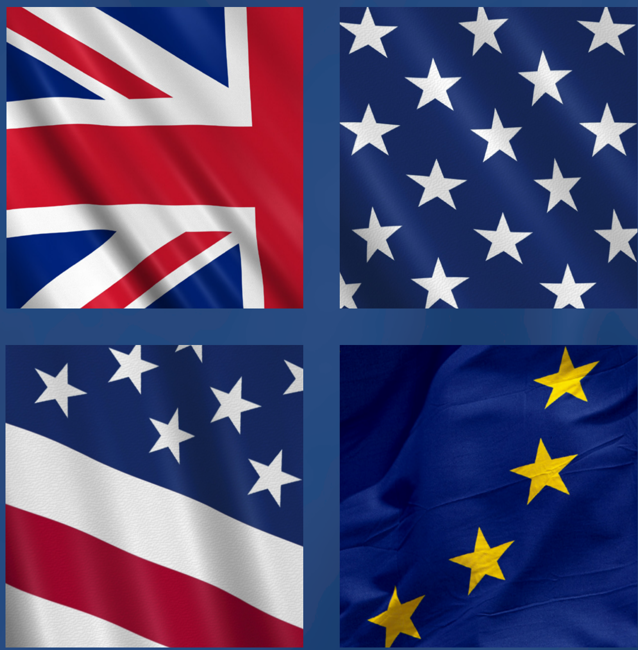


JZ CAPITAL PARTNERS LIMITED

Annual Report and Accounts

For the year ended 28 February 2014

Contents

JZ Capital Partners Limited is a member of the Association of Investment Companies.

Who we are

Corporate objective

"To create a portfolio of investments in businesses primarily in the United States, providing a superior overall return comprised of a current yield and significant capital appreciation."

About us

JZ Capital Partners Limited ("JZCP") is a listed private equity company that invests primarily in US and European micro cap businesses. JZCP's investment adviser is Jordan/Zalaznick Advisers, Inc. ("JZAI") which was founded by David Zalaznick and Jay Jordan in 1986. JZAI has investment professionals in New York, Chicago, London and Madrid.

JZCP's investment objective is to provide an overall total return comprised of dividend yield plus stock appreciation. The current Board policy is to pay a dividend equal to 3% of net asset value, paid through semi-annual instalments.

JZAI believes that the best way to earn superior returns, on a risk adjusted basis, is to invest in a portfolio of high-quality, niche businesses at reasonable prices. These businesses are grouped together by industry sector into "verticals", each of which constitutes a platform for a strategic build-up in its respective industry sector. JZAI's team of experienced industry executives assists the portfolio companies' management teams with operational expertise, focus and accountability. JZCP also provides growth capital to its portfolio companies, both for organic growth as well as for strategic acquisitions.

Most of the companies JZCP invests in are at the smaller end of the middle market, i.e. micro cap companies that have enterprise values under US$200 million. JZCP invests in businesses that are normally not sold at auction; generally private companies where the owner is looking for a partner to help plan, fund and execute a growth strategy. JZCP also invests in other asset classes such as real estate, bank loans and mezzanine debt.

JZCP is a closed-ended investment company trading on the Specialist Fund Market of the London Stock Exchange and listed on the Channel Islands Securities Exchange.

Our key investment principles

1. A disciplined value oriented and value added approach to deliver superior returns on a risk-adjusted basis
2. A focus on high-quality micro cap businesses in the US and Europe bought at reasonable prices in partnership with management
3. A strategy of working with our management partners at each portfolio company to enhance growth through operational focus and strategic acquisitions
4. A proprietary network of intermediaries to find investment opportunities rather than participating in auctions
5. A diversified portfolio in terms of industry sector, geography and asset class

Performance highlights

"Our pre-dividend NAV grew 8.8%, fuelled by earnings growth across both our US and European micro cap investments."

Results highlights

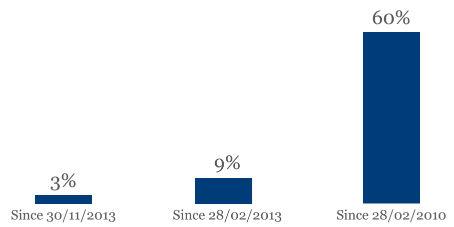
Net asset value ("NAV") per share and total NAV returns

NAV per share increased to US$10.25 (after dividends paid of 29.5 cents) from US$9.69 (28 February 2013). Total NAV return (NAV appreciation and reinvested dividends) = 8.8%.

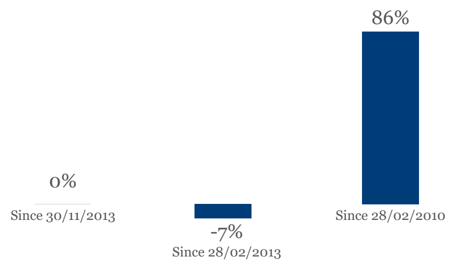
Share price and Shareholder returns

The share price fell from £5.00 at 28 February 2013 to £4.45 at 28 February 2014. Total Shareholder return for the year including dividends paid was -7%.

Total NAV returns



Total Shareholder returns



NAV to market price discount

	28/02/2014	28/02/2013	28/02/2011	28/02/2009
Discount to NAV at year end	27%	22%	26%	84%

Long-term performance record*

	3 Year	5 Year	10 Year***
Total NAV return in US$**	24.7%	84.0%	109.6%
Total Shareholder return in £	20.8%	269.6%	32.2%

* Returns are calculated on the basis that dividends paid by the Company are reinvested.

** Total NAV returns for 5 and 10 year periods are adjusted to compensate for the dilution of shares issued at a discount to NAV (June 2009).

*** 10 Year performance includes the performance of JZ Equity Partners Plc ("JZEP"). In June 2008, JZCP was launched in a scheme of reconstruction and voluntary winding up of JZEP. JZEP's assets were transferred in specie to JZCP and JZCP issued to JZEP Shareholders one share for each JZEP share held.

Chairman's statement

"Another 12 months of positive NAV growth for the Company in its first full year since the implementation of several strategic initiatives designed to broaden the Shareholder base."

I am pleased to report the results of JZ Capital Partners ("JZCP" or the "Company") for the 12-month period ended 28 February 2014.

Performance

It has been another 12 months of positive NAV growth for the Company in its first full year since the implementation of several strategic initiatives designed to broaden the Shareholder base, build on the Company's core micro cap investment strategy and lay the foundation for long-term growth.

The Company's differentiated micro cap strategy has continued to provide attractive investment and realisation opportunities in its core geographies, while increased economic optimism and signs of recovery in the US and Euro zone have provided a more stable macroeconomic backdrop.

Central bank stimulus during the first half of the year paved the way for a strong equity rally as investors increased their appetite for risk. While the US economy grew at a slower annualised pace than the third quarter's 4.1 per cent rate, the final six months of the year delivered the strongest second half since 2003, boosted by exports, consumer spending and business investment. The Euro zone and one of our core markets, Spain, emerged from a two-year recession, with export growth and companies becoming more confident, while ratings agencies raised their outlook for Spain on signs of economic improvement.

Uncertainty across global markets, particularly in developing countries leading up to and in the aftermath of the US Federal Reserve's tapering announcement, partially offset some of the strong equity gains. The end of the fiscal year was dominated by political turmoil in Ukraine and with the outcome still uncertain, the conflict continues to weigh heavily on the surer footing that the global economy had built during the year.

Against this economic backdrop, the Company delivered another year of steady NAV growth, driven by a positive performance across the underlying portfolio. The Company's NAV (including dividends paid) grew 8.8 per cent to US$10.55, from US$9.69 (FY12). This marks the 19th quarter of positive NAV growth out of the last 20 quarterly periods, reflecting the quality of the Company's portfolio and unrivalled micro cap expertise of JZAI, the Investment Adviser.

Portfolio update

There has been significant investment activity during the year with the Company putting US$150.1 million to work across the three main portfolios – US micro cap, European micro cap and real estate, which represent 51 per cent 28 per cent and 17 per cent of NAV respectively.

Operationally, the underlying portfolio continues to deliver, with US micro cap businesses generating increased EBITDA of 31 per cent over the period, on a combined basis. This has been achieved through the strong operational focus of the experienced industry professional responsible for each of the US micro cap industry "verticals".

The Board has been particularly pleased with the micro cap investments, which remain the Company's strategic focus and main driver of NAV growth. We have introduced a new vertical this year, Logistics Solutions, focusing on companies in the specialised transport and logistics industry. The first investment in this vertical was a 30.5 per cent acquisition in Priority Express, offering same-day express delivery services to laboratories, hospitals and health systems and pharmaceutical organisations.

Our exposure to the European micro cap sector continues to complement and diversify the US micro cap portfolio and is a strategically important segment of the business. The Board is pleased with the significant progress within the European micro cap portfolio, which now consists of seven investments in Spain, one UK-based company and one German company, representing an increase of US$77.4 million.

Chairman's statement continued

The Company continues to explore attractive investment opportunities in Europe through its investment in the EuroMicrocap Fund, 2010 LP.

The Investment Adviser's disciplined and opportunistic approach to value investing continues to lead to a healthy investment pipeline in the real estate sector, where it replicates its proven micro cap strategy of buying businesses at reasonable values in conjunction with excellent management teams.

The Company invested US$66.7 million to acquire interests in 13 retail and residential properties in rapidly growing areas in Brooklyn to bring the total number of properties in which the Company is interested within the real estate portfolio to 19.

The Company is making steady progress in establishing a new, previously announced asset management business in the US that will address the growing demand from endowments and pension funds for fiduciary management services. We look forward to updating the market on the progress of these investments later in the year.

Realisations

There have been two significant realisations generating most of the US$72.7 million received during 2013. The Company realised its investment in Horsburgh and Scott, a manufacturer of large diameter gears for US$38.6 million. It was purchased in 2007 and earned a multiple of capital invested of 1.8x and an IRR of 13 per cent. The Company also refinanced US$26.4 million of JZCP-held investments in the Industrial Services Solutions ("ISS") vertical with a senior debt facility.

Distributions

In accordance with their policy of distributing 3 per cent of NAV per annum in two equal instalments, the Directors declared a second dividend of 16 cents per share for the six months ended 28 February 2014, compared to 15 cents for the period ended 28 February 2013. Having already paid a first interim dividend of 14.5 cents, this implies an annualised yield as at 28 February 2014 of 4 per cent.

NAV discount

Against this positive background and performance, the discount to NAV at which JZCP's shares stand in the market is disappointing. The Directors' view remains that, while all available options are regularly assessed, the conventional discount control devices have no long-term effect for a listed private equity company and that the solution to the issue lies in a clear explanation of strategy and transparent reporting, coupled with continued outstanding performance.

We strive to achieve high standards of reporting and we are confident that performance will be delivered, noting particularly, the interest through their own substantial investment in JZCP that our Investment Adviser, JZAI, have in delivering that.

Outlook

We approach the next 12 months with confidence and a continued commitment to providing superior returns for our Shareholders, through both capital and income appreciation.

The Board is encouraged by a pipeline of high-quality potential investments in the US, particularly through the verticals, and quality existing and prospective investments in Europe. Positive macroeconomic indicators and a strong balance sheet means the Company is well positioned to capitalise on attractive investment opportunities in its core markets. The Company will continue to focus on long-term NAV growth and preserving Shareholder value.

Special business at AGM

Shareholders will note that at current value, JZCP's European investments constitute approximately 23.6 per cent of its total portfolio. Under JZCP's existing investment policy, the proportion of the Company's gross assets that it is permitted to invest in businesses outside the United States is limited to 30 per cent.

This situation arises as a result of the continuing availability of outstanding investment opportunities in Europe and the success of the investments that we have already made. In these circumstances the Directors seek Shareholders' authority to increase this proportion to 40 per cent and an ordinary resolution to this effect will be proposed at the Annual General Meeting. While there is immediate pressure on the ceiling, the maturity of parts of the European portfolio is such that realisations might be expected, although the Directors would in the light of opportunities currently available, expect a continued significant commitment to investment in Europe.

The Board is also seeking an authority from Shareholders to allot Ordinary shares for cash on a non-pre-emptive basis equivalent to up to 10 per cent of its issued Ordinary share capital. The Board is considering methods of raising additional capital and this would allow it greater flexibility to do so. The Board would not raise capital at a discount to NAV.

David Macfarlane
Chairman

2 May 2014

Report of the Directors

The Directors present their Annual Report together with the audited financial statements of JZ Capital Partners Limited (the "Company") for the year ended 28 February 2014.

Principal activities

JZ Capital Partners Limited is a closed-ended investment company with limited liability, which was incorporated in Guernsey on 14 April 2008 under The Companies (Guernsey) Law, 1994. The Company is subject to The Companies (Guernsey) Law, 2008. The Company's Share Capital consists of Ordinary shares and Zero Dividend Preference ("ZDP") shares. The Ordinary and ZDP shares were admitted to the official list of the London Stock Exchange ("LSE") on 27 June 2008.

The Company's objective is to create a portfolio of investments in businesses primarily in the United States, providing a superior overall return comprised of a current yield and significant capital appreciation. The Company's present strategies include investments in micro cap buyouts, mezzanine loans (sometimes with equity participations) and high yield securities, senior secured debt and second lien loans, real estate and other debt and equity opportunities, including distressed debt and structured financings, derivatives and opportunistic purchases of publicly traded securities.

The Company's Ordinary shares are traded on the London Stock Exchange's Specialist Fund Market and the Company is also listed on the Channel Islands Securities Exchange ("CISE").

Business review

The total profit attributable to Ordinary Shareholders for the year ended 28 February 2014 was US$55,454,000 (year ended 28 February 2013: profit of US$35,850,000). The revenue return for the year was US$29,178,000 (year ended 28 February 2013: US$27,113,000), after charging Directors' fees and administrative expenses of US$2,486,000 (year ended 28 February 2013: US$2,785,000) and Investment Adviser's base fee of US$11,220,000 (year ended 28 February 2013: US$10,707,000). The revenue return for the year includes a write back of an income incentive of US$4,411,000 charged against the revenue return for the year ended 29 February 2012. The net asset value ("NAV") of the Company at the year end was US$666,456,000 (28 February 2013: US$630,182,000) equal to US$10.25 (28 February 2013: US$9.69) per Ordinary share.

For the year ended 28 February 2014, the Company had US$7,296,000 of cash outflows resulting from operating activities (year ended 28 February 2013: inflows of US$2,196,000).

A review of the Company's activities and performance is detailed in the Chairman's statement on pages 3 and 4 and the Investment Adviser's report on pages 11 to 16. The valuation of the listed and unlisted investments is detailed on pages 30 to 34.

Dividends

It is the Board's policy to distribute an amount equivalent to 3% of the Company's net assets in the form of dividends.

For the year ended 28 February 2014 an interim dividend of 14.5 cents per Ordinary share (total US$9,427,698) was declared by the Board on 16 October 2013 and paid on 13 October 2013.

A second interim dividend of 16 cents per Ordinary share (total US$10,402,978) was declared by the Board on 2 May 2014.

Directors

The Directors listed below are all non-executive and, with the exception of Christopher Waldron, who was appointed to the Board on 21 October 2013, have served on the Board throughout the year and were in office at the end of the year and subsequent to the date of this report. The biographical details of the Directors are shown on page 82.

David Macfarlane (Chairman)
Patrick Firth
James Jordan
Tanja Tibaldi
Christopher Waldron

All Directors are independent.

Annual General Meeting

The Company's Annual General Meeting is due to be held on 19 June 2014.

Report of the Directors continued

Share capital and purchase of own shares

Details of the ZDP shares and the Ordinary shares can be found in Notes 17 and 18 on pages 64 and 65. During the year the Company did not buy back any of its own shares.

The beneficial interests of the Directors in the Ordinary shares of the Company are shown below:

	Number of Ordinary shares 1 March 2013	Ordinary shares purchased/ (sold)	**Number of Ordinary shares 28 February 2014**
David Macfarlane	50,000	–	**50,000**
James Jordan	30,000	–	**30,000**
Tanja Tibaldi	2,000	–	**2,000**
Patrick Firth	–	4,000	**4,000**
Christopher Waldron	–	2,000	**2,000**
	82,000	6,000	**88,000**

None of the Directors held any interest in the Zero Dividend Preference shares during the year. There have been no changes in the Directors' interests between 28 February 2014 and the date of this report.

Discount management programme

The Directors review the share price in relation to net asset value on a regular basis and determine whether to take any action to manage the discount. For additional information refer to Note 19 of the financial statements.

Substantial Shareholders

As at 28 February 2014 and at the date of this report the Company has been notified in accordance with applicable listing rules of the following interests in the Ordinary share capital of the Company:

	As at 28 February 2014		As at 2 May 2014	
	Ordinary shares	% of Ordinary shares	Ordinary shares	% of Ordinary shares
Edgewater Growth Capital Partners	13,494,037	20.75	13,494,037	20.75
John W. Jordan	7,719,240	11.87	7,719,240	11.87
David W. Zalaznick	7,717,377	11.87	7,717,377	11.87
Rothschild Wealth Management	5,609,498	8.63	5,527,429	8.50
Third Avenue Management LLC	5,076,656	7.81	5,076,656	7.81
Abrams Capital Management L.P.	4,914,389	7.56	4,914,389	7.56
Leucadia Financial Corporation	4,527,563	6.96	4,527,563	6.96

The percentage of Ordinary shares shown in the previous table represents the ownership of voting rights at the year end, before weighting for votes on Directors.

It is the responsibility of the Shareholders to notify the Company of any change to their shareholdings when it reaches 3 per cent of shares in issue and any change that moves up or down through any whole percentage figure above 3 per cent.

Ongoing charges

Ongoing charges for the years ended 28 February 2014 and 28 February 2013 have been prepared in accordance with the Association of Investment Companies ("AIC") recommended methodology. The ongoing charges for the year ended 28 February 2014 were 2.14 per cent (28 February 2013: 2.22 per cent) excluding incentive fees and 3.54 per cent including incentive fees (28 February 2013: 3.69 per cent).

Principal risks and uncertainties

As an investment fund, our principal risks are those that are associated with our investment portfolio. Given the nature of the portfolio, the principal risks are associated with the financial and operating performance of the underlying investments, along with market risk associated with the publicly listed equities.

Statement of Directors' responsibilities

The Directors are responsible for preparing financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Companies (Guernsey) Law, 2008 for each financial period that give a true and fair view of the state of affairs of the Company and its profit or loss for that period. International Accounting Standard 1 – Presentation of Financial Statements requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

In preparing financial statements the Directors are required to:

- ensure that the financial statements comply with the Memorandum and Articles of Incorporation and IFRS;
- select suitable accounting policies and apply them consistently;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business; and
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

The Directors confirm that they have complied with these requirements in preparing the financial statements.

Responsibility statement of the Directors in respect of the financial statements

Each of the Directors confirms to the best of each person's knowledge and belief that:

(a) The Annual Report and Accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the financial position and profit of the Company as at and for the year ended 28 February 2014.

(b) The Annual Report includes information detailed in the Chairman's statement, Investment Adviser's report, Investment Manager's report and Directors' reports, Audit Committee report and Notes to the annual financial statements required by:

(i) DTR 4.1.8 and DTR 4.1.9 of the Disclosure and Transparency Rules, being a fair review of the development and performance of the Company business and the position of the Company together with a description of the principal risks and uncertainties facing the Company; and

(ii) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

Directors' statement

So far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. In the opinion of the Board, the Annual Report and Accounts taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy.

Approved by the Board of Directors and agreed on behalf of the Board on 2 May 2014.

David Macfarlane	*Patrick Firth*
Chairman	Director

Audit Committee report

Dear Shareholder,

On the following pages, we present the Audit Committee's report for 2014, setting out the responsibilities of the Audit Committee and its key activities in 2013/2014. The Audit Committee has reviewed the Company's financial reporting, the independence and effectiveness of the external Auditor and the internal control and risk management systems of the Company's service providers. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received and reviewed from the Investment Manager, Administrator and external Auditor. Following its review of the independence and effectiveness of the Company's external Auditors, the Audit Committee has recommended to the Board that Ernst & Young LLP be reappointed as Auditor, which the Board has submitted for approval to the Company's members.

A member of the Audit Committee will continue to be available at each Annual General Meeting to respond to any Shareholder questions on the activities of the Audit Committee.

Responsibilities

The terms of reference of the Audit Committee include the requirement to:

- monitor the integrity of the published financial statements of the Company
- review and report to the Board on the significant issues and judgements made in the preparation of the Company's published financial statements, (having regard to matters communicated by the external Auditors) and other financial information
- monitor and review the quality and effectiveness of the external Auditors and their independence
- consider and make recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's external Auditor
- review the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption
- monitor and review the internal control and risk management systems of the service providers
- consider and make representations to the Board regarding Directors' remuneration.

The Audit Committee's full terms of reference can be viewed on the Company's website www.jzcp.com.

Key activities of the Audit Committee

The following sections discuss the assessments made by the Audit Committee during the period:

Financial reporting:
The Audit Committee's review of the annual financial statements focused on the following significant areas:

Valuation of investments:
The fair value of the Company's unlisted securities at 28 February 2014 was US$655,426,000 accounting for 83 per cent of the Company's investment portfolio. The committee has concentrated on ensuring the Investment Manager has applied appropriate valuation methodologies to these investments in producing the net asset value of the Company.

Members of the Audit Committee meet the Investment Adviser at least annually to discuss the valuation process. The committee gains comfort in the valuations produced by reviewing the methodologies used. The valuations were challenged and approved by the Audit Committee in a recent visit to the Investment Adviser. The Audit Committee has thus satisfied itself that the valuation techniques are appropriate and accurate.

Ownership of investments:
The Audit Committee considered the ownership of the investments held by the Company as at 28 February 2014 to be substantiated from confirmations provided by the Investment Manager, Custodian and Administrator. Following a review of the presentations and reports from the Administrator and consulting where necessary with the external Auditor, the Audit Committee is satisfied that the Company duly owns its investments, which are correctly stated in the Annual Report and Accounts.

NAV-based fees:
The Board has identified that there is a risk that management fees that are calculated based on the NAV of the Company could potentially be misstated if there were to be an error in the calculation of the NAV. However, this risk is mitigated by the review process of the monthly NAV calculation and the audit of the year-end NAV. The Board has also identified the risk that incentive fees may not be calculated under the terms as defined by the Investment Advisory Agreement. Incentive fees are agreed by the Board and are audited before payment. The Board are satisfied that the fees have been correctly calculated as stated in the Annual Report and Accounts.

The external Auditor reported to the Audit Committee that no material misstatements were found in the course of their work. Furthermore, the Investment Manager and Administrator confirmed to the Audit Committee that they were not aware of any material misstatements including matters relating to financial statement presentation. The Audit Committee confirms that it is satisfied that the external Auditor has fulfilled its responsibilities with diligence and professional scepticism. The Audit Committee advised the Board that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

During the year the Audit Committee considered the early adoption of the "Investment Entities" amendment to IFRS 10. The amendment was endorsed by the European Union on 21 November 2013 and as such was formally early adopted by the Company for the preparation of these financial statements. For further information see note 2(i) on page 43.

Risk management:
The Audit Committee continued to consider the process for managing the risk of the Company and its service providers. Risk management procedures for the Company, as detailed in the Company's risk assessment matrix, were reviewed and approved by the Audit Committee. There were no issues noted during the year.

Fraud, bribery and corruption:
The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that there have been no instances of fraud or bribery.

The external Auditor

Independence, objectivity and fees:
The independence and objectivity of the external Auditor is reviewed by the Audit Committee, which also reviews the terms under which the external Auditor is appointed to perform non-audit services. The Audit Committee has established pre-approval policies and procedures for the engagement of the Auditor to provide non-audit and assurance services.

These are that the external Auditors may not provide a service which:

- places them in a position to audit their own work
- creates a mutuality of interest
- results in the external Auditor developing close relationships with service providers of the Company
- results in the external Auditor functioning as a manager or employee of the Company
- puts the external Auditor in the role of advocate of the Company

As a general rule, the Company does not utilise external Auditors for internal audit purposes, secondments or valuation advice. Services that are in the nature of audit, such as tax compliance, tax structuring, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted but will be pre-approved by the Audit Committee.

The following table summarises the remuneration paid to Ernst & Young LLP and to other Ernst & Young LLP member firms for audit services during the year ended 28 February 2014.

