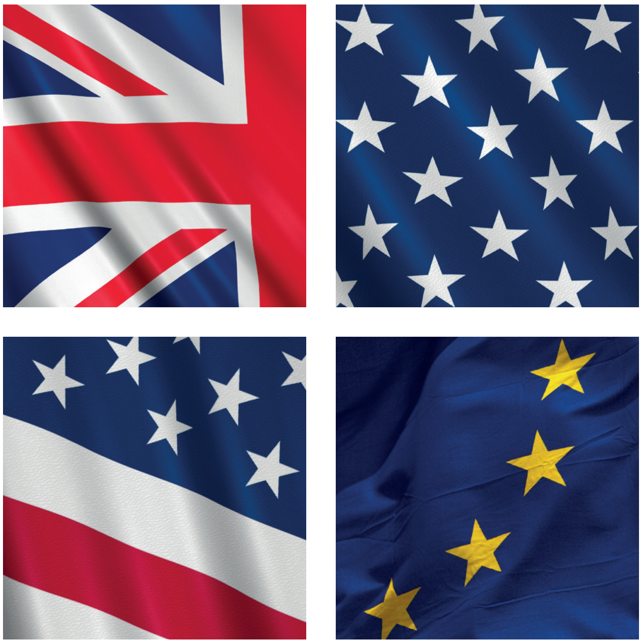


# JZ CAPITAL PARTNERS LIMITED

Annual Report and Financial Statements
*For the year ended 29 February 2024*

# Contents



Numbers in the Interim Report and Financial Statements are quoted in US dollar ("$") unless otherwise stated.

# Who We Are

## Corporate Objective

JZ Capital Partners Limited (“JZCP” or the "Company") seeks to maximise the value of its investments in its US and European micro-cap companies and US real estate, and following the repayment of the Company's debt to return capital to shareholders.

## About Us

JZCP has investments in US and European micro-cap companies, as well as real estate properties in the US.

JZCP’s Investment Adviser is Jordan/Zalaznick Advisers, Inc. (“JZAI”) which was founded by David Zalaznick and Jay Jordan in 1986. JZAI is supported by teams of investment professionals in New York, Chicago, London and Madrid.

In August 2020, the Company's shareholders approved changes to the Company’s investment policy. Under the new policy, the Company will make no further investments except in respect of which it has existing obligations or to continue selectively to support the existing portfolio. The intention is to realise the maximum value of the Company's investments and, after repayment of all debt, to return capital to shareholders.

JZCP is a Guernsey-domiciled closed-ended investment company authorised by the Guernsey Financial Services Commission. JZCP's shares trade on the Specialist Fund Segment of the London Stock Exchange.

# Performance and Results Highlights

## Realisations During The Year

During the year ended 29 February 2024, the Company received distributions and realisation proceeds of $78.4 million (28 February 2023: $184.1 million).

| | Portfolio | Proceeds $ million |
|---|---|---|
| JZHL Secondary Fund | | |
| Distribution following the successful realisation of Felix Storch | U.S. | 62.5 |
| Industrial Services Solutions | U.S. | 8.0 |
| Docout - Repayment of loan (principal and accrued interest) | Euro | 5.3 |
| Fund III distributions | Euro | 1.8 |
| Others including escrow receipts | U.S. | 0.8 |
| | | 78.4 |

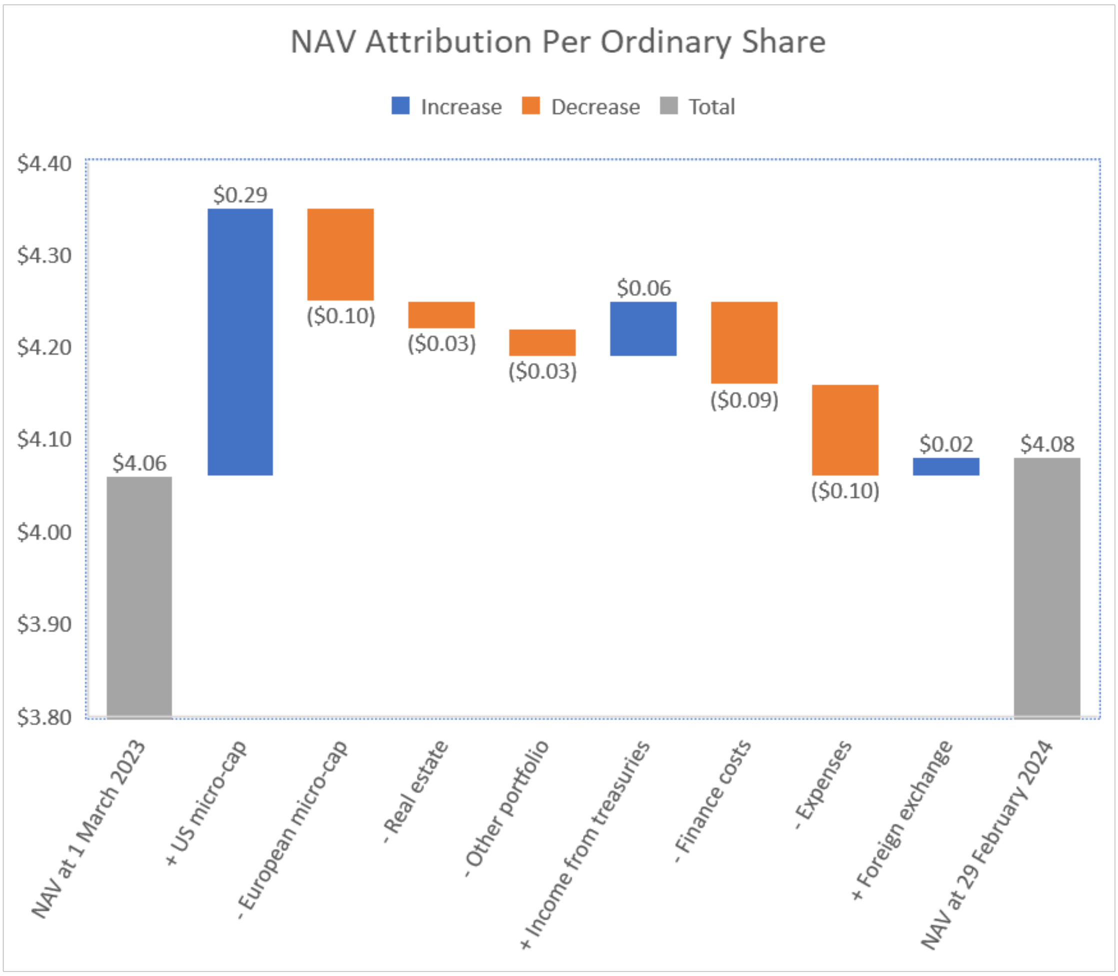
Since the Company adopted its current investment policy in August 2020, the Company has achieved realisations in excess of $460 million and repaid approximately $270 million of debt (excludes debt issued and subsequently repaid in period).

## Net Asset Value ("NAV") per Share and Total NAV Returns

NAV per share at 29 February 2024 was **$4.08** (28 February 2023: $4.06).

| | 1 Year | 3 Year | 5 Year | 7 Year |
|---|---|---|---|---|
| Total NAV return | 0.5% | -4.0% | -59.4% | -59.7% |

Following table presents the Company's annual NAV performance by sector:



# Performance and Results Highlights (continued)

### Shareholder Returns

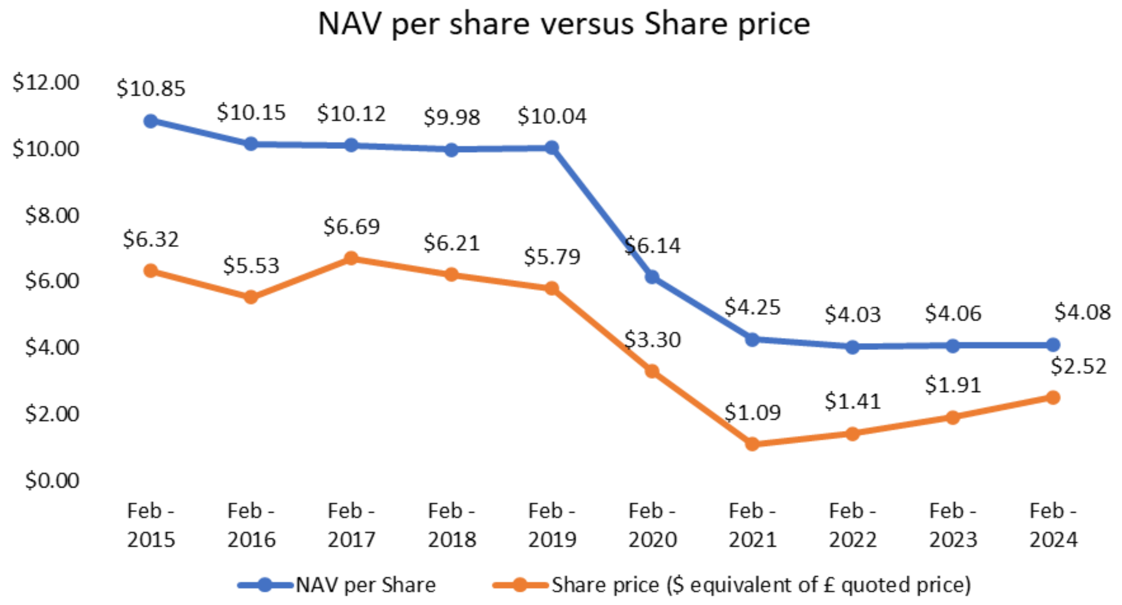
JZCP's share price at 29 February 2024 was **£1.99** (28 February 2023: £1.58). At the time of the announcement of these results, JZCP's ordinary share price had risen to £2.15.[1]

| | 1 Year | 3 Year | 5 Year | 7 Year |
|---|---|---|---|---|
| Total Shareholder return | 26.3% | 155.1% | -54.3% | -63.0% |

### NAV to Market Price Discount

The data below shows the theoretical discount of the year-end share price and the year-end NAV per share and does not factor in the timing delay in announcing the year-end NAV to the market.

| | 28.2.2017 | 28.2.2019 | 28.2.2021 | 28.2.2023 | 29.2.2024 |
|---|---|---|---|---|---|
| Discount | 33.8% | 42.4% | 74.3% | 53.0% | 38.2% |




Total NAV return, Total Shareholder returns and NAV to Market Price discount, are classified as Alternative Performance Measurements under European Securities and Market Authority guidelines and are further explained on page 75 under Useful Information for Shareholders.

[1]JZCP's Ordinary Share price at close 28 May 2024 (London Stock Exchange).

# Chairman's Statement

The Directors present the results of the Company for the financial year ended 29 February 2024. The NAV per share of the Company has modestly increased from $4.06 as at 28 February 2023 to $4.08 as at 29 February 2024 ($4.04 as at 31 August 2023).

## Investment Policy and Liquidity

Following the successful realisation of the Company’s interest in Felix Storch (held through JZHL Secondary Fund LP), JZCP was able to repay the whole of its outstanding debt while maintaining a substantial cash cushion. Since the Company adopted its current investment policy in August 2020, the Company has achieved realisations in excess of $460 million and repaid approximately $270 million of debt. As at 29 February 2024, the Company had approximately $123.4 million of cash and treasuries and a reduced but still substantial investment portfolio (approximately $194 million).

We were pleased to be able to announce on 18 April 2024 our intention to commence the return of capital in accordance with the Company’s investment policy in an initial amount of approximately $40 million. In a contemporaneous announcement, proposals are being put to shareholders which will enable such a return of capital to be made in a manner that is believed to be optimum for most shareholders. Once such proposals have been implemented, it is hoped that such first return will be made before the end of July 2024.

Further returns of capital will be made as and when circumstances permit. Also in line with the Company’s investment policy, certain assets within the portfolio will require significant further investment and time in order to maximise their value. In particular, the Company has committed $20.5 million to Follow-on Flex Pack (through JZHL Secondary Fund LP), which was approved by shareholders on 8 May 2024. In addition, the Company has reserved the following amounts for certain other existing assets: approximately $12.5 million for Esperante, an office tower in West Palm Beach, Florida; $15 million for Spruceview to support its organic growth; and $20 million for capital calls from JZI Fund III, L.P., including an anticipated requirement for further support.

The process of managing, in a controlled way, the maximisation of the value of the Company’s investments, in line with the Company’s investment policy, down to the time when shareholders’ capital can be returned in full is challenging. In particular, until at least such time as the portfolio has been greatly reduced, it may be necessary for the management of the portfolio to make special incentive arrangements to retain and incentivise the existing management team. The best estimate of the Board and the Investment Adviser, including taking into account that the Company has no control over the portfolio investments that are minority co-investments, is that this is a period of three to four years until final or near final distribution, or a time when the size of the remaining portfolio requires much reduced management.

## US and European Micro-cap Portfolios

While our US micro-cap portfolio has overall performed well, with several material realisations in the US portfolio over the past two years, our European portfolio continues to be challenged by the economic headwinds in Europe and war in Ukraine. We continue to work towards several realisations in both portfolios.

## Real Estate portfolio

The Company has two remaining properties with equity value: Esperante, an office building in West Palm Beach, Florida, and 247 Bedford Avenue, a retail building with Apple as the primary tenant, in Williamsburg, Brooklyn.

## Outlook

The Company is in a strong financial position which has enabled it to announce the commencement of returning capital to shareholders. It will also enable the Company to maximize the value of and realise in an orderly manner the remainder of its investment portfolio and, in due course, to return all capital to shareholders. The board looks forward to making further returns of capital to shareholders as soon as circumstances permit.

***David Macfarlane***
**Chairman**
**29 May 2024**

# Investment Adviser's Report

Dear Fellow Shareholders,

JZCP is starting the fiscal year in its strongest position in years; over the past 36 months, the Company has realized approximately $329.6 million from its investments while repaying $187.9 million in debt. Over the same time period, the stock price has gone from £0.78 per share to nearly £2.00 per share, a 155.1% increase. Today, JZCP is debt free and at the year end had approximately $123.4 million in cash and treasuries.

Now that the Company is debt free, we look forward to making our first distribution of capital to shareholders (totaling approximately $40 million). However, we also require a significant amount of cash to support our existing portfolio - while we are not making new platform investments, we are building our remaining portfolio to maximize value. As we realize assets, we will continue to evaluate the Company's ability to make further distributions of capital to shareholders.

While our US micro-cap portfolio showed a gain for the year, our European portfolio was challenged by continuing high interest rates and a gathering recession in Europe. Notwithstanding these challenges, we are pursuing several significant realizations in our European portfolio which, if consummated, will return capital to JZCP.

The Company's two remaining real estate assets that have equity value are 247 Bedford Avenue in Brooklyn, New York (where Apple is the principal tenant), and the Esperante office building in West Palm Beach, Florida.

As of 29 February 2024, our US micro-cap portfolio consisted of 12 businesses, which includes three 'verticals' and five co-investments, across nine industries. Our European micro-cap portfolio consisted of 17 companies across six industries and seven countries.

## Net Asset Value ("NAV")

JZCP's NAV per share increased 2 cents, or approximately 0.5%, during the year.

| | |
|---|---|
| **NAV per Ordinary share as of 1 March 2023** | **$4.06** |
| *Change in NAV due to capital gains and accrued income* | |
| + US micro-cap | 0.29 |
| - European micro-cap | (0.10) |
| - Real estate | (0.03) |
| - Other investments | (0.03) |
| + Income from treasuries | 0.06 |
| *Other increases/(decreases) in NAV* | |
| + Foreign exchange effect | 0.02 |
| - Finance costs | (0.09) |
| - Expenses | (0.10) |
| **NAV per Ordinary share as of 29 February 2024** | **$4.08** |

The US micro-cap portfolio continued to perform well during the six-month period, delivering a net increase of 29 cents per share. This was primarily due to net accrued income of 4 cents per share and write-ups at ISS (10 cents per share), co-investment Deflecto (6 cents per share) and JZCP's Special LP Interest in JZHL Secondary Fund LP (16 cents per share).

Offsetting these increases was a decrease at other US micro-cap portfolio company Avante (7 cents per share).

Our European portfolio was written down 10 cents per share during the year and our real estate portfolio was written down 3 cents per share during the year.

# Investment Adviser's Report (continued)

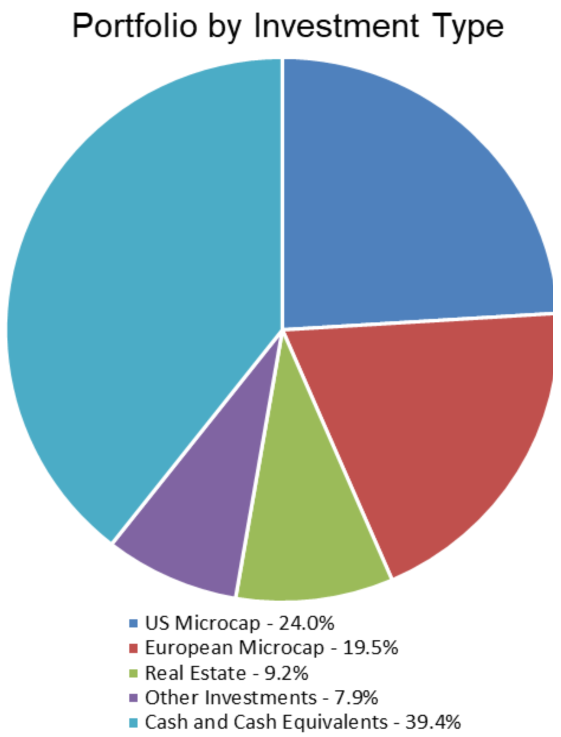
**Returns**

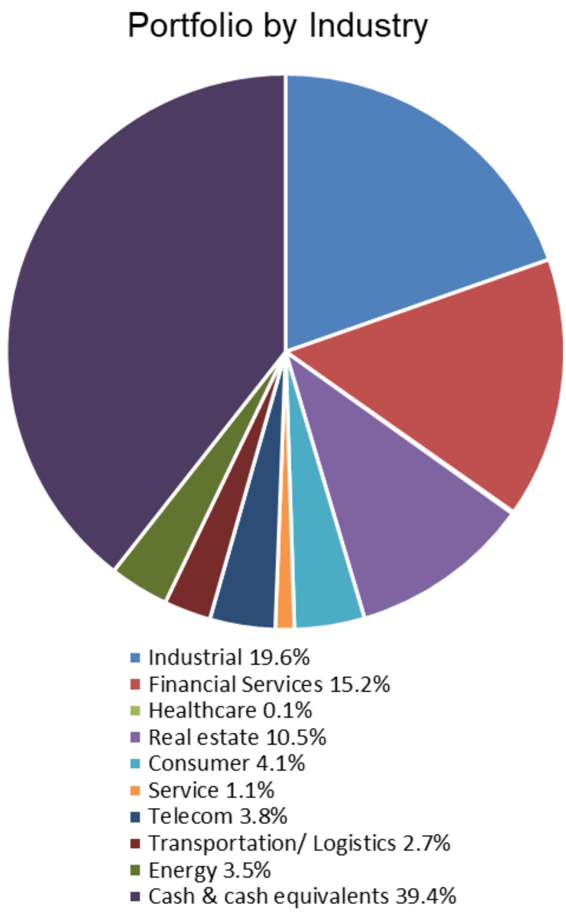
The chart below summarizes cumulative total shareholder returns and total NAV returns for the most recent one-year, three-year and five-year periods.

| | 29.2.2024 | 31.8.2023 | 28.2.2023 | 28.2.2021 | 28.2.2019 |
|---|---|---|---|---|---|
| Share price (in GBP) | £1.99 | £1.63 | £1.58 | £0.78 | £4.35 |
| NAV per share (in USD) | $4.08 | $4.04 | $4.06 | $4.25 | $10.04 |
| NAV to market price discount | 38.2% | 49.0% | 53.0% | 74.3% | 42.4% |
| | | 6 month return | 1 year return | 3 year return | 5 year return |
| Total Shareholders' return (GBP) | | 22.5% | 26.3% | 155.1% | (54.3%) |
| Total NAV return per share (USD) | | 1.0% | 0.5% | (4.0%) | (59.4%) |

**Portfolio Summary**

Our portfolio is well-diversified by asset type and geography, with 29 US and European micro-cap investments across eleven industries. The European portfolio itself is well-diversified geographically across Spain, Italy, Portugal, Luxembourg, Scandinavia and the UK.



# Investment Adviser's Report (continued)

## Portfolio Summary (continued)

Below is a summary of JZCP's assets and liabilities at 29 February 2024 as compared to 28 February 2023. An explanation of the changes in the portfolio follows:

| | 29.2.2024 US$'000 | 28.2.2023 US$'000 |
|---|---|---|
| US micro-cap portfolio | 74,948 | 127,811 |
| European micro-cap portfolio | 61,025 | 71,966 |
| Real estate portfolio | 28,815 | 31,156 |
| Other investments | 24,670 | 25,683 |
| **Total Private Investments** | 189,458 | 256,616 |
| Treasuries | 110,076 | 90,600 |
| Cash | 13,368 | 11,059 |
| **Total Treasuries and Cash** | 123,444 | 101,659 |
| Other assets | 4,249 | 168 |
| **Total Assets** | 317,151 | 358,443 |
| Senior Credit Facility | - | 43,181 |
| Other liabilities | 1,042 | 764 |
| **Total Liabilities** | 1,042 | 43,945 |
| **Total Net Assets** | 316,109 | 314,498 |

### US Micro-Cap Portfolio

As you know from previous reports, our US portfolio is grouped into industry 'verticals' and co-investments. As of December 4, 2020, certain of our verticals and co-investments are now grouped under JZHL Secondary Fund, LP ("JZHL" or the "Secondary Fund"). JZCP has a continuing interest in the Secondary Fund through a Special LP Interest, which entitles JZCP to certain distributions from the Secondary Fund.

