Dundee International (Luxembourg) Fund 3 FCP
A Luxembourg mutual investment fund -
(fonds commun de placement)
Registered pursuant to Part II of the
amended Luxembourg law of 17 December 2010
on undertakings for collective investment

Annual report and audited financial statements
For the year ended 31 December 2014

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Management and administration

Management Company
Lorac Investment Management S.à r.l.
9A, rue Robert Stümper
L-2557 Luxembourg

Asset Manager
Dream Global Advisors Luxembourg S.à r.l.
(formerly known as "*Dundee International (Luxembourg) Advisors S.à r.l.*")
9a, Rue Robert Stümper
L-2557 Luxembourg

Property Manager
CSG GmbH
157, Godesberger Allee
D-53175 Bonn (Germany)

Custodian and Administrative Agent
CACEIS Bank Luxembourg S.A.
5, allée Scheffer
L-2520 Luxembourg

Registrar and Transfer Agent
CACEIS Bank Luxembourg S.A.
5, allée Scheffer
L-2520 Luxembourg

Auditor
PricewaterhouseCoopers, Société coopérative
2, rue Gerhard Mercator B.P. 1443
L-1014 Luxembourg

Board of Managers of the Management Company

Mr Philippe Jusseau (appointed on 22 July 2014),
Class A Manager
Lorac Investment Management S.à r.l.
33, rue du Puits Romain
L-8070 Bertrange

Mr Philippe Detournay,
Class A Manager
Lorac Investment Management S.à r.l.
33, rue du Puits Romain
L-8070 Bertrange

Mr Patrick Steinhauser,
Class A Manager
Lorac Investment Management S.à r.l.
33, rue du Puits Romain
L-8070 Bertrange

Mr Harold Allan Burke,
Class B Manager
30, Adelaide Street East
Suite 1600, Toronto (Canada)

Mr Michael Jay Cooper,
Class B Manager
30, Adelaide Street East
Suite 1600, Toronto (Canada)

Mr Rene Gulliver (appointed on 16 May 2014),
Class B Manager
30, Adelaide Street East
Suite 1600, Toronto (Canada)

Mr Olivier Brahin (until 22 July 2014),
Class A Manager
50, Welbeck Street
GB - W1G 9XW London (England)

Mr Douglas Paul Quesnel (until 16 May 2014),
Class B Manager
30, Adelaide Street East
Suite 1600, Toronto (Canada)

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Managers' Report

Dear Unitholder,

I am very pleased to present to you the financial report of Dundee International (Luxembourg) Fund 3 FCP for the year ending 31 December, 2014.

Since 2011, our focus has been to improve the stability and quality of our investments and the underlying cash flows in our portfolio.

The German economy continues to perform well in a difficult global environment and benefits from strong domestic demands. The fundamentals in the office sector in our markets remain solid with overall net absorption of office space continuing to be positive across the office markets and a further decline in the office vacancy rates.

We closed the year 2014 with a profit on operating activity amounting to EUR 2,744,303 and with a net asset value of EUR 6,795,207 which was in line with our forecast. During the year, we have disposed 2 properties for an aggregated sale price of EUR 2,272,990 as these properties were no more fitting to our stategy and our portfolio.

In 2015, we will continue to be focused on stabilizing our financial results and enhancing the quality and stability of our cash flows by:

- Enhancing our operations and strengthening our relationships with tenants in order to grow internally;
- Leveraging the decreasing vacancy in our markets to capture rental rate increases; and
- Exploring selected value-add intensification opportunities within our portfolio.

On behalf of our management team and our board of managers, I'd like to thank you for your support of Dundee International (Luxembourg) Fund 3 FCP.

Andreas Mischler
Authorised Representative

Audit report

To the Unitholder of
Dundee International (Luxembourg) Fund 3 FCP

We have audited the accompanying financial statements of Dundee International (Luxembourg) Fund 3 FCP, which comprise the statement of net assets as at 31 December 2014 and the statement of operations and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Board of Managers of the Management Company for the financial statements

The Board of Managers of the Management Company is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Managers of the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers of the Management Company as well as evaluating the overall presentation of the financial statements.

