

LESSOR Group ApS

Engholm Parkvej 8
3450 Allerød
Denmark

CVR no. 37 54 56 94

Annual report 2021/22

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

28 December 2022

Henrik Basso Reichsthaler
Chairman of the annual general meeting

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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 Group ApS for the financial year 1 June 2021 – 31 May 2022.

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 2022 and of the results of the Company's operations for the financial year 1 June 2021 – 31 May 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Allerød, 28 December 2022
Executive Board:

Henrik Basso Reichsthaler
Møller
CEO

Board of Directors:

Efrain Rivera
Chairman

Stephanie Lynn Schaeffer

John Bradley Gibson JR



Independent auditor's report

To the shareholder of Lessor Group ApS

Independent auditor's report on the financial statements

Opinion

We have audited the financial statements of Lessor Group ApS for the financial year 1 June 2021 – 31 May 2022 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 2022 and of the results of the Company's operations for the financial year 1 June 2021 – 31 May 2022 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' 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 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.

Independent auditor's report

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.
- 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.



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Independent auditor's report

Report on other legal and regulatory requirements

Non-compliance with the Danish Financial Statements Act

The Company has failed to file its annual report for 2021/22 with the Danish Business Authority within the filing deadline laid down by the Danish Financial Statements Act. The Company's Management may incur liability for this respect.

Copenhagen, 28 December 2022

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Kim Schmidt
State Authorised
Public Accountant
mne34552

Ilhan Dogan
State Authorised
Public Accountant
mne47842

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Management's review

Company details

Lessor Group ApS
Engholm Parkvej 8
3450 Allerød
Denmark

| | |
|--------------------|-----------------|
| Telephone: | 48160000 |
| CVR no.: | 37 54 56 94 |
| Established: | 17 March 2016 |
| Registered office: | Allerød |
| Financial year: | 1 June – 31 May |

Board of Directors

Efrain Rivera, Chairman
Stephanie Lynn Schaeffer
John Bradley Gibson JR

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

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, The Netherlands and Germany.

Development in activities and financial position

The Company's income statement for 2021/22 shows a profit of DKK -49,043 thousand as against DKK -13,259 thousand in 2020/21. Equity in the Company's balance sheet at 31 May 2022 stood at DKK 422,234 thousand as against DKK 471,277 thousand at 31 May 2021.

Material error prior period

In 2021/22, management concluded that the investment in subsidiary was incorrectly recognized in prior years. This due merger and acquisitions between the Ipayroll Holding ApS, Lessor Holding ApS, AX IV Holding III ApS and AX IV Holding II ApS. Consequently, the comparatives and the equity as of 31 May 2021 have been restated in this financial statements.

The restatement impacts the comparatives, and the opening equity as follows:

- Investment in group entities decreased by DKK 50,344 thousand
- Contributed capital, decreased by DKK 7,875 thousand
- Retained earnings decreased by DKK 42,469 thousand

Classification changes

Reclassification changes of DKK 478,575 thousand has been made between 'Share premium' and retained earnings.

The classification change did not impact net equity at 31 May 2020/21.

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 group revenue of approximately DKK 296 million in the new financial year for Lessor and Emplay products.

Management's review

Operating review

Research and development activities

During the financial year, the Company conducted development activities for existing and new products. Costs associated with development activities are recognised 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.

Events after the balance sheet date

On 7th of November 2022, the Company received USD 2.000.000 (DKK 15.027.936) capital contribution from its ultimate parent company Paychex Inc. in the USA. No other 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 | 2021/22 | 2020/21 |
|--|------|-----------------------|-----------------------|
| Gross profit | | 54,217 | 22,500 |
| Staff costs | 2 | <u>-29,884</u> | <u>-20,995</u> |
| Profit before financial income and expenses | | 24,333 | 1,505 |
| Income from equity investments in group entities | | -64,074 | -14,304 |
| Other financial income | 3 | 19 | 0 |
| Other financial expenses | 4 | <u>-97</u> | <u>-65</u> |
| Loss before tax | | -39,819 | -12,864 |
| Tax on loss for the year | 5 | <u>-9,224</u> | <u>-395</u> |
| Loss for the year | | <u><u>-49,043</u></u> | <u><u>-13,259</u></u> |
| Proposed distribution of loss | | | |
| Retained earnings | | <u>-49,043</u> | <u>-13,259</u> |
| | | <u><u>-49,043</u></u> | <u><u>-13,259</u></u> |

