

# SAP NEW ZEALAND LIMITED

Annual Report  
31 December 2021

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# Company Information

## Directors

Damien Bueno

Adrian Griffin

Gina McNamara

Philip Cameron

Richard Thomas John Mclean

Scott Russell

Appointed on 7 March 2022

Appointed on 23 August 2021

Resigned on 7 March 2022

Resigned on 23 August 2021

Resigned on 9 April 2021

## 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 2021, 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

13 April 2022

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Adrian Griffin

Director

13 April 2022

# Statement of Financial Position

As at 31 December

\$	Notes	2021	2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		14,386,219	8,026,466
Other financial assets	(4)	49,694,914	44,808,687
Trade and other receivables	(5)	24,313,169	29,654,178
Other non-financial assets	(6)	5,465,013	6,853,930
<b>Total current assets</b>		<b>93,859,315</b>	<b>89,343,261</b>
<b>Non-current assets</b>			
Property and equipment	(7)	3,493,942	4,464,625
Other non-financial assets	(6)	10,884,582	7,775,747
Income tax assets		2,594,840	0
Deferred tax assets	(8)	4,538,656	4,550,072
<b>Total non-current assets</b>		<b>21,512,020</b>	<b>16,790,444</b>
<b>Total assets</b>		<b>115,371,335</b>	<b>106,133,705</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Lease liabilities		976,412	1,058,343
Trade and other payables	(9)	28,321,404	23,967,740
Employee benefits liabilities	(10)	13,291,588	14,121,964
Other non-financial liabilities	(11)	4,087,413	7,025,868
Contract liabilities	(12)	18,779,174	18,215,108
Income tax liabilities		0	4,405,641
<b>Total current liabilities</b>		<b>65,455,991</b>	<b>68,794,664</b>
<b>Non-current liabilities</b>			
Lease liabilities		1,688,138	2,740,507
Employee benefits liabilities	(10)	1,025,088	668,018
Provisions		508,502	508,502
Contract liabilities	(12)	90,989	22,884
<b>Total non-current liabilities</b>		<b>3,312,717</b>	<b>3,939,911</b>
<b>Equity</b>			
Share capital	(13)	100	100
Retained earnings		42,478,827	29,275,330
Other components of equity		4,123,700	4,123,700
<b>Total equity</b>		<b>46,602,627</b>	<b>33,399,130</b>
<b>Total liabilities and equity</b>		<b>115,371,335</b>	<b>106,133,705</b>

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

13 April 2022

Adrian Griffin

Director

13 April 2022

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 Financial Statements 2021

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# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

\$	Notes	2021	2020
Revenue			
Cloud		51,046,291	35,026,241
Software licenses		26,580,293	14,939,145
Software support		53,907,445	51,153,423
Software licenses and support		80,487,738	66,092,568
Cloud and software		131,534,029	101,118,809
Services		52,509,581	42,082,303
Total revenue		184,043,610	143,201,112
Material expenses			
Royalties, licenses and agents' commissions		-71,074,651	-55,447,904
Purchased services expenses		-50,304,016	-13,961,236
Total material expenses		-121,378,667	-69,409,140
Employee benefits expenses	(10)	-37,763,938	-34,599,557
Depreciation	(7)	-1,468,783	-1,669,438
Other expenses	(14)	-7,133,107	-22,664,451
Operating profit		16,299,115	14,858,526
Exchange rate differences		-29,180	-169,184
Finance income		141,552	199,679
Finance costs		-65,033	-94,530
Profit before income tax		16,346,454	14,794,491
Income tax expense	(8)	-3,142,957	-5,009,598
Profit after income tax		13,203,497	9,784,893
Other comprehensive income		0	0
Total comprehensive income		13,203,497	9,784,893

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 components of equity	Total
As at 31 December 2019		100	37,130,437	4,123,700	41,254,237
Profit after income tax		0	9,784,893	0	9,784,893
Dividends	(13)	0	-17,640,000	0	-17,640,000
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