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

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dundee International (Luxembourg) Fund 3 FCP as of 31 December 2014, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Other matters

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 April 2015

Amaury Evrard

Dundee International (Luxembourg) Fund 3 FCP
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Statement of net assets

(expressed in EUR)

ASSETS	Note	31 December 2014	31 December 2013
Non-current assets			
Formation costs	3	93,261	153,616
Financing costs	4	253,454	448,326
Investments in real estate properties	5	41,289,867	42,524,360
Current assets			
Debtors and other prepayments	6	679,551	747,609
Amounts owed by affiliated undertakings	11	8,607	—
Cash and cash equivalents	7	1,445,871	622,349
Total assets		**43,770,611**	**44,496,260**
LIABILITIES			
Liabilities due after more than one year			
Bank loan	8	17,558,062	19,373,476
Loan from affiliated undertakings	11	17,253,698	17,621,545
Fair value of financial instruments	9	522,733	579,246
Deferred Income	18	119,816	211,937
Liabilities due within one year			
Bank loan	8	896,655	—
Loan from affiliated undertakings	11	32,227	—
Trade and other creditors	10	314,655	265,665
Amounts owed to related parties and affiliated undertakings	11	210,002	160,063
Accrued expenses and other current liabilities	12	67,556	155,787
Total liabilities		**36,975,404**	**38,367,719**
NET ASSETS		**6,795,207**	**6,128,541**
Represented by:			
Contribution from unitholders	13	8,480,995	8,168,982
(Loss)/profit brought forward		(204,977)	(1,462,162)
Profit/(loss) for the year		1,045,480	1,257,185
Distributions paid to unitholders	13	(2,526,291)	(1,835,464)
NET ASSETS		**6,795,207**	**6,128,541**

The accompanying notes form an integral part of the financial statements.

Dundee International (Luxembourg) Fund 3 FCP
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Statement of operations

(expressed in EUR)

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Income			
Rental income		3,136,074	3,376,252
Service charges income		2,143,187	2,445,456
Total income		**5,279,261**	**5,821,708**
Operating expenses			
Service charges expense		(2,015,127)	(2,579,407)
Fund management fees	11	(45,423)	(43,423)
Property management fees	15	(81,875)	(84,050)
Asset management fees	16	(214,954)	(218,448)
Custodian fees		(17,888)	(17,555)
Value adjustments in respect of formation costs	3	(60,355)	(60,354)
General and administrative expenses		(99,336)	(83,091)
Total operating expenses		**(2,534,958)**	**(3,086,328)**
Profit from operating activities		**2,744,303**	**2,735,380**
Value adjustments in respect of financing costs	4	(194,872)	(178,256)
Finance costs	17	(2,312,700)	(2,293,353)
Finance income		37	---
Net change in unrealized gain/(loss) on fair values of financial instruments	9	56,513	258,079
Net realized (loss)/gain on sale of real estate properties	19	(128,383)	---
Net change in unrealized gain/(loss) on real estate properties	5	777,444	613,553
Value adjustment in respect of deferred income	18	92,121	84,267
Other income		13,529	39,999
Net profit/(loss) before tax		**1,047,992**	**1,259,669**
Taxation		**(2,512)**	**(2,484)**
Net profit/(loss) for the year		**1,045,480**	**1,257,185**

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Statement of changes in net assets and in the number of units outstanding

	For the year ended 31 December 2014	For the year ended 31 December 2013	For the year ended 31 December 2012
	EUR	EUR	EUR
Net assets at the beginning of the year	6,128,541	4,570,896	5,374,429
Increase in capital during the year	312,013	759,848	134,911
Net profit/(loss) during the year	1,045,480	1,257,185	(218,947)
Distributions paid to unitholders	(690,827)	(459,388)	(719,497)
Net assets at the end of the year	6,795,207	6,128,541	4,570,896

	For the year ended 31 December 2014	For the year ended 31 December 2013	For the year ended 31 December 2012
Number of units outstanding			
Number of units outstanding at the beginning of the year			
Units A	74.575333	74.575333	72.742230
Number of units issued during the year			
Units A	---	---	1.833103
Number of units outstanding at the end of the year			
Units A	74.575333	74.575333	74.575333
	EUR	EUR	EUR
Total net asset value at the end of the year			
Units A	6,795,207	6,128,541	4,570,896
Net asset value per unit at the end of the year			
Units A	91,119	82,179	61,292

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements

Note 1 – General information

Organization of the Fund

Dundee International (Luxembourg) Fund 3 FCP (the "Fund") is an undertaking for collective investment (*organisme de placement collectif*) organised under the form of a mutual investment fund (*fonds commun de placement or* FCP). The Fund was established on 20 July 2011 (*date of establishment*) under the laws of Luxembourg in the form of an unincorporated contractual coownership scheme governed under the provisions of Part II of the 17 December 2010 Law, as amended, (the "Law") and by specific management regulations as laid down in the Management Regulations dated 20 July 2011 and amended on 4 April 2013 (the "Management Regulations").

The Fund is managed by Lorac Investment Management S.à r.l. (the "Management Company"), a private limited liability company registered in Luxembourg (registration number B 137.635) in the Registre de Commerce et des Sociétés. The Fund is regulated by the Commission de Surveillance du Secteur Financier (the "CSSF"), the Luxembourg regulatory authority.