Our 'verticals' strategy focuses on consolidating businesses under industry executives who can add value via organic growth and cross company synergies. Our co-investments strategy has allowed for greater diversification of our portfolio by investing in larger companies alongside well-known private equity groups.

The US micro-cap portfolio continued to perform well during the six-month period, delivering a net increase of 29 cents per share. This was primarily due to net accrued income of 4 cents per share and write-ups at ISS (10 cents per share), co-investment Deflecto (6 cents per share) and JZCP's Special LP Interest in JZHL Secondary Fund LP (16 cents per share).

Offsetting these increases was a decrease at other US micro-cap portfolio company Avante (7 cents per share).

### European Micro-Cap Portfolio

Our European portfolio was written down 10 cents per share during the year.

JZCP invests in the European micro-cap sector through its approximately 18.8% ownership of JZI Fund III, L.P. As of 29 February 2024, Fund III held 13 investments: five in Spain, two in Scandinavia, two in Italy, two in the UK and one each in Portugal and Luxembourg. JZCP held a direct loan as well to Toro Finance.

### Real estate Portfolio

The Company's two remaining real estate assets that have equity value are 247 Bedford Avenue in Brooklyn, New York (where Apple is the principal tenant), and the Esperante office building in West Palm Beach, Florida.

The real estate portfolio experienced a net write-down of 3 cents per share.

# Investment Adviser's Report (continued)

## Portfolio Summary (continued)

**Other investments**

Our asset management business in the US, Spruceview Capital Partners, has continued to grow since we last reported to you. Spruceview addresses the growing demand from corporate pensions, endowments, family offices and foundations for fiduciary management services through an Outsourced Chief Investment Officer (“OCIO”) model as well as customized products/solutions per asset class.

During the period, Spruceview undertook the development of its fifth private markets fund, which is focused on growth buyout co-investments in the U.S. and received initial commitments of $29 million. Further, the firm received over $51 million in additional contributions to the corporate pension plans to which it provides advisory services. We expect Spruceview assets under management to continue to grow with increasing indications of investor interest.

Spruceview also maintained a pipeline of potential client opportunities and continued to provide investment management oversight to the pension funds of the Mexican and Canadian subsidiaries of an international packaged foods company, as well as portfolios for family office clients, and a growing series of private market funds.

As previously reported, Richard Sabo, former Chief Investment Officer of Global Pension and Retirement Plans at JPMorgan and a member of that firm’s executive committee, is leading a team of 22 investment, business and product development, legal and operations professionals.

## Outlook

Our priority remains to realize current investments and finish building the portfolio that is not yet ready for sale. We repaid all of the Company’s remaining debt in December 2023 and look forward to making our first distribution of capital to shareholders in the amount of $40 million in the near future.

Thank you for your continued support.

**Yours faithfully,**
***Jordan/Zalaznick Advisers, Inc.***
**29 May 2024**

# Investment Portfolio

| | 29 February 2024 Cost[1] US$'000 | Value US$'000 | Percentage of Portfolio % |
|---|---|---|---|
| **US Micro-cap portfolio** | | | |
| ***US Micro-cap Fund*** | | | |
| JZHL Secondary Fund L.P.[2]<br>Invested in four companies in the US micro-cap sector:<br>(See pages 11-12 for further information) | | | |
| *Total JZHL Secondary Fund L.P.* | 24,579 | 30,069 | 10.0 |
| ***US Micro-cap (Vertical)*** | | | |
| INDUSTRIAL SERVICES SOLUTIONS WC, L.P. ("ISS")[3]<br>Provider of aftermarket maintenance, repair, and field services for critical process equipment throughout the US | | | |
| *Total Industrial Services Solutions WC, L.P.* | 21,139 | 23,216 | 7.9 |
| ***US Micro-cap (Co-investments)*** | | | |
| DEFLECTO HOLDINGS, LLC<br>Deflecto designs, manufactures and sells innovative plastic products to multiple industry segments | 12,174 | 16,798 | 5.6 |
| ORIZON<br>Manufacturer of high precision machine parts and tools for aerospace and defence industries | 3,899 | 3,840 | 1.3 |
| ***Total US Micro-cap (Co-investments)*** | *16,073* | *20,638* | *6.9* |
| ***US Micro-cap (Other)*** | | | |
| AVANTE HEALTH SOLUTIONS<br>Provider of new and professionally refurbished healthcare equipment | 8,763 | 325 | 0.1 |
| NATIONWIDE STUDIOS<br>Processor of digital photos for pre-schoolers | 26,324 | 700 | 0.2 |
| ***Total US Micro-cap (Other)*** | *35,087* | *1,025* | *0.3* |
| **Total US Micro-cap portfolio** | ***96,878*** | ***74,948*** | ***25.1*** |

# Investment Portfolio (continued)

| | 29 February 2024 Cost [1] US$'000 | Value US$'000 | Percentage of Portfolio % |
|---|---|---|---|
| **European Micro-cap portfolio** | | | |
| EUROMICROCAP FUND 2010, L.P.<br>Invested in European Micro-cap entities | 825 | - | - |
| JZI FUND III, L.P.<br>At 29 February 2024, was invested in thirteen companies in the European micro-cap sector: (See page 13 for further information) | 62,548 | 61,025 | 20.4 |
| **Total European Micro-cap** | 63,373 | 61,025 | *20.4* |
| ***Debt Investments*** | | | |
| TORO FINANCE<br>Provides short term receivables finance to the suppliers of major Spanish companies | 21,619 | - | - |
| XACOM[4]<br>Supplier of telecom products and technologies | 2,055 | - | - |
| **Debt Investments (Loans to European Micro-cap companies)** | 23,674 | - | *0.0* |
| **Total European Micro-cap portfolio** | ***87,047*** | ***61,025*** | ***20.4*** |
| **Real Estate portfolio** | | | |
| 247 BEDFORD AVENUE<br>Prime retail asset in northern Brooklyn, NY | 17,717 | 5,660 | 1.9 |
| ESPERANTE<br>An iconic building on the downtown, West Palm Beach skyline | 14,983 | 23,155 | 7.7 |
| **Total Real Estate portfolio** | ***32,700*** | ***28,815*** | ***9.6*** |
| **Other investments** | | | |
| BSM ENGENHARIA<br>Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental | 6,115 | 50 | - |
| JZ INTERNATIONAL<br>Fund of European LBO investments | - | 375 | 0.1 |
| SPRUCEVIEW CAPITAL PARTNERS, LLC<br>Asset management company focusing primarily on managing endowments and pension funds | 34,555 | 24,245 | 8.1 |
| **Total Other investments** | ***40,670*** | ***24,670*** | ***8.2*** |
| **Listed investments** | | | |
| U.S. TREASURY BILLS ("Treasuries") | | | |
| U.S. Treasury Bills - Maturity 7 March 2024 | 35,000 | 35,407 | 11.8 |
| U.S. Treasury Bills - Maturity 14 March 2024 | 14,814 | 14,972 | 5.0 |
| U.S. Treasury Bills - Maturity 11 April 2024 | 34,888 | 35,140 | 11.7 |
| U.S. Treasury Bills - Maturity 20 June 2024 | 24,322 | 24,557 | 8.2 |
| **Total Listed investments** | ***109,024*** | ***110,076*** | ***36.7*** |
| **Total - portfolio** | **366,319** | **299,534** | **100.0** |

[1] *Original book cost incurred by JZCP adjusted for subsequent transactions.*

[2] *Notional cost of the Company's interest in JZHL Secondary Fund being $24.579 million which is calculated in accordance with IFRS, and represents the fair value of the Company's LP interest on recognition adjusted for subsequent distributions.*

[3] *Co-investment with Fund A, a Related Party (Note 24).*

[4] *Classified as loan at amortised cost.*

# Investment Portfolio (continued)

### JZCP's Top Ten Investments

| | Portfolio | Value US$'000 | Percentage of Portfolio |
|---|---|---|---|
| 1. Spruceview Capital Partners, LLC | U.S. micro-cap | 24,245 | 12.9% |
| 2. Industrial Services Solutions WC, L.P ("ISS") | U.S. micro-cap | 23,216 | 12.2% |
| 3. Esperante | Real estate | 23,155 | 12.2% |
| 4. Deflecto Holdings, LLC | Other | 16,798 | 8.9% |
| 5. Peaceable Street Capital, LLC[1] | U.S. micro-cap | 13,703 | 7.2% |
| 6. TierPoint, LLC[1] | U.S. micro-cap | 11,862 | 6.3% |
| 7. Karium[2] | Euro micro-cap | 10,916 | 5.8% |
| 8. Factor Energia[2] | Euro micro-cap | 10,023 | 5.3% |
| 9. S.A.C[2] | Euro micro-cap | 6,980 | 3.7% |
| 10. 247 Bedford Avenue | Real estate | 5,660 | 3.0% |

[1] JZCP value calculated net of JZHL secondary investors valuation.
[2] Represents approximately 18.75% of Fund III's investment portfolio.

### JZHL Secondary Fund LP

| | JZHL Valuation As at 29.2.2024 $'000s |
|---|---|
| ACW Flex Pack, LLC | 2,855 |
| Safety Solutions Holdings | 9,156 |
| Peaceable Street Capital, LLC | 36,541 |
| TierPoint, LLC | 31,632 |
| | 80,184 |
| Less interests of other secondary investors | (50,115) |
| **JZCP's interest in JZHL Secondary Fund LP** | **30,069** |

In December 2020, the Company completed the sale of its interests in certain US microcap portfolio companies (the "Secondary Sale") to a secondary fund led by Hamilton Lane Advisors, L.L.C. ("Hamilton Lane"), one of the world's largest allocators and managers of private markets capital. The Secondary Sale was structured as a sale to a newly formed fund, JZHL Secondary Fund LP (the "Secondary Fund"), managed by an affiliate of JZAI.

The US microcap assets were sold to the Secondary Fund at their agreed valuation. In return, the Company received cash consideration and a special limited partner interest in the Secondary Fund entitling the Company to certain distributions from the Secondary Fund.

The Company's limited partner interest in the Secondary Fund's year-end valuation is $30.1 million and is valued by considering the valuation of the underlying investments and the order of returning capital to investors being:

i) First, 100 per cent. is distributed to Hamilton Lane and various members of the Fund's management team (the "Secondary Investors") pro rata in accordance with their respective contributions until each Secondary Investor has received distributions equal to its total aggregate contributions to the Secondary Fund (amounting in total to $90 million plus any further contributions made thereafter, expected to be in the aggregate of up to an additional $20 million);

ii) Second, 100 per cent. to the Secondary Investors pro rata in accordance with their respective contributions until each Secondary Investor has realised the greater of a 15 per cent. net internal rate of return on its total aggregate contributions or an amount equal to 140 per cent. of its total aggregate contributions.

iii) Third, 95 per cent. to the Company (in its capacity as the special limited partner of the Secondary Fund) and 5 per cent. to the Secondary Investors until the Company has received distributions equal to US$67.6 million; and

iv) Fourth, 62.5 per cent. to the Secondary Investors (pro rata in accordance with their respective contributions) and 37.5 per cent. to the Company. Following the distributions detailed on page 12, the Secondary Fund is valued and capital returned accordingly.

# Investment Portfolio (continued)

### JZHL Secondary Fund LP (continued)

ACW Flex Pack, LLC ("Flex Pack")

Flex Pack is a provider of a variety of custom flexible packaging solutions to converters and end-users.
Further information can be found at www.flex-pack.com.

Peaceable Street Capital, LLC ("Peaceable")

Peaceable is a specialty finance platform focused on making structured investments in small and mid-sized income producing commercial real estate. Peaceable focuses on a diverse portfolio of property types including multi-family, office, self-storage, industrial, retail, RV parks, mobile home parks, parking health care and hotels.
Further information can be found at www.peaceablestreet.com.

Safety Solutions Holdings

Safety Solutions Holdings offers a complete range of safety products, including gas detection, safety equipment, respiratory, fall protection, lighting, calibration gas, noise and sound, particle counters, personal protection equipment, hi-visibility apparel, and compressors and vacuum pumps.
Further information can be found at safetysolutionsholdings.com.

TierPoint, LLC ("TierPoint")

TierPoint is a leading provider of information technology and data centre services, including colocation, cloud computing, disaster recovery and managed IT services. TierPoint's hybrid IT solutions help clients increase business agility, drive performance and manage risk. TierPoint operates via a network of 43 data centres in 20 markets across the United States.
Further information can be found at www.tierpoint.com.

### Distributions made by the Secondary Fund

In April 2022, JZHL realised its investment in Flow Control, LLC receiving proceeds of $77.7 million. The sale of Flow Control resulted in the Secondary Investors receiving a distribution from the Secondary Fund, together with other distributions so far made and received, totalling approximately $97.1 million for the benefit of the Secondary Investors.

In June 2022, JZHL realised a portion of its investment in Testing Services Holdings receiving proceeds of $182.8 million. As a result, the Company received a distribution from the Secondary Fund of approximately $96.2 million as a result of its Special LP Interest and in accordance with the distribution waterfall as described above.

In December 2023, JZHL realised its interest in Felix Storch Holdings, LLC for consideration of approximately $167.7 million. In accordance with the described waterfall JZCP received a distribution of approximately $62.5 million.

# Investment Portfolio (continued)

**Summary of JZCP's investment in JZI Fund III"s Investment Portfolio at 29 February 2024**

| | Country | JZCP Cost (EURO)[1] As at 29.2.2024 €'000s | JZCP Value (EURO)[1] As at 29.2.2024 €'000s | JZCP Value (USD) As at 29.2.2024 $'000s |
|---|---|---|---|---|
| ALIANZAS EN ACEROS<br>Steel service center | Spain | 4,634 | 2,894 | 3,132 |
| BLUESITES<br>Build-up in cell tower land leases | Portugal | 489 | 3,488 | 3,774 |
| CANARY GREEN CORNER<br>Build-up of petrol stations | Spain | 3,938 | 4,350 | 4,707 |
| COLLINGWOOD<br>Niche UK motor insurer | UK | 3,015 | 2,475 | 2,678 |
| ERSI<br>Reinforced steel modules | Lux | 8,511 | 1,712 | 1,853 |
| FACTOR ENERGIA<br>Electricity supplier | Spain | 3,650 | 9,263 | 10,023 |
| FINCONTINUO<br>Niche consumer lender | Italy | 4,909 | 240 | 260 |
| KARIUM<br>Personal care consumer brands | UK | 4,748 | 10,088 | 10,916 |
| LUXIDA<br>Build-up in electricity distribution | Spain | 3,315 | 4,763 | 5,154 |
| MY LENDER<br>Niche consumer lender | Finland | 4,321 | 497 | 538 |
| S.A.C<br>Operational van leasing | Denmark | 3,392 | 6,450 | 6,980 |
| TREEE<br>e-waste recycling | Italy | 6,701 | 675 | 730 |
| UFASA<br>Niche consumer lender | Spain | 3,975 | 4,538 | 4,706 |
| Other net assets | | | | 5,574 |
| **Total valuation** | | | | **61,025** |

[1]Represents 18.75% of Fund III's investment portfolio.

# Board of Directors

**David Macfarlane (Chairman)**[1]

Mr Macfarlane was appointed to the Board of JZCP in 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.

**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. 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.

**Sharon Parr**[2]

Ms Parr was appointed to the Board of JZCP in June 2018. She has over 35 years in the finance industry and spent a significant portion of her professional career with Deloitte and Touche in a number of different countries. After a number of years in the audit department, on relocating to Guernsey in 1999 she transferred into their fiduciary and fund management business and, after completing a management buyout and subsequently selling to Barclays Wealth in 2007, she ultimately retired from her role there as Global Head of Wealth Structuring in 2011. Ms Parr holds a number of Non-Executive Directorships across the financial services sector including in other listed funds. Ms Parr is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Society of Trust and Estate Practitioners, and is a resident of Guernsey.

**Ashley Paxton**

Mr Paxton was appointed to the Board in August 2020. He has more than 25 years of funds and financial services industry experience, with a demonstrable track record in advising closed-ended London listed boards and their audit committees on IPOs, capital market transactions, audit and other corporate governance matters. He was previously C.I. Head of Advisory for KPMG in the Channel Islands, a position he held from 2008 through to his retirement from the firm in 2019. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a resident of Guernsey. Amongst other appointments he is Chairman of the Youth Commission for Guernsey & Alderney, a locally based charity whose vision is that all children and young people in the Guernsey Bailiwick are ambitious to reach their full potential.

[1]Chairman of the nominations committee of which all Directors are members.

[2]Chair of the audit committee of which all Directors are members.

# Report of the Directors

The Directors present their annual report together with the audited financial statements of JZ Capital Partners ("JZCP" or the "Company") for the year ended 29 February 2024.

**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 and is subject to the Companies (Guernsey) Law, 2008. The Company's Capital consists of Ordinary shares which are traded on the London Stock Exchange's Specialist Fund Segment.

The Company repaid its Senior Credit Facility in December 2023. The Company no longer has any debt.

The Company's shareholders agreed changes to the Company's investment policy on 12 August 2020. In line with the new investment policy, the Company will make no further investments except in respect of which it has existing obligations or to the extent that investment is required to support existing investments. The intention being to realise the maximum value of its investments and, after repayment of all debt, to return capital to shareholders. Now the Company has repaid all of its debt and has announced plans to make an initial return of capital it still remains committed to its investment strategy of realising the maximum value of its investments. The Company will continue to assess its ability to make further returns of capital to Shareholders and will seek to do so as and when it has sufficient cash reserves that are not otherwise required to support its existing investments to maximise value and/or to meet its existing obligations such as operational expenses.

The Company's Investment Policy had been to target predominantly private investments, seeking to back exceptional management teams to deliver on attractive investment propositions.

The Company focused on investing in the following areas, and is now focused on supporting these investments:
(i) small or micro-cap buyouts in the form of debt and equity and preferred stock in both the US and Europe; and
(ii) US real estate.

**Business Review**

The total comprehensive profit attributable to Ordinary shareholders for the year ended 29 February 2024 was $1,611,000 (year ended 28 February 2023: a profit of $2,646,000). The net asset value ("NAV") of the Company at the year end was $316,109,000 (28 February 2023: $314,498,000) equal to $4.08 (28 February 2023: $4.06) per Ordinary share.

A review of the Company's activities and performance is detailed in the Chairman's Statement on page 4 and the Investment Adviser's Report on pages 5 to 8. The valuations of the unlisted investments are detailed on pages 9 to 13.

**Principal Risks and Uncertainties**

The Company's Board believes the principal risks and uncertainties that relate to an investment in JZCP are as follows:

Portfolio Liquidity

The Company invests predominantly in unquoted companies and real estate. Therefore, this potential illiquidity means there can be no assurance investments will be realised at their latest valuation or on the timing of such realisations. The Board considers this illiquidity when planning to meet its future obligations. On a quarterly basis and ad-hoc as required, the Board reviews a working capital model produced by the Investment Adviser which highlights the Company's projected liquidity and financial commitments.

Investment Performance and Impact on NAV

The Company is reliant on the Investment Adviser to support the Company's investment portfolio by executing suitable investment decisions. The Investment Adviser provides the Board with an explanation of all investment decisions and also provides quarterly investment reports and valuation proposals of investee companies. The Board reviews investment performance quarterly and investment decisions are checked to ensure they are consistent with the agreed investment strategy.

Operational and Personnel

Although the Company has no direct employees, the Company considers what dependence there is on key individuals within the Investment Adviser and service providers that are key to the Company meeting its operational and control requirements.

Share Price Trading at Discount to NAV

JZCP's share price is subject to market sentiment and will also reflect any periods of illiquidity when it may be difficult for shareholders to realise shares without having a negative impact on share price.

**Principal Risks and Uncertainties (continued)**

Macroeconomic Risks and Impact on NAV

The Company's performance, and underlying NAV, is influenced by economic factors that affect the demand for products or services supplied by investee companies and the valuation of Real Estate interests held. Economic factors will also influence the Company's ability to invest and realise investments and the level of realised returns. Approximately 20% (28 February 2023: 21%) of the Company's underlying investments are denominated in non-US dollar currencies, primarily the euro and also sterling. Fluctuations to these exchange rates will affect the NAV of the Company.

Uncertainties in today's world that influence economic factors include:

(i) Conflict in the Middle East

The Board does not consider that the Israel-Hamas conflict and heightened-tensions in the Middle East will directly impact its investment portfolio. However, the Board notes further escalations could further increase volatility in energy cost and financial markets.

(ii) War in Ukraine

JZCP's investments are predominantly focused in the U.S. and Western Europe, and as such, the portfolio has no direct exposure to the affected regions. However, certain portfolio companies have exposure to the energy costs fluctuations resulting from the conflict. The Board is not aware that the Company has any Russian investors.

The Board continues to receive reports from the Investment Adviser on the impact of any fluctuations of energy costs on its investment portfolio.

(iii) Climate Change

JZCP does not have a sustainability-driven investment strategy, nor is its intention to do so, but the Board believes that considering the principle of being environmentally responsible is important in realising the maximum value of the Company's investments.

