

SAP NEW ZEALAND LIMITED

Annual Report
31 December 2022

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Company Information

Directors

Damien Bueno	Appointed on 17 July 2018
Gina McNamara	Appointed on 23 August 2021
Adrian Griffin	Appointed on 7 March 2022
Philip Cameron	Resigned on 7 March 2022

Registered office

Level 15
151 Queen Street
Auckland 1010

Shareholders

SAP SE

Auditors

KPMG
Sydney, Australia

Directors' Declaration

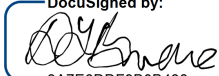
In the opinion of the directors, the financial statements and the notes on page 3 to 24:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2022, and the results of their operations and cash flows for the year ended on the date, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of financial position of the Company and facilities compliance of the financial statements with the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities, internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

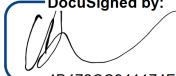
For and on behalf of the Board of Directors:

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Damien Bueno

Director

21 April 2023

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Adrian Griffin

Director

21 April 2023

Statement of Financial Position

As at 31 December

\$	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents		20,768,510	14,386,219
Other financial assets	(4)	40,781,181	49,694,914
Trade and other receivables	(5)	24,429,991	24,313,169
Other non-financial assets	(6)	5,855,067	5,465,013
Total current assets		91,834,749	93,859,315
Non-current assets			
Property and equipment	(7)	4,699,671	3,493,942
Other non-financial assets	(6)	12,760,013	10,884,582
Income tax assets		4,177,584	2,594,840
Deferred tax assets	(8)	4,493,857	4,538,656
Total non-current assets		26,131,125	21,512,020
Total assets		117,965,874	115,371,335
Liabilities and equity			
Current liabilities			
Lease liabilities		995,134	976,412
Trade and other payables	(9)	35,349,049	28,321,404
Employee benefits liabilities	(10)	13,218,253	13,291,588
Other non-financial liabilities	(11)	6,375,245	4,087,413
Provisions		198,298	0
Contract liabilities	(12)	22,630,941	18,779,174
Total current liabilities		78,766,920	65,455,991
Non-current liabilities			
Lease liabilities		2,308,327	1,688,138
Employee benefits liabilities	(10)	1,112,489	1,025,088
Provisions		287,676	508,502
Contract liabilities	(12)	62,250	90,989
Total non-current liabilities		3,770,742	3,312,717
Equity			
Share capital	(13)	100	100
Retained earnings		31,304,412	42,478,827
Other reserves		4,123,700	4,123,700
Total equity		35,428,212	46,602,627
Total liabilities and equity		117,965,874	115,371,335


The above financial statements should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorise the issue of these financial statements:

Damien Bueno

Director


21 April 2023

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Adrian Griffin

Director

21 April 2023

DocuSigned by:

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Statement of Profit or Loss

For the year ended 31 December

\$	Notes	2022	2021
Revenue			
Cloud		67,648,546	51,046,291
Software licenses		9,105,244	26,580,293
Software support		54,043,755	53,907,445
Software licenses and support		63,148,999	80,487,738
Cloud and software		130,797,545	131,534,029
Services		56,584,371	52,509,581
Total revenue		187,381,916	184,043,610
Other income		387,176	0
Royalties, licenses and agents' commissions		-70,300,903	-71,074,651
Purchased services expenses		-61,820,318	-50,304,016
Employee benefits expenses	(10)	-40,204,130	-37,763,938
Depreciation	(7)	-1,724,025	-1,468,783
Other expenses	(14)	-7,884,867	-7,162,287
Operating profit		5,834,849	16,269,935
Finance income		1,381,995	141,552
Finance costs		-75,725	-65,033
Profit before income tax		7,141,119	16,346,454
Income tax expense	(8)	-1,883,534	-3,142,957
Profit after income tax		5,257,585	13,203,497

The above financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 December

\$	Note	Share capital	Retained earnings	Other reserves	Total
As at 31 December 2020		100	29,275,330	4,123,700	33,399,130
Profit after income tax		0	13,203,497	0	13,203,497
As at 31 December 2021		100	42,478,827	4,123,700	46,602,627
Profit after income tax		0	5,257,585	0	5,257,585
Dividends	(13)	0	-16,432,000	0	-16,432,000
As at 31 December 2022		100	31,304,412	4,123,700	35,428,212

The above financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 December

\$	Notes	2022	2021
Cash flows from operating activities			
Profit after income tax		5,257,585	13,203,497
Adjustments			
Depreciation	(7)	1,724,025	1,468,783
Gains/ losses on disposals of property and equipment		-54,870	13,653
Expected credit losses	(14)	291,364	54,168
Finance income		-1,381,995	-141,552
Finance costs		75,725	65,033
Income tax expense	(8)	1,883,534	3,142,957
		7,795,368	17,806,539
Changes in assets and liabilities			
Trade and other receivables		-408,186	5,276,318
Other non-financial assets		-2,265,485	-1,719,918
Trade and other payables		7,027,646	4,353,664
Employee benefits liabilities		14,066	-473,306
Other non-financial liabilities		2,287,832	-2,938,455
Contract liabilities		3,823,028	632,171
		18,274,269	22,937,013
Interest received		1,381,995	141,552
Interest paid		-66,702	-65,033
Income tax paid		-3,421,479	-10,121,499
Net cash flows from operating activities		16,168,083	12,892,033
Cash flows from investing activities			
Changes in other financial assets		8,913,733	-4,886,227
Payments for purchases of property and equipment	(7)	-1,245,759	-511,753
Net cash flows from/ used in investing activities		7,667,974	-5,397,980
Cash flows from financing activities			
Payments for lease liabilities		-1,021,766	-1,134,300
Dividends paid	(13)	-16,432,000	0
Net cash flows used in financing activities		-17,453,766	-1,134,300
Net increase in cash and cash equivalents		6,382,291	6,359,753
Cash and cash equivalents as at 1 January		14,386,219	8,026,466
Cash and cash equivalents as at 31 December		20,768,510	14,386,219

The above financial statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

These notes form an integral part of the accompanying financial statements.