Financial statements 1 June – 31 May

Balance sheet

| DKK'000 | Note | 31/5 2022 | 31/5 2021 |
|--------------------------------------|------|-----------------------|-----------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible assets | | | |
| Completed development projects | | 27,130 | 0 |
| Development projects in progress | | 0 | 7,592 |
| | | <u>27,130</u> | <u>7,592</u> |
| Investments | 6 | | |
| Equity investments in group entities | | <u>549,392</u> | <u>614,080</u> |
| Total fixed assets | | <u>576,522</u> | <u>621,672</u> |
| Current assets | | | |
| Receivables | | | |
| Receivables from group entities | | 15,114 | 0 |
| Other receivables | | 75 | 2 |
| Deferred tax asset | | 484 | 2,803 |
| Corporation tax | | 0 | 6,747 |
| Prepayments | | 235 | 0 |
| | | <u>15,908</u> | <u>9,552</u> |
| Cash at bank and in hand | | <u>3,137</u> | <u>10,648</u> |
| Total current assets | | <u>19,045</u> | <u>20,200</u> |
| TOTAL ASSETS | | <u><u>595,567</u></u> | <u><u>641,872</u></u> |

Financial statements 1 June – 31 May

Balance sheet

| DKK'000 | Note | 31/5 2022 | 31/5 2021 |
|---|------|-----------------------|-----------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Contributed capital | | 2,411 | 2,411 |
| Share premium | | 0 | 478,575 |
| Retained earnings | | 419,823 | -9,709 |
| Total equity | | <u>422,234</u> | <u>471,277</u> |
| Provisions | | | |
| Other provisions | | 4,875 | 37,924 |
| Total provisions | | <u>4,875</u> | <u>37,924</u> |
| Liabilities other than provisions | | | |
| Current liabilities other than provisions | | | |
| Trade payables | | 3,710 | 496 |
| Payables to group entities | | 148,957 | 121,250 |
| Other payables | | 15,791 | 10,925 |
| | | <u>168,458</u> | <u>132,671</u> |
| Total liabilities other than provisions | | <u>168,458</u> | <u>132,671</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>595,567</u></u> | <u><u>641,872</u></u> |
| Contractual obligations, contingencies, etc. | 7 | | |
| Related party disclosures | 8 | | |

Financial statements 1 June – 31 May

Statement of changes in equity

| DKK'000 | Contributed capital | Share premium | Retained earnings | Total |
|--|------------------------|------------------|----------------------|----------------|
| Equity at 1 June 2021 | 10,286 | 478,575 | 32,760 | 521,621 |
| Net effect from adjustment of material error | -7,875 | 0 | -42,469 | -50,344 |
| Transferred over the distribution of loss | 0 | 0 | -49,043 | -49,043 |
| Transfer from share premium account | 0 | -478,575 | 478,575 | 0 |
| Equity at 31 May 2022 | 2,411 | 0 | 419,823 | 422,234 |

Financial statements 1 June – 31 May

Notes

1 Accounting policies

The annual report of Lessor Group ApS for 2021/22 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

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

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Lessor Group ApS and group entities are included in the consolidated financial statements of Paychex Inc, 911 Panorama Trail South, Rochester, New York 14625-2396

Material errors

In 2021/22, management concluded that the investment in subsidiary was incorrectly recognized in prior years. This due merger and acquisitions between the Ipayroll Holding ApS, Lessor Holding ApS, AX IV Holding III ApS and AX IV Holding II ApS. Consequently, the comparatives and the equity as of 31 May 2021 have been restated in this financial statements

The restatement impacts the comparatives, and the opening equity as follows:

- Investment in group entities decreased by DKK 50,344 thousand
- Contributed capital, decreased by DKK 7,875 thousand
- Retained earnings decreased by DKK 42,469 thousand

Classification changes

Reclassification changes of DKK 478,575 thousand has been made between 'Share premium' and retained earnings.

