during the fiscal year ended October 31, 2021 includes $50.9 million in intangible assets included in the Verifone China divestiture offset by $24.6 million in currency translation adjustments. Activity related to accumulated amortization amount of purchased intangible assets during the fiscal year ended October 31, 2021 included $243.1 million in amortization and $4.7 million in currency translation adjustments offset by $21.4 million in accumulated amortization included in the Verifone China divestiture.

Total future amortization expense for purchased intangible assets that have finite lives, based on our existing intangible assets and their current estimated useful lives as of October 31, 2022, is estimated as follows (in thousands):

	Cost of Net Revenues	Operating Expenses	Total
Fiscal Years Ending October 31:			
2023	$ 78,577	$ 127,382	$ 205,959
2024	35,619	126,086	161,705
2025	10,124	125,749	135,873
2026	3,616	125,396	129,012
2027	643	124,338	124,981
Thereafter	—	153,968	153,968
Total future amortization expense	$ 128,579	$ 782,919	$ 911,498

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 9. Financings

Amounts outstanding under our financing arrangements consisted of the following (in thousands):

	October 31,	
	2022	2021
Credit Agreements		
First lien term loan	$ 2,090,228	$ 2,111,822
Revolving credit facility	29,000	17,000
Total principal payments due	2,119,228	2,128,822
Less: original issue discount and debt issuance costs	(25,491)	(34,477)
Total amounts outstanding	2,093,737	2,094,345
Less: current portion	(50,552)	(38,451)
Long-term portion	$ 2,043,185	$ 2,055,894

Credit Agreements

On August 20, 2018, we entered into a first lien and second lien credit agreement to provide for an aggregate amount of up to $2.2 billion of debt. The first lien credit agreement provides for (i) $1.75 billion seven-year first priority secured term loan facility and (ii) $250.0 million on a five-year first priority secured revolving credit facility. The second lien credit agreement provided for $200.0 million under an eight-year priority secured term loan facility.

On May 10, 2019, we entered into a first incremental credit facility amendment to the first lien credit agreement which provides for an additional term loan borrowing availability of $425.0 million. The Company subsequently borrowed $200.0 million on May 10, 2019. The proceeds of these borrowings were used to prepay the secured term loan facility of $200.0 million under the second lien credit agreement. On June 24, 2019, the Company borrowed $225.0 million to repay the outstanding balance of $97.5 million on the revolving credit facility and pay $4.0 million of fees and expenses incurred in connection with these incremental term loans. The remaining funds received from the incremental credit facility were used for general corporate purposes.

On May 8, 2020, we entered into the second amendment to the first lien credit agreement which amended the quarterly financial covenants to temporarily increase the allowable ratio related to financial leverage and added monthly liquidity minimums and a restriction on cash levels when we have outstanding borrowings on the revolving credit facility. The covenant relief period under this second amendment ended on July 31, 2021.

On May 13, 2022, we entered into a Third Amendment to our First Lien Credit Agreement which amended the quarterly financial covenants to increase certain allowable ratios related to net financial leverage and added a minimum liquidity requirement that is tested monthly until August 20, 2023.

On July 21, 2022, we entered into a Fourth Amendment to our First Lien Credit Agreement which extended the maturity on $175.0 million of our revolving commitments and revolving loans under the First Lien Credit Agreement, transitioned the revolving loans from LIBOR to SOFR, amended certain future quarterly financial covenants related to allowable net financial leverage ratios, and amended the minimum liquidity covenant to test liquidity until August 20, 2025. We incurred fees and third party expenses of $0.7 million related to this amendment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Outstanding amounts under the term loans may be subject to mandatory repayment with the proceeds of certain asset sales, and debt issuances, depending on our total leverage ratio, as defined under the agreement. We were in compliance with the financial covenants as of October 31, 2022. The credit agreement also contains representations and warranties, affirmative covenants, negative covenants, financial covenants and conditions that are customarily required for similar financings including the following:

- A restriction on incurring additional indebtedness, subject to specified permitted debt;
- A restriction on creating certain liens, subject to specified exceptions;
- A restriction on mergers and consolidations, subject to specified exceptions;
- A restriction on certain investments, subject to certain exceptions and a suspension if we achieve certain credit ratings;
- A restriction on asset dispositions, subject to specified exceptions for ordinary course and other transactions;
- A restriction on the payment of dividends, subject to specified exceptions; and
- A restriction on entering into certain transactions with affiliates, subject to specified exceptions.

Borrowings under the credit agreement bear interest at an Alternate Base Rate or Adjusted eurocurrency rate at our option plus applicable margin based upon certain leverage ratios, determined and payable quarterly. Applicable margin on borrowings under the revolving loan range from 2.0% to 2.5% on the alternate base rate loan and 3.0% to 3.5% on the eurocurrency loan depending upon the leverage ratios. Borrowings under the letters of credit shall bear interest at the same rate applicable to revolving loans. In addition, we pay a commitment fee on the aggregate outstanding revolving commitments ranging from 0.25% to 0.50% per annum, depending upon the leverage ratio.

