

Lessor Group ApS

Engholm Parkvej 8
3450 Allerød

CVR no. 37 54 56 94

Annual report for the period 1 June 2019 – 31 May 2020

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

11 November 2020

chairman

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Lessor Group ApS
Annual report 2019/20
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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 2019 – 31 May 2020.

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 2020 and of the results of the Company's operations for the financial year 1 June 2019 – 31 May 2020.

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, 11 November 2020
Executive Board:

Henrik Basso Reichsthaler
Møller

Board of Directors:

Efrain Rivera
Chairman

John Bradley Gibson JR

Stephanie Lynn Schaeffer

Independent auditor's report

To the shareholder of Lessor Group ApS

Opinion

We have audited the financial statements of Lessor Group ApS for the financial year 1 June 2019 – 31 May 2020 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 2020 and of the results of the Company's operations for the financial year 1 June 2019 – 31 May 2020 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

Independent auditor's report

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.

Copenhagen, 11 November 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Kim Schmidt
State Authorised
Public Accountant
mne34552

Lessor Group ApS
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Management's review

Company details

Lessor Group ApS
Engholm Parkvej 8
3450 Allerød

Telephone: +45 48 16 00 00

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
John Bradley Gibson JR
Stephanie Lynn Schaeffer

Executive Board

Henrik Basso Reichsthaler Møller

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Management's review

Operating review

Principal activities

The Company is a holding company for a group of companies that develop, market and support software and systems for the development and management of human resources and payroll. The Group's products are mainly sold in Denmark and Germany.

Significant events

Merger

It was decided by the Board of Directors to consolidate and merge AX IV Holding II ApS, AX IV Holding III ApS, Lessor Group ApS, Lessor Holding ApS and Ipayroll Holding ApS into Lessor Group ApS with effect from 1 June 2019. These entities were non-trading holding companies with no activity and the basis for restructuring was to simplify the administrative structure.

COVID-19

In March 2020 the World Health organization declared the Coronavirus (COVID-19) to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries affected. Currently, there is a significant increase in economic uncertainty which is, for example evidenced by more volatile asset prices and currency exchange rates.

For the Company's financial statements, the coronavirus outbreak and the related impacts are not significant. Consequently, there is no impact on the recognition and measurement of assets and liabilities.

Special risks

In the beginning of 2020 COVID-19 have had an significant effect on a large part of the world and entities. The Group have not been significantly affected by the COVID-19 and the related restrictions and increased market uncertainty. The groups assesment is that COVID-19 is not a significant risk for the group.

Environmental matters

The Group's products do not have a negative environmental impact. The Group has an environmentally-friendly office building in Allerød with rainwater collection and geothermal heat.

Outlook for the coming year

Due to the deterioration in the economic outlook as a consequence of the COVID-19 situation, it is not expected that the Company's financial result for 2020 will be negatively affected.

The Group expects activity growth and a revenue of approximately DKK 120 million in the new financial year for Lessor products.

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 Group has the necessary intellectual capital resources. Importance is placed by Management on attracting, developing and maintaining qualified employees.

Management's review

Operating review

Events after the balance sheet date

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

The impact of COVID-19 has been limited in the current financial year with only a minor decrease in activity in April and May 2020. Activities returned to expected levels after year-end. It is currently predicted that the impact will remain with a minor decrease in the growth expected in the new financial year.

This prediction could change if there is a resurgence in the infection levels.

Financial statements 1 June – 31 May

Income statement

DKK'000	Note	1/6 2019- 31/5 2020	1/6 2018- 31/5 2019
Gross profit		20,667	20,290
Staff costs	2	<u>-20,776</u>	<u>-19,297</u>
Operating profit/loss		-109	993
Income from equity investments in group entities		-13,520	-8,866
Financial income		0	21
Financial expenses	3	<u>-34</u>	<u>-66</u>
Loss before tax		-13,663	-7,918
Tax on loss for the year	4	<u>261</u>	<u>1,439</u>
Loss for the year		<u><u>-13,402</u></u>	<u><u>-6,479</u></u>
Proposed distribution of loss			
Retained earnings		<u><u>-13,402</u></u>	<u><u>-6,479</u></u>