Ernst & Young LLP	
- Annual audit	£107,500
- Auditor's interim review	£25,500
Other Ernst & Young LLP affiliates	
- Passive Foreign Investment Company tax services	US$65,000

In line with the policies and procedures above, the Audit Committee does not consider that the provision of these non-audit services, which comprised determining whether the Company is a passive foreign investment company as defined by the US Internal Revenue Code, to be a threat to the objectivity and independence of the external Auditor.

Audit Committee report continued

Performance and effectiveness:
During the period, when considering the effectiveness of the external Auditor, the Audit Committee has taken into account the following factors:

- the audit plan presented to them before each audit;
- the post-audit report including variations from the original plan;
- changes in audit personnel;
- the external Auditor's own internal procedures to identify threats to independence; and
- feedback received from both the Investment Adviser and Administrator.

The Audit Committee reviewed and challenged the audit plan and the post-audit report of the external Auditor and concluded that the audit plan sufficiently identified audit risks and that the post-audit report indicated that the audit risks were sufficiently addressed and that there were no variations from the audit plan. The Audit Committee considered reports from the external Auditor on their procedures to identify threats to independence and concluded that the procedures were sufficient to identify potential threats to independence.

There were no significant adverse findings from this evaluation.

The Audit Committee has examined the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the external Auditor and considers Ernst & Young LLP, as external Auditor, to be independent of the Company.

Reappointment of external Auditor:
Consequent to this review process, the Audit Committee has recommended to the Board that a resolution be put to the 2014 Annual General Meeting for the reappointment of Ernst & Young LLP as external Auditor. The Board has accepted this recommendation.

Internal control and risk management systems

Additional work performed by the Audit Committee in the areas of internal control and risk management are disclosed on page 27.

The Audit Committee has also reviewed the need for an internal audit function. The Audit Committee has decided that the systems and procedures employed by the Investment Adviser and the Administrator, including the Administrator's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

In finalising the Annual Report and Accounts for recommendation to the Board for approval, the Audit Committee has satisfied itself that the Annual Report and Accounts taken as a whole is fair, balanced and understandable.

The Audit Committee report was approved by the Board on 2 May 2014 and signed on behalf by:

Patrick Firth
Chairman, Audit Committee

Investment Adviser's report

"JZCP had an active investment period for the fiscal year ended 28 February 2014, putting US$150.1 million to work across our three primary portfolios – US micro cap, European micro cap and real estate."

David Zalaznick and Jay Jordan

Dear Fellow Shareholders,

We are pleased to report that JZCP's pre-dividend NAV grew 8.8 per cent in the fiscal year ended 28 February 2014, from US$9.69 as of 1 March 2013 to US$10.55 as of 28 February 2014, continuing JZCP's trend in NAV growth seen in every year since our recapitalisation in 2009. The steady NAV growth was again underpinned by positive performance from the underlying assets across the various portfolios. Post-dividend NAV increased 5.8 per cent during the same period, taking into account US$0.30 in dividend distributions made over the past year. 2014 marks the second full year of our new dividend policy of distributing 3 per cent of NAV in semi-annual payments; at our stock price as of 31 March 2014, the implied dividend yield was 4.0 per cent.

JZCP had an active investment period for the fiscal year ended 28 February 2014, putting US$150.1 million to work across our three primary portfolios – US micro cap, European micro cap and real estate. During the same period, we received US$72.7 million in proceeds from realisations, primarily through asset sales and the refinancing of JZCP-held debt.

JZCP's underlying portfolio companies performed well on an operating basis during the fiscal year ended 28 February 2014. On a combined basis, earnings before interest, taxes, depreciation and amortisation ("EBITDA") of all our US micro cap businesses increased 31 per cent over that period though a decent portion of the growth came from one co-investment.

As of 28 February 2014, our US micro cap portfolio was valued at 7.3x EBITDA, after applying an average 27 per cent marketability discount. The underlying leverage senior to JZCP's position in our US micro cap portfolio grew from 1.0x to 1.8x EBITDA, as certain of our portfolio companies demonstrated an ability to support greater leverage. Consistent with our value oriented investment philosophy, we acquired our US micro cap portfolio at a combined 5.9x EBITDA. Additionally, despite a very pricey acquisition market, we paid just 5.5x EBITDA on average for US micro cap acquisitions made during the year ended 28 February 2014.

Our European micro cap portfolio, currently consisting of seven Spanish companies, one UK-based company and one German company, was valued at a combined 7.3x EBITDA multiple at 28 February 2014, after a 30 per cent marketability discount. European acquisition multiples are lower than their US counterparts; for acquisitions made during the year ended 28 February 2014, we paid, in cash, 3.1x EBITDA. The European micro cap portfolio has very little debt senior to JZCP's position, under 2.0x EBITDA.

We had two significant realisations in the most recent fiscal year. The first involves one of our US micro cap investments, Horsburgh and Scott, a manufacturer of large diameter gears, which we acquired in November 2007. In March 2013, we sold Horsburgh and Scott, realising cumulative proceeds of US$38.6 million on our US$21.8 million investment, for a 1.8x multiple of capital invested and a 13 per cent IRR. Given that we had been writing this investment up over time, there was a negligible effect on NAV.

Investment Adviser's report continued

We also refinanced US$26.3 million of JZCP-held investments in our Industrial Services Solutions ("ISS") vertical with a senior debt facility, as these businesses demonstrated they could prudently support increased third-party leverage.

Investing in micro cap companies has historically been the main driver of NAV growth and will continue to be so. We continue to be active in our five established business sectors, or "verticals" (Industrial Services Solution ("ISS"), Sensors Solutions, Healthcare Revenue Cycle Management, Water Services, and Testing Services) and we are excited to have introduced a new vertical this year, Logistics Solutions.

Individual verticals are managed by an experienced industry professional, who is involved in both making acquisitions and helping each business grow organically and through synergies with other portfolio companies. For these activities, we invest with Edgewater Growth Capital Partners; together, we take a majority position in all of our verticals. We are also growing our micro cap portfolio by co-investing with other well-known US buyout firms whose operational focus in buying and managing small businesses overlaps with ours.

We are now approaching our third year of investing in the real estate sector; specifically, redevelopment of properties in gentrifying neighbourhoods in Brooklyn, NY. We are applying the same disciplined approach to these investments that we have always used; buying properties at reasonable values (non-auction) in partnerships with a management team that can add considerable value.

Our newly established asset management business in the US is also taking firm root, and will address the growing demand from endowments, foundations and corporate pension funds for fiduciary management services.

NAV growth

For the fiscal year ended 28 February 2014, JZCP's NAV increased from US$9.69 per share to US$10.55, an 8.8 per cent increase (before the US$0.30 of dividends paid in the period). The following chart details the changes in NAV on a per share basis:

Net asset value per Ordinary share as of 28 February 2013	**US$9.69**
+ Change in private investments	0.70
+ Change in public investments	0.23
+ Income from investments	0.48
+ Escrows received	0.03
- ZDP dividend accrual	(0.11)
- Fees and expenses	(0.35)
+/- Other	(0.12)
Net asset value per Ordinary share (before dividends)	**US$10.55**
- Dividends paid	(0.30)
Net asset value per Ordinary share as of 28 February 2014	**US$10.25**

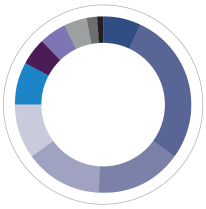
The US$0.70 increase in the value of our private investments is primarily due to an increase in earnings of the underlying entities. The US micro cap portfolio contributed US$0.17 to this increase, primarily due to increased earnings at: Milestone Aviation Group, the helicopter leasing business (US$0.07); our water vertical (US$0.05); our sensors vertical (US$0.06); Nationwide Studios (US$0.04); and Justrite Manufacturing, an industrial safety co-investment (US$0.04). Offsetting these increases were decreases in (a) Healthcare Products Holdings, our power wheelchair company (US$0.10), as lower Medicare-sponsored prices hurt earnings and (b) MEDS Holdings, our healthcare revenue cycle management business (US$0.03), which was hurt by since-rectified management issues.

The European micro cap portfolio increased US$0.50, spurred by a US$0.63 increase in Factor Energia, our Spanish energy reseller, due to both increased earnings and a multiple increase. Grupo Ombuds, our personal and commercial security business, increased US$0.02 following the successful repositioning of its business. Offsetting these increases were write downs at (a) gold reseller Oro Direct (US$0.13), hurt by falling gold prices and a government mandated investigation into the gold resale industry, and (b) Xacom (US$0.04), which was affected by delayed shipments of new products, although those shipments have begun again.

We have increased the value of one of the Fulton Mall real estate properties by US$.03, given positive movement in comparable properties values.

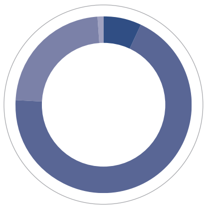
Safety Insurance, the only listed equity investment of material size, increased US$0.16.

Portfolio by industry



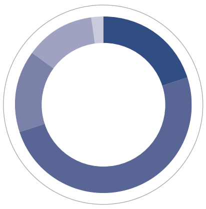
Cash and cash equivalents	7%
Industrial	28%
Service	16%
Real estate	14%
Healthcare	10%
Insurance	8%
Transportation/logistics	5%
Financial services	5%
Consumer	4%
Banking	2%
Gaming	1%

Portfolio by geography



Cash and cash equivalents	7%
United States	69%
Europe	23%
Brazil	1%

Portfolio by vintage



<1 year	20%
1-3 years	50%
3-5 years	15%
5-10 years	13%
>10 years	2%

Returns

The chart below summarises the cumulative total NAV returns and total Shareholder returns for the most recent three-month period, fiscal year and four-year period following our refinancing and restructuring in June 2009.

	As at 28/02/2014	Since 30/11/2013	Since 28/02/2013	Since 28/02/2010
Share price (in GBP)	**£4.45**	£4.45	£5.00	£2.73
Dividends paid (in US cents)	–	–	US$0.30	US$1.00
Total Shareholders' return	–	0%	-7%	86%
NAV per share (in USD)	**US$10.25**	US$9.94	US$9.69	US$7.04
NAV total returns	–	3%	9%	60%
NAV to market price discount	**27%**	27%	22%	41%

Despite our rarely selling an investment for less than its carrying value, the market continues to undervalue our assets; as of 28 February 2014, our stock traded at a 27 per cent discount to NAV, compared to 22 per cent a year ago.

Portfolio summary

Our portfolio is well diversified across 50 businesses and 10 industries, and continues to become more diversified geographically as we grow our European portfolio. Given the tough investing market from 2008 to 2011, it is not surprising that 70 per cent of our portfolio is less than three years old.

Below is a summary of JZCP's assets at 28 February 2014 as compared to 28 February 2013. As you will note, both our European micro cap portfolio and our real estate portfolio increased by US$79.3 million, due to the acquisition activity described below.

	Number of investments as at 28/02/2014	28/02/2014 US$'000	28/02/2013 US$'000
US micro cap portfolio	35	341,560	342,567
European investments	9	186,781	107,463
Real estate portfolio	10	112,792	30,860
Other portfolio	6	14,293	22,374
Total private investments	**60**	**655,426**	**503,264**
Listed equity	2	65,423	55,069
Listed corporate bonds	1	16,415	26,450
Bank debt	1	11,810	11,690
UK treasury gilts	–	43,292	31,809
Cash	–	11,372	102,740
Total listed investments (and cash)	**4**	**148,312**	**227,758**

Investment Adviser's report continued

Note that we have continued our programme of holding highly rated listed corporate bonds as a means of earning an enhanced return on our cash. Currently, Goldman Sachs is the sole obligor of these bonds, which mature in January 2017. During the fiscal year ended 28 February 2014, as in previous periods, we purchased UK Gilts with an eye toward the 2016 maturity date of our ZDPs.

US micro cap portfolio

As mentioned, we have written this portfolio up by US$0.17, led by increased earnings at a number of our portfolio companies.

New US investments – verticals

Our activity during the period focused on ensuring the efficient operation of our most recent investments, coupled with selected high-quality new investments.

We added to our five existing industry sectors by starting a new vertical, Logistics Solutions, to be managed by Bruce Parker. Bruce built his career managing various transportation and logistics companies, including serving as an officer of Ryder System, Inc. and United Airlines as well as CEO of AirNet Systems, Inc. Our first investment in this vertical was **Priority Express**, which provides same-day express delivery services to reference laboratories, hospitals and health systems, pharmacy organisations and various other companies located primarily in the greater Philadelphia and Lehigh Valley regions of Pennsylvania, northern New Jersey and southern New York. The company provides both scheduled courier services as well as on-demand delivery. We invested US$8.0 million in 10 per cent senior notes and US$4.4 million in preferred equity. Post-close, JZCP owns 30.5 per cent of the combined entity on a fully diluted basis.

We purchased **Amerimex**, an addition to our Industrial Services Solutions vertical managed by Jim Rogers, a former GE senior manager. Amerimex specialises in new and remanufactured alternating current ("AC") traction motors, new blowers and remanufactured direct current ("DC") traction motors for application in oil and gas (traditional drilling and hydraulic fracturing), marine and dredging industries. The company also repairs industrial AC and DC motors for a broad range of applications. JZCP invested US$4.1 million in 10 per cent PIK preferred equity. In addition to the preferred equity provided by the sponsors, a US$10.0 million term loan was provided by a third-party financing institution. Post-close, JZCP owns 30.6 per cent of the combined entity on a fully diluted basis.

Post-period (March 2014), we purchased **Premier Safety**, an add-on acquisition to Argus-Hazco, our industrial hygiene equipment supplier and lessor of our Testing Holdings vertical. This small acquisition helps expand Argus' geographic footprint into Pittsburgh, PA and its surrounding areas. Premier has developed a reputation as a quality provider of both products and services. JZCP assisted in the purchase of this business by investing in US$1.7 million of senior notes, already owning 30.5 per cent of Premier Safety though our existing holding company.

Recently, we purchased **MedFin**, our second investment in the healthcare revenue cycle management vertical. MedFin is based in Sarasota, FL and has an office in Kolkata, India. The company specialises exclusively in billing, practice management and outsourcing services for anaesthesiology physician and nurse groups and ambulatory surgery centres ("ASCs"). The company's anaesthesiology and nurse group clients contract with healthcare facilities (hospitals and ASCs) to provide anaesthesia services and outsource their billing and practice management operations to MedFin. ASC clients own and operate the surgery centres that contract with or employ the anaesthesiologists/nurses. ASC clients choose to outsource their practice management or billing operations to MedFin. Investing US$3.8 million in debt and US$3.3 million in stock, both directly and through the Bolder Healthcare Solutions holding entity, JZCP owns approximately 28 per cent of MedFin.

European micro cap portfolio

JZCP is investing in the European micro cap sector through its 75 per cent ownership of the European Microcap Fund ("EMC"). Exposure to the European micro cap sector continues to complement and diversify JZCP's existing US micro cap portfolio. As you may recall, EMC has offices in London and Madrid and an outstanding team with over ten years of investment experience in European micro cap deals. As of 28 February 2014, EMC has made seven investments in Spain, one investment in the UK and one investment in Germany, which combined represent 28 per cent of total NAV.

As mentioned previously, Factor Energia, our Spanish energy reseller, led the increase in the European micro cap portfolio (US$0.50).

New European investments

In the fiscal year ending 28 February 2014, we made four investments into the European micro cap portfolio.

One World Packaging is a business we spun out of a larger, traditional packaging company in Spain. One World Packaging manufactures disposable trays for the food service industry in Spain and throughout Europe. This proprietary product is unique in that it outperforms plastic and is biodegradable. The company plans to sell the product to large food manufacturers and distributors in European countries that value environmentally friendly and sustainable products. EMC purchased 70 per cent of One World Packaging for €5.0 million in April 2013 and will support the company's development.

EMC co-invested £9.5 million to acquire 36 per cent of the **Winn Group**, a successful UK legal services firm specialising in personal injury cases and claims management. The Winn Group also provides replacement car hire, credit repair advice and medical treatment services. Founded in 2002, the Winn Group employs nearly 300 people in Newcastle and is well positioned to benefit from the rapid consolidation of the personal injury sector in the UK due to its efficient business model. EMC's investment will further enhance the Winn Group's strong growth trajectory.

EMC also invested €7.7 million to acquire 25.2 per cent of **Fidor Bank**, an innovative and fast-growing online German bank. Founded in 2003, Fidor Bank is one of the only banks in Europe to allow customers to transfer money through social media. Additionally, Fidor Bank provides deposit and savings accounts, foreign exchange transactions, credit cards and crowd-funding, which enables small businesses to secure financing from individual lenders. The bank's deposit book in the year to 31 December 2013 increased from €156 million to €201 million, while its lending portfolio grew from €90 million to €150 million. As of December 31, 2013, Fidor Bank had 250,000 customers and is listed on the Open Market of the Frankfurt Stock Exchange.

EMC invested €10.5 million, alongside Avenue Capital Group, in a newly created vehicle, **Toro Finance**, which will provide short-term receivables financing to the suppliers of major Spanish companies. In addition, JZCP is participating with Avenue Capital Group in current pay securities on top of the capital structure. To date, JZCP has lent about €8.0 million and anticipates another €8.0 million to be funded this year. Toro Finance will draw on the track record of JZCP's European advisers who have worked with businesses on the continent for more than a decade. Toro Finance will also benefit from Avenue Capital Group's expertise investing in finance companies globally and strong presence in Europe, having invested more than €11.0 billion throughout the continent over the past 10 years. JZCP's total US$31 million commitment will, together with Toro Finance's management, purchase 50 per cent of Toro Finance's equity. The venture is off to a fast start and we look forward to continuing to report our progress.

Real estate portfolio

Our careful, value approach to investing has led to some exciting opportunities in the real estate sector. It is important to note that we are applying the same disciplined approach to these investments as we have always used in our micro cap portfolio; buying entities at reasonable prices in conjunction with excellent management teams. We are purchasing these properties through the JZCP Realty Fund.

Starting in April 2012, we began assembling a portfolio of properties, both retail and residential, in Brooklyn, a borough of New York City that has experienced rapid gentrification in certain neighbourhoods. The management team we are backing is RedSky Capital, a Brooklyn-based real estate and development and management company.

On its own, Brooklyn would be the fourth largest city in the United States, and demographic projections suggest that significant growth is anticipated in the next ten years. It has 2.5 million people, approximately the same size as Chicago in terms of population.

Brooklyn is in the early stages of a renaissance where areas that have been historically industrial, low-income and/or artist communities are beginning to see seismic population changes, fuelled by an influx of young and affluent ex-Manhattan residents in search of more space and a trendier community that embraces a relaxed, artistic and young lifestyle.

In the fiscal year ended 28 February 2014, JZCP, together with RedSky acquired 13 properties. Since we began investing with RedSky in April 2012, we have acquired a total of 19 properties. The current capitalisation of the existing portfolio is approximately US$400 million, with US$176 million in total equity, of which US$100 million was funded by separate JZ REIT entities. The properties are located in the Williamsburg, Flatbush, Greenpoint and the Fulton Mall areas of Brooklyn.

The first acquired property is almost a square block on Bedford Avenue, in the Williamsburg section of Brooklyn; JZCP's investment is US$16.5 million. This retail/residential building is in a premier location of an area that is in the biggest and most valuable retail redevelopment in Northern Brooklyn. Renovation is currently taking place.

Investment Adviser's report continued

The second acquired property involved a JZCP investment of US$3.5 million in the Flatbush area, across the street from the entrance to the newly opened US$1.2 billion Barclays Center, a 20,000 person arena in Brooklyn, home to the NBA franchise Brooklyn Nets. The Barclays Center has been the focus of a newly revitalised neighbourhood in the centre of Brooklyn. Our team plans to renovate the building and build an additional floor and premium signage and lease it to a sports retailer.

The third investment, with a total investment by JZCP of US$14.5 million, is an assemblage of three contiguous properties on the Fulton Mall area, the third largest retail centre in New York City and second only to Times Square in terms of transit density. Our plans are to raze these buildings and rebuild, alongside City Point, a large mall anchored by Target.

We paid US$12.1 million for three properties on Flatbush Avenue, for both retail and residential use. Near the Barclays Center, these properties are well situated to take advantage of the influx of higher-end shoppers and residents in part driven by the Barclays Center's success.

JZCP invested US$8.2 million for two mixed-use development properties on Driggs Avenue, which is adjacent to Bedford Avenue, where our first Williamsburg property is located. We plan on developing these properties and renting to a national retailer looking to create a footprint in this up-and-coming area of Brooklyn.

We invested US$32.8 million to acquire a 49 per cent interest in a development site on the Greenpoint waterfront in Brooklyn. The site allows for development of 652,000 square feet of residential and retail space, and includes a pier that acts as the Greenpoint terminal location for the East River Ferry. In conjunction with our partner, we plan on partnering with a large New York City development firm to build a residential tower on the site, containing both market rate and affordable housing, as well as 100,000 square feet of retail space.

Finally, we invested US$15.3 million to purchase several properties in Williamsburg, again nearby to the first property we purchased, with an eye to redevelop and retenant the retail and residential properties into a Class A mixed use area.

Other assets

We have made great strides toward launching a new portfolio company, Spruceview Capital Partners, an asset management business. As previously reported, we have recruited as our management partners, Richard Sabo (CEO) and David Russ (CIO). Most recently, Richard Sabo served as Chief Investment Officer of Global Pension and Retirement Plans at JPMorgan as well as a member of the firm's executive committee. David Russ brings with him an impressive track record as Chief Investment Officer of Dartmouth College's endowment, as well as having senior investment roles at Stanford University and the Regents of the University of California. Richard and David are complemented by a team of ten senior investment, business development, legal and operations professionals. We will target smaller endowments, foundations, family offices and corporate pension funds that are not large enough to afford a world-class team of investment professionals; this type of asset management business is known as an "outsourced CIO/endowment model". We are excited to be working with Richard, David and their team, and will report more on this business as it develops.

Significant realisations

We had two significant realisations in the fiscal year ended 28 February 2014. The first involves one of our US micro cap investments, Horsburgh and Scott, a manufacturer of large diameter gears, which we acquired in November 2007. In March 2013, we sold Horsburgh and Scott, realising cumulative proceeds of US$38.6 million on our US$21.8 million investment, for a 1.8x multiple of capital invested and a 13 per cent IRR. Given that we had been writing this investment up over time, there was a negligible effect on NAV.

We also refinanced US$26.3 million of JZCP-held investments in our Industrial Services Solutions ("ISS") vertical with a senior debt facility, as these businesses demonstrated they could prudently support increased third-party leverage.

Outlook

We are opportunistic, value-oriented investors (i.e. we like to buy things that we hope have more intrinsic value and growth prospects than we have to pay in cash), an approach that has been tried and tested over the years. JZCP has experienced long-term NAV growth using this model of value investing. In addition, JZCP's strong balance sheet positions us well to take advantage of investment opportunities on an immediate basis. We look forward to continuing to put your (and our) money to work in a diverse portfolio of reasonably priced assets.

As always, thank you for your confidence in our investment strategy. Please feel free to contact us with any ideas that might be beneficial to JZCP.

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.

Investment review – verticals

The primary US micro cap investment strategy is to invest in well researched industry sectors, or "verticals". We purchase similar companies in the relevant vertical, integrating them as appropriate, and selling the resulting larger company as one entity.

Vertical strategy

The above strategy has served us well over the years. Each of these verticals is managed by a seasoned industry executive whose responsibilities include managing, integrating and growing their respective vertical.

Examples of our verticals are as follows:

Industrial Services Solutions

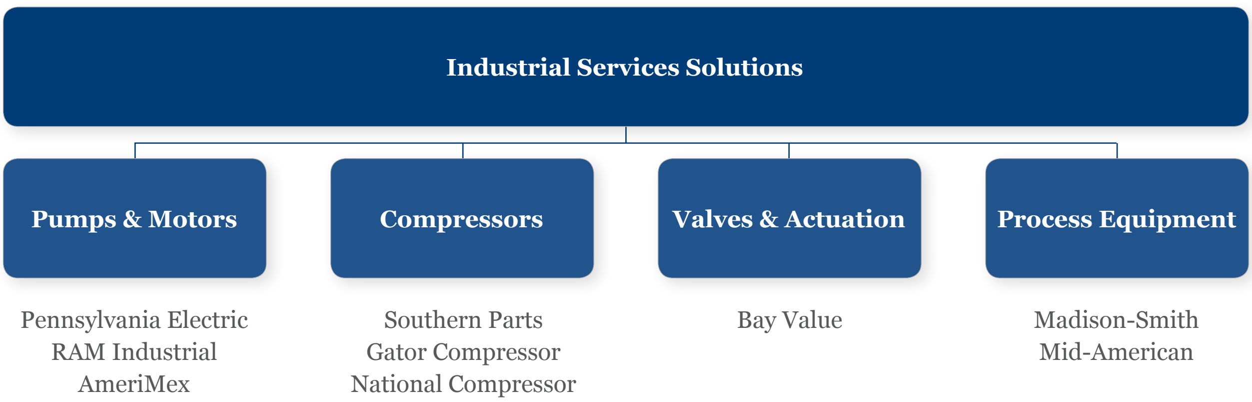
Industrial Services Solutions ("ISS") is currently a combination of nine acquired businesses in the industrial maintenance, repair and service industry, focusing primarily on industrial rotating equipment. Most of the maintenance and repair work is performed at and/or from any of the 20 sites across the country.

