

# DBAY Advisors



## **DouglasBay Capital III Fund LP**

## **Unaudited Consolidated Financial Statements**

**For the period ended 30 June 2020**

*For further information please contact*

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# DouglasBay Capital III Fund LP

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# DouglasBay Capital III Fund LP

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## General Information

### General Partner of the General Partner

DouglasBay Capital III (GP) Limited  
c/o DBAY Advisors Limited  
4th Floor, Derby House  
64 Athol Street  
Douglas  
Isle of Man  
IM1 1JD

### General Partner to the Fund

DouglasBay Capital III (GP LP) LP  
c/o DBAY Advisors Limited  
4th Floor, Derby House  
64 Athol Street  
Douglas  
Isle of Man  
IM1 1JD

### Investment Manager

DBAY Advisors Limited  
4th Floor, Derby House  
64 Athol Street  
Douglas  
Isle of Man  
IM1 1JD

### Auditors

KPMG Audit LLC  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM1 1LA

### Directors of DouglasBay Capital III (GP) Limited

Michael Haxby  
Alexander Paiusco  
Ian Lambert

### Administrator

IQ EQ Fund Services (Jersey) Limited  
2nd Floor, Gaspé House  
66 - 72 Esplanade  
St Helier  
Jersey  
JE1 1GH

### Depository Service Provider

INDOS Financial Limited  
54 Fenchurch Street  
London  
EC3M 3JY

### Registered Office

Maples Corporate Services Limited  
PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104 Cayman Islands

## Legal Advisors to the Partnership

### In London

Debevoise & Plimpton LLP  
65 Gresham Street  
London  
EC2V 7NQ

### In Cayman Islands

Maples and Calder  
PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104 Cayman Islands

# DouglasBay Capital III Fund LP

## General Partner's Report

### For the period ended 30 June 2020

The General Partner presents its annual report and the unaudited consolidated financial statements of DouglasBay Capital III Fund LP ("the Partnership") for the period ended 30 June 2020. The Partnership's first close was on 9 February 2018 and the second close was on 12 June 2018. A third and final close took place on 10 April 2019.

#### Principal Activities

The principal activities of the Partnership are to carry out the business of an investor and in particular but without limitation to identify, research, negotiate, make and monitor the progress of and sell, realise, exchange or distribute investments.

#### Results for the period ended 30 June 2020

The Consolidated Statement of Comprehensive Income for the period ended 30 June 2020 and the Consolidated Statement of Financial Position at 30 June 2020 are set out on pages 14 and 15 respectively.

#### Distributions

There were no distributions paid to the Limited Partners in the period.

#### DouglasBay Capital III Fund (Co-investment Account No.1) LP (the "Co-investment Fund")

During the period, a portion of the investments held in Project Ameath, Project Pearl, Project Luminis, Project Crisp and Project Cake were transferred to the Co-investment Fund at cost in accordance with clause 4.5(b)(ii) of the Limited Partnership Agreement.

#### General Partner

The names of the General Partner and its Directors are set out on page 1.

#### General Partner's Interests

As at 30 June 2020, the General Partner and its Directors have an interest in the Partnership as disclosed on page 30.

#### Statement of General Partner's Responsibilities

The General Partner is responsible for preparing the General Partner's Report and the financial statements.

The General Partner is required to prepare financial statements for each financial period. It has elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- i) Select suitable accounting policies and then apply them consistently;
- ii) Make judgements and estimates that are reasonable and prudent;
- iii) State whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- iv) assess the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- v) use the going concern basis of accounting unless it either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

**For and on behalf of DouglasBay Capital III Fund (GP) Limited, acting as General Partner to DouglasBay Capital III Fund (GP LP) LP, itself, General Partner to DouglasBay Capital III Fund LP**



Director

03 September 2020

# DouglasBay Capital III Fund LP

## Activity Report

For the period to 30 June 2020

### Summary

DouglasBay Capital III Fund LP, a Cayman Limited Partnership, held its final close on 10 April 2019 at €241m. Together with a discretionary co-investment vehicle, the total capital available for investment for DouglasBay Capital III Fund LP stands at €334.5m.

Since inception capital contributions (capital paid-in) net of recallable distributions total €145.6m, which represents 60.4% of committed capital. As at 30 June 2020, capital contributions have so far been deployed in 11 investments.

### Returns from main investments

	Cost	Income & sale proceeds received	Fair value of remaining position	Total profit / (loss)	Multiple of costs	Gross IRR	Fair value previous period†	Change previous period (excluding income/sale proceeds)	
Harvey Nash Group Ltd	£ (m)	24.2	0.0	35.2	11.0	1.5x	26.7%	27.4	7.8
	€ (m)	27.7	0.0	38.6	10.9	1.4x	23.5%	30.9	7.7
Eddie Stobart Logistics*	£ (m)	73.0	0.0	95.9	22.9	1.3x	51.4%	111.5	(15.6)
	€ (m)	85.7	0.0	105.1	19.5	1.2x	36.9%	125.8	(20.7)
Project Beethoven**	€ (m)	14.7	18.5	-	3.8	1.3x	23.7%	4.6	(4.6)
Project Savoy/Sqli SA	€ (m)	35.3	0.6	23.7	(10.9)	0.7x	0.0%	19.7	4.1
Project Pearl	£ (m)	1.9	0.0	1.9	0.1	1.0x	13.4%	0.4	1.5
	€ (m)	2.1	0.0	2.1	0.1	1.0x	7.6%	0.5	1.6
Project Ivory	€ (m)	3.9	0.0	4.4	0.5	1.1x	44.3%	2.4	2.0

† As at 31 March 2020

\*includes PIK and the investment in ESL plc

\*\*position fully sold during period

### Harvey Nash Group Limited via The Power of Talent TopCo Limited

Harvey Nash Group Limited (“Harvey Nash”) is a leading provider of specialist recruitment and outsourcing solutions. The core business is technology recruitment (permanent, contracting and managed services) alongside an executive search practice in the Nordics and outsourced software development and implementation delivered both onshore and from offshore delivery centres in Vietnam. They operate through a stable of eight key brands across 15 countries in Europe, the US and Asia. Circa 900 sales and administrative staff are employed in addition to approximately 1,800 in their Vietnamese outsourcing business and over 8,000 contractors out on assignment.

### Harvey Nash Group Q2 2020 Update

Having experienced “business as usual” through to the end of March, the three months to 30 June 2020 were understandably dominated by the Covid-19 Pandemic. As stated in our Q1 report, Harvey Nash was able to take early actions on its cost base to counter the effects of the pandemic having experienced the impact on its Vietnamese operations ahead of the spread in Europe. As a result, profitability (albeit down on prior year) was maintained throughout Q2 and liquidity improved.

The permanent recruitment activities were hardest hit by the pandemic, particularly the leadership services business in the Nordics (down 30% on prior year). Contractor numbers were down 10% between the end of March and the end of June although the trend is now beginning to reverse. The outsourcing service line (Nashtech and Crimson) has proved much more resilient and is ahead of prior year both in terms of revenue and profitability. Overall, net fee income (gross profit) for the five months to June 2020 is 13% down on prior year and operating profit down 33%.

# DouglasBay Capital III Fund LP

## Activity Report (continued)

For the period to 30 June 2020

### **Harvey Nash Group Limited via The Power of Talent TopCo Limited (continued)**

The approach of the executive management was to take early and decisive action around the cost base (hiring freezes, capex postponement, salary reductions) as well as taking advantage of government programmes (furloughing of staff, tax deferrals) to maintain profitability but then quickly move the focus onto moving forward. Since early April, with the difficult decisions having been made, all efforts have been on successfully exit the current crisis and building the business for the future.