(1) REPORTING ENTITY

SAP New Zealand Limited (the "Company") is a profit-oriented company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

The Company is the sole distributor of SAP software in New Zealand. The Company sells software licenses, cloud solutions and services, and provides maintenance, consulting, training and other professional services.

(2) BASIS OF PREPARATION

Approval of financial statements

The financial statements were authorised for issue by the Board of Directors on 21 April 2023.

Statement of compliance

The financial statements have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting Standards, as appropriate for Tier 2 for-profit entities.

The Company has elected to report in accordance with Tier 2 for-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

Basis of measurement

The financial statements have been prepared using the historical cost basis of accounting except for the following:

- Liabilities for cash-settled share-based payments are measured at fair value.
- Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates.

Where applicable, information about the methods and assumptions used in determining the respective measurement bases is disclosed in the Notes specific to that asset or liability.

Functional and presentation currency

The Company's functional and presentation currency is the New Zealand Dollar (\$). All amounts included in the financial statements are reported in New Zealand Dollars (\$), unless otherwise stated. All financial information has been rounded to the nearest New Zealand Dollars (\$), unless otherwise indicated. As figures were rounded, numbers presented throughout this document may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

Management judgments and sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities.

The management bases the judgments, estimates, and assumptions on historical and forecast information, as well as on regional and industry economic conditions in which the Company or the Company's customers operate, changes to which could adversely affect the management's estimates.

The accounting policies that most frequently require the management to make judgments, estimates, and assumptions, and therefore are critical to understanding the Company's results of operations, include the following:

Accounting for income taxes

The Company is subject to changing tax laws within the country in which it operates. The Company's ordinary business activities also include transactions where the ultimate tax outcome is uncertain due to different interpretation of tax laws, such as those involving transfer pricing and intercompany transactions between SAP group entities. In addition, the amount of income taxes the Company pays is generally subject to ongoing audits by domestic and foreign tax authorities. In determining the income tax provision, judgment is involved in assessing whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and whether to reflect the respective effect of uncertainty based on the most likely amount or the expected value. In applying these judgments, management considers the nature and the individual facts and circumstances of each uncertain tax treatment as well as the specifics of the country in which the Company operates, including applicable tax laws and management's interpretation thereof.

(2) BASIS OF PREPARATION (Continued)

Management judgments and sources of estimation uncertainty (continued)

The assessment of whether a deferred tax asset is impaired requires management judgment, as the management needs to estimate future taxable profits to determine whether the utilisation of the deferred tax asset is probable. In evaluating the Company's ability to utilise the deferred tax assets, the management considers all available positive and negative evidence, including the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are recoverable. The judgment regarding future taxable income is based on assumptions about future market conditions and future profits of the Company. Changes to these assumptions and outcomes that differ from these assumptions could require material adjustments to the carrying amount of the deferred tax assets.

Judgment is also required in evaluating whether interest or penalties related to income taxes meet the definition of income taxes, and, if not, whether it is of financial nature. In this judgment, the management particularly considers applicable local tax laws and interpretations on IFRS by national standard setters.

Accounting for share-based payments

The Company uses certain assumptions in estimating the fair values for the share-based payments, including expected share price volatility and expected option life (which represents the estimate of the average amount of time remaining until the options are exercised or expire unexercised). In addition, the final payout for plans also depends on the achievement of performance indicators and on the share price on the respective exercise dates. Changes to these assumptions and outcomes that differ from these assumptions could require material adjustments to the carrying amount of the liabilities the Company has recognised for these share-based payments.

For the purpose of determining the estimated fair value of the share options, the Company believes expected volatility is the most sensitive assumption. Regarding future payout under the cash-settled plans, the SAP SE share price is the most relevant factor. Changes in this factor could significantly affect the estimated fair values as calculated by the valuation model, and the future payout.

Further details of the nature of estimates and assumptions may be found in the relevant accounting policies and notes to the financial statements.

(3) ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated. The management reviews the significant accounting policies periodically.

Revenue recognition

Classes of revenue

The Company derives its revenue from fees charged to the customers for the use of its cloud offerings, for licenses to its on-premise software products, and for standardized and premium support services, consulting, customer-specific software developments, training, and other services.

Revenue from cloud

Revenue from cloud represents fees earned from providing customers with any of the following:

- Software-as-a-Service (SaaS), that is, a right to use software functionality (including standard functionalities and custom cloud applications and extensions) in a cloud-based infrastructure hosted by the Company or third parties engaged by the Company, where the customer does not have the right to terminate the hosting contract and take possession of the software to either run it on its own IT infrastructure or to engage a third-party provider unrelated to the Company to host and manage the software; SaaS also includes transaction and agent fees for transactions that customers of the Company's network business execute on the Company's cloud-based transaction platforms.
- Platform-as-a-Service (PaaS), that is, access to a cloud-based platform to develop, deploy, integrate, and manage applications.
- Infrastructure-as-a-Service (IaaS), that is hosting and related application management services for software hosted by the Company or third parties engaged by the Company.
- Premium cloud support that is, support beyond the regular support embedded in the underlying cloud subscription services.

Revenue from software licenses

Software license revenue represents fees earned from the sale or license of software to customers for use on the customer's premises, in other words, where the customer has the right to take possession of the software for installation on the customer's premises or on hardware of third-party hosting providers unrelated to the Company (on-premise software). Software licenses revenue includes revenue from both the sale of the Company's standard software products and customer-specific on-premise software development agreements.

Revenue from software support

Revenue from software support represents fees earned from providing customers with standardised support services which comprise unspecified future software updates, upgrades, and enhancements as well as technical product support services for on-premise software products.

Services revenue

Services revenue primarily represents fees earned from professional consulting services, premium support services and training services.

