20240704293563

ÅRSREDOVISNING

för

TNGSTN Sweden Services AB

Org.nr. 556398-1066

Styrelsen får härmed avlämna årsredovisning för räkenskapsåret 2023-01-01 - 2023-12-31

Undertecknad styrelseledamot i TNGSTN Sweden Services AB intygar, att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 2024-06-28 Stämman beslöt tillika godkänna styrelsens förslag till vinstdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Stockholm 2024-06-28

Martin Oberholzer

FÖRVALTNINGSBERÄTTELSE

Årsredovisningen är upprättad i svenska kronor, TSEK.

Verksamheten

20240704129564

Verksamhetens art och inriktning
TNGSTN Sweden Services AB marknadsför och säljer programvara som erbjuder helhetslösningar för dokumentautomation och informationsbehandling. Bolaget agerar på den svenska marknaden. Genom en unik teknologi kan information från webb, e-post och papper fångas upp, tolkas, bearbetas och presenteras som enhetlig information i en kunds målsystem.
TNGSTN Sweden Services AB är moderbolag i en koncern med helägda dotterbolag som framgår av not 11. Verksamheten i de rörelsedrivande dotterföretagen består av försäljning av koncernend produkter och tillhandahållande av support och service kring dessa. Bolaget har sedan mitten av 2015 endast utvecklings- och ledningsfunktioner.

Säte
Företagets säte är Helsingborg.

Flerårsöversikt

	2023	2022	2021	2020	2019
Nettoomsättning	210 699	178 819	175 038	174 958	175 474
Res. efter finansiella poster	115 764	148 634	128 341	68 648	90 729
Balansomslutning	744 259	581 169	439 307	296 782	224 882
Soliditet (%)	79,20	85,61	86,37	82,48	78,33
Medelantalet anställda	35	36	38	38	41

Definitioner av nyckeltal, se noter

Ägarförhållanden
Bolaget är ett helägt dotterbolag till Tungsten Holdings International Limited. Närmast överordnade moderbolag som upprättar koncernredovisning i vilket företaget ingår är Tungsten Cayco Ltd, med säte på Caymanöarna.

Framtida utveckling
TNGSTN Sweden Services AB bedömer den underliggande efterfrågan för de lösningar som bolaget marknadsför som god och ser därför goda förutsättningar för resultatförbättringar och fortsatt tillväxt.

Riskexponering och osäkerhetsfaktorer
Tungsten är en internationell koncern och därmed exponerad för en mängd olika risker i den löpande verksamheten. Riskerna kan huvudsakligen delas in i omvärldsrelaterade risker, affärsrisker och finansiella risker. Arbetet med att hantera och förhålla sig till den riskexponering som koncernen utsätts för fortgår löpande på central nivå.
Riskexponering är mycket begränsad i bolaget då koncernens internprissättning minimerar risken lokalt.
En del av bolagets omsättning medför transaktioner i utländsk valuta varför förändringar på valutamarknaden utgör en risk och osäkerhetsfaktor.

Förändringar i eget kapital

	Aktiekapital	Reservfond	Balanserat resultat	Årets resultat	Summa eget kapital
Belopp vid årets ingång	3 325	66 215	309 909	118 104	497 553
Balanseras i ny räkning			118 104	-118 104	0
Årets resultat				91 917	91 917
Belopp vid årets utgång	3 325	66 215	428 013	91 917	589 470

TNGSTN Sweden Services AB

Org.nr. 556398-1066

Resultatdisposition

Förslag till disposition av bolagets vinst

Till årsstämmans förfogande står	
balanserad vinst	428 013
årets vinst	91 917
	519 930
Styrelsen föreslår att	
i ny räkning överföres	519 930
	519 930

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

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TNGSTN Sweden Services AB

Org.nr. 556398-1066

RESULTATRÄKNING

	Not	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Rörelsens intäkter m.m.			
Nettoomsättning	3	210 699	178 819
		210 699	178 819
Rörelsens kostnader			
Övriga externa kostnader	4,5	-62 324	-31 004
Personalkostnader	6	-36 373	-33 481
Av- och nedskrivningar av materiella och immateriella anläggningstillgångar		-44	-90
		-98 741	-64 575
Rörelseresultat		111 958	114 244
Resultat från finansiella poster			
Ränteintäkter från koncernföretag	7	8 346	5 385
Övriga ränteintäkter och liknande resultatposter	7	16	29 556
Räntekostnader och liknande resultatposter	8	-4 556	-551
		3 806	34 390
Resultat efter finansiella poster		115 764	148 634
Resultat före skatt		115 764	148 634
Skatt på årets resultat	9	-23 847	-30 530
Årets resultat		**91 917**	**118 104**

BALANSRÄKNING

	Not	2023-12-31	2022-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Materiella anläggningstillgångar			
Inventarier, verktyg och installationer	10	31	44
		31	44
Finansiella anläggningstillgångar			
Andelar i koncernföretag	11	67 214	67 214
Andra långfristiga fordringar	12	860	1 460
		68 074	68 674
Summa anläggningstillgångar		68 105	68 718
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		673 088	500 444
Övriga fordringar		341	3 355
Förutbetalda kostnader och upplupna intäkter	13	2 392	6 202
		675 821	510 001
Kassa och bank			
Kassa och bank		333	2 450
Summa kassa och bank		333	2 450
Summa omsättningstillgångar		676 154	512 451
SUMMA TILLGÅNGAR		**744 259**	**581 169**

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BALANSRÄKNING

	Not	2023-12-31	2022-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital	14	3 325	3 325
Reservfond		66 215	66 215
		69 540	69 540
Fritt eget kapital			
Fri överkursfond		153 748	153 748
Erhållet aktieägartillskott		9 000	9 000
Balanserat resultat		265 265	147 161
Årets resultat		91 917	118 104
		519 930	428 013
Summa eget kapital		589 470	497 553
Kortfristiga skulder			
Skulder till koncernföretag		101 937	50 606
Aktuella skatteskulder		46 099	26 480
Övriga skulder		1 264	1 234
Upplupna kostnader och förutbetalda intäkter	15	5 489	5 296
Summa kortfristiga skulder		154 789	83 616
SUMMA EGET KAPITAL OCH SKULDER		**744 259**	**581 169**

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KASSAFLÖDESANALYS

	Not	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Den löpande verksamheten			
Resultat efter finansiella poster		115 764	148 634
Justeringar för poster som inte ingår i kassaflödet	16	44	90
Betald inkomstskatt		-4 228	-30 530
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital		111 580	118 194
Kassaflöde från förändringar av rörelsekapital			
Minskning(+)/ökning(-) av fordringar		-165 820	-145 218
Minskning(-)/ökning(+) av kortfristiga skulder		51 554	23 758
Kassaflöde från den löpande verksamheten		-2 686	-3 266
Investeringsverksamheten			
Förvärv av inventarier, verktyg och installationer	10	-31	0
Förändring av långfristiga fordringar	12	600	0
Kassaflöde från investeringsverksamheten		569	0
Förändring av likvida medel		-2 117	-3 266
Likvida medel vid årets början		2 450	5 716
Likvida medel vid årets slut		**333**	**2 450**

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NOTER

Not 1 Redovisnings- och värderingsprinciper

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning.

Principerna är oförändrade jämfört med föregående år.

Fordringar och skulder i utländsk valuta
Monetära fordringar och skulder i utländsk valuta har räknats om till balansdagens kurs.

Valutakursdifferenser som uppkommer vid reglering eller omräkning av monetära poster redovisas i resultaträkningen det räkenskapsår de uppkommer, antingen som en rörelsepost eller som en finansiell post utifrån den underliggande affärshändelsen.Fordringar och skulder i utlänsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Intäktsredovisning
Nyttjanderätter
Intäkter för nyttjanderätter periodiseras löpande över avtalets löptid.

Installation, utbildning och hårdvara
Intäkter för installation, utbildning och hårdvara sker när dessa genomförts respektive levererats.

Materiella anläggningstillgångar
Materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar enlig plan och eventuella nedskrivningar.

Avskrivning sker linjärt över den förväntade nyttjandeperioden med hänsyn till väsentligt restvärde.

	Antal år
Inventarier, verktyg och installationer	5

Finansiella instrument
Finansiella instrument värderas utifrån anskaffningsvärde.

Finansiella tillgångar och finansiella skulder redovisas när företaget blir part i det finansiella instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången upphör eller regleras, eller när de risker och fördelar förknippade med tillgången överförs till annan part. Finansiella skulder tas bort från balansräkningen när den avtalade förpliktelsen fullgörs eller upphör.

TNGSTN Sweden Services AB har finansiella instrument i form av kortfristiga fodringar och skulder, med undantag från aktuella skattefordringar.

Andelar i dotterbolag
Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Andra långfristiga värdepappersinnehav
Placeringar i värdepapper som är anskaffade med avsikt att innehas långsiktigt har redovisats till sina anskaffningsvärden. Varje balansdag görs bedömning om eventuellt nedskrivningsbehov .

Kundfordringar och kortfristiga fordringar
Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individullt bedömda osäkra fordringar .

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NOTER

Leverantörsksulder
Leverantörsskulder redovisas initialt tilll anskaffningsvärde efter avdrag för transaktionskostnader. Skiljer sig det redovisade beloppet från det belopp som skall återbetalas vid förfallotidpunkten periodiseras mellanskillnaden som räntekostnader över lånets löptid med hjälp av instrumentets effektivränta. Härigenom överensstämmer vid förfallotidpunkten det redovis ade beloppet och det belopp som skall återbetalas.

Leasing
Företaget redovisar samtliga leasingavtal, såväl finansiella som operationella, som operationella leasingavtal. Operationella leasingavtal redovis as som en kostnad linjärt över leasingperioden.

Samtliga leasingavtal kostnadsförs linjärt över leasingperioden.

Inkomstskatt
Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

Aktuell skatt
Aktuell skatt avser inkomstskatt för innevarande räkneskapsår samt den del av tidigare räkneskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen.

Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna metod redovisas uppskjuten skatteskulder och uppskjutna skattefodringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

Uppskjuten skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstadgats. Uppskjuten skattefordran redovisas som finansiell anläggning och uppskjuten skatteskuld som avsättning.

Uppskjuten skattefordran avseende underskottavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

På grund av sambandet mellan redovisning och beskattning särredovisas inte den uppskjutna skatteskulden som är hänförlig till obeskattade reserver.

Ersättningar till anställda
Pensioner
TNGSTN Sweden Services AB har endast avgiftsbestämda pensionsplaner. Utgifter för avgiftsbestämda planer redovisas som en kostnad under den period de anställda utför de tjänster som ligger till grund för förpliktelsen.

Koncernbidrag
Erhållna och lämnade koncernbidrag redovisas som bokslutsdispositioner.

Koncernförhållanden
Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning.

Kassaflödesanalys
TNGSTN Sweden Services AB upprättar kassaflödesanalysen enligt den indirekta metoden. Vid upprättande av kassaflödesanalysen inkluderas kassa och bank bland likvida medel. Koncernmässiga medel, exempelvis cashpool konton, klassificeras antingen som kortfristiga fordran eller skuld.

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NOTER

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Not 2 Uppskattningar och bedömningar

Upprättande av bokslut och tillämpning av redovisningsprinciper, baseras på ledningens bedömningar, uppskattningar och antaganden som anses vara rimliga vid den tidpunkt då bedömningen görs. Uppskattningar och bedömningar är baserade på historiska erfarenheter och ett antal andra faktorer, som under rådande omständigheter anses vara rimliga. Resultatet av dessa används för att bedöma de redovisade värdena på tillgångar och skulder, som inte annars framgår tydligt från andra källor. Det verkliga utfallet kan avvika från dessa uppskattningar och bedömningar. Uppskattningar och antaganden ses över regelbundet.
Bolaget uppskattar att det i nuläget inte finns några väsentliga risker i bolagets värdering utav tillgångar och skulder.

Noter till resultaträkningen

Not 3 Inköp och försäljning inom koncernen

	2023	2022
Andel av försäljningen som avser koncernföretag	100,00%	100,00%
Andel av inköpen som avser koncernföretag	83,20%	31,00%

Not 4 Leasingavtal

	2023	2022
Årets leasingavgifter avseende leasingavtal uppgår till	815	685
Framtida minimileasingavgifter för icke uppsägningsbara leasingavtal, förfaller till betalning enligt följande:		
Inom 1 år	685	685
Mellan 2 till 5 år	685	1 370
	1 370	2 055

Not 5 Ersättning till revisorer

	2023	2022
Mazars AB		
Revisionsuppdrag	515	435
Revisionsverksamhet utöver revisionsuppdrag	0	0
Skatterådgivning	0	0
Övriga tjänster	0	0
	515	435

Med revisionsuppdrag avses revisors arbete för den lagstadgade revisionen och med revisionsverksamhet olika typer av kvalitetssäkringstjänster. Övriga tjänster är sådant som inte ingår i revisionsuppdrag, revisionsverksamhet eller skatterådgivning.

