

TRX EUROPE LIMITED

Registered Number: 03841799

Annual Report 31 December 2022

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TRX EUROPE LIMITED (REGISTERED NUMBER: 03841799)

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TRX EUROPE LIMITED (REGISTERED NUMBER: 03841799)

Company Information

Directors

Renaud Heyd
Harrison Robert

Secretary

Taylor Wessing Secretaries Limited

Registered office

Clockhouse Place Bedfont Road, Feltham Middlesex, United Kingdom, TW14 8HD (since 19 April 2021)

Company number

03841799

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Company has recognised a profit after tax of £106,180 for the year ended 31 December 2022 (2021: £68,232), and as at that date, shows net current assets of £2,120,180.

The Company is a party to intercompany services agreements by which group companies at times provide and receive services from each other and as needed. In addition, there are cash pooling arrangements between certain participating group companies in place whereby all the company's cash balances are held by related group companies and corresponding receivables are held by the company. These arrangements are administered and made available by its ultimate controlling party, SAP SE. The Company is further dependent on the financial support of its ultimate controlling party, SAP SE, which has provided the Company with a letter of support undertaking to provide the Company with financial support to enable the Company to fulfil its liabilities as they fall due, and not to call for settlement of any amounts it owes SAP SE or its subsidiaries where to do so would set the Company in an insolvent position. The directors are not aware of any facts indicating that the financial support of the holding company will not be forthcoming and are thus of the opinion that there is sufficient funding available to enable the Company to meet its obligations as they fall due.

Accordingly, on the basis of this continued support, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Directors

The directors who served during the year were:

Renaud Heyd

Michiel Verhoeven

Resigned on 31 January 2023

Directors' Report (Continued)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small companies note

In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 3 November 2023 and signed on its behalf.

DocuSigned by:

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Renaud Heyd
Director

Independent auditor's report to the members of TRX Europe Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of TRX Europe Limited ("the Company") for the year ended 31 December 2022 which comprise Statement of Financial Position, Statement of Profit or Loss, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of TRX Europe Ltd (Continued)

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the *Companies Act 2006* requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Responsibilities of Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of TRX Europe Ltd (Continued)

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, and relevant tax compliance legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred;

Independent auditor's report to the members of TRX Europe Ltd (Continued)

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Independent auditor's report to the members of TRX Europe Ltd (Continued)
- Performing procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these;

Based on our risk assessment, we considered the areas most susceptible to fraud to the potential management override of controls through journal entries.

Our procedures in respect of the above included:

- We gained an understanding of legal and regulatory framework, and how the Company is complying with reporting requirements by making inquiries of management.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override. We have considered the processes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors that processes and controls.
- In response to the risk of management override of control, our procedures included journal entry testing, with a focus on unusual transactions based on our knowledge of the business which were agreed to supporting documentation where applicable; and enquiries with Management and those charged with governance regarding any instances of known or suspected fraud during the year.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

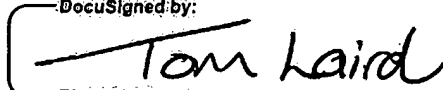
TRX EUROPE LIMITED (REGISTERED NUMBER: 03841799)

Independent auditor's report to the members of TRX Europe Ltd (Continued)

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Tom Laird (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 03 November 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

TRX EUROPE LIMITED (REGISTERED NUMBER: 03841799)

Statement of Financial Position

As at 31 December 2022

£	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents		0	3,072,332
Other financial assets	(4)	2,452,383	0
Receivables from related parties		155,984	290,619
Other non-financial assets		2,771	64,700
Total current assets		2,611,138	3,427,651
Non-current assets			
Other financial assets	(4)	8,778	0
Property and equipment	(5)	11,359	8,571
Total non-current assets		20,137	8,571
Total assets		2,631,275	3,436,222
Liabilities and equity			
Current liabilities			
Lease liabilities		4,731	0
Trade and other payables	(6)	244,333	1,151,479
Employee benefits liabilities	(7)	214,960	257,238
Other non-financial liabilities		26,934	23,816
Total current liabilities		490,958	1,432,533
Non-current liabilities			
Lease liabilities		9,392	0
Employee benefits liabilities	(7)	43,962	22,906
Total non-current liabilities		53,354	22,906
Equity			
Share capital	(8)	20,100	20,100
Share premium		5,767,686	5,767,686
Accumulated losses		-3,700,823	-3,807,003
Total equity		2,086,963	1,980,783
Total liabilities and equity		2,631,275	3,436,222

The notes on pages 12 to 21 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 November 2023.

