



## Danske Lønsystemer A/S

Engholm Parkvej 8  
3450 Allerød  
CVR No. 15611472

## Annual report 01.06.2022 - 31.05.2023

The Annual General Meeting adopted the annual  
report on 29.11.2023

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**Peter Tvermoes Meier**  
Chairman of the General Meeting

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# Entity details

## Entity

Danske Lønssystemer A/S  
Engholm Parkvej 8  
3450 Allerød

Business Registration No.: 15611472  
Registered office: Allerød  
Financial year: 01.06.2022 - 31.05.2023

## Board of Directors

Efrain Rivera  
Stephanie Lynn Schaeffer  
John Bradley Gibson JR

## Executive Board

Henrik Basso Reichsthaler Møller

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 Copenhagen S

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Danske Lønssystemer A/S for the financial year 01.06.2022 - 31.05.2023.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.05.2023 and of the results of its operations for the financial year 01.06.2022 - 31.05.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 29.11.2023

## Executive Board

**Henrik Basso Reichsthaler Møller**

## Board of Directors

**Efrain Rivera**

**Stephanie Lynn Schaeffer**

**John Bradley Gibson JR**

# Independent auditor's report

## To the shareholders of Danske Lønssystemer A/S

### Opinion

We have audited the financial statements of Danske Lønssystemer A/S for the financial year 01.06.2022 - 31.05.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.05.2023 and of the results of its operations for the financial year 01.06.2022 - 31.05.2023 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 29.11.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Mads Buch**

State Authorised Public Accountant  
Identification No (MNE) mne47793

# Management commentary

## Financial highlights

	2022/23	2021/22	2020/21	2019/20	2018/19
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Gross profit/loss	67,386	67,475	62,619	65,470	67,058
Operating profit/loss	36,780	34,211	38,335	43,719	47,415
Net financials	3,360	(14,456)	(720)	(489)	(541)
Profit/loss for the year	30,808	11,656	29,832	33,797	43,358
Total assets	199,242	169,687	164,621	130,672	96,853
Equity	174,586	143,778	132,122	102,290	68,495
<b>Ratios</b>					
Return on equity (%)	19.35	8.45	25.45	39.58	92.61
Equity ratio (%)	87.63	84.73	80.26	78.28	70.72

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$



### **Primary activities**

The company develops, markets and supports software and systems for the development and management of human resources and payroll. The company's products are mainly sold in Denmark.

### **Development in activities and finances**

The Company's income statement for 2022/23 shows a profit of DKK 30,808 thousand as against DKK 11,656 thousand in 2021/22. Equity in the Company's balance sheet at 31 May 2023 stood at DKK 174,586 thousand as against DKK 143,778 thousand at 31 May 2022.

The increase in the profit is in line with managements expectation.

### **Profit/loss for the year in relation to expected developments**

The increase in the profit is in line with managements expectation

### **Outlook**

The company expects activity growth and revenue in the new financial year for its product. We are expecting a positive EBITDA of 38 million DKK in the following year.

### **Knowledge resources**

It is important that the company has the necessary intellectual capital resources. Importance is placed by management on attracting, developing and maintaining qualified employees.

### **Environmental performance**

The Company's products do not have a negative environmental impact.

### **Research and development activities**

During the financial year the company conducted development activities for existing and new products. Costs associated with development activities are recognized directly in the income statement and expensed.

### **Events after the balance sheet date**

There have been no events after the balance sheet date that has a significant impact on the assessment of the annual report.

# Income statement for 2022/23

	Notes	2022/23 DKK'000	2021/22 DKK'000
<b>Gross profit/loss</b>		<b>67,386</b>	<b>67,475</b>
Staff costs	1	(29,503)	(28,619)
Depreciation, amortisation and impairment losses		(1,103)	(4,645)
<b>Operating profit/loss</b>		<b>36,780</b>	<b>34,211</b>
Financial expenses from group enterprises		3,577	0
Other financial expenses	2	(217)	(14,456)
<b>Profit/loss before tax</b>		<b>40,140</b>	<b>19,755</b>
Tax on profit/loss for the year	3	(9,332)	(8,099)
<b>Profit/loss for the year</b>	4	<b>30,808</b>	<b>11,656</b>

# Balance sheet at 31.05.2023

## Assets

	Notes	2022/23 DKK'000	2021/22 DKK'000
Completed development projects	6	3,648	4,751
<b>Intangible assets</b>	5	<b>3,648</b>	<b>4,751</b>
<b>Fixed assets</b>		<b>3,648</b>	<b>4,751</b>
Trade receivables		950	9,849
Receivables from group enterprises		161,880	137,324
Deferred tax	7	0	258
Other receivables		0	3,328
Prepayments	8	0	2,378
Timing differences		12,027	0
<b>Receivables</b>		<b>174,857</b>	<b>153,137</b>
<b>Cash</b>		<b>20,737</b>	<b>11,799</b>
<b>Current assets</b>		<b>195,594</b>	<b>164,936</b>
<b>Assets</b>		<b>199,242</b>	<b>169,687</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022/23</b> <b>DKK'000</b>	<b>2021/22</b> <b>DKK'000</b>
Contributed capital		600	600
Reserve for development expenditure		2,846	3,706
Retained earnings		11,140	139,472
Proposed dividend		160,000	0
<b>Equity</b>		<b>174,586</b>	<b>143,778</b>
Deferred tax	7	221	0
<b>Provisions</b>		<b>221</b>	<b>0</b>
Tax payable		8,854	8,099
Other payables		0	150
<b>Non-current liabilities other than provisions</b>		<b>8,854</b>	<b>8,249</b>
Prepayments received from customers		1,830	86
Trade payables		405	1,097
Payables to group enterprises		0	6,280
Tax payable		8,709	7,277
Other payables		4,637	2,920
<b>Current liabilities other than provisions</b>		<b>15,581</b>	<b>17,660</b>
<b>Liabilities other than provisions</b>		<b>24,435</b>	<b>25,909</b>
<b>Equity and liabilities</b>		<b>199,242</b>	<b>169,687</b>
Contingent liabilities	9		
Non-arm's length related party transactions	10		
Group relations	11		