NOTER

Not 6	**Löner och andra ersättningar**	**2023**	**2022**
	Medelantal anställda		
	Medelantalet anställda bygger på av bolaget betalda närvarotimmar relaterade till en normal arbetstid.		
	Medelantal anställda har varit	35,00	36,00
	varav kvinnor	*10,00*	*8,00*
	varav män	*25,00*	*28,00*

Löner, ersättningar m.m.
Löner, ersättningar, sociala kostnader och pensionskostnader har utgått med följande belopp:

Övriga anställda:		
Löner och ersättningar	24 075	21 775
Pensionskostnader	3 911	3 210
Sociala kostnader	8 387	8 148
Summa styrelse och övriga	36 373	33 133

Könsfördelning i styrelse och företagsledning

Antal styrelseledamöter	4	4
varav kvinnor	*1*	*1*
varav män	*3*	*3*
Antal övriga befattningshavare	4	4
varav kvinnor	*1*	*1*
varav män	*3*	*3*

Not 7	**Övriga ränteintäkter och liknande resultatposter**	**2023**	**2022**
	Räntor från koncernföretag	8 346	5 385
	Övriga ränteintäkter	16	29 556
		8 362	34 941

Not 8	**Räntekostnader och liknande resultatposter**	**2023**	**2022**
	Räntekostnader till Koncernföretag	537	537
	Kursdifferenser	4 012	0
	Övriga räntekostnader	7	14
		4 556	551

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NOTER

Not 9 Skatt på årets resultat	2023	2022
Aktuell skatt	-23 847	-30 530
Summa redovisad skatt	-23 847	-30 530
Avstämning av effektiv skatt		
Resultat före skatt	115 764	148 634
Skattekostnad 20,60% (20,60%)	-23 847	-30 619
Skatteeffekt av:		
Ej avdragsgilla kostnader	-3	89
Ej skattepliktiga intäkter	3	0
Summa redovisad skatt	-23 847	-30 530

Noter till balansräkningen

Not 10 Inventarier, verktyg och installationer	2023-12-31	2022-12-31
Ingående anskaffningsvärde	6 288	6 288
Inköp	31	0
Utgående ackumulerade anskaffningsvärden	6 319	6 288
Ingående avskrivningar	-6 244	-6 155
Årets avskrivningar	-44	-89
Utgående ackumulerade avskrivningar	-6 288	-6 244
Utgående redovisat värde	31	44

Not 11 Andelar i koncernföretag

Företag Org.nummer Säte	Antal Kap.andel %	Redovisat värde
TNGSTN Automation Sweden AB 556581-3176 Sollentuna	1 000 100,00%	22 900
TNGSTN Expert Systems AB 556242-9463 Sollentuna	287 194 100,00%	44 314
		67 214

Not 12 Andra långfristiga fordringar	2023-12-31	2022-12-31
Ingående anskaffningsvärde	1 460	1 460
Amorteringar	-600	0
Utgående ackumulerade anskaffningsvärden	860	1 460
Utgående redovisat värde	860	1 460

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NOTER

Not 13 Förutbetalda kostnader och upplupna intäkter

	2023-12-31	2022-12-31
Förutbetalda kostnader	2 392	6 202
	2 392	6 202

Förutbetalda kostnader består huvudsakligen av försäkringspremier, hyror, diverse licens- och serviceavtal.

Not 14 Upplysningar om aktiekapital

	Antal aktier	Kvotvärde per aktie
Antal/värde vid årets ingång	33 248 440	0,10
Antal/värde vid årets utgång	33 248 440	0,10

	2023-12-31	2022-12-31
Ovanstående aktieantal fördelar sig enligt följande		
A-aktier	1 194 480	1 194 480
B-aktier	32 053 960	32 053 960
	33 248 440	33 248 440

Not 15 Upplupna kostnader och förutbetalda intäkter

	2023-12-31	2022-12-31
Upplupna löner	4 465	4 305
Övriga interimsskulder	1 024	991
	5 489	5 296

Noter till kassaflödesanalysen

Not 16 Justering för poster som inte ingår i kassaflödet

	2023-12-31	2022-12-31
Avskrivningar	44	90
	44	90

Övriga noter

Not 17 Disposition av vinst eller förlust

Förslag till disposition av bolagets vinst

Till årsstämmans förfogande står	
balanserad vinst	428 013
årets vinst	91 917
	519 930
Styrelsen föreslår att	
i ny räkning överföres	519 930
	519 930

Not 18 Väsentliga händelser efter räkenskapsårets slut

Ingenting väsentligt har hänt under 2024.

NOTER

Not 19 Definition av nyckeltal

Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäkskorrigeringar.

Soliditet
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader, men före skatter.

20240704095736

Helsingborg, 2024-06-28

Cort Townsend

Christian Hefner

Samantha Kirby

Martin Oberholzer

Vår revisionsberättelse har lämnats

Forvis Mazars AB

Madeleine Bratt
Auktoriserad revisor

NOTER

Not 19 Definition av nyckeltal

Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäkskorrigeringar.

Soliditet
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader, men före skatter.

20240704229577

Helsingborg 2024-06-28

Cort Townsend

Christian Hefner

Samantha Kirby

Martin Oberholzer

Vår revisionsberättelse har lämnats

Forvis Mazars AB

Madeleine Bratt
Auktoriserad revisor

NOTER

Not 19 Definition av nyckeltal

Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäkskorrigeringar.

Soliditet
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader, men före skatter.

20240704295778

Helsingborg, 2024-06-28

Cort Townsend

Christian Hefner

Samantha Kirby

Martin Oberholzer

Vår revisionsberättelse har lämnats

Forvis Mazars AB

Madeleine Bratt
Auktoriserad revisor

NOTER

Not 19 Definition av nyckeltal

Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäkskorrigeringar.

Soliditet
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader, men före skatter.

20240704295579

Helsingborg, 2024-06-28

Cort Townsend

Christian Hefner

Samantha Kirby

Martin Oberholzer

Vår revisionsberättelse har lämnats 28 juni 2024

Forvis Mazars AB

Madeleine Bratt
Auktoriserad revisor

20240704295S0

REVISIONSBERÄTTELSE

Till bolagsstämman i TNGSTN Sweden Services AB
Org. nr 556398-1066

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för TNGSTN Sweden Services AB för år 2023.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av TNGSTN Sweden Services AB:s finansiella ställning per den 2023-12-31 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till TNGSTN Sweden Services AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller på misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

20240704295811

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för TNGSTN Sweden Services AB för år 2023 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till TNGSTN Sweden Services AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Göteborg 2024-06-28

Forvis Mazars AB

Madeleine Bratt
Auktoriserad revisor

Tungsten CayCo, Ltd.
(formerly Kofax CayCo, Ltd)

Consolidated Financial Statements

As of December 31, 2023 and 2022, for the year ended December 31, 2023, and for the period from June 20, 2022 to December 31, 2022 (the "Successor Period"), and for the period from January 1, 2022 to July 20, 2022 (the "Predecessor Period")

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Tungsten CayCo, Ltd.
Consolidated Financial Statements
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Independent Auditor's Report

Board of Directors
Tungsten CayCo, Ltd.
Irvine, California

Opinion

We have audited the consolidated financial statements of Tungsten CayCo, Ltd. (formerly Kofax CayCo, Ltd.) and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2023, and the period from June 20, 2022 to December 31, 2022 ("Successor Period") and the period from January 1, 2022 to July 20, 2022 ("Predecessor Period").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, respectively, and the results of their operations and their cash flows for the year ended December 31, 2023, and the Predecessor and Successor Periods in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and the Successor 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.

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.

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 within one year after the date that the consolidated financial statements are issued or available to be issued.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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 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 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 consolidated 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.

BDO USA, P.C.

April 26, 2024

Tungsten CayCo, Ltd.
(formerly Kofax CayCo, Ltd.)
Consolidated Balance Sheets
(in thousands)

	Successor	Successor
	As of December 31, 2023	As of December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 21,614**	$ 45,903
Restricted cash	**2,142**	2,142
Accounts receivable, net of allowances of $10,115 and $7,032	**215,270**	187,216
Other current assets	**25,044**	26,815
Income tax receivable	**11,685**	6,077
Total current assets	**275,755**	268,153
Property and equipment, net	**7,489**	7,428
Goodwill	**1,217,532**	1,206,367
Intangible assets, net	**1,455,323**	1,624,533
Deferred tax assets	**6,224**	1,952
Other non-current assets	**54,495**	44,087
Total assets	**$ 3,016,818**	$ 3,152,520
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 119,254**	$ 124,866
Current portion of deferred revenue	**203,173**	171,691
Income taxes payable	**14,932**	8,332
Lease liabilities	**5,462**	5,997
Current portion of long-term debt, net	**13,960**	13,460
Total current liabilities	**356,781**	324,346
Employee benefits	**4,730**	3,214
Deferred revenue, net of current portion	**38,432**	45,552
Deferred tax liabilities	**203,654**	273,695
Long-term debt, net	**1,672,613**	1,630,411
Lease liabilities, net	**8,462**	12,948
Other non-current liabilities	**2,763**	2,554
Total liabilities	**2,287,435**	2,292,720
Commitments and contingences (Note 15)		
Shareholders' equity:		
Ordinary Shares, $1 par value; 50,000 shares authorized; 105 shares issued and outstanding	**-**	-
Additional paid-in capital	**890,391**	890,253
Accumulated deficit	**(190,310)**	(36,693)
Accumulated other comprehensive income	**29,302**	6,240
Total shareholders' equity	**729,383**	859,800
Total liabilities and shareholders' equity	**$ 3,016,818**	$ 3,152,520

The accompanying notes are an integral part of the consolidated financial statements

Tungsten CayCo, Ltd.
(formerly Kofax CayCo, Ltd.)
Consolidated Statements of Comprehensive Loss
(in thousands)

	Successor	Successor	Predecessor
	Year Ended December 31, 2023	Period from June 20, 2022 to December 31, 2022	Period from January 1, 2022 to July 20, 2022
Revenue:			
Software licenses	**$ 250,742**	$ 132,552	$ 99,774
Maintenance services	**273,849**	125,841	151,577
Professional services	**42,908**	19,412	22,582
Total revenues	**567,499**	277,805	273,933
Cost of revenues:			
Cost of software licenses	**41,117**	18,161	14,580
Cost of maintenance services	**41,428**	15,264	22,394
Cost of professional services	**35,746**	13,310	19,209
Amortization of developed technology	**32,780**	14,625	14,758
Total cost of revenue	**151,071**	61,360	70,941
Gross profit	**416,428**	216,445	202,992
Operating expenses:			
Research and development	**64,808**	23,993	30,262
Sales and marketing	**262,944**	111,556	116,381
General and administrative	**51,896**	35,609	23,180
Acquisition-related costs	**14,742**	17,458	27,543
Other operating expenses (income), net	**23,970**	12,353	(2,606)
Total operating expenses	**418,360**	200,969	194,760
(Loss) Income from operations	**(1,932)**	15,476	8,232
Interest expense, net	**(200,382)**	(77,332)	(50,737)
(Loss) from operations, before tax	**(202,314)**	(61,856)	(42,505)
Income tax expense	**48,697**	25,163	1,108
Net loss	**(153,617)**	(36,693)	(41,397)
Other comprehensive income:			
Foreign currency translation adjustments	**23,378**	5,878	36,883
Pension adjustments, net of tax	**(316)**	362	603
Total other comprehensive loss, net of tax	**23,062**	6,240	37,486
Total comprehensive loss	**$ (130,555)**	$ (30,453)	$ (3,911)

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

Tungsten CayCo, Ltd.
(formerly Kofax CayCo, Ltd.)
Consolidated Statements of Shareholders' Equity
(in thousands)

	Class A – Convertible, Redeemable, Preference Shares		Class B – Ordinary Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
As of December 31, 2021	–	$ –	205,783	$ 2,123	$ (331,084)	$ (90,653)	$ 9,505	$ (410,109)
Net loss	–	–	–	–	–	(41,397)	–	(41,397)
Other comprehensive income, net of tax	–	–	–	–	–	–	37,486	37,486
Repurchase of shares	–	–	(181)	(2)	(4,122)	–	–	(4,124)
As of July 20, 2022 (Predecessor)	–	–	205,602	2,121	(335,206)	(132,050)	46,991	(418,144)
Elimination of equity in connection with 2022 Acquisition (See Note 1)	–	–	(205,602)	(2,121)	335,206	132,050	(46,991)	418,144
	–	$ –	–	$ –	$ –	$ –	$ –	$ –

	Ordinary Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
As of June 20, 2022 (Successor)	–	$ –	$ –	$ –	$ –	$ –
Net loss	–		–	(36,693)	–	(36,693)
Other comprehensive income, net of tax	–		–	–	6,240	6,240
Issuance of ordinary shares	105		–	890,253	–	890,253
As of December 31, 2022 (Successor)	105		–	890,253	(36,693)	6,240	859,800
Net loss	–		–	–	(153,617)	–	(153,617)
Other comprehensive income, net of tax	–		–	–	–	23,062	23,062
Repurchase of shares	–		–	(650)	–	–	(650)
Stock-based compensation	–		–	736	–	–	736
Issuance of ordinary shares	–		–	52	–	–	52
As of December 31, 2023 (Successor)	105	$ –	$	890,391	$ (190,310)	$ 29,302	$ 729,383

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

Tungsten CayCo, Ltd.
(formerly Kofax CayCo, Ltd.)
Consolidated Statements of Cash Flows
(in thousands)

	Successor	Successor	Predecessor
	As of December 31, 2023	Period from June 20, 2022 to December 31, 2022	Period from January 1, 2022 to July 20, 2022
Cash flows from operating activities:			
Net loss	**$ (153,617)**	$ (36,693)	$ (41,397)
Adjustments to reconcile net loss to net cash flows (used in) provided by operating activities			
Depreciation and amortization	**176,525**	78,446	67,593
Share-based compensation	**939**	-	-
Provision for credit losses	**3,199**	1,145	(503)
Reduction of debt issuance costs	**15,654**	6,707	4,176
Amortization of ROU assets	**4,747**	3,917	3,493
Deferred taxes, net	**(72,276)**	(40,393)	(17,779)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	**(28,099)**	(105,864)	67,259
Other assets	**(16,250)**	(1,357)	(20,587)
Accounts payable and accrued expenses	**(7,868)**	26,683	(5,285)
Deferred revenue	**20,089**	20,934	(41,340)
Lease liabilities	**(4,256)**	(2,907)	(4,320)
Other liabilities	**1,288**	(4,914)	20,291
Income taxes	**6,385**	8,331	(3,388)
Net cash provided by (used in) operating activities	**(53,540)**	(45,965)	28,213
Cash flows from investing activities			
Acquisitions, net of cash acquired (Note 4)			
Kofax Parent Limited	**-**	(2,339,387)	-
Ephesoft	**-**	(41,350)	-
Tungsten	**-**	-	(83,597)
Purchase of property and equipment	**(4,257)**	364	(2,114)
Net cash used in investing activities	**(4,257)**	(2,380,373)	(85,711)
Cash flows from financing activities			
Payments for repurchase of shares	**(650)**	-	(4,124)
Proceeds from borrowing on term loans	**50,000**	1,694,000	-
Payments of debt issuance costs	**(5,227)**	(102,010)	-
Proceeds from borrowing on revolver	**54,000**	40,000	17,230
Repayment of revolver	**(57,000)**	-	-
Repayment of term loan assumed in business combination	**-**	(2,319)	(6,893)
Repayment of term loan	**(13,960)**	-	-
Financing fees	**-**	(339)	(200)
Proceeds from issuance of ordinary shares	**52**	835,319	-
Net cash provided by financing activities	**27,215**	2,464,651	6,013
Effect of exchange rate changes on cash and cash equivalents	**6,293**	9,732	(10,595)
Net increase (decrease) in cash and cash equivalents	**(24,289)**	48,045	(62,080)

