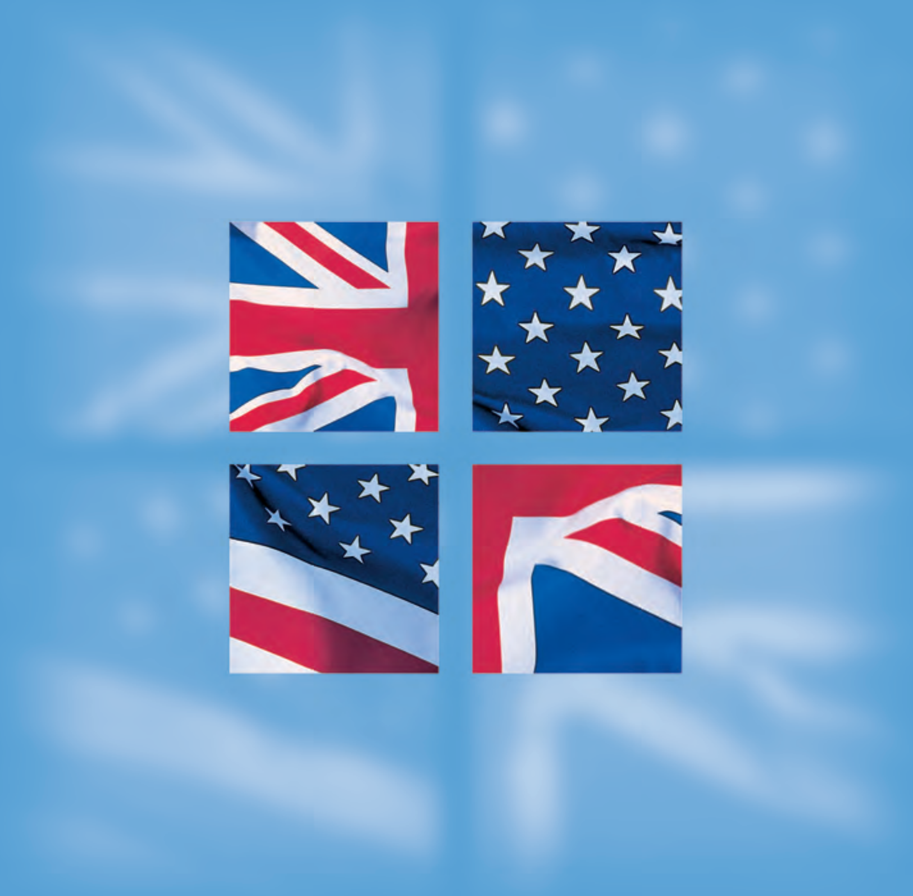

JZ Capital Partners Limited

Annual Report & Accounts

For the year ended 29 February 2012

Contents

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The Association of
Investment Companies

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

Corporate Objective

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

Chairman's Statement

I am pleased to report the results of JZ Capital Partners Limited ("JZCP" or the "Company") for the twelve-month period ended 29 February 2012 and a number of strategic initiatives which are aimed at ensuring the future success of the Company and generating more stable, superior long-term returns for our shareholders.

Performance

The Company's disciplined, value-orientated investment approach has once again provided a solid platform for another strong set of full year results and has provided the 14th consecutive quarter of Net Asset Value ("NAV") growth; including dividends paid, we have shown a total NAV return for the last three years of 18%. This is an excellent achievement considering the sustained challenging trading environment, which remained unpredictable throughout the period, despite glimpses of an equity market rally towards the end of 2011.

The positive performance of the underlying assets led to a 6% increase in NAV to US$615 million (2010: US$581 million) giving rise to a NAV per share of US$9.47 per share (2010: US$8.93). The Board is pleased to announce a record full year distribution of US$16.3 million (2010: US$15.9 million) or 25.0 cents per share (2010: 24.5 cents per share), providing shareholders with a total NAV return (NAV appreciation and reinvested dividends) of 8%.

The Company has built on the heightened levels of investment activity during 2010 with further investments and realisations across the core portfolio during the period. Investing in good quality companies with strong growth prospects remains a continued focus for JZCP and the Company continues to exploit a broad range of industry verticals and geographies to originate suitable assets. At the end of the period the portfolio consisted of 44 companies across 10 industry sectors and within the US, Europe and now Latin America.

Valuations in the micro cap space, the main growth driver for JZCP, held up well relative to the rest of the private equity sector and the Company was able to make five significant realisations generating US$156 million. The US micro cap portfolio continues to form the mainstay of the Company's investment and realisation activity and 2011 was no exception, with US$53.3 million of investments made during the period, with an average entry multiple of 5.8x.

Our exposure to the European micro cap sector continues to compliment and diversify the US micro cap portfolio and is becoming a strategically important segment of the business. The challenging economic environment in Spain has provided five investment opportunities for the Company to date and we continue to explore other opportunities at distressed prices in the region and across Europe. Our European portfolio represents 12% of NAV as at 29 February 2012 (now 14% of NAV since period end).

Since the period end, we have started to exploit our value-orientated approach in Latin America, a market with a positive demographic trend that has huge growth potential and importantly it will provide our portfolio with further geographic diversification. Due to the strong performance of our European portfolio and the considerable scope for further activity in the region and further co-investment opportunities in Latin America, the Board feels that it is in the interest of all shareholders to have the option to increase the percentage of the portfolio which can be invested outside the US from 20% to 30% of the portfolio.

I'm also pleased to report some other exciting opportunities that will complement our core micro cap strategy. Our track record of investing in credit and the current dislocation in the real estate market has led us to some quality investment opportunities in the secondary mortgage loan market. These assets have the potential to provide a high yield and capital appreciation, so fit nicely within the Company's risk reward profile.

JZCP is also taking advantage of opportunities within the New York retail and commercial real estate market through a new partnership with a real estate developer. Separately the Company is establishing a new asset management business in the US that will address the growing demand from endowments and pension funds for fiduciary management services. We look forward to updating the market on the progress of these early stage investments later in the year.

Strategic Initiatives

The Company continues to experience interest from a number of investors from the US, which are attracted by the shareholder returns generated by JZCP. With that in mind, shareholders will be receiving a communication about a proposed restructuring of the Company's Ordinary share capital, the rationale for which I would like to address briefly below.

The Company has had an equity capital structure to date which has included listed Ordinary shares and unlisted Limited Voting Ordinary shares (LVOs). This structure restricts the Company's ability to accommodate the growing number of US investors looking to invest in JZCP, as outlined above.

In light of this trend and given the potentially serious, onerous and costly US regulatory consequences caused if voting control of JZCP is owned by US shareholders, the Board feels that it is in the interest of all shareholders to devise a capital structure that resolves this issue on a permanent basis. The Board has

Chairman's Statement

Continued

explored a wide range of options and has concluded that this shareholder restriction be removed by a restructuring of JZCP's capital that includes a change to a single class of Ordinary shares.

Part of the proposed structure is that there are restrictions on the voting rights of shareholders who cannot or do not confirm that they are not US persons. This would mean JZCP's Ordinary shares would not be eligible for listing on the premium segment of the Official list and would be transferred, together with the ZDP shares, for admission to trading on the London Stock Exchange's Specialist Fund Market (SFM).

The new capital structure will provide the following benefits to shareholders:

- Better reflect the Company's market capitalization (expected nearly to double)
- Increased access for US investors
- No further US securities laws regulatory risk
- All equity shareholders will hold a single class of listed Ordinary shares
- No forced conversion or sell downs as currently required.

These proposals are subject to shareholder approval and further information can be found in the Circular distributed to shareholders and in today's separate regulatory announcement.

Distributions

The Directors declared and paid an Interim Dividend of 3.5 cents per share for the six months ended 31 August 2011 and paid a Special Dividend in respect of that period of 3 cents per share. The Board recommends a final dividend for the year of 18.5 cents per share. Therefore, subject to shareholder approval of the proposed Final Dividend, the total distribution for the year will be 25.0 cents per share, compared to 24.5 cents for the year ended 28 February 2011. Much of this additional 18.5 cents is due to significant cash income generated from Paid in Kind ("PIK") interest and preferred dividends paid in cash from the realizations mentioned above.

The Board continues to be mindful of the significant discount to NAV at which the Company, and the majority of the wider listed private equity sector market is trading and continually explores options that are aimed at providing a long-term solution to narrow the discount. Accordingly the Board is proposing to make dividend distributions that are regular and predictable, through a change in dividend policy.

Historically it has been the policy to distribute, as regular interim and final dividends, the majority of JZCP's net cash income and as special dividends non-cash income, largely PIK interest, when it is converted into cash. Whilst recently the Board has been able to say that conditions are tending to be such as to allow the payment of special dividends, their payment has been irregular in terms of amount and timing and at the same time as a result of low interest rates, net cash income is tending to reduce. Accordingly shareholders have had no certainty of yield or progression.

The distribution for the year ended 29 February 2012 has been determined on the historic basis. But for the current financial year and thereafter it will be the Directors' policy that the dividend will be calculated as 3 per cent of NAV per year (1.5 per cent at each of the interim and final stages) implying a yield at the discount (as at 16 May 2012) of approximately 4 per cent.

Outlook

The outlook for the Company continues to be positive: we are well positioned to take advantage of a healthy pipeline of investment and realisation opportunities in the micro cap sector in US and Europe whilst pursuing some exciting investments diversified by industry and geography.

As outlined above, our shareholders will have the opportunity shortly to vote on a number of strategic initiatives that have been proposed to further enhance long-term shareholder value and that the Board believes will pave the way for the future success of the Company. We look forward to the year ahead with confidence.

David Macfarlane
Chairman

17 May 2012

Board of Directors

David Macfarlane (Chairman)[1]

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

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Patrick Firth[2]

Mr Firth was appointed to the Board of JZCP in April 2008. He is a Chartered Accountant and a member of The Chartered Institute for Securities and Investment. He is formerly Managing Director of Butterfield Fulcrum Group (Guernsey) Limited and is a Director of a number of listed and unlisted investment funds and management companies and is a former Chairman of the Guernsey Investment Fund Association.

David Allison

Mr Allison was appointed to the Board of JZCP in April 2008. He is a Solicitor and Guernsey Advocate and was Managing Director of Rothschild Trust Guernsey before setting up Virtus Trust Limited in 2005. He sits on a number of offshore investment fund Boards as a non Executive Director.

James Jordan

Mr Jordan was appointed to the Board of JZCP in April 2008. He is a private investor, who until 30 June 2005 was Managing Director of Arnhold and S. Bleichroeder Advisers, LLC, a New York based firm of asset managers, and is a non-executive Director of Leucadia National Corporation and the First Eagle Funds.

Tanja Tibaldi

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

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

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

Company Advisers

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

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767 Fifth Avenue
New York NY 10153

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JZ Capital Partners Limited is registered in Guernsey
Number 48761

Administrator, Registrar and Secretary
Butterfield Fulcrum Group (Guernsey) Limited
2nd Floor
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3NQ

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

UK Transfer and Paying Agent
Equiniti Limited
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Spencer Road
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West Sussex BN99 6ZX

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

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

Guernsey Bankers
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Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3AP

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5 Appold Street
London EC2A 2HA

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

Mayer Brown LLP
214 North Tryon Street
Suite 3800
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Winston & Strawn LLP
35 West Wacker Drive
Chicago IL 60601-9703

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Guernsey GY1 4HP

Financial Adviser and Broker
JP Morgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Report of the Directors

The Directors present their annual report together with the audited financial statements of JZ Capital Partners Limited (the "Company") for the year ended 29 February 2012.

Principal Activities

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

The Company was granted consent on 8 May 2008 by the Guernsey Financial Services Commission under The Control of Borrowing (Bailiwick of Guernsey) Ordinance,1959 to raise up to £300,000,000 by the issue of shares.

The Company was launched in connection with a scheme of reconstruction and voluntary winding up of JZ Equity Partners Plc ("JZEP") under section 110 of the United Kingdom's Insolvency Act 1986. JZEP's assets, after providing for its liabilities were transferred *in specie* to the Company and the Company issued to JZEP shareholders (other than those who opted against the new scheme) one Ordinary share for each JZEP Ordinary share and ZDP share for each JZEP ZDP share that they held.

On 22 June 2009 a placing and open offer of Ordinary shares resulted in 117,037,749 Ordinary and 110,527,388 Limited Voting Ordinary shares being issued at the price of 42 pence. The Ordinary shares were subsequently consolidated on the basis that all holders of Ordinary shares would hold one Ordinary share for every five Ordinary shares held immediately prior to the share consolidation. New ZDP shares were also issued following the redemption of the old ZDP shares.

Limited Voting Ordinary ("LVO") shares were issued so that certain of the Company's existing shareholders and certain new investors that are Qualifying US Persons* could participate in the Ordinary share Issue without causing the Company to be treated as a US domestic company for the purposes of US securities laws and/or a Controlled Foreign Company ("CFC") for US tax purposes. LVO shares are identical to, and rank *pari passu* in all respects with, the new Ordinary shares except that the LVO shares will only carry a limited entitlement to vote in respect of the appointment or removal of Directors and do not carry any entitlement to vote in respect of certain other matters. The LVO shares are not listed and are not admitted to trade on or through the facilities of the London Stock Exchange.

Business Review

The total profit attributable to Ordinary shareholders for the year was US$45,044,000 (year ended 28 February 2011: profit of US$137,243,000). The revenue return for the year was US$25,202,000 (year ended 28 February 2011: US$30,120,000), after charging administrative expenses of US$2,786,000 (year ended 28 February 2011: US$2,094,000) and Investment Adviser's base fee US$10,247,000 (year ended 28 February 2011: US$8,667,000) and an income incentive fee payable to the investment adviser of US$4,410,000 (28 February 2011: US$nil). The net asset value (NAV) of the Company at the year end was US$615,462,000 (28 February 2011: US$580,788,000) equal to US$9.47 (28 February 2011: US$8.93) per Ordinary share.

For the year ended 29 February 2012, the Company had US$1,633,000 (year ended 28 February 2011: US$15,056,000) of cash inflows resulting from operating activities.

A review of the Company's activities and performance is detailed in the Chairman's Statement on pages 2 and 3 and the Investment Adviser's Report on pages 9 to 13. The Directors' valuation of the listed and unlisted investments is detailed on pages 15 to 17.

Dividends

An interim dividend of 3.5 cents per Ordinary share (total US$2,275,651) and a special dividend of 3.0 cents (total US$1,501,558) were declared by the Board on 17 October 2011 and paid on 25 November 2011.

A final dividend of 18.5 cents per Ordinary share (total US$12,028,443) was proposed by the Board on 17 May 2012.

For the year ending 28 February 2013, it will be the Board's intention to distribute substantially 3% of the Company's net assets in the form of dividends.

Directors

The Directors listed below are all non-executive and have served on the Board throughout the year and were in office at the end of the year and subsequent to the date of report. The biographical details of the Directors are shown on page 4.

David Macfarlane (Chairman)
David Allison
Patrick Firth
James Jordan
Tanja Tibaldi

All Directors are independent at the year end and throughout the year and to the date of this report.

*A foreign corporation shall satisfy the "qualified US person ownership test" if, for more than half the days of the corporation's taxable year: (i) it is a CFC, and (ii) more than 50% of the total value of all the outstanding stock of the CFC is owned by one or more "qualified US persons".

Report of the Directors

Continued

Annual General Meeting

The Company's Annual General Meeting is due to be held on 3 July 2012.

Share Capital and Purchase of Own Shares

Details of the Zero Dividend Preference shares and the Ordinary shares can be found in Notes 17 and 18 on pages 47 and 48 respectively. During the year the Company did not buy back any of its own shares.

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

David Allison and Patrick Firth did not hold an interest in Ordinary shares during the year. None of the Directors held any interest in the Zero Dividend Preference shares during the year. There have been no changes in the Directors' interests between 29 February 2012 and the date of this report.

Directors' Statement as to the Disclosure of Information to the Auditors

All the present Directors were members of the Board at the time of approving this report, and each of the Directors confirms that:

- To the best of his/her knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- He/she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditor

A resolution to re-appoint Ernst & Young LLP as auditor to the Company will be proposed at the next annual general meeting.