Despite working from home, with some selected return to offices later in the quarter, staff engagement has been high and productivity levels have improved. Towards the end of the quarter the business was beginning to consider reinstating some investment projects (including the implementation of a new CRM system), making selected strategic hires and developing an updated strategic plan for the business under Bev White's leadership.

Overall Harvey Nash has performed well over the past three months particularly against its peers. Given this relative performance to the market at large, driven by Harvey Nash's specialist technology focus and exposure to the outsourcing / solutions market, the Investment Manager has, on fair market value basis, marked the holding value of the investment back up towards the levels as at December 2019.

### **Project Green/ Eddie Stobart Logistics plc (ESL)**

Eddie Stobart is one of the largest UK logistics companies, providing transport, warehousing and e-fulfilment services mainly in the UK but also in continental Europe. The Fund controls 51% of the operating companies of ESL, as well as 22% of the listed entity (Eddie Stobart Logistics plc), which owns a 49% interest in the operating companies. The Fund has also provided a £55m PIK loan to the operating company.

On May 31, 2020, the Group has completed the first half of the 2020 financial year and the first 6 months of trading under the new ownership structure and the new management team led by William Stobart (Executive Chairman) and Brian Corrway (Chief Financial Officer). The Group has traded successfully throughout the lockdown and continued to maintain excellent service levels to customers, generating revenues of c.£407m for the first six months of the financial year. The (undaudited) underlying EBIT for the six months marked a return back to profitability is expected to be at least £8m, before the further positive effect of IFRS 16.

Net debt at period end 31 May 2020 was c.£236m (30 November 2019: £214.5m), reflecting the non-recurring costs of the re-organisation of the group and the continued investments made during the period to strengthen the business going forward.

The first six months saw the successful completion of phase one of the business re-organisation which has resulted in a significant reduction in the cost base and the long-term property liabilities. At the same time, the team has made important investments in the business, with a highlight for the period being the acquisition of the "Eddie Stobart" and "Stobart" brands, which will deliver significant future cost savings and allow the group to further differentiate the business from its competitors.

Eddie Stobart Limited, has benefited from strong exposure to fast moving consumer and grocery sectors and a growing demand for warehousing.

iForce has continued to grow, is performing strongly and continues to benefit from the move to online sales which has been accelerated by the lockdown.

The Pallet Network is currently delivering record volumes and is growing market share. We believe the business is well placed to continue to grow in the current climate of economic uncertainty.

Finally, the Group has reduced its interest in Puro Ventures Ltd (PVL), which trades as Speedy Freight, from 47.5% to 20%. The shareholders' obligations under put and call options, which would if exercised have required the Group to purchase the 52.5% of PVL shares not already owned, have been released.

# DouglasBay Capital III Fund LP

## Activity Report (continued)

For the period to 30 June 2020

### *Project Savoy/Sqli SA*

SQLI is a leading French e-Commerce integrator with operations in 15 countries. In Q2 the share price of the company had partially recovered its previous fall throughout Q1 where it was affected by the general market correction. The demand for its services has seen a stabilisation and positive recovery trend. The company's liquidity position has been significantly strengthened in the first half of the year, providing confidence that it is well equipped to trade through this period of uncertainty. The fund has two representatives at board level.

### *Project Pearl*

Project Pearl is the code name for a global ERP software business. The Fund initially acquired a stake in Pearl in July and August 2019. Following a decline in the share price driven by the company announcing it was no longer in potential takeover talks as well as the impact of Covid-19 pandemic, the Manager has further increased its holding. Regular dialogue with the management team is being maintained.

### *Project Ivory*

Project Ivory is the code name for a food distribution business. The company continues to perform well in the current market conditions and the Manager is looking at a number of options to progress this investment.

### *Other investments*

During the quarter the fund has taken stakes in 3 listed companies. These companies are active in the following sectors: a specialised retailer, a company that designs, develops, and internationally distributes toys and games and a company that provides lighting solutions. The fund also holds stakes in an agriculture company (distribution of seeds and animal feed).

### Returns to investors (since inception)

	€'000
Partnership net asset value	161,922
Permanent distributions	-
<b>Total value</b>	<b>161,922</b>
Paid-in capital	145,597
Return on capital paid-in (net)	16,325
Net IRR	11.3%
Total value to paid-in capital	1.1x

### Outlook

Having ensured in the first half of the year that the portfolio companies had the liquidity required to navigate through the COVID-19 crisis, the Manager has been focusing during the quarter on the pipeline, making a number of new investments. The Manager is working very intensely to convert some of these investments in to public-to-private situations in line with the fund strategy.

# DouglasBay Capital III Fund LP

## Fund Summary

As at 30 June 2020	
	€
Total Commitments	241,000,000
Total Unfunded Commitment	95,403,140
% of Total Commitment	39.59%
Total Drawdowns net of Recallable Distributions (Paid-in Capital)	145,596,860
% of Total Commitment	60.41%
Capital gain/Income distributions to date	-
Current portfolio at cost (excluding cash)	164,901,362
Fair Value of current portfolio (excluding cash)	186,374,939
Invested Capital Uplift of current portfolio (exc. realised investments)	1.13x
Cash	18,899,484
Other Assets & Liabilities	(43,352,771)
Total Net Asset Value at Fair Value	161,921,652
<u>Multiples excluding distributable cash provision:</u>	
Distributions to Paid-In Capital (DPI; Realisations Multiple)	0.00x
Total Value to Paid-in Capital (TVPI; Investment multiple)	1.11x
Residual NAV to Paid-in Capital (RVPI multiple)	1.11x
Paid-In Capital to Total Commitments (PICC)	0.60x
<u>Multiples including distributable cash provision:</u>	
Distributions to Paid-In Capital (DPI; Realisations Multiple)	0.00x
Total Value to Paid-in Capital (TVPI; Investment multiple)	1.11x
Residual NAV to Paid-in Capital (RVPI multiple)	1.11x
Paid-In Capital to Total Commitments (PICC)	0.60x
Partnership expenses and GP Share incurred (since inception)	(14,600,028)
Partnership expenses and GP Share outstanding as at 30 June 2020	(378,081)
Realised foreign exchange gain on investments and cash (since inception)	782,119
Total expenses, GP Share and realised foreign exchange	(14,195,990)

# DouglasBay Capital III Fund LP

## Fund Performance Summary

From inception to 30 June 2020

	€
<b>Reconciliation of Partners' Capital at risk</b>	
Total commitments	241,000,000
Amount not yet drawn down	(95,403,140)
<b>Net cumulative contributions</b>	<b>145,596,860</b>
<hr/>	
Total contributions	145,596,860
Total distributions - available for redrawing	-
Net cumulative contributions	145,596,860
Capital gain/Income distributions (excluding equalisation interest)	-
<b>Capital at risk</b>	<b>145,596,860</b>
<hr/>	
<b>Reconciliation of net asset value</b>	
Amounts contributed	145,596,860
Dividends & Loan interest income	6,770,865
Bank interest income	26
Management Fee	(9,620,162)
Legal fee	(179,443)
Audit fee	(53,362)
Tax fee	(39,926)
Bank charges and interest	(168,205)
Professional fees	(297,959)
Secretarial and administration fees	(294,678)
Other expenses	(355,110)
Loan interest expense	(1,315,669)
Investment Managers expenses	(77,537)
Other fund services Fees	(48,508)
Compliance expenses	(5,653)
Establishment costs	(1,021,038)
International service entity fee	(1,052)
Facility fees	(743,645)
Realised investment gains	6,890,035
Realised investment FX gains	(127,321)
Unrealised investment gains	22,459,757
Unrealised investment FX gains	(6,356,063)
Operational realised FX losses	909,440
<b>Net asset value per Statement of Financial Position</b>	<b>161,921,652</b>
<hr/>	
<b>Attribution of net asset value</b>	
Attributable to Limited Partners	152,928,554
Attributable to General Partner	8,993,098
<b>Net asset value per Statement of Financial Position</b>	<b>161,921,652</b>