(Continued on next page)

Tungsten CayCo, Ltd.
(formerly Kofax CayCo, Ltd.)
Consolidated Statements of Cash Flows
(in thousands)

	Successor	Successor	Predecessor
	As of December 31, 2023	Period from June 20, 2022 to December 31, 2022	Period from January 1, 2022 to July 20, 2022
Cash and cash equivalents, and restricted cash at the beginning of the period	**48,045**	-	106,824
Cash and cash equivalents, and restricted cash at the end of the period	**$ 23,756**	$ 48,045	$ 44,744
Supplemental cash flow disclosure:			
Cash paid for income taxes	**$ 20,676**	$ 12,275	$ 12,332
Cash paid for interest	**$ 180,375**	$ 40,326	$ 43,873
Supplemental noncash investing activities disclosure:			
Holdback cash in business acquisition - Ephesoft	**$ -**	$ 5,000	$ -
Rollover equity issued in business acquisition - Kofax Parent Limited	**-**	37,434	-
Rollover equity issued in business acquisition - Ephesoft	**-**	17,500	-
Lease liabilities arising from obtaining right of use assets	**2,012**	1,742	584
Lease liabilities arising from initial adoption of ASC 842	**-**	-	19,029
Lease liabilities assumed in connection with Tungsten acquisition	**-**	-	4,169
Lease liabilities assumed in connection with Kofax Parent acquisition	**-**	19,401	-
Lease liabilities assumed in connection with Ephesoft acquisition	**-**	647	-

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

NOTE 1 ORGANIZATION AND PRESENTATION

Tungsten CayCo, Ltd. (formerly Kofax CayCo, Ltd.), a private company incorporated in the Cayman Islands, and its wholly-owned subsidiaries (collectively "we", "Kofax", "Tungsten CayCo", the "Company" or "Successor") was formed on June 20, 2022 ("Inception Date") in connection with the acquisition (the "Kofax Acquisition") of Kofax Parent Limited, a private company incorporated in Jersey, Channel Islands, and its wholly-owned subsidiaries ("Predecessor"). The Kofax Acquisition closed on July 20, 2022 (Note 4).

In January 2024, the Company changed its legal name from Kofax CayCo Ltd. to Tungsten CayCo Ltd. See Note 17 – Subsequent Events.

Tungsten CayCo is a global provider of digital transformation software and related maintenance and professional services. The Company's software enables organizations to design, deploy, and operate comprehensive systems that create an essential link between their systems of engagement, which generate real time, information-intensive communications from constituents, and their systems of record, which are typically large-scale enterprise applications and repositories used to manage their internal operations. The Company utilizes a hybrid go-to-market model that delivers software and services through both its direct sales and service employees and an indirect channel of authorized resellers, original equipment manufacturers and distributors.

Tungsten CayCo conducts business globally and is the successor to operations originally begun in Switzerland in 1985.

The application of applicable accounting standards to a business combination results in adjustments to the assets and liabilities of Tungsten CayCo, Ltd. (formerly Kofax CayCo, Ltd.) at acquisition date. As a result, the consolidated financial statements subsequent to the acquisition date are not comparable to the consolidated financial statements prior to the acquisition.

The financial information for the period from January 1, 2022 to July 20, 2022 includes the results of operations and cash flows for Kofax Parent Limited on a basis reflecting the historical carrying values of Kofax Parent Limited prior to the Kofax Acquisition and is referred to as the "Predecessor Period". The financial information as of December 31, 2022 and for the period from June 20, 2022 to December 31, 2022 includes the financial condition, results of operations and cash flows for Tungsten CayCo, Ltd. (formerly Kofax CayCo, Ltd.) on a basis reflecting the impact of the purchase allocation of the Kofax Acquisition, and is referred to as the "Successor" period. There was no operating activity between the Inception Date and the Kofax Acquisition date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars.

Successor
On August 17, 2022, we acquired Ephesoft Inc. ("Ephesoft"). The accompanying consolidated financial statements include the results of operations of Ephesoft commencing as of its acquisition date. See Note 4, "Acquisitions" for additional information.

Predecessor
On June 17, 2022, we acquired Tungsten Corporation plc ("Tungsten"). The accompanying consolidated financial statements include the results of operations of Tungsten commencing as of their respective acquisition dates. See Note 4, "Acquisitions" for additional information.

Basis of Consolidation

Successor
The consolidated financial statements include the accounts of Tungsten CayCo, Ltd. (formerly Kofax CayCo, Ltd.) and its wholly-owned subsidiaries of which the Company is the primary beneficiary. All significant intercompany balances and transactions between consolidated entities have been eliminated in consolidation.

Predecessor
The consolidated financial statements include the accounts of Kofax Parent Limited. and its wholly-owned subsidiaries. All significant intercompany balances and transactions between consolidated entities have been eliminated in consolidation.

Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 consolidated financial statement presentation. These reclassifications had no effect on the consolidated financial position or results of operations of the Company.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes. On an ongoing basis, the Company evaluates its estimates, assumptions and judgments. Estimates and assumptions are used for, but not limited to, revenue recognition, including determining the nature and timing of satisfaction of performance obligations, variable consideration, standalone selling price, and other revenue items which require significant judgment; the estimated term of customer relationships; deferred revenue; income taxes; collectability of receivables; acquisition purchase price allocation, valuation of goodwill and acquired intangible assets; depreciable lives of property and equipment; accounting for stock-based compensation, pension adjustments and contingent liabilities. The Company bases its estimates and assumptions on historical experience, market participant fair value considerations and various other factors that are believed to be reasonable and supportable and result in estimates and assumptions that are reasonable for the use in the preparation of the consolidated financial statements. Actual amounts could differ from these estimates and those differences could be material to the consolidated financial statements.

Revenue Recognition

Tungsten CayCo primarily generates revenue from the following sources: (1) software licenses delivered to customers; (2) maintenance and support services (also known as post-contract customer support or PCS); (3) and professional services.

Revenues are generally recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

We account for a contract when both parties have approved and committed to the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of the consideration is probable.

The majority of our arrangements with customers contain multiple products and services. We account for individual products and services separately if they are distinct – that is, if a product or service is separately identifiable from other items in the contract and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

We recognize revenue after applying the following five steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract, including whether they are distinct within the context of the contract;
- determination of the transaction price, including the constraint on variable consideration;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, performance obligations are satisfied.

We allocate the transaction price of the arrangement based on the relative estimated standalone selling price ("SSP") of each distinct performance obligation. In determining SSP, we maximize observable inputs and consider a number of data points, including:

- the pricing of standalone sales (in the instances where available);
- the pricing established by management when setting prices for deliverables that are intended to be sold on a standalone basis;
- contractually stated prices for deliverables that are intended to be sold on a standalone basis; and
- other pricing factors, such as the geographical region in which the products are sold and expected discounts based on the customer size and type.

We utilize the residual approach to determine the SSP for performance obligations in arrangements in which SSP is not easily observable and there is high variability in selling price.

We only include estimated amounts of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We reduce transaction prices for estimated returns and other allowances that represent variable consideration which we estimate based on historical return experience and other relevant factors and record a reduction to revenue and accounts receivable. Other forms of contingent revenue or variable consideration are infrequent.

Revenue is recognized when control of these products and services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

Certain products are sold through distributors or resellers. Certain distributors and resellers have been granted right of return and selling incentives which are accounted for as variable consideration when estimating the amount of revenue to be recognized. Returns and credits are estimated at the contract inception and updated at the end of each reporting period as additional information becomes available. In accordance with applicable accounting standards, we apply a portfolio approach to estimate the variable consideration associated with this group of customers.

Performance Obligations

We generate revenue from the sale of licenses to use or access our products, including royalty arrangements, and from maintenance and professional services. A software arrangement generally consists of: (1) a perpetual or term software license, (2) a maintenance service arrangement that includes technical support via the phone and web and the right to receive unspecified upgrades/enhancements on a when-and-if-available basis, generally for an initial period of one year, and (3) in some cases, separate professional services engagements for software implementation, education, training and other services.

1. License

Perpetual Licenses: On-premise

The sale and/or license of software products and technology is deemed to have occurred when a customer

either has taken possession of or has access to take immediate possession of the software or technology. Revenue from royalties on sales of our software products by original equipment manufacturers ("OEMs"), where no services or other performance obligations are included, is recognized in the period earned so long as we have been notified by the OEM that such royalties are due, and provided that all other revenue recognition criteria are met.

Software as a service

The sale of software as a service ("SaaS") arrangements include both the (1) the right to access the software and (2) the right to receive maintenance and support services (also known as post-contract customer support or PCS) bundled into a single fee. SaaS arrangements are recognized over time on a ratable basis. The Company's SaaS licenses are generally offered for one-year base subscription periods and are generally available for use as hosted application arrangements under subscription fee arrangements. The base subscription entitles the end user to the technology itself and maintenance consisting of a specified level of customer support, bug fixes, functionality enhancement to the technology, and upgrades to new versions of the license, each on a when-and-if available basis, during the term of subscription.

Term Licenses: On-premise

The sale of term on-premise licenses include both (1) the right to use the software and (2) the right to receive maintenance and support services (also known as post-contract customer support or PCS) bundled into a single fee. Each performance obligation is distinct. Under applicable accounting standards, the transaction price in such an arrangement must be allocated to each performance obligation based on the relative SSP of the goods and services being provided.

2. Maintenance and Support

Software arrangements generally include PCS, which includes telephone support and the right to receive unspecified upgrades/enhancements on a when-and-if-available basis, typically for one year. Revenue from PCS is generally recognized over time ratably on a straight-line basis over the term that the maintenance service is provided.

3. Professional Services

Professional services contracted under time and material arrangements are recognized as the services are performed. With respect to professional services contracted on a fixed price basis, the Company has significant experience in providing these services and is able to estimate the stage of completion. Accordingly, the Company recognizes the revenue and profit on fixed price professional service engagements on a percentage-of-completion basis. When we provide professional services considered essential to the functionality of the software, we recognize revenue from the professional services as well as any related software licenses on a percentage-of-completion basis whereby the arrangement consideration is recognized as the services are performed, as measured by an observable input.

4. Hardware

Hardware revenue is recognized at the point in time when control is transferred to the customer, which is typically upon delivery. Hardware revenue is insignificant for all periods presented, and has been grouped within software licenses in the consolidated statements of comprehensive loss.

Significant Judgments

Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Our license contracts often include professional services to configure and/or integrate the licenses into the customer's environment.

Judgment is required to determine whether the license is considered distinct and accounted for separately, or not distinct and accounted for together with professional services.

Judgments are required to determine the SSP for each distinct performance obligation. When SSP is directly observable, we estimate SSP based upon the historical transaction prices, adjusted for geographic considerations, customer classes, and customer relationship profiles. In instances where SSP is not directly observable, we determine SSP using information that may include market conditions and other observable inputs. We may have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining SSP. Determining SSP for performance obligations which we never sell separately also requires significant judgment. In estimating the SSP, we consider the likely price that would have resulted from established pricing practices had the deliverable been offered separately and the prices a customer would likely be willing to pay. We utilize the residual approach for arrangements in which SSP is not easily observable and there is high variability in selling price.

Variable consideration is estimated and included in the transaction price if, in our judgment, it is probable that there will not be a significant future reversal of cumulative revenue under the contract.

Business Combinations

The financial results of the businesses that the Company has acquired are included in the Company's consolidated financial results based on the respective dates of the acquisitions. The Company allocates the purchase consideration to the identifiable assets acquired and liabilities assumed in the business combination based on their acquisition-date fair values. The excess of the purchase consideration over the amounts assigned to the identifiable assets and liabilities is recognized as goodwill. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which is generally no more than one year from the business combination date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon conclusion of the measurement period, any subsequent adjustment to assets acquired or liabilities assumed is included in operating results in the period in which the adjustment is determined.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized, but rather the carrying amounts of these assets are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable.

The Company evaluates goodwill for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist. Pursuant to applicable accounting standards, we may opt to perform a qualitative assessment to test a reporting unit's goodwill for impairment, or we may directly perform the two-step impairment test. Based on our qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not (i.e., a likelihood of more than 50 percent) to be less than its carrying amount, the two-step quantitative impairment test will be performed. In the first step of the quantitative impairment test, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired and no further testing is required. If the carrying value of the reporting unit exceeds its fair value, then we must perform the second step of the quantitative impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference. No goodwill impairment charges were recognized during the stated periods.

Finite lived intangible assets, such as customer relationships, tradenames or technology and patents are capitalized and amortized over their expected useful lives on a straight-line basis. Amortization of these intangible assets is included in either cost of revenue or operating expenses based on the function of the intangible asset.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the underlying assets. Leasehold improvements are depreciated over the shorter of the lease term or useful life. Repair and maintenance costs, which sustain property and equipment but do not extend their useful lives, are expensed as incurred.