	Number of Ordinary shares 1 March 2011	Ordinary shares purchased/ (sold)	Number of Ordinary shares 29 February 2012
David Macfarlane	40,000	3,000	43,000
James Jordan	30,000	–	30,000
Tanja Tibaldi	2,000	–	2,000
	72,000	3,000	75,000

Substantial Shareholders

As at 29 February 2012 the Company has been notified in accordance with applicable legislation of the following interests in the Ordinary share capital and Limited Voting Ordinary ("LVO") share capital of the Company:

	Ordinary shares	LVO shares	Total	% of Ordinary shares	% of total shares
Rothschild Private Management Limited [1]	3,894,018	–	3,894,018	10.43%	5.99%
Abrams Capital Management, L.P.	3,362,450	1,030,053	4,392,503	9.01%	6.76%
John W. Jordan	2,513,280	5,251,037	7,764,317	6.73%	11.94%
David W. Zalaznick	2,466,340	5,251,037	7,717,377	6.61%	11.87%
Edgewater Growth Capital Partners	2,111,613	11,382,424	13,494,037	5.66%	20.75%
Leucadia Financial Corporation	1,941,550	2,586,013	4,527,563	5.20%	6.96%
M&G Investment Management Ltd [2]	1,912,504	–	1,912,504	5.12%	2.94%
Baillie Gifford [3]	1,822,630	–	1,822,630	4.88%	2.80%
Legal & General [4]	1,397,076	–	1,397,076	3.74%	2.15%

[1] At the date of this report (17 May 2012) Rothschild Private Mangement Limited held 3,921,118 Ordinary shares and no Limited Voting Ordinary shares in the Company.
[2] At the date of this report (17 May 2012) M&G Investment Management Ltd held 1,912,449 Ordinary shares and no Limited Voting Ordinary shares in the Company.
[3] At the date of this report (17 May 2012) Baillie Gifford held 1,820,523 Ordinary shares and no Limited Voting Ordinary shares in the Company.
[4] At the date of this report (17 May 2012) Legal & General held 1,361,458 Ordinary shares and no Limited Voting Ordinary shares in the Company.
All other holdings were the same as at the year end and 17 May 2012.

The percentage of Ordinary shares shown above represents the ownership of voting rights at the year end (LVO shares are not classed as having voting rights).

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

Report of the Directors

Continued

Statement of Directors' Responsibilities

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

In preparing Financial Statements the Directors are required to:

- Ensure that the Financial Statements comply with the Memorandum & Articles of Incorporation and IFRS, as published by the International Accounting Standards Board;
- Select suitable accounting policies and apply them consistently;
- Present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business; and
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

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

Responsibility Statement of the Directors in Respect of the Financial Statements

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

- The Financial Statements, prepared in accordance with IFRS and in accordance with the requirements of the London Stock Exchange ("LSE"), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Investment Advisers' Report includes a fair review of the development and performance of the business and the position of the Company.

The Directors are also responsible for the keeping of 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 comply with the Companies (Guernsey) Law, 2008 and the Listing Rules of the London Stock Exchange. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and agreed on behalf of the Board on 17 May 2012.

David Macfarlane	**Patrick Firth**
Chairman	Director

Investment Adviser's Report

Dear Fellow Shareholders,

We are pleased to report JZCP completed its fiscal year ending 29 February 2012 with strong investment returns, year on year growth in Net Asset Value ("NAV") and a substantial dividend distribution to shareholders. Our NAV (including dividends paid) was up 7.9%; on a per share basis the NAV went up to US$9.47 per share from US$8.93. JZCP's dividend will be 25.0 cents versus 24.5 cents last year. Our Company's balance sheet is exceptionally strong with enhanced liquidity from multiple realizations and repayment of debt investments. We received US$247.8 million in proceeds from realizations and deployed US$291.3 million in new investments over the past fourteen months.

Our NAV growth for the year was driven by (i) five successful realizations (ii) and positive performance in our underlying investments. Our robust dividend was provided in part, by realizations of the portfolio which resulted in cash payment of accrued income. Starting with this financial year ending 28 February 2013, it is the Board's intent to prescribe an annual dividend equal to 3% of JZCP's NAV; assuming this occurs, dividends, comprised of capital and income returns, will be paid to shareholders at a predictable rate that will not be subject to the dependence on realizing accrued income for a portion of the dividend.

Our investment style is relatively simple: we are value oriented investors that primarily buy already successful businesses in partnership with management at reasonable prices. We have worked with the respective management teams on strategic acquisitions, and over the years we have added operational improvements to help grow the value of our portfolio companies. We believe this is the way to achieve superior returns with less risk.

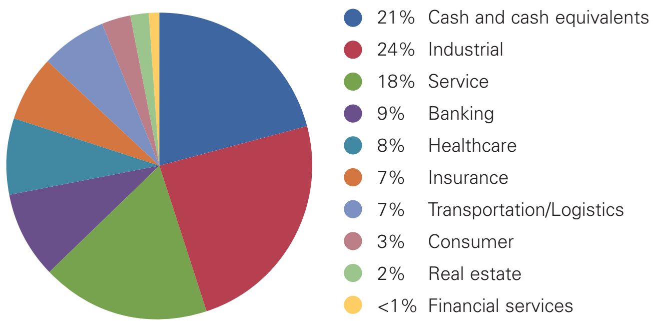
We have diversified JZCP's portfolio into many different industry sectors as well as geographically across the United States, and more recently, into Europe. As you will see in this report, we have started to add asset classes, such as real estate and distressed debt, applying the same disciplined investment approach we have always used.

Currently (May 2012), we have a diversified portfolio of 44 businesses in 10 different sectors, as you will see in the charts opposite; the percentages are of total assets.

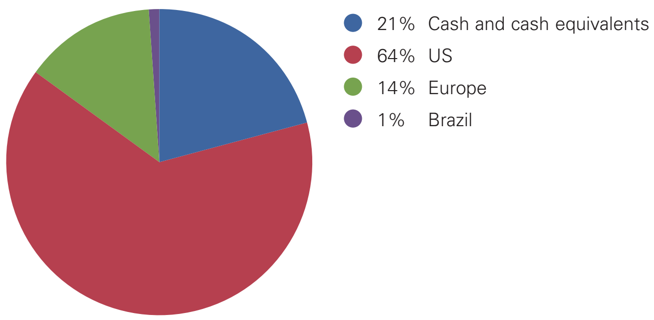
In addition, we have invested US$0.8 million in distressed debt, US$16.8 million in real estate and US$61.4 million in listed corporate bonds.

David Zalaznick and Jay Jordan

Portfolio by Industry



Portfolio by Geography



Investment Adviser's Report

Continued

NAV Growth

For the twelve months ending 29 February 2012, JZCP's net assets increased from US$8.93 per share to US$9.47, a 6% increase (after the 16 cents of dividends paid in the same period), posting 14 consecutive quarters of growth. The chart below shows the source of JZCP's annual growth for this fiscal year:

Net Asset Value per Ordinary share as of 28 February 2011	**US$8.93**
+ Increase in underlying investments	0.52
– Decrease in listed equities	(0.09)
+ Income from investments	0.67
– ZDP dividend accrual	(0.10)
– Dividends paid	(0.16)
– Fees and expenses	(0.20)
+/– Other	(0.10)
Net Asset Value per Ordinary share as of 29 February 2012	**US$9.47**

Regarding the increase in underlying investments above, over the course of the year, we have increased the valuation of four US micro cap businesses through both realized (20 cents) and unrealized (12 cents) means. We reduced the valuations of four US micro cap investments due to soft earnings performance (28 cents). In addition, we booked an increase in the valuation of the EuroMicrocap fund investments, through the over-performance of Factor Energia, a Spanish power reseller (31 cents per share). Finally, the sale of Advanced Chemistry & Technology, Inc., a legacy investment contributed 8 cents to the NAV growth.

Portfolio Summary

Below is a comparison of our portfolio, comparing the year ended 29 February 2012 to previous year end. As you will note, our US micro cap portfolio decreased by US$50 million because we had two outstanding realizations (discussed below). Since 29 February 2012, we have completed three US micro cap investments (US$38.1 million), and two businesses outside the US (US$19.4 million).

	29/02/2012 US$'000	28/02/2011 US$'000	Change %
US micro cap portfolio	**181,655**	230,601	(21.2%)
European micro cap portfolio	**85,129**	32,899	158.8%
Mezzanine investments	**29,632**	48,499	(38.9%)
Legacy portfolio	**25,312**	42,620	(40.6%)
Total private investments	**321,728**	354,619	(9.3%)
Listed equity	**88,639**	105,016	(15.6%)
Listed corporate bonds	**32,129**	–	–
Bank debt	**32,512**	34,121	(4.7%)
Treasury gilts	**33,465**	–	–
Cash and cash deposits	**202,481**	172,267	17.5%
Total listed investments (and cash)	**389,226**	311,404	25.0%
Total investments (and cash)	**710,954**	666,023	6.7%
Other current assets	**451**	464	–
Total assets	**711,405**	666,487	6.7%

Note that we have begun a program to purchase highly rated listed corporate bonds, as a means of earning an enhanced return on our cash. The obligors of these bonds are three highly rated banks: HSBC, JP Morgan Chase and Wells Fargo and mature from 2014 to 2016.

Micro Cap Portfolio

We had significant activity in our US and European micro cap portfolio, investing US$180.4 million over the past year (including the two months past the end of the fiscal year). The average entry multiple was 5.6x and the average leverage was 1.2x

US investments

- As part of our strategic build up in sensors, in December 2011 we invested US$22.5 million to acquire a 33% stake in Amptek, Inc., a designer and manufacturer of x-ray detectors. The investment consists of 7% preferred and common stock. We are very pleased to partner with Amptek's very accomplished and motivated management team. This is our second investment in our Sensors vertical, managed by Gerry Posner.

Investment Adviser's Report

Continued

- In August 2011, we made our third Industrial Services vertical acquisition – Southern Parts and Engineering Company ("SPECO"), an independent supplier of aftermarket products and services for industrial air compressors. The company provides internal parts, filters, and lubricants for most reciprocating and rotary OEM brands of compressors. Our US$6.6 million investment in SPECO consists of US$4.5 million of 10% notes and US$2.1 million of preferred and common stock, representing 34% of the equity in this business.
- We acquired Nashville Chemical, in March 2011 which was the first investment into our water vertical. Nashville Chemical is a speciality water treatment, chemical and services company; which treats boilers, cooling water, and process water systems for industrial and commercial customers. Nashville Chemical's water treatment solutions remove harmful contaminants from water, which ultimately improve the efficiency and extend the life of its customer's assets. Our US$7.0 million investment in this entity consists of US$3.8 million in notes, and US$3.2 million of preferred and common stock representing a 33% ownership in this company.
- In June 2011, we co-invested with Baird Capital Partners in Justrite, a leading designer and manufacturer of safety products for the handling and storage of flammable and hazardous liquids. Manufacturers, laboratories, commercial buildings and other users of flammable and hazardous liquids rely on Justrite products to comply with regulatory requirements, meet safety codes and prevent catastrophic events caused by fires or spillage. We invested US$4.4 million in preferred and common stock, representing a 11% ownership in this company.
- Throughout the year we invested an additional US$10.0 million in Milestone Aviation, a helicopter leasing business, bringing our investment stake in this business' preferred and common stock to US$12.9 million. This investment represents 8% of Milestone equity.
- In April 2012, we purchased Bay Valve Service and Engineering, a Seattle Washington based refurbisher of larger valves for a variety of end users, from oil refineries to power generation plants. Bay Valve is part of our Industrial Service solutions vertical overseen by Jim Rogers. We invested US$18.7 million in debt and equity securities, including 31% of the business's equity. We are excited to add Bay Valve to the ISS family of businesses, including Horsburgh and Scott gears, MidAmerican rubber plant services, and SPECO compressors.
- In April 2012, we made an investment in Medplast/UPG, a plastic molding company specializing in high margin healthcare molded products. This business has 10 plants around the world, using a variety of proprietary techniques. Baird Capital Partners, is the lead investor in this transaction; we purchased US$17.5 million of securities, including US$10.0 of 14.5% subordinated notes and US$7.5 million of preferred and common equity. The equity represents a fully diluted 11% of the business.
- We also made a commitment of up to US$15.0 million into a new asset management portfolio company, run by David Russ. David brings with him an impressive track record as Chief Investment Officer of Dartmouth College's endowment, as well as having senior investment roles at Stanford University and the Regents of the University of California. His plan is to approach smaller endowments and pension funds who have limited resources and offer them an institutional grade investment management program; this type of asset management business is known as an "outsourced CIO/Endowment model." We are excited to be working with David and will report more on this business as developed.

European investments

JZCP is investing in the European micro cap sector through its 75% ownership of the EuroMicrocap Fund ("EMF"). Exposure to the European micro cap sector continues to compliment and diversify JZCP's existing micro cap portfolio and 2011 saw significant activity in this strategically important sector. As at 29 February 2012, the European micro cap portfolio represented 11% of total NAV, and now 14% of NAV after our investment in Oro Direct (described overleaf) this past March.

As you may recall, we have an office in London and Madrid and an outstanding team with over ten years of investment experience in European micro cap deals. During the fiscal year ended 29 February 2012 (plus the two months following) EMF has made the following investments.

- In April 2011, EMF acquired Docout, a provider of digitalization, document processing and storage services to Spanish financial institutions, utilities and insurance companies. EMF invested €11 million in equity and JZCP directly loaned Docout €2.0 million for working capital. Docout was awarded the largest document outsourcing contract from Bank Santander just prior to its acquisition. Docout has already begun to expand its business to Latin America and the UK in conjunction with its large customers.
- In May 2011, EMF made a €12.7 million investment in Grupo Ombuds, a leading provider of security, surveillance and facility services to public sector and blue-chip clients in Spain. JZCP also loaned the company €5.0 million in a 8.0% senior debt and €3.5 million in 15% junior debt (5% cash and 8% PIK). Ombuds' service offering includes personal security protection to government officials and corporate executives, asset protection, security services to public

Investment Adviser's Report

and corporate buildings and the provision of ancillary facility services. The company is a niche player with strong growth potential and has a leading market share in Spain.

- In March 2012, EMF acquired 29.7% of Oro Direct, a leading precious metals trading business in Spain. EMF invested €13.5 million along side a co-investor, LFPI, which invested €11.5 million for 25.3% interest. Based in Valencia, Spain, Oro produces scrap gold and silver from 1,500 pawn shops and jewelers for the spot price less a commission per kilo transacted. The precious metals are then sold on to a refiner in Switzerland. This business is very scalable and opened an office in Vienna immediately after our transaction.

The EMF made two additional investments during fiscal 2011; JZCP's share through EMF of all five of its investments represented 14% of JZCP's total assets as at 29 February 2012.

Significant realisations

In July 2011, we sold one of our oldest investments, Advanced Chemistry & Technology, Inc. for a significant gain. JZCP received US$18.2 million for its US$3.4 million investment, representing a 5.6x multiple of capital invested. This sale represented a US$5.5 million increase in NAV, from the 28 February 2011 valuation.

In October 2011, JZCP realized the sale of Document Holdings Corporation, the parent of Dantom Systems, Inc. Dantom was purchased in April 2005 as a platform to acquire and manage businesses that provide integrated services to third party debt collection agencies and to other consumer billing companies. The US$40.5 million JZCP received created a 4.8x multiple of equity invested, and a 27% IRR. We realized a US$5.4 million NAV increase from this sale, versus the 28 February 2011 valuation.

In November 2011, JZCP also realized US$83.0 million from the sale of its wound care businesses, Wound Care Holdings and Sechrist. The transaction represented a multiple of equity invested of 1.9x, and an IRR of 14%. Although JZCP had been writing up these investments over time, the sale still represented a US$7.3 million NAV increase.

In January 2012, we were repaid our US$29 million debt position in Continental Cement, a cement factory in central Missouri. We were paid in full with accrued interest.

During the year ended 29 February 2012 and post year end, JZCP sold 1,023,080 shares of TAL International Group, Inc ("TAL") in three secondary offerings realizing US$37.6 million. TAL has been a very successful investment, we plan to continue realizing our remaining share stake (357,418 of shares) in the next year.

Other Sectors

Over the past year, the bulk of our **Mezzanine Portfolio** has been re-paid due to the strength of the high yield debt market. We currently have two mezzanine investment of size, HAAS TCM, Inc., an automobile paint system supplier company. HAAS has been performing well, and paying cash interest per its terms.

Our largest mezzanine investment is TTS LLC ("TTS") (technical facilities for mechanical services), which is a US$15.2 million note. TTS is current on all interest and principal owed to us.