The idea for this investment is to acquire and manage these non-discretionary activities that are typically non-cyclical. In addition, the increasing complexity of the equipment in industrial settings, along with the declining maintenance staff at these plants, should encourage growth in ISS' customers' needs. This large and very fragmented industry is well suited for a build-up in this sector.

We currently have four major groups of services, which are outlined in chart below.

Nine companies were purchased for a total purchase price of US$123.7 million; JZCP's cost of these investments was US$32.4 million, representing 41 per cent of the preferred stock in these entities, and an average of 32 per cent the common stock. These investments are currently valued at US$34.9 million, as significant management upgrades have only partially achieved their anticipated benefits. Due to the management initiatives, pro forma EBITDA has grown from US$16 million in 2010 to US$22.9 million in 2013.

ISS is managed by Jim Rogers, a seasoned industry executive, having held several senior management positions at GE for 26 years. His last position at GE was CEO of GE Industrial Controls. His leadership, ideas and oversight have been critical in creating value for ISS.



Investment review – verticals continued

Testing vertical

Testing Services Holdings is a business consisting of (1) laboratory testing services, and (2) sales and distribution of laboratory testing equipment. Recent EBITDA has grown for these businesses, from US$15.4 million in 2012 to US$20.0 million in 2013. JZCP currently has US$44.6 million invested in these entities.

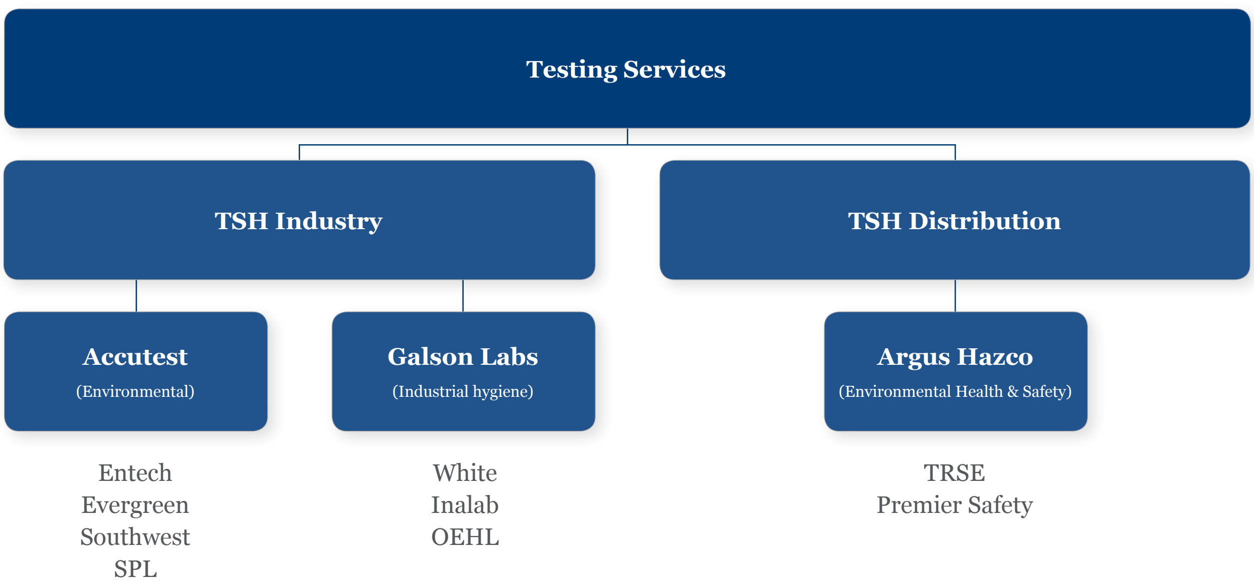
The laboratory businesses can be broken out into two major components: Environmental Testing, and Industrial Hygiene. The environmental segment includes testing soil and groundwater for contaminants, under the Accutest name. Accutest has made four laboratory acquisitions to date.

The Industrial Hygiene segment consists of four acquisitions under the Galson name. These businesses collect sample from industrial setting via on-person badges, which are then sent to a Galson lab for analysis.

The sales and distribution segment is managed under the Argus-Hazco platform, with two additional acquisitions made to expand Argus' geographic footprint. It is a renter and reseller of equipment and instruments necessary to ensure worker safety.

The chart below summarises these investments.

These businesses are led by Phil Rooney, a seasoned executive with experience in a variety of industries, with a focus on environmental businesses. Phil played a major role in achieving a commendable return on Mid-America Recycling, one of our more successful realisations. He formerly served as president of ServiceMaster and Waste Management.



Water Services vertical

Triwater Holdings is our vertical in the US$500 billion water sector. To date, we have focused on two areas in this very fragmented market: water infrastructure and water treatment.

Water infrastructure businesses have been created to deal with the ageing and deteriorating infrastructure in the United States. Leaking underground pipes for potable water create significant waste, while leaking underground sewer pipes create a significant health hazard. The companies in this area we have so far (LMK Technologies and Perma-Liner) address this second issue by sealing underground sewer pipes without digging, attractive for a variety of practical and cost concerns. We hope to add to the two current investments in this sector with manhole liners, sewer cleaning, etc.

The current water treatment business consists of three companies (Nashville Chemical, Klenzoid and Eldon) which sell and distribute chemicals for (1) industrial plants' boilers, etc and (2) outside plant use (e.g. "fracking"). This extremely fragmented business is ready for consolidation.

The chart below shows a summary of our current holdings in this sector.

Pro forma EBITDA for these businesses has grown from US$8.6 million in 2010, to US$11.8 million in 2013. We purchased these five businesses for a total of US$51.3 million, with JZCP supplying US$19.8 million of capital in the form of debt, which we plan on refinancing shortly) and equity. JZCP's equity position is US$13.8 million. JZCP's position is currently valued at US$42.2 million.

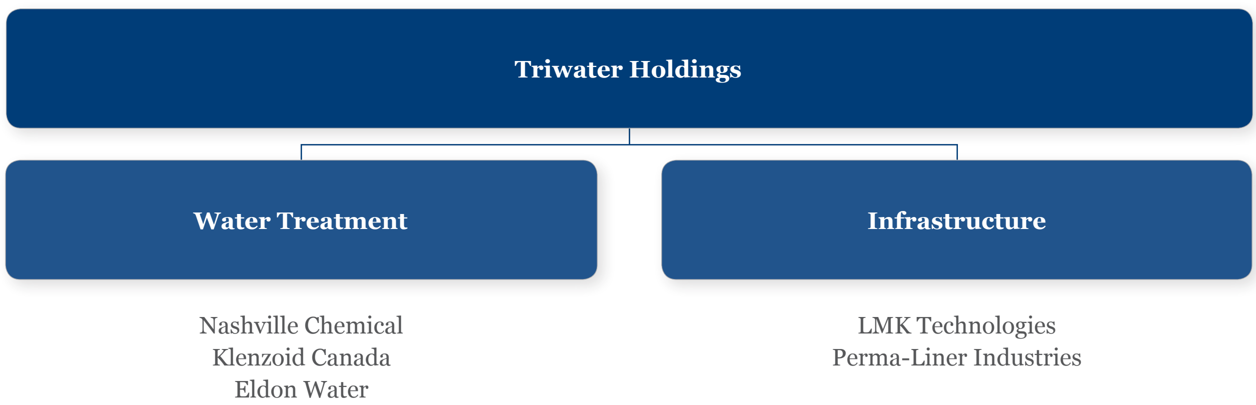
This vertical is managed by Mike Reardon, an executive with over 25 years of experience in the water business, most recently as President and COO of Culligan International, a leader in commercial Consumer water treatment programmes and products.

Logistics Services vertical

JZCP's newest vertical involves businesses in the same day/next day delivery services sector. This vertical consists of Priority Express, a provider of same-day express courier services to reference laboratories, hospitals and health systems, pharmacy organisations and various other companies located in New Jersey and Eastern Pennsylvania. The Company provides both scheduled courier services as well as on-demand courier services. We plan on making further acquisitions in contiguous regions, as well as establishing other "beachheads' around the country.

This vertical is managed by Bruce Parker, who has significant experience managing air and ground based logistics businesses. His experience includes senior management positions at Ryder Systems, United Airlines and American Airlines.

JZCP has US$13.3 million invested in this business, which had EBITDA of US$4.2 million in 2013. We have a very active pipeline to add to this vertical.



Investment review – major holdings

The investments listed represent the top ten investments in terms of valuation (excluding investments in vertical structures detailed on pages 17 to 19):

FACTOR ENERGIA S.A.

Headquarters: Barcelona, Spain
Sector: Energy Supplier

Factor Energia is an energy distribution business in Spain, which resells electricity to smaller and medium-sized companies, a recently deregulated part of the energy sector. It purchases electricity on the spot market, and sells to its customers for a fixed or variable price, depending on the relevant contract.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
Common stock	11,648	92,235

Year ended 31 December 2013 Sales	€422.0 million
Year ended 31 December 2013 Adjusted EBITDA	€14.2 million

SAFETY INSURANCE GROUP, INC.

Headquarters: Boston, Massachusetts, USA
Sector: Property and Casualty Insurance

Safety Insurance Group, Inc., which is listed on NASDAQ (NASDAQ: SAFT), provides personal property and casualty insurance focused exclusively on the Massachusetts market. The Company's principal product line is private passenger automobile insurance. In addition, Safety Insurance offers commercial automobile, homeowners, dwelling fire, umbrella and business owning policies.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
Common stock	6,816	64,521

Year ended 31 December 2013 Sales	US$745.3 million
Year ended 31 December 2013 Adjusted EBITDA	US$87.8 million

GREENPOINT

Location: Brooklyn, NY, USA
Sector: Real Estate

This investment represents a 49 per cent interest in a development site on the Greenpoint waterfront section in Brooklyn. The site allows for development of 652,000 square feet of residential and retail space, and includes a pier that acts as the Greenpoint terminal location for the East River Ferry.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
Portfolio investment of JZ Realty Fund	32,750	32,750

GRUPO OMBUDS S.A.

Headquarters: Madrid, Spain
Sector: Private Security

Grupo Ombuds is a provider of security, surveillance and facility services to the public sector and blue chip clients in Spain.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
Loans	17,156	19,651
Common stock	13,950	11,360
	31,106	31,011

Year ended 31 December 2013 Sales	€76.9 million
Year ended 31 December 2013 Adjusted EBITDA	€4.3 million

DENTAL HOLDINGS, INC.

Headquarters: Minneapolis, Minnesota, USA
Sector: Healthcare Equipment and Services

Dental Holdings Corporation is the parent of Dental Services Group ("DSG"). DSG is an operator of laboratories that manufacture oral appliances for dentists and dental centres. It runs both full service labs and "sale and delivery" sites in the United States, Canada and Mexico, making it one of the largest companies of its kind.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
15% senior notes	7,500	12,017
12.5% senior notes	8,404	14,233
8% preferred stock	6,713	4,000
10% preferred stock	4,950	–
Common stock	37	–
	27,604	30,250

Year ended 31 December 2013	
Sales	US$78.4 million
Year ended 31 December 2013	
Adjusted EBITDA	US$2.6 million

AMPTEK, INC.

Headquarters: Bedford, Massachusetts, USA
Sector: Non-destructive testing

Amptek, Inc. ("Amptek") designs and manufactures instrumentation used in numerous non-destructive testing and elemental analysis applications. Amptek's instruments are typically used both in the field and within laboratory settings to quickly and easily identify the composition of materials using Amptek's industry-leading x-ray detectors. Amptek is the largest manufacturer of detectors in the world that utilise the x-ray fluorescence method.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
7% preferred stock	13,877	16,233
Common stock	31	8,900
	13,908	25,133

Year ended 31 December 2013	
Sales	US$29.2 million
Year ended 31 December 2013	
Adjusted EBITDA	US$13.1 million

MILESTONE AVIATION GROUP, INC.

Headquarters: Dublin, Ireland
Sector: Financial Services

Milestone is a global aircraft leasing company focused on helicopters and private jets, providing aircraft owners and operators 100% financing on new, pre-owned and sale-leaseback transactions.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
9% preferred stock	15,137	18,763
Common stock	–	4,800
	15,137	23,563

Year ended 31 December 2013	
Sales	€162.8 million
Year ended 31 December 2013	
Adjusted EBITDA	€137.0 million

TORO FINANCE

Headquarters: Madrid, Spain
Sector: Financial Services

Toro Finance is a provider of short-term receivables financing to the suppliers of major Spanish companies.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
Loans	10,996	11,178
Common stock	10,500	10,877
	21,496	22,055

Investment review – major holdings

continued

MEDPLAST/UPG HOLDINGS

Headquarters: Tempe, Arizona, USA
Sector: Medical/industrial plastic injection moulding

Medplast designs, engineers and produces precision custom moulded thermoplastic, rubber and elastomer components and moulds for the healthcare and pharmaceutical and consumer/industrial markets. UPG Holdings operates as a manufacturer of precision plastic products for electronics, automotive, industrial, medical, datacentre and consumer markets.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
14.5% subordinated notes	9,800	10,379
7% preferred stock	7,304	8,406
Common stock	879	1,875
	17,983	20,660

Year ended 31 December 2013 Sales	US$268.1 million
Year ended 31 December 2013 Adjusted EBITDA	US$29.1 million

SALTER LABS, INC.

Headquarters: Arvin, California, USA
Sector: Respiratory medical products

Salter Labs is a leading manufacturer of disposable oxygen delivery and respiratory therapy products in the multi-billion dollar home medical and acute care markets. Salter develops, manufactures and sells single-use, disposable products, primarily for respiratory therapies.

	Cost 28/02/14 US$'000	Valuation 28/02/14 US$'000
15% Subordinated notes	5,880	6,646
10% preferred stock	13,268	8,700
Common stock	15	–
	19,163	15,346

Year ended 31 December 2013 Sales	US$72.3 million
Year ended 31 December 2013 Adjusted EBITDA	US$11.4 million

Directors' remuneration report

The Directors' remuneration report has been prepared on behalf of the Directors in accordance with the UK Corporate Governance Code ("the Code") as issued by the UK Listing Authority.

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

Remuneration policy

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. All of the matters recommended by the Code that would be delegated to such a committee are considered by the Board as a whole.

It is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman who will have given the matter proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chairman's remuneration is decided separately and is approved by the Board as a whole.

During the year Mr Firth's fees were increased to US$70,000 per annum to reflect the increasing time commitment as chairman of the Audit Committee.

The Company's Articles state that Directors' remuneration payable in any accounting year shall not exceed in the aggregate an annual sum of US$650,000. Each Director is also entitled to reimbursement of their reasonable expenses. There are no commission or profit sharing arrangements between the Company and the Directors. Similarly, none of the Directors is entitled to pension, retirement or similar benefits. No element of the Directors' remuneration is performance related.

The remuneration policy set out above is the one applied for the year ended 28 February 2014 and is not expected to change in the foreseeable future.

Directors' and Officers liability insurance cover is maintained by the Company on behalf of the Directors.

Remuneration for qualifying services

	28/02/14 US$	28/02/13 US$
David Macfarlane (Chairman)	140,000	140,000
Patrick Firth*	61,616	60,000
James Jordan	60,000	60,000
Tanja Tibaldi	60,000	60,000
David Allison**	5,300	60,000
Christopher Waldron***	21,371	–
	348,287	380,000

* Patrick Firth's Directors fee was increased to US$70,000 effective 1 January 2014. The above figure has been pro-rated to reflect the increase.

** David Allison served as a Director until his death on 26 April 2013.

*** Christopher Waldron was appointed to the Board on 21 October 2013.

The amounts payable to Directors as shown above were for services as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Directors' term of appointment

Each Director retires from office at the third annual general meeting after his appointment or (as the case may be) the general meeting at which he was last reappointed and is eligible for reappointment.

The Directors were appointed as non-executive Directors by letters issued in April 2008 which state that their appointment and any subsequent termination or retirement shall be subject to three-months' notice from either party in accordance with the Articles. Each Director's appointment letter provides that, upon the termination of his/her appointment, that he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other Directors; and (d) an ordinary resolution of the Company.

Signed on behalf of the Board of Directors on 2 May 2014 by:

David Macfarlane
Chairman

Patrick Firth
Director

Corporate governance

The Board of JZ Capital Partners Limited has considered the principles and recommendations of the AIC Code of Corporate Governance published in October 2010 (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to JZ Capital Partners Limited.

Introduction

The Company is a member of the Association of Investment Companies (the "AIC") and by complying with the AIC Code of Corporate Governance ("AIC Code") is deemed to comply with both the UK and Guernsey Codes of Corporate Governance.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders. To ensure ongoing compliance with these principles the Board receives and reviews a report from the Corporate Secretary, at each quarterly meeting, identifying how the Company is in compliance and identifying any changes that might be necessary.

Throughout the accounting period the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the Chief Executive
- executive Directors' remuneration
- the need for an internal audit function
- whistle-blowing policy.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of JZ Capital Partners Limited, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are non-executive and the Company does not have employees, hence no whistle-blowing policy is required. However, the Directors have satisfied themselves that the Company's service providers have appropriate whistle-blowing policies and procedures and have received confirmation from the service providers that nothing has arisen under those policies and procedures that should be brought to the attention of the Board.

Guernsey Code of Corporate Governance

The Guernsey Financial Services Commission's (GFSC) "Finance Sector Code of Corporate Governance" (Guernsey Code) came into effect on 1 January 2012. The introduction to the Guernsey Code states that companies that report against the UK Corporate Governance Code or the AIC's Code of Corporate Governance are deemed to meet the Guernsey Code.

The Board

Corporate Governance of JZCP is monitored by the Board, which at the end of the year comprised five Directors, all of whom are non-executive. Biographical details of the Board members at the date of signing these financial statements are shown on page 82 and their interests in the shares of JZCP are shown in the report of the Directors on page 6. The Directors' biographies highlight their wide range of business experience.

The Board considers that all of the Directors are independent of the Investment Adviser. The Board considers the Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board reviews the independence of the Directors at least annually.

Proceedings of the Board

The Directors have overall responsibility for the Company's activities and the determination of its investment policy and strategy. The Company has entered into an investment advisory and management agreement with its Investment Adviser, JZAI, pursuant to which, subject to the overall supervision of the Directors, the Investment Adviser acts as the Investment Manager to the Company and manages the investment and reinvestment of the assets of the Company in pursuit of the investment objective of the Company and in accordance with the investment policies and investment guidelines from time to time of the Company and any investment limits and restrictions notified by the Directors (following consultation with the Investment Adviser). Within its strategic responsibilities the Board regularly considers corporate strategy as well as dividend policy, the policy on share buy backs and corporate governance issues.

The Directors meet at least quarterly to direct and supervise the Company's affairs. This includes reviewing the investment strategy, risk profile and performance of the Company and the performance of the Company's functionaries, and monitoring compliance with the Company's objectives. The Directors hold regular meetings to review the Investment Adviser's investment decisions and valuations and to decide if the levels of gearing within the investment portfolio are appropriate. The Directors deem it appropriate to review the valuations on a quarterly basis. The schedule of Directors and Committee meetings is shown on page 26.

Continuing terms of Investment Adviser agreement

In the opinion of the Directors, the continuing appointment of the Investment Adviser on the terms agreed continues to be in the interests of Shareholders. In reaching its conclusion the Board considers the Investment Adviser's investment strategy and performance.

Supply of information

The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings. The Company's advisers provide the Board with appropriate and timely information in order that the Board may reach proper decisions. Directors can, if necessary, obtain independent professional advice at the Company's expense.

Directors' training

The Board is provided with information concerning changes to the regulatory or statutory regimes as they may affect the Company, and are offered the opportunity to attend courses or seminars on such changes, or other relevant matters. An induction programme is available for any future Director appointments.

Chairman and Senior Independent Director

The Chairman is a non-executive Director, together with the rest of the Board. There is no executive Director position within the Company. Day-to-day management of the Company's affairs has been delegated to the Administrator. The Board has considered whether a Senior Independent Director should be appointed. However, as the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director for the time being, is not considered necessary. Any of the non-executive Directors are available to Shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Board diversity

The Board has also given careful consideration to the recommendations of the Davies Report on women on Boards and as recommended in that report has reviewed its composition and believes that it has available an appropriate range of skills and experience. In order to extend its diversity, the Board is committed to implementing the recommendations of the Davies Report, if possible within the timescales proposed in the Davies Report, and to that end will ensure that women candidates are considered when appointments to the Board are under consideration – as indeed has always been its practice.

Re-election of Directors

The principle set out in the UK Corporate Governance Code is that Directors should submit themselves for re-election at regular intervals and at least every three years, and in any event as soon as it is practical after their initial appointment to the Board. It is a further requirement that non-executive Directors are appointed for a specific period.

The Letters of Appointment of the non-executive Directors suggest that it is appropriate for Directors to retire and be nominated for re-election after three years of service, subject to the recommendation of the General Meeting. The Nominations Committee met on 2 May 2014 and it was decided Mr Firth and Ms Tibaldi would put themselves forward for re-election at the 2014 Annual General Meeting. David Macfarlane and James Jordan were re-elected to the Board at the 2013 Annual General Meeting. A resolution will be tabled to ratify the appointment of Christopher Waldron to the Board.

The Board's evaluation

The Board, Audit Committee, and Nomination Committee undertake an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board and its committees carry out a process of formal self-appraisal. The Board and committees consider how they function as a whole and also review the individual performance of its members. This process is conducted by the respective Chairman reviewing each member's performance, contribution and commitment to the Company. The Board as a whole reviews the performance of the Chairman. Each Board member is also required to submit details of training they have undertaken on an annual basis.

The results of the evaluation process concluded the Board was functioning effectively and the Board and its committees provided a suitable mix of skills and experience.

Corporate governance continued

Board committees

In accordance with the AIC Code, the Board has established an Audit Committee and a Nomination Committee, in each case with formally delegated duties and responsibilities within written terms of reference. The identity of each Chairman of the committees referred to below are reviewed on an annual basis. The Board has decided that the entire Board should fulfil the role of the Audit and Nomination Committees. The terms of reference of the committees are kept under review and can be viewed on the Company's website www.jzcp.com.

Nomination Committee

In accordance with the Code, the Company has established a Nomination Committee. The main role of the committee is to propose candidates for election to the Board of Directors, including the Chairman. The Nomination Committee takes into consideration the Code's rules on independence of the Board in relation to the Company, its senior management and major Shareholders. The Nomination Committee is chaired by David Macfarlane, and each of the other Directors is also a member. The members of the committee are independent of the Investment Adviser. The Nomination Committee has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board. This responsibility was exercised in 2013, when Christopher Waldron was appointed to the Board following an extensive selection process.

Due to the nature of the Company being a listed investment company investing in private equity with an international Shareholder base, the Company needs Directors with a broad range of financial experience. For this reason, Directors believe that it is more appropriate to use their own contacts as a source of suitable candidates as no one external consultancy or advertising source is likely to be in a position to identify suitable candidates.

The final decision with regard to appointments always rests with the Board and all such appointments are subject to confirmation by Shareholders.

Audit Committee

The Audit Committee is chaired by Patrick Firth. All the other Directors are members. Members of the committee are independent of the Company's external Auditors and the Investment Adviser. The Audit Committee meets at least twice a year and meets the external Auditors at least twice a year. The Audit Committee is responsible for overseeing the Company's relationship with the external Auditors, including making recommendations to the Board on the appointment of the external Auditors and their remuneration. The Committee also considers the nature, scope and results of the Auditors' work and reviews, and develops and implements policies on the supply of any non-audit services that are to be provided by the external Auditors.

A report of the Audit Committee detailing responsibilities and activities is presented on pages 8 to 10.

Management Engagement Committee

The Company currently does not have a separate Management Engagement Committee. The recommended functions and responsibilities of such a committee are exercised by the full Board, each member of which is unassociated with the Investment Advisers.