JZCP only invests where it has existing obligations or to continue selectively to support the existing portfolio. JZAI where possible plans to use its influence as an investor to ensure investee businesses and funds have a cautious and responsible approach to environmental management of their business operations. JZCP invests across a wide range of businesses but has limited exposure to those that create high levels of emissions.

The Board considers the impact of climate change on the firm’s business strategy and risk profile and, where appropriate will make timely climate change related disclosures. Regular updates, given by the Investment Adviser on portfolio companies and properties will include potential risk factors pertaining to climate change and how/if these risks are to be mitigated. The Board receives a report from the Investment Adviser categorising the Company's investments according to their level of exposure to climate-related risks. These climate-related risks can be categorised as either physical (impact of extreme weather, rising sea levels) or transitional (impact of the transition to a lower-carbon economy).

The Board also has regard to the impact of the Company’s own operations on the environment and other stakeholders. There are expectations that portfolio companies operate in a manner that contributes to sustainability by considering the social, environmental, and economic impacts of doing business. The Board requests the Investment Adviser Report on any circumstances where expected standards are not met.

The Board has assessed the impact of climate change and has judged that the Company's immediate exposure to the associated risks is low and therefore there is no material impact on the fair value of investments and the financial performance reported in these Annual Financial Statements.

The Board considers the impact of climate change on the firm’s business strategy and risk profile and, where appropriate will make timely climate change related disclosures. Regular updates, given by the Investment Adviser on portfolio companies and properties will include potential risk factors pertaining to climate change and how/if these risks are to be mitigated.

The Board considers the principal risks and uncertainties above are broadly consistent with those reported at the prior year-end, but wishes to note the following:

- The effect of the uncertainty, primarily as a result Ukraine war/Middle-East tensions, on market conditions means that there are challenges to completing corporate transactions within the European micro-cap portfolio and planned realisations may take longer than initially anticipated.

# Report of the Directors (continued)

**Going Concern**

A fundamental principle of the preparation of financial statements in accordance with IFRS is the judgement that an entity will continue in existence as a going concern for a period of at least 12 months from signing of the Annual Report, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

In reaching its conclusion, the Board has considered the risks that could impact the Company's liquidity over the period from 29 May 2024 to 31 May 2025 (the "Going Concern period"). There were no events or conditions identified beyond this period which may cast significant doubt on the company's ability to continue as a going concern.

**Going Concern Assessment**

During the year ended 29 February 2024, the Company repaid its Senior Credit Facility following the successful realisation of Felix Storch and subsequent distribution from the JZHL Secondary Fund. The Company has now repaid all its outstanding debt.

As at 29 May 2024, the Company had liquidity of approximately $107 million consisting of cash and treasuries. The Board takes account of the levels of realisation proceeds historically generated by the Company's micro-cap portfolios, the level of funding obligations the Company could be called on through capital calls on existing investments, as well as the accuracy of previous forecasts to assess the predicted accuracy of forecasts presented. The Company continues to work on the realisation of various investments within a timeframe that will enable the Company to maximise value. Due to the Company's strong liquidity, the timeframe to realise investments is not determined by the need to meet financial obligations and the Company is able to mitigate any downturn in the wider economy which might influence the ability to exit investments.

As at 29 May 2024, the Company's financial obligations included $20.5 million committed to Follow-on Flex Pack (through JZHL Secondary Fund LP), reduced by $12.2 million following an acquisition completed in May 2024. In addition, the Company anticipates it will require the following amounts to support certain other existing assets: approximately $5.3 million for Esperante (following a $7.2 million follow-on investment in March 2024), $15 million for Spruceview and $20 million for JZI Fund III. The expected timeframe for these further investments is over a three-year period.

The Company intends to commence returning capital to Shareholders initially in an amount of approximately $40 million, which it expects will take place by the end of July 2024. Potential further returns of capital in the longer term will be subject always to retaining sufficient funds to support certain existing investments to maximise their value and/or to meet its existing obligations such as operational expenses.

**Going Concern Conclusion**

After careful consideration and based on the assessment outlined above, the Board is satisfied, as at the date of the signing of the Annual Report and Financial Statements, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period from 29 May 2024 to 31 May 2025.

**Viability Statement**

In accordance with the UK Corporate Governance Code (the "UK Code"), the Board has assessed the expectations that the Company will be able to continue in operation and meet ongoing financial obligations. In order to make the assessment and as noted above, the Board has carried out a robust review of the principal risks and uncertainties, to which the Company is exposed and that potentially threaten future performance and liquidity. It has assessed the Company's current position and prospects as detailed in the Chairman's Statement and Investment Adviser's Report. The period covered by the viability statement is the next three financial years to 28 February 2027.

The Board has continued to use the period of three years that has been used historically to assess viability. This period is considered appropriate as the actions will be directed at achieving liquidity from sales of investments at a level that will reasonably ensure the longer-term viability of the operations of the Company. It is also considered the three-year period is consistent with the Company's investment policy to make no further investments except in respect of which it has existing obligations and to continue selectively to support the existing portfolio. The Board will continue to review the period of assessment on an annual basis and may in future adjust if considered appropriate.

**Viability Statement (continued)**

In reaching its conclusion on the Company's viability, the Directors have considered the following:

(i) Stability in Company's Balance Sheet

The Company has stabilised the Company's balance sheet, having focused on repaying debt. Investment is being curtailed to commitments and what is necessary to maximise the value of the existing portfolio.

Since the Company adopted the new investment policy in August 2020, the Company has repaid all of its outstanding debt which then consisted of Zero Dividend Preference shares (£57.6 million), Convertible Unsecured Loan Stock (£38.9 million) and Senior Credit Facility (approximately $150 million).

The Company is now in a position to meet its financial obligations in both the near and medium term as it looks to maximise and realise the value of remaining investments.

(ii) Financing obligations
Commitments
As at 29 February 2024, JZCP had financial commitments of $5.7 million (28 February 2023: $7.1 million) outstanding in relation to fund investments.

Follow-on investments
The Company's financial obligations included $20.5 million committed to Follow-on Flex Pack (through JZHL Secondary Fund LP) reduced by $12.8 million being the capital called in May 2024. In addition, the Company anticipates it will require approximately $47.5 million, over the viability period, to further support certain other existing assets.

(iii) Investment performance and portfolio liquidity
The Board reviews, on a quarterly basis, the valuation and prospects of all underlying investee companies. The Board is generally satisfied with the performance of the micro-cap portfolios and believe the historic realisation of investments at or above NAV provide support to the level of the current valuations and the Company will continue to explore suitable realisation opportunities. Over the three-year period ended 29 February 2024, the Company has realised approximately $329.6 million from its investment portfolio.

(iv) Return of capital to shareholders
Returns of capital will be subject always to retaining sufficient funds to support certain existing investments to maximise their value and/or to meet its existing obligations such as operational expenses.

(v) Mitigation of other risks as outlined in the Principal Risks and Uncertainties (detailed on pages 15-16).

Viability Conclusion

In concluding on the viability of the Company, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 28 February 2027, being the period of the assessment. The Board considers the going concern assumptions and conclusion set out above to be relevant.

**Ongoing Charges**

Ongoing charges for the years ended 29 February 2024 and 28 February 2023 have been prepared consistently with the methodology used in previous years. The ongoing charges ratio represents annualised recurring operational expenses as a percentage of the average net asset value. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs but are amended if this method is not considered an accurate prediction of future expenses. The Ongoing charges for the year ended 29 February 2024 were 2.24% (28 February 2023: 2.56%).

**Directors**

The Directors listed below, who served on the Board during the year and are all deemed independent and non-executive, 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 14.

David Macfarlane (Chairman)
James Jordan
Sharon Parr
Ashley Paxton

# Report of the Directors (continued)

**Dividends**

No dividends were paid or proposed for the years ended 29 February 2024 and 28 February 2023.

Post year-end, the Company announced its intention to obtain shareholder approval to commence returning capital to Shareholders via a redemption of its Ordinary shares. Subject to such approval, the first amount of approximately $40 million will be returned to Shareholders, which it expects will take place by the end of July 2024.

**Annual General Meeting**

The Company's Annual General Meeting is due to be held on 3 July 2024.

**Substantial Shareholders**

As at 29 May 2024, the Company has been notified in accordance with the Disclosure Guidance and Transparency Rules of the following interests of 5% or more of the total Ordinary share capital of the Company. The number and percentage of Ordinary shares relate to the number informed by shareholders on the relevant notification rather than the current share register. The number and percentage of Ordinary shares set out below for each substantial shareholder will therefore not take account of any Ordinary shares bought or sold by them or the effect of any share buy backs undertaken by the Company on their shareholdings, in each case, not so notified as required by, or in accordance with, the Disclosure Guidance and Transparency Rules. For the avoidance of doubt, the number and percentage of Ordinary shares set out below should not therefore be used for the purposes determining if the Company is or is to become a controlled foreign corporation within the meaning of The United States Internal Revenue Code of 1986, as amended (further information on the Company's controlled foreign corporation status can be found at pages 78 and 79 under the section Useful Information for Shareholders). Shareholders and prospective shareholders must consult their own tax advisers concerning US tax laws.

| | Ordinary shares | % of Ordinary shares |
|---|---|---|
| Edgewater Growth Capital Partners L.P. | 18,335,944 | 23.7% |
| David W. Zalaznick | 10,550,294 | 13.6% |
| John W. Jordan II & Affiliates | 10,550,294 | 13.6% |
| Jefferies Financial Group | 8,021,552 | 10.4% |
| Arnhold, LLC | 4,573,007 | 5.9% |
| Almitas Capital LLC | 4,504,586 | 5.8% |
| Finepoint Capital L.P. | 4,413,067 | 5.7% |
| Weiss Asset Management L.P. | 4,006,479 | 5.2% |

The percentage of Ordinary shares shown above represents the ownership of voting rights at the date of this report, 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 5% of shares in issue and any subsequent change when the shareholding increases or decreases by a further 5% (up to 30% of shares in issue i.e. 10%, 15%, 20%, 25% and 30%) and thereafter 50% and 75%.

**Purchase of Company's Ordinary Shares**

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

| | Number of Ordinary shares at 1 March 2023 | Purchased in year | Sold in year | Number of Ordinary shares at 29 February 2024 |
|---|---|---|---|---|
| David Macfarlane | 71,550 | - | - | 71,550 |
| James Jordan | 39,124 | - | - | 39,124 |
| Sharon Parr | 10,000 | - | - | 10,000 |
| Ashley Paxton | 12,250 | 12,250 | - | 24,500 |
| | 132,924 | 12,250 | - | 145,174 |

There have been no changes in the Directors' interests of Ordinary shares between 29 February 2024 and the date of this report. Details of the Ordinary shares can be found in Note 19 on page 63.

**Engaging with Stakeholders**

In line with best practice, the Board is required to ensure effective engagement with, and participation from, its shareholders and stakeholders. The Board should also understand the views of the Company's key stakeholders and describe in the Annual Report how their interests and the matters set out in Section 172 of the Companies Act 2006 have been considered in Board discussions and decision-making.

# Report of the Directors (continued)

**Engaging with Stakeholders (continued)**

The Board identifies its key stakeholders as the following:

- Shareholders and prospective investors; and
- JZAI, the Investment Adviser of its portfolio investments and other service providers.

The Company has no employees.

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the 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 Board considers 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. The Board encourages shareholders to attend the Annual General Meeting where Directors will be present and available to engage with shareholders.

The Board believes 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 provides an Interim Report and Accounts in accordance with IAS 34 and will aim to issue monthly NAV announcements within 21 days of the month end, these announcements will be posted on JZCP's website at the same time, or soon thereafter. A monthly factsheet is also posted on the Company's website.

*Engaging with Service Providers*

The Board is in regular communication with the Investment Adviser to discuss the Company’s strategy as well as being kept up to date with portfolio matters.

A Management Engagement Committee was established in 2018, to review the performance and contractual arrangements of the Company’s service providers. The Board looks to engage with service providers and encourage communication of any concerns of matters arising and deal with them appropriately.

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable laws and regulations. Guernsey Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year.

In preparing Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- confirm that there is no relevant audit information of which the Company’s Auditor is unaware; and
- confirm that they have taken all reasonable steps which they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company’s Auditor is aware of that information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008 and International Financial Reporting Standards as adopted by the European Union (“IFRS”). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

# Report of the Directors (continued)

**Responsibility Statement of the Directors in respect of the Financial Statements**

The Directors confirm that to the best of their knowledge:

- the Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities and financial position, and profit or loss of the Company;
- the Annual Report includes a fair review of the development and performance of the business and position of the Company together with the description of the principal risks and uncertainties that the Company faces, as required by the Disclosure Guidance and Transparency Rules of the UK Listing Authority; and
- the Directors confirm that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance and strategy.

**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.

Approved by the Board of Directors and signed on behalf of the Board on 29 May 2024.

***David Macfarlane***
**Chairman**

***Sharon Parr***
**Director**

# Corporate Governance

**Introduction**

As a Guernsey incorporated company with a UK listing, JZCP's governance policies and procedures are based on the principles of the UK Corporate Governance Code (the "UK Code") as required under the Disclosure Guidance and Transparency Rules. The UK Code is available on the Financial Reporting Council's website, www.frc.org.uk. The Company is subject to the Guernsey Financial Services Commission ("GFSC")'s Code, which applies to all companies registered as collective investment schemes in Guernsey. The GFSC has also confirmed that companies that report against the UK Code are deemed to meet the GFSC Code.

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

- the tenure of the Chairman (see page 23).

- the Chairman serving as a member of the Audit Committee.

The Board considers the following UK Code 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 role of the chief executive;
- executive directors remuneration; and
- appointment of a senior independent director.

There have been no other instances of non-compliance, other than those noted above.

**Guernsey Code of Corporate Governance**

The GFSC's "Finance Sector Code of Corporate Governance" (the "Guernsey Code") came into effect on 1 January 2012 and was subsequently amended on 18 February 2016. The introduction to the Guernsey Code states that companies which 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 four 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 14 and their interests in the shares of JZCP are shown in the Report of the Directors on page 19. The Directors' biographies highlight their wide range of relevant financial and sector experience.

**Directors' Independence**

The Board continually considers the independence of the Directors, including in light of the circumstances which are set out in the UK Code as likely to impair a director's independence.

There are no circumstances that exist, including those under the UK Code, which the Board considers likely to impair the independence of any of the Directors.

Two Board members (David Macfarlane and James Jordan) have, however, served on the Board for a period of longer than nine years which is one of those circumstances set out in the UK Code. The conclusion the Board has reached is that despite having served on the Board for more than nine years, this has not impacted the independence of such Directors. However, the Board will continue to assess on an annual basis how length of service could impair judgement and decision making both on the basis of an individual Director and the Board as a whole.

Previously, each Director having served longer than nine years was subject to annual re-election and each Director having served less than nine years was subject to re-election at the third annual general meeting after appointment or (as the case may be) the general meeting at which he or she was last appointed. In line with best practice, all Directors are now subject to annual re-election.

Further details on the Board's processes and criteria for the appointment of directors can be found under the section of this Annual Report detailing the work of the Nomination Committee (page 24).

**Succession Planning**

The Board acknowledges that the Board and its Committees should have a combination of skills, experience and knowledge and that membership should be regularly refreshed. The Board annually evaluates its composition, diversity and how effectively each member contributes and how they work together to achieve objectives. Further details on the evaluation of the Board and its Committees can be found below in this section of the Annual Report.

**Chairman Tenure**

The UK Code states the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. However, to facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time.

The Board's policy on the Chairman's tenure is that continuity and experience are considered to add significantly to the strength of the Board and as such these attributes need to be weighed against any advantages that a new appointment may bring. Therefore, no limit on the overall length of service of the Chairman is imposed.

The Chairman has served on the Board since the Company's inception (April 2008) and the Board therefore acknowledges that succession to the role needs to be anticipated in line with effective succession planning. A substantial refreshment of the board was planned to take place in 2021, including the appointment of a new Chairman. However, in the light of the events which saw a material decline in the Company's Net Asset Value, it was decided the Chairman would continue to oversee the implementation of the investment policy introduced in 2020. The Chairman will therefore continue to seek re-election to the Board annually.

**Proceedings of the Board**

The Board has 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, gearing strategy and performance of the Company and the performance of the Company's functionaries, and monitoring compliance with the Company's objectives.

In usual circumstances, the Directors visit the Investment Adviser at least annually for a comprehensive review of the portfolio, its valuation methodology and general strategy. The Directors deem it appropriate to review the valuations of the investment portfolio on a quarterly basis. The schedule of Board and Committee meetings is shown on page 25.

*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 performance, expertise and ability in effectively assisting the management of portfolio companies.

*Supply of information*

The Chairman ensures that all Directors are properly briefed on issues arising at, and when necessary in advance of, 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 the Directors are offered the opportunity to attend courses or seminars on such changes, or other relevant matters. An induction programme is available for any new Director appointments. The induction programme offers training about the Company, its managers, their legal responsibilities and investment company industry matters.

*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 third-party service providers. Currently there is no appointment of a Senior Independent Director.

*Board diversity*

The Board has also given careful consideration to the recommendations of the Davies Review and the findings of the Hampton-Alexander Review on the evolving gender diversity debate. The Board continues to review its composition in terms of diversity, appropriate range of skills and experience and the Board is committed to ensuring that diversity of thought is considered when appointments to the Board are under consideration – as indeed has always been its practice.

**Proceedings of the Board (continued)**

*Board diversity (continued)*

Listing rules require the Board to record that the following requirements have not been met throughout the year: (i) at least 40% of the individuals on its board of directors are women; and (ii) at least one individual on its board of directors is from a minority ethnic background. The Board considers its current composition appropriate as it implements its investment policy and does not envisage any changes in the near-term. The position of Chair of the Audit Committee is held by Sharon Parr.

*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 Chairman reviewing each member's performance, contribution and their 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. Currently, no third-party evaluation of the Directors effectiveness is undertaken. 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.

**Board Committees**

In accordance with the UK 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 of the Chairmen of the Committees referred to below is reviewed on an annual basis. The Board, consisting of all non-executive Directors, 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 Nomination Committee leads the process for all Board appointments, oversees the development of and reports on, amongst other things, its approach to a diverse pipeline for succession.

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.

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 use external consultants as well as using their own contacts 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 Sharon Parr and all other Directors are members. Contrary to the recommendations of the UK Code, the Board considers it is appropriate for the Company's Chairman to serve as a member of the Audit Committee due to his considered independence and the skills/experience contributed. Members of the Committee are independent of the Company's external auditors and the Investment Adviser. All members have the necessary financial and sector experience to contribute effectively to the Committee. 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.

Post year end, the Audit Committee has re-considered whether the Company is able to continue as a going concern for the period ending 31 May 2025 and whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so. Also, the Audit Committee, has considered the Company's current position and principal risks, and assessed the prospects of the Company, over the viability period of three years to 28 February 2027.

**Board Committees (continued)**

*Audit Committee (continued)*

The activities and responsibilities of the Audit Committee are further described on pages 28-30 of the Audit Committee Report and the recommendations to the Board made by the Audit Committee, regarding the going concern and viability of the Company are detailed in the Report of the Directors (pages 15-21).

*Management Engagement Committee*

The Management Engagement Committee is chaired by David Macfarlane and comprises the entire Board. Responsibilities include reviewing the performance and contractual arrangements of the Company’s service providers.

*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 UK Code. The process for agreeing the non-executive Directors' fees is set out in the Directors' Remuneration Report on page 27.

*Disclosure Committee*

The Disclosure Committee is constituted of two Directors and two representatives of the Investment Adviser to monitor and review the Company’s obligation to inform the market in compliance with the Market Abuse Regulations in respect of matters and events affecting the Company.

*Board and Committee meeting attendance*

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

| | Number of meetings | | | | |
|---|---|---|---|---|---|
| | Board Main | AGM | Ad Hoc Meetings | Audit Committee | Management Engagement Committee |
| **Total number of meetings** | **6** | **1** | **2** | **5** | **1** |
| David Macfarlane | 5 | 1 | 2 | 4 | 0 |
| James Jordan | 6 | 1 | 2 | 5 | 1 |
| Sharon Parr | 6 | 1 | 2 | 5 | 1 |
| Ashley Paxton | 6 | 1 | 2 | 5 | 1 |

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**

The Board is ultimately responsible for establishing and maintaining the Company’s system of internal financial and operating control and for maintaining and reviewing its effectiveness on an annual basis. The Company's risk matrix continues to be the core element of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Board which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements and is reviewed by the Board and is in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Board has evaluated the systems of internal controls of the Company. In particular, it has prepared a process for identifying and evaluating the principal risks affecting the Company and the policies by which these risks are managed.

# Corporate Governance (continued)

**Internal Controls (continued)**

The Board has delegated the day-to-day responsibilities for the management of the Company's investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Company and providers of these services.

Even though the Board has delegated responsibility, it retains accountability for these functions and is responsible for the systems of internal control. At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary and Investment Adviser. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its quarterly meetings and annually by the Board.

The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

**Whistle Blowing Policy**

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 which should be brought to the attention of the Board.

**UK Criminal Finances Act 2017**

In respect of the UK Criminal Finances Act 2017 which has introduced a new Corporate Criminal Offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

The Board also keeps under review developments involving other social and environmental issues, such as Modern Slavery and General Data Protection Regulation, and will report on those to the extent they are considered relevant to the Company's operations.

**International Tax Reporting**

For purposes of the US Foreign Account Tax Compliance Act ("FATCA"), the Company registered with the US Internal Revenue Services ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number CAVBUD.999999.SL.831, and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted by Guernsey and which came into effect on 1 January 2016. The CRS replaced the intergovernmental agreement between the UK and Guernsey to improve international tax compliance that had previously applied.