The only significant **Legacy Portfolio** investment left is Healthcare Products, our power wheelchair company. Despite the vicissitudes of dealing with Medicare, its primary customer, this company continues to perform to plan and we're hopeful of a successful exit above its valuation of US$22.7 million in our NAV.

Our **Listed Equities** declined with the market: TAL (the international container leasing company) and Safety Insurance (a Massachusetts based insurance company) together accounted for a reduction of per share NAV of 26 cents or US$17 million. During the year ended 29 February 2012 and post year end (as previously mentioned), we were able to sell 51% of our position in TAL in three successful secondary share offerings, for a US$27.3 million gain.

Our approach to credit opportunities (such as mezzanine loans) has always been based on our valuation of underlying business assets. Given the current dislocation in real estate related assets, we focused on funding interest bearing opportunities that meet our risk reward criteria i.e. the credit worthiness is supported by a conservative loan to value ratio.

We have begun to invest in secondary mortgage loans at a significant discount from par. These loans are being purchased with the help of experienced managers, directly from banks and government agencies such as the Federal Reserve. Although we are just starting, we expect to be able to deploy US$50-100 million in high yielding paper with low loan to value ratios. These will produce a high current yield (above Treasuries and bank paper) and, depending on the discount, capital appreciation. We look forward to reporting more about this in the future.

In April 2012, we completed the purchase of almost an entire square block in Williamsburg, Brooklyn one of the fastest growing neighborhoods in New York City. We purchased over 100,000 square feet of retail units and forty apartments for approximately US$64 million. JZCP invested US$14.25 million in equity for a 75% ownership position.

Finally, in April 2012 we invested US$6.2 million in BSM Engenharia, a Brazil based infrastructure service business. BSM manages ports and other transportation focused infrastructure

Investment Adviser's Report

Continued

projects for businesses such as PetroBras, the nationally-owned oil company. Our 3.7% of BSM was purchased in conjunction with ACON, a very successful private equity group with significant Latin American experience. Given the exceptionally positive demographics in Brazil and certain other Latin American countries, we plan to look at other co-investment opportunities there in conjunction with other established private equity firms in the region.

Principal Risks and Uncertainties

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

Outlook

We believe the best way to achieve superior returns is by maintaining investment discipline and investing your (and our) money in a diversified portfolio of good quality niche businesses at reasonable prices. Our value oriented investment strategy has remained consistent through the years although the value-added/ operations management component has increased significantly. We are pleased to have excellent managers as partners and together we develop growth strategies and work on operational efficiencies for the respective portfolio companies. This approach to investing offers superior risk adjusted returns for our shareholders over the long-term.

We are making good progress in building out several of our investment verticals. The verticals will continue to be the growth engines for our NAV. We also think our co-investments with other private equity firms will provide great investment returns. Most importantly, our Company has never been more diversified and we will endeavor to continue to diversify by industry sector, asset class and to a lesser degree, geography, through our increasing exposure in Europe.

Furthermore, we expect our shareholders to benefit from the new dividend policy which will provide a more predictable level of distribution based on the Company's NAV. Most importantly, we will try not to lose any money along the way.

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

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.

17 May 2012

Valuation Policy

Principles of Valuation

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

Investments are valued according to one of the following methods:

(i) Mezzanine loans:
Investments are generally valued at amortised cost except where there is deemed to be impairment in value which indicates that a provision should be made. Mezzanine loans are classified in the Statement of Financial Position as Loans and Receivables and are accounted for at amortised cost using the effective interest method less accumulated impairment allowances in accordance with IFRS.

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

(ii) Unquoted preferred shares, micro cap loans, unquoted equities and equity related securities:
Unquoted preferred shares, micro cap loans, unquoted equities and equity related securities investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss. These investments are typically valued by reference to their enterprise value, which is generally calculated by applying an appropriate multiple to the last 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 IPEVCA 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.

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

(iii) Traded loans:
Traded loans including first and second lien term securities are valued by reference to the last indicative bid price from recognised market makers. These investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss.

(iv) Listed investments:
Listed investments are valued at the last quoted bid price. These investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss.

Investment Review

Company	JZCP Book Cost* US$'000	Historical Book Cost** US$'000	Directors Valuation at 29 February 2012 US$'000	Carrying Value Including Accrued Interest 29 February 2012 US$'000	Percentage of Portfolio %
BANK DEBT: FIRST LIEN PORTFOLIO					
KGB (FORMERLY KNOWN AS INFONXX, INC.)					
Worldwide provider of directory assistance	1,834	1,920	1,848	1,848	0.4
KINETEK, INC.* **					
Manufacturer of electric motors and gearboxes	3,955	4,299	4,245	4,245	0.8
WP EVENFLO HOLDINGS, INC.					
Manufacturer of children's products	119	139	135	135	0.0
BANK DEBT: SECOND LIEN PORTFOLIO					
DEKKO TECHNOLOGIES, LLC					
Distributor of electrical sub-components	11,418	11,368	12,862	12,971	2.6
KINETEK, INC.* **					
Manufacturer of electric motors and gearboxes	13,425	15,000	13,313	13,313	2.6
Total Bank Debt	**30,751**	**32,726**	**32,403**	**32,512**	**6.4**
MEZZANINE PORTFOLIO					
GED HOLDINGS, INC.					
Manufacturer of windows	–	6,100	305	331	0.1
HAAS TCM GROUP, INC.					
Speciality chemical distribution	7,500	7,500	7,584	7,761	1.5
METPAR INDUSTRIES, INC.					
Manufacturer of restroom partitions	6,450	7,754	636	750	0.1
PETCO ANIMAL SUPPLIES, INC.					
Retailer of pet food, supplies and services	1,636	1,636	1,636	1,636	0.3
ROOFING SUPPLY GROUP, INC.					
Distributor of roofing products	131	1,406	3,961	3,967	0.8
TTS, LLC					
Provider of technical facilities for mechanical services	15,000	14,840	14,933	15,187	3.0
Total Mezzanine Portfolio	**30,717**	**39,236**	**29,055**	**29,632**	**5.8**

Investment Review

Continued

Company	JZCP Book Cost* US$'000	Historical Book Cost** US$'000	Directors Valuation at 29 February 2012 US$'000	Carrying Value Including Accrued Interest 29 February 2012 US$'000	Percentage of Portfolio %
EUROPEAN MICRO CAP PORTFOLIO					
EUROMICROCAP FUND 2010, LP Acquiror of Europe-based micro cap companies	49,153	49,153	69,950	69,950	13.8
DOUCOUT, S.L. Provider of digitalisation, document processing and storage services	2,777	2,777	2,685	2,896	0.6
GRUPO OMBUDS Provider of personal security and asset protection	12,202	12,202	11,353	12,283	2.4
Total European Micro Cap Portfolio	**64,132**	**64,132**	**83,988**	**85,129**	**16.8**
US MICRO CAP PORTFOLIO					
ACCUTEST HOLDINGS, INC. Provision of environmental testing laboratories to the US market	34,978	31,516	38,325	39,090	7.6
BG HOLDINGS, INC. Manufacturer of industrial gears	19,733	19,733	28,206	28,735	5.7
CHINA DENTAL HOLDINGS, INC. Potential acquiror of China-based laboratories	1,126	1,126	1,252	1,273	0.3
DENTAL HOLDINGS CORPORATION Operator of dental laboratories	33,367	27,604	23,318	24,060	4.7
IND SERVICES SOLUTIONS, INC. Potential acquiror of industrial equipment service businesses	7,374	7,374	7,580	7,706	1.5
JZ PALATINE CO-INVESTMENT, LLC . Invests in distressed debt	764	764	764	764	0.2
MILESTONE AVIATION GROUP, INC. Finance provider for helicopter and private jet owners	10,774	10,774	11,288	11,454	2.3
NATIONWIDE STUDIOS, INC. Processer of digital photos for preschoolers	16,132	16,132	4,052	4,200	0.8
NEW VITALITY HOLDINGS, INC. Direct-to-consumer provider of nutritional supplements and personal care products	4,000	4,000	4,483	4,604	0.8
SAFETY PRODUCTS, INC. Acquiror of safety product companies. Its first acquisition was Justrite, a manufacturer of industrial safety products.	4,428	4,428	4,587	4,641	0.9
SALTER LABS, INC. Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	19,163	19,163	11,707	11,956	2.4
SENSORS SOLUTIONS, INC. Acquiror of businesses affiliated with sensor devices or systems. Its first acquisition was Nielsen Kellerman and Amptek, Inc.	25,285	25,285	25,633	25,994	5.1
TAP HOLDINGS, INC. Potential acquiror of food product manufacturers or distributors	575	575	659	669	0.1
TESTING SERVICES HOLDINGS Acquiror of laboratory testing businesses. Its first acquisition was Galson Holdings, Inc. a provider of industrial hygiene testing services	2,883	2,883	8,511	8,567	1.7
TRIWATER HOLDINGS CORPORATION Acquiror of water treatment businesses. Its first acquisition was Nashville Chemical & Equipment Co., a provide of water treatment supplies and services	7,402	7,402	7,716	7,844	1.5
US SANITATION, LLC Acquiror of janitorial and sanitorial product distributors and related chemical manufacturers and blenders.	97	97	97	98	0.0
Total US Micro Cap Portfolio	**188,081**	**178,856**	**178,178**	**181,655**	**35.6**

Investment Review

Continued

Company	JZCP Book Cost* US$'000	Historical Book Cost** US$'000	Directors Valuation at 29 February 2012 US$'000	Carrying Value Including Accrued Interest 29 February 2012 US$'000	Percentage of Portfolio %
LEGACY PORTFOLIO					
ETX HOLDINGS, INC. Provider of services to the auto after sales market	392	392	602	613	0.1
HEALTHCARE PRODUCTS HOLDINGS, INC. Designer and manufacturer of motorised vehicles	13,848	17,636	21,578	22,727	4.5
JORDAN INDUSTRIES, INC. Conglomerate	–	21	–	–	0.0
JZ INTERNATIONAL LLC Fund of European LBO investments	1,620	660	1,620	1,620	0.3
NTT ACQUISITION CORP. Technical education and training	52	946	52	52	0.0
TIGER INFORMATION SYSTEMS, INC. Provider of temporary staff and computer training	300	400	300	300	0.1
Total Legacy Portfolio	**16,212**	**20,055**	**24,152**	**25,312**	**5.0**
LISTED INVESTMENTS					
EQUITIES					
SAFETY INSURANCE GROUP, INC. Provider of automobile insurance	42,223	6,816	49,363	49,363	9.7
TAL INTERNATIONAL GROUP, INC.*** Lessor of intermodal shipping containers	24,671	10,652	38,409	38,409	7.6
UNIVERSAL TECHNICAL INSTITUTE, INC. Vocational training in the automotive and marine fields	835	15	867	867	0.2
Total Listed Equity Investments	**67,729**	**17,483**	**88,639**	**88,639**	**17.5**
UK GILTS					
Treasury 2% – maturity 22/01/2016	32,431	32,431	33,397	33,465	6.6
Total UK Gilts	**32,431**	**32,431**	**33,397**	**33,465**	**6.6**
CORPORATE BONDS					
HSBC Finance Corp, 06/01/16	13,709	13,709	13,489	13,525	2.7
JP Morgan Chase Bank NA, 06/13/16	9,273	9,273	9,257	9,276	1.8
Wachovia Bank NA, 03/15/16	9,435	9,435	9,309	9,328	1.8
Total Corporate Bonds	**32,417**	**32,417**	**32,055**	**32,129**	**6.3**
TOTAL – PORTFOLIO	**462,470**	**417,336**	**501,867**	**508,473**	**100.0**
Zero Dividend Preference shares				(87,281)	
Cash and other net assets				194,270	
Net assets attributable to Ordinary shares				**615,462**	

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP and adjusted for subsequent transactions. The book cost excludes the transfer value and subsequent Payment In Kind ("PIK") investments.

** Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions. The book cost represents cash outflows and excludes PIK investments.

*** Invested in deals with the Resolute Fund – see Note 29.

Mezzanine Portfolio includes common stock with a carrying value of US$5,471,000 and preferred shares with a carrying value of US$187,000 these investments are classified as Investments at fair value through profit or loss.

Legacy Portfolio – Investments not subject to capital incentive fee. The listed equities Safety Insurance Group, Inc and Universal Technical Institute, Inc. are also classified as legacy investments for the purpose of calculating the incentive fees payable to the Investment Adviser.

Investment Review Major Holdings

The investments listed represent the top ten investments in terms of Directors' valuation:

EuroMicrocap Fund 2010, LP

Headquarters: London, UK

Sector: Acquiror of Europe-based micro cap companies

EuroMicrocap Fund 2010, LP is a private equity fund built around the investment team at JZ International, the European private equity platform founded in 1999 with Jock Green-Armytage, the former chairman of JZEP. The fund's aim is to make investments in Europe-based micro cap companies.

	Historical Book cost* US$'000	Directors' valuation at 29 February 2012 US$'000
LP interest	49,153	69,950
	49,153	69,950

Safety Insurance Group, Inc.

Headquarters: Boston, Massachusetts, USA

Sector: Property and Casualty Insurance

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

	Historical Book cost* US$'000	Directors' valuation at 29 February 2012 US$'000
Common Stock	6,816	49,363
Year ended 31 December, 2011 Sales		US$660.2m
Year ended 31 December, 2011 Adjusted EBITDA		US$27.9m

Investment Review Major Holdings

Continued

Accutest Holdings, Inc.

Headquarters: Dalton, New Jersey, USA
Sector: Environmental Testing Laboratories

Accutest Laboratories is a full service, independent testing laboratory successfully delivering legally defensive data for more than 50 years. Founded in 1956, they provide a full range of water, soil and air testing services to industrial, engineering/consulting and government clients throughout the United States.

	Historical Book cost* US$'000	Directors' valuation at 29 February 2012 US$'000
12.5% Senior Subordinated Notes	7,425	8,330
10% Preferred Stock	24,052	29,995
Common Stock with an equity interest of 38.7%	39	–
	31,516	38,325
Year ended 31 December, 2011 Sales		US$79.9m
Year ended 31 December, 2011 Adjusted EBITDA		US$12.8m

TAL International Group, Inc.

Headquarters: Purchase, New York, USA
Sector: Industrial Transportation

TAL International Group, Inc., which is listed on the New York Stock Exchange (NYSE: TAL), is one of the world's largest lessors of intermodal shipping containers with a fleet of over 945,000 standard dry freight, refrigerated and special containers which are serviced out of 225 container depots in 39 countries. The company's customers include shipping companies, distribution companies, manufacturers and transport companies.

	Historical Book cost* US$'000	Directors' valuation at 29 February 2012 US$'000
Common Stock	10,652	38,409
Year ended 31 December, 2011 Sales		US$516.7m
Year ended 31 December, 2011 Adjusted EBITDA		US$492.2m

* Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions. The book cost represents the cash outflow and excludes the notional cost of PIK investments.

Investment Review Major Holdings

Continued

BG Holdings, Inc.

Headquarters: Cleveland, Ohio, USA

Sector: Industrial Gears

BG Holdings Inc owns The Horsburgh & Scott Co ("H&S") and Mid-American Machine & Equipment Co ("MAM"). H&S is a privately held manufacturer of highly engineered industrial gears and mechanical gear drives, with a market leading position in the large-diameter gear market. Founded in 1886, H&S offers a wide array of large gear types and engineering services for new or replacement installations, as well as custom industrial gears, repair, spare parts, heat treatment and other technical solutions. H&S also provides field service for its customers. H&S' products are used in a variety of applications in steel, mining, sugar, aluminium, and power generation among other industries. MAM is a provider of service, repair and equipment refurbishments primarily to the tyre and rubber industry.

	Historical Book cost* US$'000	Directors' valuation at 29 February 2012 US$'000
12.5% Senior Subordinated Notes	2,624	3,200
Preferred Stock	17,031	24,969
Common Stock with an equity interest of 37.3%	78	37
	19,733	28,206
Year ended 31 December, 2011 Sales		US$75.8m
Year ended 31 December, 2011 Adjusted EBITDA		US$12.7m

Dental Holdings Corporation

Headquarters: Minneapolis, Minnesota, USA

Sector: Healthcare Equipment and Services

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

	Historical Book cost* US$'000	Directors' valuation at 29 February 2012 US$'000
15% Senior Notes	7,500	8,667
15% Subordinated Notes	250	298
12.5% Senior Notes	8,154	10,437
8% Preferred Stock	6,713	3,916
10% Preferred Stock	4,950	–
Common stock with an equity interest of 35.4%	37	–
	27,604	23,318
Year ended 31 December, 2011 Sales		US$72.7m
Year ended 31 December, 2011 Adjusted EBITDA		US$1.5m

* Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions. The book cost represents the cash outflow and excludes the notional cost of PIK investments.