Remuneration Committee

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee as prescribed by the AIC Code. The process for agreeing the non-executive Directors' fees is set out in the Directors' remuneration report on page 23.

Board and committee meeting attendance

The number of formal meetings of the Board and its committees held during the year and the attendance of individual Directors at these meetings was as follows:

	Number of meetings			
	Board main	Ad hoc meetings	Other committee	Audit Committee
Total number of meetings	**5**	**2**	**–**	**2**
David Macfarlane	5	–	–	2
Patrick Firth	5	2	–	2
James Jordan	5	–	–	1
Tanja Tibaldi	5	–	–	2
Christopher Waldron*	1	1	–	–

* Appointed 21 October 2013

The main Board meetings are held to agree the Company's valuation of its investments, agree the Company's financial statements and discuss and agree other strategic issues. Other meetings are held when required to agree Board decisions on ad hoc issues.

Internal controls

Responsibility for the establishment and maintenance of an appropriate system of internal control rests with the Board and to achieve this a process has been established which seeks to:

- review the risks faced by the Company and the controls in place to address those risks
- identify and report changes in the risk environment
- identify and report changes in the operational controls
- identify and report on the effectiveness of controls and errors arising.

A report is tabled and discussed at each Board meeting setting out the risks identified, their potential impact, the controls in place to mitigate them, the residual risk assessment and any exceptions identified during the period under review. The Board considers the current activities of the Company and external factors and amends the risk reporting accordingly.

The Board also receives confirmation from the Administrator of its accreditation under the SOC1 report.

Further reports are received and reviewed from the Administrator in respect of compliance, London Stock Exchange continuing obligations and other matters.

Going concern

The Directors consider the Company has adequate financial resources, in view of its holding in cash and cash equivalents and liquid investments and the income streams deriving from its investments and believe that the Company is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. The States of Guernsey has entered into an intergovernmental agreement ("IGA") with US Treasury in order to facilitate the requirements under FATCA. The Board is monitoring the implementation with the assistance of its professional advisers.

Intergovernmental agreements

The States of Guernsey have signed an intergovernmental agreement with the UK ("UK-Guernsey IGA") under which potentially mandatory disclosure requirements may be required in respect of Shareholders who have a UK connection. The Board is monitoring implementation of the UK-Guernsey IGA with the assistance of its professional advisers.

Alternative Investment Fund Managers Directive

The Company does not expect to be required to comply with the AIFM Directive except to the extent that it may be required to satisfy certain provisions of the AIFM Directive in order to permit the marketing of the Company's shares in EEA Member States. In this circumstance the relevant regime remains the national private placement arrangements in the relevant EEA Member State into which the fund is marketed. Compliance with the Directive may result in increased reporting requirements, possible changes to the governance structure of the Company and additional disclosure in the financial statements. The Company will consult with its professional advisers to minimise this impact where possible.

Relations with Shareholders

The Directors believe that the maintenance of good relations with both institutional and retail Shareholders is important for the long-term prospects of the Company. It therefore seeks active engagement with investors, bearing in mind the duties regarding equal treatment of Shareholders and the dissemination of inside information. The Board receives feedback on Shareholder views from its Corporate Broker and Investment Adviser, and is circulated with Broker reports on the Company.

The Directors believe that the Annual General Meeting, a meeting for all Shareholders, is the key point in the year when the Board of Directors accounts to all Shareholders for the performance of the Company. It therefore encourages all Shareholders to attend, and all Directors are present unless unusual circumstances prevail.

The Directors believe that the Company policy of reporting to Shareholders as soon as possible after the Company's year end and the holding of the Annual General Meeting at the earliest opportunity is valuable.

The Company also provides an Interim Report and Accounts in accordance with IAS 34 and Interim Management statements for the quarterly periods in line with the requirements of the EU Transparency Directive.

Independent Auditors' report

Independent Auditors' report to the members of JZ Capital Partners Limited

We have audited the financial statements of JZ Capital Partners Limited (the "Company") for the year ended 28 February 2014, which comprise the investment portfolio, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related Notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that we believed would have the greatest impact on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- valuation of the Company's non-publicly traded investments;
- existence and ownership of the Company's investments; and
- calculation of management and incentive fees.

Our application of materiality

We apply the concept of materiality to the individual account or balance level through our determination of performance materiality, which is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

We determined materiality for the Company to be US$13.3 million, which is 2 per cent of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75 per cent of materiality, namely US$9.9 million. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of US$0.67 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we considered the appropriateness of the valuation techniques applied to unlisted investments by testing the arithmetical accuracy of calculations in the valuation models, and obtained evidence to corroborate the inputs into the valuation models;
- we obtained independent confirmations directly from the underlying investee companies and agreed them to the books and records of the Company;
- we obtained independent confirmation from the custodian of the Company's publicly traded investments and agreed this to the records of the Company; and
- we reviewed the management and incentive fee calculations for clerical accuracy and consistency with agreements. We also reviewed the reasonableness of the inputs used in the incentive fee calculations and considered the risk of management overriding internal controls.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies (Guernsey) Law 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Christopher James Matthews, FCA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands

2 May 2014

Notes:

1. The maintenance and integrity of the JZ Capital Partners Limited website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Investment portfolio

Company	Historical book cost* US$'000	Carrying value including accrued interest 28 February 2014 US$'000	Percentage of net assets %
US micro cap portfolio			
US micro cap verticals			
Industrial Service Solutions INDUSTRIAL SERVICES SOLUTIONS ("ISS"). A combination of nine acquired businesses in the industrial maintenance, repair and service industry.	33,174	34,916	5.2
Healthcare Revenue Cycle Management MEDS HOLDINGS, INC. An outsourced provider of patient benefit eligibility, enrolment and revenue recovery services to hospitals and health systems. Meds Holdings is a subsidiary of Bolder Healthcare Solutions, LLC.	14,439	13,784	2.1
BHS PHYSICIAN An outsourced provider specialising in billing, practice management and outsourcing services for anaesthesiology physician and nurse groups and ambulatory surgery centres. BHS Physician Services, Inc. is a subsidiary of Bolder Healthcare Solutions, LLC.	7,035	7,035	1.1
Sensors Solutions AMPTEK, INC. Designer and manufacturer of instrumentation used in numerous non-destructive testing and elemental analysis applications. Amptek, Inc. is a subsidiary of Sensors Solutions Holdings.	13,908	25,133	3.8
NIELSEN-KELLERMAN Designer and manufacturer of weather, wind and timing measurement instruments and devices. Nielsen-Kellerman is a subsidiary of Sensors Solutions Holdings.	2,614	5,546	0.8
Testing Services ACCUTEST HOLDINGS, INC. Provider of environmental testing laboratories to the US market.	33,516	32,039	4.8
ARGUS GROUP HOLDINGS Sells, rents and services safety and testing equipment to a variety of industries. Argus Group Holdings is a subsidiary of Testing Services Holdings.	8,381	10,114	1.5
GALSON LABORATORIES Provider of analytical air testing services as well as industrial hygiene rental equipment. Galson Laboratories is a subsidiary of Testing Services Holdings.	2,671	9,235	1.4
Logistics Solutions PRIORITY EXPRESS, LLC Provider of same-day express courier services to various companies located in north eastern USA. Priority Express is a subsidiary of US Logistics, LLC.	13,296	13,805	2.1

Company	Historical book cost* US$'000	Carrying value including accrued interest 28 February 2014 US$'000	Percentage of net assets %
Water Services			
TWH INFRASTRUCTURE INDUSTRIES, INC. Environmental infrastructure company that provides technology to facilitate repair of underground pipes and other infrastructure. TWH Infrastructure Industries, Inc., which owns LMK Enterprises and Perma-Liner Industries, is a subsidiary of Triwater Holdings.	15,651	18,558	2.8
TWH WATER TREATMENT INDUSTRIES, INC. Provider of water treatment supplies and services. TWH Water Treatment Industries, Inc., which owns Nashville Chemical & Equipment and Klenzoid Canada Company/Eldon Water, Inc., is a subsidiary of Triwater Holding.	18,404	23,654	3.5
Total US micro cap verticals	**163,089**	**193,819**	**29.1**
US micro cap co-investments			
JUSTRITE MANUFACTURING COMPANY Manufacturer of industrial safety product. *Industry*: Specialised equipment manufacturers.	6,068	10,370	1.6
MEDPLAST/UPG HOLDINGS Manufacturer of plastic medical components. *Industry*: Industrial engineering.	17,983	20,660	3.1
MILESTONE AVIATION GROUP, INC. Finance provider for helicopter and private jet owners. *Industry*: Specialty finance.	15,137	23,563	3.5
NEW VITALITY HOLDINGS, INC. Direct-to-consumer provider of nutritional supplements and personal care products. *Industry*: Personal care products.	3,280	6,242	0.9
VITALYST Provider of outsourced IT support and training services. *Industry*: Strategic workforce solutions.	9,020	7,301	1.1
SALTER LABS, INC. Developer and manufacturer of respiratory medical products and equipment for the homecare hospital, and sleep disorder markets. *Industry*: Healthcare services and equipment.	19,163	15,346	2.3
SUZO HAPP GROUP Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets. *Industry*: Specialised equipment manufacturers.	5,509	7,209	1.1
Total US micro cap co-investments	**76,160**	**90,691**	**13.6**

Investment portfolio continued

Company	Historical book cost* US$'000	Carrying value including accrued interest 28 February 2014 US$'000	Percentage of net assets %
US micro cap (other)			
BOLDER INDUSTRIAL PERFORMANCE SOLUTIONS Acquirer of companies providing mission critical inspection services for a variety of industries.	208	210	–
ISS#1, LLC Manufacturer of industrial gears. *Industry*: Industrial engineering.	31	31	–
CHINA DENTAL HOLDINGS, INC. Acquirer of China-based dental laboratories. *Industry*: Industrial investment firms.	1,375	1,840	0.3
DENTAL HOLDINGS CORPORATION Operator of dental laboratories. *Industry*: Healthcare services and equipment.	27,604	30,205	4.5
HEALTHCARE PRODUCTS HOLDINGS, INC.*** Designer and manufacturer of motorised vehicles. *Industry*: Healthcare services and equipment.	17,638	14,541	2.2
MODC, LLC Acquirer of speciality retail companies located in the centre of shopping malls. *Industry*: Specialty retail.	208	210	–
NATIONWIDE STUDIOS, INC. Processor of digital photos for preschoolers. *Industry*: House, leisure and personal goods.	16,132	9,211	1.4
NTT ACQUISITION CORP.*** Provider of technical education and training. *Industry*: Education and training.	894	–	–
TIGER INFORMATION SYSTEMS, INC.*** Provider of temporary staff and computer training. *Industry*: Strategic workforce solutions.	400	300	–
US SANITATION, LLC Acquirer of janitorial and sanitorial product distributors and related chemical manufacturers and blenders. *Industry*: Industrial investments firms.	425	502	0.1
Total US micro cap (other)	**64,915**	**57,050**	**8.5**
Total US micro cap portfolio	**304,164**	**341,560**	**51.2**

Company	Historical book cost* US$'000	Carrying value including accrued interest 28 February 2014 US$'000	Percentage of net assets %
European micro cap portfolio			
EUROMICROCAP FUND 2010, LP			
Acquirer of Europe-based micro cap companies.	93,463	150,115	22.5
DOCOUT, S.L.			
Provider of digitalisation, document processing and storage services.			
Industry: Document processing.	2,777	3,212	0.5
GRUPO OMBUDS			
Provider of personal security and asset protection.			
Industry: Private security.	17,156	19,651	2.9
TORO FINANCE			
Provides short-term receivables finance to the suppliers of major Spanish companies.			
Industry: Financial general.	10,996	11,178	1.7
XACOM COMUNICACIONES SL			
Supplier of telecom products and technologies.			
Industry: Telecom.	2,055	2,625	0.4
Total European micro cap portfolio	**126,447**	**186,781**	**28.0**
Mezzanine portfolio			
GED HOLDINGS, INC.			
Manufacturer of windows.			
Industry: Construction and materials.	6,100	305	–
METPAR INDUSTRIES, INC.			
Manufacturer of restroom partitions.			
Industry: Construction and materials.	7,754	751	0.1
PETCO ANIMAL SUPPLIES, INC.			
Retailer of pet food, supplies and services.			
Industry: Animal supplies.	1,237	2,650	0.3
Total mezzanine portfolio	**15,091**	**3,706**	**0.4**
Bank debt: Second lien portfolio			
DEKKO TECHNOLOGIES, LLC			
Distributor of electrical sub-components.			
Industry: Electronic and electrical equipment.	11,368	11,810	1.8
Total bank debt	**11,368**	**11,810**	**1.8**
Real estate			
JZCP REALTY**			
Facilitates JZCP's investment in US real estate.	107,595	112,792	17.0
Total real estate investments	**107,595**	**112,792**	**17.0**

Investment portfolio continued

Company	Historical book cost* US$'000	Carrying value including accrued interest 28 February 2014 US$'000	Percentage of net assets %
Listed investments			
Equities			
SAFETY INSURANCE GROUP, INC.*** Provider of automobile insurance. *Industry*: Insurance.	6,816	64,521	9.7
UNIVERSAL TECHNICAL INSTITUTE, INC.*** Vocational training in the automotive and marine fields. *Industry*: Education and training.	15	902	0.1
Total listed equity investments	**6,831**	**65,423**	**9.8**
UK gilts			
UK treasury 2% – maturity 22/01/2016.	40,732	43,292	6.5
Total UK gilts	**40,732**	**43,292**	**6.5**
Corporate bonds			
Goldman Sachs, 22/03/2016.	16,590	16,415	2.6
Total corporate bonds	**16,590**	**16,415**	**2.6**
Other			
BSM ENGENHARIA S.A. Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental. *Industry*: Logistics.	6,115	5,050	0.8
SPRUCEVIEW CAPITAL, LLC Asset management company that primarily manages smaller endowments and pension funds. *Industry*: Financial general.	3,917	3,917	0.6
JZ INTERNATIONAL, LLC*** Fund of European LBO investments. *Industry*: Financial general.	660	1,620	0.2
Total other	**10,692**	**10,587**	**1.6**
Total – portfolio	639,510	792,366	118.9
Zero Dividend Preference shares		(107,201)	(16.1)
Cash and other net liabilities		(18,709)	(2.8)
Net assets attributable to Ordinary shares		**666,456**	**100.0**

* Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions. The book cost represents cash outflows and excludes PIK investments.
** JZCP owns 100 per cent of the shares and voting rights of JZCP Realty Fund, Ltd.
*** Legacy investments. Legacy investments are excluded from the calculation of capital and income incentive fees.

Mezzanine portfolio includes common stock with a carrying value of US$2,713,000. These investments are classified as investments at fair value through profit or loss.

Statement of comprehensive income

For the year ended 28 February 2014

	Notes	Year ended 28 February 2014 Revenue return US$'000	Year ended 28 February 2014 Capital return US$'000	Year ended 28 February 2014 Total US$'000	Year ended 28 February 2013 Revenue return US$'000	Year ended 28 February 2013 Capital return US$'000	Year ended 28 February 2013 Total US$'000
Income							
Net gain on investments at fair value through profit or loss	6	–	**55,408**	**55,408**	–	13,886	13,886
(Net impairment)/net write back of impairments on loans and receivables	7	–	**(77)**	**(77)**	–	1,025	1,025
Realisations from investments held in escrow accounts		–	**2,233**	**2,233**	–	7,528	7,528
Net foreign currency exchange (losses)/gains		–	**(9,980)**	**(9,980)**	–	3,915	3,915
Investment income	8	**39,184**	–	**39,184**	41,343	–	41,343
Bank and deposit interest		**130**	–	**130**	393	–	393
		39,314	**47,584**	**86,898**	41,736	26,354	68,090
Expenses							
Investment Adviser's base fee	10	**(11,220)**	–	**(11,220)**	(10,707)	–	(10,707)
Investment Adviser's incentive fee	10	**4,411**	**(13,819)**	**(9,408)**	–	(9,030)	(9,030)
Directors' remuneration	10	**(348)**	–	**(348)**	(380)	–	(380)
Administrative expenses	10	**(2,138)**	–	**(2,138)**	(2,405)	–	(2,405)
Share class restructuring costs	10	–	–	–	–	(1,580)	(1,580)
		(9,295)	**(13,819)**	**(23,114)**	(13,492)	(10,610)	(24,102)
Operating profit		**30,019**	**33,765**	**63,784**	28,244	15,744	43,988
Finance costs							
Finance costs in respect of Zero Dividend Preference shares	9	–	**(7,489)**	**(7,489)**	–	(7,007)	(7,007)
Profit before taxation		**30,019**	**26,276**	**56,295**	28,244	8,737	36,981
Withholding taxes	11	**(841)**	–	**(841)**	(1,131)	–	(1,131)
Profit for the year		**29,178**	**26,276**	**55,454**	27,113	8,737	35,850
Weighted average number of Ordinary shares in issue during year	18			**65,018,607**			65,018,607
Basic and diluted profit per Ordinary share using the weighted average number of Ordinary shares in issue during the year		**44.88c**	**40.41c**	**85.29c**	41.70c	13.44c	55.14c

All items in the above statement are derived from continuing operations.
The profit for the year is attributable to the Ordinary Shareholders of the Company.
The format of the income statement follows the recommendations of the AIC Statement of Recommended Practice.
The "Total" column of this statement represents the Company's statement of comprehensive income, prepared in accordance with IFRS.
There was no comprehensive income other than the profit for the year.

The accompanying notes on pages 40 to 80 form an integral part of the financial statements.

Statement of financial position

As at 28 February 2014

	Notes	**28 February 2014 US$'000**	28 February 2013 US$'000
Assets			
Non-current assets			
Investments at fair value through profit or loss	12	**791,366**	619,517
Investments classified as loans and receivables	12	**1,000**	8,765
		792,366	628,282
Current assets			
Cash and cash equivalents	13	**11,372**	102,740
Other receivables	14	**517**	552
		11,889	103,292
Total assets		**804,255**	731,574
Liabilities			
Current liabilities			
Investment Adviser's base fee		**848**	715
Investment Adviser's incentive fee		**9,408**	9,030
Directors' remuneration		**63**	62
Other payables	15	**2,440**	1,746
		12,759	11,553
Non-current liabilities			
Loan payable	16	**17,839**	–
Zero Dividend Preference shares	17	**107,201**	89,839
		125,040	89,839
Total liabilities		**137,799**	101,392
Equity			
Share capital account	20	**149,269**	149,269
Distributable reserve	20	**353,528**	353,528
Capital reserve	20	**76,788**	50,512
Revenue reserve	20	**86,871**	76,873
Total equity		**666,456**	630,182
Total liabilities and equity		**804,255**	731,574
Number of Ordinary shares in issue at year end	18	**65,018,607**	65,018,607
Net asset value per Ordinary share		**US$10.25**	US$9.69

These audited financial statements on pages 35 to 80 were approved by the Board of Directors and authorised for issue on 2 May 2014. They were signed on its behalf by:

David Macfarlane Chairman

Patrick Firth Director

The accompanying notes on pages 40 to 80 form an integral part of the financial statements.

Statement of changes in equity

For the year ended 28 February 2014

	Notes	Share capital account US$'000	Distributable reserve US$'000	Capital reserve realised US$'000	Capital reserve unrealised US$'000	Revenue reserve US$'000	Total US$'000
Balance as at 1 March 2013		**149,269**	**353,528**	**92,834**	**(42,322)**	**76,873**	**630,182**
Profit/(loss) for the year		**–**	**–**	**(6,924)**	**33,200**	**29,178**	**55,454**
Dividends paid	30	**–**	**–**	**–**	**–**	**(19,180)**	**(19,180)**
Balance at 28 February 2014		**149,269**	**353,528**	**85,910**	**(9,122)**	**86,871**	**666,456**

Comparative for the year ended 28 February 2013

	Share capital account US$'000	Distributable reserve US$'000	Capital reserve realised US$'000	Capital reserve unrealised US$'000	Revenue reserve US$'000	Total US$'000
Balance at 1 March 2012	149,269	353,528	68,107	(26,332)	70,890	615,462
Profit/(loss) for the year	–	–	24,727	(15,990)	27,113	35,850
Dividends paid	–	–	–	–	(21,130)	(21,130)
Balance at 28 February 2013	149,269	353,528	92,834	(42,322)	76,873	630,182

The accompanying notes on pages 40 to 80 form an integral part of the financial statements.

Statement of cash flows

For the year ended 28 February 2014

	Notes	1 March 2013 to 28 February 2014 US$'000	1 March 2012 to 28 February 2013 US$'000
Operating activities			
Net cash (outflow)/inflow from operating activities	25	**(7,296)**	2,196
Cash outflow for purchase of investments		**(195,526)**	(253,923)
Cash outflow for capital calls by the EuroMicrocap Fund 2010, LP		**(31,035)**	(13,275)
Cash inflow from deposits with maturity greater than 3 months		**–**	7,968
Cash inflow from repayment and disposal of investments		**143,830**	186,391
Net cash outflow before financing activities		**(90,027)**	(70,643)
Financing activity			
Dividends paid to Shareholders	30	**(19,180)**	(21,130)
Movement in loan payable	16	**17,839**	–
Net cash outflow from financing activities		**(1,341)**	(21,130)
Decrease in cash and cash equivalents		**(91,368)**	(91,773)
Reconciliation of net cash flow to movements in cash and cash equivalents			
Cash and cash equivalents at 1 March		**102,740**	194,513
Decrease in cash and cash equivalents as above		**(91,368)**	(91,773)
Cash and cash equivalents at year end		**11,372**	102,740

The accompanying notes on pages 40 to 80 form an integral part of the financial statements.

Index to the Notes to the financial statements

Notes to the financial statements

1. General information

JZ Capital Partners Limited (the "Company") is a Guernsey domiciled closed-ended investment company which was incorporated in Guernsey on 14 April 2008 under The Companies (Guernsey) Law, 1994. The Company is now subject to The Companies (Guernsey) Law, 2008. The Company's share capital consists of Ordinary shares and Zero Dividend Preference ("ZDP") shares. The Ordinary shares and ZDP shares were admitted to trading on the London Stock Exchange's Specialist Fund Market ("SFM") and were admitted to listing on the Channel Islands Securities Exchange ("CISE") on 31 July 2012.

The Company is classed as an authorised fund under The Protection of Investors (Bailiwick of Guernsey) Law 1987.

The Company's corporate objective is to create a portfolio of investments in businesses primarily in the United States, providing a superior overall return comprised of a current yield and significant capital appreciation. The Company's present strategies include investments in micro cap buyouts, mezzanine loans (sometimes with equity participations) and high-yield securities, senior secured debt and second lien loans, real estate and other debt and equity opportunities, including distressed debt and structured financings, derivatives and opportunistic purchase of publicly traded securities.

The Company has no direct employees. For its services the Investment Adviser receives a management fee and is also entitled to performance-related fees (note 9). The Company has no ownership interest in the Investment Adviser. During the year under review the Company was administered by Northern Trust International Fund Administration Services (Guernsey) Limited.

The financial statements are presented in US$'000 except where otherwise indicated.

2. Significant accounting policies

The accounting policies adopted in the preparation of the audited annual financial statements have been consistently applied during the year, unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") and Standing Interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and have been adopted by the European Union, together with applicable legal and regulatory requirements of Guernsey Law, the SFM and the CISE.

Basis of preparation

The financial statements have been prepared under the historical cost or amortised cost basis, modified by the revaluation of financial instruments designated at fair value through profit or loss upon initial recognition. The principal accounting policies adopted are set out below. The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The financial statements follow the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP") issued on 21 January 2009.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following:

(i) Standards, amendments and interpretations effective during the year

IFRS 10 Consolidated Financial Statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) was issued on 31 October 2012 and provides an exception to the consolidation requirements of IFRS 10. The amendment requires that investment entities measure subsidiaries at fair value through profit or loss, rather than consolidate them. This standard becomes effective on 1 January 2014 but as the Company meets the definition of an investment entity, the Company has early adopted to allow it to apply the provisions at the same time they first apply the rest of IFRS 10. The Company's interim report at 31 August 2013 was prepared on a consolidated basis. At the date the interim report and financial statements were issued, the European Union had yet to endorse the "Investment Entities" amendment to IFRS 10, IFRS 12 and IAS 27.

Retrospective amendment is required following the early adoption of the "Investment Entities" amendment to IFRS 10. Therefore the presentation of relevant comparative figures has been amended.