# DouglasBay Capital III Fund LP

## Summary of Partners' Commitments

As at 30 June 2020

Partner	% Interest	Committed	Contributed Capital	Remaining Capital Commitment
<b>Limited Partners</b>		€	€	€
Investor 1	0.08%	200,000	121,663	78,337
Investor 2	0.17%	400,000	243,326	156,674
Investor 3	0.08%	200,000	113,126	86,874
Investor 4	10.37%	25,000,000	15,150,157	9,849,843
Investor 5	31.12%	75,000,000	45,450,473	29,549,527
Investor 6	0.02%	50,000	30,416	19,584
Investor 7	3.53%	8,500,000	5,151,053	3,348,947
Investor 8	1.66%	4,000,000	2,433,254	1,566,746
Investor 9	0.02%	50,000	30,416	19,584
Investor 10	2.07%	5,000,000	3,041,568	1,958,432
Investor 11	0.04%	100,000	60,831	39,169
Investor 12	8.30%	20,000,000	12,120,126	7,879,874
Investor 13	6.64%	16,000,000	9,714,558	6,285,442
Investor 14	7.89%	19,020,000	11,526,240	7,493,760
Investor 15	6.66%	16,050,000	9,726,401	6,323,599
Investor 16	1.73%	4,160,000	2,520,986	1,639,014
Investor 17	1.73%	4,160,000	2,520,986	1,639,014
Investor 18	1.73%	4,160,000	2,520,986	1,639,014
Investor 19	0.08%	200,000	113,126	86,874
Investor 20	0.04%	100,000	56,563	43,437
Investor 21	0.08%	200,000	113,126	86,874
DouglasBay Capital III Fund (GP LP) LP	5.54%	13,350,000	7,551,160	5,798,840
Investor 23	1.66%	4,000,000	2,447,098	1,552,902
Investor 24	6.22%	15,000,000	9,107,398	5,892,602
Investor 25	2.49%	6,000,000	3,670,646	2,329,354
Investor 26	0.04%	100,000	61,177	38,823
<b>Total</b>	<b>100.00%</b>	<b>241,000,000</b>	<b>145,596,860</b>	<b>95,403,140</b>

# DouglasBay Capital III Fund LP

## Summary of Partners' Commitments - continued

As at 30 June 2020

Partner	Non-recallable Distributions	Share of Net Assets at Valuation before distributable cash*	Estimated potential distributable cash provision	Share of Net Assets at Valuation after distributable cash*	Total Allocation
	A			B	A + B
	€	€	€	€	€
<b>Limited Partners</b>					
Investor 1	-	134,414	-	134,414	134,414
Investor 2	-	268,833	-	268,833	268,833
Investor 3	-	134,695	-	134,695	134,695
Investor 4	-	16,799,198	-	16,799,198	16,799,198
Investor 5	-	50,397,591	-	50,397,591	50,397,591
Investor 6	-	33,605	-	33,605	33,605
Investor 7	-	5,711,726	-	5,711,726	5,711,726
Investor 8	-	2,688,305	-	2,688,305	2,688,305
Investor 9	-	33,605	-	33,605	33,605
Investor 10	-	3,359,416	-	3,359,416	3,359,416
Investor 11	-	67,191	-	67,191	67,191
Investor 12	-	13,393,711	-	13,393,711	13,393,711
Investor 13	-	10,750,809	-	10,750,809	10,750,809
Investor 14	-	12,780,766	-	12,780,766	12,780,766
Investor 15	-	10,785,029	-	10,785,029	10,785,029
Investor 16	-	2,795,372	-	2,795,372	2,795,372
Investor 17	-	2,795,372	-	2,795,372	2,795,372
Investor 18	-	2,795,372	-	2,795,372	2,795,372
Investor 19	-	134,726	-	134,726	134,726
Investor 20	-	67,367	-	67,367	67,367
Investor 21	-	134,726	-	134,726	134,726
DouglasBay Capital III Fund (GP LP) LP	-	8,993,098	-	8,993,098	8,993,098
Investor 23	-	2,687,799	-	2,687,799	2,687,799
Investor 24	-	10,080,036	-	10,080,036	10,080,036
Investor 25	-	4,031,693	-	4,031,693	4,031,693
Investor 26	-	67,197	-	67,197	67,197
<b>Total</b>	-	<b>161,921,652</b>	-	<b>161,921,652</b>	<b>161,921,652</b>

\*see note 9

# DouglasBay Capital III Fund LP

## Changes in Portfolio Valuation

As at 30 June 2020

	€	€
Opening balance as at 1 January 2020		<b>192,123,139</b>
Acquisition cost of investments during the period		22,656,350
Acquisition cost of investments transferred to DouglasBay Capital III Fund (Co-Investment Account No.1) LP		12,830,736
Sale proceeds from investments during the period		(23,711,309)
Sale proceeds from investments transferred to DouglasBay Capital III Fund (Co-Investment Account No.1) LP		(12,830,736)
Interest on loans advanced		5,348,053
Changes in valuations:		
30 June 2020	Harvey Nash Group Ltd	(4,842,302)
30 June 2020	Project Beethoven	(2,591,121)
30 June 2020	Project Savoy	(8,576,777)
30 June 2020	Project Green / Eddie Stobart	694,725
30 June 2020	Project Pearl	(186,154)
30 June 2020	Project Ivory	482,717
30 June 2020	Project Luminis	857,433
30 June 2020	Project Ameath	175,361
30 June 2020	Project Morgan	3,505,252
30 June 2020	Project Crisp	7,753
30 June 2020	Project Cake	<u>431,819</u>
		(10,041,294)
Closing balance as at 30 June 2020		<b><u><u>186,374,939</u></u></b>

# DouglasBay Capital III Fund LP

## Portfolio Valuation Summary

As at 30 June 2020

	Original Investment at cost	Capital Return	Investments transferred to the Co- Investment Fund*	Capitalised Income	Investments at cost**	period of Investment	Sector
	€	€	€	€	€		
Investment in Harvey Nash Group Ltd	27,694,503	-	-	-	27,694,503	2018	Recruitment
Investment in Project Nero	90,066	90,066	-	-	-	2018	Confidential
Investment in Project Beethoven	14,652,233	14,652,233	-	-	-	2018	Confidential
Investment in Project Savoy	35,321,588	672,108	-	-	34,649,480	2019	Confidential
Investment in Project Green / Eddie Stobart	85,672,260	-	-	-	85,672,260	2019	Logistics
Investment in Project Pearl	4,143,734	46,445	2,048,644	-	2,048,645	2019	Confidential
Investment in Project Ivory	3,942,193	-	-	-	3,942,193	2020	Confidential
Investment in Project Luminis	7,465,577	-	3,732,789	-	3,732,788	2020	Confidential
Investment in Project Ameath	3,732,554	619,888	1,556,332	-	1,556,334	2020	Confidential
Investment in Project Morgan	6,516,012	6,403,828	-	-	112,184	2020	Confidential
Investment in Project Crisp	584,134	-	292,067	-	292,067	2020	Confidential
Investment in Project Cake	10,401,812	-	5,200,904	-	5,200,908	2020	Confidential
<b>Total Investments</b>	<b>200,216,666</b>	<b>22,484,568</b>	<b>12,830,736</b>	<b>-</b>	<b>164,901,362</b>		