The Board will take necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

# Directors' Remuneration Report

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 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.

The Company's Articles state that Directors' remuneration payable in any accounting year shall not exceed in the aggregate an annual sum of $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 29 February 2024 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 Services to the Company as Non-Executive Directors**

| | Year Ended 29 February 2024 US$ | Year Ended 28 February 2023 US$ |
|---|---|---|
| David Macfarlane (Chairman) | 120,000 | 120,000 |
| James Jordan | 50,000 | 50,000 |
| Sharon Parr | 70,000 | 70,000 |
| Ashley Paxton | 50,000 | 50,000 |
| | 290,000 | 290,000 |

Fees payable to the Chairman and Directors are $120,000 per annum and $50,000 per annum respectively. The Chair of the Audit Committee will receive an additional amount of $20,000 per annum.

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

**Directors' Term of Appointment**

In line with the UK Code of Corporate Governance, all Directors seeking re-election to the Board will do so on an annual basis regardless of their tenure not yet exceeding nine years.

The Directors were appointed as non-executive Directors by letters issued in April 2008, June 2018 and August 2020 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 29 May 2024 by:

***David Macfarlane***
**Chairman**

***Sharon Parr***
**Director**

# Audit Committee Report

Dear Shareholder,

On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities during the year ended 29 February 2024. 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.

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;
- advise the Board that the annual report and accounts, taken as a whole, is fair, balanced and understandable;
- review and consider the Company's Principal risks and uncertainties;
- consider the long-term viability of the Company;
- review the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption; and
- monitor and review the internal control and risk management systems of the service providers.

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 year:

***Financial Reporting:***

The Audit Committee's review of the Annual Financial Statements focused on the following significant areas:

- Assessment of Going Concern and Viability

  The Audit Committee has considered the ability of the Company to continue as a going concern over the period ending 31 May 2025. After careful consideration the Committee have recommended to the Board that it is satisfied that it is appropriate to adopt the going concern basis in preparing these Financial Statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period. The reasons for reaching this judgement are detailed in the Report of the Directors on pages 15-21.

  For the viability assessment, the Audit Committee has assessed the expectations that the Company will be able to continue in operation and meet ongoing financial obligations over the period ending 28 February 2027. In making its recommendation to the Board the Committee has carried out a robust review of the Company's principal risks and uncertainties to which the Company is exposed and that potentially threaten future performance and liquidity and has assessed the Company's current position and prospects as detailed in the Chairman's Statement and Investment Adviser's Report. The key factors considered by the Committee are detailed in the Report of the Directors on pages 15-21.

  The Committee has concluded it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment ending 28 February 2027. The committee consider the going concern assumptions and conclusion set out above to be relevant.

  The Audit Committee was also satisfied that the disclosures in the basis of preparation note and the viability statement, relating to the going concern assessment of the Company, were appropriately clear and transparent.

# Audit Committee Report (continued)

**Key Activities of the Audit Committee** (continued)

***Financial Reporting (continued):***

- Valuation of Unquoted Investment Fair Values including the impact on management fees

  The fair value of the Company's unquoted securities at 29 February 2024, which are valued using techniques detailed in Note 5 of the Financial Statements, was $189,458,000 accounting for 63.3% of the Company's investment portfolio. The Committee has concentrated on ensuring the Investment Adviser has applied appropriate valuation methodologies to these investments in producing the net asset value of the Company.

  Members of the Audit Committee discuss the valuation process with the Investment Adviser on a quarterly basis. The Audit Committee gains comfort in the valuations produced by reviewing the methodologies used and challenging the recommendations of the Investment Adviser. The Audit Committee are thus satisfied that the valuation techniques are appropriate and represent fair value.

  The valuation of the unquoted investments is the key driver of the Company's gross asset value and the basis of the management fees payable to the Investment Adviser and therefore the management fees payable could potentially be misstated if there were to be an error in the calculation of the gross assets. The Audit Committee is satisfied that there is a robust procedure around the production and authorisation of the Company's NAV calculations and therefore management fees have been correctly calculated as stated in the Annual Report and Financial Statements.

- Review of European Micro-cap Portfolio

  During the year, the Audit Chair performed a review of the valuation processes relating to the European micro-cap portfolio. It was concluded that the methodologies, processes and controls around collating, assimilating and processing the relevant financial information were robust. The European micro-cap accounts for 32% of the Company's valuation of unlisted investments.

***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. New risks are added to the matrix when deemed appropriate.

***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 of any instances of fraud, bribery or corruption.

In a press release dated 21 March 2022, the Company announced that it had come to the Board's attention that allegations of fraudulent conduct had been made against two individuals who were members of the management team that manages JZCP's investments in European micro-cap companies. A claim was made in respect thereof in the New York State Supreme Court (the "New York Action"). The claimants were a fund in which JZCP has only an approximate 1% interest (carried at approximately $0.375 million) as well as a fund in which JZCP has no interest. Following the announcement, the Company undertook a subsequent review and concluded the alleged fraudulent conduct did not impact the Company's investments held through JZI Fund III.

In April 2023, a subsidiary of the fund in which JZCP has an approximate 1% interest, commenced an action against the same two individuals (and certain of their associates) in Spain based, in part, on the allegations in the New York Action (the "Spanish Action"). The Spanish Action was admitted by a Spanish court for further investigation, and as a result, in May 2023, the New York Action was discontinued (finalized as of June 2023). The Spanish Action is ongoing as of this date.

In a press release dated 3 January 2023, the Company announced that it had come to the Board's attention that two separate claims alleging criminal complaints had been filed on behalf of certain private entities in the Spanish courts against a number of entities, including the Company, the Company's Investment Adviser and a number of their respective related entities. Subsequently, the company has been able to confirm that (i) the investigation was never formally opened against the Company, which remained outside the perimeter of the procedure by decision of the Judge since its very beginning, and (ii) in any case, said procedure was provisionally closed by the Judge in charge of the investigation upon not finding through the initial evidence taken any indication of a crime.

**The External Auditor**

Ernst & Young LLP have acted as external auditor since the Company's inception in April 2008. This is the first year for Dan Saunders, of an anticipated five-year tenure, as audit partner. A full tender process was undertaken during December 2018 and January 2019 resulting in Ernst & Young LLP being reappointed.

# Audit Committee Report (continued)

**The External Auditor (continued)**

***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.

In line with the historic policies, the Audit Committee does not consider that the provision of non-audit services, to have been a threat to the objectivity and independence of the external auditor. However, following the introduction of the UK FRC Revised Ethical Standard (effective on 15 March 2020), the Audit Committee has introduced a general prohibition on the external auditor providing non-audit services to the Company. This general prohibition will not extend to an interim review report providing the fee for such interim review is subject to a 70% fee cap when compared to the audit fee.

The following table summarises the remuneration paid and payable by the Company to Ernst & Young LLP and to other Ernst & Young LLP member firms for audit and other services during the years ended 29 February 2024 and 28 February 2023.

| | Year ended 29.2.2024 | $ Equivalent Year ended 29.2.2024 | Year ended 28.2.2023 | $ Equivalent Year ended 28.2.2023 |
|---|---|---|---|---|
| *Ernst & Young LLP* | | | | |
| - Annual audit | £226,670 | $287,000 | £222,000 | $268,000 |
| - Auditor's interim review | £60,000 | $76,000 | £55,000 | $68,000 |

***Performance and effectiveness:***

During the year, 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 audit risks had been sufficiently identified and were sufficiently addressed. 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.

**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 25-26.

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 also recommended to the Board that the Annual Report and Accounts should be considered fair, balanced and understandable.

***Sharon Parr***
**Chair, Audit Committee**
**29 May 2024**

# Independent Auditor's Report

**To The Members of JZ Capital Partners Limited**

**Opinion**

We have audited the financial statements of JZ Capital Partners Limited (the "Company") for the year ended 29 February 2024 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 32, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS").

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 February 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner directed and supervised the audit procedures on going concern;
- In conjunction with our walkthrough of the Company's financial statement close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure appropriate factors were considered in their assessment;
- We obtained management's going concern assessment, including cash flow forecasts prepared by the Investment Adviser, Jordan/Zalaznick Advisers, Inc ("JZAI") for the going concern period to 31 May 2025, which is a period of at least twelve months from the date of approval of the financial statements;
- We evaluated the assumptions made in the cashflow forecast and tested its arithmetical accuracy;
- We sighted the repayment of the senior credit facility and validated this to the appropriate documentation to ensure that no amounts remained outstanding and confirmed no outstanding amounts at year end, therefore no impact on the Company's going concern assessment;
- We challenged the appropriateness of management's forecasts by assessing historical forecasting accuracy, challenging management's consideration of downside sensitivity analysis and applied further stress testing to understand the sensitivity of the assessment to the timing and quantum of asset realisations;
- We challenged the appropriateness of the going concern period, including assessing whether there were events or conditions beyond 31 May 2025 which may warrant extending the going concern period;
- We assessed whether the available liquidity was sufficient to cover unfunded commitments made to underlying investments and other ongoing commitments including Investment Adviser and other expenses;
- We held discussions with the Investment Adviser and the Audit Committee in relation to the status of the asset realisations; and
- We assessed the appropriateness of the disclosures in the Annual Report and Financial Statements relating to going concern.

**Going Concern (continued)**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 May 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

**Overview of our audit approach**

| | |
|---|---|
| Key audit matters | • Misstatement in the valuation of unquoted investments: The risk that the fair value of investments might be misstated due to application of inappropriate methodologies or inputs to the valuations and/or inappropriate judgemental factors (including the risk of management override) and the possible impact on management fees. |
| Materiality | • Overall materiality of $3.13m (2023: $3.16m) which represents 1% of net assets. |

**An overview of the scope of our audit**

**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, changes in the business environment and the potential impact of climate change when assessing the level of work to be performed.

All audit work was performed directly by the audit engagement team. The audit was led from Guernsey. In addition, we engaged our Strategy and Transactions (SaT) and Valuation, Modelling and Economics ("VME") industry valuation specialists from different EY offices, who assisted us in auditing the valuation of the real estate investments and the unquoted private equity investments. The scope of their work was consistent with the prior year.

**Climate change**

The Company has explained its climate related risks in the 'Principal Risks and Uncertainties' section of the Report of the Directors which forms part of the 'Other information' rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether these disclosures are materially inconsistent with the Company's financial statements, or our knowledge obtained during the course of the audit, or otherwise appear to be materially misstated, in line with our responsibilities on 'Other information'.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating the adequacy of the Company's disclosures in the financial statements as set out in note 2 and 3. Based on our work, we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

# Independent Auditor's Report (continued)

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Misstatement in the valuation of unquoted investments (2024: $190 million; 2023: $253 million)**<br><br>Refer to the Audit Committee Report (page 28-30); Accounting policies (page 46-49); and Note 5 of the Financial Statements (page 53-56)<br><br>63% (2023: 76%) of the carrying value of investments relates to the Company’s holdings in unquoted investments, which are valued using different valuation techniques, as described in Note 5 to the financial statements.<br><br>The valuation of the unquoted investments is the key driver of the Company’s net asset value and total return. Incorrect valuation could have a significant impact on the net asset value of the Company and therefore the return generated for shareholders.<br><br>The valuation is subjective, with a high level of judgement and estimation linked to the determination of the values with limited market information available, as a result of the low level of liquidity in the private equity and real estate markets at the year-end.<br><br>The Investment Advisory fees are calculated based on NAV, which is driven by investment valuation and is therefore related to this key audit matter.<br><br>As a result, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model/calculation being selected including the possible impact on the management fees. | Our audit procedures consisted of:<br><br>Private Equity Investments<br><br>• Confirmed our understanding of the Company's valuation processes, inputs and methodologies and evaluating the effectiveness of relevant controls that addressed the risk of material misstatements due to fraud or error;<br><br>• Attending fair value discussions in relation to 29 February 2024 valuations. These included the Investment Adviser, EY core audit team and EY valuation specialists;<br><br>• Obtained and inspected the valuation decks and supporting data obtained from the Investment Adviser, to assess whether the data used is appropriate and relevant, and discussed these with the Investment Adviser to evaluate whether the fair value of the Company’s investments are reasonably stated, challenging the assumptions made by the Investment Adviser and Board of Directors of the Company.<br><br>• For a judgemental sample of significant investments selected based on their size/value and complexity,we engaged our EY valuation specialists to:<br>o Assess the Investment Adviser’s and the Company’s specialist’s market estimates and valuation inputs (in relation to financial metrics, discount/premium rate and EBITDA multiples) by reference to comparable transactions, and independently compiled databases/indices;<br>o Assist us to determine whether the methodologies used to value the investments assets were consistent with methods usually used by market participants; | We have no matters to report to the Audit Committee in this regard. |

# Independent Auditor's Report (continued)

**Key audit matters** (continued)

| **Risk** | **Our response to the risk** | **Key observations communicated to the Audit Committee** |
|---|---|---|
| **Misstatement in the valuation of unquoted investments (2024: $190 million; 2023: $253 million) (continued)** | o Challenge management on the appropriateness of their chosen comparable public companies used to compute multiples as well as corroborating those multiples with independent data;<br>o Identifying the significant unobservable inputs to valuations and reviewing and assessing the reasonableness of the sensitivity workings and disclosures, comparing the Investment Adviser's position with EY's independently derived reasonable range of values;<br>• Vouched valuation inputs that do not require specialist knowledge to independent sources and tested the arithmetical accuracy of the Company's calculations;<br>• Agreed the valuation per the financial statements to the models per the valuation decks prepared by JZAI, and agreed the proposed values per the valuation decks to the investment portfolio report prepared by the Administrator;<br>• Reviewed the waterfall calculations through the SPV structures to the Company and reviewing the inputs to, and arithmetic accuracy of, the waterfall calculations;<br>• Performed back testing on the Level 3 investment sensitivity disclosures to understand the drivers of movements in fair value and to compare realisation proceeds during the period to the previously reported fair values for those disposed assets; and<br>• Reported to the Audit Committee on the calibration ofinvestment valuations against EY's ranges and commenting on any specific movements of valuation marks in those ranges vs prior periods. | |

# Independent Auditor's Report (continued)

**Key audit matters** (continued)

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Misstatement in the valuation of unquoted investments (2024: $190 million; 2023: $253 million) (continued)** | Real Estate Investments<br>● Obtained and inspected the independent appraisals and supporting data obtained from the Investment Adviser, to assess whether the data used is appropriate and relevant, and discussed these with the Investment Adviser to evaluate whether the fair value of the Company's real estate investments are reasonably stated, challenging the assumptions made by the Investment Adviser and Board of Directors of the Company;<br>● We engaged with EY Real Estate specialists to peform the below procedures:<br>o Assess and corroborate the JZAI's and the company's specialist's market related judgments and valuation inputs in relation to real estate asset discount rates, rental per square foot, selling price per square foot by reference to comparable transactions, and independently compiled databases/indices;<br>o Assess whether the methodologies used to value real estate assets were consistent with methods usually used by market participants; and<br>o Assist in determining whether the Company's specialist, for the real estate assets, was appropriately qualified and independent.<br>● Agreed the valuation per the financial statements back to the models per the independent appraisal reports, prepared by the Company's specialist;<br>Other Procedures<br>● Performed management fee calculations, to check arithmetical accuracy and validate consistency with the terms of the investment advisory agreement.<br>● To address the risk of management override of controls, we reviewed period end and post-closing journal entries to the general ledger to understand the nature of those transactions and determine whether they are appropriate and consistent with accounting for investments held at fair value. | |

In the prior year, our auditor's report included a key audit matter in relation to impairment of direct loans held at amortised cost. In the current year, loans held at amortised cost is nil due to the repayment of the loan during the year.

# Independent Auditor's Report (continued)

**Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Company to be $3.13 million (2023: $3.16 million), which is 1% (2023: 1%) of net assets. We believe that net assets is the most appropriate measure of planning materiality given the focus of the investors is on the valuation of the private equity and real estate portfolio.

During the course of our audit, we reassessed initial materiality and noted that the materiality set during planning remained applicable.

**Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely $1.57m (2023: $ 1.58m). We have set performance materiality at this percentage to ensure that the total uncorrected and undetected audit differences in the financial statements did not exceed our materiality level.

**Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.16m (2023: $ 0.16m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**Other information**

The other information comprises the information included in the Annual Report set out on pages 1 to 30 and pages 74 to 79, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

# Independent Auditor's Report (continued)

**Corporate Governance Statement**

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 17;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 17 to 18;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 18;
- Directors' statement on fair, balanced and understandable set out on page 21;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 15 and 16;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 25 to 26; and
- The section describing the work of the audit committee set out on pages 28 to 30.

**Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 20 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and the Investment Adviser. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are The Companies (Guernsey) Law, 2008, as amended, the 2018 UK Corporate Governance Code, the Protection of Investors (Bailiwick of Guernsey) Law, 2020 and the listing requirements of the London Stock Exchange and the Disclosure Guidance and Transparency Rules of the UK Listing Authority;
- We understood how the Company is complying with those frameworks by:
    - o Making enquiries of the Investment Advisor and those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the Financial Statements;
    - o Discussing the processes and procedures used by the Directors, the Investment Adviser, the Company Secretary and Administrator to identify and respond to fraud risks and ensuring compliance with the relevant frameworks;

# Independent Auditor's Report (continued)

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)**

- We understood how the Company is complying with those frameworks by (continued):
  - Understanding the Company's method of enforcing and monitoring non-compliance with such policies and reviewing internal reports that evidenced quarterly compliance testing; and
  - Inspecting any correspondence with regulators.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by:
  - obtaining an understanding of entity-level controls and considering the influence on the control environment;
  - obtaining management's assessment of fraud risks including an understanding of the nature, extent and frequency of such assessment documented in the Board's risk matrix;
  - making inquiries with those charged with governance as to how they exercise oversight of management's processes for identifying and responding to fraud risks and the controls established by management to mitigate specifically those risks the entity has identified, or that otherwise help to prevent, deter and detect fraud;
  - making inquiries with management and those charged with governance regarding how they identify related parties including circumstances related to the existence of a related party with dominant influence; and
  - making inquiries with management and those charged with governance regarding their knowledge of any actual or suspected fraud or allegations of fraudulent financial reporting affecting the Company.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
  - Through discussion, gaining an understanding of how those charged with governance, the Investment Adviser, the Company Secretary and Administrator identify instances of noncompliance by the Company with relevant laws and regulations;
  - Inspecting the relevant policies, processes and procedures to further our understanding;
  - Reviewing Board and Audit Committee minutes and internal compliance reporting;
  - Inspecting correspondence with regulators; and
  - Obtaining relevant written representations from the Board of Directors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Other matters we are required to address**

- Following the recommendation from the Audit Committee, we were appointed by the Company to audit the financial statements for the year ended 28 February 2009 and subsequent financial periods. We signed an engagement letter on 27 November 2008.
- The period of total uninterrupted engagement including previous renewals and reappointments is 16 years, covering the years ended 28 February 2009 to 29 February 2024.
- The audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Section 26 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.

Daniel Saunders
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands

29 May 2024

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT FOR AUDIT CONDUCTED IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES TO THE DIRECTORS OF JZ CAPITAL PARTNERS LIMITED

**Opinion**

We have audited the financial statements of JZ Capital Partners Limited (the "Company"), which comprise the statements of financial position as of 29 February 2024 and 28 February 2023, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 29 February 2024 and 28 February 2023, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

# Independent Auditor's Report (continued)

## INDEPENDENT AUDITOR'S REPORT FOR AUDIT CONDUCTED IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP
Guernsey, Channel Islands

29 May 2024

In order to comply with the U.S. Securities and Exchange Commission's custody rule, an audit opinion was requested, by the Company's Investment Adviser, which satisfies the requirements of auditing standards generally accepted in the United States.

# Statement of Comprehensive Income

## For the Year Ended 29 February 2024

| | Notes | Year Ended 29 February 2024 US$'000 | Year Ended 28 February 2023 US$'000 |
|---|---|---|---|
| **Income and investment and other gains** | | | |
| Net gain on investments at fair value through profit or loss | 6 | 1,325 | - |
| Net loan recovery | 7 | 1,041 | - |
| Investment income | 8 | 12,544 | 12,542 |
| Bank and deposit interest | | 66 | 275 |
| Realisations from investments held in escrow accounts | 28 | 1,288 | 1,189 |
| Net foreign currency exchange gains | 9 | 80 | 9,845 |
| | | *16,344* | *23,851* |
| **Expenses and losses** | | | |
| Net loss on investments at fair value through profit or loss | 6 | - | (2,045) |
| Expected credit losses | 7 | - | (462) |
| Investment Adviser's base fee | 11 | (5,313) | (7,033) |
| Administrative expenses | 11 | (2,126) | (2,583) |
| Directors' remuneration | 11 | (290) | (290) |
| | | (7,729) | (12,413) |
| **Operating profit** | | 8,615 | 11,438 |
| Other income | | - | 398 |
| Finance costs | 10 | (7,004) | (9,030) |
| **Profit before taxation** | | 1,611 | 2,806 |
| Withholding taxes | 12 | - | (160) |
| **Total comprehensive income** | | 1,611 | 2,646 |
| | | | |
| Weighted average number of Ordinary shares in issue during the year | 25 | 77,477,214 | 77,477,214 |
| Basic and diluted earnings per Ordinary share | 25 | 2.08c | 3.42c |

There was no other comprehensive income during the year.