# Statement of changes in equity for 2022/23

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	600	3,706	139,472	0	143,778
Transfer to reserves	0	(860)	860	0	0
Profit/loss for the year	0	0	(129,192)	160,000	30,808
<b>Equity end of year</b>	<b>600</b>	<b>2,846</b>	<b>11,140</b>	<b>160,000</b>	<b>174,586</b>

# Notes

## 1 Staff costs

	<b>2022/23</b>	<b>2021/22</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	26,606	25,297
Pension costs	2,336	2,920
Other social security costs	333	402
Other staff costs	228	0
	<b>29,503</b>	<b>28,619</b>
Average number of full-time employees	<b>43</b>	<b>42</b>

Pursuant to section 98b (3) of the Danish Financial Statements Act, the Company have not disclosed information about remuneration of the Management.

## 2 Other financial expenses

	<b>2022/23</b>	<b>2021/22</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial expenses from group enterprises	0	14,068
Other interest expenses	109	329
Exchange rate adjustments	31	30
Other financial expenses	77	29
	<b>217</b>	<b>14,456</b>

## 3 Tax on profit/loss for the year

	<b>2022/23</b>	<b>2021/22</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Current tax	8,854	7,462
Change in deferred tax	(37)	0
Adjustment concerning previous years	515	637
	<b>9,332</b>	<b>8,099</b>

## 4 Proposed distribution of profit and loss

	<b>2022/23</b>	<b>2021/22</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Ordinary dividend for the financial year	160,000	0
Retained earnings	(129,192)	11,656
	<b>30,808</b>	<b>11,656</b>

## 5 Intangible assets

	<b>Completed development projects DKK'000</b>
Cost beginning of year	9,396
<b>Cost end of year</b>	<b>9,396</b>
Amortisation and impairment losses beginning of year	(4,645)
Amortisation for the year	(1,103)
<b>Amortisation and impairment losses end of year</b>	<b>(5,748)</b>
<b>Carrying amount end of year</b>	<b>3,648</b>

## 6 Development projects

Development projects relate to the development of software. Costs for ongoing development projects are included at cost. The value of ongoing development projects is expected to be at least equal to the book value, based on expectations of future earnings resulting from the development project. There is uncertainty associated with these expectations, as the value of the development project depends on continued customer growth in the company.

## 7 Deferred tax

	<b>2022/23 DKK'000</b>	<b>2021/22 DKK'000</b>
<b>Changes during the year</b>		
Beginning of year	258	895
Recognised in the income statement	(479)	(637)
<b>End of year</b>	<b>(221)</b>	<b>258</b>

Deferred tax relates to intangible assets, property, plant and equipment.

## 8 Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

## 9 Contingent liabilities

The entity has issued a letter of support to its parent company Lessor Group ApS.

## 10 Non-arm's length related party transactions

	<b>Parent DKK'000</b>	<b>Other related parties DKK'000</b>
Intercompany interests (1%)	3,577	0
Intercompany loans	14,099	6,455

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. During the financial year, related party transactions have been conducted on an arm's length basis in addition to the above transactions. All transactions relates to the Danish joint taxation.

## 11 Group relations

Danske Lønssystemer A/S' related parties comprise the following:

Lessor Group ApS, Engholm Parkvej 8, 3450 Allerød.

Lessor Group ApS holds the majority of the contributed capital in the Company.

Danske Lønssystemer A/S is part of the consolidated financial statements of Paychex, Inc., 911 Panorama Trail S. 14625 New York, USA, which is the smallest and largest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Paychex, Inc. can be obtained by contacting the Company at the address above.



# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

## Changes in accounting policies

The Entity has changed its accounting policies with regard to expected useful live of their intangible assets. As the change have no numeric affect on the annual report, this will not be presented below.

The change in accounting policies relates to a change in the useful lifetime of intangible assets, from 4 years, to 5 years.

Furthermore, the Entity has changed its accounting policies with regard to the presentation of Completed Development Projects (prior year Software).

Management has in current year, reassessed the nature of the assets presented as Software / Completed Development Projects, and deemed that these should be accounted for as Development projects in accordance with Danish GAAP. Consequently, the presentation is adjusted in accordance with section 83 of The Danish Financial Statements Act.

The change in accounting policies has no impact on the balances of prior and current year, except for Reserve for development expenditure.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. equity.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income and external expenses.

#### Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, software for own usage etc. This item also includes writedowns of receivables recognised in current assets.

#### Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

#### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

#### Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

#### Other financial expenses

Other financial expenses comprise interest income and expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc. Furthermore other financial expenses consist of impairment on receivables from group companies.

#### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Balance sheet

### Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-10 years.

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the disposal date, and are recognized in the income statement as other operating income or other operating costs, respectively.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Timing differences

Timing differences comprise of revenue related to current financial year, which is to be invoiced in the following financial year. Timing differences are measured at cost.

### Cash

Cash comprises cash in hand and bank deposits.

**Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Tax receivable or payable**

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Cash flow statement**

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement in the consolidated financial statements of Paychex Inc, 911 Panorama Trail South, Rochester, New York 14625-2396.