	Realised Capital Gains/(Losses)	Net Income Received/ Receivable	Investment at Valuation	Total*** Gain/(Loss)
	€	€	€	€
Investment in Harvey Nash Group Ltd	24,240	-	38,615,536	10,945,273
Investment in Project Nero	(8,089)	2,499	-	(5,590)
Investment in Project Beethoven	3,267,669	570,701	-	3,838,370
Investment in Project Savoy	(30,543)	-	23,742,072	(10,937,951)
Investment in Project Green / Eddie Stobart	-	-	105,127,202	19,454,942
Investment in Project Pearl	4,351	-	2,098,406	54,112
Investment in Project Ivory	-	21,756	4,424,910	504,473
Investment in Project Luminis	-	-	4,590,221	857,433
Investment in Project Ameath	31,056	-	1,700,639	175,361
Investment in Project Morgan	3,474,030	-	143,406	3,505,252
Investment in Project Crisp	-	-	299,820	7,753
Investment in Project Cake	-	-	5,632,727	431,819
<b>Total Investments</b>	<b>6,762,714</b>	<b>594,956</b>	<b>186,374,939</b>	<b>28,831,247</b>

\* During the period, a portion of the investments held in Project Ameath, Project Pearl, Project Luminis, Project Crisp and Project Cake were transferred to the Co-investment Fund at cost in accordance with clause 4.5(b)(ii) of the Limited Partnership Agreement

\*\* Cost of investment after syndications and redemptions

\*\*\* Excess of valuation, plus income and gains received, over net costs

# DouglasBay Capital III Fund LP

## Income and Capital Received from Investments

As at 30 June 2020

	Cost	Capital Return	Capital Gain	Net Income Received/ Receivable	Total Proceeds
	€	€	€	€	€
Investment in Harvey Nash Group Ltd	27,694,503	-	24,240	-	24,240
Investment in Project Nero	90,066	90,066	(8,089)	2,499	84,476
Investment in Project Beethoven	14,652,233	14,652,233	3,267,669	570,701	18,490,603
Investment in Project Savoy	35,321,588	672,108	(30,543)	-	641,565
Investment in Project Green / Eddie Stobart	85,672,260	-	-	-	-
Investment in Project Pearl	4,143,734	46,445	4,351	-	50,796
Investment in Project Ivory	3,942,193	-	-	21,756	21,756
Investment in Project Luminis	7,465,577	-	-	-	-
Investment in Project Ameath	3,732,554	619,888	31,056	-	650,944
Investment in Project Morgan	6,516,012	6,403,828	3,474,030	-	9,877,858
Investment in Project Crisp	584,134	-	-	-	-
Investment in Project Cake	10,401,812	-	-	-	-
	<b>200,216,666</b>	<b>22,484,568</b>	<b>6,762,714</b>	<b>594,956</b>	<b>29,842,238</b>

# DouglasBay Capital III Fund LP



Harvey Nash Group Limited (“Harvey Nash”) is a leading provider of specialist recruitment and outsourcing solutions. The core business is technology recruitment (permanent, contracting and managed services) alongside an executive search practice in the Nordics and outsourced software development and implementation delivered both onshore and from offshore delivery centres in Vietnam. They operate through a stable of eight key brands across 15 countries in Europe, the US and Asia. Circa 900 sales and administrative staff are employed in addition to approximately 1,800 in their Vietnamese outsourcing business and over 8,000 contractors out on assignment.

## Investment summary

First investment date: 12 October 2018  
Investment type: Acquisition / taken private  
Sector: IT Recruitment and Outsourcing  
DBAY Director: David Morrison  
Location: London, UK  
Equity % held: 100% (together with Parallel Funds and Co-investor)  
Other investors: Co-investor holds 14.4% of The Power of Talent TopCo Ltd

## Financial information

	12 months to 31 January 2016	12 months to 31 January 2017	12 months to 31 January 2018	12 months to 31 January 2019	12 months to 31 January 2020
£m					
Total billings	676.5	784.3	885.7	1085.2	1123.6
Revenue <sup>1</sup>	676.5	784.3	534.9	595.1	n/a
NFI <sup>2</sup> /Gross Profit	90.3	97.9	98.1	106.3	105.4
EBITDA <sup>3</sup>	11.7	10.7	12.8	16.0	17.9
EBIT <sup>3</sup>	10.2	9.3	11.4	14.6	16.4
Net debt/(cash) <sup>4</sup>	(0.2)	(5.6)	6.9	56.7	67.3

### Notes

1 Revenue restated for 2018 and 2019 for changes in IFRS

2 NFI - Net Fee Income; 2019 includes discontinued operations

3 Pre non-recurring and exceptional charges and pre-IFRS adjustments

4. Net debt/(cash) includes net drawings on the working capital facility; excluding working capital, net debt at 31 January 2020 of £34.0m

## Investment rationale

- Focused on one of the strongest market segments
- Well placed in an evolving market
- Broad geographic exposure
- Diversified blue-chip customer base
- Resilient through the cycle
- Highly cash generative

## Proceeds to date

<u>Income</u>	<u>Capital</u>
n/a	n/a

## Exit prospects

The Investment Manager expects to exit via a trade sale.

# DouglasBay Capital III Fund LP

## Consolidated Statement of Comprehensive Income

For the period ended 30 June 2020

	Notes	1 January 2020 to 30 June 2020	1 January 2019 to 30 June 2019
		€	€
<b>Investment Income</b>			
Dividend income		21,756	572,645
Loan interest income	4,5(b)	5,474,555	-
Bank interest income		-	565
<b>Total income</b>		<b>5,496,311</b>	<b>573,210</b>
<b>Expenses</b>			
General Partner's Share	7	2,005,578	2,516,269
Legal fees		(8,538)	-
Audit fees		11,138	7,890
Tax fees		15,396	6,056
Bank charges and interest		31,116	61,603
Professional fees		50,466	20,384
Secretarial and administration fees	9	82,561	55,187
Other expenses	10	86,507	71,764
Loan interest expense		320,751	107,336
Establishment costs		220	21,475
Facility fees		39,671	62,675
<b>Total expenses</b>		<b>2,634,866</b>	<b>2,930,639</b>
<b>Net investment income/(expense)</b>		<b>2,861,445</b>	<b>(2,357,429)</b>
<b>Realised and unrealised gain from investments and foreign currency related transactions</b>			
Net realised gain on transactions in:			
Securities		5,613,930	868,043
Foreign currency		1,544,337	66,143
<b>Net realised gain</b>		<b>7,158,267</b>	<b>934,186</b>
Movement in net unrealised (depreciation)/appreciation on:			
Securities		(7,499,139)	7,545,206
Foreign Exchange		(8,028,671)	(1,211,358)
<b>Movement in net unrealised (depreciation)/appreciation</b>		<b>(15,527,810)</b>	<b>6,333,848</b>
<b>Net unrealised and realised (loss)/gain</b>		<b>(8,369,543)</b>	<b>7,268,034</b>
<b>Net (decrease)/increase in Partners' capital resulting from operations</b>		<b>(5,508,098)</b>	<b>4,910,605</b>

The General Partner considers all results are derived from continuing operations.

There were no gains or losses in the period other than those presented in the Statement of Comprehensive Income.

The notes on pages 18 to 31 are an integral part of these financial statements.

# DouglasBay Capital III Fund LP

## Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020	31 December 2019
		€	€
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	4	186,374,939	192,123,139
<b>Current assets</b>			
Cash at bank	6	18,899,484	41,678,094
Other assets	11	9,100,604	3,660,586
<b>Total assets</b>		<b>214,375,027</b>	<b>237,461,819</b>
<b>Current liabilities</b>			
Administration fee payable	9	43,811	37,671
Audit fee payable		12,478	26,763
Other liabilities	12	613,840	1,796,523
		670,129	1,860,957
<b>Non-current liabilities</b>			
Loan payable	13	51,783,246	68,171,112
<b>Total Partners' Capital</b>		<b>161,921,652</b>	<b>167,429,750</b>

### Partners' Capital

Limited Partners		152,928,554	158,246,014
General Partner		8,993,098	9,183,736
<b>Total Partners' Capital</b>		<b>161,921,652</b>	<b>167,429,750</b>
<b>Total Liabilities and Partners' Capital</b>		<b>214,375,027</b>	<b>237,461,819</b>

These financial statements were approved by the General Partner on 03 September 2020 and signed on its behalf by;



Director

The notes on pages 18 to 31 are an integral part of these financial statements.