All of the profits presented in this statement are from continuing operations.

The accompanying notes form an integral part of these Financial Statements.

# Statement of Financial Position

As at 29 February 2024

| | Notes | 29 February 2024 US$'000 | 28 February 2023 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| Investments at fair value through profit or loss | 13 | 299,534 | 343,521 |
| Loans at amortised cost | 13 | - | 3,695 |
| Other receivables | 14 | 4,249 | 168 |
| Cash at bank | | 13,368 | 11,059 |
| **Total Assets** | | 317,151 | 358,443 |
| **Liabilities** | | | |
| Investment Adviser's base fee | 11 | 269 | - |
| Other payables | 18 | 773 | 764 |
| Senior Credit Facility | 15 | - | 43,181 |
| **Total Liabilities** | | 1,042 | 43,945 |
| **Equity** | | | |
| Share capital | 19 | 216,650 | 216,650 |
| Other reserve | 21 | 353,528 | 353,528 |
| Retained deficit | 21 | (254,069) | (255,680) |
| **Total Equity** | | 316,109 | 314,498 |
| **Total Liabilities and Equity** | | 317,151 | 358,443 |
| **Number of Ordinary shares in issue at year end** | 19 | 77,477,214 | 77,477,214 |
| **Net Asset Value per Ordinary share** | 27 | $4.08 | $4.06 |

These Audited Financial Statements on pages 41 to 73 were approved by the Board of Directors and authorised for issuance on 29 May 2024. They were signed on its behalf by:

***David Macfarlane***
**Chairman**

***Sharon Parr***
**Director**

The accompanying notes form an integral part of these Financial Statements.

# Statement of Changes in Equity

For the Year Ended 29 February 2024

| | Share Capital US$'000 | Other Reserve US$'000 | Retained Deficit US$'000 | Total US$'000 |
|---|---|---|---|---|
| **Balance as at 1 March 2023** | 216,650 | 353,528 | (255,680) | 314,498 |
| Profit for the year | - | - | 1,611 | 1,611 |
| **Balance at 29 February 2024** | 216,650 | 353,528 | (254,069) | 316,109 |

## Comparative for the Year Ended 28 February 2023

| | Share Capital US$'000 | Other Reserve US$'000 | Retained Deficit US$'000 | Total US$'000 |
|---|---|---|---|---|
| **Balance as at 1 March 2022** | 216,650 | 353,528 | (258,326) | 311,852 |
| Profit for the year | - | - | 2,646 | 2,646 |
| **Balance at 28 February 2023** | 216,650 | 353,528 | (255,680) | 314,498 |

The accompanying notes form an integral part of these Financial Statements.

# Statement of Cash Flows

## For the Year Ended 29 February 2024

| | Notes | 29 February 2024 US$'000 | 28 February 2023 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Cash inflows** | | | |
| Realisation of investments | 13 | 77,099 | 182,540 |
| Maturity of treasuries | 13 | 438,290 | 123,357 |
| Escrow receipts received | 28 | 1,288 | 1,189 |
| Income distributions received from investments | | 225 | 372 |
| Bank interest received | | 66 | 275 |
| **Cash outflows** | | | |
| Direct investments and capital calls | 13 | (3,972) | (10,870) |
| Purchase of treasuries | 13 | (452,923) | (213,164) |
| Investment Adviser's base fee paid | | (4,979) | (7,374) |
| Other operating expenses paid | | (2,549) | (3,187) |
| Net cash inflow from operating activities | | 52,545 | 73,138 |
| **Cash flows from financing activities** | | | |
| Repayment of Senior Credit Facility | 15 | (45,000) | - |
| Repayment of ZDP shares | 16 | - | (64,296) |
| Repayment of Subordinated Notes | 17 | - | (31,500) |
| Finance costs paid: | | | |
| • Senior Credit Facility | 15 | (5,185) | (4,555) |
| • Subordinated Notes | 17 | - | (2,593) |
| Net cash outflow from financing activities | | (50,185) | (102,944) |
| Increase/(decrease) in cash and cash equivalents | | 2,360 | (29,806) |
| **Reconciliation of Net Cash Flow to Movements in Cash and Cash Equivalents** | | | |
| Cash at bank at beginning of year | | 11,059 | 43,656 |
| Increase/(decrease) in cash and cash equivalents | | 2,360 | (29,806) |
| Foreign exchange movements on cash at bank | | (51) | (2,791) |
| Cash at bank at year end | | 13,368 | 11,059 |

The accompanying notes form an integral part of these Financial Statements.

# Index to Notes to the Financial Statements

# Notes to the Financial Statements

1. **General Information**

   JZ Capital Partners Limited ("JZCP" or 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 is classified as an authorised fund under the Protection of Investors (Bailiwick of Guernsey) Law 2020. As at 29 February 2024, the Company's capital consisted of Ordinary shares which are traded on the London Stock Exchange's Specialist Fund Segment ("SFS").

   The Company's current investment policy, adopted in August 2020, is for the Company to make no further investments outside of its existing obligations or to the extent that investment may be made to support selected existing portfolio investments. The intention being to realise the maximum value of the Company’s investments and, after repayment of all debt, to return capital to shareholders. The Company has repaid all of its debt and has announced plans to make an initial return of capital as the Company still remains committed to its investment strategy of realising the maximum value of its investments. The Company will continue to assess its ability to make further returns of capital to Shareholders and will seek to do so as and when it has sufficient cash reserves that are not otherwise required to support its existing investments to maximise value and/or to meet its existing obligations such as operational expenses.

   The Company’s previous investment policy was to target predominantly private investments and back management teams to deliver on attractive investment propositions. In executing this strategy, the Company took a long-term view. The Company looked to invest directly in its target investments and was able to invest globally but with a particular focus on opportunities in the United States and Europe.

   The Company is currently mainly focused on supporting its investments in the following areas:
   (a) small or micro-cap buyouts in the form of debt and equity and preferred stock in both the US and Europe; and
   (b) US real estate.

   The Company has no direct employees. For its services, the Investment Adviser receives a management fee as described in Note 11. The Company has no ownership interest in the Investment Adviser. During the period under review, the Company was administered by Northern Trust International Fund Administration Services (Guernsey) Limited.

2. **Basis of Accounting and Material Accounting Policies**

   **Basis of preparation**

   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") together with applicable legal and regulatory requirements of Guernsey Law, and the SFS.

   The Financial Statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities held at fair value through profit or loss ("FVTPL").

   The Financial Statements are presented in US Dollars and all values are presented to the nearest thousand dollars ($000), except where otherwise indicated. 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 Company presents its Statement of Cash Flows statement on a direct basis.

   The Company's Statement of Financial Position is presented in order of liquidity, which provides information in a format that is deemed relevant to the Company.

   **New and amended standards and interpretations**

   The new standards or amendments to existing standards and interpretations, effective from 1 March 2023, did not have a material impact of the Company’s Financial Statements. The Company has assessed the impact of standards issued but not yet applicable, and has concluded that they will not have a material impact on the Financial Statements.

   **Changes in accounting policy and disclosure**

   The accounting policies adopted in the preparation of these Audited Annual Financial Statements have been consistently applied during the year and are consistent with those of the previous year, unless otherwise stated.

   **Climate change**

   The Board has assessed the impact of climate change and has judged that the Company's immediate exposure to the associated risks are low and therefore there is no material impact on the fair value of investments and the financial performance reported in these Financial Statements.

# Notes to the Financial Statements (continued)

2. **Basis of Accounting and Material Accounting Policies (continued)**

**Material Accounting Policies**

**Financial instruments**

In accordance with IFRS 9 - "Financial Instruments", the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

**Financial assets**

The Company classifies its financial assets as subsequently measured at amortised cost or measured at FVTPL on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

**i) Financial assets measured at amortised cost**

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category loans at amortised cost, short-term non-financing receivables and other receivables.

**ii) Financial assets measured at FVTPL**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ii a) Classification

Financial assets classified at FVTPL 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.

The Company includes in this category:

- Investments in the equity and preferred stock of micro-cap, real estate and other investments;
- Investments in subsidiaries, associates and joint ventures: as the Company is judged to be an investment entity (see Note 3), it measures all such investments at FVTPL.
- Investments in debt instruments which include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

ii b) Measurement

Investments made by the Company are measured initially and subsequently at fair value, with changes in fair value taken to the Statement of Comprehensive Income. Transaction costs are expensed in the year in which they arise for those financial instruments classified at FVTPL.

ii c) Fair value estimate

The fair value of financial assets 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 twelve 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 the International Private Equity and Venture Capital Association ("IPEVCA") valuation guidelines, a marketability discount is applied which reflects the discount that in the opinion of the Directors, market participants would apply in a transaction in the investment in question.

The valuation techniques to derive the fair value of real estate interests and other investments are detailed in Note 5 (pages 53-56).

# Notes to the Financial Statements (continued)

2. **Basis of Accounting and Material Accounting Policies (continued)**

**Material Accounting Policies (continued)**

**iii) Other receivables**

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their carrying value as reduced by appropriate allowances for expected credit losses.

**iv) Cash and cash equivalents**

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

**Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are recorded at the amount of proceeds received, net of issue costs.

Financial liabilities may be designated at fair value through profit or loss rather than stated at amortised cost, when the Board have considered the appropriate accounting treatment for the specific liability. As at 29 February 2024 and 28 February 2023, the Company had no financial liabilities designated as FVTPL.

**Financial liabilities measured at amortised cost**

This category includes all financial liabilities, other than those measured at fair value through profit or loss. During the year, the Company repaid the Senior Credit Facility which was recorded at amortised cost using the effective interest rate method.

Other payables (include the accrual of Investment Adviser's fees) are classified as financial liabilities at amortised cost. Other payables are not interest-bearing and are stated at their nominal value.

**Equity**

Equity is 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. Equity is recorded at the amount of proceeds received, net of issue costs. Ordinary Shares are classified as equity in accordance with IAS 32 – "Financial Instruments: Presentation" as these instruments include no contractual obligation to deliver cash and the redemption mechanism is not mandatory.

**Interest revenue**

Interest revenues are recognised in the Statement of Comprehensive Income for all financial instruments measured at amortised cost using effective interest method.

**Dividend income**

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**

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

**Finance costs**

Finance costs are interest expenses in respect of the Senior Credit Facility and are recognised in the Statement of Comprehensive Income using the effective interest rate method.

# Notes to the Financial Statements (continued)

2. **Basis of Accounting and Material Accounting Policies (continued)**

**Material Accounting Policies (continued)**

**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.

**Taxation**

As at 31 December 2023, the Company had been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended). Regarding the Company's tax-exempt status for 2024, an application has been made and the company is awaiting confirmation. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income.

3. **Estimates and Judgements**

The preparation of the Company's financial statements requires management to make estimates, judgements, and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

**Estimates**

Fair Value of Investments at Fair Value Through Profit or Loss

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, equity-related securities and real estate investments.

In reaching its valuation of the unquoted equities, equity-related securities and real estate investments, the key estimates management has to make are those relating to the multiples, discount factors and real estate valuation factors (Note 5) used in the valuation models.

Expected Credit Losses ("ECL")

Certain financial assets are classified as Loans at Amortised cost, and valued accordingly as disclosed in Note 2. The key source of estimation uncertainty is on the various default scenarios for prescribed future periods and the probability of each scenario occurring which are considered when estimating the ECLs.

**Judgements**

*Assessment as an Investment Entity*

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at FVTPL 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; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

Having considered the Company's investor profile, investment policy and methodology of valuing investments, management have judged the Company meets the criteria 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.

The Board has also concluded that the Company meets the additional characteristics of an investment entity stated under IFRS 10, 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 it has investors that are not related parties of the Company.

# Notes to the Financial Statements (continued)

3. **Estimates and Judgements (continued)**

**Judgements (continued)**

*Investment in Associates*

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. The Directors have determined that although the Company has over 50% economic interest in EuroMicrocap Fund 2010, L.P. and JZI Fund III GP, L.P. (JZCP holds indirectly a 18.75% partnership interest in JZI Fund III, L.P. through its interest in JZI Fund III GP, L.P.), it does not have the power to govern the financial and operating policies of the entities, but does have significant influence over the strategic, operating and financial policies. The Company also has significant influence over the strategic, operating and financial policies of Spruceview Capital Partners, LLC and JZHL Secondary Fund L.P.

As the Company is an investment company, it measures its investments in associates at fair value.

*Climate Change*

The Board has assessed the impact of climate change and has judged that the Company's immediate exposure to the associated risks are low and therefore there is no material impact on the fair value of investments and the financial performance reported in these Financial Statements.

**Going Concern**

A fundamental principle of the preparation of financial statements in accordance with IFRS is the judgement that an entity will continue in existence as a going concern for a period of at least 12 months from signing of the Annual Report, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

In reaching its conclusion, the Board has considered the risks that could impact the Company's liquidity over the period from 29 May 2024 to 31 May 2025 (the "Going Concern Period"). There were no events or conditions identified beyond this period which may cast significant doubt on the company's ability to continue as a going concern.

**Going Concern Assessment**

During the year ended 29 February 2024, the Company repaid its Senior Credit Facility following the successful realisation of Felix Storch and subsequent distribution from the JZHL Secondary Fund. The Company has now repaid all its outstanding debt.

As at 29 May 2024, the Company had liquidity of approximately $107 million consisting of cash and treasuries. The Board takes account of the levels of realisation proceeds historically generated by the Company's micro-cap portfolios, the level of funding obligations the Company could be called on through capital calls on existing investments, as well as the accuracy of previous forecasts to assess the predicted accuracy of forecasts presented. The Company continues to work on the realisation of various investments within a timeframe that will enable the Company to maximise value. Due to the Company's strong liquidity, the timeframe to realise investments is not determined by the need to meet financial obligations and the Company is able to mitigate any downturn in the wider economy which might influence the ability to exit investments.

As at 29 May 2024, the Company's financial obligations included $20.5 million committed to Follow-on Flex Pack (through JZHL Secondary Fund LP), reduced by $12.2 million following an acquisition completed in May 2024. In addition, the Company anticipates it will require the following amounts to support certain other existing assets: approximately $5.3 million for Esperante (following a $7.2 million follow-on investment in March 2024), $15 million for Spruceview and $20 million for JZI Fund III. The expected timeframe for these further investments is over a three-year period.

The Company intends to commence returning capital to Shareholders initially in an amount of approximately $40 million, which it expects will take place by the end of July 2024. Potential further returns of capital in the longer term will be subject always to retaining sufficient funds to support certain existing investments to maximise their value and/or to meet its existing obligations such as operational expenses.

***Going Concern Conclusion***

After careful consideration and based on the assessment outlined above, the Board is satisfied, as at the date of the signing of the Annual Report and Financial Statements, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period from 29 May 2024 to 31 May 2025.

4. **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 is organised into the following segments:

- Portfolio of US micro-cap investments
- Portfolio of European micro-cap investments
- Portfolio of Real estate investments
- Portfolio of Other investments - (not falling into the above categories)

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.

Investments in treasury bills and corporate bonds are not considered as part of the investment strategy and are therefore excluded from this segmental analysis.

**Segmental Profit/(Loss)**

For the year ended 29 February 2024

| | Micro-Cap US$ '000 | European Micro-Cap US$ '000 | Real Estate US$ '000 | Other Investments US$ '000 | Total US$ '000 |
|---|---|---|---|---|---|
| Interest revenue | 3,003 | 469 | - | - | 3,472 |
| Other portfolio income | 4,229 | - | - | - | 4,229 |
| Total segmental income | 7,232 | 469 | - | - | 7,701 |
| Net gain/(loss) on investments at FVTPL | 13,495 | (7,716) | (2,341) | (2,113) | 1,325 |
| Reversal of Expected credit losses | - | 1,041 | - | - | 1,041 |
| Realisations from investments held in Escrow | 1,288 | - | - | - | 1,288 |
| Investment Adviser's base fee | (1,845) | (1,048) | (456) | (376) | (3,725) |
| Total segmental operating profit/(loss) | 20,170 | (7,254) | (2,797) | (2,489) | 7,630 |

For the year ended 28 February 2023

| | US Micro-Cap US$ '000 | European Micro-Cap US$ '000 | Real Estate US$ '000 | Other Investments US$ '000 | Total US$ '000 |
|---|---|---|---|---|---|
| Interest revenue | 10,336 | 462 | - | - | 10,798 |
| Other portfolio income | 532 | - | - | - | 532 |
| Total segmental income | 10,868 | 462 | - | - | 11,330 |
| Net gain/(loss) on investments at FVTPL | 14,626 | (20,596) | 6,734 | 1,050 | 1,814 |
| Expected credit losses | - | (462) | - | - | (462) |
| Realisations from investments held in Escrow | 1,189 | - | - | - | 1,189 |
| Other income | 398 | - | - | - | 398 |
| Withholding tax | (160) | - | - | - | (160) |
| Investment Adviser's base fee | (3,582) | (1,466) | (366) | (356) | (5,770) |
| Total segmental operating profit/(loss) | 23,339 | (22,062) | 6,368 | 694 | 8,339 |

Certain income and expenditure is not considered part of the performance of an individual segment. This includes net foreign exchange gain/(loss), interest on cash and treasuries, finance costs, and expenses other than the Investment Adviser fees which can be allocated to an individual segment.

The following table provides a reconciliation between total segmental operating profit and the profit for the year:

| | 29.2.2024 US$ '000 | 28.2.2023 US$ '000 |
|---|---|---|
| **Total Segmental Operating Profit** | 7,630 | 8,339 |
| Net foreign exchange gain | 80 | 9,845 |
| Fees payable to Investment Adviser based on non-segmental assets | (1,588) | (1,263) |
| Expenses not attributable to segments | (2,416) | (2,873) |
| Interest on cash | 66 | 275 |
| Realised currency loss on UK gilts | - | (3,859) |
| Interest on treasuries and UK gilts | 4,843 | 1,212 |
| Finance costs | (7,004) | (9,030) |
| **Total comprehensive income** | 1,611 | 2,646 |

# Notes to the Financial Statements (continued)

4. **Segment Information (continued)**

The following table provides a reconciliation between total segmental income and total income which comprises the Company's income from investments and bank deposits.

| | 29.2.2024 US$ '000 | 28.2.2023 US$ '000 |
|---|---|---|
| Total segmental income | 7,701 | 11,330 |
| Non-segmental income | | |
| Interest on treasuries and UK gilts | 4,843 | 1,212 |
| Bank and deposit interest | 66 | 275 |
| Total income | 12,610 | 12,817 |

**Segmental Net Assets**

The Company's segmental net assets at the year end are as follows:

**Segmental Net Assets**

At 29 February 2024

| **Segmental assets** | **US Micro-Cap US$ '000** | **European Micro-Cap US$ '000** | **Real Estate US$ '000** | **Other Investments US$ '000** | **Total US$ '000** |
|---|---|---|---|---|---|
| Investments at FVTPL | 74,948 | 61,025 | 28,815 | 24,670 | 189,458 |
| **Total segmental assets** | 74,948 | 61,025 | 28,815 | 24,670 | 189,458 |
| **Segmental liabilities** | | | | | |
| Payables and accrued expenses | (96) | (55) | (22) | (18) | (191) |
| **Total segmental net assets** | 74,852 | 60,970 | 28,793 | 24,652 | 189,267 |

At 28 February 2023

| **Segmental assets** | **US Micro-Cap US$ '000** | **European Micro-Cap US$ '000** | **Real Estate US$ '000** | **Other Investments US$ '000** | **Total US$ '000** |
|---|---|---|---|---|---|
| Investments at FVTPL | 127,811 | 68,271 | 31,156 | 25,683 | 252,921 |
| Loans at amortised cost | - | 3,695 | - | - | 3,695 |
| Prepaid expenses | 29 | 12 | 3 | 3 | 47 |
| **Total segmental assets** | 127,840 | 71,978 | 31,159 | 25,686 | 256,663 |
| **Total segmental liabilities** | - | - | - | - | - |
| **Total segmental net assets** | 127,840 | 71,978 | 31,159 | 25,686 | 256,663 |

Treasuries, cash 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 segmental assets/liabilities and total assets/liabilities.

| | **29.2.2024 US$ '000** | **28.2.2023 US$ '000** |
|---|---|---|
| **Total Segmental Assets** | 189,458 | 256,663 |
| **Non-Segmental Assets** | | |
| Cash at bank | 13,368 | 11,059 |
| Treasuries | 110,076 | 90,600 |
| Other receivables | 4,249 | 121 |
| **Total Assets** | 317,151 | 358,443 |
| **Total Segmental Liabilities** | (191) | - |
| **Non-Segmental Liabilities** | | |
| Senior Credit Facility | - | (43,181) |
| Other payables | (851) | (764) |
| **Total Liabilities** | (1,042) | (43,945) |
| **Total Net Assets** | 316,109 | 314,498 |

5. **Fair Value of Financial Instruments**

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

**Level 1**
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2**
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 3**
Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Investments in JZCP's portfolio valued using unobservable inputs such as multiples, capitalisation rates, discount rates (see page 55) fall within Level 3.