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

# Statement of Cash Flows

For the year ended 31 December

\$	Notes	2021	2020
Cash flows from operating activities			
Profit after income tax		13,203,497	9,784,893
Adjustments			
Depreciation	(7)	1,468,783	1,669,438
Losses on disposals of property and equipment	(14)	13,653	41,710
Expected credit losses	(14)	54,168	15,761
Unrealised exchange rate differences		-4,301	111,349
Finance income		-141,552	-199,679
Finance costs		65,033	94,530
Income tax expense	(8)	3,142,957	5,009,598
		17,802,238	16,527,600
Changes in working capital			
Trade and other receivables		5,280,619	1,540,995
Other non-financial assets		-1,719,918	-5,997,563
Trade and other payables		4,353,664	3,864,891
Employee benefits liabilities		-473,306	4,908,949
Other non-financial liabilities		-2,938,455	2,568,522
Contract liabilities		632,171	1,226,529
		22,937,013	24,639,923
Interest received		141,552	216,208
Interest paid		-65,033	-93,236
Income tax paid		-10,121,499	-6,145,090
Net cash flows from operating activities		12,892,033	18,617,805
Cash flow from investing activities			
Changes in other financial assets		-4,886,227	-4,230,248
Payments for purchases of property and equipment	(7)	-511,753	-271,265
Proceeds from sales of property and equipment		0	3,240
Net cash flows used in investing activities		-5,397,980	-4,498,273
Cash flows from financing activities			
Payments for lease liabilities		-1,134,300	-1,109,690
Dividends paid	(13)	0	-17,640,000
Net cash flows used in financing activities		-1,134,300	-18,749,690
Net increase/ decrease in cash and cash equivalents		6,359,753	-4,630,158
Cash and cash equivalents as at 1 January		8,026,466	12,656,624
Cash and cash equivalents as at 31 December		14,386,219	8,026,466

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 13 April 2022.

### 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 in accordance with NZ IFRS RDR 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. Due to the currently unforeseeable global consequences of the Covid-19 pandemic, these management judgments and estimates are subject to increased uncertainty. All available information on the expected economic developments and governmental mitigation measures was included when updating the management judgments and estimates. Due to the global consequences of the Covid-19 pandemic, these management judgments and estimates continue to be subject to uncertainty. All available information on the expected economic developments and governmental mitigation measures was included when updating the management judgments and estimates. This information was also included in the analysis of the recoverability and collectability of assets and receivables.

As the pandemic continues, it remains difficult to predict its duration and the magnitude of its impact on assets, liabilities, results of operations, and cash flows. The management applied a scenario that assumes the Covid-19 situation will continue to improve as vaccine programs continue to take effect globally, leading to a growing demand environment in 2022.

## (2) BASIS OF PREPARATION (Continued)

### Management judgments and sources of estimation uncertainty (continued)

Although the management believes to have made reasonable estimates about the ultimate resolution of the underlying uncertainties, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in the Company's assets, liabilities, revenues, and expenses. Actual results could differ from original estimates.

The management reviews the critical accounting policies periodically.

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 expected credit losses

Determining the Company's expected credit loss allowance involves significant judgment. In this judgment, the Company primarily considers its historical experience with credit losses in the respective provision matrix risk class and current data on overdue receivables. The Company expects that its historical default rates represent a reasonable approximation for future expected customer defaults. Besides historical data, the management's judgment used in developing the provision matrix considers reasonable and supportable forward-looking information (for example, changes in country risk ratings, and fluctuations in credit default swaps of the countries in which the Company's customers are located).

The assessment of whether a receivable is collectible involves the use of judgment and requires the Company to make assumptions about customer defaults that could change significantly.