Investment Review Major Holdings

Continued

Healthcare Products Holdings, Inc.

Headquarters: Sarasota, Florida, USA

Sector: Healthcare Services and Equipment

Healthcare Products Holdings, Inc.'s operating subsidiary is Hoveround Corporation, a designer, manufacturer and distributor of motorised wheelchairs and other patented mobility vehicles. Hoveround Corporation utilizes a direct-to-the-customer marketing concept to sell and deliver its products.

	Historical Book cost* US$'000	Directors' valuation at 29 February 2012 US$'000
12.5% Second Lien Notes	3,250	9,519
12% Subordinated Notes	8,149	8,149
14% Subordinated Notes	2,450	3,910
6% Preferred Stock	3,550	–
Common stock with an equity interest of 2%	237	–
	17,636	21,578
Year ended 31 December, 2011 Sales		US$96.6m
Year ended 31 December, 2011 Adjusted EBITDA		US$7.6m

Sensors Solutions, Inc.

Headquarters: Bedford, Massachusetts, and Boothwyn, PA, USA

Sector: Sensors and Instrumentation

Sensors Solutions is the parent company of Nielsen-Kellerman and Amptek, Inc. Nielsen-Kellerman, located in Boothwyn, PA, is a producer of weather measurement devices. Amptek, Inc., located in Bedford, MA, designs and manufacturers instrumentation used in numerous non-destructive testing and elemental analysis applications.

	Historical Book cost* US$'000	Directors' valuation at 29 February 2012 US$'000
9% Second Lien Notes	9,000	9,000
10% Preferred Stock	2,517	2,784
10% Preferred Stock	369	411
7% Preferred Stock	13,362	13,401
Common stock	37	37
	25,285	25,633
Year ended 31 December, 2011 Sales		US$45.1m
Year ended 31 December, 2011 Adjusted EBITDA		US$17.7m

* Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions. The book cost represents the cash outflow and excludes the notional cost of PIK investments.

Investment Review Major Holdings

Continued

TTS, LLC

Headquarters: Denver, Colorado, USA

Sector: Commercial services

TTS, LLC is the parent company of MSCH, Inc. MSCH, Inc. provides integrated energy efficiency services and contractual maintenance programs for heating, ventilation and air conditioning ("HVAC") systems, chilled water systems and building automation and controls.

	Historical Book cost* US$'000	**Directors' valuation at 29 February 2012 US$'000**
12.5% Senior Subordinated Notes	14,840	14,933
	14,840	14,933
Year ended 31 December, 2011 Sales		US$140.9m
Year ended 31 December, 2011 Adjusted EBITDA		US$15.0m

Kinetek, Inc.

Headquarters: Deerfield, Illinois, USA

Sector: Industrial Manufacturing

Kinetek, Inc. Is a provider of custom engineered control, monitor and drive system solutions for customers in the elevator/escalator, commercial floor care, material handling/aerial lift, commercial food equipment, renewable energy and medical markets.

	Historical Book cost* US$'000	**Directors' valuation at 29 February 2012 US$'000**
Bank debt – First Lien	4,299	4,245
Bank debt – Second Lien	15,000	13,313
	19,299	17,558
Year ended 31 December, 2011 Sales		US$400.2m
Year ended 31 December, 2011 Adjusted EBITDA		US$48.0m

* Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions. The book cost represents the cash outflow and excludes the notional cost of PIK investments.

Directors' Remuneration Report

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

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

Remuneration Policy

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

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

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

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The remuneration policy set out above is the one applied for the year ended 29 February 2012 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.

Directors' Term of Appointment

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

The Directors were appointed as non-executive Directors by letters issued in April 2008 which state that their appointment and any subsequent termination or retirement shall be subject to three-months' notice from either party and otherwise to 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.

Nomination committee

In accordance with the Code the Company has established a Nomination Committee. The main role of the committee is to propose candidates for election to the Board of Directors, including the Chairman. The Nomination Committee takes into consideration the Codes 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.

Directors' Remuneration Report

Continued

Remuneration for Qualifying Services

	Fees for services to the Company for the year to 29 February 2012 US$	Fees for services to the Company for the year to 28 February 2011 US$
David Macfarlane (Chairman)	140,000	140,000
David Allison	60,000	60,000
Patrick Firth	60,000	60,000
James Jordan	60,000	60,000
Tanja Tibaldi	60,000	60,000
	380,000	380,000

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

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

Corporate Governance

Introduction

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

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide, will provide better information to shareholders.

The company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance code includes provisions relating to:

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

For the reasons set out in the AIC guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of JZ Capital Partners Limited, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Guernsey Code of Corporate Governance

The Guernsey Financial Services Commission's ("GFSC") "Finance Sector Code of Corporate Governance" ("Guernsey Code") came into effect on 1 January 2012. The introduction to the Guernsey Code states that companies 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 five Directors, all of whom are non-executive. Biographical details of the Directors are shown on page 4 and their interests in the shares of JZCP are shown in the Report of the Directors on page 7.

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

Proceedings of the Board

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

The Directors meet at least quarterly to direct and supervise the Company's affairs. This includes reviewing the investment strategy, risk profile and performance of the Company and the performance of the Company's functionaries, and to monitor compliance with the Company's objectives. The Directors hold regular meetings to review the Investment Adviser's investment decisions and valuations and to decide if the levels of gearing within the investment portfolio are appropriate. The Directors deem it appropriate to review the valuations on a quarterly basis. The schedule of Directors and Committee meetings is shown on page 27.

Continuing terms of Investment Adviser agreement

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

Supply of information

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

Directors' training

The Board is provided with information concerning changes to the regulatory or statutory regimes as they may affect the Company, and are offered the opportunity to attend courses or seminars on such changes, or other relevant matters.

Chairman and senior independent Director

The Chairman is a non-executive Director, together with the rest of the Board. There is no executive Director position within the Company. Day-to-day management of the Company's affairs has been delegated to the Administrator. The Board has considered whether a senior independent Director should be appointed.

Corporate Governance

Continued

However, as the Board comprises entirely non-executive Directors, the appointment of a senior independent Director for the time being, is not considered necessary. Any of the non-executive Directors are available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Re-election of Directors

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

The letters of Appointment of the non-executive Directors suggest that it is appropriate for Directors to retire and be nominated for re-election after three years of service, subject to the recommendation of the General Meeting. No directors are due for re-election at the 2012 Annual General Meeting. Mr Allison, Mr Firth and Ms Tibaldi were re-elected to the Board at the 2011 annual General Meeting.

The Board's evaluation

An appraisal system has been agreed by the Board to evaluate its performance and that of the Chairman and individual Directors on an annual basis. The evaluation takes the form of a questionnaire followed by a discussion of the results and any issues subsequently raised. The questionnaire is designed to highlight areas of the Boards activities, policies or processes which could be improved. 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 AIC Code, the Board has established an Audit Committee and a Nomination Committee, in each case with formally delegated duties and responsibilities within written terms of reference. As the Board has no executive Directors and is comprised solely of non-executive Directors, a Remuneration Committee is deemed unnecessary. The process for agreeing the non-executive Directors' fees is set out in the Directors' Remuneration Report on pages 23 and 24. The identity of each of the chairmen of the committees referred to above are reviewed on an annual basis. The Board has decided that the entire Board should fulfil the role of the Audit and Nomination committees. It is considered due to the size of the Board it would be unnecessarily burdensome to establish separate Audit and Nomination committees. The terms of reference of the committees are kept under review.

Nomination committee

The Nomination Committee is chaired by David Macfarlane, and each of the other Directors are also members. 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. The Committee did not meet during the year ended 29 February 2012, because there were no matters to discuss in terms of nominations. The committee will meet in 2012.

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

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

Audit committee

The Audit Committee is chaired by Patrick Firth. All the other Directors are members. Members of the Committee are independent of the Company's external auditors and the Investment Adviser. David Macfarlane was reappointed to the Audit Committee on 3 May 2011. 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 auditor's work and reviews, and develop and implement policies on the supply of any non-audit services that are to be provided by the external auditors.

The Committee receives and reviews reports from the Investment Adviser and the Company's external auditors relating to the Company's annual report and accounts. The Committee also focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remain with the Board. The Committee met twice during the year ended 29 February 2012 on 3 May 2011 and 17 October 2011.

Corporate Governance

Continued

Board and committee meeting attendance

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

	Number of meetings			
	Board Main	Board Other	Nomin-ations	Audit
Total number of meetings	**6**	**5**	**0**	**2**
David Macfarlane*	5	3	0	2
David Allison	6	4	0	2
Patrick Firth	6	5	0	2
James Jordan	6	4	0	2
Tanja Tibaldi	6	3	0	2

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.

The Chairman was unable to attend one meeting during the year due to adverse weather conditions.

Going Concern

The Directors consider the Company has adequate financial resources, in view not only of its holding in cash and cash equivalents and liquid investments, but also the income streams deriving from its investments. The Directors consider that the Company is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis.

Relations with Shareholders

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

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

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

The Company also provides Interim Management statements for the quarterly periods in line with the requirements of the Transparency Directive.

Principal Risks and Uncertainties

As an investment fund, the Company's risks are those that are associated with its investment portfolio. Given the nature of the portfolio, the principal risks are associated with the financial and operating performance of the underlying investments, along with some market risk associated with the publicly listed equities. Note 21 on pages 50 to 58 of the financial statements describe the Company's risk management processes.

Internal Controls and the Management of Risk

Under the AIC Code the Board has overall responsibility for the Company's systems of internal controls, including its financial, operational and compliance controls, risk management, and for reviewing their effectiveness.

The key risk of the Company is the identification and evaluation of investments. As the principal objective of the Company is to invest in US businesses, the responsibility of identifying appropriate investments has been delegated to the Company's Investment Advisers, JZAI, who are highly regarded and have many years of experience of making successful investments in the US and Europe. JZAI are able to identify potential investments through a wide network of contacts and review these investments in conjunction with lawyers and accountants. Other business risks identified by the Board include the risks associated with the various financial instruments issued by the investee companies such as market price, interest rate changes, foreign currency exchange rates and liquidity are explained more fully in Note 21 on pages 50 to 58.

Control procedures

The main controls which relate to investments have been delegated to JZAI, and the Board reviews their performance.

A control report is provided to the Board incorporating a key risk table that identifies the risks to which the Company is exposed, the controls in place to mitigate them and details of any known internal control concerns. The report is reviewed by the Audit Committee. Controls relating to the risks identified, covering financial, operational, compliance and risk management, are embedded in the operations of the Investment Adviser, Administrator and Secretary and other outsourced service providers. There is a monitoring and reporting process to track risks identified by auditors and compliance functions of these service providers.

Corporate Governance

Continued

The Company's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. However, no system can provide absolute assurance against material misstatement or loss. The Company's system is designed to assist the Directors in obtaining reasonable, but not absolute, assurance that problems are being identified on a timely basis and are dealt with appropriately.

Internal control and risk management of financial reporting

Overall control environment

The Audit Committee is responsible for monitoring the internal control and risk management systems related to the financial reporting process on an ongoing basis.

The internal control and risk management systems are designed to mitigate rather than eliminate the risks identified in the financial reporting process. Internal controls related to the financial reporting process are established to mitigate, detect and correct material misstatements in the financial statements.

Risk assessment

The risk assessment process related to financial reporting is conducted annually.

Significant transactions, balances and changes to accounting standards are identified. The associated risks are identified based on the evaluation of the materiality of the impact and the likelihood of the identified risks occurring.

Control activities

Financial controls are also in place in order to enable the Board to meet its responsibilities regarding the integrity and accuracy of the Company's accounting records. The Board delegates this responsibility to the Administrator who provides the Board with regular updates on the Company's net asset value, income statement and cash balances.

Monitoring

The monitoring of the internal control and risk management systems related to financial reporting is performed by the audit committee.

Related party transactions

The responsibility of identifying relationships or potential transactions with related parties has been delegated to the Company's Investment Advisers, JZAI. The Investment Advisers will report on a regular basis to the Board. The Board will determine if shareholder support is appropriate to authorise the transaction.

Independent Auditors' Report

Independent Auditors' Report to the Members of JZ Capital Partners Limited

We have audited the financial statements of JZ Capital Partners Limited for the year ended 29 February 2012 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related Notes 1 to 32. 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.

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

Respective Responsibilities of Directors and Auditors

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report for the year ended 29 February 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 February 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on Which We Are Required to Report by Exception

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

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Michael Bane
for and on behalf of
Ernst & Young LLP
Guernsey, Channel Islands

17 May 2012

Notes:

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

Statement of Comprehensive Income

For the year ended 29 February 2012

	Notes	Year ended 29 February 2012 Revenue return US$'000	Capital return US$'000	Total US$'000	Year ended 28 February 2011 Revenue return US$'000	Capital return US$'000	Total US$'000
Income							
Net gain on investments at fair value through profit or loss	5	–	7,054	7,054	–	119,628	119,628
Net write back of impairments/ (impairments) on loans and receivables	6	–	142	142	–	(2,019)	(2,019)
Share of associate's net income	11	–	20,797	20,797	–	–	–
Realisations from investments held in escrow accounts		–	2,093	2,093	–	2,553	2,553
Net foreign currency exchange gains/(losses)		–	1,694	1,694	–	(5,008)	(5,008)
Investment income	7	43,558	–	43,558	41,228	–	41,228
Bank and deposit interest		460	–	460	343	–	343
		44,018	31,780	75,798	41,571	115,154	156,725
Expenses							
Investment Adviser's base fee	9	(10,247)	–	(10,247)	(8,667)	–	(8,667)
Investment Adviser's capital incentive fee	9	–	(5,357)	(5,357)	–	(2,093)	(2,093)
Investment Adviser's income incentive fee	9,29	(4,410)	–	(4,410)	–	–	–
Administrative expenses	9	(2,786)	–	(2,786)	(2,094)	–	(2,094)
		(17,443)	(5,357)	(22,800)	(10,761)	(2,093)	(12,854)
Operating profit		26,575	26,423	52,998	30,810	113,061	143,871
Finance costs							
Finance costs in respect of Zero Dividend Preference shares	8	–	(6,581)	(6,581)	–	(5,938)	(5,938)
Profit before taxation		26,575	19,842	46,417	30,810	107,123	137,933
Withholding taxes	10	(1,373)	–	(1,373)	(690)	–	(690)
Profit for the year		25,202	19,842	45,044	30,120	107,123	137,243
Weighted average number of Ordinary shares in issue during year	23			65,018,610			65,018,610
Basic and diluted profit per Ordinary share using the weighted average number of Ordinary shares in issue during the year		38.76c	30.52c	69.28c	46.33c	164.76c	211.08c

All items in the above statement are derived from continuing operations.

The profit for the year is attributable to the Ordinary shareholders of the Company.

The format of the Income Statement follows the recommendations of the AIC Statement of Recommended Practice.

There was no comprehensive income other than the profit for the year.

The accompanying notes on pages 34 to 63 form an integral part of the financial statements.

Statement of Financial Position

As at 29 February 2012

	Notes	29 February 2012 US$'000	28 February 2011 US$'000
Assets			
Investments at fair value through profit or loss	11	414,549	447,804
Investments classified as loans and receivables	11	23,974	45,952
Investment in associate	11	69,950	–
Cash held on deposit	12	7,968	–
Other receivables	14	451	464
Cash and cash equivalents	13	194,513	172,267
Total assets		711,405	666,487
Liabilities			
Zero Dividend Preference shares	16	87,281	82,341
Other payables	15	8,662	3,358
Total liabilities		95,943	85,699
Equity	19		
Share capital account		149,269	149,269
Distributable reserve		353,528	353,528
Capital reserve		41,775	21,933
Revenue reserve		70,890	56,058
Total equity		615,462	580,788
Total liabilities and equity		711,405	666,487
Number of Ordinary shares in issue at year end	17	65,018,610	65,018,610
Net asset value per Ordinary share	24	US$ 9.47	US$ 8.93

These audited financial statements were approved by the Board of Directors and authorised for issue on 17 May 2012.
They were signed on its behalf by:

David Macfarlane
Chairman

Patrick Firth
Director

The accompanying notes on pages 34 to 63 form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 29 February 2012

	Notes	Share Capital Account US$'000	Distributable Reserve US$'000	Capital Reserve Realised US$'000	Capital Reserve Unrealised US$'000	Revenue Reserve US$'000	Total US$'000
Balance at 1 March 2011*		149,269	353,528	14,525	7,408	56,058	580,788
Profit for the year		–	–	53,582	(33,740)	25,202	45,044
Dividends paid	30	–	–	–	–	(10,370)	(10,370)
Balance at 29 February 2012		149,269	353,528	68,107	(26,332)	70,890	615,462

*The opening balances at 1 March 2011 have been adjusted to reflect the reallocation of ZDP interest totalling US$9,826,000, from realised capital to unrealised capital reserves.