Items of property and equipment are initially recognized at cost. The costs include the purchase price and directly attributable costs to bring the asset into a usable condition. Depreciation on all items of property and equipment is recorded on a straight-line basis over their expected useful lives or the lease term, if shorter.

Recoverability of Long-Lived Assets

The carrying value of long-lived assets (including finite-lived intangible assets and property and equipment) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. The Company deems an asset to be impaired if a forecast of the undiscounted future cash flows the asset is expected to generate are less than its carrying amount. If an asset is determined to be impaired, the loss is measured as the amount by which its carrying value exceeds its fair value. No impairment charges related to long-lived assets were recognized during the stated periods.

Research and Development Costs

Research and development costs related to software that is or will be sold or licensed externally to third-parties, or for which a substantive plan exists to sell or license such software in the future, incurred subsequent to the establishment of technological feasibility, but prior to the general release of the product, are capitalized and amortized to cost of license revenue over the estimated useful life of the related products. The Company has determined that technological feasibility is reached shortly before the general release of our software products. Costs incurred after technological feasibility is established have not been material. As a result, the Company expenses research and development costs as incurred.

Advertising Costs

Advertising costs are expensed as incurred and are classified as sales and marketing expenses. The Company incurred advertising costs of $1.3 million, $0.9 million, and $1.0 million for the year ended December 31, 2023 and the period from June 20, 2022 to December 31, 2022 (Successor), and for the period from Jan 1, 2022 to July 20, 2022 (Predecessor), respectively.

Capitalized Financing Fees

Capitalized financing fees represent fees and other direct incremental costs incurred in connection with the Company's debt. Deferred financing fees related to the Company's term loan are netted against the Company's debt. Deferred financing fees related to the Company's revolving credit facility are included in other assets. These amounts are amortized into interest expense over the estimated life of the debt using the effective interest method for the Company's term loan and using the straight-line method for the Company's revolving credit facility.

Income Taxes

Income tax expense reflects management's best estimate of current and future taxes to be paid. Significant judgments and estimates are required in determining total income tax expense.

Deferred income taxes arise from temporary differences between the carrying value of assets and liabilities and their tax basis, which will result in taxable or deductible amounts in the future. Deferred tax assets and liabilities are determined using enacted tax rates in effect in the years in which the differences are expected to reverse.

In evaluating the Company's ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, the Company begins with historical results and incorporates assumptions including the amount of future state, federal and non-US pre-tax operating income, the impact of permanent tax adjustments, the reversal of temporary differences, and the implementations of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers the most recent three years of cumulative operating income (loss). The Company maintains a valuation allowance to reduce its deferred tax assets to reflect the amount, based upon the Company's estimates that would more likely than not be realized.

The Company establishes unrecognized tax benefits for tax uncertainties. In accordance with applicable accounting standards, the Company establishes reserves for tax uncertainties that reflect the use of the comprehensive model for the recognition and measurement of uncertain tax positions. Under the comprehensive model, reserves are established when it is more likely than not that the position would be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the position's technical merits. When the threshold for recognition is met, a tax position is recorded at the largest amount that is more than fifty percent likely of being realized upon ultimate settlement. Interest and penalties are recognized as a component of income tax expense in the consolidated statements of comprehensive loss.

Foreign Currency

When determining the functional currency of a foreign entity, the Company takes into consideration the economic environment, the currency influencing operational and financial transactions as well as the activity of the entity.

Transactions in foreign currencies other than the entities' functional currency are converted using the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in non-functional currencies are converted using the rate of exchange at the period end. The gains or losses arising from the revaluation of foreign currency transactions to functional currency are included in operating expenses. Differences on foreign currency borrowings from foreign currency subsidiaries that form part of the net investment are taken directly to equity until the date of disposal of the net investment, at which time they are recognized in the other operating expense. Foreign currency differences arising on trading intercompany loans are charged to operating expenses.

The assets and liabilities of foreign operations are translated from their respective functional currencies into U.S. dollars, the Company's presentation currency, at the rate of exchange at the end of the period. Income and expenses are translated at monthly average exchange rates for the year as this represents a reasonable approximation of actual exchange rates at the date of transactions. While all equity components are translated at historical rates, the remainder, resulting from the retranslation of the net assets at the applicable spot rate, are reflected in accumulated other comprehensive income within shareholders' equity.

On disposal of a foreign operation, the deferred cumulative amount of currency translation adjustments recognized in equity relating to that particular foreign operation is recognized in other expense, net.

Derivative Instruments and Hedging Activities

The Company is exposed to certain risks arising from economic conditions including interest rate, liquidity and credit risk. The Company manages exposure to economic risks by managing the amount, sources and duration of the debt funding and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of our known or expected cash payments principally related to its borrowings.

In accordance with applicable accounting standards, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, and whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

Fair Value Measurements

Applicable accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As of December 31, 2023, the Company's financial instruments consist of cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash equivalents, accounts receivable, and accounts payable approximate their respective carrying values because of the short maturity of those instruments.

The Company defines 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 determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

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

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of

assumptions that market participants would use in pricing the asset or liability.

The valuation techniques used to measure the fair value of all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data.

Comprehensive Income

Comprehensive income consists of net income (loss), current period foreign currency translation adjustments, and pension adjustments, net of any applicable income tax amounts. For the purposes of comprehensive income disclosures, the Company does not record tax provisions or benefits for the net changes in the foreign currency translation adjustment, as the Company intends to reinvest undistributed earnings in its foreign subsidiaries permanently.

Cash and Cash Equivalents

The Company classifies all highly liquid instruments with an original maturity of three months or less at the time of purchase as cash equivalents.

Restricted Cash

The Company classifies cash required to be set aside by a contractual agreement with a third party as restricted cash.

Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable includes billed and unbilled receivables, net of an allowance for credit losses. Trade accounts receivable are recorded at invoiced amounts and do not bear interest. The Company recognizes an allowance for credit losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, the age of the accounts receivable balances, credit quality of the Company's customers, current economic conditions and estimated future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible.

The Company assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. The expense associated with the allowance for expected credit losses is recognized in sales and marketing expenses on the accompanying consolidated income statement.

Acquisition-Related Costs

Direct transaction costs are expensed through the consolidated statements of comprehensive loss in acquisition-related costs. This account consists of (i) costs directly attributable to acquisition strategy and the evaluation, consummation and integration of acquisitions, which are composed substantially of professional services fees including legal, accounting and other consultants and (ii) compensation costs, and retention payments that are anticipated to become payable to employees, both of which require continuing employment of the recipients, as well as severance payments to employees whose positions were made redundant.

Concentration of Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk principally consist of cash, cash equivalents and trade receivables. The Company places its cash and cash equivalents with financial institutions with high credit ratings. As part of its cash and investment management

processes, the Company performs periodic evaluations of the credit standing of the financial institutions with whom it maintains deposits and has not recorded credit losses to date.

The risk with respect to trade receivables is mitigated by ongoing credit evaluations of our customers and limits on the amount of credit extended when deemed appropriate, the short duration of our payment terms for the vast majority of our customer contracts and by the diversity of our customer base. No customer accounted for greater than 10% of the Company's accounts receivable or 10% of its total revenue as of and for the years ended December 31, 2023 and 2022.

Share-Based Compensation

The Company recognizes stock-based compensation expenses over the requisite service period, based on the grant date calculated value of the awards and the number of the awards expected to be vested upon service and performance conditions, net of forfeitures. For the year ended December 31, 2023 and for the period from January 1, 2022 to July 20, 2022 (Predecessor), the Company used the Black-Scholes option pricing model to estimate the calculated value of stock-based awards on the date of grant. There were no vested stock-based compensation awards for the period from June 20, 2022 to December 31, 2022 (Successor).

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13")." Rather than generally recognizing credit losses when it is probable that the loss has been incurred, the revised guidance requires companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument's contractual life (the current expected credit loss model or "CECL"). ASU 2016-13 requires the use of a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. Adoption of the standard requires using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date to align existing credit loss methodology with the new standard. The Company adopted this guidance effective January 1, 2023, and the adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements and disclosures.

Recent Accounting Guidance Not Yet Adopted

FASB ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09") is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for the Company for annual periods beginning after December 15, 2025, on a prospective or retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements and related disclosures.

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NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Contract Balances

Contract assets and contract liabilities for the periods indicated were as follows (in thousands):

	Contract Assets	Contract Liabilities (Deferred Revenue)
Closing balance December 31, 2023	$ 73,698	$ 241,605
Closing balance December 31, 2022	$ 52,692	$ 217,243

Changes in our contract assets and contract liabilities primarily result from the timing difference between our performance and the customer's payment. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. We recognize a contract asset when we transfer products or services to a customer and the right to consideration is conditional on something other than the passage of time. Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional. Contract assets of $73.6 million and $0.1 million were included in accounts receivable and other non-current assets as of December 31, 2023, respectively. Contract assets of $50.9 million and $1.8 million were included in accounts receivable and other non-current assets as of December 31, 2022, respectively. We recognize contract liabilities (or deferred revenues) when we have received consideration or an amount of consideration is due from the customer and we have a future obligation to transfer products or services. Contract liabilities include amounts billed or collected and advanced payments on contracts or arrangements.

Contract Acquisition Costs

We are required to capitalize certain contract acquisition costs. The capitalized costs primarily relate to paid commissions and other direct, incremental costs to acquire customer contracts. In accordance with applicable accounting standards, we apply a portfolio approach to estimate contract acquisition costs for groups of customer contracts. We elect to apply the practical expedient and will expense contract acquisition costs as incurred where the expected period of benefit is one year or less. Sales commissions paid on renewal maintenance and support are not commensurate with sales commissions paid on the initial maintenance and support contract. Contract acquisition costs are deferred and amortized on a straight-line basis over the period of benefit, which we have estimated to be four years. The period of benefit was determined based on an average customer contract term, expected contract renewals, changes in technology and our ability to retain customers. Contract acquisition costs are classified as current or noncurrent assets based on when the expense will be recognized. The current and noncurrent portions of contract acquisition costs are included in other current assets, and other non-current assets, respectively. We had $5.8 million of current contract acquisition costs and $13.5 million of noncurrent contract acquisition costs as of December 31, 2023 and $1.6 million of current contract acquisition costs and $4.6 million of noncurrent contract acquisition costs as of December 31, 2022. Commission expense is primarily included in sales and marketing expense on the consolidated statements of comprehensive loss. We had amortization expense of $3.3 million, $ 0.5 million and $6.5 million related to contract acquisition costs for the year ended December 31, 2023, the period from June 20, 2022 to December 31, 2022 (Successor), January 1, 2022 to July 20, 2022 (Predecessor), respectively. There was no impairment related to commission costs capitalized.

Accounts Receivable and Allowance for Credit Losses

A roll forward of the Company's allowance for expected credit losses balance for the year ended December 31, 2023, is as follows (in thousands):

	Successor 2023
Allowance for doubtful accounts, December 31, 2022	$ 7,032
Impact of adopting CECL standard	-
Allowance for doubtful accounts, January 1, 2023	$ 7,032
Provision for expected credit losses	3,153
Write offs	(70)
Allowance for doubtful accounts, December 31, 2023	$ 10,115

Prior to the adoption of CECL standard, a roll forward of the Company's allowance for doubtful accounts is as follows (in thousands):

	Successor 2022
Allowance for doubtful accounts, December 31, 2021	$ 6,006
Allowance for doubtful accounts	1,588
Write offs	(562)
Allowance for doubtful accounts, December 31, 2022	$ 7,032

The impact of the allowance for doubtful accounts and write-offs related to the predecessor period in 2022 was immaterial.

NOTE 4 ACQUISITIONS

Successor

Kofax Parent Limited

On July 20, 2022, Snow BidCo Limited ("Snow BidCo"), a Company incorporated in England and Wales, and a subsidiary of Kofax CayCo Ltd, a Company incorporated in the Cayman Islands, acquired the entire share capital of Kofax Parent Limited, a Jersey corporation from Thoma Bravo and other shareholders. In order to facilitate the transaction, Clearlake Capital Group L.P. ("Clearlake") and TA Associates ("TA"), the private equity investors, established Kofax TopCo LP ("Kofax TopCo"), a Cayman partnership, into which Clearlake, TA and other minority shareholders contributed funds, and subsequently Kofax TopCo contributed the funds to enable Snow BidCo to purchase Kofax Parent Limited. The parties entered into a stock purchase agreement in which 100% of the shares of Kofax Parents Limited were sold. The closing purchase price was $2.4 billion.

The Company incurred transaction costs of $11.3 million and $6.4 million, respectively, for the period from June 20, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to July 20, 2022 (Predecessor), related to the acquisition that were recorded in acquisition costs in the accompanying consolidated financial statements of operations.

In connection with the acquisition, Kofax Parent Limited repaid its existing credit facilities of $1.4 billion in full, and concurrently entered into new debt arrangements of $1.7 billion, and incurred debt discount and issuance costs of $102 million.

The Company recorded "on the line costs", which are not included in the Predecessor or Successor net loss of $14.8 million related to the unamortized debt fees associated with the extinguished debt, and $13.8 million related to success-based fees. These costs were contingent upon the closing of the Kofax Parent Limited acquisition, and were not included in the Predecessor's consolidated statements of comprehensive loss for the period from January 1, 2022 through July 20, 2022. In addition, the payoff of the existing credit facilities of $1.4 billion did not occur until after the transaction closed, and therefore it is not included in the consolidated statements of cash flows for the Predecessor period.