Associates have now been included in investments at fair value through profit or loss, as the carrying value assessed through the equity method is equivalent to the fair value classified as investments at fair value through profit or loss.

IFRS 12 Disclosure of Involvement with Other Entities. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required as presented in note 12.

IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires additional disclosures which are presented in note 4.

IAS 27 Separate Financial Statements. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company does not present separate financial statements.

IAS 28 Investments in Associates and Joint Ventures. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Company has elected for an exemption from the IAS 28 equity method and values its investment in associate at fair value through profit or loss.

Retrospective restatement is required following the exemption from IAS 28. Therefore the presentation of relevant comparative figures has been restated.

(ii) Standards, amendments and interpretations that are not effective and are not expected to have material impact on the financial position or performance of the Company

IFRS 9 Financial Instruments: Classification and Measurement. The adoption of the first phase of IFRS 9 (tentatively effective for periods beginning on after 1 January 2018) may have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

Notes to the financial statements continued

2. Significant accounting policies continued

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32. These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

There are certain other current standards, amendments and interpretations that are not relevant to the Company's operations.

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

The Company has a wide range of investors; through its Investment Adviser management services it enables investors to access private equity, real estate and similar investments.

The Company's objective to provide a "superior overall return comprised of a current yield and significant capital appreciation" is consistent with that of an investment entity. The Company has clearly defined exit strategies for each of its investment classes, these strategies are again consistent with an investment entity.

In determining the fair value of unlisted investments JZCP follows the principals of The International Private Equity and Venture Capital Association ("IPEVCA") valuation guidelines. The valuation guidelines have been prepared with the goal that fair value measurements derived when using these valuation guidelines are compliant with IFRS.

The Board of JZCP evaluates the performance of unlisted investments quarterly on a fair value basis. Listed investments are recorded at fair value in accordance with IFRS being the last traded market price where this price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Board determines the point within the bid-ask spread that is most representative of fair value in accordance with IFRS 13.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

Going concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the assumption that an entity will continue in existence as a going concern, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

The Directors consider the Company has adequate financial resources, in view of its holding in cash and cash equivalents and liquid investments and the income streams deriving from its investments and believe that the Company is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis.

Functional and presentational currency

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company as determined in accordance with IFRS is the US Dollar because this is the currency that best reflects the economic substance of the underlying events and circumstances of the Company. The financial statements are presented in US Dollars, as the Company has chosen the US Dollar as its presentation currency.

Foreign exchange

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate of exchange ruling at the end of the reporting period date. Transactions in foreign currencies during the course of the period are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities and non-monetary assets and liabilities that are denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Net foreign exchange gains or losses on monetary financial assets and liabilities other than those classified as at fair value through profit or loss are included in the line item "net foreign currency exchange gains".

Financial assets and financial liabilities

(a) Financial assets and liabilities at fair value through profit or loss

(i) Classification

The Company classifies its investments in listed investments, investments in first and second lien debt securities, other equity opportunities and other investments within its micro cap and real estate portfolios as financial assets at fair value through profit or loss. These financial assets are designated by the Board of Directors as at fair value through profit or loss at inception.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's investment strategy as documented in its prospectus and includes those investments over which the Company has significant influence except for the investment in the Associate (see (c) below). Information about these financial assets and financial liabilities are evaluated by the management of the Company on a fair value basis together with other relevant financial information.

(ii) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income. Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets or financial liabilities at fair value through profit or loss" category are presented in the statement of comprehensive income in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within investment income when the Company's right to receive payment is established.

Realised surpluses and deficits on the partial sale of investments are arrived at by deducting the average cost of such investments from the sales proceeds.

Notes to the financial statements continued

2. Significant accounting policies continued

(iii) Fair value estimation
The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Company is the bid price.

Unquoted preferred shares, micro cap loans, unquoted equities and equity-related securities investments are typically valued by reference to their enterprise value, which is generally calculated by applying an appropriate multiple to the last 12 months' earnings before interest, tax, depreciation and amortisation ("EBITDA"). In determining the multiple, the Directors consider *inter alia*, where practical, the multiples used in recent transactions in comparable unquoted companies, previous valuation multiples used and, where appropriate, multiples of comparable publicly traded companies. In accordance with IPEVCA guidelines, a marketability discount is applied that reflects the discount that in the opinion of the Directors, market participants would apply in a transaction in the investment in question.

Traded loans including first and second lien term securities are valued by reference to the last indicative bid price from recognised market makers. These investments are classified in the statement of financial position as investments at fair value through profit or loss.

(b) Loans and receivables
(i) Classification
The Company classifies unquoted senior subordinated debt within mezzanine investments as loans and receivables. Investments are generally accounted for at amortised cost using the effective interest method except where there is deemed to be impairment in value which indicates that a provision should be made.

(ii) Recognition/derecognition
Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(iii) Measurement
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(iv) Impairment
The Company assesses at each reporting date whether the loans and receivables are impaired. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the net present value of expected cash flows discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income as net impairments on loans and receivables.

Impaired debts together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to net impairments/write back of impairments on loans and receivables.

(c) Investment in an associate

An associate is an entity over which the Company has significant influence. An entity is regarded as a subsidiary only if the Company has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Company's activities.

In accordance with the exemption within IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in EuroMicrocap Fund 2010, LP (the "Partnership") using the equity method. Instead, the Company has elected to measure its investment in its associate at fair value through profit or loss.

The Directors have determined that although the Company has over 50 per cent economic partnership interest in the Partnership, it does not have the power to govern the financial and operating policies of the Partnership. Such powers are vested with the General Partner. However, the Company does have significant influence over the Partnership.

(d) Investment in a subsidiary

JZCP owns 100 per cent of the shares and voting rights of JZCP Realty Fund, Ltd through which JZCP holds its interests in real estate. As the Company has elected to early adopt the "investment entities" amendment to IFRS 10 and the Board has concluded that it meets the criteria of an investment entity, its investment in JZCP Realty Fund, Ltd is carried at fair value through profit or loss.

(e) Cash on deposit

Cash on deposit comprise bank deposits with an original maturity of three months or more.

(f) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. Cash also includes amounts held in interest-bearing overnight accounts.

(g) Other receivables and payables

Other receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Other payables are not interest bearing and are stated at their nominal value.

(h) Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity are recorded at the amount of proceeds received, net of issue costs. Ordinary shares are classified as equity instruments as defined by International Accounting Standard 32 – "Financial Instruments: Presentation" ("IAS 32").

Notes to the financial statements continued

2. Significant accounting policies continued

(i) Zero Dividend Preference ("ZDP") shares
In accordance with IAS 32, ZDP shares have been disclosed as a financial liability as the shares are redeemable at a fixed date and holders are entitled to a fixed return. ZDP shares are recorded at amortised cost using the effective interest rate method.

Income
Interest income for all interest-bearing financial instruments is included on an accruals basis using the effective interest method. Dividend income is recognised when the Company's right to receive payment is established. When there is reasonable doubt that income due to be received will actually be received, such income is not accrued until it is clear that its receipt is probable. Where following an accrual of income, receipt becomes doubtful, the accrual is either fully or partly written off until the reasonable doubt is removed.

Expenses
Investment Adviser's basic fees are allocated to revenue. The Company also provides for a capital gains incentive fee based on net unrealised investments gains.

Expenses which are deemed to be incurred wholly in connection with the maintenance or enhancement of the value of the investments are charged to realised capital reserve. All other expenses are accounted for on an accruals basis and are presented as revenue items.

Finance costs
Finance costs are interest expenses in respect of the ZDP shares and loans payable and are recognised in the statement of comprehensive income using the effective interest rate method.

Escrow accounts
Where investments are disposed of, the consideration given may include contractual terms requiring that a percentage of the consideration is held in an escrow account pending resolution of any indemnifiable claims that may arise and as such the value of these escrow amounts is not immediately known. The Company records gains realised on investments held in escrow in the statement of comprehensive income following confirmation that any such indemnifiable claims have been resolved and none is expected in the future.

3. Segment information

The Investment Manager is responsible for allocating resources available to the Company in accordance with the overall business strategies as set out in the investment guidelines of the Company. The Company has been organised into the following segments:

- Portfolio of US micro cap investments
- Portfolio of European micro cap investments
- Portfolio of mezzanine investments
- Portfolio of bank debt
- Portfolio of listed investments
- Portfolio of real estate investment
- Portfolio of other investments

The investment objective of each segment is to achieve consistent medium-term returns from the investments in each segment while safeguarding capital by investing in a diversified portfolio.

Investment in corporate bonds, money market funds and treasury gilts are not considered part of any individual segment and have therefore been excluded from this segmental analysis.

Segmental operating profit/(loss)

For the year ended 28 February 2014

	Micro cap US US$'000	Micro cap European US$'000	Mezzanine portfolio US$'000	Bank debt US$'000	Listed investments US$'000	Real estate US$'000	Other investment US$'000	Total US$'000
Interest revenue	**31,210**	**2,124**	**215**	**1,307**	–	**495**	–	**35,351**
Dividend revenue	–	–	–	–	**2,804**	–	–	**2,804**
Net gain/(loss) on investments at fair value through profit or loss	**3,659**	**32,744**	**176**	–	**10,354**	**4,701**	**(675)**	**50,959**
Impairments on loans and receivables	–	–	**(77)**	–	–	–	–	**(77)**
Investment Adviser's base fee	**(4,765)**	**(2,605)**	**(52)**	**(165)**	**(1,753)**	**(1,573)**	**(149)**	**(11,062)**
Investment Adviser's capital incentive fee[1]	**(10,411)**	–	**2,284**	–	–	–	–	**(8,127)**
Total segmental operating profit	**19,693**	**32,263**	**2,546**	**1,142**	**11,405**	**3,623**	**(824)**	**69,848**

Year ended 28 February 2013

	Micro cap US US$'000	Micro cap European US$'000	Mezzanine portfolio US$'000	Bank debt US$'000	Listed investments US$'000	Real estate US$'000	Other investments US$'000	Total US$'000
Interest revenue	29,131	1,607	2,223	2,290	–	–	–	35,251
Dividend revenue	–	–	1,023	–	3,771	–	29	4,823
Other revenue	–	–	–	189	–	–	–	189
Net gain/(loss) on investments at fair value through profit or loss	(2,768)	4,142	1,704	1,817	8,481	–	(681)	12,695
Impairments on loans and receivables	–	–	1,025	–	–	–	–	1,025
Investment Adviser's base fee	(5,014)	(1,573)	(163)	(172)	(813)	(452)	(162)	(8,349)
Investment Adviser's capital incentive fee*	(1,329)	–	(812)	–	(6,280)	–	(609)	(9,030)
Total segmental operating profit	20,020	4,176	5,000	4,124	5,159	(452)	(1,423)	36,604

* The capital incentive fee is allocated across segments where a realised or unrealised gain or loss has occurred. Segments with realised or unrealised losses are allocated a credit pro rata to the size of the loss and segments with realised or unrealised gains are allocated a charge pro rata to the size of the gain.

Notes to the financial statements continued

3. Segment information continued

Segmental assets

At 28 February 2014

	Micro cap US US$'000	Micro cap European US$'000	Mezzanine portfolio US$'000	Bank debt US$'000	Listed investments US$'000	Real estate US$'000	Other investments US$'000	Total US$'000
Investments at fair value through profit or loss	**341,560**	**186,781**	**2,706**	**11,810**	**65,423**	**112,792**	**10,587**	**731,659**
Investments classified as loans and receivables	–	–	**1,000**	–	–	–	–	**1,000**
Other receivables	–	–	–	–	**486**	–	–	**486**
Other payables and accrued expenses	**(10,771)**	**(197)**	**2,280**	**(12)**	**(1,136)**	**(119)**	**(11)**	**(9,966)**
Total segmental net assets	**330,789**	**186,584**	**5,986**	**11,798**	**64,773**	**112,673**	**10,576**	**723,179**

At 28 February 2013

	Micro cap US US$'000	Micro cap European US$'000	Mezzanine portfolio US$'000	Bank debt US$'000	Listed investments US$'000	Real estate US$'000	Other investments US$'000	Total US$'000
Investments at fair value through profit or loss	342,566	107,463	2,530	11,690	55,069	30,860	11,080	561,258
Investments classified as loans and receivables	–	–	8,765	–	–	–	–	8,765
Other receivables	–	–	–	–	486	–	–	486
Other payables and accrued expenses	(1,664)	(105)	(823)	(11)	(7,338)	–	–	(9,941)
Total segmental net assets	340,902	107,358	10,472	11,679	48,217	30,860	11,080	560,568

Certain income and expenditure is not considered part of the performance of an individual segment. This includes net foreign exchange gains, interest on cash, finance costs, custodian and administration fees, Directors' fees and other general expenses.

	Year ended 28/02/2014 US$'000	Year ended 28/02/2013 US$'000
Net reportable segment profit	**69,848**	36,604
Net gains on treasury gilts and corporate bonds	**4,449**	1,194
Realised gains on investments held in escrow accounts	**2,233**	7,528
Net foreign exchange (losses)/gains	**(9,980)**	3,915
Interest on treasury gilts and corporate bonds	**1,029**	1,077
Interest on cash	**130**	393
Fees payable to Investment Adviser based on non-segmental assets	**(1,439)**	(2,358)
Expenses not attributable to segments	**(2,486)**	(2,785)
Share class restructuring costs	–	(1,580)
Operating profit	**63,784**	43,988

Other receivables and prepayments are not considered to be part of individual segment assets. Certain liabilities are not considered to be part of the net assets of an individual segment. These include custodian and administration fees payable, Directors' fees payable and other payables and accrued expenses.

The following table provides a reconciliation between total net segment assets and total net assets.

	28/02/2014 US$'000	28/02/2013 US$'000
Total net segmental assets	**723,179**	560,568
Non-segmental assets and liabilities:		
Treasury gilts	**43,292**	31,809
Floating rate notes	**16,415**	26,450
Cash and cash equivalents	**11,372**	102,740
Loans payable	**(17,839)**	–
Other receivables and prepayments	**31**	66
Zero Dividend Preference shares	**(107,201)**	(89,839)
Other payables and accrued expenses	**(2,793)**	(1,612)
Total non-segmental net assets	**(56,723)**	69,614
Total net assets	**666,456**	630,182

4. Fair value of financial instruments

The Company classifies fair value measurements of its financial instruments at fair value through profit or loss using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The financial assets valued at fair value through profit or loss are analysed in a fair value hierarchy based on the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Those involving inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Notes to the financial statements continued

4. Fair value of financial instruments continued

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Financial assets at 28 February 2014	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Financial assets designated at fair value through profit or loss at inception:				
Listed securities	**125,130**	–	–	**125,130**
Bank debt	–	–	**11,810**	**11,810**
Mezzanine portfolio	–	–	**2,706**	**2,706**
US micro cap portfolio	–	–	**341,560**	**341,560**
European micro cap portfolio	–	–	**186,781**	**186,781**
Real estate portfolio	–	–	**112,792**	**112,792**
Other	–	–	**10,587**	**10,587**
	125,130	–	**666,236**	**791,366**

Financial assets at 28 February 2013	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets designated at fair value through profit or loss at inception:				
Listed securities	113,328	–	–	113,328
Bank debt	–	–	11,690	11,690
Mezzanine portfolio	–	–	2,529	2,529
US micro cap portfolio	–	–	342,567	342,567
European micro cap portfolio	–	–	107,463	107,463
Real estate portfolio	–	–	30,860	30,860
Other	–	–	11,080	11,080
	113,328	–	506,189	619,517

Transfers between levels

There were no transfers between the levels of hierarchy of financial assets recognised at fair value within the year ended 28 February 2014 and 28 February 2013.

Valuation techniques

In valuing investments in accordance with International Financial Reporting Standards, the Directors follow a number of general principles as detailed in the International Private Equity and Venture Capital Association ("IPEVCA") guidelines.

When fair values of listed equity and debt securities at the reporting date are based on quoted market prices or binding dealer price quotations (bid prices for long positions), without any deduction for transaction costs, the instruments are included within level 1 of the hierarchy.

The fair value of bank debt which is derived from unobservable data is classified as level 3.

Investments for which there are no active markets are valued according to one of the following methods:

Real estate
JZCP makes its real estate investments through a wholly owned subsidiary, which in turn owns interests in various residential, commercial and development real estate properties. The net asset value of the subsidiary is used for the measurement of fair value. The underlying fair value of JZCP's real estate holdings, however, is represented by the properties themselves.

The Company's Investment Adviser and Board review the fair value methods and measurement of the underlying properties on a quarterly basis. The fair value techniques used in the underlying valuations are:

- Use of comparable market values per square foot of properties in recent transactions in the vicinity in which the property is located and in similar condition of the relevant property, multiplied by the property's square footage.
- Discounted cash flow ("DCF") analysis, using the relevant rental stream, less expenses, for future periods, discounted at a market capitalisation ("MC") rate or interest rate.
- Relevant rental stream less expenses divided by the market capitalisation rate; this method approximates the enterprise value construct used for non-real estate assets.

For each of the above techniques third-party debt is deducted to arrive at fair value.

Due to the inherent uncertainties of real estate valuation, the values reflected in the financial statements may differ significantly from the values that would be determined by negotiation between parties in a sales transaction and those differences could be material.

Mezzanine loans
Investments are generally valued at amortised cost except where there is deemed to be impairment in value, which indicates that a provision should be made. Mezzanine loans are classified in the statement of financial position as loans and receivables and are accounted for at amortised cost using the effective interest method less accumulated impairment allowances in accordance with IFRS.

The Company assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the net present value of expected cash flows discounted at the original effective interest rate.

Unquoted preferred shares, micro cap loans, unquoted equities and equity related securities
Unquoted preferred shares, micro cap loans, unquoted equities and equity related securities investments are classified in the statement of financial position as investments at fair value through profit or loss. These investments are typically valued by reference to their enterprise value, which is generally calculated by applying an appropriate multiple to the last 12 months' earnings before interest, tax, depreciation and amortisation ("EBITDA").
In determining the multiple, the Directors consider *inter alia*, where practical, the multiples used in recent transactions in comparable unquoted companies, previous valuation multiples used and, where appropriate, multiples of comparable publicly traded companies. In accordance with IPEVCA guidelines, a marketability discount is applied that reflects the discount that, in the opinion of the Directors, market participants would apply in a transaction in the investment in question.

Notes to the financial statements continued

4. Fair value of financial instruments continued

In respect of unquoted preferred shares and micro cap loans the Company values these investments by reference to the attributable enterprise value as the exit strategy in respect to these investments would be a one tranche disposal together with the equity component. The fair value of the investment is determined by reference to the attributable enterprise value (this is calculated by a multiple of EBITDA reduced by senior debt and marketability discount) covering the aggregate of the unquoted equity, unquoted preferred shares and debt instruments invested in the underlying company. The increase of the fair value of the aggregate investment is reflected through the unquoted equity component of the investment and a decrease in the fair value is reflected across all financial instruments invested in an underlying company.

Quantitative information of significant unobservable inputs and sensitivity analysis to significant changes in unobservable inputs within level 3 hierarchy

The significant unobservable inputs used in fair value measurement catergorised within level 3 of the fair value hierarchy together with a quantitative sensitivity as at 28 February 2014 are shown below:

	Value 28/02/2014 US$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used*	Effect on fair value US$'000	
US micro cap investments	**287,792**	EBITDA multiple	Average EBITDA multiple of peers	5.0x/- 9.0x (7.2x)	0.5x/-0.5x	(21,426)	19,256
			Discount to average multiple	0% - 40% (25%)	5.0%/-5.0%	(28,087)	23,893
US micro cap investments[1]	**23,563**	Multiple of book value	Multiple of book value	1.5x	0.25x/-0.25x	(3,293)	3,293
US micro cap investments[2]	**30,205**	Revenue multiple	Revenue multiple	0.4x	0.1x/-0.1x	(6,169)	5,103
European micro cap investments	**186,781**	EBITDA multiple	Average EBITDA multiple of peers	5.4x - 9.0x (7.3x)	0.5x/-0.5x	(11,010)	11,010
			Discount to average multiple	25% - 48% (33%)	5.0%/-5.0%	(9,730)	9,825
Mezzanine investments	**2,706**	EBITDA multiple	Average EBITDA multiple of peers	5.0x - 8.0x (7.0x)	0.5x/-0.5x	(342)	342
			Discount to average multiple	10%	5.0%/-5.0%	(256)	256
Bank debt	**11,810**	EBITDA multiple	Average EBITDA	6.0x	0.5x/-0.5x	–	–
Real estate[3]	**112,792**	DCF model/ Income approach	Discount rate	10%	+1%/-1%	(3,745)	3,922
Other investments	**10,587**	EBITDA multiple	Average EBITDA multiple of peers	7.5x	0.5x/-0.5x	(447)	447
			Discount to average multiple	25%	5.0%/-5.0%	(379)	379

Notes:

1 Milestone Aviation valued using a different valuation method.

2 Dental Holdings valued using a different valuation method.

3 The fair value of JZCP's investment in financial interests in real estate, is measured as JZCP's percentage interest in the value of the underlying properties. The Directors consider the discount rate used, applied to the DCF, when valuing the properties as the most significant unobservable input affecting the measurement of fair value.

* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within level 3 between the beginning and the end of the reporting period.

At 28 February 2014

At 28 February 2014	**Bank debt US$'000**	**Mezzanine portfolio US$'000**	**US micro cap portfolio US$'000**	**Euro micro cap portfolio US$'000**	**Real estate US$'000**	**other US$'000**	**Total US$'000**
At 1 March 2013	**11,690**	**2,529**	**342,566**	**107,463**	**30,861**	**11,080**	**506,189**
Purchases	**–**	**–**	**63,370**	**45,172**	**76,933**	**1,750**	**187,225**
PIK adjusted for fair value	**130**	**50**	**25,386**	**–**	**–**	**–**	**25,566**
Proceeds from investments repaid or sold	**–**	**–**	**(92,142)**	**–**	**(198)**	**(1,568)**	**(93,908)**
Net gains and losses recognised in statement of comprehensive income		**99**	**3,659**	**32,774**	**4,701**	**(675)**	**40,558**
Movement in accrued interest recognised in statement of comprehensive income	**(10)**	**28**	**(1,279)**	**1,372**	**495**	**–**	**606**
At 28 February 2014	**11,810**	**2,706**	**341,560**	**186,781**	**112,792**	**10,587**	**666,236**

	Bank debt US$'000	Mezzanine portfolio US$'000	US micro cap portfolio US$'000	Euro micro cap portfolio US$'000	Real estate US$'000	other US$'000	Total US$'000
At 1 March 2012	12,971	5,658	204,583	85,129	–	2,384	310,725
Purchases	–	–	128,392	13,275	30,861	9,361	181,889
PIK adjusted for fair value	535	–	20,684	5,993	–	–	27,212
Proceeds from investments repaid or sold	(1,808)	(4,309)	(10,341)	(2,125)	–	–	(18,583)
Net gains and losses recognised in statement of comprehensive income		1,704	(2,738)	4,142	–	(665)	2,443
Investment gains on warrants held at nil value	–	(518)	–	–	–	–	(518)
Movement in accrued interest recognised in statement of comprehensive income	(8)	(6)	1,986	1,049	–	–	3,021
At 28 February 2013	11,690	2,529	342,566	107,463	30,861	11,080	506,189

Notes to the financial statements continued

4. Fair value of financial instruments continued

The following table details the revenues and net gains included within the statement of comprehensive income for investments classified at level 3 which were held during the year.

At 28 February 2014	**Bank debt US$'000**	**Mezzanine portfolio US$'000**	**US micro cap portfolio US$'000**	**Euro micro cap portfolio US$'000**	**Real estate US$'000**	**other US$'000**	**Total US$'000**
Interest and other revenue	**1,307**	**215**	**31,210**	**2,124**	**495**	**–**	**35,351**
Net gain/(loss) on investments at fair value through profit or loss	**–**	**99**	**3,659**	**32,774**	**4,701**	**(675)**	**40,558**
	1,307	**314**	**34,869**	**34,898**	**5,196**	**(675)**	**75,909**

At 28 February 2013	Bank debt US$'000	Mezzanine portfolio US$'000	US micro cap portfolio US$'000	Euro micro cap portfolio US$'000	Real estate US$'000	other US$'000	Total US$'000
Interest and other revenue	2,479	3,246	29,134	1,607	–	–	36,466
Net gain/(loss) on investments at fair value through profit or loss	–	1,704	(2,738)	(200)	–	(665)	(1,899)
	2,479	4,950	26,396	1,407	–	(665)	34,567

For the investments measured at level 3 at the reporting date, the Company adjusted the default rate, and discount rate assumptions within a range of reasonably possible alternatives. The extent of the adjustment varied according to the characteristics of each security.

