

Lessor A/S

Engholm Parkvej 8
3450 Allerød
Denmark

CVR no. 24 24 00 10

Annual report 2020/21

The annual report was presented and approved at
the Company's annual general meeting on

9 / 8 November 2021

Henrik Møller
Chairman

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Lessor A/S
Annual report 2020/21
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lessor A/S for the financial year 1 June 2020 – 31 May 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 May 2021 and of the results of the Company's operations for the financial year 1 June 2020 – 31 May 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

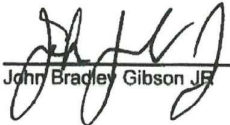
We recommend that the annual report be approved at the annual general meeting.

Allerød, 5 November 2021 9 November 2021
Executive Board:


Henrik Basso Reichsthaler
Møller
CEO

Board of Directors:


Efrain Rivera
Chairman


John Bradley Gibson Jr.


Stephanie Lynn Schaeffer

Independent auditor's report

To the shareholders of Lessor A/S

Opinion

We have audited the financial statements of Lessor A/S for the financial year 1 June 2020 – 31 May 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 May 2021 and of the results of the Company's operations for the financial year 1 June 2020 – 31 May 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 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 in preparing the financial statements unless Management either intends to liquidate the Company 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 Company'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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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's review

Management is responsible for the Management's review.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review 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's review.

Copenhagen, 9 November 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Kim Schmidt
State Authorised
Public Accountant
mne34552

Lessor A/S
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Management's review

Company details

Lessor A/S
Engholm Parkvej 8
3450 Allerød

Telephone: 48166000
Website: www.lessor.dk

CVR no.: 24 24 00 10
Established: 25 May 1976
Registered office: Allerød
Financial year: 1 June – 31 May

Board of Directors

Efrain Rivera, Chairman
John Bradley Gibson JR
Stephanie Lynn Schaeffer

Executive Board

Henrik Basso Reichsthaler Møller, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
CVR no. 25 57 81 98

Management's review

Financial highlights

DKK'000	2020/21	2019/20	2018/19	2017/18	2016
Key figures					
Gross profit/loss	95,730	88,380	73,705	239,897	67,210
Profit/loss before financial income and expenses	-2,816	-6,865	-9,990	136,910	16,771
Profit/loss from financial income and expenses	-153	6,956	1,470	-1,285	32
Profit/loss for the year	-1,326	1,580	-5,049	104,573	12,987
Balance sheet					
Total assets	67,617	112,098	110,875	113,646	71,625
Equity	-808	518	-8,063	-3,015	2,912
Investment in property, plant and equipment	229	1,740	12,616	186	373
Ratios					
Return on invested capital	-3.1%	1.4%	1.6%	147.9%	23.4%
Return on equity	-914.5%	41.9%	91.2%	-523,280.0%	181.0%
Solvency ratio	-1.2%	0.5%	-7.3%	-2.7%	4.1%

The financial ratios have been calculated as follows:

Return on invested capital $\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$

Return on equity $\frac{\text{Net income}}{\text{Average equity}}$

Solvency ratio $\frac{\text{Equity ex. non-controlling interests at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$

Management's review

Operating review

Principal 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 and Germany.

Development in activities and financial position

The Company's income statement for 2020/21 shows a profit of DKK'000 -1,326 as against DKK'000 1,580 in 2019/20. Equity in the Company's balance sheet at 31 May 2021 stood at DKK'000 -808 as against DKK'000 518 at 31 May 2020.

Significant events

There have been no significant events during the year.

Special risks

The Company is not exposed to any special risks.

Environmental matters

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

Outlook for the coming year

The Company expects activity growth and a revenue of approximately DKK 120 million in the new financial year for Lessor products. This growth will be driven primarily by migration to the new Lessor Løn product platform.

Research and development

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.

Intellectual capital

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

Material uncertainties regarding going concern

The Company has on 31 May 2021, lost more than half of its equity. The Company plans to bring the equity back to a sufficient level by a capital increase from its parent Company Lessor Group ApS, which is planned to be completed before the 31st of December 2021.

Management's review

Operating review

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.

Financial statements 1 June – 31 May

Income statement

DKK'000	Note	2020/21	2019/20
Gross profit		95,730	88,380
Staff costs	3	-94,557	-91,616
Depreciation, amortisation and impairment losses		-3,989	-3,629
Loss before financial income and expenses		-2,816	-6,865
Other financial income	4	89	7,304
Other financial expenses	5	-242	-348
Profit/loss before tax		-2,969	91
Tax on profit/loss for the year	6	1,643	1,489
Profit/loss for the year	7	-1,326	1,580

Financial statements 1 June – 31 May

Balance sheet

DKK'000	Note	31/5 2021	31/5 2020
ASSETS			
Fixed assets			
Intangible assets	8		
Software		4,623	1,563
Property, plant and equipment	9		
Land and buildings		8,721	8,906
Fixtures and fittings, tools and equipment		7,217	10,673
		15,938	19,579
Total fixed assets		20,561	21,142
Current assets			
Receivables			
Trade receivables		7,537	9,186
Receivables from group entities		23,210	12,724
Other receivables		2,627	3,596
Deferred tax asset	10	2,386	9,103
Corporation tax		3,571	0
Prepayments	11	5,051	5,865
		44,382	40,474
Cash at bank and in hand		2,674	50,482
Total current assets		47,056	90,956
TOTAL ASSETS		67,617	112,098