The purchase price allocation is determined based on the estimated fair values as of the date of acquisition and is subject to change during the measurement period. The Company will reflect measurement period adjustments in the period in which the adjustments are recognized. The following table summarizes the allocation of the purchase price in respect of the Kofax acquisition, based on the fair values of net assets acquired (in thousands) as of acquisition date, as well as adjustments made during 2023:

	Amounts recognized as of acquisition date	Measurement Period Adjustments	Amounts recognized as of acquisition date (as Adjusted)
Cash paid for shares	$ 2,381,756	$ -	$ 2,381,756
Rollover equity	37,434	-	37,434
Total purchase consideration	$ 2,419,190	$ -	$ 2,419,190
Recognized identifiable assets acquired and liabilities assumed:			
Assets			
Cash and cash equivalents	$ 42,369	$ -	$ 42,369
Accounts receivable	90,799	(88)	90,711
ROU assets	19,401		19,401
Other current and noncurrent assets	64,013	1,426	65,439
Goodwill	1,167,260	(1,955)	1,165,305
Identifiable intangible assets	1,660,500		1,660,500
Liabilities			
Other current and noncurrent liabilities	(104,769)	283	(104,486)
Lease liabilities	(19,401)		(19,401)
Deferred tax liabilities	(306,946)	334	(306,612)
Deferred revenue	(194,036)		(194,036)
Fair value of net assets acquired	$ 2,419,190	$ -	$ 2,419,190

The measurement period adjustments primarily related to the recording of deferred tax assets attributed to acquired intangible assets. Other adjustments were related to write-offs of pre-acquisition accounts receivable and other accrued liabilities, as well as adjusting deferred tax liabilities related to capitalized sales commissions.

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Company's acquisition of Kofax. The goodwill is not deductible for tax purposes.

The identifiable intangible assets acquired consisted of existing customer relationships, technology and patents, and tradenames (Note 5).

	Amount	Weighted Average Life (Years)
Customer relationships	$ 1,198,200	9.9
Technology and patents	314,500	10
Trade names, trademarks and other	147,800	14.9
Total	$ 1,660,500	10.4

Ephesoft Inc.

On August 17, 2022, Kofax, Inc., a Delaware corporation and subsidiary of Kofax CayCo, a Company incorporated in the Cayman Islands entered into a merger agreement to acquire Ephesoft Inc. ("Ephesoft"). We acquired Ephesoft to extend our intelligent document processing solutions and cloud capabilities. The purchase price was $65.2 million, including a holdback of $5.0 million. The holdback was to cover any claims against the sellers that remain unsettled as of the holdback period ending on August 17, 2023. The cash holdback is included within accounts payable and accrued expenses, and within other non-current liabilities in the accompanying consolidated balance sheet as of December 31, 2022.

The Company incurred $2.5 million in transaction costs related to the acquisition that were recorded in acquisition costs in the accompanying consolidated financial statements of operations for the successor period.

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The purchase price allocation is determined based on the estimated fair values as of the date of acquisition and is subject to change during the measurement period. The Company will reflect measurement period adjustments in the period in which the adjustments are recognized. The following table summarizes the allocation of the purchase price in respect of the Ephesoft acquisition, based on the fair values of net assets acquired (in thousands) as of acquisition date, as well as adjustments made during 2023:

	Amounts recognized as of acquisition date	Measurement Period Adjustments	Amounts recognized as of acquisition date (as Adjusted)
Cash paid for Ephesoft shares	$ 42,738	$ -	$ 42,738
Rollover equity	17,500	-	17,500
Cash holdback	5,000	-	5,000
Total purchase consideration	$ 65,238	$ -	$ 65,238
Recognized identifiable assets acquired and liabilities assumed:			
Assets			
Cash and cash equivalents	$ 1,388	$ -	$ 1,388
Accounts receivable	3,747	(256)	3,491
ROU assets	647		647
Other current and noncurrent assets	719	(9)	710
Goodwill	34,230	(148)	34,082
Identifiable intangible assets	39,600		39,600
Liabilities			
Other current and noncurrent liabilities	(7,376)	413	(6,963)
Lease liabilities	(647)		(647)
Deferred revenue	(7,070)		(7,070)
Fair value of net assets acquired	$ 65,238	$ -	$ 65,238

Measurement period adjustments primarily related to write-off of pre-acquisition accounts receivable and an adjustment to deferred tax liabilities related to the pre-acquisition tax period as well as capitalized sales commissions.

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Company's acquisition of Ephesoft. The goodwill is not deductible for tax purposes.

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The identifiable intangible assets acquired consisted of existing customer relationships, technology and patents, and tradenames (Note 5).

	Amount	Weighted Average Life (Years)
Customer relationships	$ 25,400	6
Technology and patents	13,300	10
Trade names, trademarks and other	900	4
Total	$ 39,600	7.3

Predecessor

Tungsten Corporation plc

Project California BidCo Limited, a UK corporation and a subsidiary of Kofax Parent Limited, a Jersey corporation, purchased 18.2% and the remaining 81.8% of Tungsten Corporation plc ("Tungsten"), a public company listed on the London Stock Exchange (AIM: TUNG) on May 23, 2022 and June 17, 2022, respectively. We acquired Tungsten to enhance our invoice processing and accounts payable automation solutions. The consideration was $86.8 million, and the transaction was an all-cash transaction. The Company incurred $5.1 million in transaction costs related to the acquisition that were recorded in acquisition costs in the accompanying consolidated financial statements of operations for the period from January 1, 2022 to July 20, 2022.

The purchase price allocation is determined based on the estimated fair values as of the date of acquisition and is subject to change during the measurement period. The Company will reflect measurement period adjustments in the period in which the adjustments are recognized. The following table summarizes the allocation of the purchase price in respect of the Tungsten acquisition, based on the fair values of net assets acquired (in thousands) as of acquisition date, as well as adjustments made during 2023:

	Amounts recognized as of acquisition date	Measurement Period Adjustments	Amounts recognized as of acquisition date (as Adjusted)
Total purchase consideration	$ 86,774	$ -	$ 86,774
Recognized identifiable assets acquired and liabilities assumed:			
Assets			
Cash and cash equivalents	$ 3,177		$ 3,177
Accounts receivable	5,732	(88)	5,644
Other current and noncurrent assets	4,669	1,426	6,095
ROU assets	4,169		4,169
Deferred tax asset	9,346		9,346
Goodwill	49,474	(1,634)	47,840
Identifiable intangible assets	52,100		52,100
Liabilities			
Other current and noncurrent liabilities	(12,763)		(12,763)
Lease liabilities	(4,169)	283	(3,886)
Notes Payable	(2,404)		(2,404)
Deferred tax liabilities	(12,636)	13	(12,623)
Deferred revenue	(9,921)		(9,921)
Fair value of net assets acquired	$ 86,774	$ -	$ 86,774

The measurement period adjustments primarily related to the setup of deferred tax assets attributed to acquired intangible assets. Other adjustments were related to write-offs of pre-acquisition accounts receivable and other prepaid assets.

The goodwill is attributable to the workforce of the acquired business and the synergies expected to arise after the Company's acquisition of Tungsten. The goodwill is not deductible for tax purposes.

The identifiable intangible assets acquired consisted of existing customer relationships, technology and patents, and tradenames (Note 5).

	Amount	Weighted Average Life (Years)
Customer relationships	$ 30,900	6
Technology and patents	19,900	10
Trade names, trademarks and other	1,300	4
Total	$ 52,100	7.5

NOTE 5 GOODWILL AND INTANGIBLE ASSETS, NET

The changes in the carrying amount of goodwill for the years ended December 31, 2023 and 2022 (in thousands):

Balance as of January 1, 2022	$ 593,994
Acquisition of Tungsten	49,474
Effect of foreign currency translation	25,919
Balance as of July 20, 2022	669,387
Elimination of Predecessor goodwill	(669,387)
Acquisition of Kofax	1,167,260
Acquisition of Ephesoft	34,230
Effect of foreign currency translation	4,877
Balance as of December 31, 2022	$ 1,206,367
Acquisition of Kofax	(1,955)
Acquisition of Ephesoft	(148)
Effect of foreign currency translation	13,268
Balance as of December 31, 2023	$ 1,217,532

Intangible assets consist of the following as of December 31 (in thousands):

	2023		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Customer relationships	**$ 1,223,600**	**$ (182,439)**	**$ 1,041,161**
Technology and patents	**327,800**	**(47,405)**	**280,395**
Trade names, trademarks and other	**148,700**	**(14,933)**	**133,767**
Total	**$ 1,700,100**	**$ (244,777)**	**$ 1,455,323**

	2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 1,223,600	$ (56,326)	$ 1,167,274
Technology and patents	327,800	(14,625)	313,175
Trade names, trademarks and other	148,700	(4,616)	144,084
Total	$ 1,700,100	$ (75,567)	$ 1,624,533

Intangible assets are amortized straight-line over the term of the asset. Amortization of acquired technology and patents is included in cost of revenues in the accompanying consolidated statements of comprehensive loss and amounted to $32.8 million, $14.6 million and 14.8 million for the year ended December 31, 2023, period from June 20, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to July 20, 2022 (Predecessor), respectively. Amortization expense related to customer relationships and tradename intangibles are included in sales and marketing expenses and amounted to $136.4 million, $ 61.0 million, and $48.9 million for the year ended December 31, 2023, period from June 20, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to July 20, 2022 (Predecessor), respectively.

Estimated amortization expense for each of the five succeeding years as of December 31,2023 is as follows (in thousands):

Year ending December 31,	
2024	$ 169,210
2025	169,210
2026	168,978
2027	168,660
2028	164,737
Thereafter	614,528
Total	$ 1,455,323

NOTE 6 INCOME TAXES

Predecessor

The Predecessor group is headed by Kofax Parent Ltd, a Jersey incorporated, UK tax resident limited liability entity. The consolidated tax provision and tax obligations are a consolidation of Kofax Parent Ltd's subsidiaries which are located in a number of jurisdictions, including the US and UK.

Successor

The Successor group is headed by Tungsten CayCo Ltd, a Cayman Islands incorporated, UK tax resident limited liability entity. The consolidated tax provision and tax obligations are a consolidation of Tungsten CayCo Ltd's subsidiaries which are located in a number of jurisdictions, including the US and UK.

	Successor	Successor	Predecessor
	Year Ended December 31, 2023	Period from June 20, 2022 to December 31, 2022	Period from January 1, 2022 to July 20, 2022
United States (US)	**$ (145,750)**	$ (51,307)	$ (28,690)
United Kingdom (UK)	**(63,393)**	(23,256)	(17,530)
Rest of the world	**6,829**	12,707	3,715
Loss before income taxes	**$ (202,314)**	$ (61,856)	$ (42,505)

The (provision) benefits for income taxes for the year ended December 31 2023, the period from June 20 2022 through December 31, 2022 (Successor period), and for the period January 1, 2022 through July 20, 2022 (predecessor period) is comprised of the following (thousands):

	Successor	Successor	Predecessor
	For the year end December 31, 2023	Period from June 20, 2022 to December 31, 2022	Period from January 1, 2022 to July 20, 2022
Current:			
US Federal	**$ (11,958)**	$ (7,905)	$ (8,398)
US States	**(1,264)**	(1,168)	(1,001)
UK	**(551)**	(1,038)	(850)
Rest of the world	**(8,467)**	(5,119)	(6,422)
Total current income tax benefit	**$ (22,240)**	$ (15,230)	$ (16,671)
Deferred:			
US. Federal	**$ 35,443**	$ 18,302	$ 9,931
US States	**4,130**	956	2,273
UK	**27,278**	19,129	1,836
Rest of the world	**4,086**	2,006	3,739
Total deferred income taxes	**$ 70,937**	$ 40,393	$ 17,779
Total income tax benefit	**$ 48,697**	$ 25,163	$ 1,108

The significant items impacting the fiscal 2023 effective tax rate vary from the UK statutory rate of 23.5%, are the foreign results taxed at different tax rates, true ups to tax provision, US tax incentives, increase in certain tax positions, and changes to valuation allowance.

Historically, the Company has asserted its intention to indefinitely reinvest the undistributed earnings of US subsidiaries. The unrecognized deferred tax liability on the portion of the undistributed earnings considered indefinitely reinvested is not material.

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities as of December 31 are as follows (in thousands):

	Successor	Successor
	As of December 31, 2023	As of December 31, 2022
Deferred tax assets:		
Net operating loss carry forwards	**$ 26,772**	$ 31,791
Acquired intangibles	**9,077**	444
Accrued expenses and other reserves	**3,514**	6,961
Property and equipment	**-**	-
Research and development credits	**4,053**	3,783
Foreign tax credits	**2,678**	2,620
Other temporary and deductible differences	**6,261**	741
Excess interest	**86,595**	41,982
Deferred revenue	**6,592**	7,458
Capital losses	**1,658**	1,658
Capitalized R&D	**14,474**	8,729
Total deferred tax assets	**$ 161,674**	$ 106,167
Valuation allowance for deferred tax assets	**(25,336)**	(25,467)
Net deferred tax assets	**$ 136,338**	$ 80,700
Deferred tax liabilities:		
Acquired intangibles	**(326,345)**	(350,111)
Property and equipment	**(264)**	(391)
Deferred revenue haircut	**-**	-
Other temporary and deductible differences	**-**	(449)
Contract acquisition costs	**(4,736)**	(1,492)
Financial instruments	**(2,423)**	-
Total deferred tax liabilities	**(333,768)**	(352,443)
Net deferred tax liabilities	**$ (197,430)**	$ (271,743)
Reported as:		
Deferred tax asset	**$ 6,224**	$ 1,952
Deferred tax liability	**(203,654)**	(273,695)
Net deferred tax liabilities	**$ (197,430)**	$ (271,743)

As of December 31, 2023 and December 31 2022, the valuation allowance represented a valuation allowance against the Company's net operating losses, excess interest, foreign tax credits and a partial valuation allowance against US state R&D credits and the NDI US acquired intangibles. The overall valuation allowance decreased of $0.1 million as a result of a reduction in the valuation allowance from the UK.