Identification of contract

The Company frequently enters into multiple contracts with the same customer that the Company treats, for accounting purposes, as a single contract if the contracts are entered into at or near the same time and are economically interrelated. The Company does not combine contracts with closing days more than three months apart because the Company does not consider them being entered into near the same time. Judgment is required in evaluating whether two or more contracts are interrelated, which includes considerations as to whether they were negotiated as a package with a single commercial objective, whether the amount of consideration on one contract is dependent on the performance of the other contract, or if some or all goods in the contracts are a single performance obligation.

New arrangements with existing customers can be either a new contract or the modification of prior contracts with the customer. The management's respective judgment in making this determination considers whether there is a connection between the new arrangement and the pre-existing contracts, whether the goods and services under the new arrangement are highly interrelated with the goods and services sold under prior contracts, and how the goods and services under the new arrangement are priced. In determining whether a change in transaction price represents a contract modification or a change in variable consideration, the management examines whether the change in price results from changing the contract or from applying unchanged existing contract provisions.

(3) ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Identification of performance obligations

The Company's customer contracts often include various products and services. In general, the products and services outlined under the Classes of revenue section qualify as separate performance obligations and the portion of the contractual fee allocated to them is recognised separately. Judgment is required, however, in determining whether a good or service is considered a separate performance obligation. In particular for the Company's professional services and implementation activities, judgment is required to evaluate whether such services significantly integrate, customise, or modify the on-premise software or cloud service to which they relate. In this context, the management considers the nature of the services and their volume relative to the volume of the on-premise software or cloud service to which they relate. In general, the implementation services for the Company's cloud services go beyond pure setup activities and qualify as separate performance obligations. Similarly, the Company's on-premise implementation services and custom development services qualify as separate performance obligations. Non-distinct goods and services are combined into one distinct bundle of goods and services (combined performance obligation).

When selling goods or services, the Company frequently grants its customers options to acquire additional goods or services (for example, renewals of renewable offerings, or additional volumes of purchased software). The management applies judgment in determining whether such options provide a material right to the customer that the customer would not receive without entering into that contract (material right options). In this judgment, the management considers whether the options entitle the customer to a discount that exceeds the discount granted for the respective goods or services sold together with the option.

Determination of transaction price

The management applies judgment in determining the amount to which the management expects to be entitled in exchange for transferring promised goods or services to a customer. This includes estimates as to whether and to what extent subsequent concessions may be granted to customers and whether the customer is expected to pay the contractual fees. In this judgment, the management considers the history with the respective customer on a portfolio basis.

The Company's typical cloud services do not provide the customer with a software license because the customer does not have the right to terminate the hosting contract and take possession of the software. Consequently, cloud fees that are based on transaction volumes are considered in the transaction price based on estimates rather than being accounted for as sales-based license royalties.

Only very rarely, the Company's contracts include significant financing components. The Company does not account for financing components if the period between when the Company transfers the promised goods or services to the customer and when the customer pays for those goods or services is one year or less.

Allocation of transaction price

The Company has established a hierarchy to identify the stand-alone selling prices (SSPs) that is used to allocate the transaction price of a customer contract to the performance obligations in the contract.

- Where SSPs for an offering are observable and reasonably consistent across customers (that is, not highly variable), the Company's SSPs estimates are derived from its respective pricing history. In general, the Company's standardised support offerings and its professional service offerings follow this approach.
- Where sales prices for an offering are not directly observable or highly variable across customers, the management uses estimation techniques. For renewable offerings with highly variable pricing, across customers, these techniques consider the individual contract's expected renewal price as far as this price is substantive. In general, the Company's cloud subscription offerings follow this approach. For non-renewable offerings, these estimations follow a cost-plus-margin approach.
- For offerings that lack renewals, have highly variable pricing, and lack substantial direct costs to estimate based on a cost-plus margin approach the Company allocates the transaction price by applying a residual approach. The Company uses this technique in particular for its standard on-premise software offerings.

Judgment is required when estimating SSPs. To judge whether the historical pricing of the Company's goods and services is highly variable, the management has established thresholds of pricing variability. For judging whether contractual renewal prices are substantive, the management has established floor prices that they use as SSPs whenever the contractual renewal prices are below these floor prices. In judging whether contracts are expected to renew at their contractual renewal prices, the Company relies on its respective renewal history. The SSPs of material right options depend on the probability of option exercise. In estimating these probabilities, the management applies judgment considering historical exercise patterns.

The management reviews the SSPs periodically or whenever facts and circumstances change to ensure the most objective input parameters available are used.

(3) ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Recognition of revenue

Revenue from cloud

Revenue from cloud is recognised over time as the services are performed. Where the Company's performance obligation is the grant of a right to continuously access and use a cloud offering for a certain term, revenue is recognised based on time elapsed and thus ratably over this term. In limited scenarios where the transaction price is entirely variable and determined by the customer's usage, the Company recognises revenue based on usage in the period in which it was earned.

Revenue from software licenses

Revenue from software licenses is recognised at a point in time or over time depending on whether the Company delivers standard software, customer-specific software or software subscription contracts that combine the delivery of software and the obligation to deliver, in the future, unspecified software products.

Licenses for the Company's standard on-premise software products are delivered by providing the customer with access to download the software. The license period starts when such access is granted. The Company recognises revenue for these on-premise licenses at the point in time when the customer has access to and thus control over the software. In judging that the Company's on-premise software offerings grant customers a right to use, rather than a right to access, the Company's intellectual property, the management has considered the usefulness of the software without subsequent updates to it.

In general, the Company's customer-specific on-premise software development agreements

- Are for software developed for specific needs of individual customers and therefore it does not have any alternative use for the Company.
- Provide the Company with an enforceable right to payment for performance completed to date.

For such development agreements, the Company recognises revenue over time as the software development progresses. Judgment is required in identifying an appropriate method to measure the progress toward complete satisfaction of such performance obligations.