Comparative for the year ended 28 February 2011

	Share Capital Account US$'000	Distributable Reserve US$'000	Capital Reserve Realised US$'000	Capital Reserve Unrealised US$'000	Revenue Reserve US$'000	Total US$'000
Balance at 1 March 2010	149,269	353,517	(20,617)	(64,573)	39,917	457,513
Profit for the year	–	–	25,316	81,807	30,120	137,243
Dividends paid	–	–	–	–	(13,979)	(13,979)
Increase in receivables relating to JZ Equity Partners Plc	–	11	–	–	–	11
Balance at 28 February 2011	149,269	353,528	4,699	17,234	56,058	580,788

The accompanying notes on pages 34 to 63 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 29 February 2012

	Notes	1 March 2011 to 29 February 2012 US$'000	1 March 2010 to 28 February 2011 US$'000
Operating activities			
Net cash inflow from operating activities	25	1,633	15,056
Cash outflow for purchase of investments		(73,729)	(115,814)
Cash outflow for purchase of treasury and floating notes		(64,293)	(99,695)
Cash outflow for deposits with maturity date greater than 3 months		(7,901)	–
Cash outflow from capital calls in associate		(49,153)	–
Cash inflow from repayment and disposal of investments		226,059	150,694
Cash inflow from sale of US treasury notes		–	101,133
Net cash inflow before financing activities		32,616	51,374
Financing activity			
Issue costs relating to the issue of Ordinary shares		–	(297)
Receipt of liquidation funds from JZEP		–	302
Dividends paid to shareholders		(10,370)	(13,979)
Net cash outflow from financing activities		(10,370)	(13,974)
Increase in cash and cash equivalents		22,246	37,400
Reconciliation of net cash flow to movements in cash and cash equivalents			
Cash and cash equivalents at 1 March		172,267	134,867
Increase in cash and cash equivalents as above		22,246	37,400
Cash and cash equivalents at year end		194,513	172,267

The accompanying notes on pages 34 to 63 form an integral part of the financial statements.

Notes to the Financial Statements

1. General Information

JZ Capital Partners Limited (the "Company") is a Guernsey domiciled closed-ended investment company which was incorporated in Guernsey on 14 April 2008 under The Companies (Guernsey) Law, 1994. The Company is now subject to the Companies (Guernsey) Law, 2008. The Company's Share Capital consists of Ordinary shares, Limited Voting

Ordinary shares ("LVO") and Zero Dividend Preference ("ZDP") shares. The Ordinary shares and ZDP shares were admitted to the official list of the London Stock Exchange on 1 July 2008. The LVO shares are not listed and are not admitted to trade on or through the facilities of the London Stock Exchange.

The Company was granted consent on 8 May 2008 by the Guernsey Financial Services Commission under The Control of Borrowing (Bailiwick of Guernsey) Ordinance,1959 to raise up to £300,000,000 by the issue of shares.

The Company was launched in connection with a scheme of reconstruction and voluntary winding up of JZ Equity Partners Plc ("JZEP") under section 110 of the Insolvency Act 1986. JZEP's assets, after providing for its liabilities were transferred in specie to the Company on 1 July 2008 and the Company issued to JZEP Shareholders (other than those who opted against the new scheme) one Ordinary Share for each JZEP Ordinary Share and one Zero Dividend Preference ("ZDP") Share for each JZEP ZDP Share that they held.

Limited Voting Ordinary ("LVO") Shares were issued so that certain of the Company's existing Shareholders and certain new investors that are Qualifying US Persons could participate in the Ordinary Share Issue without causing the Company to be treated as a US domestic company for the purposes of US securities laws and/or a CFC for US tax purposes. LVO Shares are identical to, and rank *pari passu* in all respects with, the New Ordinary shares except that the LVO Shares will only carry a limited entitlement to vote in respect of the appointment or removal of Directors and will not carry any entitlement to vote in respect of certain other matters.

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

The Company's corporate objective is to create a portfolio of investments in businesses primarily in the United States, but also in Europe, providing a superior overall return comprised of a current yield and significant capital appreciation.

The Company's present strategies include investments in micro cap buyouts, mezzanine loans (sometimes with equity participations) and high yield securities, senior secured debt and second lien loans and other debt and equity opportunities, including distressed debt and structured financings, derivatives and opportunistic purchase of publicly traded securities.

The Company has no direct employees. For its services the Investment Adviser receives a management fee and is also entitled to a performance-related fee (note 9). The Company has no ownership interest in the Investment Adviser. The Company is administered by Butterfield Fulcrum Group (Guernsey) Limited (note 9).

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

2. Significant Accounting Policies

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

Statement of compliance

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

Basis of preparation

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

Going concern

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

The Directors consider the Company has adequate financial resources, in view not only of its holding in cash and cash equivalents and liquid investments, but also the income streams deriving from its investments. The Directors consider that the Company is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis.

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Company has adopted the following standards and amendments as of 1 March 2011, although they had no effect on the financial statements:

IAS 24 Related Party Disclosures (amendment) effective 1 January 2011

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party.

IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010.

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid.

Improvements to IFRSs (May 2010) effective either 1 July 2010 or 1 January 2011.

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording.

The following standards, amendments and interpretations are not effective and are not expected to have material impact on the financial position or performance of the Company:

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

The adoption of the first phase of IFRS 9 (effective for periods beginning on after 1 January 2015) will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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

Functional and presentational currency

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

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Foreign exchange

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

Financial assets and financial liabilities

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

(i) Classification

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

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's investment strategy as documented in its prospectus. Information about these financial assets and financial liabilities are evaluated by the management of the Company on a fair value basis together with other relevant financial information.

(ii) Recognition/derecognition

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

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

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

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

(iii) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the balance sheet 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 IPEVCA 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.

Traded loans including first and second lien term securities are valued by reference to the last indicative bid price from recognised market makers.

(b) Loans and receivables

(i) Classification

The Company classifies unquoted senior subordinated debt within Mezzanine investments as loans and receivables.

Investments are generally accounted for at amortised cost using the effective interest method except where there is deemed to be impairment in value which indicates that a provision should be made.

(ii) Recognition/derecognition

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

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Financial assets and financial liabilities continued

(b) Loans and receivables continued

(iii) Measurement

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

(iv) Impairment

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

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

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

(c) Investment in associate

The Company's investment in its associate is accounted for using the equity method. 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, LP (the "Partnership"), it does not have the power to govern the financial and operating policies of the Partnership. Such powers are vested with the General Partner. However the Company does have significant influence over the Partnership.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The share of profit of an associate is shown on the face of the income statement.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the income statement. Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

(d) Cash on deposit

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

(e) Cash and cash equivalents

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

(f) Other receivables and payables

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

(g) Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity are recorded at the amount of proceeds received, net of issue costs.

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Financial assets and financial liabilities continued

(h) Zero Dividend Preference ("ZDP") shares

In accordance with International Accounting Standard 32 – Financial Instruments: Presentation, ZDP shares have been disclosed as a financial liability as the shares are redeemable at a fixed date and holders are entitled to a fixed return. ZDP shares are recorded at amortised cost using the effective interest rate method.

Income

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

Expenses

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

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

Finance costs

Finance costs are interest expenses in respect of the ZDP shares and are recognised in the Statement of Comprehensive Income using the effective interest method.

Escrow accounts

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

3. Segment Information

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

- Portfolio of bank debt
- Portfolio of mezzanine investments
- Portfolio of US micro cap investments
- Portfolio of European micro cap investments
- Portfolio of legacy investments
- Portfolio of listed investments.

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

Investment in treasury gilts/notes are not considered part of any individual segment and have therefore been excluded from this segmental analysis.

There have been no changes in reportable segments during the course of the year. The segment information provided is also presented to the Board of the Company.

Notes to the Financial Statements

Continued

3. Segment Information continued

Segmental operating profit/(loss)

For the year ended 29 February 2012

	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap US US$'000	Micro cap European US$'000	Legacy portfolio US$'000	Listed investments US$'000	Total US$'000
Interest revenue	2,483	5,387	24,785	1,377	4,301	–	38,333
Dividend revenue	–	–	–	–	–	4,577	4,577
Other revenue	249	–	–	–	–	–	249
Net gain/(loss) on investments at fair value through profit or loss	4,246	3,080	2,130	(576)	3,098	(5,529)	6,449
Share of associate's net income	–	–	–	20,797	–	–	20,797
Impairments on loans and receivables	–	142	–	–	–	–	142
Investment Adviser's base fee	(593)	(695)	(3,949)	(1,424)	(921)	(977)	(8,559)
Investment Adviser's capital incentive fee*	–	(63)	(3,267)	(486)	–	(1,541)	(5,357)
Investment Adviser's income incentive fee**	(104)	(255)	(3,922)	(68)	–	(61)	(4,410)
Total segmental operating profit/(loss)	6,281	7,596	15,777	19,620	6,478	(3,531)	52,221

For the year ended 28 February 2011

	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap US US$'000	Micro cap European US$'000	Legacy portfolio US$'000	Listed investments US$'000	Total US$'000
Interest revenue	2,907	8,832	19,693	999	3,005	–	35,436
Dividend revenue	–	–	–	–	–	4,093	4,093
Other revenue	77	1,198	–	–	138	–	1,413
Net gain/(loss) on investments at fair value through profit or loss	17,319	(66)	42,184	2,029	21,350	35,374	118,190
Net impairments on loans and receivables	–	(2,019)	–	–	–	–	(2,019)
Investment Adviser's base fee	(600)	(851)	(3,905)	(720)	(748)	(1,843)	(8,667)
Investment Adviser's capital incentive fee*	1,518	2,255	(5,578)	–	–	–	(1,805)
Total segmental operating profit	21,221	9,349	52,394	2,308	23,745	37,624	146,641

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

**The income incentive fee is allocated across segments in the ratio of the investment income earned during the quarter in which the fee became payable.

Notes to the Financial Statements

Continued

3. Segment Information continued

Segmental assets

At 29 February 2012

	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap US US$'000	Micro cap European US$'000	Legacy portfolio US$'000	Listed investments US$'000	Total US$'000
Investments at fair value through profit or loss	32,512	5,658	181,655	15,179	25,312	88,639	348,955
Investments classified as loans and receivables	–	23,974	–	–	–	–	23,974
Investment in an associate	–	–	–	69,950	–	–	69,950
Total segmental assets	32,512	29,632	181,655	85,129	25,312	88,639	442,879

At 28 February 2011

	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap US US$'000	Micro cap European US$'000	Legacy portfolio US$'000	Listed investments US$'000	Total US$'000
Investments at fair value through profit or loss	34,121	2,547	230,983	32,517	42,620	105,016	447,804
Investments classified as loans and receivables	–	45,952	–	–	–	–	45,952
Total segmental assets	34,121	48,499	230,983	32,517	42,620	105,016	493,756

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

The following table provides a reconciliation between net reportable segment income and operating profits.

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
Net reportable segment profit	52,221	146,641
Net gains on treasury gilts/notes	605	1,438
Realised gains on investments held in escrow accounts	2,093	2,553
Net foreign exchange gains/(losses)	1,694	(5,008)
Interest on treasury notes	399	286
Interest on cash	460	343
Fees payable to investment adviser based on non segmental assets	(1,688)	(288)
Expenses not attributable to segments	(2,786)	(2,094)
Operating profit	52,998	143,871

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

Notes to the Financial Statements

Continued

3. Segment Information continued

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

	29/02/2012 US$'000	28/02/2011 US$'000
Total segmental assets	442,879	493,756
Treasury gilts	33,465	–
Floating rate notes	32,129	–
Cash held on deposit	7,968	–
Cash and cash equivalents	194,513	172,267
Other receivables and prepayments	451	464
Total assets	711,405	666,487
Total segmental liabilities	–	–
Other payables and accrued expenses	(95,943)	(85,699)
Total liabilities	(95,943)	(85,699)

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

In reaching the valuation of the unquoted equities and equity-related securities the critical judgements and key sources of uncertainty are the selection of multiples for comparable companies and the discount factors used in the valuation models.

Loans and receivables

Certain investments are classified as Loans and Receivables, and valued accordingly, as disclosed in Note 2 and the valuation policy as stated in Note 2. The key estimation is the impairment review and the key assumptions as disclosed in Note 2.

5. Net Gains on Investments at Fair Value Through Profit or Loss

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
Movement in unrealised gains on investments during the year	(11,284)	90,189
Proceeds from investments disposed/realised	197,663	216,757
Cost of investments disposed/realised	(141,696)	(181,360)
Unrealised gains in prior year now realised	(37,629)	(5,958)
Total net realised gains in year	18,338	29,439
Net gain on investments in year	7,054	119,628

6. Net (Impairments)/Write Back of Impairments on Loans and Receivables

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
Net impairments on loans and receivables	(174)	(3,369)
Proceeds from investments disposed/realised	29,118	35,052
Cost of investments disposed/realised	(28,227)	(33,702)
Unrealised gains in prior year now realised	(575)	–
Net realised gain	316	1,350
Net (impairments)/write back of impairments on loans and receivables	142	(2,019)

Notes to the Financial Statements

Continued

7. Investment Income

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
Income from investments classified as FVTPL	38,202	32,421
Income from investments classified as loans and receivables	5,356	8,807
	43,558	41,228

Income for the year ended 29 February 2012

	Dividends	Preference Dividend PIK	Preference Dividend Cash	Loan Note PIK	Loan Note Cash	Other interest	Other income	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
1st and 2nd lien bank debt	–	–	–	–	–	2,483	249	2,732
Mezzanine portfolio	–	31	–	360	4,996	–	–	5,387
US Micro cap portfolio	–	16,595	–	3,540	4,650	–	–	24,785
European Micro cap portfolio	–	–	–	–	1,377	–	–	1,377
Legacy portfolio	–	73	–	2,892	1,336	–	–	4,301
Listed investments	4,577	–	–	–	–	–	–	4,577
Treasury and floating rate notes	–	–	–	–	–	399	–	399
	4,577	16,699	–	6,792	12,359	2,882	249	43,558

Income for the year ended 28 February 2011

	Dividends	Preference Dividend PIK	Preference Dividend Cash	Loan Note PIK	Loan Note Cash	Other interest	Other income	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
1st and 2nd lien bank debt	–	–	–	–	–	2,907	77	2,984
Mezzanine portfolio	–	25	–	433	8,374	–	1,198	10,030
US Micro cap portfolio	–	11,757	365	2,486	5,085	–	–	19,693
European Micro cap portfolio	–	–	–	999	–	–	–	999
Legacy portfolio	–	73	–	2,798	134	–	138	3,143
Listed investments	4,093	–	–	–	–	–	–	4,093
Treasury notes	–	–	–	–	–	286	–	286
	4,093	11,855	365	6,716	13,593	3,193	1,413	41,228

Interest on investments is shown net of a US$7,704,000 (year ended 28 February 2011: US$8,247,000) write down calculated in accordance with the Company's accounting and valuation policy.

8. Finance Costs

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
Zero Dividend Preference shares	6,581	5,938
	6,581	5,938

Finance costs arising are allocated to the Statement of Comprehensive Income using the effective interest rate method. The rights and entitlements of the ZDP shares, which are accounted for at amortised cost are described in Note 16.

Notes to the Financial Statements

Continued

9. Expenses

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
Investment Adviser's base fee	10,247	8,667
Investment Adviser's capital incentive fee	5,357	2,093
Investment Adviser's income incentive fee	4,410	–
	20,014	10,760
Administrative expenses:		
Legal and professional fees	1,308	556
Other expenses	504	554
Directors' remuneration	380	380
Accounting, secretarial and administration fees	400	400
Auditors' remuneration	164	194
Custodian fees	30	10
	2,786	2,094
Total expenses	22,800	12,854

Directors' fees

The Chairman is entitled to a fee of US$140,000 per annum. Each of the other Directors are entitled to a fee of US$60,000 per annum. For the year ended 29 February 2012 total Directors' fees included in the Statement of Comprehensive Income were US$380,000 (year ended 28 February 2011: US$380,000), of this amount US$63,000 was outstanding at the year end (28 February 2011: US$63,000) and included within other payables.