The investment objective of the Fund is to achieve long-term, risk adjusted returns through the acquisition and holding of the real estate portfolio composed of properties located in the investment region, with the use of optimal leverage, in particular to generate current income. The Fund holds the real estate portfolio composed of properties with the aim of achieving a high ongoing yield to the unitholders, preserving the value of the Properties through prolonging of leases with existing tenants as well as letting of vacant space. In the ordinary course of letting, renovations and refurbishments will be carried out. The Fund carries out necessary capital expenditure, ongoing maintenance and repairs to maintain or improve the condition of the real estate and will possibly sell properties.

The Fund has an initial duration of 10 (ten) years after the Initial Subscription Date and can thereafter be extended for successive periods of 5 (five) years. Any extension requires the unanimous consent of the Unitholders by Written Consent Request. At least 6 months before the end of the specific terms, the Management Company will, in writing, request the unanimous consent of the Unitholders.

The financial year of the Fund starts on 1 January and ends on 31 December, with the exception of the first financial year of the Fund, which commenced from 20 July 2011 (*date of establishment*) and ended on 31 December 2011.

Note 1 – General information (continued)

The Management Company

The Management Company was incorporated on 25 March 2008 as a private limited liability company (*société à responsabilité limitée*) under the laws of Luxembourg and its duration is unlimited.

The purpose of the Management Company is the creation, administration and management of one or several Luxembourg mutual investment funds (*fonds commun de placement*) governed by Part II of the 2010 Law, as amended, on undertakings for collective investment or governed by the law of 13 February 2007 on specialized investment funds, as amended.

As of 31 December 2014, the Management Company acts as Management Company to the following Luxembourg mutual investment funds:

- Dundee International (Luxembourg) Fund 1 FCP,
- Dundee International (Luxembourg) Fund 2 FCP,
- Dundee International (Luxembourg) Fund 3 FCP,
- Dundee International (Luxembourg) Fund 4 FCP,
- Dundee International (Luxembourg) Fund 5 FCP,
- Dundee International (Luxembourg) Fund 6 FCP,
- Dundee International (Luxembourg) Fund 7 FCP,
- Dundee International (Luxembourg) Fund 8 FCP,
- Dundee International (Luxembourg) Fund 9 FCP,
- Dundee International (Luxembourg) Fund 10 FCP,
- Dundee International (Luxembourg) Fund 11 FCP,
- Dundee International (Luxembourg) Fund 12 FCP,
- Dundee International (Luxembourg) Fund 13 FCP,
- Dundee International (Luxembourg) Fund 14 FCP,
- Dundee International (Luxembourg) Fund 15 FCP, collectively, the "Dundee Funds"; and
- Lorac Investment Fund - Sub-Fund I, ("Lorac Sub-Fund I").

Investment restrictions

According to Luxembourg Law and the management regulations, the Fund is subject to certain investment restrictions. The main restrictions are:

- The Fund will not acquire any real estate properties other than the properties as defined in the management regulations unless such acquisition is of a real estate property that is related to an existing property.
- The aggregate of third party leverage and direct and/or indirect unitholder debt will not exceed 85% of the purchase price of all the properties comprising the real estate portfolio (including all costs), provided that third party leverage cannot exceed 55% of the purchase price of all the properties comprising the real estate portfolio.

Note 1 – General information (continued)

Investment restrictions (continued)

- In order to achieve an adequate spread of the investment risks, the Fund will not invest more than 30% of the purchase price of all of its properties in a single real estate asset at inception of the Fund. However, the Fund is permitted, in relation to one property only, to hold such property even though it represents more than 30% of the purchase price of all properties at inception of the Fund, provided that it does not represent more than 40% of the purchase price of all properties comprising the real estate portfolio at inception of the Fund.

  Furthermore, at any time during the life of the Fund (except during the liquidation of the Fund), each property will not represent more than 55% of the value of all the properties comprising the real estate portfolio.

Note 2 – Summary of significant accounting policies

The financial statements of the Fund are presented in Euros (the "EUR") in compliance with the legal and regulatory requirements in Luxembourg.

The preparation of the financial statements in accordance with the generally accepted accounting principles as described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimations.

The significant accounting principles applied by the Fund are as follows:

Formation costs

Expenses incurred in connection with the establishment of the Fund, including professional fees and expenses incurred in the preparation and publication of the prospectus and any other related or supporting documents, as well as the governmental taxes, duties and any other publication expenses have been capitalized in the financial statements and are amortized over a period of five years.

Financing costs

The financing costs comprise all the costs incurred in obtaining credit facility from banks or/and financial institutions (including premium paid on derivative financial instruments). These costs are amortized on a straight-line basis over the period of the credit facility agreement.

Note 2 – Summary of significant accounting policies (continued)

Investments in real estate properties

Investments in real estate properties comprise investments in land and buildings that are not occupied substantially for use by or in the operations of the Fund. Investments in real estate properties are initially recognized at cost including acquisitions costs. Acquisition costs mainly include professional fees. Subsequent to the initial recognition, investments in real estate properties are stated at fair market value (the "MV"), net of transaction costs, as determined by the independent valuer.