The following table shows the financial instruments at FVTPL by fair value hierarchy category:

**Financial assets at 29 February 2024**

| | Level 1 US$ '000 | Level 2 US$ '000 | Level 3 US$ '000 | Total US$ '000 |
|---|---|---|---|---|
| US micro-cap | - | - | 74,948 | 74,948 |
| European micro-cap | - | - | 61,025 | 61,025 |
| Real estate | - | - | 28,815 | 28,815 |
| Other investments | - | - | 24,670 | 24,670 |
| Listed investments | 110,076 | - | - | 110,076 |
| | 110,076 | - | 189,458 | 299,534 |

**Financial assets at 28 February 2023**

| | Level 1 US$ '000 | Level 2 US$ '000 | Level 3 US$ '000 | Total US$ '000 |
|---|---|---|---|---|
| US micro-cap | - | - | 127,811 | 127,811 |
| European micro-cap | - | - | 68,271 | 68,271 |
| Real estate | - | - | 31,156 | 31,156 |
| Other investments | - | - | 25,683 | 25,683 |
| Listed investments | 90,600 | - | - | 90,600 |
| | 90,600 | - | 252,921 | 343,521 |

**Valuation techniques**

In valuing investments in accordance with IFRS, the Board follows the principles as detailed in the IPEVCA guidelines (2022).

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.

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

# Notes to the Financial Statements (continued)

5. **Fair Value of Financial Instruments (continued)**

**Valuation techniques (continued)**

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 Company uses third party appraisals on the subject property to assist the fair value measurement of the underlying property. Third-party appraisals are prepared in accordance with the Appraisal and Valuation Standards (6th edition) issued by the Royal Institution of Chartered Surveyors. Fair value techniques used in the underlying valuations are:

- Use of comparable market values per square foot of recent transactions of properties in similar condition in the vicinity in which the property is located multiplied by the property's square footage.

- Income capitalisation approach using the property's net operating income and a capitalization rate.

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

The valuations obtained in relation to the real estate portfolio are dated 31 December 2023. Subsequent discussions with appraisers indicate there would be no significant change in property values between 31 December 2023 and 29 February 2024. Therefore, the Board are comfortable with the valuation of the real estate portfolio presented at 29 February 2024. 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.

Unquoted preferred shares, unquoted equities and equity-related securities

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 twelve months' earnings before interest, tax, depreciation and amortisation ("EBITDA"). In determining the multiple, the Board consider inter alia, where practical, the multiples used in recent transactions in comparable unquoted companies, previous valuation multiples used and where appropriate and multiples of comparable publicly traded companies. In accordance with IPEVCA guidelines, a marketability discount is applied which reflects the discount that in the opinion of the Board, market participants would apply in a transaction in the investment in question. 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.

In respect of unquoted preferred shares the Company values these investments at fair value 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 reduced by senior debt and marketability discount.

Micro-cap loans

Investments in micro-cap debt are valued at fair value by reference to the attributable enterprise value when the Company also holds an equity position in the investee company.

When the Company invests in micro-cap loans and does not hold an equity position in the underlying investee company these loans are valued at amortised cost in accordance with IFRS 9 (Note 2). The carrying value at amortised cost is considered to approximate to fair value.

Other investments

Other investments at year end, comprise of mainly the Company's investment in the asset management business - Spruceview Capital Partners LLC ("Spruceview"). Spruceview is valued using a valuation model which considers a forward-looking revenue approach which the Board considers to be consistent with the valuation methods used by peer companies.

# Notes to the Financial Statements (continued)

5. **Fair Value of Financial Instruments (continued)**

**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 categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 29 February 2024 and 28 February 2023 are shown below:

| | Value 29.2.2024 US$'000 | Valuation Technique | Unobservable input | Range (weighted average) | Sensitivity used | Effect on Fair Value US$'000 | |
|---|---|---|---|---|---|---|---|
| US micro-cap investments | 74,948 | EBITDA Multiple | Average EBITDA Multiple of Peers | 5.0x - 14.0x (9.5x) | -0.5x /+0.5x | (8,246) | 8,335 |
| | | | Discount to Average Multiple | 20% - 35% (21.0%) | +5% /-5% | (9,360) | 9,818 |
| European micro-cap investments | 61,025 | EBITDA Multiple | Average EBITDA Multiple of Peers | 3.8x - 15.0x (8.7x) | -0.5x /+0.5x | (4,132) | 4,121 |
| | | | Discount to Average Multiple | 10% - 67% (27.0%) | +5% /-5% | (2,683) | 2,683 |
| Real estate[1,2] | 28,815 | Cap Rate/ Income Approach | Capitalisation Rate | 6.0%-6.75% (6.60%) | +50bps/ -50bps | (7,547) | 7,432 |
| Other investments[3] | 24,245 | Forward looking Revenue Approach | Revenue | $12.0 million | -10%/+10% | (2,408) | 2,408 |
| | | | Multiple | 4.0x | -10%/+10% | (2,408) | 2,408 |

| | Value 28.2.2023 US$'000 | Valuation Technique | Unobservable input | Range (weighted average) | Sensitivity used | Effect on Fair Value US$'000 | |
|---|---|---|---|---|---|---|---|
| US micro-cap investments | 127,811 | EBITDA Multiple | Average EBITDA Multiple of Peers | 7.0x - 13.5x (8.3x) | -0.5x /+0.5x | (10,326) | 10,092 |
| | | | Discount to Average Multiple | 5% - 35% (14.3%) | +5% /-5% | (12,303) | 11,955 |
| European micro-cap investments | 66,786 | EBITDA Multiple | Average EBITDA Multiple of Peers | 5.0x - 15.7x (8.6x) | -0.5x /+0.5x | (4,693) | 4,705 |
| | | | Discount to Average Multiple | 4% - 61% (26%) | +5% /-5% | (3,542) | 3,554 |
| Real estate[1,2] | 31,156 | Cap Rate/ Income Approach | Capitalisation Rate | 5.25%-5.75% (5.65%) | +50bps/ -50bps | (6,918) | 8,061 |
| Other investments[3] | 24,474 | Forward looking Revenue Approach | Revenue | $9.5 million | -10%/+10% | (1,722) | 2,613 |
| | | | Multiple | 5.3x | -10%/+10% | (1,722) | 2,613 |

[1]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.

[2]Sensitivity is applied to the property value and then the debt associated to the property is deducted before the impact to JZCP's equity value is calculated. Due to gearing levels in the property structures an increase in the sensitivity of measurement metrics at property level will result in a relatively greater impact at JZCP's equity level.

[3]JZCP's investment in Spruceview Capital Partners, LLC.

# Notes to the Financial Statements (continued)

5. **Fair Value of Financial Instruments (continued)**

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 year.

| **Year ended 29 February 2024** | **US Micro-Cap US$ '000** | **European Micro-Cap US$ '000** | **Real Estate US$ '000** | **Other Investments US$ '000** | **Total US$ '000** |
|---|---|---|---|---|---|
| At 1 March 2023 | 127,811 | 68,271 | 31,156 | 25,683 | 252,921 |
| Investments in year including capital calls | 623 | 2,249 | - | 1,100 | 3,972 |
| Payment In Kind ("PIK") | 3,004 | - | - | - | 3,004 |
| Proceeds from investments realised | (69,984) | (1,779) | - | - | (71,763) |
| Net gains/(losses) on investments | 13,495 | (7,716) | (2,341) | (2,113) | 1,325 |
| Movement in accrued interest | (1) | - | - | - | (1) |
| At 29 February 2024 | 74,948 | 61,025 | 28,815 | 24,670 | 189,458 |

| **Year ended 28 February 2023** | **US Micro-Cap US$ '000** | **European Micro-Cap US$ '000** | **Real Estate US$ '000** | **Other Investments US$ '000** | **Total US$ '000** |
|---|---|---|---|---|---|
| At 1 March 2022 | 284,162 | 81,150 | 23,597 | 23,533 | 412,442 |
| Investments in year including capital calls | 317 | 8,628 | 825 | 1,100 | 10,870 |
| Payment In Kind ("PIK") | 11,810 | - | - | - | 11,810 |
| Proceeds from investments realised | (181,629) | (911) | - | - | (182,540) |
| Net gains/(losses) on investments | 14,626 | (20,596) | 6,734 | 1,050 | 1,814 |
| Movement in accrued interest | (1,475) | - | - | - | (1,475) |
| At 28 February 2023 | 127,811 | 68,271 | 31,156 | 25,683 | 252,921 |

6. **Net Gain/(Loss) on Investments at Fair Value Through Profit or Loss**

| | **Year Ended 29.2.2024 US$ '000** | **Year Ended 28.2.2023 US$ '000** |
|---|---|---|
| *Net (loss)/gain on investments held in investment portfolio at year end* | | |
| Net movement in unrealised positions during the year | (53,882) | 34,171 |
| Reversal of net unrealised gain/(loss) in prior years on investments now realised | 36,635 | (75,905) |
| Net movement on unrealised loss on investments held at year end | (17,247) | (41,734) |
| *Gain on investments realised during the year* | | |
| Proceeds from investments realised | 71,763 | 327,036 |
| Cost of investments realised | (16,556) | (363,252) |
| Net realised gain/(loss) | 55,207 | (36,216) |
| Reversal of net unrealised (gain)/loss in prior years on investments now realised | (36,635) | 75,905 |
| Total gain on investments realised during the year | 18,572 | 39,689 |
| Net gain/(loss) on investments during the year | 1,325 | (2,045) |

# Notes to the Financial Statements (continued)

7. **Net Loan Recovery and (Expected Credit Losses)**

| | Year Ended 29.2.2024 US$ '000 | Year Ended 28.2.2023 US$ '000 |
|---|---|---|
| Impairment on loans classified as Stage 1 | - | (462) |
| Net loan recovery on loans classified as Stage 3 | 1,041 | - |
| Net loan recovery/Total impairment on loans during the year | 1,041 | (462) |

Expected Credit Losses ("ECLs") are recognised in three stages:

- Stage one being for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).
- Stage two being for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
- Stage three being credit exposures which are considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e., the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

During the year, the Company received $5.335 million from the recovery of loans to Docout resulting in the reversal of previously recorded ECLs of $1.041 million.

8. **Investment Income**

| | Year Ended 29.2.2024 US$ '000 | Year Ended 28.2.2023 US$ '000 |
|---|---|---|
| Interest revenue calculated using the effective interest method | 469 | 462 |
| Other interest and similar income | 12,075 | 12,080 |
| | 12,544 | 12,542 |

**Income for the year ended 29 February 2024**

| | Dividends US$ '000 | Preferred Dividends US$ '000 | Loan note PIK US$ '000 | Other Income US$ '000 | Total US$ '000 |
|---|---|---|---|---|---|
| US micro-cap portfolio | 225 | 3,003 | - | 4,004 | 7,232 |
| European micro-cap portfolio | - | - | 469 | - | 469 |
| Treasuries | - | - | - | 4,843 | 4,843 |
| | 225 | 3,003 | 469 | 8,847 | 12,544 |

Investment income includes $4.004 million litigation proceeds following action taken by a now exited U.S portfolio company. The litigation was in regards to a disputed insurance claim following machinery damage which resulted in lost earnings.

**Income for the year ended 28 February 2023**

| | Dividends US$ '000 | Preferred Dividends US$ '000 | Loan note PIK US$ '000 | Other Income US$ '000 | Total US$ '000 |
|---|---|---|---|---|---|
| US micro-cap portfolio | 532 | 10,336 | - | - | 10,868 |
| European micro-cap portfolio | - | - | 462 | - | 462 |
| Treasuries and UK gilts | - | - | - | 1,212 | 1,212 |
| | 532 | 10,336 | 462 | 1,212 | 12,542 |

9. **Net Foreign Currency Exchange Gains**

| | Year Ended 29.2.2024 US$ '000 | Year Ended 28.2.2023 US$ '000 |
|---|---|---|
| Foreign exchange gain/(loss) on translation of loans at amortised cost | 131 | (219) |
| Other net foreign exchange (losses)/gains | (51) | 10 |
| Foreign exchange gain on translation of ZDP Shares | - | 12,809 |
| Foreign exchange loss on translation of cash held for redemption of ZDP Shares | - | (2,755) |
| | 80 | 9,845 |

10. **Finance Costs**

| | Year Ended 29.2.2024 US$ '000 | Year Ended 28.2.2023 US$ '000 |
|---|---|---|
| *Interest expense calculated using the effective interest method* | | |
| Senior Credit Facility (Note 15) | 7,004 | 5,163 |
| ZDP Shares (Note 16) | - | 2,067 |
| Subordinated Notes (Note 17) | - | 1,800 |
| | 7,004 | 9,030 |

11. **Expenses**

| | Year Ended 29.2.2024 US$ '000 | Year Ended 28.2.2023 US$ '000 |
|---|---|---|
| Investment Adviser's base fee | 5,313 | 7,033 |
| Directors' remuneration | 290 | 290 |
| | 5,603 | 7,323 |
| Administrative expenses: | | |
| Legal fees | 533 | 1,091 |
| Other professional fees | 247 | 289 |
| Accounting, secretarial and administration fees | 370 | 350 |
| Auditors' remuneration | 299 | 269 |
| Auditors' remuneration - non-audit fees | 76 | 68 |
| Directors' insurance | 405 | 403 |
| Custodian fees | 23 | 32 |
| Other expenses | 173 | 81 |
| | 2,126 | 2,583 |
| Total expenses | 7,729 | 9,906 |

**Directors' Remuneration**

For the year ended 29 February 2024 total Directors' fees included in the Statement of Comprehensive Income were $290,000 (year ended 28 February 2023: $290,000); of this amount $48,000 was outstanding at the year end (28 February 2023: $47,000). The Directors' remuneration report in the annual report provides further details of the remuneration paid.

**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 excluded assets as defined under the terms of the Advisory 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 29 February 2024, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of $5,313,000 (year ended 28 February 2023: $7,033,000). At 29 February 2024, $269,000 was payable to the Investment Adviser at the year end (28 February 2023: $65,000 was prepaid to the Investment Adviser 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 the second part of the incentive fee is calculated by reference to the net realised capital gains ("Capital Gains Incentive Fee", or "CGIF").

In December 2019 following significant losses reported in the Company's real estate portfolio, the Investment Adviser agreed to waive fees payable by the Company relating to realised gains in the years ended 28 February 2019 and 29 February 2020. No further incentive fees will be paid to the Investment Adviser until the Company and Investment Adviser have mutually agreed to reinstate such payments.

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).

11. **Expenses (continued)**

**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 an annual fee of $370,000 (28 February 2023: $350,000) payable quarterly in arrears. Fees payable to the Administrator are 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 $2,000 (28 February 2023:$2,000) and a transaction fee of $50 (28 February 2023:$50) per transaction. For the year ended 29 February 2024, total Custodian expenses of $23,000 (28 February 2023: $32,000) were included in the Statement of Comprehensive Income of which $10,000 (28 February 2023: $10,000) was outstanding at the year end.

**Auditors' Remuneration**

During the year ended 29 February 2024, the Company incurred fees for audit services of $299,000 (28 February 2023: $269,000).

| **Non-audit Fees Paid to Ernst & Young** | **29.2.2024 US$ '000** | **28.2.2023 US$ '000** |
|---|---|---|
| Interim Review - £60,000 (2023: £53,000) | 76 | 68 |
| Total non-audit fees | 76 | 68 |

12. **Taxation**

As at 31 December 2023, the Company had been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended). Regarding the Company's tax-exempt status for 2024, an application has been made and the company is awaiting confirmation.

During the year ended 29 February 2024, the Company received $225,000 which had previously been deducted from a dividend received to pay potential withholding tax. This amount is shown as dividend income in Note 8.

During the prior year ended 28 February 2023, the Company reversed a provision for potential withholding tax of $398,000 relating to previously received dividend income. This amount was shown as other income in the prior year's Statement of Comprehensive Income.

13. **Investments**

| | **Category of financial instruments** | | | |
|---|---|---|---|---|
| | **Listed FVTPL 29.2.2024 US$ '000** | **Unlisted FVTPL 29.2.2024 US$ '000** | **Unlisted Loans 29.2.2024 US$ '000** | **Carrying Value Total 29.2.2024 US$ '000** |
| Book cost at 1 March 2023 | 90,032 | 280,766 | 13,283 | 384,081 |
| Investments in year including capital calls | 452,923 | 3,972 | - | 456,895 |
| Payment in kind ("PIK")[1] | - | 3,004 | 560 | 3,564 |
| Proceeds from realisation and repayment of investments | (438,290) | (71,763) | (5,336) | (515,389) |
| Interest received on maturity | 4,359 | - | - | 4,359 |
| Realised credit loss | - | - | (763) | (763) |
| Realised currency loss | - | - | (773) | (773) |
| Net realised gain | - | 55,207 | - | 55,207 |
| Book cost at 29 February 2024 | 109,024 | 271,186 | 6,971 | 387,181 |
| Unrealised net investment and foreign exchange loss | - | (82,254) | - | (82,254) |
| Impairment on loans at amortised cost | - | - | (6,971) | (6,971) |
| Accrued interest | 1,052 | 526 | - | 1,578 |
| Carrying value at 29 February 2024 | 110,076 | 189,458 | - | 299,534 |

[1]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.

13. **Investments (continued)**

**Comparative reconciliation for the year ended 28 February 2023**

| | Category of financial instruments | | | |
|---|---|---|---|---|
| | **Listed FVTPL 28.2.2023 US$ '000** | **Unlisted FVTPL 28.2.2023 US$ '000** | **Unlisted Loans 28.2.2023 US$ '000** | **Carrying Value Total 28.2.2023 US$ '000** |
| Book cost at 1 March 2022 | 3,395 | 472,983 | 12,828 | 489,206 |
| Investments in year including capital calls | 213,164 | 32,009 | - | 245,173 |
| Payment in kind ("PIK")[1] | - | 11,810 | 455 | 12,265 |
| Proceeds from realisation and repayment of investments | (123,357) | (203,679) | - | (327,036) |
| Interest received on maturity | 689 | - | - | 689 |
| Realised currency loss | (3,859) | - | - | (3,859) |
| Net realised loss | - | (32,357) | - | (32,357) |
| Book cost at 28 February 2023 | 90,032 | 280,766 | 13,283 | 384,081 |
| Unrealised net investment and foreign exchange loss | - | (28,372) | (895) | (29,267) |
| Impairment on loans at amortised cost | - | - | (8,775) | (8,775) |
| Accrued interest | 568 | 527 | 82 | 1,177 |
| Carrying value at 28 February 2023 | 90,600 | 252,921 | 3,695 | 347,216 |

[1]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.

**Unlisted Loans**

Loans to European micro-cap companies are classified and measured as Loans at amortised cost under IFRS 9 if the loan is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The repayment of the loans will occur when the underlying investee company issuing the debt redeems on ownership change or due date.

During the year ended 29 February 2024, following the ownership change of Docout, S.L.U., JZCP received €4.9 million ($5.3 million) from the redemption of its loan to the original holding company. As at 28 February 2023, the loan was valued at €3.5 million ($3.7 million) after allowing for expected credit losses.

The Company has two remaining loans to European micro-cap companies; a loan to the parent company of Xacom has been written off as the company has entered into bankruptcy and a loan to Toro Finance which does not meet the criteria to be classified as a loan at amortised cost and is therefore valued at FTVPL.

**Investment in Associates**

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. The Company meets the definition of an investment entity and therefore measures its associates at fair value through profit or loss in accordance with IFRS 10.

# Notes to the Financial Statements (continued)

13. **Investments (continued)**

**Investment in Associates (continued)**

**Carrying Value of Investments in Associates**

| **Entity** | | **% Interest** | **29.2.2024 US$'000** | **28.2.2023 US$'000** |
|---|---|---|---|---|
| JZI Fund III GP, L.P.[1] | *Cayman* | *75%* | 61,026 | 66,786 |
| JZHL Secondary Fund L.P. | *Delaware* | *n/a* | 30,069 | 80,403 |
| Spruceview Capital Partners, LLC | *Delaware* | *33.75%* | 24,245 | 24,474 |
| EuroMicrocap Fund 2010, L.P. | *Cayman* | *75%* | - | - |
| | | | 115,340 | 171,663 |

[1]Holds a 25% partnership interest in JZI Fund III, L.P. JZCP holds indirectly a 18.75% partnership interest in JZI Fund III. L.P.

The Company's maximum exposure to losses from the associates (shown below) equates to the carrying value plus outstanding commitments:

| **Entity** | **29.2.2024 US$'000** | **28.2.2023 US$'000** |
|---|---|---|
| JZI Fund III GP, L.P. | 66,696 | 73,850 |
| JZHL Secondary Fund L.P. | 30,069 | 80,403 |
| Spruceview Capital Partners, LLC | 24,245 | 24,474 |
| EuroMicrocap Fund 2010, L.P. | - | - |
| | 121,010 | 178,727 |

The principal activity of all the JZI Fund III, JZHL Secondary Fund and EuroMicrocap Fund 2010, L.P. is the acquisition of micro-cap companies. The principal activity of Spruceview Capital Partners, LLC is that of an asset management company. There are no significant restrictions on the ability of associates to transfer funds to the Company in the form of dividends or repayment of loans or advances.

**Investment in Subsidiaries**

The principal place of business for subsidiaries is the USA. The Company meets the definition of an Investment Entity in accordance with IFRS 10. Therefore, it does not consolidate its subsidiaries but rather measures them as investments at fair value through profit or loss.

| **Entity** | **Place of incorporation** | **% Interest** | **29.2.2024 US$'000** | **28.2.2023 US$'000** |
|---|---|---|---|---|
| JZCP Realty, Ltd | Cayman | 100% | 28,815 | 31,156 |
| **Investments in subsidiaries at fair value** | | | 28,815 | 31,156 |

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company. The Company has no contractual commitments to provide any financial or other support to its unconsolidated subsidiaries.

JZCP Realty Ltd has a 100% interest in JZ REIT Esperante Corp (Maryland incorporated) and JZ RS Onshore Blocker, LLC (Delaware incorporated).