Investment advisory and performance fees

The Company entered into an investment advisory and management agreement with Jordan/Zalaznick Advisers, Inc (the "Investment Adviser") in May 2008 which was then amended and restated on 20 May 2009 and again on 23 December 2010 (the "Advisory Agreement").

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

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

For the year ended 29 February an amount of US$4,409,700 was paid on the basis that the net investment income of the Company as determined in the Advisory Agreement exceeded the third quarter hurdle rate of 2% (8% per annum). This is further discussed in Note 29.

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

For the year ended 29 February 2012 total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of US$10,247,000 (28 February 2011: US$8,667,000) of this amount US$1,105,000 (28 February 2011: US$713,000) was outstanding at the period end and is included within other payables.

The Company provides for a capital gains incentive fee based on cumulative net realised and unrealised investments gains. At 29 February 2012 the provision for the capital gains incentive fee was US$5,357,000 (28 February 2011: US$2,093,000).

Notes to the Financial Statements

Continued

9. Expenses continued

Investment advisory and performance fees continued

Provision for capital incentive fee	29/02/2012 US$'000	28/02/2011 US$'000
Provision based on realised gains and payable within 90 days of the fiscal year	5,357	2,093
Provision based on unrealised gains at the fiscal year end	–	–
	5,357	2,093

The value of investments included in the calculation of the capital incentive fee based on unrealised gains excludes accrued income and PIK investments.

The Advisory agreement may be terminated by the Company or the Investment Advisor 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). In addition, the Investment Adviser and its associates are entitled to a variety of fees from investee companies and transactions therein.

Administration fees

Butterfield Fund Services (Guernsey) Limited was appointed on 12 May 2008 under an Administration, Secretarial and Registrar Agreement. Butterfield Fund Services and Fulcrum Group merged during September 2008 forming Butterfield Fulcrum Group (Guernsey) Limited (the "Administrator").

The Administrator is entitled to a quarterly fee of US$100,000 payable monthly (quarterly pre 1 October 2010) in arrears. Fees payable are subject to an annual fee review. For the year ended 29 February 2012 total expenses payable to the Administrator of US$400,000 (28 February 2011: US$400,000) were included in the Statement of Comprehensive Income, of this amount US$67,000 (28 February 2011: US$33,000) was outstanding at the year end and is included within other payables.

Custodian fees

HSBC Bank (USA) N.A (the "Custodian") was appointed on 12 May 2008 under a custodian agreement. The Custodian is entitled to receive an annual fee of US$2,000 and a transaction fee of US$50 per transaction. For the year ended 29 February 2012 total expenses were included in the Statement of Comprehensive Income of US$30,000 (28 February 2011: US$10,000) of which US$nil (28 February 2011: US$1,000) was outstanding at the year end and is included within Other Payables.

Auditor's remuneration

All of the auditor's remuneration relates to the annual audit and half year review report. During the year ended 29 February 2012 professional fees of US$65,000 were paid in the year to Ernst & Young for taxation services.

10. Taxation

For both 2012 and 2011 the Company applied for and was granted exempt status for Guernsey tax purposes under the terms of The Income Tax (Zero 10) (Guernsey) Law, 2007.

For the year ended 29 February 2012 the Company suffered withholding tax of US$1,373,000 (28 February 2011: US$690,000) on dividend income from listed investments.

11. Investments

Categories of financial instruments

	Listed 29/02/2012 US$'000	Unlisted 29/02/2012 US$'000	Carry value 29/02/2012 US$'000
Fair value through profit or loss ("FVTPL")	154,233	260,316	414,549
Loans and receivables	–	23,974	23,974
Investment in an associate	–	69,950	69,950
	154,233	354,240	508,473

Notes to the Financial Statements

Continued

11. Investments continued

	Listed 28/02/2011 US$'000	Unlisted 28/02/2011 US$'000	Carry value 28/02/2011 US$'000
Fair value through profit or loss ("FVTPL")	105,016	342,788	447,804
Loans and receivables	–	45,952	45,952
	105,016	388,740	493,756

	Listed 29/02/2012 US$'000	Unlisted 29/02/2012 US$'000	Total 29/02/2012 US$'000
Book cost at 1 March 2011	75,017	394,118	469,135
Purchases in year	64,847	73,729	138,576
Capital calls during year	–	49,153	49,153
Payment in kind ("PIK")	–	25,995	25,995
Proceeds from investments disposed/realised	(10,850)	(215,204)	(226,054)
Realised gains on disposal	3,563	53,295	56,858
Book cost at 29 February 2012	132,577	381,086	513,663
Unrealised gains(losses) at 29 February 2012	21,514	(33,310)	(11,796)
Accrued interest at 29 February 2012	142	6,464	6,606
Carrying value at 29 February 2012	154,233	354,240	508,473

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

The cost of PIK investments is deemed to be the interest recognised in the Statement of Comprehensive Income that has not been received in cash but settled by the issue of further securities.

Investment in associate

At 29 February 2012 the Company had one associate carrying on business which affects the profits and assets of the Company. The Company's associate consists solely of limited partnership interests directly held in the Partnership, which applies accounting policies that are consistent with the Company's.

Entity	Principal activity	% Interest
EuroMicrocap Fund 2010, LP	Acquiror of Europe-based micro cap companies	75%

The Company's share of the aggregated financial information of the equity accounted associate is set out below. The amounts for the year ended 29 February 2012 include the share of results and net assets in the associate from the date of establishment to 29 February 2012.

	29/02/2012 US$'000	28/02/2011 US$'000
Share of result in associate	20,797	–
Non current assets	68,795	–
Current assets	1,155	–
	69,950	–

Notes to the Financial Statements

Continued

12. Cash Held on Deposit

	29/02/2012 US$'000	28/02/2011 US$'000
Cash held on deposit	7,968	–
	7,968	–

Cash held on deposit includes bank deposits with an original maturity of three months or more. The carrying value of these assets approximates to their fair value.

13. Cash and Cash Equivalents

	29/02/2012 US$'000	28/02/2011 US$'000
Cash at bank	194,513	172,267
	194,513	172,267

Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

14. Other Receivables

	29/02/2012 US$'000	28/02/2011 US$'000
Accrued dividend income on listed investments	405	405
Other prepayments	44	31
Bank and deposit interest	2	28
	451	464

15. Other Payables

	29/02/2012 US$'000	28/02/2011 US$'000
Investment Adviser's fees	6,462	2,806
Payable on unsettled trades	790	–
Provision for tax not withheld at source on dividends received	679	–
Legal fees	300	255
Other expenses	222	133
Auditors' remuneration	79	68
Directors' remuneration	63	63
Fees due to administrator	67	33
	8,662	3,358

Notes to the Financial Statements

Continued

16. Zero Dividend Preference ("ZDP") Shares

	29/02/2012 US$'000	28/02/2011 US$'000
ZDP shares redeemed 22 June 2009		
Amortised cost at 1 March	82,341	71,399
Finance costs allocated to statement of comprehensive income	6,581	5,938
Unrealised currency gain on translation during the year	(1,641)	5,004
Amortised cost at year end	87,281	82,341
Total number of ZDP shares in issue	20,707,141	20,707,141
Price per ZDP share US$	US$ 4.2254	US$ 3.9892
Price per ZDP share GBP	GBP 2.6513	GBP 2.4549

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

17. Share Capital

Authorised capital

Unlimited number of ordinary shares of no par value.

Ordinary shares – Issued capital	29/02/2012 Number of shares	28/02/2011 Number of shares
Balance at 1 March	42,913,132	42,913,132
Issued during year	1,300,000	–
Share consolidation 1 for 5	(6,893,895)	–
Total ordinary shares in issue	37,319,237	42,913,132

Limited Voting Ordinary shares – Issued capital	29/02/2012 Number of shares	28/02/2011 Number of shares
Balance at 1 March	22,105,478	22,105,478
Converted to Ordinary shares	(1,300,000)	–
Converted from Ordinary shares	6,893,895	–
Total limited voting ordinary shares in issue	27,699,373	22,105,478
Total shares in issue	65,018,610	65,018,610

Limited Voting Ordinary shares ("LVO") were issued so that certain of the Company's existing Shareholders and certain US new investors could participate in the Ordinary Share Issue without causing the Company to be treated as a US domestic company for the purposes of US securities laws and/or a CFC for US tax purposes. LVO shares are identical to, and rank *pari passu* in all respects with, the New Ordinary shares except that the LVO shares will only carry a limited entitlement to vote in respect of the appointment or removal of Directors and will not carry any entitlement to vote in respect of certain other matters. The LVO shares are not listed and are not admitted to trade on or through the facilities of the London Stock Exchange.

During the year ended 29 February 2012, 1,300,000 Ordinary shares were admitted to the Official List of the UK Financial Services Authority and to dealings on the London Stock Exchange's market for listed securities following the conversion of LVO shares.

On 25 August 2011, a total of 6,893,895 Ordinary shares were converted into LVO shares following the request of a number of US shareholders.

The Ordinary shares and LVO 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.

17. Share Capital continued

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

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

Further issue of shares

Under the Articles, the Directors have the power to issue new shares on a non pre-emptive basis. The Directors have resolved, however, that new shares will not be issued at a discount to the prevailing Net Asset Value per Ordinary share other than where shareholders are permitted to participate in the issue pro rata to their existing holding in the Company and, therefore, will not be disadvantageous to existing shareholders. Future issues of shares will be carried out in accordance with the Listing Rules.

The Directors will consider issuing new shares at not less than the prevailing Net Asset Value per Ordinary share where there is a significant demand for further shares.

Purchase of own shares by the Company

It is the intention of the Directors to seek authority from shareholders on a regular basis to allow the Company to repurchase shares in the market.

18. Capital Management

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

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

The Company's objectives for managing capital are:

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

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

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

19. Reserves

Capital raised 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 Law, including the purchase of shares and the payment of dividends.

Capital raised on issue of new shares

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

Distributable reserves

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

Summary of reserves attributable to Ordinary shareholders

	29/02/2012 US$'000	28/02/2011 US$'000
Distributable reserve	353,528	353,528
Share capital account	149,269	149,269
Capital reserve	41,775	21,933
Revenue reserve	70,890	56,058
	615,462	580,788

Notes to the Financial Statements

Continued

19. Reserves continued

Distributable reserve

	29/02/2012 US$'000	28/02/2011 US$'000
At 1 March 2011	353,528	353,517
Increase in provisions/receivables relating to JZ Equity Partners Plc	–	11
At 29 February 2012	353,528	353,528

Share capital account

	29/02/2012 US$'000	28/02/2011 US$'000
At 1 March 2011	149,269	149,269
At 29 February 2012	149,269	149,269

Capital reserve

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

	Capital reserve		
	Realised 29/02/2012 US$'000	Unrealised 29/02/2012 US$'000	Total 29/02/2012 US$'000
At 1 March 2011	14,525	7,408	21,933
Net gains/(losses) on investments	56,858	(28,865)	27,993
Unrealised net foreign currency exchange gains	–	1,706	1,706
Realised gains on investments held in escrow accounts	2,093	–	2,093
Realised net foreign currency exchange losses	(12)	–	(12)
Expenses charged to capital	(5,357)	–	(5,357)
Finance costs in respect of Zero Dividend Preference shares	–	(6,581)	(6,581)
At 29 February 2012	68,107	(26,332)	41,775

	Capital reserve		
	Realised 28/02/2011 US$'000	Unrealised 28/02/2011 US$'000	Total 28/02/2011 US$'000
At 1 March 2010	(16,729)	(68,461)	(85,190)
Net gains on investments	30,789	86,820	117,609
Unrealised net foreign currency exchange losses	–	(5,013)	(5,013)
Realised gains on investments held in escrow accounts	2,553	–	2,553
Realised net foreign currency exchange losses	5	–	5
Expenses charged to capital	(2,093)	–	(2,093)
Finance costs in respect of Zero Dividend Preference shares	–	(5,938)	(5,938)
At 28 February 2011	14,525	7,408	21,933

Notes to the Financial Statements

Continued

19. Reserves continued

Revenue reserve

	29/02/2012 US$'000	28/02/2011 US$'000
At 1 March 2011	56,058	39,917
Profit for the year attributable to revenue	25,202	30,120
Dividend paid	(10,370)	(13,979)
At 29 February 2012	70,890	56,058

20. Financial Instruments

Categories of financial instruments

	Carrying value 29/02/2012 US$'000	Carrying value 28/02/2011 US$'000
Financial assets		
Fair value through profit or loss ("FVTPL")	414,549	447,804
Loans and receivables	23,974	45,952
Investment in associate	69,950	–
Other receivables	451	464
Cash held on deposit	7,968	–
Cash and cash equivalents	194,513	172,267
Total assets	711,405	666,487
Financial liabilities		
Valued at amortised cost		
– Zero Dividend Preference ("ZDP") shares	(87,281)	(82,341)
Trade payables	(8,662)	(3,358)
Total liabilities	(95,943)	(85,699)

Loans and receivables presented above represent mezzanine loans.

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

21. Financial Risk and Management Objectives and Policies

Introduction

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

Risk management structure

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

Risk mitigation

The Company's prospectus sets out its overall business strategies, its tolerance for risk and its general risk management philosophy. The Company may use derivatives and other instruments for trading purposes and in connection with its risk management activities, but has not done so during the year.

Market risk

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

Market price risk

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

Notes to the Financial Statements

Continued

21. Financial Risk and Management Objectives and Policies continued

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 (listed investments)

Equity price risk is the risk of unfavourable changes in the fair values of equity investments as the result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company has three equity investments valued at US$88,639,000 (28 February 2011: US$105,016,000) which are listed on the NASDAQ, and NYSE.

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

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

Sensitivity analysis for change in value of listed equity resulting from increase/decrease in relevant indicies:

Markets	Change in indices	Carrying value of listed equities 29/02/2012 US$'000	Effect on the net assets attributable to shareholders 29/02/2012 US$'000
NYSE	10%	39,276	3,928
NASDAQ	10%	49,363	4,936
		88,639	8,864

Markets	Change in indices	Carrying value of listed equities 28/02/2011 US$'000	Effect on the net assets attributable to shareholders 28/02/2011 US$'000
NYSE	10%	49,335	4,933
NASDAQ	10%	55,681	5,568
		105,016	10,501

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

	Percentage of equity securities 29/02/2012	28/02/2011
Property and Casualty Insurance	55.7%	53.0%
Education and Training Services	1.0%	1.2%
Rental and Leasing Services	43.3%	45.8%
	100.0%	100.0%

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

21. Financial Risk and Management Objectives and Policies continued

Equity price risk (unlisted investments)

For the financial instruments whose fair value is estimated using valuation techniques with no market observable inputs, the net unrealised amount recorded in the statement of comprehensive income in the year due to changes in the inputs amounts to losses of US$6,224,000. (28 February 2011: gains of US$20,876,000).

The table below analyses the Company's concentration of common stock private investments by industrial distribution and the effect on the net assets attributable to shareholders and on the increase/(decrease) in profit for the year due to a reasonably possible change in the value of EBITDA. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

Industry	Carrying Value 29/02/2012	Percentage of total common stock of private investments 29/02/2012 US$'000	Change in EBITDA	Effect on the net assets attributable to shareholders 29/02/2012 US$'000
Testing Laboratory	5,043	37%	10% /–10%	715 / (715)
Roofing Supplies	3,780	28%	10% /–10%	690 / (690)
Industrial Investment Firms	1,809	13%	10% /–10%	N/A
Pet Supplies	1,636	12%	10% /–10%	N/A
Specialized Equipment Manufacturers	443	3%	10% /–10%	N/A
Personal Care Products	328	3%	10% /–10%	N/A
Strategic Workforce Solutions	300	2%	10% /–10%	N/A
Other	229	2%	10% /–10%	220 / 0
Sensors & Instrumentation	37	0%	10% /–10%	N/A
	13,605	100%		1,625 / (1,405)

Industry	Carrying Value 28/02/2011	Percentage of total common stock of private investments 28/02/2011 US$'000	Change in EBITDA	Effect on the net assets attributable to shareholders 28/02/2011 US$'000
Business Services	9,500	29%	10% /–10%	3,300 / (3,300)
Specialised Equipment Manufacturers	9,400	29%	10% /–10%	1,500 / (1,500)
Chemical	9,400	29%	10% /–10%	1,000 / (1,000)
Pet Supplies	1,636	5%	10% /–10%	N/A
Roofing Supplies	700	2%	10% /–10%	460 / (460)
Industrial Investment Firms	1,101	3%	10% /–10%	N/A
Personal Care Products	400	1%	10% /–10%	N/A
Strategic Workforce Solutions	300	1%	10% /–10%	N/A
Other	359	1%	10% /–10%	N/A
	32,796	100%		6,260 / (6,260)

Notes to the Financial Statements

Continued

21. Financial Risk and Management Objectives and Policies continued

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. It has not been the Company's policy to use derivative instruments to mitigate interest rate risk, as the Investment Adviser believes that the effectiveness of such instruments does not justify the costs involved.