The Company has net operating loss carry forwards in various jurisdictions including the US federal $17 million, US state $31 million and UK of $55 million. Of the US net operating losses, $10 million will begin to expire in 2024 and $7 million carry forward indefinitely.

The US state net operating losses begin to expire in 2024.

Utilization of the US net operating loss and US tax credit carryforwards are subject to annual limitations under Sections 382 and 383 of the US Internal Revenue Code of 1986 and similar state provisions due to ownership change limitations that may have occurred previously or that could occur in the future. The ownership changes may limit the amount of US net operation loss carryforwards, US tax credit carryforwards and other deferred tax assets that can be utilized to offset future taxable income and tax, respectively. In general, all ownership changes, as defined by Section 382 result from transactions increasing ownership of certain stockholders in the stock of the corporation by more than 50 percentage points over a three-year period. The Company had an ownership change in 2017, and the US annual limitation is not expected to result expiration of US NOLs or tax credit carryovers.

The Company had an ownership change in July 2022, and the US annual limitation is not expected to result expiration of US NOLs or tax credit carryovers. Additionally as a result of acquiring two U.S. subsidiaries during 2022, there will be a Section 382 limitation on the ability to use the acquired NOLs.

At December 31, 2023 and 2022, the Company had California research and development credit carryovers of $6.8 million and $6.5 million, respectively, which do not expire.

The Company has US federal Foreign Tax Credits which begin to expire in 2024 of $2.8 million.

As of December 31, 2023, the Company had unrecognized tax benefits of $10 million that if recognized, would impact its effective tax rate. The Company's net unrecognized tax benefits increased by $6.1 million during 2023. The Company's unrecognized tax benefits is not expected to decrease within the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits in the income tax provision. The Company had $0.4 million and $0.1 million accrued for interest and penalties at December 31, 2023 and 2022, respectively. The Company recognized no decrease in interest and penalties in its tax provision during 2023.

The Company and its subsidiaries are subject to UK and US federal income taxes as well as income tax of multiple US states, and income taxes in numerous foreign jurisdictions. With a few exceptions, the Company is no longer subject to income tax examination by tax authorities in the US prior to 2018, and for other major jurisdictions for years prior to 2015. However, to the extent allowed by law, the taxing authorities may have the right to examine prior periods where net operating losses and tax credits were generated and carried forward. The Company entered into a Profit Diversion Compliance Facility with HMRC, the UK tax authorities in the prior year, this concluded in early 2024 with minimal tax obligation. At December 31 2023, the Company is not currently under audit by the IRS, foreign or state or local tax authorities, with the exception of the state of Florida, Canada for the period 2019 and Tungsten UK for R&D credit during the year ended April 30 2021. The UK R&D audit concluded with no change in early 2024.

NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following as of December 31 (in thousands):

	Successor 2023	Successor 2022	Useful Life *(Years)*
Computer and other equipment	**$ 10,891**	$ 6,824	2-3
Furniture and Fixtures	**247**	237	5
Leasehold improvements	**2,382**	2,102	2-7
Subtotal	**13,520**	9,163	
Less: accumulated depreciation	**(6,031)**	(1,735)	
Property and equipment, net	**$ 7,489**	$ 7,428	

Depreciation expenses were $4.3 million, $1.7 million and $2.8 million for the year ended December 31, 2023, the period from June 20, 2022 to December 31, 2022 (Successor), and the period from January 1, 2022 to July 20, 2022 (Predecessor), respectively.

NOTE 8 OTHER ASSETS

Other current assets consist of the following as of December 31 (in thousands):

	Successor 2023	Successor 2022
Prepaid assets	**$ 11,440**	$ 11,999
Cloud computing implementation costs	**3,856**	2,759
Contract costs	**5,798**	2,155
Inventory	**410**	477
Other receivables	**3,540**	9,426
Total other current assets	**$ 25,044**	$ 26,816

Other non-current assets consist of the following as of December 31 (in thousands):

	Successor 2023	Successor 2022
Prepaid assets	**$ 2,098**	$ 3,668
Cloud computing implementation costs	**6,748**	8,583
Unbilled accounts receivable	**137**	1,789
Non-current accounts receivable	**3,141**	2,069
Contract costs	**13,501**	4,000
ROU Assets	**13,126**	17,873
Revolver fees	**2,715**	3,480
Security deposits	**2,355**	2,625
Interest rate swaps	**10,674**	-
Total other non-current assets	**$ 54,495**	$ 44,087

NOTE 9 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of December 31 (in thousands):

	Successor 2023	Successor 2022
Trade payables	**$ 12,792**	$ 18,202
Taxation and social security	**15,580**	16,103
Accrued compensation expenses	**21,779**	21,594
Accrued vacation	**6,637**	6,061
Accrued other	**28,362**	26,263
Accrued interest	**34,104**	30,143
Accrued holdback on business combinations	**-**	6,500
Total accounts payable and accrued expenses	**$ 119,254**	$ 124,866

NOTE 10 RESTRUCTURING COSTS

In 2022, the Company recorded restructuring charges related to the Tungsten and Ephesoft Restructuring Plans, primarily related to severance costs. These actions were part of an initiative to reduce costs and redundancy and optimize processes as a result of the recent acquisitions. In 2023, the Company underwent departmental restructuring as part of the cost reduction initiative. Restructuring charges primarily related to severance costs, bonuses and salary costs for employees whose positions were made redundant. Accrued restructuring costs are included in the Accounts payable and accrued expenses on the consolidated balance sheet as of December 31, 2023 and December 31, 2022. The restructuring activities are summarized in the table below (in thousands):

	Successor	Successor	Predecessor
	Year Ended December 31, 2023	For the Period from June 20, 2022 to December 31, 2022	For the Period from January 1, 2022 to July 20, 2022
Beginning of Period	$ 2,242	$ 37	$ 867
Accruals and adjustments	9,787	3,656	2,516
Cash payments	(6,981)	(1,451)	(3,346)
End of Period	$ 5,048	$ 2,242	$ 37
Current	$ 5,048	$ 2,242	$ 37
Non-current	–	–	
Total	$ 5,048	$ 2,242	$ 37

NOTE 11 LONG-TERM DEBT

Long-term debt is comprised of the following as of December 31 (in thousands):

	Successor 2023	Successor 2022
Total Debt:		
Term Loan – First lien	$ 1,382,040	$ 1,346,000
Term Loan – Second lien	348,000	348,000
Revolver	37,000	40,000
Total principal payments due	1,767,040	1,734,000
Debt discount and issuance costs	(80,467)	(90,129)
Total amount outstanding	$ 1,686,573	$ 1,643,871
Less: Current portion of long-term debt	$ 13,960	$ 13,460
Non-current portion of long-term debt	$ 1,672,613	$ 1,630,411

2023

On March 3, 2023, the Company entered into the First Amendment to the First Lien Credit Agreement dated July 20, 2022 to increase the First Lien Term Loan in a principal amount of $50 million. In conjunction with the closing of the First Amendment, the Company utilized the proceeds to fully pay off the revolving line of credit of $40 million that had been drawn in August 2022. Additional financing fees of $5.2 million were incurred in connection with the borrowing.

The Company recorded interest expense of $182.8 million and $1.7 million for the year ended December 31, 2023 in relation to the term loans and revolving line of credit, respectively.

At December 31, 2023, the effective interest rate on the First Lien Term Loan and Second Lien Term loan was 10.73 % and 13.13%, respectively.

As of December 31, 2023, $37 million of revolving line of credit was outstanding.

2022

Successor

Term Loan and revolving credit facility

First lien credit agreement and revolving credit facility

On July 20, 2022, the Company entered into a $1,346 million syndicated term loan facility (the "First Lien Term Loan") and a $150 million multicurrency revolving credit facility (the "Revolver") with JPMorgan Chase Bank, N.A, as administrative agent (the "Lender"). The First Lien Term Loan has a seven-year term and repayments made under the First Lien Term Loan are equal to 0.25% of the principal amount in equal quarterly installments (starting the first quarter ending March 31, 2023) for the life of the First Lien Term Loan, with the remainder due at maturity. Interest under the First Lien Term Loan is subject to a percentage equal to 5.25% per annum plus Secured Overnight Financing Rate ("SOFR") reference rate for the interest period in effect.

The Revolver has a five-year term and allows borrowings in U.S. dollars or in one or more alternative currencies. The initial borrowing tranche between the closing date and the first business day after the first compliance certificate is delivered is subject to 4.25% per annum for term benchmark loans and 3.25% per annum for base rate loans. The interest rates thereafter will fluctuate from time to time based on the pricing level determined by consolidated first lien net average ratio from the most recent compliance certificate delivered by the Company. Depending on the pricing level, the applicable interest rates range from 3.75% to 4.25% for term benchmark Loans and Sterling Overnight Index Average ("SONIA") Loans, and from 2.75% to 3.25% for base rate loans. The Revolver is also subject to a commitment fee of 0.5% per annum for the initial borrowing tranche and the subsequent applicable commitment fee percentages range from 0.25% to 0.5% per annum determined by the pricing level in the same manner as interest rate percentages.

On August 17, 2022, the Company drew $40 million on its revolving line of credit and the amount is outstanding as of December 31, 2022.

Second lien credit agreement

On July 20, 2022, the Company entered into a $348 million syndicated term loan facility (the "Second Lien Term Loan") with Credit Suisse as administrative agent (the "Lender"). The Second Lien Term Loan has a eight-year term and the principal is due and payable upon the maturity date. Interest is payable on a quarterly basis and is subject to percentage equal to 7.75% per annum plus base rate (i.e. the greater of federal fund rate plus half basis point or prime lending rate) for the interest period in effect.

The Company recorded interest expense of $70.9 million for the period from June 20, 2022 to December 31, 2022 in relation to the term loans.

The Company recorded interest expense of $1.2 million for the period from June 20, 2022 to December 31, 2022 in relation to revolving line of credit.

At December 31, 2022, the effective interest rate on the First Lien Term Loan and Second Lien Term loan was 8.78% and 10.54%, respectively.

Debt Issuance Costs

2023

In connection with First Amendment to the First Lien Credit Agreement dated July 20, 2022 to increase the First Lien Term Loan in a principal amount of $50 million, the Company incurred debt issuance of $5.2M of lender fees. The debt issuance cost related to the additional term loan is included in the consolidated balance sheet as direct deductions from the carrying amount of the related notes and will be amortized to interest expense over the term of the Term Loan using the effective interest method.

2022

In connection with the First Lien Term Loan, Second Lien term Loan and the Revolver agreements, the Company incurred debt issuance costs of $102 million, which consisted of $96.5 million of lender fees and $5.5 million of third-party fees.

The debt issuance costs related to the term loans are included in the consolidated balance sheet as direct deductions from the carrying amount of the related notes and will be amortized to interest expense over the term of the Term Loan using the effective interest method. The debt issuance costs related to the revolving line of credit are included in the consolidated balance sheet as other assets and will be amortized on a straight-line basis over the term of the Revolver.

At December 31, 2023 and 2022, the remaining unamortized debt issuance costs included in the consolidated balance sheets totaled $80.5 million and $90.1 million, respectively.

Debt Covenants

Both the Term Loans and Revolver contain customary, restrictive financial covenants, which include among other things limits on incurring additional indebtedness, making investments, making fundamental changes (including dispositions) to the business. At December 31, 2023 and through the date of issuance of these consolidated financial statements, the Company was in compliance with all debt covenants.

Long- term debt matures over the next five years as follows:

Year ending December 31,	
2024	$13,960
2025	13,960
2026	13,960
2027	13,960
2028	13,960
Thereafter	1,697,240
Total	$1,767,040

Predecessor

Term Loan

The Predecessor entered into a $560.0 million syndicated term loan facility (the "Term Loan") with Credit Suisse, N/A, as administrative agent (the "Predecessor Lender") and borrowed the full amount on July 7, 2017. The Term Loan has a six-year term and repayments made under the Term Loan are equal to 0.25% of the principal amount in equal quarterly installments for the life of the Term Loan, with the remainder due at maturity. The borrowings under the Term Loan are subject to a floating rate of interest per annum equal to (i) the greatest of Prime Rate, Federal Funds Rate or Eurocurrency Rate, plus (ii) an applicable margin of up to 5.50% based on a ratio of debt to Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA").

In February 2018, the Predecessor renegotiated the interest rate applicable to its credit facilities such that the borrowings under said facilities shall bear interest based on a floating rate equal to (i) the greatest of Prime Rate, Federal Funds Rate or Eurocurrency Rate, plus (ii) an applicable margin of up to 4.00% based on a ratio of debt to EBITDA.

On February 1, 2019, the Predecessor entered into a $410.0 million incremental term loan facility (the "2019 Incremental Term Loan") with the Predecessor Lender. The 2019 Incremental Term Loan term, repayments and interest remain under the same terms as the Term Loan entered into on July 7, 2017.

On March 5, 2021, the Predecessor entered into a $435.0 million incremental term loan facility (the "2021 Incremental Term Loan") with the Predecessor Lender. The 2021 Incremental Term Loan extended the term of the Term Loan, the 2019 Incremental Term Loan and the 2021 Incremental Term Loan by one year to a seven-year term through July 7, 2024. The repayments and interest remain under the same terms as the Term Loan entered into on July 7, 2017.

The Company recorded interest expense of $48.9 million for the period from January 1, 2022 to July 20, 2022.

In July 2022, in connection with the Kofax Parent Limited acquisition, the Company used a portion of the proceeds from the Successor First Lien Term Loan and the Second Lien Term Loan to repay all amounts outstanding under the Predecessor Term Loan of $1.38 billion. All debt issuance costs associated with the Predecessor Term Loan were fully extinguished due to the debt repayment. The debt extinguishment cost was contingent upon the closing of the Kofax acquisition and therefore was not included in the Predecessor's consolidated statements of comprehensive loss for the period from January 1, 2021 through July 20, 2022, and is recorded "on the line."