The potential effect of using reasonably possible alternative assumptions for valuing financial instruments classified as level 3 at the reporting date would reduce the fair value by up to US$84,884,000 (28 February 2013: US$9,840,000) or increase the fair value by US$77,726,000 (28 February 2013: US$10,430,000).

The fair value of financial assets and financial liabilities measured at amortised cost are determined as follows:

The fair value of the ZDP shares is deemed to be their quoted market price. As at 28 February 2014 the ask price was £3.36 (28 February 2013: £3.24 per share) the total fair value of the ZDP shares was US$116,599,000 (28 February 2013: US$90,005,000) which is US$9,398,000 higher (28 February 2013: US$166,000 higher) than the liability recorded in the statement of financial position.

The carrying amounts of loans and receivables are recorded at amortised cost using the effective interest method in the financial statements. The fair value of loans and receivables at 28 February 2014 was US$1,000,000 (28 February 2013: US$7,834,000).

The carrying amounts of trade receivables and trade payables are deemed to be their fair value due to their short-term nature.

5. Critical accounting judgements and key sources of estimation uncertainty

The following are the key assumptions and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Fair value of investments at fair value through profit or loss ("FVTPL")

Certain investments are classified as FVTPL, and valued accordingly, as disclosed in Note 2. The key source of estimation uncertainty is on the valuation of unquoted equities and equity-related securities.

In reaching its valuation of the unquoted equities and equity-related securities the key judgements the Board has to make relate to the selection of the multiples and the discount factors used in the valuation models.

Loans and receivables

Certain investments are classified as loans and receivables, and valued accordingly, as disclosed in Note 2. The key estimation is the impairment review and the key assumptions are as disclosed in Note 2.

Investment in associate

The policies applied in accounting for the Company's associate require significant judgement. Full details are disclosed in Note 2c.

Assessment as an investment entity

The Board has concluded that the Company meets the definition of an investment entity and, as such, does not consolidate its subsidiary but rather values it at fair value through profit or loss as described in Note 2.

6. Net gains on investments at fair value through profit or loss

	Year ended 28/02/2014 US$'000	Year ended 28/02/2013 US$'000
Net movement in unrealised gains/(losses) in the year	**55,009**	4,593
Proceeds from investments realised	**136,247**	185,577
Cost of investments realised	**(131,978)**	(158,074)
Realised gains (proceeds less cost to JZCP)	**4,269**	27,503
Total gains in prior periods now realised	**(3,870)**	(18,210)
Total net realised gains in the year	**399**	9,293
Net gain on investments in the year	**55,408**	13,886

Notes to the financial statements continued

7. Net write back of impairments/(impairments on) loans and receivables

	Year ended 28/02/2014 US$'000	Year ended 28/02/2013 US$'000
Net (impairments on)/write back of impairments on loans and receivables	**(77)**	211
Proceeds from investments previously written off	–	814
Proceeds from investments repaid	**7,584**	15,226
Cost of investments repaid	**(7,584)**	(15,226)
Net realised gain	–	814
Net (impairments on)/write back of impairments on loans and receivables	**(77)**	1,025

8. Investment income

	Year ended 28/02/2014 US$'000	Year ended 28/02/2013 US$'000
Income from investments classified as FVTPL	**38,969**	39,129
Income from investments classified as loans and receivables	**215**	2,214
	39,184	41,343

Income for the year ended 28 February 2014

			Loan note				
	Dividends US$'000	**Preferred dividends US$'000**	**PIK US$'000**	**Cash US$'000**	**Other interest US$'000**	**Other income US$'000**	**Total US$'000**
US micro cap portfolio	–	**15,213**	**9,272**	**6,725**	–	–	**31,210**
European micro cap portfolio	–	–	**1,569**	**555**	–	–	**2,124**
Mezzanine portfolio	–	–	**77**	**138**	–	–	**215**
Bank debt	–	–	–	–	**1,307**	–	**1,307**
Listed investments	**2,804**	–	–	–	–	–	**2,804**
Treasury gilts and corporate bonds	–	–	–	–	**1,029**	–	**1,029**
Real estate	–	–	**495**	–	–	–	**495**
	2,804	**15,213**	**11,413**	**7,418**	**2,336**	–	**39,184**

Income for the year ended 28 February 2013

	Dividends US$'000	Preferred dividends US$'000	Loan note PIK US$'000	Loan note cash US$'000	Other interest US$'000	Other income US$'000	Total US$'000
US micro cap portfolio	–	13,353	8,887	6,891	–	3	29,134
European micro cap portfolio	–	–	1,075	532	–	–	1,607
Mezzanine portfolio	1,023	9	195	2,019	–	–	3,246
Bank debt	–	–	–	–	2,290	189	2,479
Listed investments	3,771	–	–	–	–	–	3,771
Treasury gilts and corporate bonds	–	–	–	–	1,077	–	1,077
Other	–	–	–	–	–	29	29
	4,794	13,362	10,157	9,442	3,367	221	41,343

Interest on unlisted investments totalling US$12,035,000 (year ended 28 February 2013: US$9,575,000) has not been recognised in accordance with the Company's accounting and valuation policy.

9. Finance costs

Finance costs arising are allocated to the statement of comprehensive income using the effective interest rate method. The rights and entitlements of the ZDP shares, which are accounted for at amortised cost are described in Note 17.

10. Expenses

	Year ended 28/02/2014 US$'000	Year ended 28/02/2013 US$'000
Investment Adviser's base fee	**11,220**	10,707
Investment Adviser's incentive fee	**9,408**	9,030
Directors' remuneration	**348**	380
Administrative expenses:		
Legal and professional fees	**870**	1,086
Other expenses	**557**	565
Accounting, secretarial and administration fees	**324**	451
Auditors' remuneration	**216**	190
Auditors' remuneration – non-audit fees	**108**	65
Custodian fees	**63**	48
	2,138	2,405
Other:		
Share class restructuring costs	–	1,580
Total expenses	**23,114**	24,102

Notes to the financial statements continued

10. Expenses continued

Directors' fees

The Chairman is entitled to a fee of US$140,000 per annum. As from 1 January 2014, the Chairman of the Audit Committee is entitled to a fee of US$70,000 per annum, all other Directors are entitled to a fee of US$60,000. For the year ended 28 February 2014, total Directors' fees included in the statement of comprehensive income were US$348,000 (year ended 28 February 2013: US$380,000); of this amount US$63,000 was outstanding at the year end (28 February 2013: US$62,000).

Investment advisory and performance fees

The Company entered into the amended and restated investment advisory and management agreement with Jordan/Zalaznick Advisers, Inc. (the "Investment Adviser") on 23 December 2010 (the "Advisory Agreement").

Pursuant to the Advisory Agreement, the Investment Adviser is entitled to a base management fee and to an incentive fee. The base management fee is an amount equal to 1.5 per cent per annum of the average total assets under management of the Company less those assets identified by the Company as being excluded from the base management fee, under the terms of the agreement. The base management fee is payable quarterly in arrears; the agreement provides that payments in advance on account of the base management fee will be made.

For the year ended 28 February 2014, total investment advisory and management expenses, based on the average total assets of the Company, were included in the statement of comprehensive income of US$11,220,000 (year ended 28 February 2013: US$10,707,000). Of this amount US$848,000 (28 February 2013: US$715,000) was outstanding at the year end.

The incentive fee has two parts. The first part is calculated by reference to the net investment income of the Company ("income incentive fee") and is payable quarterly in arrears provided that the net investment income for the quarter exceeds 2 per cent of the average of the net asset value of the Company for that quarter (the "hurdle") (8 per cent annualised). The fee is an amount equal to (a) 100 per cent of that proportion of the net investment income for the quarter as exceeds the hurdle, up to an amount equal to a hurdle of 2.5 per cent, and (b) 20 per cent of the net investment income of the Company above a hurdle of 2.5 per cent in any quarter. Investments categorised as legacy investments and other assets identified by the Company as being excluded are excluded from the calculation of the fee. A true-up calculation is also prepared at the end of each financial year to determine if further fees are payable to the Investment Adviser or if any amounts are recoverable from future income incentive fees.

For the years ended 28 February 2014 and 2013 there was no income incentive fee.

The second part of the incentive fee is calculated by reference to the net realised capital gains ("capital gains incentive fee") of the Company and is equal to: 20 per cent of the realised capital gains of the Company for each financial year less all realised capital losses of the Company for the year less (b) the aggregate of all previous capital gains incentive fees paid by the Company to the Investment Adviser. The capital gains incentive is payable in arrears within 90 days of the fiscal year end. Investments categorised as legacy investments and assets of the Euro Microcap Fund 2010, LP are excluded from the calculation of the fee.

For the purpose of calculating incentive fees, cumulative preferred dividends received on the disposal of an investment are treated as a capital return rather than a receipt of income.

A capital gains incentive fee based on realised gains during the year ended 28 February 2014 of US$3,115,000 is payable to the Investment Adviser. The Company also provides for a capital gains incentive fee based on unrealised gains. For the year ended 28 February 2014 a provision of US$3,503,000 (28 February 2013: nil) has been included.

In 2012, an income incentive fee of US$4,411,000 was paid to the Investment Adviser on the basis that net investment income for the quarter ended 30 November 2011 exceeded the hurdle rate of 2 per cent (8 per cent per annum), the income incentive fee was shown as a contingent asset in the Company's financial statements for the years ended 29 February 2012 and 28 February 2013 as the annual hurdle for the year ended 29 February 2012 had not been exceeded. A reinterpretation in the current period of the Advisory Agreement resulted in cumulative preferred dividends being treated as capital rather than income for the purpose of the incentive fee calculations. Retrospective amendment to the fees resulted in write back this year of the US$4,411,000 and additional capital incentive fees payable to the Investment Adviser of US$7,201,000 on prior year realisations.

Total incentive fees payable to the Investment Adviser within 90 days of the year ended total US$5,907,000.

The Advisory agreement may be terminated by the Company or the Investment Adviser upon not less than two and one-half years' (i.e. 913 days') prior notice (or such lesser period as may be agreed by the Company and Investment Adviser).

Administration fees

Northern Trust International Fund Administration Services (Guernsey) Limited was appointed as Administrator to the Company on 1 September 2012. The Administrator is entitled to a fee payable quarterly in arrears. Fees payable to the Administrator are fixed for the three years from the date of appointment and are then subsequently subject to an annual fee review.

Custodian fees

HSBC Bank (USA) N.A, (the "Custodian") was appointed on 12 May 2008 under a custodian agreement. The Custodian is entitled to receive an annual fee of US$2,000 and a transaction fee of US$50 per transaction. For the year ended 28 February 2014, total Custodian expenses of US$63,000 (28 February 2013: US$48,000) were included in the statement of comprehensive income of which US$16,000 (28 February 2013: US$7,000) was outstanding at the year end and is included within other payables.

Auditors' remuneration

All of the auditors' remuneration relates to the annual audit and half-year review report. During the year ended 28 February 2014, professional fees of US$65,000 were paid to Ernst & Young for taxation services (28 February 2013: US$65,000).

Notes to the financial statements continued

11. Taxation

For both 2014 and 2013, the Company applied for and was granted exempt status for Guernsey tax purposes under the terms of The Income Tax (Zero 10) (Guernsey) Law, 2007.

For the year ended 28 February 2014, the Company incurred withholding tax of US$841,000 (28 February 2013: US$1,131,000) on dividend income from listed investments.

12. Investments

Categories of financial instruments	Listed 28/02/2014 US$'000	Unlisted 28/02/2014 US$'000	Carrying value 28/02/2014 US$'000
Fair value through profit or loss (FVTPL)	125,130	666,236	791,366
Loans and receivables	–	1,000	1,000
	125,130	667,236	792,366

	Listed 28/02/2014 US$'000	Unlisted 28/02/2014 US$'000	Total 28/02/2014 US$'000
Book cost at 1 March 2013	102,384	541,869	644,253
Purchases in year	39,336	156,190	195,526
Capital calls during year	–	31,035	31,035
Payment in kind ("PIK")	–	25,566	25,566
Proceeds from investments disposed/realised	(42,366)	(101,464)	(143,830)
Realised gains on disposal	1,026	3,243	4,269
Book cost at 28 February 2014	100,380	656,439	756,819
Unrealised gains at 28 February 2014	24,655	1,271	25,926
Accrued interest at 28 February 2014	95	9,526	9,621
Carrying value at 28 February 2014	125,130	667,236	792,366

	Listed 28/02/2013 US$'000	Unlisted 28/02/2013 US$'000	Carrying value 28/02/2013 US$'000
Fair value through profit or loss (FVTPL)	113,328	506,189	619,517
Loans and receivables	–	8,765	8,765
	113,328	514,954	628,282

	Listed 28/02/2013 US$'000	Unlisted 28/02/2013 US$'000	Total 28/02/2013 US$'000
Book cost at 1 March 2012	132,577	381,086	513,663
Purchases in year	79,316	174,607	253,923
Capital calls during year	–	13,275	13,275
Payment in kind ("PIK")	–	21,466	21,466
Proceeds from investments disposed/realised	(129,934)	(56,457)	(186,391)
Realised gains on disposal	20,425	7,892	28,317
Book cost at 28 February 2013	102,384	541,869	644,253
Unrealised gains/(losses) at 28 February 2013	10,877	(36,016)	(25,139)
Accrued interest at 28 February 2013	67	9,101	9,168
Carrying value at 28 February 2013	113,328	514,954	628,282

The above book cost is the cost to JZCP equating to the transfer value as at 1 July 2008 upon the liquidation of JZEP and adjusted for subsequent transactions.

The cost of PIK investments is deemed to be interest not received in cash but settled by the issue of further securities when that interest has been recognised in the statement of comprehensive income.

Investment in associate

As at 28 February 2014, the Company had a direct investment in the following associate:

Entity	Place of incorporation	Principal activity	% Interest
EuroMicrocap Fund 2010, LP	Cayman	Acquirer of Europe-based micro cap companies	75%

The Company has elected for an exemption from the IAS 28 equity method. Therefore the Company values its associate at fair value through profit or loss.

	28/02/2014 US$'000	28/02/2013 US$'000
EuroMicrocap Fund 2010, LP	**150,115**	113,297
Investment in associate at fair value	**150,115**	113,297

The Company may have ownership that is above 20 per cent in other investments but does not have significant influence, therefore these are not classified as associates.

Notes to the financial statements continued

12. Investments continued

Restrictions

There are no significant restrictions on the ability of the associate to transfer funds to the Company in the form of cash dividends, or repayment of loans or advances. However, the company has not received any funds from the associate.

Investment in subsidiary

As at 28 February 2014, the Company had a direct investment in the following subsidiary:

	28/02/2014 US$'000	28/02/2013 US$'000
JZCP Realty Fund, Ltd	**112,792**	30,860
Investment in subsidiaries at fair value	**112,792**	30,860

The Company meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries but rather recognises them as investments at fair value through profit or loss.

Unconsolidated subsidiaries	Place of incorporation	% Interest
JZCP Realty Fund, Ltd	Cayman	100%

The above subsidiary controls the following subsidiaries:

Entity	Place of incorporation	% Interest
JZ REIT Fund Metropolitan, LLC	Delaware, USA	99%
JZCP Loan Metropolitan Corp	Delaware, USA	100%
JZ REIT Fund 1, LLC	Delaware, USA	99%
JZCP Loan 1 Corp	Delaware, USA	100%
JZ REIT Fund Flatbush Portfolio, LLC	Delaware, USA	99%
JZCP Loan Flatbush Portfolio Corp	Delaware, USA	100%
JZ REIT Fund Flatbush, LLC	Delaware, USA	99%
JZCP Loan Flatbush Corp	Delaware, USA	100%
JZ REIT Fund Fulton, LLC	Delaware, USA	99%
JZCP Loan Fulton Corp	Delaware, USA	100%
JZCP Loan Greenpoint Corp	Delaware, USA	99%
JZ REIT Fund Greenpoint, LLC	Delaware, USA	100%

Restrictions

The Company receives income in the form of interest from its investments in unconsolidated subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to the Company.

Support

The Company has no contractual commitments to provide any financial or other support to its unconsolidated subsidiaries.

13. Cash and cash equivalents

	28/02/2014 US$'000	28/02/2013 US$'000
Cash at bank	**11,372**	39,612
Money market funds	**–**	55,497
Cash held on deposit with maturity of less than three months	**–**	7,631
Cash, cash equivalents	**11,372**	102,740

Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits and investments in money market funds with an original maturity of three months or less. In the prior year cash held on deposit had a maturity date of greater than three months. The carrying value of these assets approximates to their fair value.

14. Other receivables

	28/02/2014 US$'000	28/02/2013 US$'000
Accrued dividend income on listed investments	**486**	486
Other receivables and prepayments	**31**	66
	517	552

15. Other payables

	28/02/2014 US$'000	28/02/2013 US$'000
Provision for tax on dividends received not withheld at source	**1,004**	1,004
Structured forward currency contract	**721**	–
Legal fees	**250**	250
Fees due to Administrator	**115**	174
Other expenses	**187**	201
Auditors' remuneration	**147**	110
Custody fees	**16**	7
	2,440	1,746

Notes to the financial statements continued

16. Loan payable

	28/02/2014 US$'000	28/02/2013 US$'000
Loan payable	**17,839**	–
	17,839	–

At 28 February 2014, the Company had a loan facility with Deutsche Bank allowing the Company to draw down a total of US$52.0 million. At the year end the loan outstanding was US$17.8 million and a further US$34.2 million was available to draw down. The loan is secured by the Company's investments in corporate bonds and UK gilts, the total value of assets held as collateral at 28 February 2014 was US$59.6 million. The interest rate for the loan is charged at 30 day Libor +75 basis points.

The carrying value of the loan approximates to fair value and would be designated as level 3 in the fair value hierarchy.

17. Zero Dividend Preference ("ZDP") shares

	28/02/2014 US$'000	28/02/2013 US$'000
ZDP shares		
Amortised cost at 1 March	**89,839**	87,281
Finance costs allocated to statement of comprehensive income	**7,489**	7,007
Unrealised currency loss/(gain) to the Company on translation during the year	**9,873**	(4,449)
Amortised cost at year end	**107,201**	89,839
Total number of ZDP shares in issue	**20,707,141**	20,707,141

ZDP shares were issued on 22 June 2009 at a price of 215.80 pence and are designed to provide a predetermined final capital entitlement of 369.84 pence on 22 June 2016, which ranks behind the Company's creditors but in priority to the capital entitlements of the Ordinary shares. The ZDP shares carry no entitlement to income and the whole of their return will therefore take the form of capital. The capital appreciation of approximately 8 per cent per annum is calculated monthly. In certain circumstances, ZDP shares carry the right to vote at general meetings of the Company as detailed in the Company's Memorandum of Articles and Incorporation. Issue costs are deducted from the cost of the liability and allocated to the statement of comprehensive income over the life of the ZDP shares.

18. Share capital

Authorised capital

Unlimited number of Ordinary shares of no par value.

Ordinary shares – issued capital

	28/02/2014 Number of shares	28/02/2013 Number of shares
Balance at 1 March	**65,018,607**	37,319,238
Converted from Limited Voting Ordinary shares	–	27,699,369
Total Ordinary shares in issue	**65,018,607**	65,018,607

Limited Voting Ordinary shares – issued capital

	28/02/2014 Number of shares	28/02/2013 Number of shares
Balance at 1 March	–	27,699,369
Converted to Ordinary shares	–	(27,699,369)
Total limited voting ordinary shares in issue	–	–
Total shares in issue	**65,018,607**	65,018,607

On 31 July 2012, the Company announced the cancellation of the listing of its Ordinary shares on the premium segment of the Official List and trading on the London Stock Exchange's main market for listed securities. Subsequently the Company's shares were admitted to trading on the London Stock Exchange's Specialist Fund Market. The Company also announced the admission to listing on the Channel Islands Securities Exchange.

The Ordinary shares carry a right to receive the profits of the Company available for distribution by dividend and resolved to be distributed by way of dividend to be made at such time as determined by the Directors.

In addition to receiving the income distributed, the Ordinary shares are entitled to the net assets of the Company on a winding up, after all liabilities have been settled and the entitlement of the ZDP shares have been met. In addition, holders of Ordinary shares will be entitled on a winding up to receive any accumulated but unpaid revenue reserves of the Company, subject to all creditors having been paid out in full but in priority to the entitlements of the ZDP shares. Any distribution of revenue reserves on a winding up is currently expected to be made by way of a final special dividend prior to the Company's eventual liquidation.

Holders of Ordinary shares have the rights to receive notice of, to attend and to vote at all general meetings of the Company.

Notes to the financial statements continued

19. Capital management

The Company's capital is represented by the Ordinary shares and ZDP shares.

As a result of the ability to issue, repurchase and resell shares, the capital of the Company can vary. The Company is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of its shares.

The Company's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- To achieve consistent returns while safeguarding capital by investing in a diversified portfolio.
- To maintain sufficient liquidity to meet the expenses of the Company.
- To maintain sufficient size to make the operation of the Company cost-efficient.

The Company continues to keep under review opportunities to buy back Ordinary or ZDP shares.

The Company monitors capital by analysing the NAV per share over time and tracking the discount to the Company's share price. It also monitors the performance of the existing investments to identify opportunities for exiting at a reasonable return to the Shareholders.

20. Reserves

Capital raised on formation of Company
The Royal Court of Guernsey granted that on the admission of the Company's shares to the Official List and to trading on the London Stock Exchange's market, the amount credited to the share premium account of the Company immediately following the admission of such shares be cancelled and any surplus thereby created accrue to the Company's distributable reserves to be used for all purposes permitted by the Companies Law, including the purchase of shares and the payment of dividends.

Capital raised on issue of new shares
Subsequent amounts raised by the issue of new shares, net of issue costs, are credited to the share capital account.

Distributable reserves
Subject to satisfaction of the solvency test, all of the Company's capital and reserves are distributable in accordance with The Companies (Guernsey) Law, 2008.

Summary of reserves attributable to Ordinary Shareholders

	28/02/2014 US$'000	28/02/2013 US$'000
Distributable reserve	**353,528**	353,528
Share capital account	**149,269**	149,269
Capital reserve	**76,788**	50,512
Revenue reserve	**86,871**	76,873
	666,456	630,182

There was no movement in the Company's share capital account and distributable reserve for the years ended 28 February 2014 and 2013.

Capital reserve

All surpluses arising from the realisation or revaluation of investments and all other capital profits and accretions of capital are credited to the capital reserve. Any loss arising from the realisation or revaluation of investments or any expense, loss or liability classified as capital in nature may be debited to the capital reserve.

	Capital reserve		
	Realised 28/02/2014 US$'000	**Unrealised 28/02/2014 US$'000**	**Total 28/02/2014 US$'000**
At 1 March 2013	**92,834**	**(42,322)**	**50,512**
Net gains on investments	**4,291**	**51,117**	**55,408**
Net gains on foreign currency exchange	**371**	**(10,428)**	**(10,057)**
Realised gains on investments held in escrow accounts	**2,233**	**–**	**2,233**
Expenses charged to capital	**(13,819)**	**–**	**(13,819)**
Finance costs in respect of Zero Dividend Preference shares	**–**	**(7,489)**	**(7,489)**
At 28 February 2014	**85,910**	**(9,122)**	**76,788**

	Capital reserve		
	Realised 28/02/2013 US$'000	Unrealised 28/02/2013 US$'000	Total 28/02/2013 US$'000
At 1 March 2012	68,107	(26,332)	41,775
Net gains on investments	28,389	(13,478)	14,911
Net gains/(losses) on foreign currency exchange	(580)	4,495	3,915
Realised gains on investments held in escrow accounts	7,528	–	7,528
Expenses charged to capital	(10,610)	–	(10,610)
Finance costs in respect of Zero Dividend Preference shares	–	(7,007)	(7,007)
At 28 February 2013	92,834	(42,322)	50,512

Revenue reserve

	28/02/2014 US$'000	28/02/2013 US$'000
At 1 March	**76,873**	70,890
Profit for the year attributable to revenue	**29,178**	27,113
Dividend paid	**(19,180)**	(21,130)
At 28 February	**86,871**	76,873

Notes to the financial statements continued

21. Financial instruments

Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Categories of financial instruments	**Carrying value 28/02/2014 US$'000**	Carrying value 28/02/2013 US$'000
Financial assets		
Fair value through profit or loss (FVTPL)	**791,366**	619,517
Loans and receivables	**1,000**	8,765
Other receivables	**517**	552
Cash and cash equivalents	**11,372**	102,740
Total assets	**804,255**	731,574
Financial liabilities		
Valued at amortised cost		
Loan payable	**(17,839)**	–
Zero Dividend Preference ("ZDP") shares	**(107,201)**	(89,839)
Trade payables	**(12,759)**	(11,553)
Total liabilities	**(137,799)**	(101,392)

Loans and receivables presented above represent mezzanine loans.