The management measures progress of the Company's development agreements based on the direct costs incurred to date in developing the software as a percentage of the total reasonably estimated direct costs to fully complete the development work (percentage-of-completion method). This method of measuring progress faithfully depicts the transfer of the development services to the customer, as substantially all of these costs are cost of the staff or third parties performing the development work. In estimating the total cost to fully complete the development work, the management considers the Company's history with similar projects.

For agreements that combine the delivery of software and the obligation to deliver, in the future, unspecified software products, the Company recognises revenue at a point in time for licenses that are made immediately accessible to the customer. The Company recognises revenue ratably over the term of the software subscription contract for the unspecified software products, as the Company's performance obligation is to stand ready to deliver such products on a when-and-if available basis.

Revenue from software support

Revenue from software support is recognised based on time elapsed and thus ratably over the term of the support arrangement. Under the Company's standardised support services, the Company's performance obligation is to stand ready to provide technical product support and unspecified updates, upgrades, and enhancements on a when-and-if-available basis. The Company's customers can simultaneously receive and consume the benefits of these support services as the support services are performed.

Services revenue

Services revenue is recognised over time. Where the Company stands ready to provide the service (such as access to learning content), the Company recognises revenue based on time elapsed and thus ratably over the service period. Consumption-based services (such as separately identifiable consulting services and premium support services, messaging services, and classroom training services) are recognised over time as the services are utilised, following the percentage-of-completion method or ratably. When using the percentage-of-completion method, the Company measures the progress toward complete satisfaction of the performance obligation in the same way and with the same reasoning and judgment as the Company does for custom on-premise software development agreements. The management applies judgment in determining whether a service qualifies as a stand-ready service or as a consumption-based service.

Revenue for combined performance obligations is recognised over the longest period of all promises in the combined performance obligation.

(3) ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

Judgement is also required to determine whether revenue is to be recognised at a point in time or over time. For performance obligations satisfied over time, the Company needs to measure the progress using the method that best reflects the Company's performance. When using cost incurred as a measure of progress for recognising revenue over time, the management applies judgement in estimating the total cost to satisfy the performance obligation.

All of the judgments and estimates mentioned above can significantly impact the timing and amount of revenue to be recognised.

Royalties, licenses and agents' commissions

Royalties, licenses and agents' commissions are recognised when software and cloud revenue is recognised.

Purchased services expenses

Purchased services expenses are cost of external services and services from related parties and are recognised when services are rendered by vendor.

Other expenses

Other expenses are mainly comprised of costs of administering the day-to-day operations of the business and costs incurred to market and advertise the Company's services.

Research and development expenses

Research and development expenses are attributable to feasibility and alternate approach assessments. Research and development expenses are presented net of research and development tax credits and government grants received and are expensed as incurred.

Government grants

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant; they are then recognised on a systematic basis over the useful life of the asset.

The government grants generally represent subsidies for activities specified in the grant. As a result, government grants are recognised when earned as a reduction of the cost recorded for the expenditures that the grants are intended to compensate. Government assistance that takes the form of a credit against taxes payable is recognised as a reduction of income taxes.

Exchange rate differences from foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Exchange rate differences from foreign currency transactions are recognised on a net basis as net gains or losses in profit or loss.

Finance income and finance costs

Finance income are comprised of interest income from deposits with the ultimate controlling party and interest income on financial instruments at amortised cost.

Finance costs are comprised of interest expense from asset retirement obligations, interest expenses on lease liabilities, and interest expense on income taxes.

Interest income and interest expenses

Interest income and interest expenses are recognised using the effective interest method.

Income taxes

Income taxes

Income taxes are comprised of current and deferred taxes. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current taxes

Current taxes are the expected tax liabilities or assets on the taxable income or loss for the year. Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(3) ACCOUNTING POLICIES (Continued)

Income taxes (continued)

Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the current taxes relate to the same fiscal authority.

Deferred tax

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and/ or from tax losses carried forward.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is not recognised for the following:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when the deferred taxes relate to the same fiscal authority.

Property and equipment

Recognition and measurement

Property and equipment are stated at cost, net of accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of assets and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Gains and losses on disposal of property and equipment items are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised net within other income or other expenses, as relevant, in profit or loss.

Depreciation

Depreciation is recognised in profit or loss on a straight-line method over the estimated useful lives of each part of the asset.

The estimated useful lives for the current and comparative years are as follows:

Leasehold improvements	Based on the term of the lease contract
Office equipment, furniture and fixtures	4 – 20 years
Computer equipment	2 – 6 years
Right-of-use assets	Based on the term of the lease contract

(3) ACCOUNTING POLICIES (Continued)

Property and equipment (continued)

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount. Expenditure for repairs and maintenance of property and equipment is charged to profit or loss of the year in which it is incurred.

Derecognition

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial assets and financial liabilities

Financial assets and financial liabilities comprise non-derivative financial assets and non-derivative financial liabilities.

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument. A financial asset or a financial liability is recognised initially at its fair value.

Non-derivative financial assets

Non-derivative financial assets are comprised of cash and cash equivalents, trade and other receivables and other financial assets.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash at banks.

Trade and other receivables

Trade and other receivables are comprised of trade receivables, receivables from related parties. Trade and other receivables are initially recognised as per the determination of the transaction price in the revenue accounting policy. They are subsequently measured at amortised cost using the effective interest method, less allowances for expected credit losses. Receivables from related parties are priced on an arm's length basis, interest free, unsecured and usually subject to a payment term of 30 days.

Allowances for expected credit losses

The Company measures trade receivables and contract assets from contracts with customers at amortised cost less expected credit losses. The Company accounts for expected credit losses by recording an allowance on a portfolio basis. The Company applies the simplified impairment approach in that, on initial measurement of the receivables, the Company considers all credit losses that are expected to occur during the lifetime of the receivables. The Company uses a provision matrix to estimate these losses.

The default risk of the Company's trade receivables is managed separately, mainly based on assessing the creditworthiness of customers through external ratings and on the Company's past experience with the customers concerned. Based on this assessment, individual credit limits are established for each customer and deviations from such credit limits need to be approved by management.