Financial statements 1 June – 31 May

Balance sheet

DKK'000	Note	31/5 2021	31/5 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital		500	500
Retained earnings		-1,308	18
Total equity		-808	518
Liabilities			
Current liabilities			
Prepayments received from customers		46,062	49,772
Trade payables		648	593
Payables to group entities		0	43,384
Other payables		21,715	17,831
		68,425	111,580
Total liabilities		68,425	111,580
TOTAL EQUITY AND LIABILITIES		67,617	112,098
Disclosure of material uncertainties regarding going concern	2		
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Financial statements 1 June – 31 May

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 June 2020	500	18	518
Transferred over the distribution of loss	0	-1,326	-1,326
Equity at 31 May 2021	500	-1,308	-808

Financial statements 1 June – 31 May

Notes

1 Accounting policies

The annual report of Lessor A/S for 2020/21 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Paychex Inc, 911 Panorama Trail South, Rochester, New York 14625-2396.

Change in comparative figures

Few reclassifications have been made in the comparison figures between "staff costs" and "other external costs" to comply with the current year presentation.

Foreign currency translation

The Company's reporting currency is DKK, every other currency is considered as foreign exchange.

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency positions are considered as securing of future cash flows, revaluations are included directly in equity.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods, comprising the sale of software and hardware etc., is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and the economic benefits will be submitted to the company.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

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

Amortization of the following intangible assets is provided on a straight-line basis over the expected useful lives of the assets.

The expected useful lives are as follows:

Software

4 years

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

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.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and write-downs.

Cost includes the purchase price and costs directly related to the acquisition until the time when the asset is ready to be used.

Interest expenses on loans taken directly to finance the production of tangible fixed assets are recognized in the cost price over the manufacturing period. All indirectly attributable borrowing costs are recognized in the income statement.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	100 years
Fixtures and fittings, tools and equipment	4-10 years

The useful life and residual value are reassessed annually.

Land is not depreciated.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

Prepayments

Prepayments recognized as assets comprise prepaid costs relating to rent, insurance premiums, subscriptions and interest.

Cash at bank and in hand

Cash at bank and in hand comprise cash.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

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

Prepayments and deferred income

Prepayments recognized as liabilities consist of received payments relating to income in subsequent financial years.

Financial statements 1 June – 31 May

Notes

2 Material uncertainties regarding going concern

The Company has on 31 May 2021, lost more than half of its equity. The Company plans to bring the equity back to a sufficient level by a capital increase from its parent Company Lessor Group ApS, which is planned to be completed before the 31th of December 2021.

3 Staff costs

DKK'000	2020/21	2019/20
Wages and salaries	85,401	83,308
Pensions	8,504	7,454
Other social security costs	652	854
	<u>94,557</u>	<u>91,616</u>
Average number of full-time employees	<u>106</u>	<u>101</u>

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

4 Other financial income

Other financial income	81	34
Exchange gains	8	0
Profit from sale of Lessor GmbH	0	7,270
	<u>89</u>	<u>7,304</u>

5 Other financial expenses

Interest expenses	<u>242</u>	<u>348</u>
	<u>242</u>	<u>348</u>

6 Tax on profit for the year

Current tax for the year	-8,360	0
Deferred tax for the year	5,630	-1,489
Adjustment of deferred tax concerning previous years	1,087	0
	<u>-1,643</u>	<u>-1,489</u>

7 Proposed profit appropriation/distribution of loss

Retained earnings	<u>-1,326</u>	<u>1,580</u>
	<u>-1,326</u>	<u>1,580</u>

Financial statements 1 June – 31 May

Notes

8 Intangible assets

DKK'000	Software
Cost at 1 June 2020	1,591
Additions for the year	3,179
Cost at 31 May 2021	4,770
Amortisation and impairment losses at 1 June 2020	-28
Amortisation for the year	-119
Amortisation and impairment losses at 31 May 2021	-147
Carrying amount at 31 May 2021	4,623

9 Property, plant and equipment

DKK'000	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 June 2020	13,502	16,045	29,547
Additions for the year	0	229	229
Cost at 31 May 2021	13,502	16,274	29,776
Revaluations at 1 June 2020	-2,500	0	-2,500
Revaluations at 31 May 2021	-2,500	0	-2,500
Depreciation and impairment losses at 1 June 2020	-2,096	-5,372	-7,468
Depreciation for the year	-185	-3,685	-3,870
Depreciation and impairment losses at 31 May 2021	-2,281	-9,057	-11,338
Carrying amount at 31 May 2021	8,721	7,217	15,938

10 Deferred tax asset

DKK'000	31/5 2021	31/5 2020
Deferred tax at 1 June	9,103	7,577
Adjustment, primo	-1,087	37
Deferred tax of the year	-5,630	1,489
	2,386	9,103

11 Prepayments

Prepayments recognized as assets comprise prepaid costs relating to rent, insurance premiums, subscriptions and interest.

Financial statements 1 June – 31 May

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12 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

The Company has contingent liabilities of DKK'000 8,756.

13 Related party disclosures

Lessor A/S' related parties comprise the following:

Control

Lessor Group A/S, Engholm Parkvej 8, 3450 Allerød.

Lessor Group A/S holds the majority of the contributed capital in the Company.

Lessor 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.

Related party transactions

In accordance with section 98c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.