DocuSigned by:

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Renaud Heyd
 Director

TRX EUROPE LIMITED (REGISTERED NUMBER: 03841799)

Statement of Profit or Loss

For the year ended 31 December 2022

£	Notes	2022	2021
Services revenue from related parties		1,769,885	1,810,415
Total revenue		1,769,885	1,810,415
Employee benefits expenses	(7)	-1,301,181	-1,261,293
Depreciation	(5)	-3,377	-1,749
Other expenses	(9)	-388,397	-479,141
Operating profit		76,930	68,232
Finance income		29,250	0
Profit before income tax		106,180	68,232
Income tax	(10)	0	0
Profit after income tax		106,180	68,232

The notes on pages 12 to 21 form part of these financial statements.

TRX EUROPE LIMITED (REGISTERED NUMBER: 03841799)

Statement of Changes in Equity

For the year ended 31 December 2022

£	Share capital	Share premium	Accumulated losses	Total
As at 31 December 2020	20,100	5,767,686	-3,875,235	1,912,551
Profit of the year	0	0	68,232	68,232
As at 31 December 2021	20,100	5,767,686	-3,807,003	1,980,783
Profit of the year	0	0	106,180	106,180
As at 31 December 2022	20,100	5,767,686	-3,700,823	2,086,963

The notes on pages 12 to 21 form part of these financial statements.

TRX EUROPE LIMITED (REGISTERED NUMBER: 03841799)

Notes to the Financial Statements

(1) REPORTING ENTITY

TRX Europe Limited ('the Company') is a limited company registered and domiciled in the United Kingdom. The registered number is 03841799 and the address of its registered office and principal place of business is Clockhouse Place Bedfont Road, Feltham Middlesex TW14 8HD. The Company is registered as a private company limited by shares.

TRX Europe Limited is a wholly owned subsidiary of TRX UK Limited, a company registered in the United Kingdom.

The Company's ultimate controlling party is SAP Societas Europaea ("SAP SE"), a company registered in Germany. Copies of the group accounts, which include the result of the company, are available from SAP SE, Dietmar-Hopp-Allee 16, 69190 Walldorf, Germany.

The Company's principal activities are the supply of Services and Support, training as well as account management and IT services.

(2) BASIS OF PREPARATION

Statement of compliance

The financial statements of the Company have been prepared in accordance with the Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out in section "Disclosure exemptions" where advantage of the FRS 101 disclosure exemptions has been taken.

Basis of measurement

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

- Financial assets at fair value through profit or loss and 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.

Disclosures exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

A Statement of Cash Flows and related notes;

Certain disclosures regarding revenue;

- Certain disclosures regarding leases;
- Disclosures in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Comparative prior period reconciliation for property and equipment.

As the consolidated financial statements of the ultimate controlling party include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Share based payments – details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined as per paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payment; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments: Disclosures.

(2) BASIS OF PREPARATION (Continued)

Functional and presentation currency

The Company's functional and presentation currency is British pound sterling (£). All amounts included in the financial statements are reported in British pound sterling (£) unless otherwise stated. All financial information has been rounded to the nearest British pound sterling (£) unless otherwise indicated.

Going concern

The Company has recognised a profit after tax of £106,180 for the year ended 31 December 2022 (2021: £68,232), and as at that date, shows net current assets of £2,120,180.

The Company is a party to intercompany services agreements by which group companies at times provide and receive services from each other and as needed. In addition, there are cash pooling arrangements between certain participating group companies in place whereby all the company's cash balances are held by related group companies and corresponding receivables are held by the company. These arrangements are administered and made available by its ultimate controlling party, SAP SE. The Company is further dependent on the financial support of its ultimate controlling party, SAP SE, which has provided the Company with a letter of support undertaking to provide the Company with financial support to enable the Company to fulfil its liabilities as they fall due, and not to call for settlement of any amounts it owes SAP SE or its subsidiaries where to do so would set the Company in an insolvent position. The directors are not aware of any facts indicating that the financial support of the holding company will not be forthcoming and are thus of the opinion that there is sufficient funding available to enable the Company to meet its obligations as they fall due.

Accordingly, on the basis of this continued support, the financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Management judgments and sources of estimation uncertainty

The preparation of the Company's financial statements in accordance with the FRS 101 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.

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.

(2) BASIS OF PREPARATION (Continued)

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

The Company derives its revenue from services to related parties, which represents fees earned from the provision of selling, marketing and consulting service from the immediate controlling party and is computed at a mark-up on certain operating expenses incurred.

Measurement of revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognised net of returns, trade discounts, and volume rebates.

Timing of revenue recognition

The Company does not start recognising revenue from customer arrangements before evidence of an arrangement exists, the amount of revenue and associated costs can be measured reliably, collection of the related receivable is probable, and the delivery has occurred, or the services have been rendered.

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.