# DouglasBay Capital III Fund LP

## Statement Of Changes In Net Assets Attributable to the Partners

For the period ended 30 June 2020

	Limited Partners	General Partner	Total
	€	€	€
<b>Partners' Capital as at 1 January 2020</b>	<b>158,246,014</b>	<b>9,183,736</b>	<b>167,429,750</b>
Allocations of share of dividend and interest income	5,191,738	304,573	5,496,311
Allocations of share of Management Fee	(2,005,578)	-	(2,005,578)
Allocations of share of legal fee	8,065	473	8,538
Allocations of share of audit fee	(10,521)	(617)	(11,138)
Allocations of share of tax fee	(15,396)	-	(15,396)
Allocations of share of bank charges and interest	(29,392)	(1,724)	(31,116)
Allocations of share of professional fees	(47,670)	(2,796)	(50,466)
Allocations of share of secretarial and administration fees	(77,988)	(4,573)	(82,561)
Allocations of share of other expenses	(81,715)	(4,792)	(86,507)
Allocations of share of loan interest expense	(302,983)	(17,768)	(320,751)
Allocations of share of establishment costs	(208)	(12)	(220)
Allocations of share of facility fees	(37,473)	(2,198)	(39,671)
Allocations of share of net realised gains	6,761,741	396,526	7,158,267
Allocations of share of net unrealised depreciation	(14,670,080)	(857,730)	(15,527,810)
<b>Net decrease in Partners' Capital from operations</b>	<b>(5,317,460)</b>	<b>(190,638)</b>	<b>(5,508,098)</b>
Called commitments from Partners	-	-	-
<b>Total increase in Partners' Capital from capital transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Partners' Capital as at 30 June 2020</b>	<b>152,928,554</b>	<b>8,993,098</b>	<b>161,921,652</b>
Commitments	227,650,000	13,350,000	241,000,000
Drawn commitments from Partners	138,045,700	7,551,160	145,596,860
<b>Undrawn loan commitments</b>	<b>89,604,300</b>	<b>5,798,840</b>	<b>95,403,140</b>
<b>Partners' Capital as at 1 January 2019</b>	<b>43,881,039</b>	<b>2,656,828</b>	<b>46,537,867</b>
Allocations of share of dividend and interest income	541,472	31,738	573,210
Allocations of share of Management Fee	(2,516,269)	-	(2,516,269)
Allocations of share of legal fee	(1,004)	1,004	-
Allocations of share of audit fee	(7,543)	(347)	(7,890)
Allocations of share of tax fee	(6,056)	-	(6,056)
Allocations of share of bank charges and interest	(58,408)	(3,195)	(61,603)
Allocations of share of professional fees	(20,336)	(48)	(20,384)
Allocations of share of secretarial and administration fees	(52,623)	(2,564)	(55,187)
Allocations of share of other expenses	(67,963)	(3,801)	(71,764)
Allocations of share of loan interest expense	(102,210)	(5,126)	(107,336)
Allocations of share of establishment costs	(25,528)	4,053	(21,475)
Allocations of share of facility fees	(62,834)	159	(62,675)
Allocations of share of net realised gains	881,673	52,513	934,186
Allocations of share of net unrealised appreciation	6,008,769	325,079	6,333,848
<b>Net increase in Partners' Capital from operations</b>	<b>4,511,140</b>	<b>399,465</b>	<b>4,910,605</b>
Called commitments from Partners	1,343,430	(237,594)	1,105,836
<b>Total increase in Partners' Capital from capital transactions</b>	<b>1,343,430</b>	<b>(237,594)</b>	<b>1,105,836</b>
<b>Partners' Capital as at 30 June 2019</b>	<b>49,735,609</b>	<b>2,818,699</b>	<b>52,554,308</b>
Commitments	227,650,000	13,350,000	241,000,000
Drawn commitments from Partners	46,302,570	2,288,712	48,591,282
<b>Undrawn loan commitments</b>	<b>181,347,430</b>	<b>11,061,288</b>	<b>192,408,718</b>

The notes on pages 18 to 31 are an integral part of these financial statements.

# DouglasBay Capital III Fund LP

## Statement of Cash Flows

For the period ended 30 June 2020

	1 January 2020 to 31 June 2020	1 January 2019 to 31 June 2019
	€	€
General Partner's Share paid	(2,005,578)	(2,516,269)
Audit fee paid	(25,423)	-
Other expenses paid	(1,442,826)	(78,171)
Dividend income	21,756	572,645
Bank & loan interest income	-	565
Net gain on foreign currency transactions	1,706,288	66,143
Purchase of investments	(40,835,139)	(18,555,732)
Sale of investments	36,542,045	3,402,068
<b>Net cash flow from operating activities</b>	<b>(6,038,877)</b>	<b>(17,108,751)</b>
<b>Cash flows from financing activities:</b>		
Called commitments from Partners	-	1,105,836
Net loans drawn down	20,000,000	59,692,446
Net loans repaid	(36,387,866)	-
Interest paid	(351,867)	(168,939)
<b>Net cash flow from financing activities</b>	<b>(16,739,733)</b>	<b>60,629,343</b>
Net increase in cash and cash equivalents	(22,778,610)	43,520,592
Opening cash and cash equivalents	41,678,094	4,946,419
<b>Closing cash and cash equivalents</b>	<b>18,899,484</b>	<b>48,467,011</b>

The notes on pages 18 to 31 are an integral part of these financial statements.

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements

For the period ended 30 June 2020

### 1. General Information

DouglasBay Capital III Fund LP (the “Partnership”) was registered on 12 September 2017 as an exempted limited partnership in the Cayman Islands under The Exempted Limited Partnership Law 2014. The Partnership had its first close on 7 August 2018 and second close on 16 November 2018. A third and final close took place on 10 April 2019.

The registered office of the Partnership is PO Box 309, Uglund House, Cayman Islands KY1-1104. The General Partner of the Partnership is DouglasBay Capital III Fund (GP LP) LP. The General Partner (acting through its own general partner DouglasBay Capital III (GP) Ltd.) is responsible for the management, operation and administration of the affairs of the Partnership. The majority of the investment activities of the Partnership have been delegated by the General Partner to DBAY Advisors Limited (the “Investment Manager”) under the terms of the Management Agreement dated 9 February 2018 however investment decisions remain the responsibility of the General Partner.

The financial statements were authorised for issue by the General Partner on 3 September 2020.

### 2. Accounting policies

#### (a) Basis of preparation

##### *Statement of Compliance*

The financial statements of the Partnership have been prepared in accordance with the historical cost convention as modified by the revaluation of investments. The principal accounting policies which have been applied are set out below. Such policies are in accordance with and comply with International Financial Reporting Standards (“IFRSs”).

The Partnership has adopted the Euro (“€”) as its presentational and functional currency.

Where appropriate prior period comparative information has been represented to be consistent with current period

##### *Going Concern*

The General Partner has made an assessment of the Partnership’s ability to continue as a going concern and is satisfied that the Partnership has the resources to continue in business for the foreseeable future including the ability to draw down existing investee commitments. Furthermore, the General Partner is not aware of any material uncertainties that may cast significant doubt upon the Partnership’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

#### (b) Income

Dividend income is recognised in the Statement of Comprehensive Income when the relevant investment is first listed ex-dividend and is shown net of withholding taxes. Other income is recognised on a receivable basis.