The gain or loss arising from a change in the MV of investments in real estate properties is included in the statement of operations in the year in which it arises.

Expenditures which extend the economic life of real estate properties, or which represents additional capital improvements providing benefits in future years are capitalized together with the costs of investments.

Investments in real estate properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of operations in the year of retirement or disposal.

Financial instruments

The Fund uses derivative financial instruments such as interest rate swaps and caps to mitigate its risks associated with interest rate. Derivatives are initially recognized at fair value on the date a derivative contract is entered into. They are subsequently remeasured at their fair value.

All fair value differences are included for in the statement of operations in the year in which they arise.

Debtors and other prepayments

Debtors and other prepayments are stated at nominal value less provisions for doubtful debts, if any.

Cash and cash equivalents

Cash includes cash on hand and cash with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Restricted cash is disclosed separately within cash and cash equivalents.

Creditors

Creditors are stated at their repayment value.

Note 2 – Summary of significant accounting policies (continued)

Debts

Debts are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear method.

Revenue recognition

Revenue includes rental income, service charges and management charges from properties. Rental income represents rents charged to customers and is recognized on an accrual basis in the year to which it relates, net of sales tax.
Service and management charges are recognized on a gross basis in the accounting period in which the services are rendered.

Fees and expenses

Fees and expenses are recognized on an accruals basis in the year to which they relate. Expenses are charged to the statement of operations.

Provisions

A provision is recognized when, and only when the Fund has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

Foreign currency translations

The books of the Fund are maintained in EUR. The financial statements are also presented in EUR.

Transactions in currencies other than EUR are translated into EUR at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in such currencies are translated at the rate of exchange prevailing at the reporting date. All differences are recognized on the statement of operations.

Note 3 – Formation costs

Movements of the formation expenses are as follows:

	31 December 2014 EUR	31 December 2013 EUR
Cost, beginning of the year	301,774	301,774
Additions	---	---
Cost, end of the year	**301,774**	**301,774**
Accumulated amortization, beginning of the year	(148,158)	(87,804)
Amortization charge for the year	(60,355)	(60,354)
Accumulated amortization, end of the year	**(208,513)**	**(148,158)**
Net book value, end of the year	**93,261**	**153,616**

Note 4 – Financing costs

Movements in the financing costs are as follows:

	31 December 2014 EUR	31 December 2013 EUR
Cost, beginning of the year	879,070	879,070
Additions	---	---
Cost, end of the year	**879,070**	**879,070**
Accumulated amortization, beginning of the year	(430,744)	(252,488)
Amortization charge for the year	(194,872)	(178,256)
Accumulated amortization, end of the year	**(625,616)**	**(430,744)**
Net book value, end of the year	**253,454**	**448,326**

Note 5 – Investments in real estate properties

On 18 May 2011, the Management Company as a property seller, acting on its own name but on behalf of Lorac Sub-Fund I, has signed a Framework Agreement with, amongst others, Dream Global ("Dundee") (formerly known as "Dundee Realty Corporation"). The Framework Agreement sets forth the principal terms and conditions of the indirect acquisition (the "Transaction"), by Dundee International Real Estate Investment Trust (the "REIT") created by Dundee, of a portfolio of commercial real estate assets comprised of 292 commercial real estate properties (under 300 separate property IDs) located in Germany (the "Jupiter Portfolio") and 50% shares in the Management Company and some related entities owning fixtures related to Jupiter Portfolio.

On 22 July 2011, Framework Agreement Amending Agreement has been signed and in accordance with this, Lorac Sub-Fund I has agreed to pay an aggregate amount of EUR 13,072,121 as a Transitional Assistance Payment ("Contribution") on the Closing Date to the Dundee Funds.

Out of this Contribution an aggregate amount of EUR 6,072,121 has been applied by the Dundee Funds towards the payment of capital and other expenditures including tenant improvements for the Jupiter Properties, accordingly, this amount has been recognized in the reallocation costs of real estate properties. The Fund allocated portion for this Contribution is EUR 360,479.

Remaining aggregate amount of Contribution of EUR 7,000,000 has been treated as the "Financing Contribution Payment" and applied by the Dundee Funds towards the purchase of an in-the-money swap (Note 18). The Fund allocated portion for this Contribution is EUR 415,563.

On 22 July 2011, the Management Company acting in its own name but for the account of Lorac Sub-Fund I and the Dundee Funds has entered into a Reallocation Agreement for the reallocation of the Jupiter Properties from Lorac Sub-Fund I to the Dundee Funds for an aggregate amount of EUR 735,680,000.

