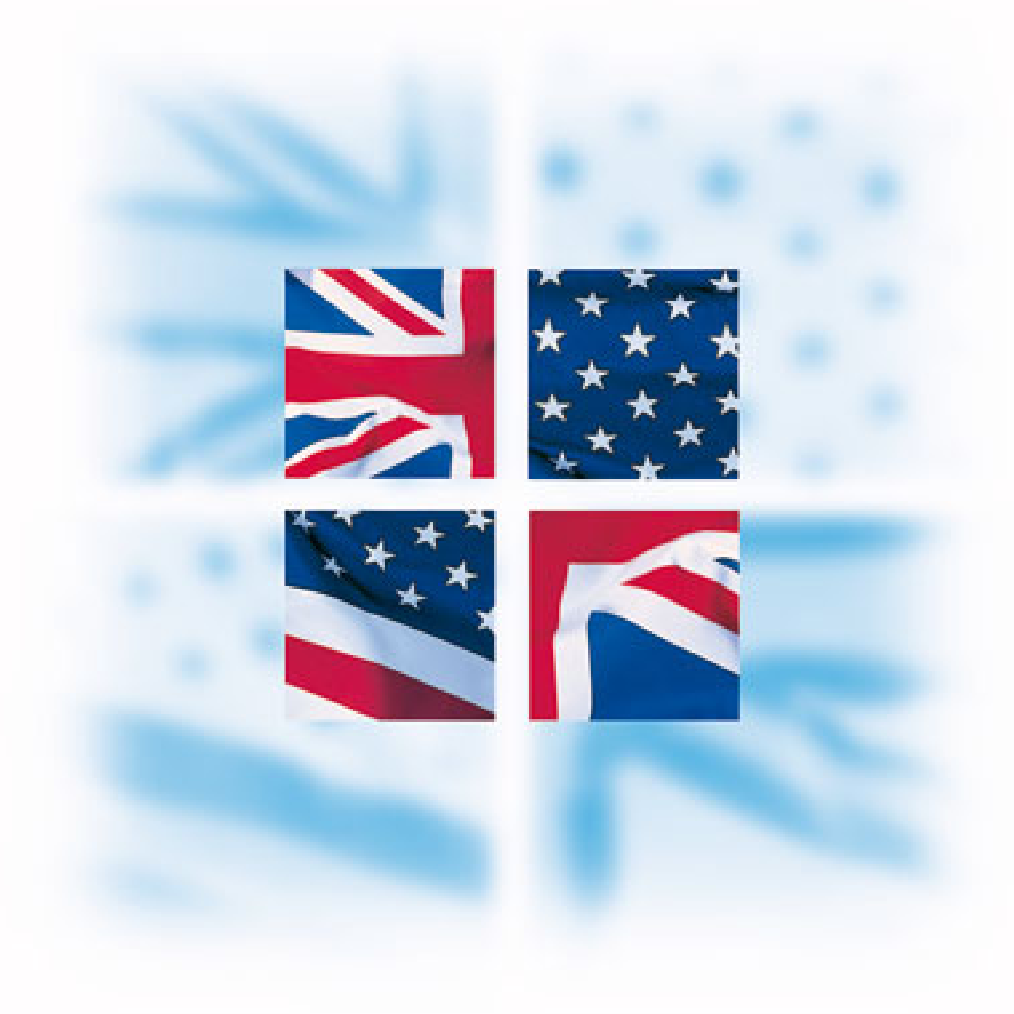

JZ Capital Partners Limited

Annual Report & Audited Accounts

For the period from date of incorporation 14 April 2008 to 28 February 2009

Contents

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

As I said at the interim stage, the period under review has seen extraordinary and volatile conditions in the world's credit and stock markets. As these market conditions persisted, most of the world's economies have entered a period of recession, some severe in nature.