Finance income

Finance income are comprised of interest income from income taxes and interest income on financial instruments at amortised cost.

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.

Changes to corporation tax rate

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate to from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Deferred taxes

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.

(3) ACCOUNTING POLICIES (Continued)

Income taxes (continued)

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; and

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:

Computer equipment	2 – 6 years;
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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.

(3) ACCOUNTING POLICIES (Continued)

Financial assets and financial liabilities(continued)

Receivables from related parties

Receivables from related parties 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 price on an arm's length basis, interest free, unsecured and usually subject to payment term of 30 days.

Other financial assets

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

Deposits with the ultimate controlling party

Deposits with the ultimate controlling party are cash pooling arrangements with balances that fluctuate 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. The applicable interest rate is set at the monthly average of 1 month British pound sterling (GBP) SONIA interest rate minus 0.15%.

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.

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.

Other non-financial assets and other non-financial liabilities

Other non-financial assets and other non-financial liabilities are mainly comprised of advances paid, value added tax (VAT), other taxes and payroll tax liabilities.

Value-added tax (VAT)

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

Input VAT represents the input taxes paid on the purchase of goods or services that the Company can claim against output VAT received from sale of goods or services. VAT 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.

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 (up to 8.75%) of the employees' salaries and are recognised as part of defined contribution 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.

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(3) ACCOUNTING POLICIES (Continued)**Employee benefits (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 the Company 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.

Share premium

The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Share premium is not available for distribution.

Accumulated losses

Accumulated losses represent the cumulative balance of net profit or loss, effect of changes in accounting policy and other equity adjustments.

(4) OTHER FINANCIAL ASSETS

£	2022	2021
Current		
Deposits with the ultimate controlling party	2,447,236	0
Sub-lease receivable from employees	5,147	0
Subtotal	2,452,383	0
Non-current		
Sub-lease receivable from employees	8,778	0
Subtotal	8,778	0
Total	2,461,161	0

(5) PROPERTY AND EQUIPMENT

£	Computer equipment
Cost	
As at 31 December 2021	12,014
Additions	6,165
As at 31 December 2022	18,179
Accumulated depreciation	
As at 31 December 2021	-3,443
Depreciation	-3,377
As at 31 December 2022	-6,820
Net book value	
As at 31 December 2021	8,571
As at 31 December 2022	11,359

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(6) TRADE AND OTHER PAYABLES

£	2022	2021
Trade payables	8,730	1,463
Payables to related parties	184,358	1,033,926
Other payables	51,245	116,090
Total	244,333	1,151,479

(7) EMPLOYEE BENEFITS**Average number of employees**

Average number of full-time equivalents, part-time and other contractually employed persons	2022	2021
Development	13	13
Communications	9	9
Temporary	4	4
Total	26	26

Employee benefits liabilities

£	2022	2021
Current		
Social security accruals	36,811	36,011
Bonus accruals	97,224	136,727
Cash-settled share-based payments liabilities	54,700	45,626
Vacation accruals	8,122	20,535
Other employee benefits liabilities	18,103	18,339
Subtotal	214,960	257,238
Non-current		
Social security accruals	7,464	5,106
Cash-settled share-based payments liabilities	36,498	17,800
Subtotal	43,962	22,906
Total	258,922	280,144

Employee benefits expenses

£	2022	2021
Salaries	907,062	949,623
Social security expenses	146,028	134,378
Defined contribution pension plan expenses	78,026	75,295
Cash-settled share-based payments expenses	89,409	53,306
Equity-settled share-based payments expenses	23,601	14,980
Global mobility expenses	57,055	33,711
Total	1,301,181	1,261,293

Share-based payments

The Company's ultimate controlling party SAP SE ("SAP") has granted awards under various cash-settled and equity-settled share-based payments to the employees. Most of these awards are described in detail below. SAP has other share-based payment plans not described below, which are individually and in aggregate, immaterial to the financial statements.

(7) EMPLOYEE BENEFITS (Continued)

Cash-settled share-based payments

Move SAP Plan (Move 2020-2021) including Grow SAP Plan

To retain and engage executives and certain employees, the Company granted virtual shares representing a contingent right to receive a cash payment determined by the SAP SE share price and the number of share units that ultimately vest. Obligations from outstanding share units granted before 2022 will continue to be settled in cash.

In June 2020, 2021 and 2022, respectively the Company granted share units under the new Grow SAP Plan that the Company intends to settle in cash. This fixed term plan has broadly the same terms and conditions as the Move SAP Plan, recognises all employees' commitment to SAP group's success, and deepens their participation in SAP groups's future performance. In previous years, grants under the Covid-19 Recognition Plan and the Restricted Stock Unit Plan were also included.