The Reallocation Agreement sets forth the principal terms and conditions of the reallocation of the ownership of interests relating to the individual Jupiter Properties to the respective Dundee Funds in accordance with the allocation, accordingly, total 13 real estate properties have been reallocated from Lorac Sub-Fund I to the Fund for an aggregated reallocation price of EUR 43,674,513. The reallocation price has been entirely paid off by all the Dundee Funds as at 4 August 2011.

During the year ended 31 December 2014, the Fund has sold 2 real estate assets having a fair value of EUR 2,300,593 (Note 19).

As at 31 December 2014, the Fund has 11 assets remaining in its books.

Note 5 – Investments in real estate properties (continued)

Movements in investments in real estate properties are as follows:

	31 December 2014 Total EUR	31 December 2013 Total EUR
Investment at cost, beginning of the year	43,428,693	43,344,246
Additions	288,656	84,447
Less: Disposals	(2,358,153)	---
Investment at cost, end of the year	**41,359,196**	**43,428,693**
Accumulated unrealized (loss)/gain on fair value, beginning of the year	(904,333)	(1,517,886)
Net change in unrealized gain/(loss) for the year	777,444	613,553
Reversal of unrealized gain/(loss) for disposals	57,560	---
Accumulated unrealized (loss)/gain on fair value, end of the year	**(69,329)**	**(904,333)**
Investment at fair value, end of the year	**41,289,867**	**42,524,360**

All the properties are pledged in favour of the consortium banks against the Credit Facility Agreement (Note 8).

In accordance with the Prospectus of the Fund and Management Regulations, after acquisition real estate properties need to be accounted for at MV on the basis of the valuation prepared by an Independent Appraiser ("IA"). Such valuation is established once a year and may be used throughout the following year unless there is a change in the general economic situation or in the condition of the real estate properties which requires new valuations to be carried out under the same conditions as the annual valuations. The MV was performed by an accredited IA with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued. The valuation has been carried out in accordance with the Standards of the Appraisal and Valuation Manual published by Royal Institution of Chartered Surveyors. Colliers International UK PLC has been appointed as an IA for estimating MV of real estate properties.

IA has performed the MV for the Jupiter Portfolio and issued its report on 22 January 2015, accordingly, the aggregate MV of the real estate properties held by the Fund was EUR 41,289,867 as at 31 December 2014 (2013: EUR 42,524,360). In arriving at the estimated MV for the real estate properties, IA has adopted a discounted cash flow methodology ("DCF"). A key input in the cash-flow model is the discount rate applied. This reflects the risk profile of the asset and is based on a target rate of return that a potential investor would be prepared to accept for taking on the investment.

Notes to the financial statements (continued)

Note 5 – Investments in real estate properties (continued)

The terminal value at the end of the cash-flow horizon is calculated by capitalising the final year stabilised net operating income into perpetuity at a market derived terminal capitalisation yield. Management believes these assumptions are appropriate for these assets.

Real estate values can be affected by a number of factors including changes to global or local economic conditions, local market conditions, the financial conditions of tenants, the availability of debt financing, changes in interest rates, real estate tax rates and other operational expenses, environmental laws and regulations, planning laws and other governmental legislation, energy prices, the relative popularity of real estate types or locations and other factors which are beyond the control of the Management Company. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in values.

The market value is largely based on estimates, real estate valuation techniques and other valuation methods as outlined above. Such estimates are inherently subjective and actual values can only be determined in a sales transaction. Therefore, no assurance can be given that any given real estate properties could be sold at a price equal to the market value ascribed to it.

Note 6 – Debtors and other prepayments

Debtors and other prepayments include:

	31 December 2014 EUR	**31 December 2013 EUR**
Rent and advance charge receivables - net	644,943	681,303
Bad debt provision on rent and advance charges	(31,807)	---
Prepaid operating expense	20,266	18,850
Prepaid bank expense	5,029	5,006
Trade receivables - net	40,995	42,438
Other Receivables	125	12
Total debtors and other prepayments	**679,551**	**747,609**

Note 7 – Cash and cash equivalents

	31 December 2014 EUR	31 December 2013 EUR
Unrestricted cash	1,445,871	622,349
Total cash and cash equivalents	**1,445,871**	**622,349**

Rent accounts, operating accounts, cash reserve account, disposal proceeds account, disposal reserve account and capex account are pledged in favour of the Consortium Banks against the Credit Facility Agreement (Note 8).

Note 8 – Bank loan

Borrower	Facility agent	Maturity Date	Interest Rate	31 December 2014 Allocated amount to the Fund	31 December 2013 Allocated amount to the Fund
Lorac Investment Management Company – on behalf of the Dundee Funds	Société générale	03.08.2016	Euribor + 2 %	12,674,680	12,674,680
Lorac Investment Management Company – on behalf of the Dundee Funds	Société générale	03.08.2016	Euribor + 3 %	5,780,037	6,698,796
Balance, end of the year				**18,454,717**	**19,373,476**

On 26 July 2011, the Management Company on behalf of the Dundee Funds entered into a Credit Facility Agreement (the "CFA") with Corealcredit Bank AG, Dekabank Deutsche Gironzentrale, Société Générale and Deutsche Postbank AG (the "Consortium Banks"). In accordance with the arrangement, Société Générale is acting as facility agent and Corealcredit Bank AG is acting as security agent. The total aggregated amount of the credit facility for all the Dundee Funds was EUR 328,500,000.