Revolver

On July 7, 2017, the Company entered into a revolving line of credit (the "Predecessor Revolver"), with the Lender. The Predecessor Revolver provided for borrowings of up to $60.0 million, and is secured by the Company's assets, including those of subsidiaries. Borrowings under the Predecessor Revolver accrue interest at a floating rate of interest per annum equal to (i) the greatest of Prime Rate, Federal Funds Rate or Eurocurrency Rate, plus (ii) an applicable margin of up to 5.50% based on a ratio of debt to EBITDA. The Predecessor Revolver is also subject to a facility fee equal to 0.50% per annum of the maximum borrowings permitted under the revolving line of credit, regardless of usage. The Predecessor Revolver has a five-year term.

On February 1, 2019, the Company entered into a revolving line of credit (the "2019 Incremental Revolver") under Amendment 2 of the original agreement with the Lender. The Incremental Revolver provided for additional borrowings of up to $20.0 million, and is secured by the Company's assets, including those of subsidiaries. The Incremental Revolver term, repayments and interest remain under the same terms as the Revolver entered into on July 7, 2017.

On February 17, 2022, the Company drew $74.5 million on its revolving line of credit. On July 15, 2022, the Company repaid $57.7 million of the revolving line of credit. The remaining outstanding amount of $17.0 million was paid off in connection with the Kofax Parent Limited acquisition.

The Company recorded interest expense of $1.8 million for the period from January 1, 2022 to July 20, 2022 relating to the Revolver.

Debt Covenants

Both the Term Loan and Revolver contain customary, restrictive financial covenants, which include among other things limits on incurring additional indebtedness, making investments, making fundamental changes (including dispositions) to the business and, solely with respect to the Revolver, not exceeding a certain ratio of debt to EBITDA. During the period from January 1, 2022 to July 20, 2022, the Predecessor was in compliance with these covenants.

NOTE 12 INTEREST RATE SWAPS

The Company uses variable-rate debt to finance its operations, capital expenditures and acquisitions. The variable-rate debt obligation exposes the Company to variability in interest payments due to changes in interest rates.

In April 2023, the Company entered into five interest rate swap agreements ("Swap Agreements") with Bank of Montreal covering $1.3 billion of its aggregate indebtedness of the First Lien and Second Lien Term Loans. These swaps effectively lock in the interest rate on $1.3 billion of variable-rate debt through April 2025. Under the Swap Agreements, the Company has changed the variable-rate cash flow exposure on the debt obligations to fixed cash flows. Under the terms of each Swap Agreements, the Company pays a

fixed contractual interest rate and (i) makes an additional payment if the SOFR variable rate payment is below a contractual rate or (ii) receives a payment if the SOFR variable rate payment is above the contractual rate.

The settlement date for each swap is on the last day of interest period (every January/April/July/October). Although the interest rate swaps qualify as cash flow hedges for accounting purposes, the Company elected not to apply hedge accounting to the derivatives. At each settlement date, cash flow from the interest rate swaps is recorded as an offset to interest expense on the consolidated statements of comprehensive loss. The change in fair value of the interest rate swaps is recorded to other operating expense (Income) on the consolidated statements of comprehensive loss for the year ended December 31, 2023.

The fair value of the Company's interest rate swap agreements were determined based on valuations received from Bank of Montreal and are based on the present value of expected future cash flows using discount rates appropriate with the terms of the swap agreements. The fair value indicates an estimated amount the Company is to receive over the term of the Swap Agreements. At December 31, 2023, the fair value asset of the swap is as follows:

	Asset Derivatives		
	Balance Sheet location	December 31, 2023	December 31, 2022
Derivatives not designated as hedging instruments:			
Interest rate swaps	Other non-current assets	$ 10,673	$ -
Total derivates		$ 10,673	$ -

The amount of gain recognized as Other Operating Expense (Income) on derivatives not designated as hedging instruments for the year ended December 31, 2023 was $10.6 million.

Fair Value of Interest Rate Swaps

The fair value of the interest rate swaps are estimated using industry-standard valuation models such as a discounted cash flow. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates and the contractual terms of the derivative instruments. The discount rate used is the relevant interest rate (e.g., SOFR) plus an adjustment for non-performance risk. Inputs are based on a three-tier hierarchy described in Note 2, Fair Value Measurements.

The following table categorize the interest rate swaps measured at fair value at December 31, 2023:

	Fair Value Measurement using		
	Level 1	Level 2	Level 3
December 31, 2023 (in thousands)			
Assets			
Interest rate swaps	$ -	$ 10,673	$ -
Total	$ -	$ 10,673	$ -

NOTE 13 SHAREHOLDERS' EQUITY

Successor

The Company has authorized share capital of 50,000 shares at a par value of $1 each, of which 105 shares have been issued. The shares are ordinary shares with voting rights.

Predecessor

The Company has two classes of share capital: Class A Convertible, Redeemable, Preference Shares ("Preferred Shares") and Class B Ordinary Shares.

Class A shares have no voting rights and accrue dividends at a rate of 9% per annum cumulatively, and such dividends shall accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the Company available for the payment of dividends. Upon any liquidation event, whether voluntary or involuntary, dissolution or winding up of the Company, each holder of Class A shares shall be entitled to be paid before any distribution is made to holders of Class B shares. Unless otherwise determined by the Company's Directors, in the event that a registration statement is filed with respect to an initial public offering of the Company, immediately prior to the effectiveness of said registration statement, each Class A share shall automatically be converted into a number of Class B shares based on the share price at which the Class B shares are offered to the public, and any accrued and unpaid dividends shall either be paid in cash or converted to a number of Class B shares on the same basis. At any time and from time to time, the Company may, upon prior written notice to holders of Class A shares, redeem all or any portion of Class A shares outstanding by payment to each holder of Class A shares an amount equal to the price paid to acquire each share plus any accrued and unpaid dividends thereon.

Holders of Class B shares have voting rights equal to the number of Class B shares held. Holders of Class B shares shall be entitled to receive, ratably, on a per share basis, such dividends as may be declared from time to time by the Company's Directors, subject to the rights attached to Class A shares. In the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, subject to the rights attached to the Class A shares, the holders of Class B shares shall be entitled to receive, ratably, on a per share basis, all of the remaining assets of the Company available for distribution.

In August 2017, we commenced a private offering of Class A Convertible, Redeemable, Preference Shares and Class B Ordinary Shares to our employees, directors and officers. Under this offering, the Company issued approximately 19,000 Class A Preferred Shares at $1,000 per share and 35 million Class B Ordinary Shares at $0.0117 per share (collectively, the "Co-Invest Shares"). The Co-Invest Shares are subject to repurchase by the Company or Thoma Bravo at a price equal to the fair market value in the event the stockholder ceases to be employed by the Company for any reason or in the event of an imposition of a material restriction or obligation on the Company as a result of any laws or regulations.

In March 2021, the Company made a distribution of $543.0 million, relating to the redemption of Class A shares, Class A accrued cumulative dividends to shareholders, and dividends to Class B shareholders. There were 221,078 Class A shares redeemed at par value of $1,000 per share for a total payout of $221.1 million. The Class A accrued cumulative dividends totaled $84.9 million, and the Class B dividends totaled $237.0 million.

On July 20, 2022, in connection with the Kofax Parent Limited acquisition, all of the Class B shares were acquired by Snow BidCo Ltd.

NOTE 14 SHARE-BASED COMPENSATION

2023

Profit Interest Plan

In September 2022, Kofax Topco L.P. ("the Partnership"), the parent company of Tungsten CayCo Ltd., established the Kofax Topco L.P. 2022 Profit Interest Plan ("the Profit Interest Plan"), with the purpose of promoting long-term growth and profitability of the Partnership and incentivizing selected individuals to remain invested in the Partnership's success. The Plan was approved and became effective as of September 1, 2022.

Each award of the Incentive Units is in the form of Class B units (common stock), and are subject to the following vesting conditions:

- 50% Time-Vesting Units – Units are vested over a period of four years. 25% of the units will be vested on the first anniversary of the vesting commencement date. The rest will vest in installments of 2.083% monthly for the remaining 3 years, subject to the participant's continued employment through the applicable vesting date. All unvested units as of termination date will be forfeited. In the event of the Sale of the Partnership, all unvested time-vesting units will become fully-vested.

- 50% Performance-Vesting Units – Units become vested upon sale of the Partnership based on the achievement of various Multiple of Invested Capital ("MOIC").

Phantom Unit Plan

In September 2022, the Partnership also established the 2022 Phantom Unit Plan ("the Phantom Plan"), which allows the Partnership to issue Phantom Units to eligible employees residing outside of the United States. Each share of Phantom Units awarded to eligible employees under the Phantom Plan represents a contractual right to receive an amount in cash equal to the fair market value of a share of the Partnership's common stock on the settlement date. Each award of the Phantom Units is subject to the same vesting provisions as the Incentive Units from the Profit Interest Plan. No shares of PIUs or partnership units will be issued pursuant to the Phantom Plan, as the awards are settled in cash after the required vesting requirement has been satisfied.

Awards of Phantom Units are accounted for as a liability under applicable accounting standards, which requires changes in the fair value of our liability to be recognized as compensation cost over the vesting period. The liability for the Phantom Units awards was $0.2 million and $0 at December 31, 2023 and 2022, respectively, and was recorded in Accounts Payable and Accrued Expense on the consolidated balance sheet.

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The following table summarizes the nonvested awards activity:

	Nonvested Awards		
	Phantom Units	Incentive Units	Weighted Average Exercise Price
Nonvested at June 20, 2022	-	-	$ -
Granted	24,119,765	80,645,132	0.12
Vested/Released	-	-	-
Forfeited	-	(72,599)	0.12
Nonvested at December 31, 2022	24,119,765	80,572,533	$ 0.12
Granted	1,240,376	9,477,877	0.12
Vested/Released	(3,651,871)	(13,302,167)	0.12
Forfeited	(1,072,344)	(1,420,648)	0.12
Nonvested at December 31, 2023	20,635,926	75,327,595	$ 0.12

The following table summarizes the vested awards activity:

	Vested Awards		
	Phantom Units	Incentive Units	Weighted Average Exercise Price
Nonvested at June 20, 2022	-	-	-
Granted	-	-	-
Vested/Released	-	-	-
Forfeited	-	-	-
Nonvested at December 31, 2022	-	-	$ 0.12
Granted	-	-	0.12
Vested/Released	3,651,871	13,302,167	0.12
Forfeited	-	(345,911)	0.12
Nonvested at December 31, 2023	3,651,871	12,956,256	$ 0.12

The assumptions utilized for purposes of the Black-Scholes option pricing model are summarized as follows:

- Volatility – as the Company does not have trading history for its common stock, the expected stock price volatility was estimated by using the historical volatility of the iShares Expanded Tech-Software Sect ETF (the "Index"). The Index is primarily comprised of securities of the North American software companies that are similar in nature to Kofax. The Company calculated historical volatility of the Index based on daily price observations over a period equivalent to the expected term of the stock option grants.

- Expected term – the expected term was estimated using the practical expedient available to nonpublic entities.

- Risk free rate – the risk free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the stock option grants.

- Dividend yield – the Company has never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

The following table summarizes the weighted average assumptions used to estimate the calculated value of both Incentive Units and Phantom Units granted during the period ended December 31, 2023:

	Weighted Average	
	Phantom Units	Incentive Units
Expected dividend yield	0%	0%
Risk-free interest rate	4.0%	4.0%
Expected life (in years)	4	4
Expected volatility	63.2%	59.9%
Calculated value per share	$ 0.06	$ 0.06

As of December 31, 2023, total compensation cost related to nonvested awards not yet recognized was $4.3 million and $1.2 million for Incentive Units and Phantom Units, respectively. The weighted average remaining period over which these costs are expected to be recognized was 2.8 years for both Incentive Units an Phantom Units.

The weighted average remaining contractual life of all options outstanding as of December 31, 2023 was 8.81 years and 8.78 years for Incentive Units and Phantom Units, respectively.

As of December 31, 2023, the performance condition related to the performance vesting units was not considered probable. Therefore, no compensation cost was recorded related to such units. For the time-vesting units, stock-based compensation expense was $0.7 million and $0.2 million for Incentive Units and Phantom Units, respectively for the year ended December 31, 2023.

2022

Successor

The Profit Interest Plan and The Phantom Unit Plan were effective as of September 2022. However, there were no vested units as of December 31, 2022 and no stock-based compensation expense were recognized during the Successor period.

Predecessor

In 2018, the Kofax Parent Limited 2018 Stock Option Plan (the "Plan") was established, pursuant to which up to 9 million shares of Class B shares may be granted. The Plan is administered by the Company's board of directors, which has the authority to designate participants and determine the number and type of awards to be granted, the time at which awards are exercisable, the method of payment and any other terms and conditions of the awards. The majority of awards granted under the Plan vest over four years and have a maximum term of 10 years. There were $4.9 million option shares available for grant as of July 20, 2022. As of July 20, 2022, $0.08 million cash was received from the exercise of share options. As a result of the Kofax Parent Limited acquisition, vested options were settled and nonvested options were cancelled. There were no options granted during the Successor period.

The following table summarizes the nonvested options activity:

	Nonvested Options	
	Shares	Weighted Average Exercise Price
Nonvested at January 1, 2022	2,267,146	$ 1.96
Granted	170,000	3.50
Vested/Released	(410,907)	1.51
Forfeited	(93,043)	1.94
Nonvested at July 20, 2022	1,933,196	$ 2.24

The following table summarizes the vested options activity:

	Vested Options	
	Shares	Weighted Average Exercise Price
Vested at January 1, 2022	2,763,303	$ 1.20
Granted	-	-
Vested/Released	410,907	1.51
Forfeited	(967,863)	1.94
Vested at July 20, 2022	2,206,347	$ 2.24

The assumptions utilized for purposes of the Black-Scholes option pricing model are summarized as follows:

- Volatility – as the Company does not have trading history for its common stock, the expected stock price volatility was estimated by using the historical volatility of the iShares Expanded Tech-Software Sect ETF (the "Index"). The Index is primarily comprised of securities of the North American software companies that are similar in nature to Kofax. The Company calculated historical volatility of the Index based on daily price observations over a period equivalent to the expected term of the stock option grants.