The Company applies the simplified impairment approach using a provision matrix for all trade receivables and contract assets to take into account any lifetime expected credit losses already at initial recognition. For the purpose of the provision matrix, customers are clustered into different risk classes, mainly based on market information such as the country risk assessment of their country of origin. Loss rates used to reflect lifetime expected credit losses are determined using a roll-rate method based on the probability of a receivable progressing through different stages of being overdue and on the Company's actual credit loss experience over the past years. These loss rates are enhanced by forward-looking information to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions, and the expected changes in the economic conditions over the expected life of the receivables. Forward-looking information is based on changes in country risk ratings, or fluctuations in credit default swaps of countries of the customers the Company does business with. The Company continuously monitors outstanding receivables locally to assess whether there is objective evidence that the trade receivables and contract assets are credit-impaired. Evidence that trade receivables and contract assets are credit-impaired include, among the trade receivables being past due, information about significant financial difficulty of the customer or non-adherence to a payment plan. The Company considers receivables to be in default when the counterparty is unlikely to pay its obligations in full. However, a delay of payments (e.g. more than 90 days past due) in the normal course of business alone does not necessarily indicate a customer default.

Additionally, the Company recognises allowances for individual receivables if there is objective evidence of credit impairment.

(3) ACCOUNTING POLICIES (Continued)

Financial assets and financial liabilities (continued)

The Company writes off account balances either partially or in full if the management judges that the likelihood of recovery is remote, which might be evidenced, for example, when bankruptcy proceedings for a customer are finalised or when all enforcement efforts have been exhausted.

In the statement of profit or loss, expenses and related releases from allowances for expected credit losses from applying the provision matrix, from credit-impaired customer balances, and from write offs are included in other expenses or other income.

Other financial assets

Other financial assets are comprised of deposits with the ultimate controlling party and interest receivables.

Deposits with the ultimate controlling party

Deposits with the ultimate controlling party are cash pooling arrangements with balances that fluctuates from being positive to overdrawn. The amounts are variable interest bearing, available short-term and are held by the ultimate controlling party, SAP SE on behalf of the Company. Subsequent to initial recognition, deposits are measured at amortised cost using the effective interest method, less allowance for impairment of deposits.

Non-derivative financial liabilities

Non-derivative financial liabilities are comprised of lease liabilities and trade and other payables.

Leases

Identification of a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the following for a period of time in exchange for consideration:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company as a lessee

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases defined as leases with a lease term of 12 months or less and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The right-of-use asset comprise of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment.

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Company determines its incremental borrowing rate based on the country-specific government bond rate for the lease term, SAP SE's risk premium rate and the contract life.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in rent expenses in the statement of profit or loss.

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease terms have changed or there is a change in the assessment of exercising a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments changed as a result of modifications to an index, a rate or to expected payments under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a modification of a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(3) ACCOUNTING POLICIES (Continued)

Financial assets and financial liabilities (continued)

Trade and other payables

Trade and other payables are comprised of trade payables, other payables and payables to related parties. Trade and other payables are subsequently measured at amortised cost using the effective interest method. Payables to related parties are priced on an arm's length basis, interest free, unsecured and usually subject to a payment term of 30 days.

Derecognition

Financial assets are derecognised when the contractual rights of the Company to the cash flows from the asset expire, or the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. On derecognition of financial assets, the difference between the carrying amounts and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation of the Company, as specified in the agreement, expires or when it is discharged or cancelled. On derecognition of financial liabilities, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Fair value measurement

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year i.e. cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair values because of the short period to maturity.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to realise the asset or to settle the liability on net basis and simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the statement of financial position.

Other non-financial assets and other non-financial liabilities

Other non-financial assets and other non-financial liabilities are comprised of capitalised contract costs, contract assets, prepaid expenses, advances paid, advances received, payroll tax liabilities, goods and services tax (GST) and withholding tax (WHT).

Capitalised contract costs

Costs to obtain customer contracts

The assets the Company recognises for the incremental costs of obtaining a customer contract primarily consist of sales commissions earned by the Company's sales force and partners. Judgment is required in determining the amounts to be capitalised, particularly where the commissions are based on cumulative targets and where commissions relate to multiple performance obligations in one customer contract. The Company capitalises such cumulative target commissions for all customer contracts that count towards the cumulative target but only if nothing other than obtaining customer contracts can contribute to achieving the cumulative target. Commissions for contracts with multiple performance obligations or for probable renewals thereof are allocated to these performance obligations and probable renewals relative to the respective stand-alone selling price basis.

The Company's sales commission payments for customer contract renewals are typically not commensurate with the commissions paid for new contracts. Thus, the commissions paid for renewable new contracts also relate to expected renewals of these contracts. Consequently, the Company amortises sales commissions paid for new customer contracts on a straight-line basis over the expected contract life including probable contract renewals. Judgment is required in estimating these contract lives. In exercising this judgment, the management considers the Company's expectation about future contract renewals which management evaluates periodically to confirm that the resulting amortisation period properly reflects the expected contract life.

Commensurate payments are amortised over the contract term to which they relate.

Amortisation of the capitalised costs of obtaining customer contracts is classified as employee benefits expenses and agents' commissions.

The Company expenses incremental costs of obtaining a customer contract as incurred if the management expects an amortisation period of one year or less.

Costs to fulfil customer contracts

Capitalised set-up and implementation of cloud products and costs incurred to fulfil customer contracts mainly consist of direct costs for custom cloud development contracts as far as these costs are not in scope of other standards than NZ IFRS 15.

(3) ACCOUNTING POLICIES (Continued)

Other non-financial assets and other non-financial liabilities (continued)

These costs are amortised after completion of set-up and implementation or the development, respectively, on a straight-line basis over the expected life of the cloud subscription contract and including expected renewals. For the life of the contract, the Company considers management's expectation about future contract renewals which management evaluates periodically to confirm that the resulting amortisation period properly reflects the expected contract life.