Financial statements 1 June – 31 May

Balance sheet

DKK'000	Note	31/5 2020	31/5 2019
ASSETS			
Fixed assets			
Investments	5		
Equity investments in group entities		<u>519,885</u>	<u>470,770</u>
Total fixed assets		<u>519,885</u>	<u>470,770</u>
Current assets			
Receivables			
Receivables from group entities		36,902	14,750
Other receivables		2	49
Deferred tax asset		2,803	2,741
Corporation tax		7,157	5,558
Prepayments		<u>159</u>	<u>48</u>
		<u>47,023</u>	<u>23,146</u>
Cash at bank and in hand		<u>3,080</u>	<u>65</u>
Total current assets		<u>50,103</u>	<u>23,211</u>
TOTAL ASSETS		<u><u>569,988</u></u>	<u><u>493,981</u></u>

Financial statements 1 June – 31 May

Balance sheet

DKK'000	Note	31/5 2020	31/5 2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital		10,286	2,411
Share premium		478,575	233,739
Retained earnings		46,096	212,055
Total equity		534,957	448,205
Liabilities			
Current liabilities			
Trade payables		1,299	36
Payables to group entities		21,751	23,452
Other payables		11,981	22,288
		35,031	45,776
Total liabilities		35,031	45,776
TOTAL EQUITY AND LIABILITIES		569,988	493,981
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Financial statements 1 June – 31 May

Statement of changes in equity

DKK'000	Contributed capital	Share premium	Retained earnings	Total
Equity at 1 June 2019	2,411	233,739	212,055	448,205
Net effect from merger and acquisition	7,875	244,836	-171,687	81,024
Transferred over the distribution of loss	0	0	-13,402	-13,402
Equity at 31 May 2020	10,286	478,575	26,966	515,827

Financial statements 1 June – 31 May

Notes

1 Accounting policies

The annual report of Lessor Group ApS for 2019/20 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

Income statement

Other external costs

Other external costs comprise administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, 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 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.

Tax on profit/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.

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.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

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

Equity investments in group entities

Equity investments in group entities are recognised and measured using the equity value method.

In the balance sheet, under the item "Investments in subsidiaries", the proportionate share of the enterprise's net asset value is calculated on the basis of the fair value of the identifiable net assets at the date of acquisition with deduction or addition of unrealised intra-group gains or losses and plus the residual value of any added value and goodwill calculated at the time of acquisition of the companies.

The total net revaluation of equity investments in group entities is transferred through the profit allocation to "Reserve for net revaluation using the equity value method" under equity. The reserve is reduced by dividend payments to the Parent Company and adjusted with other equity movements in the group entities.

Equity investments in group entities with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised as provisions.

Receivables

Receivables are measured at amortised cost.

Cash at bank and in hand

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

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 net realisable value.

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.

Prepayments and deferred income

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

2 Staff costs

DKK'000	1/6 2019- 31/5 2020	1/6 2018- 31/5 2019
Wages and salaries	17,555	16,909
Pensions	2,263	1,700
Other social security costs	111	102
Other staff costs	847	586
	<u>20,776</u>	<u>19,297</u>
Average number of full-time employees	<u>13</u>	<u>11</u>

Financial statements 1 June – 31 May

Notes

3 Financial expenses

DKK'000	1/6 2019- 31/5 2020	1/6 2018- 31/5 2019
Other financial costs	34	62
Exchange losses	0	4
	<u>34</u>	<u>66</u>

4 Tax on profit/loss for the year

DKK'000	1/6 2019- 31/5 2020	1/6 2018- 31/5 2019
Current tax for the year	-261	-1,439
	<u>-261</u>	<u>-1,439</u>

5 Investments

DKK'000	Equity investments in group entities
Cost at 1 June 2019	470,770
Net effect from merger and acquisition	62,635
Cost at 31 May 2020	<u>533,405</u>
Net profit/loss for the year	33,864
Depreciation of goodwill	<u>-47,384</u>
Revaluations 31 May 2020	-13,520
Carrying amount at 31 May 2020	<u>519,885</u>

Name	Registered office	Voting rights and ownership interest
Lessor A/S	Allerød	100
Danske Lønssystemer A/S	Allerød	100
ilohngehalt Internetservices GmbH	Allerød	100
Norlønn AS	Norway	100
Swelønn AB	Sweden	100
Hispanomina S.L.	Spain	100

The Group have acquired equity investments in Lessor A/S and Danske Lønssystemer, which entailed recognition of a positive balance (goodwill) of DKK 366 million.

Financial statements 1 June – 31 May

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6 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.

7 Related party disclosures

Ownership

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the contributed capital:

New Dawn Holding ApS, Engholm Parkvej 8, 3450 Allerød