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 2. Accounting policies (continued)

#### (c) Taxation

Under current laws of the Cayman Islands, there are no income, estate, transfer, sales or other taxes payable by the Partnership.

#### (d) Financial assets and financial liabilities at fair value through profit or loss

##### *Classification*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The

##### *Recognition/derecognition*

Purchases and sales of investments are accounted for on the date the securities are purchased or sold. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all risks and rewards of ownership. The computation of the cost of sale of securities is made on the average cost basis. Realised and unrealised gains and losses are recorded in the Statement of Comprehensive Income, and are shown net of all broker charges.

##### *Measurement*

The Partnership measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

#### (e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances held at Barclays Bank plc ("Barclays") and Sparkasse Bank Malta plc ("Sparkasse"). Cash is available to withdraw by the Partnership without prior notice from all parties subject to any outstanding obligations being settled.

#### (f) Accrued expenses

Expenses are recorded on the accruals basis as incurred and charged to the Statement of Comprehensive Income. Accrued expenses are recognised at fair value and subsequently stated at amortised cost using the effective interest method.

#### (g) Interest expense

Interest and other expenses are recorded on the accruals basis.

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 2. Accounting policies (continued)

#### (h) Fair values

The Partnership's financial instruments are investments, cash, accrued income and accrued expenses. The value of these financial instruments in the financial statements approximates to their fair value as the investments recognise a movement and the other instruments are short-term in nature and thus the carrying value approximates fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the General Partner, on behalf of the Partnership, measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the General Partner establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Partnership, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factor inherent in the financial instrument. The General Partner calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, (the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the Statement of Comprehensive Income on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income and expenses, are recognised in profit or loss as part of net gain or loss from financial instruments at fair value through the Statement of Comprehensive Income.

#### (i) Distributable cash

The General Partner is entitled to receive "distributable cash", calculated on the basis described in note 8, under Clause 6 of the Limited Partnership Agreement when the portfolio of Partnership assets is realised. The proportion allocation of this distributable cash to the General Partner is only due on proceeds above the hurdle rate at realisation. As such any obligations under the Limited Partnership Agreement are contingent on realisation proceeds. There is no potential distributable cash allocation at the reporting date.

#### (j) Translation of foreign currencies

Foreign currency transactions are translated into Euros at the rates of exchange ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Euros at the rates of exchange ruling at the end of the financial period. Exchange differences are included in the Statement of Comprehensive Income.

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 2. Accounting policies (continued)

#### (k) Book-Ups

As per clause 10.2 of the LPA, it is the General Partner's discretion as to whether any revaluation or other adjustments be made on the admission of subsequent investors. No revaluation of Partnership assets has been made and therefore all investors have been treated as if they had been admitted on the first closing date.

#### (l) Changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. The Partnership does not plan to early adopt these standards and they are not thought to have a significant impact on the financial statements.

Amendments to references to the Conceptual Framework in IFRS standards	effective 1 January 2020
Amendments to IAS 1 and IAS 8 - Materiality	effective 1 January 2020
IFRS 17 Insurance Contracts	effective 1 January 2022

#### (m) Unconsolidated structured entities

The Partnership has concluded that the investment entities it holds, but does not consolidate, meet the definition of structured entities because:

- (i) The voting rights in the investment entities are not dominant rights in deciding who controls the investment entities as they relate to administrative tasks only;
- (ii) Activities of the investment entities are restricted by the shareholder agreements; and
- (iii) The investment entities have narrow and well-defined objectives to provide investment opportunities to investors.

During the period the Partnership did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support. See details of investments held in note 4.

### 3. Critical accounting estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent, however, actual results could differ from these estimates. The most significant estimates and judgements that are required to be made are in respect of the valuation of investments for which no reliable market price is available (see note 4).

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 4. Investments

As at 30 June 2020				
	Opening Portfolio as at 1 January 2020		Additions / conversions in the period	Redemptions / Realisations in period
	Cost	Valuation	Cost	Cost
	€	€	€	€
Harvey Nash Group Ltd	27,694,503	43,457,838	-	-
Project Beethoven	11,201,077	15,777,979	-	11,201,077
Project Savoy	34,646,229	32,315,598	3,251	-
Project Green / Eddie Stobart	85,671,852	99,084,016	408	-
Project Pearl	1,256,144	1,487,708	2,841,145	2,048,645
Project Ivory	-	-	3,942,193	-
Project Luminis	-	-	7,465,577	3,732,789
Project Ameath	-	-	3,732,554	2,176,220
Project Morgan	-	-	6,516,012	6,403,828
Project Crisp	-	-	584,134	292,067
Project Cake	-	-	10,401,812	5,200,904
	<b>160,469,805</b>	<b>192,123,139</b>	<b>35,487,086</b>	<b>31,055,530</b>

As at 30 June 2020				
	Redemptions / Realisations in period	Valuation change in period	Closing Portfolio as at 30 June 2020	
	Proceeds		Cost	Valuation
	€	€	€	€
Harvey Nash Group Ltd	-	(4,842,302)	27,694,503	38,615,536
Project Beethoven	13,186,858	(2,591,121)	-	-
Project Savoy	-	(8,576,777)	34,649,480	23,742,072
Project Green / Eddie Stobart	-	694,725	85,672,260	105,127,202
Project Pearl	2,044,293	(186,154)	2,048,644	2,098,406
Project Ivory	-	482,717	3,942,193	4,424,910
Project Luminis	3,732,789	857,433	3,732,788	4,590,221
Project Ameath	2,207,276	175,361	1,556,334	1,700,639
Project Morgan	9,877,858	3,505,252	112,184	143,406
Project Crisp	292,067	7,753	292,067	299,820
Project Cake	5,200,904	431,819	5,200,908	5,632,727
	<b>36,542,045</b>	<b>(10,041,294)</b>	<b>164,901,361</b>	<b>186,374,939</b>

The Partnership's accounting policy on fair value measurement is disclosed in note 2. All securities owned and sold are categorised as Level I or Level III for valuation purposes.

Interest earned of €5,348,053 on a loan reflected as part of the Project Green / Eddie Stobart investment is included within valuation gains.

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 4. Investments (continued)

The changes in the investments classified as Level III are as follows:

	30 June 2020	31 December 2019
	€	€
<b>Balance at 1 January</b>	<b>142,541,854</b>	<b>31,325,635</b>
Purchases	408	69,033,686
Accrued loan interest	5,348,053	701,354
Transfer from level I	-	17,169,417
Transfer to level I	(10,535,333)	-
Movement in unrealised gains	(389,861)	24,311,762
<b>Balance at 30 June / 31 December</b>	<b>136,965,121</b>	<b>142,541,854</b>
<b>Cost of investments held at period end/year end</b>	<b>93,019,109</b>	<b>113,366,355</b>

Investments categorised as Level III comprise The Power of Talent TopCo Limited, The Power of Talent FinCo Limited and Project Green.

The transfer from level I figure reflected in the table above in the prior year is the transfer of Project Green shares in Eddie Stobart Logistics plc which were suspended from the London Stock Exchange.

The transfer to level I figure reflected in the table above in the current year is the transfer of Project Green shares in Eddie Stobart Logistics plc which were re-listed on the London Stock Exchange.

The Partnership has an interest in 83,568,973 shares in Eddie Stobart Logistics plc within Project Green. This investment has been carried at £0.074 per share as at 30 June 2020 (31 December 2019: £0.06). This price is based on the last traded price at 30 June 2020 (31 December 2019: last traded price at 28 November 2019 whilst the shares were suspended). The Partnership also has an interest of 51% in Marcelos Limited which has been valued based on the same last traded price as Eddie Stobart Logistics plc, which owns 49% of its equity. In addition, the Partnership has loaned £55 million to the Project Green group at an interest rate of 18%. The transaction took place in December 2019 and the loan and accrued interest have been reflected at cost within these financial statements.