The outstanding principal balance of the term loans is required to be repaid in quarterly installments for an amount equal to 1% per annum of the aggregate principal amounts of the initial and incremental term loans with the final balance to be paid at maturity on August 20, 2025. The withdrawals under the revolving loan shall be due and payable on August 20, 2025.

Borrowings under the credit agreement are guaranteed by certain of our wholly owned domestic subsidiaries and secured by a first priority lien and security interest in certain of our assets, subject to customary exceptions.

As of October 31, 2022, we elected the eurocurrency loan option on all of our borrowings. Eurocurrency loans bear interest at a monthly market interest rate plus a margin according to the credit agreement. As of October 31, 2022, the monthly market interest rate was 3.0% on the first lien term loan with an applicable margin of 4.0%.

As of October 31, 2022, the commitment fee for the aggregate outstanding revolving commitment was 0.5% per annum, payable quarterly, and the amount available to draw under the revolving loan was $213.2 million.

Principal Payments

Future principal payments due under our financing arrangements are as follows (in thousands):

	Amounts
Years ending October 31:	
2023	$ 50,791
2024	21,794
2025	2,046,643
Total	$ 2,119,228

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 10. Leases

We determine if an arrangement is a lease at its inception. This determination generally depends on whether the arrangement conveys the right to control the use of an identified fixed asset explicitly or implicitly for a period of time in exchange for consideration. Control of an underlying asset is conveyed if we obtain the rights to direct the use of the asset, and if the company obtains substantially all of the economic benefits from the use of the asset. Lease expense for variable leases and short-term leases is recognized when the obligation is incurred.

We have made certain accounting policy elections as a result of adopting the new lease accounting guidance. At adoption, we did not reassess lease classification for existing leases, whether existing contracts contain leases, and previously recorded initial direct costs for any existing leases. In addition, we have applied a portfolio approach in the development of our discount rates, applied the short-term lease exemption, and established a capitalization threshold policy.

We have operating leases for certain facilities throughout our global operations. The lease term for all of our leases includes the non-cancellable period of the lease plus any additional periods covered by an option to extend the lease that we are reasonably certain will exercise. Operating leases are included in ROU lease assets, other current liabilities and long-term lease liabilities on our Consolidated Balance Sheet. ROU lease assets and liabilities are recognized at each lease's commencement date based on the present value of its lease payments over its respective lease term.

Operating lease expenses were $18.9 million and $22.2 million for the year ended October 31, 2022 and 2021.We have no material short-term and variable lease costs or sublease income for the period ended October 31, 2022.

Cash paid for operating leases during the fiscal year ended October 31, 2022 was $20.1 million.

Supplemental balance sheet information related to Company's leases is as follows:

	October 31, 2022
ROU lease assets	$ 49,006
Other current liabilities	14,689
Long-term lease liabilities	38,176
Total operating lease liabilities	$ 52,865
Weighted average remaining lease term (years)	5.65
Weighted average discount rate	5.28 %

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Maturity of operating lease liabilities as of October 31, 2022 were as follows:

	Amounts
Years ending October 31:	
2023	$ 16,379
2024	11,374
2025	8,703
2026	6,857
2027	4,639
2028 and thereafter	14,018
Total	61,970
Less: imputed interest payments	9,105
Present value of lease liabilities	$ 52,865

Note 11. Commitments and Contingencies

Manufacturing Related Agreements

We work on a purchase order basis with our contract manufacturers, which are located predominantly in China, Malaysia, Vietnam, Thailand and Brazil, and component suppliers located throughout the world, to supply nearly all of our finished goods inventories, spare parts, and accessories. We provide each such supplier with a purchase order to cover the manufacturing requirements, which generally constitutes a binding commitment by us to purchase materials and finished goods produced by the manufacturer as specified in the purchase order. Most of these purchase orders are considered to be non-cancelable and are expected to be paid within one year of the issuance date. As of October 31, 2022, the amount of purchase commitments issued to contract manufacturers and component suppliers totaled approximately $70.7 million.

Guarantees

We have issued bank guarantees with maturities ranging from two months to five years to certain of our customers and vendors as required in some countries to support certain performance obligations under our service or other agreements with those parties. As of October 31, 2022, the maximum amount that may become payable under these guarantees was $23 million, of which $8.9 million was collateralized by restricted cash deposits.

In connection with our investment in Gas Media, we agreed to guarantee, in certain circumstances, up to $12.5 million of debt issued to Gas Media. As of October 31, 2022, we have not made any payments and no amounts are accrued related to this guarantee.

Additionally, we have guaranteed lease commitments of up to $3.9 million per year until December 31, 2023 on a lease that was part of a divested business and was assigned to the divested business. Post divestiture, payments on this lease are made by the divested business, which has agreed to indemnify us for this lease obligation. As of October 31, 2022, the maximum exposure under this guarantee was $4.6 million, we had not made any payments under the guarantee and no amounts were accrued related to this guarantee.