In applying this judgment, the Company evaluates available information about a particular customer's financial situation to determine whether it is probable that a credit loss had occurred and, if so, whether the amount of the loss is reasonably estimable. If it is, an allowance for that specific account is then necessary. Basing the expected credit loss allowance for the remaining receivables primarily on the Company's historical loss experience likewise requires judgment, as history may not be indicative of future development. Also, including reasonable and supportable forward-looking information in the loss rates of the expected credit loss allowance requires judgment, as they may not provide a reliable prognosis for future development. Changes in the management's estimates about the loss allowance could materially impact reported assets and expenses, and the Company's profit could be adversely affected if actual credit losses exceed the management's estimates.

#### 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 revenue sharing and cost reimbursement arrangements 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. As a result, judgment is necessary in determining the Company's income tax liabilities. The management makes the estimates about the ultimate resolution of the tax uncertainties based on current tax laws and the interpretation thereof. Changes to the assumptions underlying these estimates and outcomes that differ from these assumptions could require material adjustments to the carrying amount of the income tax liabilities.

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.

#### 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 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.

#### Revenue recognition

##### *Classes of revenue*

The Company derives its revenue from fees charged to the customers for cloud, software licenses, software support and services including consulting, customer-specific on-premise software development agreements, training, and other services.

##### Revenue from cloud

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

- Software-as-a-Service (SaaS), that is, a right to use software functionality in a cloud-based-infrastructure (hosting) provided by SAP, where the customer does not have the right to terminate the hosting contract and take possession of the software to run it on the customer's own IT infrastructure or by a third-party hosting provider without significant penalty, or
- Platform-as-a-Service (PaaS), that is, access to a cloud-based infrastructure to develop, run, and manage applications, or
- Infrastructure-as-a-Service (IaaS), that is, hosting services for software hosted by SAP, where the customer has the right to terminate the hosting contract and take possession of the software at any time without significant penalty and related application management services, or
- Premium cloud support beyond the regular support that is embedded in the basic cloud subscription fees, or
- Business Network Services that is connecting companies in a cloud-based-environment to perform business processes between the connected companies.

##### Revenue from software licenses

Revenue from software licenses represents fees earned from the sale or license of software to customers for use on the customer's premises. 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. The Company does not sell separately technical product support or unspecified software upgrades, updates, and enhancements.

##### Services revenue

Services revenue primarily represents fees earned from professional consulting services, premium support services, training services, messaging services, and payment services in connection with the Company's travel and expense management offerings.

##### *Identification of contract*

The Company frequently enters into multiple contracts with the same customer that the Company treats, for accounting purposes, as one 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.

##### *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

### (3) ACCOUNTING POLICIES (Continued)

#### Revenue recognition (continued)

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 or payments may be granted to customers and whether the customer is expected to pay the contractual fees. In this judgment, the management considers the history both with the respective customer and more broadly.

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, 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 and have highly variable pricing, 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.

##### 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 or customer-specific software.

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 custom 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.

Judgment 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 SAP's

### (3) ACCOUNTING POLICIES (Continued)

#### Revenue recognition (continued)

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.

#### Material expenses

Material expenses are mainly comprised of royalties and licenses, agents' commissions and cost of services and are recognised when software and cloud is sold to customers and 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 trade and other receivables, interest income from the deposits with the ultimate controlling party and interest income from income taxes.

Finance costs are comprised of interest expenses on lease liabilities, interest expenses on decommissioning of leasehold and interest expense from 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.

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.

### (3) ACCOUNTING POLICIES (Continued)

#### Income taxes (continued)

##### 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 carry 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	The shorter of the estimated useful lives and the lease term of the related leasehold
Office equipment, furniture and fixtures	3 – 15 years
Computer equipment	2 – 6 years
Right-of-use assets	The shorter of the estimated useful lives and the lease term of the underlying assets

### (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 and research and development grant receivables. 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 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 four 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 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.

#### Lease liabilities

##### 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. Payables to the ultimate controlling party for the royalties bear interest for the late royalty payments.