The Partnership has an interest in 21,463,868 shares in The Power of Talent TopCo Ltd. This investment has been carried at £1.1904 per share as at 30 June 2020 (31 December 2019: £1.2715 per share). This price is based on a directors' valuation of the underlying investment in Harvey Nash Group Ltd as at 30 June 2020 based on an earnings multiple of 8.6x (31 December 2019: 8.8x) applied to the EBITDA, supported by discounted cashflow projections and comparisons with similar entities.

The Partnership has an interest in 14,309,245 shares in The Power of Talent FinCo Ltd. This investment has been carried at £0.6766 per share as at 30 June 2020 (31 December 2019: £0.6766 per share). This price reflects the value of the loan, including accrued interest.

All Level III investments, which are measured in the Statement of Financial Position using the above mentioned valuation techniques, comprise a combined total value of €136,965,121 (December 2019: €142,541,854) or 67.05% (December 2019: 60.03%) of the Total Assets of the Partnership as at 31 December 2019. The net change in fair value for the period recorded in the Statement of Comprehensive Income amounted to a loss of €389,861 (December 2019: gain of €24,311,762).

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 4. Investments (continued)

*Significant unobservable inputs used in measuring fair value*

The table below sets out information about significant unobservable inputs used as at 30 June 2020 in measuring financial instruments categorised as Level III in the fair value hierarchy.

Description	Fair value at 30 June 2020	Valuation technique	Significant unobservable inputs	Range of estimates (weighted-average) for unobservable input	Sensitivity to changes in significant unobservable inputs
The Power of Talent TopCo Ltd	€ 28,003,847	Market approach using comparable traded multiples	EBITDA	n/a	The estimated fair value would increase/decrease if the EBITDA were higher/lower
The Power of Talent TopCo Ltd			EBITDA multiple	8.0-9.6x (8.6x)	The estimated fair value would increase/decrease if the EBITDA multiple were higher/lower
Marcelos Limited (part of Project Green)	€ 32,021,608	Latest transaction of Eddie Stobart Logistics plc	Share price	n/a	If the share price was higher/lower the fair value would be higher/lower

Significant unobservable inputs are developed as follows:

- EBITDA: the EBITDA is the underlying earnings before interest, tax, depreciation and amortisation of the subject business, adjusted for one off or non recurring items for the latest financial period available.

- EBITDA multiple: represent amounts that market participants may use when pricing the investments. EBITDA multiples are selected from comparable public companies based on a geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA.

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 4. Investments (continued)

#### *Sensitivity of fair value measurement to changes in unobservable inputs*

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level III, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on net assets attributable to Partners.

	30 June 2020		31 December 2019	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
The Power of Talent TopCo Ltd	7,818,454	(4,691,073)	7,055,508	(6,851,000)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of The Power of Talent TopCo Ltd has been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles respectively of the Partnership's ranges of possible estimates. The most significant unobservable input is the EBITDA multiple. The EBITDA multiple used in the model at 30 June 2020 was 8.6x (with reasonably possible alternative assumptions of 8.0x and 9.6x). The EBITDA multiple used in the model at 31 December 2019 was 8.8x (with reasonably possible alternative assumptions of 8.0x and 9.6x). Adjusted EBITDA used by management is considered to be a significant unobservable input.

The directors of the General Partner, on consultation with the Investment Advisor, are of the opinion that the latest traded price of Eddie Stobart Logistics plc is the most appropriate measurement of its fair value. They also believe that using the latest traded price of Eddie Stobart Logistics plc is the most appropriate way of deriving a fair value for Marcelos Limited. No sensitivity analysis is disclosed as the directors believe there is no other realistic alternative approach to the valuation of the two entities.

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

### For the period ended 30 June 2020

#### 5. Risk Profile

The Partnership's activities may expose it to a variety of financial risks, the risk management policies employed by the Partnership to manage these risks are discussed below.

##### (a) Market Price Risk

Market price risk is the risk that the market price of a financial instrument will fluctuate due to changes in factors specific to the security or its issuer, factors affecting all securities traded in the market, foreign exchange rates or market interest rates.

If the market value of the Partnership's investment portfolio had increased/decreased in value by 20% as at 30 June 2020 (31 December 2019: 20%) the effect on total partners capital would have been an increase/decrease of €37,274,988 (31 December 2019: €38,424,628).

##### (b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. With regards to financial assets, the Partnership has loaned £55 million to Project Green at a fixed 18% interest rate and holds cash at Barclays and Sparkasse on deposit. The Partnership is therefore not significantly affected by changes in interest rates on financial assets.

On 8 August 2018 the Partnership entered into a facility agreement with Sumitomo Mitsui Banking Corporation for €75 million on a multi-currency basis. Amounts drawdown bear interest at LIBOR or EURIBOR plus 1.45% per annum. Undrawn amounts are subject to a commitment fee of 0.20% per annum. The facility will terminate on 8 August 2021.

Certain investments of the Partnership have significant exposure to interest rates due to leverage within these investments. As such, the fair value of the investments could be impacted upon by fluctuations in the interest rate environment.

The following table summarises the Partnership's exposure to interest rate risk:

	Fixed rate	Floating rate	Non-interest	Total
	€	€	€	€
<b>As at 30 June 2020</b>				
Financial assets at fair value through profit or loss	66,327,977	-	120,046,962	186,374,939
Cash at bank	-	18,899,484	-	18,899,484
Other assets	-	-	9,100,604	9,100,604
Other liabilities	-	-	(670,129)	(670,129)
Loan payable	-	(51,783,246)	-	(51,783,246)
	66,327,977	(32,883,762)	128,477,437	161,921,652
<b>As at 31 December 2019</b>				
Financial assets at fair value through profit or loss	65,346,374	-	126,776,765	192,123,139
Cash at bank	-	41,678,094	-	41,678,094
Other assets	-	-	3,660,586	3,660,586
Other liabilities	-	-	(1,860,957)	(1,860,957)
Loan payable	-	(68,171,112)	-	(68,171,112)
	65,346,374	(26,493,018)	128,576,394	167,429,750

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

### For the period ended 30 June 2020

#### 5. Risk Profile (continued)

##### (c) Credit Risk

The Partnership assumes exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Partnership is exposed to credit risk in relation to its cash balances as stated in the Statement of Financial Position.

The Partnership mitigates credit risk through using only reputable banks and brokers. The credit worthiness of the banks and brokers are monitored by the Investment Manager. Money received or held by Barclays or Sparkasse (together "the brokers") will not be subject to the protections conferred by the Client Money Rules, will not be segregated from the broker's own money and will be used by the brokers in the course of its own business. Consequently, the Partnership will rank as a general creditor of the brokers with respect to such money.

##### (d) Currency Risk

The Partnership holds investments denominated in currencies other than the Euro (€). Consequently the Partnership is exposed to currency risk, as the value of the investments denominated in other currencies will fluctuate due to the changes in exchange rates.

The Partnership's cash is currently held in Euros and cash is generally converted into other currencies as and when liabilities fall due.

The table below summarises the Partnership's exposure to foreign currencies as a percentage of Partner's capital.

As at 31 December the Partnership's exposure to foreign currency was as follows:

	30 June 2020	31 December 2019
EUR	16.35%	52.60%
GBP	83.67%	47.41%
USD	(0.02)%	(0.01)%
	<b>100.00%</b>	<b>100.00%</b>

As at 31 December 2019, had the EUR exchange rate weakened/strengthened by 5% relative to the other currencies, with all other variables held constant, the increase/(decrease) respectively in Partners' Capital would amount to approximately €6,772,232 (31 December 2019: €3,967,928).