Financial liabilities measured at amortised cost presented above represent ZDP shares, loans payable and trade payables as detailed in the statement of financial position.

22. Financial risk and management objectives and policies

Introduction

The Company's objective in managing risk is the creation and protection of Shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management structure

The Company's Investment Adviser is responsible for identifying and controlling risks. The Directors supervise the Investment Adviser and are ultimately responsible for the overall risk management approach within the Company.

Risk mitigation

The Company's prospectus sets out its overall business strategies, its tolerance for risk and its general risk management philosophy. The Company may use derivatives and other instruments for trading purposes and in connection with its risk management activities.

Market risk

Market risk is defined as "the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in variables such as equity price, interest rate and foreign currency rate".

Market price risk

The Company's investments are subject to normal market fluctuations and there can be no assurance that no depreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment will be on a basis that necessarily reflects the Company's valuation of that investment for the purposes of calculating the net asset value of the shares.

Changes in industry conditions, competition, political and diplomatic events, tax, environmental and other laws and other factors, whether affecting the United States alone or other countries and regions more widely, can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's performance and prospects.

The Company's market price risk is managed through diversification of the investment portfolio across various sectors. The Investment Adviser considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk/reward profile is maintained.

Equity price risk is the risk of unfavourable changes in the fair values of equity investments as a result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company has two listed equity investments valued at US$65,423,000 (28 February 2013: two investments valued at US$55,069,000), which are listed on the NASDAQ and NYSE.

A 10 per cent increase/decrease in the carrying value of listed investments at 28 February 2014 would increase/ decrease the net assets attributable to Shareholders by US$6,542,000 (28 February 2013: US$5,507,000).

The Company does not generally invest in liquid equity investments and the current portfolio of the listed equity investments result from the successful flotation of unlisted investments.

Management's best estimate of the effect on the net assets attributable to Shareholders and on the profit for the year due to a reasonably possible change in equity indices with all other variables held constant, is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

Equity price risk (listed investments)

The table below analyses the Company's concentration of equity price risk by industrial distribution:

	Percentage of equity securities	
Industry	**28/02/2014**	28/02/2013
Property and casualty insurance	**98.6%**	98.6%
Education and training services	**1.4%**	1.4%
	100.0%	100.0%

Notes to the financial statements continued

22. Financial risk and management objectives and policies continued

The Company has certain financial instruments (common stock private investments) that are recorded at fair value using valuation techniques such as earnings multiple model derived either from acquisition/purchase information or observable market data from comparable companies. In some cases an adjustment is made to the acquisition/purchase multiple to reflect the underlying growth of the investment. These are adjusted to reflect counterparty credit risk and limitations in the model.

Equity price risk (unlisted investments)

For the financial instruments whose fair value is estimated using valuation techniques with no market observable inputs, the net unrealised amount recorded in the statement of comprehensive income in the year due to changes in the inputs amounts to gains of US$47,604,000 (28 February 2013: losses of US$2,558,000).

Sensitivity analysis relating to changes in unobservable inputs and the effect on the fair value of equity and other unlisted investments is found in Note 4 on page 52.

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. It has not been the Company's policy to use derivative instruments to mitigate interest rate risk, as the Investment Adviser believes that the effectiveness of such instruments does not justify the costs involved.

The table below summarises the Company's exposure to interest rate risks:

	Fixed rate 28/02/2014 US$'000	Floating rate 28/02/2014 US$'000	Non-interest bearing 28/02/2014 US$'000	Total 28/02/2014 US$'000
Investments at fair value through profit or loss	601,341	11,810	178,215	791,366
Loans and receivables	1,000	–	–	1,000
Other receivables and prepayments	–	–	517	517
Cash and cash equivalents	–	11,372	–	11,372
Loan payable	–	(17,839)	–	(17,839)
Zero Dividend Preference shares	(107,201)	–	–	(107,201)
Other payables	–	–	(12,759)	(12,759)
Total net assets	495,140	5,343	165,973	666,456

	Fixed rate 28/02/2013 US$'000	Floating rate 28/02/2013 US$'000	Non-interest bearing 28/02/2013 US$'000	Total 28/02/2013 US$'000
Investments at fair value through profit or loss	526,308	38,140	55,069	619,517
Loans and receivables	8,765	–	–	8,765
Cash held on deposit (maturity date > three months)	–	–	552	552
Cash and cash equivalents	–	102,740	–	102,740
Zero Dividend Preference shares	(89,839)	–	–	(89,839)
Other payables	–	–	(11,553)	(11,553)
Total net assets	445,234	140,880	44,068	630,182

The income receivable by the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. However, while the income received from fixed rate securities is unaffected by changes in interest rates, the investments are subject to risk in the movement of fair value. The Investment Adviser considers the risk in the movement of fair value as a result of changes in the market interest rate for fixed rate securities to be insignificant, hence no sensitivity analysis is provided.

Of the money held on deposit, US$11,372,000 (28 February 2013: US$47,243,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates.

The sensitivity of the bank debt's market value is not influenced by a change in prevailing interest rates, because they are floating rate instruments. The market value of bank debt is influenced by factors such as the performance of the issuer and bank liquidity.

The data below demonstrates the sensitivity of the Company's profit/(loss) for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit on interest received on cash and cash equivalents is the effect of the assumed changes in the daily interest rates throughout the year to 28 February 2014 and year ended 28 February 2013, on accounts where cash is held:

The sensitivity of the profit for the year on investment income received on bank debt is the effect of the assumed changes in the three-month Libor on which the interest paid was derived.

	Sensitivity of interest income increase/(decrease) receivable on cash and cash equivalents		Sensitivity of investment income increase/(decrease) receivable on bank debt	
Change in basis points increase/(decrease)	**28/02/2014 US$'000**	28/02/2013 US$'000	**28/02/2014 US$'000**	28/02/2013 US$'000
+25/-25	**106/(106)**	167/(167)	**30/(30)**	45/(45)
+100/-100	**424/(130)**	666/(200)	**119/(119)**	182/(182)

Notes to the financial statements continued

22. Financial risk and management objectives and policies continued

The following table analyses the Company's interest rate exposure in terms of the assets and liabilities maturity dates.

28/02/2014	0-3 months US$'000	4-12 months US$'000	1-2 years US$'000	2-5 years US$'000	More than 5 years US$'000	No maturity date US$'000	Non-interest bearing US$'000	Total US$'000
Cash and cash equivalents	11,372	–	–	–	–	–	–	11,372
Financial asset at fair value through profit or loss	11,810	38,328	58,560	108,015	11,855	179,517	383,281	791,366
Loans and receivables	–	–	–	–	–	1,000	–	1,000
Loan payable	–	–	–	(17,839)	–	–	–	(17,839)
Zero dividend Preference shares	–	–	–	(107,201)	–	–	–	(107,201)
Other receivables/payables	–	–	–	–	–	–	(12,242)	(12,242)
	23,182	38,328	58,560	(17,025)	11,855	180,517	371,039	666,456

28/02/2013	0-3 months US$'000	4-12 months US$'000	1-2 years US$'000	2-5 years US$'000	More than 5 years US$'000	No maturity date US$'000	Non-interest bearing US$'000	Total US$'000
Cash and cash equivalents	102,740	–	–	–	–	–	–	102,740
Financial asset at fair value through profit or loss	–	16,686	37,581	131,564	21,886	11,267	400,533	619,517
Loans and receivables	–	–	–	8,515	–	250	–	8,765
Zero dividend Preference shares	–	–	–	(89,839)	–	–	–	(89,839)
Other receivables/payables	–	–	–	–	–	–	(11,001)	(11,001)
	102,740	16,686	37,581	50,240	21,886	11,517	389,532	630,182

The Investment Adviser monitors the Company's overall interest sensitivity on a regular basis by reference to prevailing interest rates and the level of the Company's cash balances. The Company has not used derivatives to mitigate the impact of changes in interest rates.

Credit risk

The Company takes on exposures to credit risk, which is the risk that a counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. These credit exposures exist within investment classified as FVTPL, debt investments, loans and receivables and cash and cash equivalents.

They may arise, for example, from a decline in the financial condition of a counterparty, from entering into derivative contracts under which counterparties have obligations to make payments to the Company. As the Company's credit exposure increases, it could have an adverse effect on the Company's business and profitability if material unexpected credit losses were to occur.

In the event of any default on the Company's loan investments by a counterparty, the Company will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on the Company's income and potential to pay dividends to Shareholders and to redeem the ZDP shares.

In accordance with the Company's policy, the Investment Adviser monitors the Company's exposure to credit risk on a regular basis, by reviewing the financial statements, budgets and forecasts of underlying investee companies.

The table below analyses the Company's maximum exposure to credit risk. The maximum exposure is shown gross at the reporting date.

	Total 28/02/2014 US$'000	Total 28/02/2013 US$'000
Bank debt	**11,810**	11,690
Mezzanine debt	**3,706**	11,294
US micro cap debt	**341,560**	342,567
European micro cap debt	**186,781**	107,463
Cash and cash equivalents	**11,372**	102,740
Accrued dividend income	**486**	486
	555,715	576,240

A proportion of micro cap and mezzanine debt held does not entitle the Company to interest payment in cash. This interest is capitalised (PIK) and as a result has substantial credit risk as there is no return to the Company until the loan plus all the interest, is repaid in full. Of the US$215,000 (28 February 2013: US$2,214,000) interest that was recognised in the statement of comprehensive income on investments classified as loans and receivables during the year US$77,000 (28 February 2013: US$195,000) was receivable in the form of PIK investments. There is no collateral held in respect of mezzanine debt forming the loans and receivables.

An impairment review is performed by the Investment Adviser on an investment by investment basis every quarter.

During the year ended 28 February 2014, there was an increase in the allowance for impairment in respect of loans and receivables of US$77,000 (28 February 2013: write back of impairment of US$211,000). Total impairment of loans and receivables at 28 February 2014 was US$7,176,000 (28 February 2013: US$7,099,000).

Mezzanine investments typically have no or a limited trading market and therefore such investments will be illiquid, and as such the Company's ability to sell them in the short term may be limited.

The Investment Adviser closely monitors the creditworthiness of mezzanine debt counterparties and other loans and receivables and upon unfavourable change, may seek to terminate the agreement or to obtain collateral. The creditworthiness is monitored by the reviewing of quarterly covenant agreements and by the Investment Adviser having Board representation on a significant number of these investees.

Notes to the financial statements continued

22. Financial risk and management objectives and policies continued

Bank debt designated at fair value through profit or loss

As at 28 February 2014 and 28 February 2013, the Company's only investment in bank debt was Dekko Technologies LLC, a private company whose debt was neither listed or credit rated.

The following table analyses the concentration of the value of credit risk in the Company's debt portfolio by industrial distribution.

	28/02/2014	28/02/2013
Healthcare services and equipment	**31%**	25%
Financial general	**14%**	21%
Water treatment/infrastructure	**11%**	9%
Private security	**10%**	–
Support services	**9%**	9%
Electronic and electrical equipment	**6%**	5%
Industrial engineering	**5%**	6%
House, leisure and personal goods	**4%**	3%
Logistics	**4%**	–
Real estate	**2%**	–
Document processing	**2%**	–
Telecom	**2%**	–
Industrial services	**–**	22%
	100%	100%

The table below analyses the Company's cash and cash equivalents and cash deposits by rating agency category.

	Credit ratings			
	Standard & Poor's outlook	Fitch LT issuer default rating	**28/02/2014 US$'000**	28/02/2013 US$'000
Cash deposits				
HSBC Bank USA NA	Negative	AA-	**–**	7,654
Deutsche Bank	Negative	A+	**–**	47,843
			–	55,497
Cash and cash equivalents				
HSBC Bank USA NA	Negative	AA-	**10,832**	29,661
Deutsche Bank	Negative	A+	**498**	17,524
Northern Trust (Guernsey) Limited	Stable	AA-	**42**	58
			11,372	47,243

Bankruptcy or insolvency of the Banks may cause the Company's rights with respect to these assets to be delayed or limited. The Investment Adviser monitors risk by reviewing the credit rating of the Bank. If credit quality deteriorates, the Investment Adviser may move the holdings to another bank.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected.

Many of the Company's investments are private equity, mezzanine loans and other unlisted investments. By their nature, these investments will generally be of a long term and illiquid nature and there may be no readily available market for sale of these investments.

The closed-ended nature of the Company enables the Investment Adviser to manage the risk of illiquid investments. The Directors review liquidity reports and consider how best to utilise the funds generated to maximise income.

There are no restrictions on the saleability of the listed investments.

The Company has outstanding investment commitments at the year end of US$73,995,000 (2013: US$40,032,000) see Note 26. The Company manages liquidity levels to ensure these obligations can be met.

The table below analyses the Company's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are not discounted to the net present value of the future cash outflows as it is not considered significant.

At 28 February 2014	**Less than 1 month US$'000**	**2-12 months US$'000**	**1-5 years US$'000**	**>5 years US$'000**	**No stated maturity US$'000**
Loan payable	–	–	**17,839**	–	–
Other payables	**12,759**	–	–	–	–
Zero Dividend Preference shares	–	–	**128,342**	–	–
	12,759	–	**146,181**	–	–

At 28 February 2013	Less than 1 month US$'000	2-12 months US$'000	1-5 years US$'000	>5 years US$'000	No stated maturity US$'000
Other payables	11,553	–	–	–	–
Zero Dividend Preference shares	–	–	116,252	–	–
	11,553	–	116,252	–	–

The Company has a capital requirement to pay ZDP Shareholders a predetermined final capital entitlement of 369.84 pence on 22 June 2016. As at 28 February 2014, the liability to the ZDP Shareholders amounted to US$107,201,000 (28 February 2013: US$89,839,000).

Notes to the financial statements continued

22. Financial risk and management objectives and policies continued

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Zero dividend preference shares are denominated in Sterling. The Company has an obligation to redeem the ZDP Shareholders on 22 June 2016. The total liability on the redemption date, 22 June 2016, will be GBP76,583,969. The Company currently has no hedge to manage this risk to Sterling.

The following table sets out the Company's exposure by currency to foreign currency risk.

At 28 February 2014	US Dollar 28/02/2014 US$'000	Euro 28/02/2014 US$'000	Sterling 28/02/2014 US$'000	Total 28/02/2014 US$'000
Assets				
Financial assets at fair value through profit or loss	561,293	186,781	43,292	791,366
Loans and receivables	1,000	–	–	1,000
Other receivables	486	–	31	517
Cash and cash equivalents	9,584	923	865	11,372
Total assets	572,363	187,704	44,188	804,255
Liabilities				
Loan payable	17,839	–	–	17,839
Zero Dividend Preference shares	–	–	107,201	107,201
Other payables	12,759	–	–	12,759
Total liabilities	30,598	–	107,201	137,799
Net currency exposure	541,765	187,704	(63,013)	666,456

The Company has entered into a Structured Forward Currency Contract. If the US$/€ exchange rate reaches the trigger rate of 1.4, the Company will buy €13,000,000 at a cost of US$16,900,000.

At 28 February 2013	US Dollar 28/02/2013 US$'000	Euro 28/02/2013 US$'000	Sterling 28/02/2013 US$'000	Total 28/02/2013 US$'000
Assets				
Financial assets at fair value through profit or loss	482,435	105,273	31,809	619,517
Loans and receivables	8,765	–	–	8,765
Other receivables	486	–	66	552
Cash and cash equivalents	92,202	1,435	9,103	102,740
Total assets	583,888	106,708	40,978	731,574
Liabilities				
Zero Dividend Preference shares	–	–	89,839	89,839
Other payables	11,411	–	142	11,553
Total liabilities	11,411	–	89,981	101,392
Net currency exposure	572,477	106,708	(49,003)	630,182

23. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings for the period by the weighted average number of Ordinary shares outstanding during the period.

For the years ended 28 February 2014 and 28 February 2013 the weighted average number of Ordinary shares (including limited voting ordinary shares) outstanding during the year was 65,018,607.

24. Net asset value per share

The net asset value per Ordinary share of US$10.25 (28 February 2013: US$9.69) is based on the net assets at the year end of US$666,454,000 (28 February 2013: US$630,182,000) and on 65,018,607 (28 February 2013: 65,018,607) Ordinary shares, being the number of Ordinary shares in issue at the year end.

25. Notes to the cash flow statement

Reconciliation of the profit for the year to net cash from operating activities

	Year ended 28/02/2014 US$'000	Year ended 28/02/2013 US$'000
Profit for the year	**55,454**	35,850
Decrease/(increase) in other receivables	**35**	(94)
Increase in other payables	**1,206**	2,891
Net movement in unrealised gains on investments	**(54,935)**	(4,875)
Net impairments on/(write back) of impairments on loans and receivables	**77**	(211)
Adjustment for foreign currency exchange gains/(losses) on ZDP shares	**9,873**	(4,449)
Realised gain on investments	**(476)**	(9,896)
Increase in accrued interest on investments and adjustment for PIK interest	**(26,019)**	(24,027)
Finance costs in respect of Zero Dividend Preference shares	**7,489**	7,007
Net cash (outflow)/inflow from operating activities	**(7,296)**	2,196

Investment income received during the year

	Year ended 28/02/2014 US$'000	Year ended 28/02/2013 US$'000
Interest on investments	**10,215**	11,125
Dividends from listed investments	**2,804**	3,690
Bank interest	**130**	393
Other income	**–**	189
	13,149	15,397

Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. The cash flows arising from these activities are shown in the cash flow statement.

Notes to the financial statements continued

26. Commitments

At 28 February 2014, JZCP had the following financial commitments outstanding in relation to fund investments:

	Year ended 28/02/2014 US$'000	Year ended 28/02/2013 US$'000
EuroMicrocap Fund 2010, LP (related party)	**45,287**	20,072
Constituent Capital Management, LLC	**11,083**	12,833
Toro Finance (€8,000,000)	**11,049**	–
Acon AEP Co-Invest (Suzo), LP	**4,491**	5,042
Grua, LP	**2,085**	2,085
	73,995	40,032

In October 2013, the capital commitment of the EuroMicrocap Fund 2010, LP was increased by US$75,000,000 to US$185,000,000. JZCP's 75 per cent share of the total capital commitment as at 28 February 2014 was US$138,750,000 (28 February 2013: US$82,500,000) of which US$45,287,000 (28 February 2013: US$20,072,000) remained available for call at the year end.

27. Related party transactions

In 2007, JZEP invested US$250,000 in ETX Holdings, Inc., which was a spin-off from Jordan Auto Aftermarket Holdings, Inc., a former co-investment with The Jordan Company. The investment was subsequently transferred to JZCP as part of the in specie transfer dated 1 July 2008. A further US$142,000 has subsequently been invested in ETX Holdings, Inc. The investments were sold/repaid during the year ended 28 February 2014. Aggregate proceeds of disposals totalled US$675,000, the value of these investments at 28 February 2013 were US$671,000.

At 28 February 2014, JZCP has invested US$93,463,000 (28 February 2013: US$62,248,000) in the EuroMicrocap Fund 2010 LP ("The Europe Fund"). At 28 February 2014, the investment was valued at US$148,230,000 (28 February 2013: US$87,567,000). The Europe Fund is managed by JZ International LLC ("JZI"), an affiliate of JZAI, JZCP's Investment Manager. JZAI and JZI were each founded by David Zalaznick and Jay Jordan.

The Company has invested with The Resolute Fund, which is managed by The Jordan Company, a company in which David Zalaznick and Jay Jordan are Managing Principals. Investments held by the Company and The Resolute Fund included: Kinetek, Inc.; TAL International Group, Inc.; TTS, LLC. The investments were sold/repaid during the year ended 28 February 2013. Aggregate proceeds of disposals totalled US$76,576,000, the value of these investments at 29 February 2012 were US$71,154,000.

The Company has invested with Fund A, a Limited Partnership in a number of US micro cap buyouts. Fund A is managed by JZAI. At 28 February 2014, the total amount of these co-investments was US$161,675,296 (28 February 2013: US$117,700,275) of the total amount of the co-investment US$132,004,623 (28 February 2013: US$96,099,904) was invested by the Company and US$29,670,673 (28 February 2013:US$21,600,371) was invested by Fund A.

Jordan/Zalaznick Advisers, Inc. ("JZAI"), a US-based company, provides advisory services to the Board of Directors of the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 10.

During the year ended 28 February 2014, the Company retained Ashurst LLP, a UK-based law firm. David Macfarlane was a former Senior Corporate Partner at Ashurst until 2002.

The Directors' remuneration is disclosed in Note 10.

28. Controlling party

The issued shares of the Company are owned by a number of parties, and therefore, in the opinion of the Directors, there is no ultimate controlling party of the Company, as defined by IAS 24 – Related Party Disclosures.

29. Contingent assets

Amounts held in escrow accounts

Investments have been disposed by the Company, of which the consideration given included contractual terms requiring that a percentage was held in an escrow account pending resolution of any indemnifiable claims that may arise. At 28 February 2014, the Company has assessed that the fair value of these escrow accounts are nil as it is not reasonably probable that they will be realised by the Company.

As at 28 February 2014, the Company had the following contingent assets held in escrow accounts that had not been recognised as assets of the Company:

	Amount in escrow	
Company	**28/02/2014 US$'000**	28/02/2013 US$'000
Advanced Chemistry & Technology, Inc.	**1,613**	1,613
Wound Care Solutions, Llc	**1,421**	1,573
GHW (G&H Wire)	**883**	2,609
N&B Industries, Inc.	**776**	776
ETX Holdings, Inc.	**185**	–
Dantom Systems, Inc.	**15**	15
Recycled Holdings Corporation	**–**	1,300
Apparel Ventures, Inc.	**–**	428
	4,893	8,314

During the year ended 28 February 2014, net proceeds of US$2,233,000 (28 February 2013: US$7,528,000) were realised relating to the escrow accounts of the Company.

30. Dividends paid and proposed

In accordance with the Company's dividend policy, it is the Directors' intention for the year ending 28 February 2014 and thereafter to distribute approximately 3 per cent of the Company's net assets in the form of dividends paid in US dollars (Shareholders can elect to receive dividends in Sterling). Prior to the new policy, the Directors have distributed substantially all of the Company's net cash income (after expenses) in the form of dividends.

A second interim dividend for the year ended 28 February 2013 of 15.0 cents per Ordinary share (total US$9,752,791) was paid on 14 June 2013.

For the year ended 28 February 2014 an interim dividend of 14.5 cents per Ordinary share (total US$9,427,698) was paid on 15 October 2013.

A second interim dividend for the year ended 28 February 2014 of 16.0 cents per Ordinary share (total US$10,402,978) will be paid on 6 June 2014.

Notes to the financial statements continued

31. Financial highlights

The following table presents performance information derived from the financial statements.

	28/02/2014 US$
Net asset value per share at the beginning of the year	9.69
Performance during the year (per share):	
Net investment income	0.23
Incentive fee	(0.21)
Net realised and unrealised gains	0.95
Finance costs	(0.41)
Total return	0.56
Net asset value per share at the end of the year	10.25
Total return	5.26%
Net investment income to average net assets excluding incentive fee	4.57%
Operating expenses to average net assets	(2.27%)
Incentive fees to average net assets	(2.15%)
Operating expenses to average net assets including incentive fee	(4.42%)
Finance costs	(4.15%)

32. US GAAP reconciliation

The Company's financial statements are prepared in accordance with IFRS, which in certain respects differ from the accounting principles generally accepted in the United States ("US GAAP"). It is the opinion of the Directors that these differences are not material and therefore no reconciliation between IFRS and US GAAP has been presented.

33. Subsequent events

These financial statements were approved for issuance by the Board on 2 May 2014. Subsequent events have been evaluated until this date.

A second interim dividend for the year ended 28 February 2014 of 16.0 cents per Ordinary share (total US$10,402,978) will be paid on 6 June 2014.

Company advisers

Investment Adviser
The Investment Adviser to JZ Capital Partners Limited ("JZCP") is Jordan/Zalaznick Advisers, Inc., ("JZAI") a company beneficially owned by John (Jay) W Jordan II and David W Zalaznick. The company was formed for the purpose of advising the Board of JZCP on investments in leveraged securities, primarily related to private equity transactions. JZAI has offices in New York and Chicago.