For JZ Capital Partners Limited ("JZCP"), in the current calendar year in particular, market sentiment towards our shares has been particularly fierce. The Directors believe that, apart from the general deterioration in the market, there may be two principal reasons why this has occurred. The first has been nervousness in the market about JZCP's ability to redeem its Zero Dividend Preference ("ZDP") shares; the proposals announced today should allay any concerns that the market might have had in that regard. The second is that the financial news being issued about the private equity investment industry has been almost all poor. The Directors believe that JZCP's core investments in the US small capitalisation private company buy out market have strength and are distinguishable in terms of performance, size of investment and in the security of their financing, the conservatism of their financing ratios, and in terms of the multiples at which they were acquired and are now valued beside market comparables. It is the task of the Directors to demonstrate the strength of the portfolio to the market and the Investment Adviser's Report addresses this in detail.

Proposed Fundraising and Going Concern

The proposals announced today (the "Proposals") will provide additional financial flexibility to meet potential redemptions of ZDP shares and to take advantage of investment opportunities that the Investment Advisor has identified in the current market. The Proposals include the raising of up to US$147.2 million of new equity and the opportunity for holders of existing ZDP shares to roll them over into new ZDP shares. Existing ZDP shares whose holders do not elect to roll over will be redeemed on 24 June 2009 in accordance with their terms.

The Company has received irrevocable commitments from existing shareholders and new investors to subscribe for US$86.0 million of new equity. Shareholder approval of the proposals is vital to giving the company sufficient resources to meet the imminent ZDP liability without having to dispose of any of its assets on significantly worse terms than it would expect to achieve in a better financial and economic climate and with time to achieve a fair price. Without such approval the company might not be able to continue as a going concern as described more fully in the report of the directors. Documents setting out the details of the Proposals, which are subject to shareholder approval, are being posted to shareholders today.

Change to Accounting Period

The final results of JZCP are for the period from incorporation on 14 April 2008 until 28 February 2009. JZCP acquired the portfolio of investment assets of JZ Equity Partners PLC on 1 July 2008. Therefore this report covers the first eight months of trading from 1 July 2008 to 28 February 2009. The end of the period represents a change from the 31 March annual accounting period end that had been planned following the pattern set by JZEP. The change has been occasioned solely by the need to have up to date audited accounts for the purpose of the Proposals and the avoidance of the extra expense of a further audit at 31 March. To avoid further change the directors intend to maintain JZCP's annual accounting year-end at 28 February.

Net Asset Value ("NAV") and Valuation

At the end of the period under review, 28 February 2009, the NAV of JZCP was US$257.0 million, a 27.3% decline since 1 July 2008, versus the S&P 500 value decline of 42.8% and the Russell 1000 decline of 43.4%. The valuation and performance of the portfolio is discussed in more detail in the Investment Adviser's Report.

It should be noted that during the period we made a prudent, but important adjustment to the valuation policy in respect of the private investments. The valuation of the private investments is derived from employing market comparable multiples and we recognize that the realization of any of these investments in current markets would be challenging. Therefore, we have, in respect of most private investments, increased the marketability discount (based on amount of the relevant enterprise value less senior debt) from 10% to 20% to reflect the current lack of liquidity in the merger and acquisition market.

Chairman's Statement

Continued

There has been a widely held concern about the private equity investment market that valuations reported have predated the time when the most serious erosion of value has taken place. JZCP's investment portfolio has been subjected to a full valuation review as at 1 July 2008, 30 September 2008, 31 December 2008 and 28 February 2009. The valuations are proposed by the Investment Adviser based on the latest performance data from the portfolio investments and current market data available at the valuation point. The valuations are then considered and approved by the Board.

Income and Dividends

Income per share for the eight month period to 28 February was 20.1c per share. Whilst income is enhanced by the fact that the Revenue Return is not subject, as had been that of its predecessor, JZEP, to UK corporation tax, low interest rates continue to have a significant downward effect on income generated. The directors paid an interim dividend of 4.5c per share in respect of the three month period ended 30 September 2008. The Directors will not make a decision whether to recommend any final dividend in respect of the period to 28 February 2009 until the Proposals become unconditional and are completed.