##### (e) Liquidity Risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting the obligations associated with its financial liabilities. The Investment Manager manages the Partnership to ensure that there are sufficient levels of cash and cash equivalents to enable the Partnership to meet its financial commitments as they fall due. Level III investments held by the Partnership are not liquid (see note 4). However, the Partnership has sufficient cash to cover all outstanding current liabilities at period-end. As such, the Partnership is not exposed to significant liquidity risk arising due to the investments held.

The table below analyses the Partnership's financial liabilities into relevant maturity groupings based on the remaining period at the end of the financial period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	< 1 month	1-12 months	> 12 months	Total
	€	€	€	€
<b>As at 30 June 2020</b>				
Other liabilities	670,129	-	-	670,129
Loan payable	-	-	51,783,246	51,783,246
	<b>670,129</b>	<b>-</b>	<b>51,783,246</b>	<b>52,453,375</b>

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 5. Risk Profile (continued)

#### (e) Liquidity Risk (continued)

	< 1 month	1-12 months	> 12 months	Total
	€	€	€	€
<b>As at 31 December 2019</b>				
Other liabilities	1,860,957	-	-	1,860,957
Loan payable	-	-	68,171,112	68,171,112
	1,860,957	-	68,171,112	70,032,069

### 6. Cash and Cash Equivalents

Cash and cash equivalents comprise of cash held at the Partnership's brokers, Barclays and Sparkasse. The total cash balance as at 30 June 2020 was €18,899,484 (31 December 2019: €41,678,094).

### 7. Management Fee

The Investment Manager is entitled to receive and, has a first charge on net income and capital gains, an amount equal to the sum of 2% per annum of the Capital Commitments (excluding Affiliated Partners). Following the expiration of the investment period the General Partner's share will be calculated on the Actively Invested Capital retained by the Partnership rather than total commitments.

Aggregate fees during the period amounted to €2,005,578 (2019: €2,516,269).

### 8. Distributable cash

The General Partner is entitled to receive a distributable cash payment in accordance with the Limited Partnership Agreement.

Accordingly, any income proceeds and capital proceeds, after satisfying any expenses and liabilities of the Partnership including the Management Fee, shall be distributed to Partners and processed in the following order of priority:

- First, to Limited Partners until the partners have received their aggregate Capital Contributions,
- Second, to Limited Partners in payment of an amount equal to a compound rate of 8% per annum on Capital Contributions,
- Third, 100% to the General Partner until the cumulative amount distributed to the General Partner is equal to 20% of the excess of (i) the cumulative amount distributed to such Limited Partner and to the General Partner pursuant to the Limited Partnership Agreement over (ii) the Capital Contributions of such Limited Partner, and
- Fourth, 80% to such Limited Partner and 20% to the General Partner

The General Partner is entitled to receive "distributable cash", calculated on the basis described above, under Clause 6.3 of the Limited Partnership Agreement when the portfolio of Partnership assets is realised. Based on the carrying (fair) value at the balance sheet date, the estimated amount due to the General Partner, had the assets been realised at this value as at 30 June 2020, would be €2,164,431 (31 December 2019: €3,144,452).

### 9. Administration Fees

The Partnership pays a fee to the Administrator, IQ EQ Fund Services (Jersey) Limited, at the rate of 0.05% on net assets per annum payable quarterly in arrears, with a minimum fee of €90,000 per annum. All special purpose vehicle companies owned by the Partnership and administered by IQ EQ Fund Services (Jersey) Limited pay fees of €10,000 per annum. Aggregate fees during the period amounted to €82,561 (2019: €55,187).

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 10. Other expenses

	2020	2019
	€	€
Disbursements	975	1,429
License fees	158	985
Compliance expenses	1,825	3,828
Investment Manager's costs	27,305	14,440
Depository services	17,500	13,508
Transaction charges	11,755	13,906
Research fees	26,989	23,668
	<b>86,507</b>	<b>71,764</b>

### 11. Other debtors and accrued income

	2020	2019
	€	€
Amounts receivable from investments	592	-
Amounts receivable from investors	-	3,654,564
Amounts receivable from the Co-Investment Fund	9,098,949	-
Prepayments	1,063	6,022
	<b>9,100,604</b>	<b>3,660,586</b>

### 12. Other creditors and accrued expenses

	2020	2019
	€	€
Provision for transaction costs payable	-	1,646,708
Amounts payable to investments	292,049	60
Loan interest payable	20,900	80,386
Commitment fees payable	11,919	1,978
Establishment costs payable	442	332
Transaction charges payable	203,087	-
Tax fees payable	9,318	12,017
Set up and administration of special purpose vehicles	5,992	28,869
Depository costs payable	2,917	5,833
Professional fees payable	31,988	12,417
Investment Manager's costs payable	35,228	7,923
	<b>613,840</b>	<b>1,796,523</b>

# DouglasBay Capital III Fund LP

## Notes to the Financial Statements (continued)

### For the period ended 30 June 2020

#### 13. Loan payable

On 8 August 2018, the Partnership entered in a secured facility agreement with Sumitomo Mitsui Banking Corporation relating

On 10 January 2020 the Partnership repaid £29,109,316 (€34,319,432) of the outstanding loan payable.

On 29 June 2020 the Partnership drew down €20,000,000 from the available facility.

#### 14. Related Party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

##### (a) DouglasBay Capital III Fund (GP LP) LP

DouglasBay Capital III Fund (GP LP) LP, the General Partner, is a related party of the Partnership, being responsible for the financial and operating decisions of the Partnership.

Michael Haxby and Alex Paiusco, directors of DouglasBay Capital III Fund (GP) Limited (the General Partner of DouglasBay Capital III Fund (GP LP) LP), have an indirect interest in the Partnership via an interest in DouglasBay Capital III Fund (GP LP) LP, a Partner in the Partnership.

##### (b) DBAY Advisors Limited

DBAY Advisors Limited (the "Investment Manager") has been selected by the General Partner to act as the Investment Manager of the Partnership. The Investment Manager and the Partnership are related by virtue of the existence of a Management Agreement dated 9 February 2018. Furthermore, Michael Haxby and Alex Paiusco are also directors and shareholders of the Investment Manager.

The aggregate amount payable to DBAY Advisors Limited for expenses incurred on behalf of the Partnership during the period amounted to €31,061 (31 December 2019: €456,730). A total of €230,096 (31 December 2019: €199,035) was outstanding at the reporting date.

##### (c) DouglasBay Capital II Fund LP & DouglasBay Capital II Cayman Fund LP

DouglasBay Capital II Fund LP and DouglasBay Capital II Cayman Fund LP are related parties by virtue of common control. During the period, the Partnership has co-invested with DouglasBay Capital II Fund LP and DouglasBay Capital II Cayman Fund LP in respect of Harvey Nash Group Limited and Project Green, see note 4 for further details.

##### (d) Black Crow Investments Limited

Ian Lambert, a director of DouglasBay Capital III Fund (GP) Limited (the General Partner of DouglasBay Capital III Fund (GP LP) LP), has an indirect interest in the Partnership via an interest in Black Crow Investments Limited, a Partner in the Partnership.

##### (e) DouglasBay Capital III Fund (Co-investment Account No.1) LP

DouglasBay Capital III Fund (Co-investment Account No.1) LP is a related party by virtue of common control. During the period, a portion of the investments held in Project Ameath, Project Pearl, Project Luminis, Project Crisp and Project Cake were transferred to DouglasBay Capital III Fund (Co-investment Account No.1) LP at cost in accordance with clause 4.5(b)(ii) of the Limited Partnership Agreement. Proceeds of €9,098,949 were outstanding at the reporting date.

# DouglasBay Capital III Fund LP

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## Notes to the Financial Statements (continued)

For the period ended 30 June 2020

### 15. Subsequent Events

Except as already included in the notes to the financial statements, it has been determined that no further events have occurred that would require recognition or additional disclosures in these financial statements.