



Music Residential K/S

Bornholmsgade 3
1266 København K
CVR No. 44215985

Annual report 03.08.2023 - 31.12.2023

The Annual General Meeting adopted the annual
report on 09.07.2024

James Moore
Chairman of the General Meeting

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Entity details

Entity

Music Residential K/S

Bornholmsgade 3

1266 København K

Business Registration No.: 44215985

Registered office: København

Financial year: 03.08.2023 - 31.12.2023

Executive Board

Peer Thomas Borg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Executive Board has today considered and approved the annual report of Music Residential K/S for the financial year 03.08.2023 - 31.12.2023.

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

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 03.08.2023 - 31.12.2023.

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

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

Copenhagen, 09.07.2024

Executive Board

Peer Thomas Borg

Independent auditor's report

To the shareholders of Music Residential K/S

Opinion

We have audited the financial statements of Music Residential K/S for the financial year 03.08.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 03.08.2023 - 31.12.2023 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 09.07.2024

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Tim Kjær-Hansen

State Authorised Public Accountant

Identification No (MNE) mne23295

Rasmus Christiansen

State Authorised Public Accountant

Identification No (MNE) mne50632

Management commentary

Primary activities

The company's primary activities consist of directly or indirectly owning and investing in real estate, real estate development, letting of real estate and all business which, in the management's opinion, is related to this.

Description of material changes in activities and finances

The year's gross profit/loss amounts to a profit of DKK 4,245 thousand. The ordinary result amounts to a loss of DKK 565 thousand. The management considers the year's result to be as expected.

It is the company's first financial year, which covers the period from 03.08.2023 to 31.12.2023.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2023

	Notes	2023 DKK
Revenue		5,420,593
Other external expenses		(210,731)
Property costs		(965,007)
Gross profit/loss		4,244,855
Other operating expenses		(4,000)
Operating profit/loss		4,240,855
Other financial income		32,291
Other financial expenses		(2,395,907)
Profit/loss before fair value adjustments and tax		1,877,239
Fair value adjustments of investment property		(2,442,000)
Profit/loss for the year		(564,761)
Proposed distribution of profit and loss:		
Retained earnings		(564,761)
Proposed distribution of profit and loss		(564,761)

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK
Investment property		406,367,910
Property, plant and equipment	1	406,367,910
Fixed assets		406,367,910
Receivables from group enterprises		273,632
Other receivables		2,723,111
Prepayments		19,270
Receivables		3,016,013
Cash		20,202,263
Current assets		23,218,276
Assets		429,586,186

Equity and liabilities

	Notes	2023 DKK
Contributed capital		203,836,453
Retained earnings		(564,761)
Equity		203,271,692
Mortgage debt		215,968,852
Non-current liabilities other than provisions	2	215,968,852
Mortgage debt		1,884,698
Deposits		5,721,090
Prepayments received from customers		1,892,580
Payables to group enterprises		4,000
Other payables	3	843,274
Current liabilities other than provisions		10,345,642
Liabilities other than provisions		226,314,494
Equity and liabilities		429,586,186
Employees	4	
Contingent liabilities	5	
Assets charged and collateral	6	

Statement of changes in equity for 2023

	Contributed capital DKK	Retained earnings DKK	Total DKK
Contributed upon formation	203,836,453	0	203,836,453
Profit/loss for the year	0	(564,761)	(564,761)
Equity end of year	203,836,453	(564,761)	203,271,692

Notes

1 Property, plant and equipment

	Investment property DKK
Additions	408,809,910
Cost end of year	408,809,910
Fair value adjustments for the year	(2,442,000)
Fair value adjustments end of year	(2,442,000)
Carrying amount end of year	406,367,910

Fair value is usually determined by using the DCF model as the calculated value in use of expected cash flows from each property, however as the company has bought the property with effect as of 5th october 2023 based on a fair value assesment of the real estate, this valuation has been used on 31. december 2023.

The investment properties consist of 2 residential rental properties with a total of 164 apartments located in Risskov near Aarhus in Denmark on a total of 12,986 sqm.

2 Non-current liabilities other than provisions

	Due after more than 12 months 2023 DKK	Outstanding after 5 years 2023 DKK
Mortgage debt	215,968,852	205,497,337
	215,968,852	205,497,337

3 Other payables

	2023 DKK
Other costs payable	843,274
	843,274

4 Employees

The Entity has no employees other than the Executive Board. The Executive Officer has not received any remuneration.

5 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where ERIF II DK PropCo ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial

statements.

6 Assets charged and collateral

As security for the company's mortgage debt to credit institutions of DKK 217,9 million, a pledge has been placed on the company's properties with a book value of DKK 406,4 million. In addition, an agreement has been concluded with the company's credit institutions to limit the company's opportunities to distribute dividends and repay group loans. The company can only distribute/repay any positive cash flow provided covenants regarding LTV is complied with. An agreement has also been entered into that all debts to group-affiliated companies are subordinated to debts to the credit institutions, just as there are covenants linked to the company's ownership structure.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

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.

Income statement

Revenue

Revenue consists of rental income that is recognized on a straight-line basis over the rental period.

Fair value adjustments of investment property

Fair value adjustments of investment property comprise adjustments for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including administrative costs and sales promotion costs etc. This item also includes writedowns of receivables recognised in current assets.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc. Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Balance sheet**Investment property**

On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by using the DCF model as the calculated value in use of expected cash flows from each property. To determine expected cash flows, the budgeted cash flows for each property for the next years are used, including increases in price and rent levels, and a calculated terminal value which reflects the amount of normalised cash flows expected to be generated by the property after the budget period. The cash flows so calculated are discounted to net present value by using a discount rate that is estimated to reflect current market -required yield rates for similar properties inclusive of expected inflation.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Receivables

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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.