Jordan/Zalaznick Advisers, Inc.
9 West, 57th Street
New York NY 10019

Registered office
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

JZ Capital Partners Limited is registered in Guernsey number 48761

Administrator, Registrar and Secretary
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

UK transfer and paying agent
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

US bankers
HSBC Bank USA NA
452 Fifth Avenue
New York NY 10018

(Also provides custodian services to JZ Capital Partners Limited under the terms of a Custody Agreement).

Guernsey bankers
Northern Trust (Guernsey) Limited
PO Box 71
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3DA

Independent Auditor
Ernst & Young LLP
PO Box 9
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

UK solicitors
Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

US lawyers
Monge Law Firm, PLLC
333 West Trade Street
Charlotte, NC 28202

Mayer Brown LLP
214 North Tryon Street
Suite 3800
Charlotte NC 28202

Winston & Strawn LLP
35 West Wacker Drive
Chicago IL 60601-9703

Guernsey lawyers
Mourant Ozannes
P.O Box 186
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

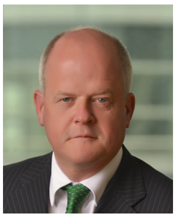
Financial adviser and broker
JP Morgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Board of Directors

David Macfarlane (Chairman)[1]

Mr Macfarlane was appointed to the Board of JZCP in April 2008 as Chairman and a non-executive Director. Until 2002 he was a Senior Corporate Partner at Ashurst. He was a non-executive Director of the Platinum Investment Trust Plc from 2002 until January 2007. He has recently been appointed Chairman of Rex Bionics Plc.

Patrick Firth[2]



Mr Firth was appointed to the Board of JZCP in April 2008. He is also a Director of a number of offshore funds and management companies, including BH Credit Catalysts Limited, ICG-Longbow Senior Secured UK Property Debt Investments Limited and Riverstone Energy Limited. He is Chairman of GLI Finance Limited. He is a member of the Institute of Chartered Accountants in England and Wales and The Chartered Institute for Securities and Investment. He is a resident of Guernsey.

Christopher Waldron

Mr Waldron was appointed to the Board of JZCP in October 2013. He is a Director of a number of Guernsey funds and investment companies including GBD Limited, Multi Manager Investment Programmes PCC Limited and BH Credit Catalysts Limited. An experienced investment manager, he was Chief Executive Officer of the Edmond de Rothschild companies in Guernsey until January 2013 and he remains a consultant to the Edmond de Rothschild Group. He is a Fellow of the Chartered Institute for Securities and Investment and a Guernsey resident.

James Jordan

Mr Jordan is a private investor who was appointed to the Board of JZCP in 2008. He is a Director of the First Eagle family of mutual funds, and of Alpha Andromeda Investment Trust Company, S.A. Until 30 June 2005, he was the Managing Director of Arnhold and S. Bleichroeder Advisers, LLC, a privately owned investment bank and asset management firm; and until 25 July 2013, he was a non-executive Director of Leucadia National Corporation. He is a Trustee and Vice Chairman of the World Monuments Fund, and serves on the Chairman's Council of Conservation International. Mr Jordan also joined the Board of Riverstone Energy Limited during the year.

Tanja Tibaldi

Ms Tibaldi was appointed to the Board of JZCP in April 2008. She was on the Board of JZ Equity Partners Plc from January 2005 until the company's liquidation on 1 July 2008. She was Managing Director at Fairway Investment Partners, a Swiss asset management company, where she was responsible for the Group's marketing and co-managed two fund of funds. Previously she was an executive at the Swiss Stock Exchange and currently serves on the Board of several private companies.

1 Chairman of the Nominations Committee of which all Directors are members.

2 Chairman of the Audit Committee of which all Directors are members.

Useful information for Shareholders

Listing
JZCP Ordinary and Zero Dividend Preference shares are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchange Specialist fund market for listed securities. The ticker symbols are "JZCP" and "JZCN" respectively.

The prices of the Ordinary and Zero Dividend Preference shares are shown in the Financial Times under "Investment Companies – Ordinary Income Shares" and "Investment Companies – Zero Dividend Preference Shares" as "JZ Capital" respectively.

Securities and Exchange Commission ("SEC") Custody Rules
The Company has complied with the requirements of the SEC Custody Rules within these financial statements. These requirements include the investment portfolio falling within the remit of the annual audit, disclosure of the Company's financial highlights, as disclosed in Note 31, and a reconciliation of the accounts prepared under IFRS to US GAAP, as discussed in Note 32.

Financial diary

Annual General Meeting	19 June 2014
Interim report for the six months to 31 August 2014	23 October 2014

In accordance with the Transparency Directive, JZCP will be issuing an Interim Management Statement for the quarters ending 31 May 2014 and 30 November 2014. These statements will be sent to the market via RNS within six weeks from the end of the appropriate quarter, and will be posted on JZCP's website at the same time or soon thereafter.

Payment of dividends
Cash dividends will be sent by cheque to the first-named Shareholder on the register of members at their registered address, together with a tax voucher. At Shareholders' request, where they have elected to receive dividend proceeds in GBP Sterling, the dividend may instead be paid direct into the Shareholder's bank account through the Bankers' Automated Clearing System. Payments will be paid in US Dollars unless the Shareholder elects to receive the dividend in Sterling. Existing elections can be changed by contacting the Company's Transfer and Paying Agent, Equiniti Limited on +44 (0) 121 415 7047.

Share dealing
Investors wishing to buy or sell shares in the Company may do so through a stockbroker. Most banks also offer this service.

Internet address
The Company: www.jzcp.com

ISIN/SEDOL numbers
The ISIN code/SEDOL (Stock Exchange Daily Official List) numbers of the Company's Ordinary shares are BB00B403HK58/B403HK5 and the numbers of the Zero Dividend Preference shares are GG00B40D7X85/B40D7X8.

Share register enquiries
The Company's UK Transfer and Paying Agent, Equiniti Limited, maintains the share registers. In the event of queries regarding your holding, please contact the Registrar on 0871 384 2265, calls to this number cost 8p per minute plus network extras. Lines are open 8:30 am to 5:30 pm, Monday to Friday, If calling from overseas +44 (0) 121 415 7047 or access their website at www.equiniti.com. Changes of name or address must be notified in writing to the Transfer and Paying Agent.

Nominee share code
Where notification has been provided in advance, the Company will arrange for copies of Shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Documents available for inspection
The following documents will be available at the registered office of the Company during usual business hours on any weekday until the date of the Annual General Meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

(a) the register of Directors' interests in the share capital of the Company;
(b) the Articles of Incorporation of the Company; and
(c) the terms of appointment of the Directors

Useful information for Shareholders

continued

Warning to Shareholders – Boiler Room Scams

In recent years, many companies have become aware that their Shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high-risk shares, or expressing a wish to buy their shares. If you are offered, for example, unsolicited investment advice, discounted JZCP shares or a premium price for the JZCP shares you own, you should take these steps before handing over any money:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FCA before getting involved by visiting http://www.fca.org.uk/firms/systems-reporting/register
- Report the matter to the FCA by calling 0800 111 6768
- If the calls persist, hang up
- More detailed information on this can be found on the Money Advice Service website www.moneyadviceservice.org.uk

US investors

General

The Company's Articles contain provisions allowing the Directors to decline to register a person as a holder of any class of ordinary shares or other securities of the Company or to require the transfer of those securities (including by way of a disposal effected by the Company itself) if they believe that the person:

(a) is a "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended) and not a "qualified purchaser" (as defined in the US Investment Company Act of 1940, as amended);

(b) is a "benefit plan investor" (as described under "Prohibition on benefit plan investors and restrictions on non-ERISA plan" below); or

(c) is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of Ordinary shares or any other equity securities of the Company by the person would materially increase the risk that the Company could be or become a "controlled foreign corporation" (as described under "US Tax Matters" below).

In addition, the Directors may require any holder of any class of Ordinary shares or other securities of the Company to show to their satisfaction whether or not the holder is a person described in paragraphs (a), (b) or (c) above.

US securities laws

The Company (a) is not subject to the reporting requirements of the US Securities Exchange Act of 1934, as amended (the "Exchange Act") and does not intend to become subject to such reporting requirements, and (b) is not registered as an investment company under the US Investment Company Act of 1940, as amended (the "1940 Act"), and investors in the Company are not subject to the protections provided by the 1940 Act.

Prohibition on benefit plan investors and restrictions on non-ERISA plans

Investment in the Company by "benefit plan investors" is prohibited so that the assets of the Company will not be deemed to constitute "plan assets" of a "benefit plan investor". The term "benefit plan investor" shall have the meaning contained in Section 3(42) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and includes (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA; (b) a "plan" described in Section 4975(e)(1) of the US Internal Revenue Code of 1986, as amended (the "Code"), that is subject to Section 4975 of the Code; and (c) an entity whose underlying assets include "plan assets" by reason of an employee benefit plan's or a plan's investment in such entity. For purposes of the foregoing, a "benefit plan investor" does not include a governmental plan (as defined in Section 3(32) of ERISA), a non-US plan (as defined in Section 4(b)(4) of ERISA) or a church plan (as defined in Section 3(33) of ERISA) that has not elected to be subject to ERISA.

Each purchaser and subsequent transferee of any class of Ordinary shares (or any other class of equity interest in the Company) will be required to represent, warrant and covenant, or will be deemed to have represented, warranted and covenanted that it is not, and is not acting on behalf of or with the assets of a, benefit plan investor to acquire such Ordinary shares (or any other class of equity interest in the Company).

Under the Articles, the Directors have the power to require the sale or transfer of the Company's securities in order to avoid the assets of the Company being treated as "plan assets" for the purposes of ERISA.

The fiduciary provisions of pension codes applicable to governmental plans, non-US plans or other employee benefit plans or retirement arrangements that are not subject to ERISA (collectively, "non-ERISA plans") may impose limitations on investment in the Company. Fiduciaries of non-ERISA plans, in consultation with their advisers, should consider, to the extent applicable, the impact of such fiduciary rules and regulations on an investment in the Company. Among other considerations, the fiduciary of a non-ERISA plan should take into account the composition of the non-ERISA plan's portfolio with respect to diversification; the cash flow needs of the non-ERISA plan and the effects thereon of the illiquidity of the investment; the economic terms of the non-ERISA plan's investment in the Company; the non-ERISA plan's funding objectives; the tax effects of the investment and the tax and other risks associated with the investment; the fact that the investors in the Company are expected to consist of a diverse group of investors (including taxable, tax-exempt, domestic and foreign entities) and the fact that the management of the Company will not take the particular objectives of any investors or class of investors into account.

Non-ERISA plan fiduciaries should also take into account the fact that, while the Company's Board of Directors and its Investment Adviser will have certain general fiduciary duties to the Company, the Board and the Investment Adviser will not have any direct fiduciary relationship with or duty to any investor, either with respect to its investment in shares or with respect to the management and investment of the assets of the Company. Similarly, it is intended that the assets of the Company will not be considered plan assets of any non-ERISA plan or be subject to any fiduciary or investment restrictions that may exist under pension codes specifically applicable to such non-ERISA plans. Each non-ERISA plan will be required to acknowledge and agree in connection with its investment in any securities to the foregoing status of the Company, the Board and the Investment Adviser that there is no rule, regulation or requirement applicable to such investor that is inconsistent with the foregoing description of the Company, the Board and the Investment Adviser.

Each purchaser or transferee that is a non-ERISA plan will be deemed to have represented, warranted and covenanted as follows:

(a) The non-ERISA plan is not a benefit plan investor;

(b) The decision to commit assets of the non-ERISA plan for investment in the Company was made by fiduciaries independent of the Company, the Board, the Investment Adviser and any of their respective agents, representatives or affiliates, which fiduciaries (i) are duly authorised to make such investment decision and have not relied on any advice or recommendations of the Company, the Board, the Investment Adviser or any of their respective agents, representatives or affiliates, and (ii) in consultation with their advisers, have carefully considered the impact of any applicable federal, state or local law on an investment in the Company;

(c) None of the Company, the Board, the Investment Adviser or any of their respective agents, representatives or affiliates has exercised any discretionary authority or control with respect to the non-ERISA plan's investment in the Company, nor has the Company, the Board, the Investment Adviser or any of their respective agents, representatives or affiliates rendered individualised investment advice to the non-ERISA plan based upon the non-ERISA plan's investment policies or strategies, overall portfolio composition or diversification with respect to its commitment to invest in the Company and the investment programme thereunder; and

(d) It acknowledges and agrees that it is intended that the Company will not hold plan assets of the non-ERISA plan and that none of the Company, the Board, the Investment Adviser or any of their respective agents, representatives or affiliates will be acting as a fiduciary to the non-ERISA plan under any applicable federal, state or local law governing the non-ERISA plan, with respect to either (i) the non-ERISA plan's purchase or retention of its investment in the Company, or (ii) the management or operation of the business or assets of the Company. It also confirms that there is no rule, regulation, or requirement applicable to such purchaser or transferee that is inconsistent with the foregoing description of the Company, the Board and the Investment Adviser.

Useful information for Shareholders

continued

US tax matters

This discussion does not constitute tax advice and is not intended to be a substitute for tax advice and planning. Prospective holders of the Company's securities must consult their own tax advisers concerning the US federal, state and local income tax and estate tax consequences in their particular situations of the acquisition, ownership and disposition of any of the Company's securities, as well as any consequences under the laws of any other taxing jurisdiction.

The Company's Directors are entitled to decline to register a person as, or to require such person to cease to be, a holder of any class of Ordinary shares or other equity securities of the Company if they believe that: such person is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of Ordinary shares or any other equity securities of the Company by such person would materially increase the risk that the Company could be or become a "controlled foreign corporation" (a "CFC").

In general, a foreign corporation is treated as a "CFC" only if its "US Shareholders" collectively own more than 50 per cent of the total combined voting power or total value of the corporation's stock. A "US Shareholder" means any US person who owns, directly or indirectly through foreign entities, or is considered to own (by application of certain constructive ownership rules), 10 per cent or more of the total combined voting power of all classes of stock of a foreign corporation, such as the Company.

There is a risk that the Company will decline to register a person as, or to require such person to cease to be, a holder of the Company's shares if the Company could be or become a CFC. The Company's treatment as a CFC could have adverse tax consequences for US taxpayers.

The Company is expected to be treated as a "passive foreign investment company" ("PFIC"). The Company's treatment as a PFIC is likely to have adverse tax consequences for US taxpayers.

The taxation of a US taxpayer's investment in the Company's securities is highly complex. Prospective holders of the Company's securities must consult their own tax advisers concerning the US federal, state and local income tax and estate tax consequences in their particular situations of the acquisition, ownership and disposition of any of the Company's securities, as well as any consequences under the laws of any other taxing jurisdiction.

Notice of Annual General Meeting

JZ CAPITAL PARTNERS LIMITED (Company No. 48761)
Notice is hereby given that the Sixth Annual General Meeting of the Company will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL, Channel Islands on 19 June 2014 at 13:30 BST.

Resolution on Form of Proxy	Agenda
Ordinary resolution 1	1. To elect a Chairman of the meeting.
Ordinary resolution 2	2. To consider and approve the Annual Report and Accounts of the Company for the year ended 28 February 2014.
Ordinary resolution 3	3. To re-elect Ernst & Young LLP as Auditor of the Company until the conclusion of the next Annual General Meeting.
Ordinary resolution 4	4. To authorise the Board of Directors to determine the Auditor's remuneration.
Ordinary resolution 5	5. To receive and adopt the Directors' remuneration report for the year ended 28 February 2014.
Ordinary resolution 6	6. To re-elect Christopher Waldron as a Director of the Company in accordance with Article 21(2) of the Articles of Incorporation of the Company.
Ordinary resolution 7	7. To re-elect Patrick Firth as a Director of the Company in accordance with Article 21(3) of the Articles of Incorporation of the Company and Section B.7.1 of the UK Corporate Governance Code.
Ordinary resolution 8	8. To re-elect Tanja Tibaldi as a Director of the Company in accordance with Article 21(3) of the Articles of Incorporation of the Company and Section B.7.1 of the UK Corporate Governance Code.
Ordinary resolution 9	9. To approve that the Company be authorised in accordance with the Companies (Guernsey) Law 2008 as amended, to make market acquisitions (as defined in that Law) of its own shares provided that: (a) the maximum number of shares in each class authorised to be purchased is 14.99 per cent of each class of the shares of the Company in issue at any time; (b) the minimum price payable by the Company for each share is 1 pence and the maximum price payable by the Company for each share will not be more than the higher of (i) 105 per cent of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC No 2213/2003); and (c) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the general meeting of the Company to be held in 2015 under section 199 of the Law, save that the Company may, prior to such expiry, enter into a contract to purchase shares under such authority and may make a purchase of shares pursuant to any such contract.

Notice of Annual General Meeting continued

To consider the following special business

Ordinary resolution 10

10. To authorise the Directors in accordance with Article 4(8) of the Articles of Incorporation of the Company (the "Articles") to: (a) allot equity securities (as defined in the Articles of Incorporation of the Company) of the Company for cash; and (b) sell ordinary shares (as defined in the Articles) held by the Company as treasury shares for cash, as if Article 4(8) of the Articles of Incorporation of the Company did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares up to an aggregate amount of 6,436,842 Ordinary shares, such authority to expire at the conclusion of the general meeting of the Company to be held in 2015, save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

Ordinary resolution 11 (see Note 1)

11. To approve the amendment of the Company's investment policy by deleting the statement *"The Company may invest up to 30 per cent of its gross assets in businesses outside of the United States"* from the investment strategy section and replacing it with *"The Company may invest up to 40 per cent of its gross assets in businesses outside of the United States"* and that the proposed amended and restated investment policy produced to the meeting and initialled by the chairman of the meeting for the purpose of identification, be approved and adopted in substitution for, and to the exclusion of the Company's existing investment policy.

12. Any other business.

By Order of the Board

For and on behalf of Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary

21 May 2014

Information note 1

Proposed amendment to the Company's investment policy

Shareholders will note that at current value JZCP's European investments constitute approximately 23 per cent of its total portfolio. Under JZCP's existing investment policy the proportion of the Company's gross assets that it is permitted to invest in businesses outside the United States is limited to 30 per cent. This situation arises as a result of the continuing availability of outstanding investment opportunities in Europe and the success of those that we have already made. In these circumstances the Directors seek Shareholders' authority to increase this proportion to 40 per cent and an ordinary resolution to this effect will be proposed at the Annual General Meeting. While there is immediate pressure on the ceiling, the maturity of parts of the European portfolio is such that realisations might be expected, although the Directors would in the light of opportunities currently available expect a continued significant commitment to investment in Europe.

Notes re your Form of Proxy and voting at the general meeting

A member of a company is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the company. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him.

If it is desired to appoint some other person or persons as proxy or proxies the name(s) of the proxy or proxies desired must be inserted in the space provided and the alteration should be initialled. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of the resolution. If you do not insert an "X" in the appropriate box your proxy will vote or abstain at his discretion.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation under its common seal or under the hand of an officer or attorney duly authorised.

All joint holders should be named but the signature of any one is sufficient. In all cases, names must be entered as they appear on the Company's register.

Where there are joint registered holders of any share such persons shall not have the right of voting individually in respect of such share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the register shall alone be entitled to vote.

Any corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the company or of any class of members or to approve any resolution submitted in writing and the person so authorised shall be entitled to exercise on behalf of the corporation he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual member.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Transfer Agent office (Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom) not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default unless the Board directs otherwise the instrument of proxy shall not be treated as valid.

The form of proxy may be sent by post or transmitted to the Company's Transfer Agent. "By post" means by registered post, recorded delivery service or ordinary letter post and "transmitted" means transmitted by electronic communication or facsimile transmission. Should the original form of proxy not be received by post the electronic version shall still be treated as valid (provided it is returned before the proxy cut off as detailed above).

Only Shareholders registered in the register of members of the company at 6:00 pm on 17 June 2014 shall be entitled to attend or vote at the aforesaid meeting in respect of the number of shares registered in their name at the time, or in the event that the meeting is adjourned in accordance with the provisions contained in the company's Articles of Incorporation, in the register of members at 6:00 pm two days before the time of any adjourned meeting. Changes to entries on the register of members after such time or, in the event that the meeting is adjourned, to entries in the register of members after close of business before the time of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

In accordance with the company's Articles of Incorporation, all Ordinary shares will vote together as a class on all matters at the Annual General Meeting. The holders of Zero Dividend Preference shares are not entitled to attend or vote at the Annual General Meeting.

Notice of Annual General Meeting continued

To change your proxy instructions, simply submit a new proxy appointment using the method set out above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. Please note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

To appoint more than one proxy you may photocopy the Form of Proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available at www.euroclear.com. The message, regardless of whether it constitutes the appointment of a proxy or amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST person member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Regulations.

Form of Proxy

JZ CAPITAL PARTNERS LIMITED (Company No. 48761)

I/We, ____

Please insert Shareholder name using block capitals. Please note if the shareholder name is not inserted the Form of Proxy cannot be used.

of ____ being a member of

JZ Capital Partners Limited hereby appoint (full name) ____

of (address) ____

or failing him, the Chairman of the meeting or the Company Secretary as my/our proxy to attend and vote on my/our behalf and if necessary demand a poll at the Sixth Annual General Meeting of the Company to be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL, Channel Islands on 19 June 2014 at 13:30 BST and at any adjournment thereof.

Number of shares authorised:

	Ordinary resolutions	For	Against	Abstain
1	To elect a Chairman of the meeting.			
2	To consider and approve the Annual Report and Accounts of the Company for the year ended 28 February 2014.			
3	To re-elect Ernst & Young LLP as Auditor to the Company until the conclusion of the next Annual General Meeting.			
4	To authorise the Board Directors to determine the Auditor's remuneration.			
5	To receive and adopt the Directors' remuneration report for the year to 28 February 2014.			
6	To re-elect Christopher Waldron as a Director of the Company in accordance with Article 21(2) of the Articles of Incorporation of the Company.			
7	To re-elect Patrick Firth as a Director of the Company in accordance with Article 21(3) of the Articles of Incorporation of the Company and Section B.7.1 of the UK Corporate Governance Code.			
8	To re-elect Tanja Tibaldi as a Director of the Company in accordance with Article 21(3) of the Articles of Incorporation of the Company and Section B.7.1 of the UK Corporate Governance Code.			

Form of Proxy continued

	Ordinary resolutions	For	Against	Abstain
9	To approve that the Company be authorised in accordance with the Companies (Guernsey) Law 2008 as amended, to make market acquisitions (as defined in that Law) of its own shares provided that: a) the maximum number of shares in each class authorised to be purchased is 14.99 per cent of each class of the shares of the Company in issue at any time; (b) the minimum price payable by the Company for each share is 1 pence and the maximum price payable by the Company for each share will not be more than the higher of (i) 105 per cent of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC No 2213/2003); and c) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the general meeting of the Company to be held in 2015 under section 199 of the Law, save that the Company may, prior to such expiry, enter into a contract to purchase shares under such authority and may make a purchase of shares pursuant to any such contract.			
	Special business by ordinary resolution			
10	To authorise the Directors in accordance with Article 4(8) of the Articles of Incorporation of the Company (the "Articles") to: (a) allot equity securities (as defined in the Articles of Incorporation of the Company) of the Company for cash; and (b) sell ordinary shares (as defined in the Articles) held by the Company as treasury shares for cash, as if Article 4(8) of the Articles of Incorporation of the Company did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares up to an aggregate amount of 6,436,842 ordinary shares, such authority to expire at the conclusion of the general meeting of the Company to be held in 2015, save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired			
11	To approve the amendment of the Company's investment policy by deleting the statement "The Company may invest up to 30 per cent of its gross assets in businesses outside of the United States" from the investment strategy section and replacing it with "The Company may invest up to 40 per cent of its gross assets in businesses outside of the United States" and that the proposed amended and restated investment policy produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification, be approved and adopted in substitution for, and to the exclusion of the Company's existing investment policy.			

Signature(s) ______________________________

Dated ______________________________

In order to be valid at the above meeting this proxy must be completed and returned to arrive no later than 13:30 on Tuesday 17 June 2014. You may return the form of proxy by fax to +44 (0)1903 698402 or email to proxyvotes@equiniti.com (with the original to follow by post to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, in due course).

Please trim along dotted line, fold and insert into the supplied reply paid envelope.