14. **Other Receivables**

| | **29.2.2024 US$ '000** | **28.2.2023 US$ '000** |
|---|---|---|
| Investment income (see Note 8 and 32) | 4,004 | - |
| Prepayments | 245 | 168 |
| | 4,249 | 168 |

Post year-end, the Company received $4.004 million from an exited portfolio company following successful litigation.

# Notes to the Financial Statements (continued)

15. **Senior Credit Facility**

On 18 December 2023, JZCP repaid in full its Senior Credit Facility with WhiteHorse Capital Management, LLC. The Senior Credit Facility had a maturity date of 26 January 2027 but allowed for early repayment without penalty as the aggregate yield to the lender exceeded 15 per cent. The Senior Credit Facility consisted of a $45.0 million first lien term loan, and up to $25.0 million in first lien delayed draw term loans, which remained undrawn.

The interest rate charged under the Senior Credit Facility during the year is the LIBOR/SOFR[1] Rate plus 7.00[2] per cent. During the period to redemption, the average interest rate paid by the Company was 12.29% (28 February 2023: 9.73 per cent) being the applicable LIBOR/SOFR rate plus 7.0 per cent.

The Senior Credit Facility Agreement included covenants from the Company customary for an agreement of this nature, including (a) maintaining a minimum applicable asset coverage ratio of not less than 4.00 to 1.00, and (b) ensuring the Company retains an aggregate amount of unrestricted cash and cash equivalents of not less than $12.5 million. The Company remained in compliance with these covenants.

[1]During the year, the Secured Overnight Financing Rate (SOFR) replaced LIBOR as the benchmark interest rate for the Senior Credit Facility.

[2]There was an interest rate floor that stipulated LIBOR/SOFR would not be lower than 1%. In this agreement, the presence of the floor did not significantly alter the amortised cost of the instrument and is considered to be clearly and closely related to the facility, therefore separation was not required and the loan was valued at amortised cost using the effective interest rate method.

| | **29.2.2024**<br>**US$ '000** | **28.2.2023**<br>**US$ '000** |
|---|---|---|
| Amortised cost - 1 March | 43,181 | 42,573 |
| Finance costs charged to Statement of Comprehensive Income | 7,004 | 5,163 |
| Interest and finance costs paid | (5,185) | (4,555) |
| Repayment | (45,000) | - |
| Amortised cost at year end | - | 43,181 |

The carrying value of the Senior Credit Facility at the prior year end approximated fair value.

16. **Zero Dividend Preference ("ZDP") Shares**

On 3 October 2022 being the stated maturity date, the Company redeemed and subsequently cancelled its 11,907,720 ZDP shares on their maturity date. The ZDP shares had a gross redemption yield of 4.75% and a total redemption value of £57,597,000 ($64,296,000 using the exchange rate on the redemption date).

| **ZDP (2022) Shares** | **29.2.2024**<br>**US$ '000** | **28.2.2023**<br>**US$ '000** |
|---|---|---|
| Amortised cost at 1 March | - | 75,038 |
| Finance costs allocated to Statement of Comprehensive Income | - | 2,067 |
| Unrealised currency gain to the Company on translation during the year | - | (12,809) |
| Redemption | - | (64,296) |
| Amortised cost at year end | - | - |

# Notes to the Financial Statements (continued)

17. **Subordinated Notes**

The Company entered into a note purchase agreement with David Zalaznick and John (Jay) Jordan, the founders and principals of the Company's investment adviser, Jordan/Zalaznick Advisers, Inc. ("JZAI"), pursuant to which they purchased on 31 July 2021, directly or through their affiliates, subordinated, second lien loan notes totalling $31.5 million, with a maturity date of 11 September 2022 (the "Subordinated notes"). In August 2022, the Company announced the extension of the maturity date of the Subordinated Notes through to 30 September 2023. On 14 February 2023, the Company undertook an early voluntary redemption in full of the Subordinated Notes.

The interest rate on the Loan notes was 6 per cent. per annum payable semi-annually, in arrears, on each of 31 March and 30 September of each year and on redemption.

| | **29.2.2024**<br>**US$ '000** | **28.2.2023**<br>**US$ '000** |
|---|---|---|
| Amortised cost at 1 March | - | 32,293 |
| Finance costs charged to Statement of Comprehensive Income | - | 1,800 |
| Interest and finance costs paid | - | (2,593) |
| Redemption | - | (31,500) |
| Amortised cost at year end | - | - |

18. **Other Payables**

| | **29.2.2024**<br>**US$ '000** | **28.2.2023**<br>**US$ '000** |
|---|---|---|
| Legal fee provision | 175 | 200 |
| Audit fees | 287 | 268 |
| Other expenses | 263 | 249 |
| Directors' remuneration | 48 | 47 |
| | 773 | 764 |

19. **Share Capital**

**Authorised Capital**

Unlimited number of ordinary shares of no par value

**Ordinary shares - Issued Capital**

| | **29.2.2024**<br>**Number of shares** | **28.2.2023**<br>**Number of shares** |
|---|---|---|
| **Total Ordinary shares in issue throughout the year** | 77,477,214 | 77,477,214 |

The Company's shares trade on the London Stock Exchange's Specialist Fund Segment.

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. 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. 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.

***Capital raised on issue of new shares and capital repaid on buy back of shares***

Subsequent amounts raised by the issue of new shares (net of issue costs) and amounts paid to buy back Ordinary shares, are credited/debited to the share capital account.

**Share Capital**

| | **29.2.2024**<br>US$ '000 | **28.2.2023**<br>US$ '000 |
|---|---|---|
| At beginning of year | 216,650 | 216,650 |
| Issue of Ordinary shares | - | - |
| At year end | 216,650 | 216,650 |

20. **Capital Management**

The Company's capital is represented by the Ordinary shares following the redemption of its ZDP shares and CULS.

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; and

• To maintain sufficient size to make the operation of the Company cost-efficient.

The Company's current focus is on realising the maximum value of the Company's investments and the return of capital to shareholders when circumstances permit as certain assets within the portfolio will require significant further investment and time in order to maximise their value.

The Company is proposing to return capital to shareholders via a redemption of its Ordinary shares. The proposal and its timeframe are dependent upon Shareholder support for the announced plans, including the necessary Shareholder approval of certain amendments to the Company's Articles that are required to effect such a redemption. The amendments will, among other things, permit the Company to compulsorily redeem such number of Ordinary shares as the Board sees fit from all Shareholders pro rata to their existing holdings of Ordinary shares. The Ordinary shares will be compulsorily redeemed at a price per Ordinary share determined by the Board that is equal to the most recently published (or otherwise determined) month-end NAV per Ordinary Share, and subject to such other adjustments as the Board considers appropriate.

The Company monitors capital by analysing the NAV per share over time and tracking the discount to the Company's share price.

21. **Reserves**

**Summary of reserves attributable to Ordinary shareholders**

| | **29.2.2024 US$ '000** | **28.2.2023 US$ '000** |
|---|---|---|
| Share capital | 216,650 | 216,650 |
| Other reserve | 353,528 | 353,528 |
| Retained deficit | (254,069) | (255,680) |
| | 316,109 | 314,498 |

**Other reserve**

On formation of the 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 (Guernsey) Law, 2008, including the purchase of shares and the payment of dividends. This distributable reserve was subsequently renamed 'Other reserve'.

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.

**Retained deficit**

| | **29.2.2024 US$ '000** | **28.2.2023 US$ '000** |
|---|---|---|
| At beginning of year | (255,680) | (258,326) |
| Profit for the year | 1,611 | 2,646 |
| At year end | (254,069) | (255,680) |

22. **Financial Risk 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 (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

**Risk management structure and risk mitigation**

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. 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".

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 which necessarily reflects the Company's valuation of that investment for the purposes of calculating the NAV of the Company.

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***

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 arose from the Company's investments in equity securities.

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

For unlisted equity and non-equity shares the market risk is deemed to be inherent in the appropriate valuation methodology (earnings, multiples, capitalisation rates etc). The impact on fair value and subsequent profit or loss, due to movements in these variables, is set out in Note 5 on page 55.

***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:

| | **Interest bearing** | | **Non-interest** | |
|---|---|---|---|---|
| | **Fixed rate** | **Floating rate** | **bearing** | **Total** |
| | **29.2.2024** | **29.2.2024** | **29.2.2024** | **29.2.2024** |
| | **US$ '000** | **US$ '000** | **US$ '000** | **US$ '000** |
| Investments at FVTPL | 154,955 | - | 144,579 | 299,534 |
| Cash and cash equivalents | - | 13,368 | - | 13,368 |
| Other receivables and prepayments | - | - | 4,249 | 4,249 |
| Other payables | - | - | (1,042) | (1,042) |
| | 154,955 | 13,368 | 147,786 | 316,109 |

22. **Financial Risk Management Objectives and Policies (continued)**

***Interest rate risk (continued)***

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

| | Interest bearing | | Non-interest | |
|---|---|---|---|---|
| | Fixed rate | Floating rate | bearing | Total |
| | 28.2.2023 | 28.2.2023 | 28.2.2023 | 28.2.2023 |
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| Investments at FVTPL | 139,493 | - | 204,028 | 343,521 |
| Loans at amortised cost | 3,695 | - | - | 3,695 |
| Cash and cash equivalents | - | 11,059 | - | 11,059 |
| Other receivables and prepayments | - | - | 168 | 168 |
| Senior Credit Facility | - | (43,181) | - | (43,181) |
| Other payables | - | - | (764) | (764) |
| | 143,188 | (32,122) | 203,432 | 314,498 |

The following table analyses the Company's exposure in terms of the interest bearing assets and liabilities maturity dates. The Company's assets and liabilities are included at their carrying value.

**As at 29 February 2024**

| | 0-3 months | 4-12 months | 1 - <3 years | 3 - <5 years | Past due | No maturity date | Total |
|---|---|---|---|---|---|---|---|
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| Investments at FVTPL | 85,519 | 24,557 | - | - | 1,000 | 44,179 | 155,255 |
| Cash and cash equivalents | 13,368 | - | - | - | - | - | 13,368 |
| | 98,887 | 24,557 | - | - | 1,000 | 44,179 | 168,623 |

**As at 28 February 2023**

| | 0-3 months | 4-12 months | 1 - <3 years | 3 - <5 years | <5 years | No maturity date | Total |
|---|---|---|---|---|---|---|---|
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| Investments at FVTPL | 90,600 | - | - | - | 2,485 | 46,408 | 139,493 |
| Loans at amortised cost | - | - | - | - | 3,695 | - | 3,695 |
| Cash and cash equivalents | 11,059 | - | - | - | - | - | 11,059 |
| Senior Credit Facility | - | - | - | (43,181) | - | - | (43,181) |
| | 101,659 | - | - | (43,181) | 6,180 | 46,408 | 111,066 |

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, whilst 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 cash and cash equivalents held, $13,368,000 (28 February 2023: $11,059,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates.

The Investment Adviser monitors the Company's overall interest sensitivity on a regular basis by reference to the current market rate and the level of the Company's cash balances.

22. **Financial Risk Management Objectives and Policies (continued)**

***Interest rate risk (continued)***

The table below demonstrates the sensitivity of the Company's profit/(loss) for the year to a reasonably possible movement in interest rates. The Company has treasuries and cash at bank for which interest receivable are sensitive to a fluctuation to rates. The Company repaid its Senior Credit Facility, during the year, so is no longer exposed to interest rates payable. The below sensitivity analysis assumes year end balances and interest rates are constant through the year.

| | Interest Receivable[1] | | Interest Payable | |
|---|---|---|---|---|
| | 29.2.2024 | 28.2.2023 | 29.2.2024 | 28.2.2023 |
| **Change in basis points increase/decrease** | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| +100/-100 | 1,101/(1,101) | 25/(25) | - | (450)/450 |
| +300/-300 | 3,302/(3,302) | 76/(76) | - | (1,350)/1,350 |

[1] Sensitivity applied to the year-end treasury bill balance which accrued interest at a rate of approximately 5.3%.

**Currency risk**

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

Changes in exchange rates are considered to impact the fair value of the Company's investments denominated in Euros and Sterling. However, under IFRS the foreign currency risk on these investments is deemed to be part of the market price risk associated with holding such non-monetary investments. As the information relating to the non-monetary investments is significant, the Company also provides the total exposure and sensitivity changes on non-monetary investments. The following tables set out the Company's exposure by currency to foreign currency risk.

**Exposure to Monetary Assets/Liabilities (held in foreign currencies)**

| | Euro | Sterling | Total | Euro | Sterling | Total |
|---|---|---|---|---|---|---|
| | 29.2.2024 | 29.2.2024 | 29.2.2024 | 28.2.2023 | 28.2.2023 | 28.2.2023 |
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| Loans at amortised cost | - | - | - | 3,695 | - | 3,695 |
| Cash at bank | 5,848 | 223 | 6,071 | 216 | 159 | 375 |
| Other receivables | - | 245 | 245 | - | 157 | 157 |
| *Liabilities* | | | | | | |
| Other payables | - | (376) | (376) | - | (392) | (392) |
| Net Currency Exposure | 5,848 | 92 | 5,940 | 3,911 | (76) | 3,835 |

The sensitivity analysis for monetary and non-monetary net assets calculates the effect of a reasonably possible movement of the currency rate against the US dollar on an increase or decrease in net assets attributable to shareholders with all other variables held constant. An equivalent decrease in each of the aforementioned currencies against the US dollar would have resulted in an equivalent but opposite impact.

| Currency | Change in Currency Rate | Effect on net assets attributable to shareholders (relates to monetary financial assets and liabilities) | |
|---|---|---|---|
| | | 29.2.2024 | 28.2.2023 |
| | | US$ '000 | US$ '000 |
| Euro | +10% | 585 | 391 |
| GBP | +10% | 9 | (8) |

**Exposure to Non-Monetary Assets (held in foreign currencies)**

| | Euro | Sterling | Total | Euro | Sterling | Total |
|---|---|---|---|---|---|---|
| | 29.2.2024 | 29.2.2024 | 29.2.2024 | 28.2.2023 | 28.2.2023 | 28.2.2023 |
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| Financial assets at FVTPL | 47,431 | 13,594 | 61,025 | 53,822 | 12,964 | 66,786 |
| Net Currency Exposure | 47,431 | 13,594 | 61,025 | 53,822 | 12,964 | 66,786 |

| Currency | Change in Currency Rate | Effect on net assets attributable to shareholders (relates to non-monetary financial assets) | |
|---|---|---|---|
| | | 29.2.2024 | 28.2.2023 |
| | | US$ '000 | US$ '000 |
| Euro | +10% | 4,743 | 5,382 |
| GBP | +10% | 1,359 | 1,296 |

22. **Financial Risk Management Objectives and Policies (continued)**

**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 debt instruments and cash & cash equivalents. They may arise, for example, from a decline in the financial condition of a counterparty. 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 ability to meet financial obligations.

In accordance with the Company's policy, the Investment Adviser regularly monitors the Company's exposure to credit risk in its investment portfolio, by reviewing the financial statements, budgets and forecasts of underlying investee companies. Agency credit ratings do not apply to the Company's investment in investee company debt. The 'credit quality' of the debt is deemed to be reflected in the fair value valuation of the investee company. The Company's investment in accumulated preferred stock is excluded from the below analysis as the instruments are deemed to be more closely associated with the investment in the portfolio companies' equity than its debt.

The table below analyses the Company's maximum exposure to credit risk.

| | Total 29.2.2024 US$ '000 | Total 28.2.2023 US$ '000 |
|---|---|---|
| US micro-cap debt | 700 | 1,000 |
| European micro-cap debt | - | 5,180 |
| Treasuries | 110,076 | 90,600 |
| Cash and cash equivalents | 13,368 | 11,059 |
| | 124,144 | 107,839 |

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

| | 29.2.2024 US$ '000 | 28.2.2023 US$ '000 |
|---|---|---|
| House, Leisure & Personal Goods | 100% | 16% |
| Financial General | - | 24% |
| Document Processing | - | 60% |
| | 100% | 100% |

Loans at Amortised Cost and Expected Credit Losses ("ECL")

The Company's loans to European micro-cap companies are classified as loans at amortised cost. The credit risk in these investments is deemed to be reflected in the performance and valuation of the investee company. Using IFRS 9's "expected credit loss" model, the Company calculates the allowance for credit losses by considering the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. The IFRS ECL model assumes all loans and receivables carries with it some risk of default, every such asset has an expected loss attached to it from the moment of its origination or acquisition. On assessment of the recoverability of the Xacom loan in the prior year, it was concluded there would not be proceeds from Xacom, to pay any portion of JZCP's loan hence a provision has been made to bring the carrying value to $nil. The loans to Xacom is recognised at stage three loans and is considered credit-impaired, lifetime expected credit losses are recognised on this loan. Information on the three stages on which ECLs are recognised is provided within Note 7.

| | Year ended 29 February 2024 | | | Year ended 28 February 2023 | | |
|---|---|---|---|---|---|---|
| | Stage 1 $'000 | Stage 3 $'000 | Total $'000 | Stage 1 $'000 | Stage 3 $'000 | Total $'000 |
| ECL at 1 March | 1,721 | 5,965 | 7,686 | 1,329 | 6,318 | 7,647 |
| Provision during the year | - | - | - | 462 | - | 462 |
| Level transfer[1] | (1,892) | 1,892 | - | - | - | - |
| Net loan recovery | 171 | (1,212) | (1,041) | - | - | - |
| ECL realised | - | (735) | (735) | - | - | - |
| Foreign exchange movement | - | 177 | 177 | (70) | (353) | (423) |
| | - | 6,087 | 6,087 | 1,721 | 5,965 | 7,686 |

[1]During the year the Company's loan to Docout became past due and was transferred from Level 1 to Level 3.

22. **Financial Risk Management Objectives and Policies (continued)**

**Credit risk (continued)**

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

| Credit ratings | Outlook | LT Issuer Default Rating | 29.2.2024 $'000 |
|---|---|---|---|
| HSBC Bank USA NA | S&P Stable (2023: Stable) | S&P A+ (2023: A+) | 10,707 |
| City National Bank | S&P Stable (2023: Stable) | S&P AA- (2023: AA-) | 2,495 |
| Northern Trust (Guernsey) Limited | S&P Stable (2023: Stable) | S&P AA- (2023: AA-) | 166 |
| | | | 13,368 |

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. There has been no change during the year in the Company's processes and arrangements for managing liquidity.

The Company's private investments are predominately private equity, real estate 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. None of the Company's assets/liabilities are subject to special arrangement due to their illiquid nature.

At the year end the Company has outstanding investment commitments of $5,671,000 (28 February 2023: $7,064,000) see Note 23.

The Company manages liquidity risk and the ability to meet its obligations by monitoring current and expected cash balances from forecasted investment activity.

The table below analyses JZCP's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. Amounts attributed to the Senior Credit Facility included future contractual interest payments. Financial commitments are contractual outflows of cash and are included within the liquidity statement.

| **At 29 February 2024** | Less than 1 year US$ '000 | >1 year - 3 years US$ '000 | >3 years - 5 years US$ '000 | >5 years US$ '000 | No stated maturity US$ '000 |
|---|---|---|---|---|---|
| Other payables | 773 | - | - | - | - |
| Financial commitments (see Note 23) | 1,890 | 3,781 | - | - | - |
| | 2,663 | 3,781 | - | - | - |

| **At 28 February 2023** | Less than 1 year US$ '000 | >1 year - 3 years US$ '000 | >3 years - 5 years US$ '000 | >5 years US$ '000 | No stated maturity US$ '000 |
|---|---|---|---|---|---|
| Senior Credit Facility | 5,364 | 10,728 | 50,364 | - | - |
| Other payables | 764 | - | - | - | - |
| Financial commitments (see Note 23) | 2,355 | 4,709 | - | - | - |
| | 8,483 | 15,437 | 50,364 | - | - |

23. **Commitments**

At 29 February 2024 and 28 February 2023, JZCP had the following financial commitments outstanding in relation to fund investments:

| | Expected date of Call | 29.2.2024 US$ '000 | 28.2.2023 US$ '000 |
|---|---|---|---|
| JZI Fund III GP, L.P. €5,240,137 (28.2.2023: €6,661,066) | over 3 years | 5,671 | 7,064 |
| Spruceview Capital Partners, LLC[1] | over 1 year | - | - |
| JZHL Secondary Fund[2] | over 3 years | - | - |
| | | 5,671 | 7,064 |

[1]Following capital calls of $0.8 million in April 2023 and $0.3 million in January 2024, JZCP has the option to increase further commitments to Spruceview up to approximately $2.4 million.

[2]Post year-end, the Company obtained shareholder approval to invest approximately $20.5 million, into the Secondary Fund, for an investment into a newly incorporated company that will be incorporated in a parallel structure to, ACW Flex Pack, LLC.

24. **Related Party Transactions**

JZAI is a US-based company founded by David Zalaznick and John ("Jay") Jordan II, that provides advisory services to the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 11. JZAI and various affiliates provide services to certain JZCP portfolio companies and may receive fees for providing these services pursuant to the Advisory Agreement.

JZCP invests in European micro-cap companies through JZI Fund III, L.P. (“Fund III”). Previously investments were made via the EuroMicrocap Fund 2010, L.P. ("EMC 2010"). Fund III and EMC 2010 are managed by an affiliate of JZAI. At 29 February 2024, JZCP's investment in Fund III was valued at $61.0 million (28 February 2023: $67.6 million). JZCP's investment in EMC 2010 was valued at $nil (28 February 2023: $nil).