- Expected term – the expected term was estimated using the practical expedient available to nonpublic entities allowed under ASC 718.

- Risk free rate – the risk free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the stock option grants.

- Dividend yield – the Company has never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

The following table summarizes the weighted average assumptions used to estimate the calculated value of stock options granted during the predecessor period ended July 20, 2022:

	Weighted Average	Range
Expected dividend yield	0%	
Risk-free interest rate	3.04%	3.04% - 3.04%
Expected life (in years)	7	
Expected volatility	65.4%	65.4% - 65.4%
Calculated value per share	$ 1.43	$ 1.43 - $1.43

As of July 20, 2022, total compensation cost related to nonvested awards not yet recognized was $1.6 million. The weighted average remaining period over which these costs are expected to be recognized was 2.09 years.

The weighted average remaining contractual life of all options outstanding as of July 20, 2022 was 8.09 years.

NOTE 15 EMPLOYEE BENEFIT PLANS

Pension Plan

The Company sponsors various qualified defined benefit pension plans covering a substantial portion of its employees. Foreign pension benefits are based on various formulas that consider years of service, average or highest earnings during specified periods of employment and other criteria. A significant defined benefit pension plan is sponsored in Switzerland ("Pension Plan").

The Swiss plan is managed by the Company and is accountable to the plan members. Management has reviewed the terms and conditions of the plan, in particular with regard to the mechanism for funding any deficit that might arise. Although the plan has many of the characteristics of a defined contribution plan, the scheme effectively includes a minimum guaranteed annuity rate, any shortfall in which the trustee would normally ask the employer to contribute.

The Company recognizes on its balance sheet an asset or liability equal to the over-or-under-funded benefit obligation of each defined benefit pension and other postretirement plans. Actuarial gains or losses and prior service costs or credits that arise during the period are not recognized as components of net periodic benefit cost, but rather are recognized, net of tax, as a component of other comprehensive income. Included in accumulated other comprehensive income as of December 31, 2023 and 2022, respectively, is unrecognized actuarial gains (losses) of $1.1 million and $(3.1) million, related to the Company's pension plans.

The pension plan is not impacted by the acquisition of Kofax Parents Limited (Note 4) in 2022. The following disclosure tables represent full twelve months of activities for year ended December 31, 2023 and 2022.

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Net Periodic Benefit Cost

Components of net periodic benefit costs for our Pension Plan were as follows (in thousands):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Service costs	**$ 395**	$ 551
Interest costs	**166**	24
Expected return on plan assets	**(251)**	(220)
Net periodic benefit costs	**$ 310**	$ 355

Change in Projected Benefit Obligation

The table below presents components of the changes in projected benefit obligation, changes in plan assets, and funded status of our Pension Plan (in thousands):

	For the year ended December 31, 2023	For the year ended December 31, 2022
Change in Projected Benefit Obligation		
Projected benefit obligation, beginning	**$ 8,329**	$ 12,294
Service costs	**395**	551
Interest costs	**166**	24
Participant contribution	**337**	309
Settlement	**(780)**	(1,229)
Premiums paid	**(96)**	(86)
Actuarial gains (loss)	**1,132**	(3,085)
Benefits paid	**(150)**	(104)
Impact of foreign currency translation	**46**	(346)
Projected benefit obligation, ending	**9,379**	8,328
Change in Plan Assets		
Fair value of plan assets, beginning	**6,786**	8,872
Actual return on plan assets	**703**	(1,054)
Premiums paid	**(96)**	(86)
Benefits paid	**(150)**	(104)
Impact of foreign currency translation	**653**	(843)
Fair value of plan assets, ending	**7,896**	6,785
Funded status of plans, ending	**$ (1,483)**	$ (1,543)

The accumulated benefit obligation for the Company's Pension Plan was $8.8 million and $7.7 million at December 31, 2023 and 2022, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for our Pension Plan with a projected benefit obligation in excess of the fair value of plan assets and our Pension Plan with accumulated benefit obligations in excess of the fair value of plan assets were as follows at December 31 (in thousands):

	Successor 2023	
	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	**Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets**
Projected benefit obligation	**$ (9,379)**	$ -
Accumulated benefit obligation	**-**	(8,763)
Fair value of plan assets	**7,896**	7,896
Funded status of plans	**$ (1,483)**	$ (867)

	Successor 2022	
	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets
Projected benefit obligation	$ (8,328)	$ –
Accumulated benefit obligation	–	(7,673)
Fair value of plan assets	6,785	6,785
Funded status of plans	$ (1,543)	$ (888)

The Company's funding policy for its funded pension plans is based upon local statutory requirements. The Company's funding policy is subject to certain statutory regulations with respect to annual minimum and maximum company contributions. Plan benefits for the nonqualified plans are paid as they come due.

Fair Value of Plan Assets

The Company measures the fair value of plan assets based on the prices that would be received to sell an asset or aid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy described in Note 2, Fair Value Measurements. The tables below present total plan assets by investment category within the fair value hierarchy with respect to the inputs used to measure fair value as of December 31 (in thousands):

	Successor 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 79**	**$ 79**	**$ –**	**$ –**
Fixed income securities:				
Swiss government bond funds	**1,034**	**–**	**1,034**	**–**
International government bond funds	**1,019**	**–**	**1,019**	**–**
Emerging market	**284**	**–**	**284**	**–**
Mortgages	**316**	**–**	**316**	**–**
Equity securities	**2,684**	**–**	**2,684**	**–**
Real estate funds	**2,053**	**–**	**2,053**	**–**
Other	**396**	**–**	**396**	**–**
	$ 7,865	**$ 79**	**$ 7,786**	**$ –**

	Successor 2022			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 68	$ 68	$ –	$ –
Fixed income securities:				
Swiss government bond funds	855	–	855	–
International government bond funds	841	–	841	–
Emerging market	475	–	475	–
Mortgages	271	–	271	–
Equity securities	2,307	–	2,307	–
Real estate funds	1,764	–	1,764	–
Other	204	–	204	–
	$ 6,785	$ 68	$ 6,717	$ –

The Company's target asset allocation for its Pension Plan's assets is not to exceed 50% equity securities, 15% alternative investments, and 30% real estate. Risk tolerance on invested pension plan assets is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an on-going basis through annual liability measures, periodic asset/liability studies and quarterly investment portfolio reviews.

Assumptions

The weighted-average assumptions used to determine net periodic benefit cost and projected benefit obligation were as follows:

	2023	2022
For Determining Net Periodic Benefit Cost		
Discount rate	**1.60 %**	2.00 %
Expected return on assets	**3.30 %**	2.60 %
Rate of compensation increase	**2.00 %**	2.00 %
For Determining Projected Benefit Obligation		
Discount rate	**1.60 %**	2.00 %
Rate of compensation increase	**2.00 %**	2.00 %

Our assumption for the expected long-term rate of return on plan assets is determined based upon recommendations from our Pension Plan's investment advisors using a building block approach that considers diversification and rebalancing for a long-term portfolio of invested assets. Our investment advisors study historical market returns and preserve long-term historical relationships between equities and fixed income in a manner consistent with the widely-accepted capital market principle that asserts higher volatility generates a greater return over the long run. They also evaluate market factors such as inflation and interest rates before long-term capital market assumptions are determined. Market conditions and other factors may vary over time and could significantly affect our estimates of the expected long-term rate of return on plan assets.

Estimated Future Benefit Payments

Estimated benefit payments over the next ten years for the Company's Pension Plan is as follows (in thousands):

Year Ending December 31,	
2024	$ 558
2025	453
2026	433
2027	416
2028	431
Thereafter	2,066
Total estimated future benefit payments	$ 4,357

The Company estimates that $0.4 million of contributions are expected to be paid to our Pension Plan during the next fiscal year following the period ended December 31, 2023.

NOTE 16 COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space under various operating lease agreements that expire through 2028. The Company recognizes the related rent expense on a straight-line basis over the term of each lease. Free rent and rental increases are recognized on a straight-line basis over the term of each lease.

Rent expense, gross of sublease income, has been recorded in the consolidated statements of comprehensive loss as follows (in thousands):

	Successor	Successor	Predecessor
	For the year ended December 31, 2023	For the period from June 20, 2022 to December 31, 2022	For the period from January 1, 2022 to July 20, 2022
Operating lease cost	**$ 6,376**	$ 4,024	$ 2,536
Short-term lease cost	**1,707**	787	648
Variable lease cost	**21**	11	3
Sublease income	**(75)**	(48)	(56)
Total lease cost	**$ 8,029**	$ 4,774	$ 3,131

The following table presents supplemental balance sheet information about the Company's leases (in thousands):

	December 31, 2023	December 31, 2022
Operating lease ROU assets	**$ 13,126**	$ 17,873
Operating lease liabilities, current	**5,462**	5,997
Noncurrent operating lease liabilities	**8,462**	12,948
Total operating lease liabilities	**$ 13,924**	$ 18,945

As of December 31, 2023, the weighted average remaining lease term was 3.2 years and the weighted average discount rate was 3.44%.

As of December 31, 2023, remaining maturities of lease liabilities were as follows (in thousands):

Years Ending December 31,		
2024	$	5,817
2025		4,660
2026		2,131
2027		1,025
2028		828
Total operating lease payments		14,461
Less: Imputed Interest		537
Total	$	13,924

Litigation and Other Claims

The Company is subject to legal proceedings, lawsuits and other claims relating to labor, service and other matters arising in the ordinary course of business. Management judgment is required in deciding the amount and timing of the accrual of certain contingencies. Depending on the timing of when conditions or situations arise, the timing of a contingency becoming probable and estimable is not necessarily determinable. At December 31, 2023 and December 31, 2022, the Company maintained an accrual balance of $2.8 million and $ 3.4 million, respectively, related to contingent losses arising from potential future litigation or claims against the Company. The amount of the contingency may change in the future as incremental knowledge, factors or other matters change or become known.

Guarantees and Other

In the ordinary course of business, the Company includes indemnification provisions in the contracts it enters into with customers and business partners. Generally, these provisions require us to defend claims arising out of the Company's products' infringement of third-party intellectual property rights, breach of contractual obligations and/or unlawful or otherwise culpable conduct. The indemnity obligations generally cover damages, costs and attorneys' fees arising out of such claims. In most, but not all cases, the Company's total liability under such provisions is limited to either the value of the contract or a specified, agreed upon amount. In some cases our total liability under such provisions is unlimited. In many, but not all, cases, the term of the indemnity provision is perpetual. While the maximum potential amount of future payments we could be required to make under all the indemnification provisions is unlimited, we believe the estimated fair value of these provisions is minimal due to the low frequency with which these provisions have been triggered.

The Company indemnifies its directors and officers to the fullest extent permitted by law. These agreements, among other things, indemnify directors and officers for expenses, judgments, fines, penalties and settlement amounts incurred by such persons in their capacity as a director or officer of the Company, regardless of whether the individual is serving in any such capacity at the time the liability or expense is incurred. Additionally, in connection with certain acquisitions we have agreed to indemnify the former officers and members of the boards of directors of those companies, on similar terms as described above, for a period of six years from the acquisition date. In certain cases we purchase director and officer insurance policies related to these obligations, which fully cover the six year periods. To the extent that we do not purchase a director and officer insurance policy for the full period of any contractual indemnification, we would be required to pay for costs incurred, if any, as described above.

NOTE 17 RELATED PARTY TRANSACTIONS

Successor

Clearlake Capital Group L.P and TA Associates, private equity investment firms, own a majority of the capital stock of the company through private equity funds managed by the firms. During the year ended December 31, 2023 and the period from June 20, 2022 to December 31, 2022, the Company recorded $12.3 million and $5.5 million, respectively, to other operating expenses for management and advisory fees paid to Clearlake Capital Group L.P and TA Associates. As of December 31, 2023 and December 31, 2022, Clearlake Capital Group L.P. held $14.4 million and $14.5 million of the First Lien Term Loan balance.

Predecessor

Thoma Bravo, LLC, a private equity investment firm, owns a majority of the capital stock of the company through private equity funds managed by the firm, and holds a portion of the syndicated Term Loan balance as one of the syndicate lenders (Note 11). During the period from January 1, 2022 to July 20, 2022, the Company recorded $1.3 million to other operating expenses for management and advisory fees paid to Thoma Bravo, LLC. As of December 31, 2022, Thoma Bravo, LLC held $140.8 million of the Term Loan balance.

NOTE 18 SUBSEQUENT EVENTS

In January 2024, as part of the rebranding initiative, the Company changed its legal name from Kofax CayCo Ltd. to Tungsten CayCo Ltd. The Company adopted a new name to reflect the growth of the Company and the need for a brand that more closely aligns with the Company's identity, capabilities, and future aspirations. There is no change to the ownership of the Company in connection with the change in legal name.

In January 2024, Kofax TopCo L.P. ("the Partnership") entered into a Unit Subscription Agreement with a venture capital partner, an existing shareholder to the Partnership, to issue additional 5 million class A-1 units for an aggregate purchase price of $5 million. The Partnership then contributed $5 million into the Company as a co-investment in exchange for one (1) ordinary share in the Company.

The Company's management has evaluated events and transactions that have occurred after December 31, 2023 (i.e., subsequent events) through April 26, 2024, the date at which the accompanying consolidated financial statements were available to be issued. Management has determined that no other material subsequent events have occurred during that period that would require the Company to either recognize the financial impact of such events in the accompanying consolidated financial statements or disclose any such events to ensure the consolidated financial statements are not misleading.