In addition, the capitalised costs include third-party license fees which are amortised over the term of the third-party license contract. Judgment is required in evaluating whether costs are directly related to customer contracts and in estimating contract lives. The amortisation periods range from six to seven years depending on the type of offering.

Amortisation of the capitalised costs to fulfil contracts for custom cloud applications and extensions is classified as employee benefits expenses and royalties and licenses.

Prepaid expenses

Prepaid expenses are non-financial assets recognised in the statement of financial position when it is probable that future economic benefit will flow to the Company and the amounts can be measured reliably. Prepaid expenses are amortised over the period for which the expenses are incurred and recognised in profit or loss.

Advances paid

Advances paid are non-financial assets and are comprised of the payments made by the Company to the external parties for the acquisition of current assets.

Advances received

Advances received are non-financial liabilities and are comprised of the payments received from the Company's external parties for the future deliverables.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the GST incurred on a purchase of goods or services are not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Input GST represents the input taxes paid on the purchase of goods or services that the Company can claim against output GST received from sale of goods or services. GST is included in the statement of financial position as other non-financial assets when the net amount is positive and as other non-financial liabilities when the net amount is negative.

Withholding tax (WHT)

WHT is a special form of income tax paid to the government by the party making the respective payments instead of the party receiving the payments.

WHT is included in the statement of financial position as other non-financial assets and other non-financial liabilities on a gross basis.

Employee benefits

Short-term employee benefits

Salaries, vacation, bonuses, sales commissions and other employee benefits

Salaries, paid vacation and sick leave, bonuses, sales commissions, and other employee benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services during the reporting period. Short-term employee benefits are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis.

Post-employment benefits

Defined contribution pension plan

The Company maintains a defined contribution plan based on local practices and regulations. Amounts contributed by the Company under this plan are based on a percentage of the employees' salaries or on the amount of contributions made by employees and are recognised as part of pension expenses in profit or loss in the periods during which services are rendered by employees.

Share-based payments

Share-based payments are comprised of cash-settled awards and equity settled awards issued to employees.

The fair values of both cash-settled and equity-settled awards are measured at grant date using an option-pricing model. The fair value of equity-settled awards is not subsequently remeasured. The grant-date fair value of equity-settled awards is recognised as employee benefits expenses in the profit or loss over the period in which the employees become unconditionally entitled to the rights, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the actual number of equity-settled awards options that ultimately vest. Employees are granted discounts on certain share-based payments plans. Since those discounts are not dependent on future services to be provided by the employees, the discount is recognised as an expense when the rights are granted.

(3) ACCOUNTING POLICIES (Continued)

Share-based payments (continued)

Cash-settled awards are remeasured to fair value at each reporting date until the award is settled. Any changes in the fair value of the liability are recognised as employee benefits expenses in the profit or loss. The amount of unrecognised share-based payments expenses related to non-vested share-based payment arrangements is dependent on the final intrinsic value of the awards. The amount of unrecognised share-based payments expenses is dependent on the future price of the ultimate controlling party's common share which cannot be reasonably predicted.

Under certain programs, the Company grants its employees discounts on purchases of SAP SE shares. Since those discounts are not dependent on future services to be provided by our employees, the discount is recognised as an expense when the discounts are granted.

Certain assumptions are used in estimating the fair values for the Company's share-based payments plans, including expected share price volatility and expected award life (which represents the management's estimate of the average remaining life until the options are exercised or expire unexercised). In addition, final pay-out for these plans also depends on the achievement of performance indicators and SAP SE share price at the respective exercise dates. All these assumptions may significantly impact the fair value determination and thus the amount and timing of the share-based payments expenses.

Contract assets and contract liabilities

The Company recognises trade receivables for performance obligations satisfied over time gradually as the performance obligation is satisfied and in full once the invoice is due. Judgment is required in determining whether a right to consideration is unconditional and thus qualifies as a receivable.

Contract assets represent a right to consideration from the customer (for the delivery of free or discounted services) that is conditional upon providing the underlying product or service which will have the respective due invoices in the future. A contract asset will become a receivable when the customer payment becomes unconditional.

Contract liabilities primarily reflect invoices due or payments received in advance of revenue recognition.

In general, the Company invoices fees for on-premise standard software upon contract closure and software delivery. Periodic fixed fees for cloud subscription services, software support services, and other multiperiod agreements are invoiced yearly or quarterly in advance. Such fee prepayments account for the majority of the Company's contract liability balance. Fees based on actual transaction volumes for cloud subscriptions and fees charged for non-periodical services are invoiced as the services are delivered. While payment terms and conditions vary by contract type and region, the terms generally require payment within 30 to 60 days.

Provisions

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

The Company regularly adjusts provisions as further information becomes available or as circumstances change. Non-current provisions are reported at the present value of their expected settlement amounts as at the reporting date. Discount rates are regularly adjusted to current market interest rates.

Asset retirement obligations

The Company records a provision for decommissioning of leasehold improvements. Decommissioning costs are initially recognised at the present value of expected future costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the related asset.

The cash flows are discounted at a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the provision for decommissioning. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. Decommissioning costs are reviewed annually and adjusted as appropriate.

Share capital

Share capital is recognised as issued when it is paid for or subscribed under a binding subscription agreement and is measured at par value. Share capital consist of ordinary shares and is classified as equity.

Retained earnings

Retained earnings represent the cumulative balance of net profit or loss, dividend declaration, value of employee services received and equity-settled share-based payments, effect of changes in accounting policy and other equity adjustments.

Other reserves

Other reserves comprise comprise of common control transactions.

(3) ACCOUNTING POLICIES (Continued)

Other reserves (continued)

Common control transactions

Common control transactions are the acquisition of operations acquired under business combinations arising from transfers of interests in entities and/ or assets and liabilities, that are under the control of the related parties ultimately controlled by SAP SE, are recognised at the carrying amounts recognised previously in the transferor's financial statements. Any cash paid for the acquisition in excess of the carrying amounts is recognised directly in equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared. The holder of ordinary shares i.e. the immediate controlling party is entitled to receive dividends as and when declared by the Company and approved by the Board of Directors. Dividends to the shareholders are accounted for as a deduction from retained earnings.