The classification change did not impact net equity at 31 May 2020/21.

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.

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.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

Income statement

Gross profit

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

Revenue

Revenue from asset management is recognised when the services are delivered. The services includes the management function, economy function, payroll and management of IT.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets.

Other external costs

Other external costs comprise costs of distribution, 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.

Income from equity investments in group entities

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

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 loss for the year

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.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

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

Development costs and costs for internally generated rights are recognised in the income statement in the acquisition year.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognized in the income statement as incurred.

Development costs recognized in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 5 years.

Investments

Equity investments in subsidiaries are measured at the proportionate share of the entities' net asset value calculated in accordance with the Parent Company's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in subsidiaries with negative net asset values are measured at DKK 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Parent Company has a legal or constructive obligation to cover a negative balance exceeding the receivable, the residual amount is recognised as provisions.

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.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

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.

Prepayments

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

Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

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 than provisions

Other liabilities are measured at amortised cost.

Financial statements 1 June – 31 May

Notes

| DKK'000 | <u>2021/22</u> | <u>2020/21</u> |
|--|----------------|----------------|
| 2 Staff costs | | |
| Wages and salaries | 26,161 | 18,191 |
| Pensions | 3,648 | 2,906 |
| Other social security costs | <u>75</u> | <u>-102</u> |
| | <u>29,884</u> | <u>20,995</u> |
| | | |
| Average number of full-time employees | <u>18</u> | <u>14</u> |
| 3 Other financial income | | |
| Interest income from group entities | <u>19</u> | <u>0</u> |
| | <u>19</u> | <u>0</u> |
| 4 Other financial expenses | | |
| Interest expense to group entities | 37 | 45 |
| Other financial costs | 30 | 20 |
| Exchange losses | <u>30</u> | <u>0</u> |
| | <u>97</u> | <u>65</u> |
| 5 Tax on loss for the year | | |
| Current tax for the year | 299 | 395 |
| Deferred tax for the year | -484 | 0 |
| Adjustment of tax concerning previous years | 6,606 | 0 |
| Adjustment of deferred tax concerning previous years | <u>2,803</u> | <u>0</u> |
| | <u>9,224</u> | <u>395</u> |

Financial statements 1 June – 31 May

Notes

6 Investments

| DKK'000 | Equity investments in group entities |
|---------------------------------------|---|
| Cost at 1 June 2021 | 641,904 |
| Cost at 31 May 2022 | 641,904 |
| Revaluations at 1 June 2021 | -27,824 |
| Net profit/loss for the year | 10,018 |
| Impairment | -36,667 |
| Amortization for the year | -38,039 |
| Revaluations 31 May 2022 | -92,512 |
| Carrying amount at 31 May 2022 | 549,392 |

| Name | Registered office | Voting rights and ownership interest |
|-----------------------------------|----------------------|---|
| Lessor A/S | Allerød | 100% |
| Danske Lønssystemer A/S | Allerød | 100% |
| Emply ApS | Glostrup | 100% |
| Ilohngehalt Internetservices GmbH | Germany | 100% |
| Norlønn AS | Norway | 100% |
| Swelønn AB | Sweden | 100% |
| Hispanomina S.L. | Spain | 100% |

7 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.

Operating lease obligations

The Company has entered into operating leases with a remaining until maturity of DKK 1,153 thousand.

Within 1 year; DKK 421 thousand

Between 1 and 5 years; DKK 732 thousand

Financial statements 1 June – 31 May

Notes

8 Related party disclosures

Lessor Group ApS' related parties comprise the following:

Control

New Dawn Holding ApS, Engholm Parkvej 8, 3450 Allerød.

New Dawn Holding ApS holds the majority of the contributed capital in the Company.

Lessor Group ApS is part of the consolidated financial statements of Paychex, Inc., 911 Panorama Trail S. 14625 New York, USA, which is the smallest 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

| DKK'000 | <u>2021/22</u> |
|---|----------------|
| Management fee income, group entities | -45,903 |
| General administrative expenses, group entities | 6,380 |