##### *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. 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 relating to multiple performance obligations or probable renewals thereof are allocated to these performance obligations and probable renewals on a relative stand-alone selling price basis.

In general, the Company either does not pay sales commissions for customer contract renewals or such commissions are 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 respective renewal history adjusted for indications that the renewal history is not fully indicative of future renewals.

Amortisation of the capitalised costs of obtaining customer contracts is classified as employee benefits expenses.

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 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. These costs are amortised after completion of the development on a straight-line basis over the expected life of the cloud subscription contract and including expected renewals. Judgment is required in evaluating whether costs are direct or indirect and in estimating contract lives. Derived from the Company's respective history, the amortisation period is typically seven to eight years.

Amortisation of the capitalised costs to fulfil customer contracts is classified as material expenses.

### (3) ACCOUNTING POLICIES (Continued)

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

#### *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 domestic 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 re-measured. 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.

Cash-settled awards are re-measured 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 granted under the cash-settled plans 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, SAP grants its employees discounts on purchases of SAP 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 future stock price volatility and expected option life (which represents the management's estimate of the average amount of

### (3) ACCOUNTING POLICIES (Continued)

#### Employee benefits (continued)

time remaining until the options are exercised or expire unexercised). In addition, final pay-out for these plans also depends on the 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 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.

#### Decommissioning provisions

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 components of equity

Other components of equity comprise of common control transactions.

#### 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.

**(3) ACCOUNTING POLICIES (Continued)***Related parties (continued)**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.

*Events after the reporting period*

Events after the reporting period that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to financial statements, when material.

**(4) OTHER FINANCIAL ASSETS**

\$	Note	2021	2020
Deposits with the ultimate controlling party	(15)	49,690,156	44,807,370
Interest receivables		4,758	1,317
<b>Total</b>		<b>49,694,914</b>	<b>44,808,687</b>

**(5) TRADE AND OTHER RECEIVABLES**

\$	Note	2021	2020
Trade receivables, gross		16,490,965	24,485,363
Allowances for expected credit losses		-23,274	-23,337
Trade receivables, net		16,467,691	24,462,026
Receivables from related parties	(15)	7,845,478	4,224,216
Research and development grant receivables		0	967,936
<b>Total</b>		<b>24,313,169</b>	<b>29,654,178</b>

**(6) OTHER NON-FINANCIAL ASSETS**

\$	2021	2020
<b>Current</b>		
Capitalised contract costs to obtain customer contracts	2,908,702	2,179,311
Capitalised contract costs to fulfil customer contracts	698,503	574,042
Contract assets	1,782,105	617,148
Prepaid expenses	46,495	653,772
Advances paid	182	260,715
Goods and services tax receivables	0	2,568,942
Withholding tax assets	29,026	0
<b>Subtotal</b>	<b>5,465,013</b>	<b>6,853,930</b>
<b>Non-current</b>		
Capitalised contract costs to obtain customer contracts	10,783,406	7,775,747
Capitalised contract costs to fulfil customer contracts	101,176	0
<b>Subtotal</b>	<b>10,884,582</b>	<b>7,775,747</b>
<b>Total</b>	<b>16,349,595</b>	<b>14,629,677</b>

**Amortisation expenses from capitalised contract costs**

\$	2021	2020
Capitalised contract costs to obtain customer contracts	2,207,312	1,638,527
Capitalised contract costs to fulfil customer contracts	1,470,603	728,975