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

	Fixed rate 29/02/2012 US$'000	Floating rate 29/02/2012 US$'000	Non interest bearing 29/02/2012 US$'000	Total 29/02/2012 US$'000
Investments at fair value through profit or loss	247,664	64,641	102,244	414,549
Loans and receivables	23,974	–	–	23,974
Investment in an associate	–	–	69,950	69,950
Other receivables and prepayments	–	–	451	451
Cash held on deposit	7,968	–	–	7,968
Cash and cash equivalents	–	194,513	–	194,513
Zero Dividend Preference shares	(87,281)	–	–	(87,281)
Other payables	–	–	(8,662)	(8,662)
Total net assets	192,325	259,154	163,983	615,462

	Fixed rate 28/02/2011 US$'000	Floating rate 28/02/2011 US$'000	Non interest bearing 28/02/2011 US$'000	Total 28/02/2011 US$'000
Investments at fair value through profit or loss	275,871	34,121	137,812	447,804
Loans and receivables	45,952	–	–	45,952
Other receivables and prepayments	–	–	464	464
Cash and cash equivalents	–	172,267	–	172,267
Zero Dividend Preference shares	(82,341)	–	–	(82,341)
Other payables	–	–	(3,358)	(3,358)
Total net assets	239,482	206,388	134,918	580,788

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 money held on deposit, US$194,513,000 (28 February 2011: US$172,267,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates.

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

Notes to the Financial Statements

Continued

21. Financial Risk and Management Objectives and Policies continued

Interest rate risk continued

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

The sensitivity of the profit on interest received on cash and cash equivalents is the effect of the assumed changes in the daily interest rates throughout the year to 29 February 2012 and year ended 28 February 2011, on accounts where cash is held:

The sensitivity of the profit for the year on investment income received on bank debt is the effect of the assumed changes in the 3 month Libor on which the interest paid was derived.

Change in basis points increase/(decrease)	Sensitivity of interest income increase/(decrease) receivable on cash and cash equivalents		Sensitivity of interest income increase/(decrease) receivable on bank debt	
	29/02/2012 US$'000	28/02/2011 US$'000	29/02/2012 US$'000	28/02/2011 US$'000
+25 / –25	383 / (382)	286 / (286)	101 / (101)	150 / (150)
+100 / –100	1,527 / (458)	1,143 / (343)	402 / (402)	599 / (599)

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

	0–3 months 29/02/2012 US$'000	4–12 months 29/02/2012 US$'000	1–2 years 29/02/2012 US$'000	2–5 years 29/02/2012 US$'000	More than 5 years 29/02/2012 US$'000	No maturity date 29/02/2012 US$'000	Non-interest bearing 29/02/2012 US$'000	Total 29/02/2012 US$'000
Cash and cash equivalents	194,513	–	–	–	–	–	–	194,513
Cash held on deposit	–	7,968	–	–	–	–	–	7,968
Financial asset at fair value through profit or loss	–	22,043	30,529	138,492	5,110	116,059	102,316	414,549
Loans and receivables	–	16,213	–	7,761	–	–	–	23,974
Investment in associate	–	–	–	–	–	–	69,950	69,950
Zero Dividend Preference shares	–	–	–	(87,281)	–	–	–	(87,281)
Other receivables/payables	–	–	–	–	–	–	(8,211)	(8,211)
	194,513	46,224	30,529	58,972	5,110	116,059	164,055	615,462

	28/02/2011 US$'000	28/02/2011 US$'000	28/02/2011 US$'000	28/02/2011 US$'000	28/02/2011 US$'000	28/02/2011 US$'000	28/02/2011 US$'000	28/02/2011 US$'000
Cash and cash equivalents	172,267	–	–	–	–	–	–	172,267
Financial asset at fair value through profit or loss	29,995	1,477	20,340	79,069	33,393	145,718	137,812	447,804
Loans and receivables	–	–	9,653	36,299	–	–	–	45,952
Zero Dividend Preference shares	–	–	–	–	(82,341)	–	–	(82,341)
Other receivables/payables	–	–	–	–	–	–	(2,894)	(2,894)
	202,262	1,477	29,993	115,368	(48,948)	145,718	134,918	580,788

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

Notes to the Financial Statements

Continued

21. Financial Risk and Management Objectives and Policies continued

Credit risk

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

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

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

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

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

	Total 29/02/2012 US$'000	Total 28/02/2011 US$'000
Bank debt	32,512	34,121
Legacy portfolio debt	25,312	42,620
Mezzanine debt	29,632	48,499
US micro cap debt	181,655	263,500
European micro cap debt	85,129	–
Cash held on deposit	7,968	–
Cash and cash equivalents	194,513	172,267
Accrued dividend income	405	405
	557,126	561,412

A proportion of micro cap and mezzanine debt held does not entitle the Company to interest payment in cash. This PIK interest is capitalised and as a result has substantial credit risk as there is no return to the Company until the loan plus all the interest, is repaid in full. Of the US$5,356,000 (28 February 2011: US$8,807,000) interest that was recognised in the statement of comprehensive income on investments classified as loans and receivables during the year US$360,000 (28 February 2011: US$432,000) was receivable in the form of PIK Investments. There is no collateral held in respect of mezzanine debt forming the loans and receivables.

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

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	29/02/2012 US$'000	28/02/2011 US$'000
Balance at beginning of year	9,119	20,303
Written off in year	–	(15,341)
Impairment	174	4,157
Balance at year end	9,293	9,119

The table below analyses the Company's loans and receivables that are either past due or impaired.

	Total impairment 29/02/2012 US$'000	Past due 29/02/2012 US$'000	Total 29/02/2012 US$'000	Total impairment 28/02/2011 US$'000	Past due 28/02/2011 US$'000	Total 28/02/2011 US$'000
Mezzanine portfolio	9,293	–	9,293	9,119	–	9,119
Total	9,293	–	9,293	9,119	–	9,119

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

Notes to the Financial Statements

Continued

21. Financial Risk and Management Objectives and Policies continued

Credit risk continued

The Investment Adviser closely monitors the creditworthiness of mezzanine debt counterparties and other loans and receivables and upon unfavourable change, may seek to terminate the agreement or to obtain collateral. The credit worthiness is monitored by the reviewing of quarterly covenant agreements and by the Investment Adviser having board representation on a significant number of these investees. The Company has also diversified its portfolio across different industry sectors.

Bank debt designated at fair value through profit or loss

The Company has also invested in bank debt with investment grade credit ratings as rated by Standard and Poors detailed below.

Credit rating – Bank debt First and Second Lien	Percentage of debt instruments	
	29/02/2012	28/02/2011
BB	–	8%
B	13%	3%
B–	6%	12%
CCC+	41%	–
CCC	–	40%
No rating	40%	37%
	100%	100%

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

	29/02/2012 US$'000	28/02/2011 US$'000
Healthcare Services and Equipment	26%	25%
Support Services	20%	24%
Financial General	25%	16%
Construction and Materials	1%	14%
Industrial Engineering	11%	12%
Industrial Services	3%	–
House, Leisure and Personal Goods	2%	4%
Electronic and Electrical Equipment	7%	4%
Sensors and Instrumentation	5%	1%
	100%	100%

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

	Credit ratings			
	Standard & Poor's Outlook	Fitch LT Issuer Default Rating	29/02/2012 US$'000	28/02/2011 US$'000
Cash deposits				
HSBC Bank USA NA	Stable	AA	7,968	–
Cash and cash equivalents				
HSBC Bank USA NA	Stable	AA	142,819	120,330
Deutsche Bank	Negative	A+	51,434	51,240
Jefferies & Company, Inc.	Negative	BBB	–	405
Butterfield Bank (Guernsey) Limited	Negative	A–	260	292
			194,513	172,267

Notes to the Financial Statements

Continued

21. Financial Risk and Management Objectives and Policies continued

Credit risk continued

Bank debt designated at fair value through profit or loss continued

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

Liquidity risk

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

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

There are partial restrictions on the saleability of the listed investments relating to TAL International Group, Inc,).

The Company has outstanding investment commitments at the year end of US$50,430,000 (2011: US$7,154,000) see note 26. The Company manages liquidity levels to ensure these obligations can be met.

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

At 29 February 2012	Less than 1 month US$'000	2–12 months US$'000	1–5 years US$'000	More than 5 years US$'000	No stated maturity US$'000
Other payables	8,662	–	–	–	–
Zero Dividend Preference shares	–	–	139,100	–	–
	8,662	–	139,100	–	–

At 28 February 2011	Less than 1 month US$'000	2–12 months US$'000	1–5 years US$'000	More than 5 years US$'000	No stated maturity US$'000
Other payables	3,358	–	–	–	–
Zero Dividend Preference shares	–	–	–	124,449	–
	3,358	–	–	124,449	–

The Company has a capital requirement to pay ZDP shareholders a pre determined final capital entitlement of 365.28 pence on 22 June 2016. As at 29 February 2012 the liability to the ZDP shareholders amounted to US$87,281,000 (28 February 2011: US$82,341,000).

Currency risk

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

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

Notes to the Financial Statements

Continued

21. Financial Risk and Management Objectives and Policies continued

Currency risk continued

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

At 29 February 2012	US dollar 29/02/2012 US$'000	Euro 29/02/2012 US$'000	GB Sterling 29/02/2012 US$'000	Total 29/02/2012 US$'000
Assets				
Financial assets at fair value through profit or loss	365,905	15,179	33,465	414,549
Loans and receivables	23,974	–	–	23,974
Investment in associate	69,950	–	–	69,950
Other receivables	405	–	46	451
Cash and cash equivalents	194,513	–	7,968	202,481
Total assets	654,747	15,179	41,479	711,405
Liabilities				
Zero Dividend Preference shares	–	–	87,281	87,281
Other payables	8,498	–	164	8,662
Total liabilities	8,498	–	87,445	95,943
Net currency exposure	646,249	15,179	(45,966)	615,462

At 28 February 2011	US dollar 28/02/2011 US$'000	Euro 28/02/2011 US$'000	GB Sterling 28/02/2011 US$'000	Total 28/02/2011 US$'000
Assets				
Financial assets at fair value through profit or loss	414,905	32,899	–	447,804
Loans and receivables	45,952	–	–	45,952
Other receivables	434	–	30	464
Cash and cash equivalents	172,164	–	103	172,267
Total assets	633,455	32,899	133	666,487
Liabilities				
Zero Dividend Preference shares	–	–	82,341	82,341
Other payables	3,274	–	84	3,358
Total liabilities	3,274	–	82,425	85,699
Net currency exposure	630,181	32,899	(82,292)	580,788

22. Fair Value of Financial Instruments

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

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

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

Notes to the Financial Statements

Continued

22. Fair Value of Financial Instruments continued

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

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

Financial assets at 29 February 2012	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets designated at fair value through profit or loss at inception:				
Listed securities	154,233	–	–	154,233
Legacy portfolio	–	–	25,312	25,312
Bank debt	–	19,541	12,971	32,512
Mezzanine portfolio	–	–	5,658	5,658
US Micro cap portfolio	–	–	181,655	181,655
European Micro cap portfolio	–	–	15,179	15,179
	154,233	19,541	240,775	414,549

Financial assets at 28 February 2011	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets designated at fair value through profit or loss at inception:				
Listed securities	105,016	–	–	105,016
Legacy portfolio	–	–	42,620	42,620
Bank debt	–	25,039	9,082	34,121
Mezzanine portfolio	–	–	2,547	2,547
Micro cap portfolio	–	–	263,500	263,500
	105,016	25,039	317,749	447,804

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

The fair values of Bank debt which is provided by a broker is classified as level 2. The fair value of bank debt which is derived from unobservable data is classified as level 3.

The fair values of investments in the micro cap, legacy and mezzanine portfolios for which there are no active market, are calculated using a valuation model which is accepted in the industry. The model calculates the fair value by applying an appropriate multiple (based on comparable quoted companies, recent acquisition prices and quotes) to the Company's last twelve months EBITDA and deducting a market liquidity discount. The multiples used and marketability discount are classified as unobservable inputs therefore investments are classified as level 3.

Transfers between levels

There were no transfers between the levels of hierarchy of financial assets recognised at fair value within the year ended 29 February 2012 and 28 February 2011.

Notes to the Financial Statements

Continued

22. Fair Value of Financial Instruments continued

Transfers between levels 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 period.

At 29 February 2012	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Total US$'000
At 1 March 2011	9,082	2,547	263,500	42,620	317,749
Purchases	–	–	67,625	–	67,625
PIK adjusted for fair value	404	30	21,359	2,887	24,680
Cost of investments repaid or sold	–	–	(156,634)	(23,387)	(180,021)
Net gains and losses recognised in statement of comprehensive income	3,474	3,080	1,558	3,098	11,210
Movement in accrued interest recognised in statement of comprehensive income	11	1	(574)	94	(468)
At 29 February 2012	12,971	5,658	196,834	25,312	240,775

At 28 February 2011	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Total US$'000
At 1 March 2011	11,670	2,457	171,903	31,845	217,875
Purchases	–	131	102,349	13,334	115,814
PIK adjusted for fair value	92	20	13,514	2,557	16,183
Cost of investments repaid or sold	(10,000)	–	(70,054)	(26,705)	(106,759)
Net gains and losses recognised in statement of comprehensive income	7,300	(66)	44,213	21,350	72,797
Movement in accrued interest recognised in statement of comprehensive income	20	5	1,575	239	1,839
At 28 February 2011	9,082	2,547	263,500	42,620	317,749

The following table details the revenues and net gains included within the Statement of Comprehensive Income for investments classified at level 3 which were still held at the year end.

At 29 February 2012	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Total US$'000
Interest and other revenue	1,650	31	26,162	4,301	32,144
Net gain on investments at fair value through profit or loss	3,474	3,080	1,558	3,098	11,210
	5,124	3,111	27,720	7,399	43,354

At 28 February 2011	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Total US$'000
Interest and other revenue	1,283	25	20,692	3,143	25,143
Net gain on investments at fair value through profit or loss	7,300	–	44,213	21,350	72,863
	8,583	25	64,905	24,493	98,006

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

The potential effect of using reasonably possible alternative assumptions for valuing financial instruments classified as Level 3 at the reporting date would reduce the fair value by up to US$1,405,000 (28 February 2011: US$6,260,000) or increase the fair value by US$1,625,000 (28 February 2011: US$6,260,000).

Notes to the Financial Statements

Continued

22. Fair Value of Financial Instruments continued

Transfers between levels continued

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

The fair value of the Zero Dividend Preference shares is deemed to be their quoted market price. As at 29 February 2012 the ask price was GBP3.09 (28 February 2011: GBP2.725 per share the total fair value of the ZDP shares was US$101,972,999 (28 February 2011: US$91,693,809) which is US$14,476,336 higher (28 February 2011: US$9,087,250 higher) than the liability recorded in the statement of financial position.

The carrying amounts of loans and receivables are recorded at amortised cost using the effective interest method in the financial statements. The fair value of loans and receivables at 29 February 2012 was US$23,974,000 (28 February 2011: US$45,952,000).

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

23. Basic and Diluted Earnings Per Share

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

For the years ended 29 February 2012 and 28 February 2011 the weighted average number of Ordinary shares (including Limited voting ordinary shares) outstanding during the period was 65,018,610.

24. Net Asset Value Per Share

The net asset value per Ordinary share of US$9.47 (28 February 2011: US$8.93) is based on the net assets at the year end of US$615,462,000 (28 February 2011: US$580,788,000) and on 65,018,610 (28 February 2011: 65,018,610) Ordinary shares, being the number of Ordinary shares in issue at the year end.