Any utilization of the facility is calculated on a pro-rata basis among each lender based on their total committed amount. On 3 August 2011, the Dundee Funds have utilized EUR 328,500,000 on the acquisition facility. As per the CFA, the principal amount allocated to the Fund is EUR 19,501,790.

The initial maturity date of the facility is 3 August 2016. The maturity date can be extended one-time by two years subject to certain conditions.

During the year ended 31 December 2014, an amount of EUR 918,759 has been paid to the Consortium banks as partial principal repayment of the loan. The partial repayment of the loan has been sourced by the property disposition proceeds (Note 5) and by proceeds on operating activities. As at 31 December 2014, on the total loan amount of EUR 18,454,717 an amount of EUR 896,655 is due and payable within one year.

Note 8 – Bank loan (continued)

Under the terms of the loan facility, the Dundee Funds must maintain an aggregated Debt Service Cover Ratio (the "DSCR") of 145% for each quarter. At the interest payment date of 31 December 2014 the DSCR for the Jupiter Portfolio was 258% (2013: 349%).

Furthermore, under the terms of the CFA, the Dundee Funds must maintain an aggregated Loan to Value ratio (the "LTV") of 54% (2013: 59%) for each quarter. At the interest payment date of 31 December 2014, the LTV for the Jupiter Portfolio was 44.49% (2013: 45.87%) which is in line with the requirement of the CFA.

The Management Company of the Fund estimates that the Fund will continue to achieve the target financial covenants during 2015.

The long term bank loan bears interest at a rate of 3 month Euribor plus a fix rate margin per annum (see table in previous page). The interest rate risk has been hedged for by means of swaps and interest caps (Note 9).

The CFA is secured with the following:

- On 26 July 2011 the Management Company, acting in its own name but for the account of the Dundee Funds, has entered into a Global Security Assignment Agreement with Corealcredit Bank AG in order to secure all claims – amongst others – of the Consortium Banks.
- On 20 July 2011 the Management Company, acting in its own name but for the account of the Dundee Funds, has entered into a security purpose agreement with Corealcredit Bank AG in order to secure all claims of the Consortium Banks by way of first ranking certificated land charges and uncertificated land charges.
- On 26 July 2011 the Management Company, acting in its own name but for the account of the Dundee Funds, has entered into a pledge agreement with the Consortium Banks and pledged rent accounts, operating accounts, cash reserve account, capex account, disposal proceeds account and disposal reserve account of the Dundee Funds in favour of the Consortium Banks.
- On 26 July 2011 the unitholders of the Dundee Funds have entered into a pledge agreement with the Consortium Banks and pledged all the units of the Dundee Funds in favour of the Consortium Banks.

Note 9 – Fair value of financial instruments

Due to the floating interest rates inherent to the loan, the Dundee Funds have entered into interest rate swap and interest rate cap agreements with the Toronto-Dominion Bank Financial Group to hedge the interest rate exposures.

Note 9 – Fair value of financial instruments (continued)

The Mark To Market (the "MTM") values of the financial instruments are as follows:

Financial Instrument	Strike Rate	Trade Date	Start Date	Maturity Date	Notional Amount Aggregated EUR	Notional Amount Portion allocated to the Fund EUR	MtM Value 31 December 2014 Allocated Portion to the Fund EUR	MtM Value 31 December 2013 Allocated Portion to the Fund EUR
Interest rate Swap	1.89%	27-Jul-11	3-Aug-11	3-Aug-16	261,486,000	18,062,833	(522,755)	(579,988)
Interest rate Cap	5.00%	29-Jul-11	3-Aug-11	3-Aug-16	32,685,750	2,257,854	22	742
Balance, end of the year					**294,171,750**	**20,320,687**	**(522,733)**	**(579,246)**

Note 10 – Trade and other creditors

As at 31 December 2014, trade and other creditors include:

	31 December 2014 EUR	31 December 2013 EUR
Trade payables	274,238	211,083
Advance payments on rent and service charges (see below (i))	3,345	8,984
Rent deposits	25,836	25,836
VAT - net payable	11,236	19,762
Total trade and other creditors	**314,655**	**265,665**

(i) The amount includes the service charges received from the tenants in advance net of allocated recoverables on account of service charges. The Fund receives, on a monthly basis, cash advance as service charges from the tenants.