Related parties

Related party relationship exists when one party has the ability to control the other party, directly or indirectly, through one or more intermediaries or exercise significant influence over the other party in making financial and operating decisions. Such relationships exist between the Company and its ultimate controlling party, SAP SE, between the Company and other related parties that are fellow subsidiaries under common control of SAP SE, and between the Company and its key management personnel. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

Comparative figures

Comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year. The reclassifications are not considered material and do not impact the financial statements as at the beginning of the earliest comparative period.

(4) OTHER FINANCIAL ASSETS

\$	Note	2022	2021
Deposits with the ultimate controlling party	(15)	40,721,793	49,690,156
Interest receivables		59,388	4,758
Total		40,781,181	49,694,914

(5) TRADE AND OTHER RECEIVABLES

\$	Note	2022	2021
Trade receivables		17,410,034	16,490,965
Receivables from related parties	(15)	7,228,518	7,845,478
Allowances for expected credit losses		-208,561	-23,274
Total		24,429,991	24,313,169

(6) OTHER NON-FINANCIAL ASSETS

\$	2022	2021
Current		
Capitalised contract costs to obtain customer contracts	3,500,591	2,908,702
Capitalised contract costs to fulfil customer contracts	791,482	698,503
Contract assets	1,445,992	1,782,105
Prepaid expenses	53,803	46,495
Advances paid	0	182
Withholding tax assets	63,199	29,026
Subtotal	5,855,067	5,465,013
Non-current		
Capitalised contract costs to obtain customer contracts	12,552,365	10,783,406
Capitalised contract costs to fulfil customer contracts	207,648	101,176
Subtotal	12,760,013	10,884,582
Total	18,615,080	16,349,595

Amortisation expenses from capitalised contract costs

\$	2022	2021
Capitalised contract costs to obtain customer contracts	3,207,339	2,207,312
Capitalised contract costs to fulfil customer contracts	2,211,587	1,470,603

(7) PROPERTY AND EQUIPMENT

\$	Right-of-use assets from leased land and buildings	Leasehold improvements	Office equipment, furniture and fixtures	Computer equipment	Total
Cost					
As at 31 December 2020	5,904,244	2,661,487	1,448,557	3,406,155	13,420,443
Additions	0	0	41,624	470,129	511,753
Disposals	0	0	0	-114,428	-114,428
Transfers	0	0	114,997	-114,997	0
As at 31 December 2021	5,904,244	2,661,487	1,605,178	3,646,859	13,817,768
Additions	1,660,677	54,007	176,700	1,015,052	2,906,436
Disposals	0	-182,167	-96,036	-839,091	-1,117,294
Adjustments	0	60,495	0	0	60,495
As at 31 December 2022	7,564,921	2,593,822	1,685,842	3,822,820	15,667,405
Accumulated depreciation					
As at 31 December 2020	-2,294,550	-2,449,805	-1,368,298	-2,843,165	-8,955,818
Depreciation	-1,017,756	-72,465	-38,519	-340,043	-1,468,783
Disposals	0	0	0	100,775	100,775
Transfers	0	0	-69,588	69,588	0
As at 31 December 2021	-3,312,306	-2,522,270	-1,476,405	-3,012,845	-10,323,826
Depreciation	-1,058,788	-57,897	-40,681	-566,659	-1,724,025
Disposals	0	150,615	95,928	833,574	1,080,117
As at 31 December 2022	-4,371,094	-2,429,552	-1,421,158	-2,745,930	-10,967,734
Net book value					
As at 31 December 2021	2,591,938	139,217	128,773	634,014	3,493,942
As at 31 December 2022	3,193,827	164,270	264,684	1,076,890	4,699,671

(8) INCOME TAXES

Income tax expense

\$	2022	2021
Current income tax expense		
Current income tax expense for current year	-1,920,740	-3,107,156
Current income tax benefit/ expense for prior years	82,005	-24,385
Subtotal	-1,838,735	-3,131,541
Deferred income tax expense		
Deferred income tax expense for current year	-111,802	-96,167
Deferred income tax benefit for prior years	67,003	84,751
Subtotal	-44,799	-11,416
Income tax expense	-1,883,534	-3,142,957

Effective income tax rate reconciliation

\$	2022	2021
Profit before income tax	7,141,119	16,346,454
Income tax expense at the applicable corporate tax rate of 28%	-1,999,513	-4,577,007
Adjustments		
Research and development tax incentive	0	1,391,581
Non-deductible expenses	-18,337	-7,374
Prior year taxes	149,008	60,366
Other permanent differences	-14,692	-10,523
Income tax expense	-1,883,534	-3,142,957

Deferred taxes

\$	As at 1 January 2022	Recognised in profit or loss	As at 31 December 2022
Deferred tax assets			
Trade and other receivables	6,517	51,880	58,397
Lease liabilities	746,074	178,895	924,969
Trade and other payables	199,043	-64,622	134,421
Employee benefits liabilities	3,909,715	-32,154	3,877,561
Provisions	142,381	-6,309	136,072
Deferred tax liabilities			
Property and equipment	-465,074	-172,489	-637,563
Net deferred tax assets	4,538,656	-44,799	4,493,857

\$	As at 1 January 2021	Recognised in profit or loss	As at 31 December 2021
Deferred tax assets			
Trade and other receivables	6,534	-17	6,517
Lease liabilities	1,063,678	-317,604	746,074
Trade and other payables	65,428	133,615	199,043
Employee benefits liabilities	4,050,348	-140,633	3,909,715
Provisions	142,381	0	142,381
Deferred tax liabilities			
Property and equipment	-778,297	313,223	-465,074
Net deferred tax assets	4,550,072	-11,416	4,538,656