25. Notes to the Cash Flow Statement

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

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
Profit for the year	45,044	137,243
Increase in other payables	4,514	2,286
Decrease in receivables relating to operating activities	13	189
Net movement in unrealised gains on investments	11,284	(90,189)
Net impairments on loans and receivables	174	3,369
Share of associates income	(20,797)	–
Net unrealised foreign currency exchange losses/(gains)	(1,706)	4,999
Realised gain on investments – financing activity	(18,654)	(30,789)
Realised loss/(gain) on foreign exchange translation	–	3
Interest on investments received as PIK adjusted for increase in accrued interest	(24,124)	(17,993)
Interest receivable from treasury gilts reinvested	(696)	–
Finance costs in respect of Zero Dividend Preference shares	6,581	5,938
Net cash from operating activities	1,633	15,056

Investment income received during the year

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
Interest on investments	14,459	17,648
Dividends from listed investments	3,882	3,322
Interest on short term fixed deposits	–	1,413
Bank interest	486	352
Interest on treasury notes	–	286
Other income	124	3
	18,951	23,024

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

26. Commitments

At 29 February 2012 JZCP had the following financial commitments outstanding in relation to fund investments:

	Year ended 29/02/2012 US$'000	Year ended 28/02/2011 US$'000
EuroMicrocap Fund 2010, LP	33,347	–
Asset management company*	15,000	–
Milestone Aviation Group, Inc.	2,083	7,154
	50,430	7,154

*JZCP has made a commitment to invest up to US$15 million into an entity to be formed that will provide asset management services to third party clients.

27. Related Party Transactions

In 2007, JZEP invested US$250,000 in ETX Holdings, Inc. which was a spin off of Jordan Auto Aftermarket Holdings, Inc., a former co-investment with The Jordan Company. The investment was subsequently transferred to JZCP as part of the *in specie* transfer dated 1 July 2008. A further US$142,000 has subsequently been invested in ETX Holdings, Inc. During the years ended 29 February 2012 and 28 February 2011 the Company did not receive any income from this investment. At 29 February 2012 the investment was valued at US$602,000 (28 February 2011: US$534,000).

At 29 February 2012, JZCP has invested US$49,153,000 (28 February 2011: US$30,488,000 in the EuroMicrocap Fund 2010 LP ("The Europe Fund"). At 29 February 2012 the investment was valued at US$69,950,000 (28 February 2011: US$32,899,000). The Europe Fund is managed by JZ International LLC ("JZI"), an affiliate of JZAI, JZCP's investment manager. JZAI and JZI were each founded by David Zalaznick and Jay Jordan.

The Company has invested with The Resolute Fund, which is managed by the Jordan Company, a company in which David Zalaznick and Jay Jordan are Managing Principals. These investments include: Kinetek, Inc.; TAL International Group, Inc.; TTS, Llc and represent an aggregate value of US$71,154,000 at 29 February 2012 (28 February 2011: US$70,102,000). Woundcare Services, Inc., another co-investment with the Resolute Fund was sold during the year for US$63,918,000 (28 February 2011 value: US$41,114,000).

Jordan/Zalaznick Advisers, Inc. (JZAI), a US based company, provides advisory services to the board of Directors of the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 9. In addition, the Investment Adviser and its associates are entitled to a variety of fees from investee companies and transactions therein.

The Company has invested with Fund A, a Limited Partnership in a number of US micro cap buyouts. Fund A is managed by JZAI. At 29 February 2012 the total amount of these co-investments was US$53,905,000 (US$44,203,000 invested by the Company and US$9,702,000 invested by Fund A).

During the year ended 29 February 2012, the Company retained Ashurst LLP, a UK based law firm. David Macfarlane was a former Senior Corporate Partner at Ashurst until 2002.

The Directors remunerations are disclosed in Note 9.

28. Controlling Party

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

29. Contingent Assets

Amounts held in escrow accounts

Investments have been disposed by the Company, of which the consideration given included contractual terms requiring that a percentage was held in an escrow account pending resolution of any indemnifiable claims that may arise. At 29 February 2012 the Company has assessed that the fair value of these escrow accounts is nil as it is not reasonably probable that they will be realised by the Company.

Notes to the Financial Statements

Continued

29. Contingent Assets continued

Amounts held in escrow accounts continued

As at 29 February 2012, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

Company	29/02/2012 US$'000	28/02/2011 US$'000
GHW (G&H Wire)	3,031	3,031
Dantom Systems, Inc.	2,415	–
Wound Care Solutions, Llc	5,398	–
Advanced Chemistry & Technology, Inc.	1,772	–
Recycled Holdings Corporation	1,300	1,300
Apparel Ventures, Inc.	428	1,039
N&B Industries, Inc.	776	776
Gear for Sports	186	248
	15,306	6,394

During the year US$2,093,000 (28 February 2011: 2,553,000) was realised relating to the escrow accounts of the Company.

Income incentive fee

During the year ended 29 February 2012 an income incentive fee of US$4,409,700 was paid to the Investment Adviser relating to income earned and an increase in the valuation of PIK investments during the quarter ended 30 November 2011. Under the terms of the Advisory Agreement the income earned for the year ending 29 February 2012 did not exceed the required annual hurdle for a fee to be payable to the Investment Adviser therefore the amount paid in the year is repayable to the Company on termination of the Advisory Agreement or offset against any future income incentive fees payable. As neither a date for the termination of the Advisory Agreement or the event of any future income incentive fees becoming payable can be predicted the amount of US$4,409,700 is treated as a contingent asset.

30. Dividends Paid and Proposed

A final dividend for the year ended 28 February 2011 of 7.5 cents per Ordinary share (total US$4,876,396) and a special dividend of 2.0 cents (total US$1,300,372) was paid 1 July 2011.

An interim dividend of 3.5 cents per Ordinary share (total US$2,275,651) and a special dividend of 3.0 cents per share (total US$1,950,558) was paid on 25 November 2011.

A final dividend of 18.5 cents per Ordinary share (total US$12,028,443) was proposed by the Board on 17 May 2012.

In accordance with the new dividend policy, it will be the Directors' intention for the year ending 28 February 2013 and thereafter to distribute substantially 3% of the Company's net assets in the form of dividends paid in US dollars (shareholders can elect to receive dividends in Sterling). Prior to the new policy, the Directors have distributed substantially all of the Company's net cash income (after expenses) in the form of dividends.

31. Subsequent Events

The Company invested in Bay Valve Service and Engineering, a Seattle Washington based refurbisher of larger valves for a variety of end users, from oil refineries to power generation plants. JZCP invested US$18.7 million in debt and equity securities, including 31% of the business's equity.

An investment was made in Medplast/UPG, a plastic molding company specialising in high margin healthcare molded products. JZCP purchased US$17.5 million of securities, including US$10.0 million of 14.5% subordinated notes and US$7.5 million of preferred and common equity. The equity represents a fully diluted 11% of the business.

The Company invested US$6.2 million in BSM Engenharia, a Brazil based infrastructure service business.

Via a partnership with an experienced real estate developer, the Company completed the purchase of almost an entire square block in Williamsburg, Brooklyn one of the fastest growing neighborhoods in New York City. JZCP purchased over 100,000 square feet of retail units and forty apartments for approximately US$64 million. JZCP invested US$14.25 million in equity in this partnership.

The EuroMicrocap Fund 2010, LP ("EMF") acquired 29.7% of Oro Direct, a precious metals trading business in Spain. EMF paid €13.5 million for its share of this growing and scaleable business. JZCP has 75% ownership of EMF.

In March and May 2012, JZCP sold 708,320 shares of TAL International Group, Inc ("TAL") in two secondary offerings realising proceeds of US$26.7 million.

One of the Company's micro cap investments repaid their subordinated debt obligations, resulting in a total repayment of US$9.0 million which represented the fair value of the investment at 29 February 2012.

The Company has made a series of proposals to Ordinary and LVO shareholders. These proposals are described in the Chairman's statement on pages 2 and 3 and are subject to shareholders approval.

A final dividend of 18.5 cents per Ordinary share (total US$12.0 million) was proposed by the Board.

Useful Information for Shareholders

Listing

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

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

Financial Diary

Annual General Meeting	3 July 2012
Interim report for the six months to 31 August 2012	October 2012

In accordance with the Transparency Directive, JZCP will be issuing an Interim Management Statement for the quarters ended 31 May 2012 and 30 November 2012. These Statements will be sent to the market via RNS within six weeks from the end of the appropriate quarter, and will be posted on JZCP's website at the same time, or soon thereafter.

Payment of Dividends

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

Share Dealing

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

Internet Address

The Company: www.jzcp.com

ISIN/SEDOL Numbers

The ISIN code/SEDOL (Stock Exchange Daily Official List) numbers of the Company's Ordinary shares are GC00B2RK0R31/B2RK0R3 and the numbers of the Zero Dividend Preference shares are GC00B40D7X85/B40D7X8.

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 share capital of the Company;

(b) the Articles of Association of the Company; and

(c) the terms of appointment of the Directors.

Useful Information for Shareholders

Continued

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) in the event that the holding thereof by the person could result in the Company no longer being a "foreign private issuer" for purposes of the US Securities Exchange Act of 1934.

The Company currently has a high level of share ownership by US resident shareholders, which means it is at risk of losing its foreign private issuer status. Accordingly, at this time US residents must not acquire any ordinary shares of the Company and there is a very high risk that the Company will be required to force the transfer of any shares of the Company acquired by US resident investors.

The Directors are also entitled to decline to register a person as a holder of any class of ordinary shares or other equity securities of the Company, or require the transfer of those securities if they believe that the person:

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

(B) is a "Benefit Plan Investor" (as described under "Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plan" below); or

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

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

US Securities Laws

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

Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plans

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

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

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

The fiduciary provisions of pension codes applicable to governmental plans, non-US plans or other employee benefit plans or retirement arrangements that are not subject to ERISA (collectively, "Non-ERISA Plans") may impose limitations on investment in the Company. Fiduciaries of Non-ERISA Plans, in consultation with their advisors, should consider, to the extent applicable, the impact of such fiduciary rules and regulations on an investment in the Company. Among other considerations, the fiduciary of a Non-ERISA Plan should take into account the composition of the Non-ERISA Plan's portfolio with respect

US Investors (continued)

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

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 advisor will have certain general fiduciary duties to the Company, the board and the investment advisor will not have any direct fiduciary relationship with or duty to any investor, either with respect to its investment in Shares or with respect to the management and investment of the assets of the Company. Similarly, it is intended that the assets of the Company will not be considered plan assets of any Non-ERISA Plan or be subject to any fiduciary or investment restrictions that may exist under pension codes specifically applicable to such Non-ERISA Plans. Each Non-ERISA Plan will be required to acknowledge and agree in connection with its investment in any securities to the foregoing status of the Company, the board and the investment advisor 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 advisor.

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 Advisor 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 Advisor or any of their respective agents, representatives or affiliates and (ii) in consultation with their advisers, have carefully considered the impact of any applicable federal, state or local law on an investment in the Company;

(c) None of the Company, the Board, the Investment Advisor 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 Advisor 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

(d) It acknowledges and agrees that it is intended that the Company will not hold plan assets of the Non-ERISA Plan and that none of the Company, the Board, the Investment Advisor 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 Advisor.

Useful Information for Shareholders

Continued

US Tax Matters

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

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

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

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

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

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

Notice of Annual General Meeting

JZ CAPITAL PARTNERS LIMITED (the "Company")

Registered Number: 48761

Registered Office: 2nd Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3NQ

Notice is hereby given that the Fourth Annual General Meeting of the Members of JZ Capital Partners Limited will be held at 2nd Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3NQ on Tuesday 3 July 2012 at 15.00 p.m. (BST).

Agenda

1. To consider and receive the Annual Report and Audited Financial Statements for the year ended 29 February 2012.
2. To re-appoint Ernst & Young LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the Directors to fix the auditors' remuneration.
4. To approve the Directors' remuneration report for the year ended 29 February 2012.
5. To approve the payment of the final dividend of 18.5 cents per ordinary share.
6. To approve that the Company be authorised in accordance with the Companies (Guernsey) Law 2008 as amended, to make market acquisitions (as defined in that Law) of its own shares provided that;
   a) the maximum number of shares in each class authorised to be purchased is 14.99 per cent. of each class of the shares of the Company in issue at any time;
   b) the minimum price payable by the Company for each share is 1 pence and the maximum price payable by the Company for each share will not be more than the higher of (i) 105 per cent. of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC No 2213/2003); and
   c) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the general meeting of the Company to be held in 2012 under section 199 of the Law, save that the Company may, prior to such expiry, enter into a contract to purchase shares under such authority and may make a purchase of shares pursuant to any such contract.

BY ORDER OF THE BOARD
for
Butterfield Fulcrum Group (Guernsey) Limited
Company Secretary

17 May 2012

Registered Office:
2nd Floor, Regency Court, Glategny Esplanade
St Peter Port, Guernsey GY1 3NQ

Notice of Annual General Meeting

Continued

Notes

When considering what action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or otherwise transferred all your shares in JZCP, you are requested to forward this document and the accompanying documents to the buyer or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to such buyer or transferee.

Rights to attend and vote

The Company specifies that, in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 6.00 p.m. (BST) on Friday 29 June 2012. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

In accordance with the Company's Articles of Association, all Ordinary shares will vote together as a class on all matters at the Annual General Meeting.

The holders of the new Zero Dividend Preference shares are not entitled to attend or vote at the Annual General Meeting.

Proxies

A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend and to vote instead of him or her. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to different shares held by the appointor.

If you choose to use the enclosed form of proxy, to be effective, this instrument, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors) must be deposited with the Company's transfer agent, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom not later than 3.00 p.m. (BST) on Friday 29 June 2012 or (in the case of a poll taken more than 48 hours after it is demanded) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box provided the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). To appoint more than one proxy (an) additional proxy form(s) may be obtained by contacting Equiniti Limited, the Company's transfer agent by telephone on 0871 384 2265 or +44 121 415 7047 if calling from outside the United Kingdom (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.) or you may photocopy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. All forms must be signed and should be returned together in the same envelope.

The appointment of a proxy, by instrument in writing or electronically, will not preclude a member attending and voting in person at the meeting. If no direction is given, the proxy will vote or abstain at his or her discretion. In the event that you elect to give your proxy discretion on how to vote your shares, and you hold five per cent. or more of the relevant class of share, you will be required to complete a TR1 notification in accordance with DTR 5.2.1 (Disposal of Major Voting Interest).

Notice of Annual General Meeting

Continued

Notes continued

CREST

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

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

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

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

Corporate Representatives

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrar if you need any further guidance on this.

Nominated Person

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 2 to 5 above does not apply to Nominated Persons. The rights described in such notes can only be exercised by shareholders of the Company.

Limitations of Electronic Addresses

You may not use any electronic address provided in either this Notice of General Meeting or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

Right to ask questions

Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

The address of the website where certain meeting information is available

A copy of this notice can be found on the Company's website at www.jzcp.com.

JZ Capital Partners Limited

(the "Company")

Registered Number: 48761

Registered Office:
2nd Floor Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3NQ

Form of Proxy

For use at the Fourth Annual General Meeting of the Company to be held at its Registered Office on Tuesday 3 July 2012 at 15.00 p.m. (BST).

I/We (BLOCK CAPITALS PLEASE)

of

being a member/members of the above named Company **hereby appoint** the Chairman of the Meeting or failing him

Number of shares authorised:

as my/our proxy to vote for me/us and on my/our behalf at the Fourth Annual General Meeting of the Company to be held on 3 July 2012, and at any adjournment thereof and in respect of the Resolutions set out in the Notice of the Annual General Meeting to vote as indicated below.

RESOLUTION	FOR	AGAINST	VOTE WITHHELD
1 To consider and receive the Annual Report and Audited Financial Statements for the year ended 29 February 2012.			
2 To re-appoint Ernst & Young LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.			
3 To authorise the Directors to fix the auditors' remuneration.			
4 To approve the Directors' remuneration report for the year ended 29 February 2012.			
5 To approve the payment of the final dividend of 18.5 cents per ordinary share.			
6 That the Company be authorised in accordance with the Companies (Guernsey) Law 2008 as amended, to make market acquisitions (as defined in that Law) of its own shares as defined in the Notice of AGM.			

Dated: 2012 Signature(s):

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