At the reporting date, Management estimates the service charges recoverable from the tenants by applying the historical trends of such recoverables, in accordance with the operating lease contracts. Recoverables on account of service charges are recognised in the financial statements (included under "service charges income") based on the Management's best estimate which is subject to actual billing and reconciliation with the tenants.

Note 11 – Transactions with related parties

The Fund, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties. These transactions comprise services received and loan received from related parties. These transactions have been carried out on the basis of agreed terms. The significant transactions with related parties during the year were as follows:

	31 December 2014 EUR	31 December 2013 EUR
Service received		
Lorac Investment Management S.à r.l. (see below (i))	45,423	43,423
Dundee International (Luxembourg) Advisors S.à r.l. (see Note 16)	214,954	218,448
Dundee International (Luxembourg) Advisors S.à r.l. (see Note 16)	644	---
Interest on loan from affiliated undertakings (see below (ii))	1,522,470	1,536,501
Total service received by related parties	**1,783,491**	**1,798,372**
Amount owed to related party		
Lorac Investment Management S.à r.l. (see below (i))	5,298	11,362
Dundee International (Luxembourg) Advisors S.à r.l. (see Note 16)	17,622	18,204
Interest on loan from affiliated undertakings (see below (ii))	187,082	130,497
Total amount owed to related party	**210,002**	**160,063**
Amount receivable from related party		
Lorac Investment Management S.à r.l. (see below (i))	8,607	---
Total amount receivable from related party	**8,607**	**---**

(i) Fund management fee

In consideration of the management services rendered by the Management Company in relation to the Fund, the Management Company is entitled to receive a management fee based on actual costs incurred to manage the Fund plus 5% margin. Accordingly, an amount of EUR 45,423 (2013: EUR 43,423) has been recognized as a fund management fee in the financial statements.

As of 31 December 2014, the management fee amount owed to affiliated undertakings includes an amount of EUR 5,298 (2013: EUR 11,362), payable to the Management Company. Additionally, an amount of EUR 8,607 (2013: nil) is receivable from the Management Company in relation to the VAT returns received by the Management Company on behalf of the Fund.

Note 11 – Transactions with related parties (continued)

(ii) Loan from affiliated undertakings

	31 December 2014 EUR	31 December 2013 EUR
Dundee International (Luxembourg) Holdings S.à r.l. ("Dundee Holdings")	17,285,925	17,621,545
Balance, end of the year	**17,285,925**	**17,621,545**

The Fund has entered into two Subordinated Loan Facility Agreements (the "SLFA") with Dundee International (Luxembourg) Holdings S.à r.l. (the "Dundee Holdings"), which are as follows:

A- SLFA for an amount of EUR 15,062,255 having a maturity of 28 July 2021, with an interest rate of 8.6% per annum. On 3 August 2011, the Fund has fully utilized the loan facility amount.

B- SLFA for an amount of EUR 2,559,290 having a maturity of 4 August 2021, with an interest rate of 8.6% per annum. On 4 August 2011, the Fund has fully utilized the loan facility amount.

As of 31 December 2014, the Fund has recognized interest expenses on affiliated undertaking of EUR 1,522,470 (2013: EUR 1,536,501) (Note 17). The amount owed to affiliated undertakings also includes an amount of EUR 187,082 (2013: EUR 130,497) representing interest expenses on loan payable to Dundee Holdings.

As at 31 December 2014, the aggregate loan amount payable to Dundee Holdings amounts to EUR 17,285,925 (2013: EUR 17,621,545) with an amount of EUR 32,227 (2013: nil) that is due and payable within one year.

Note 12 – Accrued expenses and other current liabilities

Accrued expenses and other current liabilities are composed of:

	31 December 2014 EUR	31 December 2013 EUR
Bank expenses and other fee payables	11,641	10,316
Property and operating expenses	33,605	138,679
Professional and legal fees	15,823	6,108
Tax payable (Note 14)	887	684
Sale costs on property disposition	5,600	---
Total accrued expenses and other current liabilities	**67,556**	**155,787**

Note 13 – Unitholders transactions

The position of the called capital as at 31 December 2014 is as follows:

	31 December 2014 EUR	31 December 2013 EUR
Dundee International (Luxembourg) Investments 3 S.à r.l.	8,480,995	8,168,982
Total	**8,480,995**	**8,168,982**

The units of the Fund have been pledged against the Credit Facility Agreement (Note 8).

During the year ended 31 December 2014, the Board of Managers of the Management Company has approved and paid dividends to the unitholders of the Fund amounting to EUR 690,827 (2013: EUR 459,388).

Note 14 – Taxation

The Fund was established in the form of an unincorporated coownership scheme governed by Part II of the amended 2010 Law and by the Management Regulations without having its (or its Management Company and Unitholders) seat or place of management in Germany. As such, in view of the Management, the Fund qualifies as a foreign investment fund according to the German Investment Tax Act ("*Investmentsteuergesetz*") and does not maintain a permanent establishment in Germany. Accordingly, the Management is of the opinion that the Fund itself is not subject to German corporate income tax ("*Körperschaftssteuer*") or German trade tax ("*Gewerbesteuer*") from rental income, interest income from liquidity reserve or profits from the sale of real estate held as assets by Management Company in its own name and for account of the Fund.