(9) TRADE AND OTHER PAYABLES

\$	Note	2022	2021
Trade payables		1,170,999	1,253,410
Payables to related parties	(15)	33,758,480	26,631,185
Other payables		419,570	436,809
Total		35,349,049	28,321,404

(10) EMPLOYEE BENEFITS

Employee benefits liabilities

\$	2022	2021
Current		
Bonus accruals	6,573,694	6,979,169
Vacation accruals	4,036,556	3,771,042
Social security accruals	341,839	339,698
Cash-settled share-based payments liabilities	1,760,553	1,944,278
Other employee benefits liabilities	505,611	257,401
Subtotal	13,218,253	13,291,588
Non-current		
Social security accruals	33,210	29,858
Cash-settled share-based payments liabilities	1,079,279	995,230
Subtotal	1,112,489	1,025,088
Total	14,330,742	14,316,676

Employee benefits expenses

\$	2022	2021
Salaries	34,815,820	32,682,131
Social security expenses	559,740	564,747
Defined contribution pension plan expenses	1,118,811	1,141,631
Cash-settled share-based payments expenses	2,736,614	2,721,846
Equity-settled share-based payments expenses	902,020	611,975
Other employee benefits expenses	71,125	41,608
Total	40,204,130	37,763,938

(11) OTHER NON-FINANCIAL LIABILITIES

\$	2022	2021
Advances received	2,388,626	2,358,878
Payroll tax liabilities	105,519	92,788
Other taxes liabilities	5	5
Goods and services tax liabilities	3,881,095	1,635,742
Total	6,375,245	4,087,413

(12) CONTRACT LIABILITIES

Contract liabilities

\$	2022	2021
As at 1 January	18,870,163	18,237,992
Increases resulting from billing and invoices becoming due	70,868,111	72,510,024
Decreases resulting from satisfying performance obligations	-67,045,083	-71,877,853
As at 31 December	22,693,191	18,870,163

The amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the reporting period was \$18,486,986 (31 December 2021: \$13,950,756).

Remaining performance obligations

Amounts of a customer contract's transaction price that is allocated to the remaining performance obligations represents contracted revenue that has not yet been recognised. They include amounts recognised as contract liabilities and amounts that are contracted but not yet due.

The transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as at 31 December 2022 is \$292,723,533 (31 December 2021: \$243,343,745). This amount mostly comprises obligations to provide software support or cloud, as the respective contracts in general have durations of one or multiple years.

This estimation is judgmental, as it needs to consider estimates of possible future contract modifications. The amount of transaction price allocated to the remaining performance obligations, and changes in this amount over time, are impacted by, among others:

- Currency fluctuations
- The contract period of the Company's cloud and support contracts remaining at the balance sheet date and thus by the timing of contract renewals.

(13) EQUITY

Share capital

\$	2022	2021
Issued and fully paid		
100 ordinary shares of \$ 1 each	100	100
Total	100	100

Dividends

\$	2022	2021
Declared and paid	16,432,000	0

Imputation credits

\$	2022	2021
Imputation credits available for use in subsequent reporting periods	23,206,363	26,173,661

(14) OTHER EXPENSES

\$	Note	2022	2021
Other expenses with related parties	(15)	4,266,256	4,530,585
Recruitment, training and other personnel expenses		830,535	697,624
Repair and maintenance expenses		813,795	694,371
Travel expenses		485,169	105,148
Expected credit losses		291,364	54,168
Administrative expenses		219,737	270,649
Marketing expenses		176,343	125,358
Communication expenses		143,262	120,648
Insurance expenses		112,432	90,496
Rent expenses		98,712	102,315
Entertainment expenses		88,298	51,499
Other taxes and penalties expenses		65,127	27,142
Auditors' remuneration		46,830	48,097
Electronic data processing supplies expenses		46,211	68,667
Donations		43,142	107,982
Exchange rate differences		22,611	29,180
Legal fees		17,652	34,460
Documentation and training expenses		2,956	5,141
Losses on disposals of property and equipment		0	13,653
Governments grants		0	-29,709
Miscellaneous expenses		114,435	14,813
Total		7,884,867	7,162,287

(15) RELATED PARTIES

\$	2022	2021
Balances		
Deposits with the ultimate controlling party	40,721,793	49,690,156
Receivables from the ultimate controlling party	3,072,047	3,603,456
Receivables from other related parties	4,156,471	4,242,022
Payables to the ultimate controlling party	-25,698,435	-19,477,909
Payables to other related parties	-8,060,045	-7,153,276
Transactions		
Services revenue from the ultimate controlling party	24,705,156	22,267,867
Services revenue from other related parties	8,283,975	7,731,734
Other income from related parties	332,306	0
Internal royalties and licenses expenses with the ultimate controlling party	-61,147,570	-61,169,847
Internal royalties and licenses expenses with other related parties	-4,437,273	-4,917,930
Third party royalties and licenses expenses with the ultimate controlling party	-4,703,251	-5,054,157
Purchased services expenses with the ultimate controlling party	-27,440,330	-22,754,248
Purchased services expenses with other related parties	-28,429,060	-21,150,434
Other expenses with the ultimate controlling party	-2,550,264	-2,325,291
Other expenses with other related parties	-1,715,992	-2,205,294
Interest income from the deposits with the ultimate controlling party	1,050,512	110,373
Key management personnel remuneration		
Remuneration of the key management personnel is included in employee benefits expenses	-1,848,996	-1,387,010



Independent Auditor's Report

To the shareholders of SAP New Zealand Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of SAP New Zealand Limited (the 'Company') on pages 3 to 24:

- i. present fairly in all material respects the Company's financial position as at 31 December 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

We have audited the financial statements which comprise:

- the Statement of Financial Position as at 31 December 2022;
- the Statements of Profit or Loss, Changes in Equity and Cash Flows for the year then ended; and
- notes, including a summary of significant accounting policies.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.



Other information

The directors, on behalf of the Company, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime) issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our independent auditor's report.



KPMG
Sydney

21 April 2023