**(7) PROPERTY AND EQUIPMENT**

\$	Right-of-use assets from leased land and buildings	Leasehold improvements	Office equipment, furniture and fixtures	Computer equipment	Total
<b>Cost</b>					
As at 31 December 2019	5,729,111	2,661,487	1,446,027	3,480,331	13,316,956
Additions	175,133	0	2,530	268,735	446,398
Disposals	0	0	0	-342,911	-342,911
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
<b>Accumulated depreciation</b>					
As at 31 December 2019	-1,189,076	-2,295,933	-1,301,524	-2,842,758	-7,629,291
Depreciation	-1,105,474	-153,872	-66,774	-343,318	-1,669,438
Disposals	0	0	0	342,911	342,911
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
<b>Net book value</b>					
As at 31 December 2020	3,609,694	211,682	80,259	562,990	4,464,625
As at 31 December 2021	2,591,938	139,217	128,773	634,014	3,493,942

**(8) INCOME TAXES**

## Income tax expense

\$	2021	2020
<b>Current income tax expense</b>		
Current income tax expense for current year	-3,107,156	-4,975,426
Current income tax expense for prior year	-24,385	0
Subtotal	-3,131,541	-4,975,426
<b>Deferred income tax expense</b>		
Deferred income tax expense/ benefit for current year	-96,167	823,366
Deferred income tax benefit/ expense for prior years	84,751	-857,538
Subtotal	-11,416	-34,172
Income tax expense	-3,142,957	-5,009,598

## Effective income tax rate reconciliation

\$	2021	2020
Profit before income tax	16,346,454	14,794,491
Income tax expense at the applicable corporate tax rate of 28%	-4,577,007	-4,142,457
<b>Adjustments</b>		
Research and development tax incentive	1,391,581	0
Non-deductible expenses	-7,374	-9,278
Prior year taxes	60,366	-857,538
Other permanent differences	-10,523	-325
Income tax expense	-3,142,957	-5,009,598

## (8) INCOME TAXES (continued)

## Deferred taxes

\$	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

\$	As at 1 January 2020	Recognised in profit or loss	As at 31 December 2020
Deferred tax assets			
Trade and other receivables	2,121	4,413	6,534
Lease liabilities	1,309,500	-245,822	1,063,678
Trade and other payables	1,058,707	-993,279	65,428
Employee benefits liabilities	2,751,754	1,298,594	4,050,348
Provisions	142,018	363	142,381
Deferred tax liabilities			
Property and equipment	-679,856	-98,441	-778,297
Net deferred tax assets	4,584,244	-34,172	4,550,072

## (9) TRADE AND OTHER PAYABLES

\$	Note	2021	2020
Trade payables		1,253,410	905,194
Payables to related parties	(15)	26,631,185	22,860,427
Other payables		436,809	202,119
Total		28,321,404	23,967,740

**(10) EMPLOYEE BENEFITS**

## Employee benefits liabilities

\$	2021	2020
Current		
Bonus accruals	6,979,169	9,048,283
Vacation accruals	3,771,042	3,082,385
Social security accruals	339,698	377,406
Cash-settled share-based payments liabilities	1,944,278	1,415,291
Other employee benefits liabilities	257,401	198,599
Subtotal	13,291,588	14,121,964
Non-current		
Social security accruals	29,858	19,457
Cash-settled share-based payments liabilities	995,230	648,561
Subtotal	1,025,088	668,018
<b>Total</b>	<b>14,316,676</b>	<b>14,789,982</b>

## Employee benefits expenses

\$	2021	2020
Salaries	32,682,131	30,752,258
Social security expenses	564,747	774,861
Defined contribution pension plan expenses	1,141,631	902,229
Cash-settled share-based payments expenses	2,721,846	1,544,991
Equity-settled share-based payments expenses	611,975	581,579
Other employee benefits expenses	41,608	43,639
<b>Total</b>	<b>37,763,938</b>	<b>34,599,557</b>

**(11) OTHER NON-FINANCIAL LIABILITIES**

\$	2021	2020
Advances received	2,358,878	1,394,559
Payroll tax liabilities	92,788	32,328
Withholding tax liabilities	0	5,598,976
Other taxes liabilities	5	5
Goods and services tax liabilities	1,635,742	0
<b>Total</b>	<b>4,087,413</b>	<b>7,025,868</b>

**(12) CONTRACT LIABILITIES**

## Contract liabilities

Current contract liabilities at 31 December 2021 were \$18,779,174 (31 December 2020: \$18,215,108).