The Fund is currently not liable to any tax on profits or income, nor are distributions paid by the Fund liable to any Luxembourg withholding tax, except subjection to the provisions of the law dated 21 June 2005 implementing Council Directive 2003/48/EC on the taxation on savings income. However, the Fund is liable in Luxembourg to a subscription tax (*taxe d'abonnement*) of 0.05% per annum of its net asset value, such tax being payable quarterly on the basis of the value of the aggregate net assets of the Fund at the end of the relevant quarter calendar. No Luxembourg tax is payable on the realized capital appreciation of the assets of the Fund.

The accrued subscription tax payable for the year amounts to EUR 887 (2013: EUR 684) is included in accrued expenses and other current liabilities (Note 12).

Note 15 – Property management fee

The Fund has entered into a Property and Facility Management Agreement with CSG GmbH. According to the agreement, CSG GmbH is entitled to receive on an aggregate basis an annual property management fee of 2.2% of the net rent subject to certain conditions.

Accordingly, an amount of EUR 81,875 (2013: EUR 84,050) has been recognized in the financial statements as property management fee.

Note 16 – Asset management fee

The Fund has entered into an Asset Management Agreement with Dream Global Advisors Luxembourg S.à r.l. (the "Asset Manager") (formerly known as "Dundee International (Luxembourg) Advisors S.à r.l."). The Asset Manager is entitled to receive an asset management fee at a monthly fee rate of 0.04167% of the purchase price of real estate assets as defined in the Asset Management Agreement.

Accordingly, an amount of EUR 214,954 (2013: EUR 218,448) has been recognized in the financial statements as an asset management fee.

Pursuant to the Asset Management Agreement, Dundee International (Luxembourg) Advisors S.à r.l. has provided additional services for which an aggregate amount of EUR 644 (2013: EUR nil) has been charged and included in "General and administrative expenses".

As of 31 December 2014, an amount of EUR 17,622 (2013: EUR 18,204) is payable to the Asset Managers (Note 11).

Note 17 – Finance costs

	31 December 2014 EUR	**31 December 2013 EUR**
Interest expenses on bank loan	497,980	464,959
Interest expenses on loan from affiliated undertakings (Note 11)	1,522,470	1,536,501
Interest rate swap expenses	270,808	270,694
Agency fees	20,327	20,071
Bank charges	1,115	1,128
Total finance costs	**2,312,700**	**2,293,353**

Notes to the financial statements (continued)

Note 18 – Deferred income

In relation with the reallocation of properties from Lorac Sub-Fund I to the Dundee Funds, Lorac Sub-Fund I has paid a financial Contribution to the Dundee Funds in order to support them in their purchase of an in-the-money swap (Note 5).

Accordingly, the Fund received an amount of EUR 415,563 from Lorac Sub-Fund I which is capitalized by the Fund and amortized over the period of the bank loan.

Consequently, the movements in the amortization of the deferred income are as follows:

	31 December 2014 EUR	31 December 2013 EUR
Deferred income, beginning of the year	415,563	415,563
Additions	---	---
Deferred income, end of the year	**415,563**	**415,563**
Accumulated value adjustment, beginning of the year	(203,626)	(119,359)
Value adjustment for the year	(92,121)	(84,267)
Accumulated value adjustment, end of the year	**(295,747)**	**(203,626)**
Net book value, end of the year	**119,816**	**211,937**

Note 19 – Net realized (loss)/gain on sale of real estate properties

	For the year ended 31 December 2014 EUR	For the year ended 31 December 2013 EUR
Sales proceeds	2,272,990	---
Less: Fair value of real estate properties disposed (Note 5)	(2,300,593)	---
Less: Sale costs	(100,780)	---
Net realized (loss)/gain on disposal of real estate properties	**(128,383)**	**---**

Note 20 – Subsequent events

The following events occurred subsequent to the year ended 31 December 2014:

The Board of Managers has approved and paid dividends to the unitholders of the Fund for a total amount of EUR 285,885.

Subsequent to the year ended 31 December 2014, the unitholder has funded an amount of EUR 62,797 to the Fund.

The Management Company, acting in its own name but for the account of the Fund, has entered into a sale agreement for the disposition of a real estate property having a disposition amount of EUR 324,072. As at the date of this report, the disposition proceeds have not been received yet.

The Fund paid to Dundee Holdings an aggregated amount of EUR 32,227 as partial repayment of its principal loan amount.

The Fund paid to the Bank Consortiums an aggregated amount of EUR 604,128 as partial repayment of its principal loan amount.