Different vesting schedules apply to specific share units. Granted share units under the respective plans will vest in different tranches, as follows:

- Restricted Stock Units (RSUs) with service condition only
 - Over a half-year period,
 - Over a three-year period on annual basis,
 - Over a three-year period on a quarterly basis after a waiting period of six months, or
- Performance Share Units (PSUs) with service condition and upon achieving certain key performance indicators (KPIs)
 - Over a three-year period, or
 - Over a three-year period on a quarterly basis after a waiting period of twelve months.

From 2021 onwards, the number of PSUs that will vest under the different tranches is mainly contingent upon achievement of two equally weighted SAP group's KPIs in the year of grant: operating profit (non-IFRS at constant currencies) and cloud revenue (at constant currencies). Until 2021, operating profit (non-IFRS at constant currencies) was the only KPI. Depending on the weighted average performance, the number of PSUs vesting ranges between 0% and 200% of the number initially granted. Performance against the KPI target was 84.3% in 2022 (2021: 130.9%).

Move SAP Plan (Move 2022)

Under the previous policy, the Company had serviced obligations arising from Move plan with cash payments, but starting in 2022, the Company granted share units to its employees, with the intention to settle from then on predominantly in SAP SE shares upon vesting. This transaction is a group share-based payment transaction, and the Company has classified this as cash-settled. Most of the share units vest quarterly over three years after a six-month waiting period. In addition, PSUs are subject to the achievement of two equally weighted SAP group's KPIs in the year of grant: operating profit (non-IFRS at constant currencies) and cloud revenue (at constant currencies).

Different vesting schedules apply to specific share units. Granted share units will vest in different tranches as follows:

- RSUs with service condition only
 - Over a half-year period,
 - Over a three-year period on a quarterly basis after a waiting period of six months, or
- PSUs with service condition and upon achieving certain key performance indicators (KPIs)
 - Over a one-year period,
 - Over a three-year period on a quarterly basis after a waiting period of twelve months.

Equity-settled share-based payments

Own SAP Plan (Own)

Under Own, employees have the opportunity to purchase, on a monthly basis, SAP shares without any required holding period. The investment per each eligible employee is limited to a percentage of the respective employee's monthly base salary. SAP matches the employee investment by 40% and adds a subsidy of €20 per month for non-executives. As part of SAP's 50th anniversary celebration, SAP's contribution was temporarily doubled from 40% to 80% from January to March 2022 contributing to the peak in 2022.

As a result of Own SAP Plan, the Company has commitments to grant SAP shares to employees. The Company has fulfilled and intends to continue to meet these commitments through an agent who administers the equity-settled programs and purchases shares on the open market.

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(8) SHARE CAPITAL

£	2022	2021
Authorised, issued and fully paid		
20,100 ordinary shares of £ 1 each	20,100	20,100
Total	20,100	20,100

The Ordinary shares have full voting, dividends and capital distribution rights attached to them.

(9) OTHER EXPENSES

£	2022	2021
Rent expenses with related parties	185,047	297,548
Other expenses with related parties	132,118	122,134
Auditors' remuneration	36,776	43,642
Legal fees	9,374	3,043
Exchange rate differences	6,780	-1,296
Administrative expenses	6,273	5,056
Communication expenses	5,383	7,053
Travel expenses	2,968	501
Expected credit losses	1,534	0
Rent expenses	696	0
Miscellaneous expenses	1,448	1,460
Total	388,397	479,141

(10) INCOME TAXES

£	2022	2021
Profit before income tax	106,180	68,232
Income tax expense at the applicable corporate tax rate of 19%	-20,174	-12,964
Adjustments		
Previously unrecognised tax losses brought to account	20,174	12,964
Income tax	0	0

As at December 2022 the Company has an unrecognised deferred tax asset of £49,816 relating to excess depreciation over capital allowances and other timing differences, and £728,456 in respect of losses. The deferred tax asset has not been recognised in respect of these assets as the company does not anticipate taxable profits will arise in the immediate future. The asset would be recovered if suitable profits were made in the future periods.

(11) DIRECTORS' REMUNERATION

£	2022	2021
Aggregate emoluments	17,329	59,224
Company pension contributions to defined contribution pension schemes	80	1,334

No directors exercised share options in the year (2021: Four directors). There were two directors in respect of whose services shares were received or receivable under long term incentive schemes in 2022 (2021: four).

The directors' remuneration is under the payroll of other related companies within SAP Group and is allocated in proportion to the time of service provided to the Company.

(12) EVENTS AFTER THE REPORTING PERIOD

On 31 October 2023, Company has passed a special resolution to reduce the share premium and issued capital of the Company amounting by £5,767,686 and 20,098 share of £1 each, respectively.