JZCP has invested in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed and funded by JZCP to this investment at 29 February 2024, was $35.2 million. As approved by a shareholder vote on 12 August 2020, JZCP has the ability to make up to approximately $4.1 million in further commitments to Spruceview, above the original $33.5 million committed. Further commitments made would be on the same 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). Following capital calls of $1.7 million, JZCP has the option to increase further commitments to Spruceview up to approximately $2.4 million.

During the year ended 28 February 2021, the Company sold its interests in certain US microcap portfolio companies (the "Secondary Sale") to a secondary fund led by Hamilton Lane Advisors, L.L.C. The Secondary Sale was structured as a sale and contribution to a newly formed fund, JZHL Secondary Fund LP (the "Secondary Fund"), managed by an affiliate of JZAI. At 29 February 2024, JZCP's investment in JZHL Secondary Fund LP was valued at $30.1 million (28 February 2023: $80.4 million).

Post year-end, the Company obtained shareholder approval to enter into an agreement with the Secondary Fund, pursuant to which the Company would invest up to approximately $20.5 million into the Secondary Fund, with the Secondary Fund to use such amount, to make an investment into a newly incorporated company ("Follow-on Flex Pack") that will be a related company of, and incorporated in a parallel structure to, ACW Flex Pack, LLC.

JZCP has co-invested with Fund A, Fund A Parallel I, II and III Limited Partnerships in a number of US micro-cap buyouts. These Limited Partnerships are managed by an affiliate of JZAI. JZCP invested in a ratio of 82%/18% with the Fund A entities. At 29 February 2024, these co-investments, with the Fund A entities, were in the following portfolio companies: Industrial Service Solutions WC, L.P. and BSM Engenharia. Pursuant to a merger agreement, dated 14 December 2022, JZCP and all of the Fund A Entities transferred their prior investments in ISS #2, LLC rateably in exchange for cash, a rollover investment (Industrial Service Solutions WC, L.P.) and contingent escrow amounts. JZCP previously co-invested with Fund A in Safety Solutions Holdings and TierPoint which were included in the transfer to JZHL Secondary Fund LP (mentioned above).

Total Directors' remuneration for the year ended 29 February 2024 was $290,000 (28 February 2023: $290,000).

25. **Basic and Diluted Earnings Per Ordinary Share**

Basic earnings per share is calculated by dividing the profit/loss for the year by the weighted average number of Ordinary shares outstanding during the year.

For the year ended 29 February 2024, the weighted average number of Ordinary shares outstanding during the year was 77,477,214 (Year ended 28 February 2023: 77,477,214). The diluted earnings per share is calculated by considering adjustments required to the profit and weighted average number of shares for the effects of potential dilutive Ordinary shares. There were no potential dilutive events to the Ordinary shares during the year and prior year.

26. **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.

27. **Net Asset Value Per Share**

The net asset value per Ordinary share of $4.08 (28 February 2023: $4.06) is based on the net assets at the year end of $316,109,000 (28 February 2023: $314,498,000) and on 77,477,214 (28 February 2023: 77,477,214) Ordinary shares, being the number of Ordinary shares in issue at the year end.

| | 29.2.2024 |
|---|---|
| | US$ |
| Unaudited NAV per share - announced 20 March 2024 | 4.06 |
| Other income | 0.05 |
| Valuation change | (0.03) |
| Audited NAV per share | 4.08 |

28. **Contingent Assets**

**Amounts held in escrow accounts**

When investments have been disposed of by the Company, proceeds may reflect contractual terms requiring that a percentage is held in an escrow account pending resolution of any indemnifiable claims that may arise. At 29 February 2024, the Company has assessed that the likelihood of the recovery of these escrow accounts cannot be determined and has therefore disclosed the escrow accounts as a contingent asset.

As at 29 February 2024 and 28 February 2023, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

| | Amount in Escrow | |
|---|---|---|
| | 29.2.2024 | 28.2.2023 |
| Company | US$'000 | US$'000 |
| Industrial Services Solutions ("ISS")[1] | 2,533 | 3,044 |
| JZHL Secondary Fund[2] | 1,097 | - |
| Igloo | 49 | 49 |
| | 3,679 | 3,093 |

[1]During the year, the Company received $7,314,000 which related to adjustment escrows and a final net working capital payment following the partial sale of the Company's interest in Industrial Services Solutions (ISS). At the prior year-end, the Board had determined that due to the likelihood that these amounts would be imminently released, they would be included within the year end valuation of Industrial Service Solutions WC, L.P. rather than as a contingent asset. A further amount of $731,000 was received in the year relating to escrows which had been recognised as a contingent asset.

[2]Following the realisation of Felix Storch by the Secondary Fund total escrows of $1,097,000 were potentially available for distribution. Post year-end, $658,000 (included in above contingent asset) relating to these escrows was received.

During the year ended 29 February 2024, escrow proceeds totalling $1,288,000 (28 February 2023: $1,189,000) were realised during the year and recorded in the Statement of Comprehensive Income. Escrows realised in the year include $731,000 from ISS (see above) and $553,000 from Evriholder (not recorded in prior-year escrows).

| | Year Ended | Year Ended |
|---|---|---|
| | 29.2.2024 | 28.2.2023 |
| | US$'000 | US$'000 |
| Escrows at beginning of year | 3,093 | 1,296 |
| Escrows added on realisation of investments | 1,097 | 4,336 |
| Escrow receipts during the year | (1,288) | (1,189) |
| Escrow received by Secondary Fund and distributed in accordance with LP agreement | - | (1,320) |
| Additional escrows recognised in year not reflected in opening position | 777 | (30) |
| Escrows at year end | 3,679 | 3,093 |

29. **Notes to the Statement of Cash Flows**

**Investment income and interest received during the year**

| | Year Ended 29.2.2024 US$ '000 | Year Ended 28.2.2023 US$ '000 |
|---|---|---|
| Dividends on unlisted investments | 225 | 372 |
| Bank interest | 66 | 275 |
| Treasury interest | 4,359 | 726 |
| | 4,650 | 1,373 |

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 Statement of Cash Flows.

**Changes in financing liabilities arising from both cash flow and non-cash flow items**

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | 1.3.2023 | Cash flows | Fair Value | Finance Costs | Foreign Exchange | 29.2.2024 |
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| Senior credit facility | 43,181 | (50,185) | - | 7,004 | - | - |
| | 43,181 | (50,185) | - | 7,004 | - | - |

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | 1.3.2022 | Cash flows | Fair Value | Finance Costs | Foreign Exchange | 28.2.2023 |
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| Senior credit facility | 42,573 | (4,555) | - | 5,163 | - | 43,181 |
| Subordinated Notes | 32,293 | (34,093) | - | 1,800 | - | - |
| Zero Dividend Preference (2022) shares | 75,038 | (64,296) | - | 2,067 | (12,809) | - |
| | 149,904 | (102,944) | - | 9,030 | (12,809) | 43,181 |

30. **Dividends Paid and Proposed**

No dividends were paid or proposed for the years ended 29 February 2024 and 28 February 2023.

The Company intends to commence returning capital to Shareholders initially in an amount of approximately $40 million, which it expects will take place by the end of July 2024. The Company currently considers the most appropriate form and mechanism to effect this return of capital will subject to shareholder approval be via a redemption of its Ordinary shares rather than a dividend.

31. **IFRS to US GAAP Reconciliation**

The Company's Financial Statements are prepared in accordance with IFRS, which in certain respects differ from US GAAP. These differences are not material and therefore no reconciliation between IFRS and US GAAP has been presented. For reference, please see below for a summary of the key judgments and estimates taken into account with regards to the Company as of 29 February 2024, as well as the Shareholders' financial highlights required under US GAAP.

*Assessment as an Investment Entity*

As stated in Note 2, the Company meets the definition of an investment entity under IFRS 10 and is therefore required to measure its subsidiaries at fair value through profit or loss rather ("FVTPL") than consolidate them. Per US GAAP (Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements or "ASC 946"), the Company meets the definition of an investment company, and as required by ASC 946, JZCP measures its investment in Subsidiaries at FVTPL.

*Fair Value Measurement of Investments*

The fair value of the underlying investments held by the Company are determined in accordance with US GAAP and IFRS based on valuation techniques and inputs that are observable in the market which market participants have access to and will use to determine the exit price or selling price of the investments.

# Notes to the Financial Statements (continued)

31. **IFRS to US GAAP Reconciliation (continued)**

*Consideration of going concern*

As described in Note 3, the Board is satisfied, as at the date of the signing of the Annual Report and Financial Statements, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period ending 31 May 2025.

*Measurement of Liabilities*

The Company's Senior Credit Facility was recorded at amortised cost using the effective interest rate method in accordance with US GAAP and IFRS.

The following table presents performance information derived from the Financial Statements.

| | **29.2.2024** | **28.2.2023** |
|---|---|---|
| | **US$** | **US$** |
| Net asset value per share at the beginning of the year | 4.06 | 4.03 |
| Performance during the year (per share): | | |
| Net investment income | 0.15 | 0.17 |
| Net realised and unrealised gain | 0.06 | 0.11 |
| Operating expenses | (0.09) | (0.13) |
| Finance costs | (0.10) | (0.12) |
| Total return | 0.02 | 0.03 |
| Net asset value per share at the end of the year | 4.08 | 4.06 |
| Total Return | 0.49% | 0.66% |
| Net investment income to average net assets excluding incentive fee | 4.02% | 3.72% |
| Operating expenses to average net assets | (2.46%) | (2.91%) |
| Finance costs to average net assets | (2.23%) | (2.65%) |

32. **Subsequent Events**

These financial statements were approved by the Board on 29 May 2024. Subsequent events have been evaluated until this date.

Post year-end, the Company received $4.0 million litigation proceeds following action taken by a now exited U.S portfolio company. The litigation was in regards to a disputed insurance claim following machinery damage which resulted in lost earnings. The settlement agreement was signed and finalised in February 2024 and settled in March 2024, therefore this amount is included in the Financial Statements as a receivable.

Post year-end, the Company obtained shareholder approval to enter into an agreement with the Secondary Fund, pursuant to which the Company would invest up to approximately $20.5 million into the Secondary Fund, with the Secondary Fund to use such amount, to make an investment into a newly incorporated company ("Follow-on Flex Pack") that will be a related company of, and incorporated in a parallel structure to, ACW Flex Pack, LLC. Subsequently, the Company announced that Follow-on Flex Pack had acquired The Robinette Company ("Robinette"). The amount of the Company's committed investment into the Secondary Fund that has been allocated to the acquisition of Robinette being approximately $12.2 million.

Post year-end, the Company announced its intention to commence returning capital to Shareholders. The Company is proposing to return to Shareholders initially an amount of approximately $40 million via a redemption of its Ordinary shares, which it expects will take place by the end of July 2024. The proposal and its timeframe are dependent upon Shareholder support for the announced plans, including the necessary Shareholder approval of certain amendments to the Company's Articles that are required to effect such a redemption. The amendments will, among other things, permit the Company to compulsorily redeem such number of Ordinary shares as the Board sees fit from all Shareholders pro rata to their existing holdings of Ordinary shares. The Ordinary shares will be compulsorily redeemed at a price per Ordinary share determined by the Board that is equal to the most recently published (or otherwise determined) month-end NAV per Ordinary Share, and subject to such other adjustments as the Board considers appropriate.

# 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 offers investment advice to the Board of JZCP. JZAI has offices in New York and Chicago.

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J.P. Morgan Securities plc
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# Useful Information for Shareholders

**Listing**

JZCP Ordinary 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 Segment for listed securities.

The price of the Ordinary shares are shown in the Financial Times under "Conventional Private Equity" and can also be found at https://markets.ft.com.

**ISIN/SEDOL numbers**

| | Ticker Symbol | ISIN Code | SEDOL Number |
|---|---|---|---|
| Ordinary shares | JZCP | GG00B403HK58 | B403HK5 |

**Key Information Documents**

JZCP produces Key Information Documents to assist investors' understanding of the Company's securities and to enable comparison with other investment products. These documents are found on the Company's website - www.jzcp.com/investor-relations/key-information-documents.

**Alternative Performance Measures**

In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the annual report and financial statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the Annual Report and Financial Statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

*Total NAV Return*

The Total NAV Return measures how the net asset value ("NAV") per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends. The Total NAV Return for the year ended 29 February 2024 was 0.5% (2023: 0.7%), which only reflects the change in NAV ($) as no dividends were paid during the year.

*Total Shareholder Return (Ordinary shares)*

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes shareholder price total return as a percentage change from the start of the period (one year) and also six-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend. The Shareholder Return for the year ended 29 February 2024 was 26.3%, which only reflects the change in share price (£) as no dividends were paid during the year. The Shareholder Return for the year ended 28 February 2023 was 50.0%.

*NAV to market price discount*

The NAV per share is the value of all the company's assets, less any liabilities it has, divided by the number of shares. However, because JZCP shares are traded on the London Stock Exchange's Specialist Fund Segment, the share price may be higher or lower than the NAV. The difference is known as a discount or premium. JZCP's discount is calculated by expressing the difference between the period end dollar equivalent share price and the period end NAV per share as a percentage of the NAV per share.

At 29 February 2024, JZCP's Ordinary shares traded at £1.99 (28 February 2023: £1.58) or $2.52 (28 February 2023: $1.91) being the dollar equivalent using the year-end exchange rate of £1: $1.26 (28 February 2023 £1: $1.21). The shares traded at a 38.2% (28 February 2023: 53.0%) discount to the NAV per share of $4.08 (2023: $4.06).

*Ongoing Charges calculation*

A measure expressing the ongoing annualised expenses as a percentage of the Company's average annualised net assets over the year 2.24% (2023: 2.56%). Ongoing charges, or annualised recurring operating expenses, are those expenses of a type which are likely to recur in the foreseeable future, and which relate to the operation of the company, excluding financing charges and gains/losses arising on investments.

Ongoing charges are based on costs incurred in the year as being the best estimate of future costs but are amended if this method is not considered an accurate prediction of future expenses. Ongoing expenses for the year are $7,097,000 (2023: $8,306,000) comprising of the IA base fee $4,777,000 (2023: $5,406,000), Directors' fees $290,000 (2023: $290,000) and other fees $2,030,000 (2023: $2,610,000). Average net assets for the year are calculated using quarterly NAVs $313,999,000 (2023: $344,532,000).

# Useful Information for Shareholders (continued)

**Criminal Facilitation of Tax Evasion**
The Board has approved a policy of zero tolerance towards the criminal facilitation of tax evasion, in compliance with the Criminal Finances Act 2017.

**Non-Mainstream Pooled Investments**
From 1 January 2014, the FCA rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes came into effect. JZCP's Ordinary shares qualify as an 'excluded security' under these rules and will therefore be excluded from the FCA's restrictions which apply to non-mainstream investment products. Therefore ordinary shares issued by JZ Capital Partners can continue to be recommended by financial advisers as an investment for UK retail investors.

**Internet Address**
The Company: www.jzcp.com

**Financial Diary**

| | |
|---|---|
| Annual General Meeting | 3 July 2024 |
| Interim report for the six months ended 31 August 2024 | November 2024 (date to be confirmed) |
| Results for the year ended 28 February 2025 | May 2025 (date to be confirmed) |

JZCP, will aim to issue monthly NAV announcements within 21 days of the month end, these announcements will be posted on JZCP's website at the same time, or soon thereafter.

**Payment of Dividends**
In the event of a cash dividend being paid, the dividend 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 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.

**Foreign Account Tax Compliance Act**

The Company is registered (with a Global Intermediary Identification Number CAVBUD.999999.SL.831) under The Foreign Account Tax Compliance Act ("FATCA").

**Share Register Enquiries**

The Company's UK Transfer and Paying Agent, Equiniti Limited, maintains the share registers. In event of queries regarding your holding, please contact the Registrar on 0871 384 2265, calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., 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 fifteen minutes prior to and during the meeting:

(a) the Register of Directors' Interests in the stated 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 https://www.fca.org.uk/firms/financial-services-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, and the related rules thereunder);

(b) is a "Benefit Plan Investor" (as described under "Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plans" 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" on pages 78 and 79).

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 entitled 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 29 C.F.R. Section 2510.3-101, as modified by 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 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 laws 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.

# Useful Information for Shareholders (continued)

***Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plans (continued)***

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 laws 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 authorized 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) The Non-ERISA Plan’s investment in the Company will not result in a non-exempt violation of any applicable federal, state or local law;

(d) 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 individualized 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 program thereunder; and

(e) 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.

***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 Board may decline to register a person as, or may require such person to cease to be, a holder of any class of ordinary shares or other equity securities of the Company because of, among other reasons, certain US ownership and transfer restrictions that relate to “controlled foreign corporations” contained in the Articles of the Company. A shareholder of the Company may be subject to forced sale provisions contained in the Articles in which case such shareholder could be forced to dispose of its securities if the Company’s directors believe that such shareholder 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 shareholder would materially increase the risk that the Company could be or become a "controlled foreign corporation" within the meaning of the Code (a "CFC"). Shareholders of the Company may also be restricted by such provisions with respect to the persons to whom they are permitted to transfer their securities.

# Useful Information for Shareholders (continued)

***US Tax Matters (continued)***

In general, a foreign corporation is treated as a CFC if, on any date of its taxable year, its "10% US Shareholders" collectively own (directly, indirectly or constructively within the meaning of Section 958 of the Code) more than 50% of the total combined voting power or total value of the corporation's stock. For this purpose, a "10% US Shareholder" means any US person who owns (directly, indirectly or constructively within the meaning of Section 958 of the Code) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation. Pursuant to current tax laws regarding constructive ownership of CFC stock, the Company's US subsidiary will be deemed to own all of the stock of the non-US subsidiaries held by the Company for purposes of determining such non-US subsidiaries' CFC status. The Company's treatment as a CFC as well as its non-US subsidiaries' treatment as CFCs could have adverse tax consequences for 10% US Shareholders. A 10% US Shareholder must generally include in its gross income its pro rata share of certain earnings and profits of a CFC. If such 10% US Shareholder sells or exchanges stock of an entity which, during the five-year period ending upon the date of such sale or disposition, was a CFC, then such 10% US Shareholder will be required to treat a portion of the gain recognized upon such sale or exchange as a dividend to the extent of the earnings and profits of the CFC attributable to such stock. In addition, a 10% US Shareholder is subject to an additional taxable income inclusion for its pro-rata amount of "global intangible low-taxed income" ("GILTI"). The includable amount of income is the 10% US Shareholder's share of the excess of the CFC's "net CFC tested income" above a notional 10% annual return on the CFC's aggregate adjusted tax basis in certain tangible depreciable business assets. Corporate 10% US Shareholders are entitled to a deduction equal to 50% of the GILTI amount until 31 December 2025 (and a deduction equal to 37.5% of the GILTI amount thereafter) and may be able to offset a share of such income inclusions with deemed paid foreign tax credits. Any non-corporate 10% US Shareholder may elect to be treated as a corporation for purposes of the subpart F and GILTI rules.

The Company has been advised that it qualified as a "passive foreign investment company" ("PFIC") for the fiscal year ended February 2023. The Company's treatment as a PFIC is likely to have adverse tax consequences for US taxpayers. An analysis for the financial year ended 29 February 2024 will be undertaken this year. An investment in a PFIC will cause US taxpayer to be subject to special tax rules. In general, an entity formed under the laws of a non-US jurisdiction that is classified as a corporation for US federal income tax purposes will be classified as a PFIC if seventy-five percent (75%) or more of its gross income for the taxable year is from passive sources (generally defined to include interest, dividends, rents, royalties and gains from the disposition of passive assets) or fifty percent (50%) or more of the average value of the entity's assets on the last day of each fiscal quarter during a year consist of assets that generate passive income. There are no minimum stock ownership requirements for application of the PFIC rules. Once a corporation is a PFIC with respect to a shareholder, it is generally always treated as a PFIC unless a purging election is made, irrespective of whether the entity ceases to meet the definitional requirements for PFIC classification. Under the PFIC rules, gain attributable to a disposition of the stock of a PFIC, as well as income attributable to certain "excess distributions" with respect to that PFIC stock, is allocated ratably over the shareholder's holding period for the stock. The portion of such gain and excess distribution allocated under such rules to such prior years are subject to tax as ordinary income at the highest rate applicable to such income during each such year during such holding period, and is subject to an interest-like charge on the tax liability attributable to income that is treated as allocated to prior years as if such liability had actually been due in each such prior year.

An investor in a PFIC may generally elect to treat that entity as a qualified electing fund ("QEF") by filing IRS Form 8621. If a QEF election is made with respect to the Company, U.S. holders would generally be required to take into account currently their pro rata share of certain earnings and net capital gain from the Company, in general, without regard to whether the Company makes an actual cash distribution, but would generally not be subject to the tax regime discussed above. The Company shall make available to each investor the PFIC Annual Information Statement with its other tax reporting information for the taxable year upon request. Such statement shall include sufficient information to enable the shareholder to calculate its pro rata share of the PFIC's ordinary earnings and net capital gain for the tax year.

U.S. investors can obtain the Company's PFIC statement for the year ended 28 February 2023 from the Company's website http://jzcp.com/investor-relations. Investors will need to calculate its pro rata share of the PFIC's ordinary earnings and net capital gain for the tax year.

*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.*

***Investment Adviser's ADV Form***

Shareholders and state securities authorities wishing to view the Investment Adviser's ADV form can do so by following the link below:

https://adviserinfo.sec.gov/firm/summary/160932