Non-current contract liabilities at 31 December 2021 were \$90,989 (31 December 2020: \$22,884).

Increases in contract liabilities resulting from billing and invoices becoming due were \$72,510,024. Decreases in contract liabilities resulting from satisfying performance obligations were \$71,877,853.

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 \$13,950,756 (31 December 2020: \$14,069,410).

## 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.

**(12) CONTRACT LIABILITIES (Continued)**

The transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as at 31 December 2021 was \$243,343,745 (31 December 2020: \$230,921,433). 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

\$	2021	2020
Issued and fully paid		
100 ordinary shares of \$ 1 each	100	100
Total	100	100

## Dividends

\$	2021	2020
Declared and paid	0	17,640,000

## Imputation credits

\$	2021	2020
Imputation credits available for use in subsequent reporting periods	26,173,661	22,913,173

**(14) OTHER EXPENSES**

\$	Note	2021	2020
Other expenses with related parties	(15)	4,530,585	22,344,909
Recruitment, training and other personnel expenses		697,624	730,678
Repair and maintenance expenses		694,371	517,348
Administrative expenses		270,649	174,191
Marketing expenses		125,358	173,839
Communication expenses		120,648	172,316
Donations		107,982	107,500
Travel expenses		105,148	580,786
Rent expenses		102,315	66,847
Insurance expenses		90,496	90,462
Electronic data processing supplies expenses		68,667	31,999
Expected credit losses		54,168	15,761
Entertainment expenses		51,499	65,338
Auditors' remuneration		48,097	49,469
Legal fees		34,460	80,281
Other taxes and penalties expenses		27,142	57,104
Losses on disposals of property and equipment		13,653	41,710
Documentation and training expenses		5,141	4,332
Governments grants		-29,709	-2,666,730
Miscellaneous expenses		14,813	26,311
Total		7,133,107	22,664,451

**(15) RELATED PARTIES**

The following table presents the balances and transactions with the related parties, in addition to the information disclosed elsewhere in the financial statements.

\$	2021	2020
<b>Balances</b>		
Deposits with the ultimate controlling party	49,690,156	44,807,370
Receivables from the ultimate controlling party	3,603,456	2,075,002
Receivables from other related parties	4,242,022	2,149,214
Payables to the ultimate controlling party	-19,477,909	-18,078,015
Payables to other related parties	-7,153,276	-4,782,412
<b>Transactions</b>		
Services revenue from the ultimate controlling party	22,267,867	19,072,083
Services revenue from other related parties	7,731,734	6,836,173
Internal royalties and licenses expenses with the ultimate controlling party	-61,169,847	-46,588,385
Internal royalties and licenses expenses with other related parties	-4,917,930	-4,852,725
Third party royalties and licenses expenses with the ultimate controlling party	-5,054,157	-4,208,562
Purchased services expenses with the ultimate controlling party	-22,754,248	-2,701,894
Purchased services expenses with other related parties	-21,150,434	-5,549,126
Other expenses with the ultimate controlling party	-2,325,291	-15,491,994
Other expenses with other related parties	-2,205,294	-6,852,915
Interest income from the deposits with the ultimate controlling party	110,373	163,856
<b>Key management personnel remuneration</b>		
Remuneration of the key management personnel is included in employee benefits expenses	-1,387,010	-1,298,374

**(16) EVENTS AFTER THE REPORTING DATE**

There have been no significant events after the reporting period which may affect either the Company's operations or results of those operations or the Company's state of affairs.



# 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 2021 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.

We have audited the accompanying financial statements which comprise:

- the Statement of Financial Position as at 31 December 2021;
- the Statements of Profit or Loss and Other Comprehensive Income, 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);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and 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

13 April 2022