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Contingencies

We evaluate the circumstances regarding outstanding and potential litigation and other contingencies on a quarterly basis to determine whether there is at least a reasonable possibility that a loss exists requiring accrual or disclosure, and if so, whether an estimate of the possible loss or range of loss can be made, or whether such an estimate cannot be made. When a loss is probable and reasonably estimable, we accrue for such amount based on our estimate of the probable loss considering information available at the time. When a loss is reasonably possible, we disclose the estimated possible loss or range of loss in excess of amounts accrued, if material. Except as otherwise disclosed below, we do not believe that material losses were probable or that there was a reasonable possibility that a material loss may have been incurred with respect to the matters disclosed.

Oren Ganor v. Casponet Ltd. Israel

On August 14, 2018, a class-action complaint was filed against Casponet Ltd. in Israel claiming that ATMs that Casponet provides to merchants violate Israel's disability and accessibility laws. Before Casponet's deadline to respond to the original complaint, the plaintiffs amended their complaint to allege that Casponet should have published a February 6, 2018 decision by the Israeli disability and accessibility commission approving a compliance-extension request allowing Casponet to meet accessibility requirements gradually with milestones through 2023. On September 29, 2019, Casponet responded to the amended complaint, denying any liability. On September 19, 2021, the Court granted plaintiffs' class-certification motion, and class notice was published in October 2021. Casponet filed its statement of defense on December 15, 2021, denying any liability. Discovery has concluded. Both parties have filed their evidence. The next pretrial hearing is scheduled on January 17, 2023.

Israeli Consumer Council v. Casponet Ltd. Israel et al.

On February 1, 2022, nonprofit organization The Israeli Consumer Council filed a class-action complaint in Israel against ten defendant banks, Casponet Ltd., and a Casponet competitor claiming that defendants improperly disclose and overcharge fees for ATM cash withdrawals. The complaint also claims that the defendant banks have been unfairly closing branches to the particular detriment of disabled and old customers and that all ATM fees (including specifically disclosed service fees) are unlawfully excessive. On August 8, 2022, Casponet responded to the complaint, denying any liability and requesting dismissal. Discovery is proceeding. A preliminary hearing was held on December 20, 2022, but no trial date has yet been set.

Sisvel International S.A., 3G Licensing, S.A., and Sisvel S.p.A. v. VeriFone, Inc.

Nonpracticing entities Sisvel International S.A., 3G Licensing, S.A., and Sisvel S.p.A. have filed two patent-infringement lawsuits in the U.S. District Court for the District of Delaware claiming that VeriFone, Inc.'s point-of-sale terminals' use of standards-essential cellular communication network technology infringe several U.S. patents that they acquired from other entities. We deny any liability and are seeking indemnification and defense from our suppliers of the cellular chipset technology at issue. Both cases are currently stayed pending *inter partes* reviews (IPRs) of the patents at issue by the U.S. Patent and Trademark Office (USPTO).

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VERIFONE SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Litigation

Certain cases are still in the preliminary stages, and we are not able to quantify the extent of our potential liability, if any, other than as described above. Further, the outcome of litigation is inherently unpredictable and subject to significant uncertainties. If any of these matters are resolved adversely to us, this could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, defending these legal proceedings is likely to be costly, which may have a material adverse effect on our financial condition, results of operations and cash flows, and may divert management's attention from the day-to-day operations of our business. We are subject to various other legal proceedings related to commercial, customer, tax, intellectual property, employment and other matters that have arisen during the ordinary course of business. The outcome of such legal proceedings is inherently unpredictable and subject to significant uncertainties. Although there can be no assurance as to the ultimate disposition of these matters, our management has determined, based upon the information available at the date of these financial statements, including anticipated expected availability of insurance coverage, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Income Tax Uncertainties

As of October 31, 2022, the amount payable for unrecognized tax benefits was $107.9 million, including accrued interest and penalties, of which $9.3 million is expected to be paid within one year. The remaining amount is included in Other long-term liabilities in our Consolidated Balance Sheet as of October 31, 2022. As part of the settlement agreement noted above, the Company agreed to pay the ITA in a total sum of 347.5 million NIS ($99.1 million in USD at the foreign exchange rate as of October 31, 2022) in installment starting in fiscal year 2023 through fiscal year 2026.

Note 12. Related parties

In August 2021, we divested our controlling interest in our China business to the former general manager and minority shareholder of this business. The general manager and the China business are related parties to VeriFone System Inc. Subsequent to the divestiture, we purchased $39.2 million and $15.6 million in payment devices and development services from the China business in the fiscal years ended October 31, 2022 and 2021. As of October 31, 2022 and 2021, we had $6 million and $11.9 million outstanding as accounts payables.

Note 13. Subsequent events

The Company has evaluated subsequent events through January 13, 2023, which is the date that these financials statements were available to be issued. Based on Company's evaluation there are no material subsequent events to be reported.