Share Buybacks

Your Directors continue to keep under review opportunities to buy back Ordinary or Zero Dividend shares but their readiness to do so in respect of the Ordinary shares is tempered by the forthcoming redemption date of the Zero Dividend Preference shares and uncertainty as to the effect of such an exercise in recent market conditions and their ability to do so has been inhibited by the gestation of the Proposals.

Incentive Fee

It is the policy of the Directors to provide, where appropriate, for the capital and income incentive fees to which JZAI becomes entitled under the terms of the Advisory Agreement dated May 2008. At 28 February 2009, no provision was taken for either a capital or income incentive fee.

Outlook

The period under review has been extremely difficult. Whilst JZCP's micro-cap investments have performed more strongly than the market gives them credit for, the deteriorating stock and credit markets have adversely affected the quoted values of JZCP's listed investments and had raised uncertainty as to the Company's ability to meet it obligations in respect of the redemption of the existing ZDP's. We believe the Proposals announced today remove that uncertainty and leave the Company well positioned to take advantage of opportunities arising from the current climate on terms rarely available.

David Macfarlane
Chairman

22 May 2009

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, and is presently a non-executive Director of an AIM listed Company and three private companies. Age 63.

David Allison

Mr Allison was appointed to the Board of JZCP in April 2008. He joined Rothschild's in 1983 after qualifying as a solicitor in 1979 with a firm in London and spending a further four years there. In 1988 he left Rothschild's and joined Carey Olsen and qualified as a Guernsey Advocate. He rejoined Rothschild Trust Guernsey as Managing Director in 1992 and was responsible for running its operations with staff of over 90 and a large corporate and private client base. In 2005, he left Rothschild's to set up Virtus Trust Limited, a fiduciary, corporate services and investment consulting business with two former colleagues. He sits on a number of offshore investment fund Boards as a non-executive Director. Age 55.

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

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

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 Securities Institute. He is 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 Vice Chairman of the Guernsey Investment Funds Association. Age 47.

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. He is currently a non-executive Director of Leucadia National Corporation and the First Eagle Funds. Age 65.

James Jordan is not related to John W. Jordan II of Jordan/Zalaznick Advisers, Inc.

Tanja Tibaldi

Ms Tibaldi was appointed to the Board of JZCP in April 2008. Until 2004, Tanja 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 SWX, the Swiss Stock Exchange. Currently, Tanja serves on the board of several private companies. Age 44.

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 its own staff and works closely with The Jordan Company LP, which specialises in negotiating acquisitions in the private sector.

Jordan/Zalaznick Advisers, Inc.
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Glategny Esplanade
St Peter Port
Guernsey GY1 3NQ

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
14 New Street
St Peter Port
Guernsey GY1 4AF

UK Transfer and Paying Agent
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Spencer Road
Lancing
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Tel: + 44 (0) 121 415 7047

US Bankers
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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
Butterfield Bank (Guernsey) Limited
Regency Court
Glategny Esplanade
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UK Solicitors
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US Lawyers
Monge Law Firm, PLLC
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Charlotte NC 28202

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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 period from incorporation on 14 April 2008 to 28 February 2009.

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 now subject to the Companies (Guernsey) Law, 2008, which came into effect on 1 July 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.

Going concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the assumption that an entity will normally continue in existence as a going concern. We have prepared the financial statements on the going concern basis, however there exists a material uncertainty over our ability to continue as a going concern as described below.

The Company has a liability of GBP98,581,509 (US$137,858,000) payable on 24 June 2009 arising from the redemption of its ZDPs. There is also an associated forward foreign exchange contract which is due to be settled on 1 June 2009. The combined liability arising from these two positions at the balance sheet date was US$183,224,000. At the balance sheet date the Company had cash and cash equivalents of US$104,728,000 other operating trade receivables of US$1,134,000 and other trade payables of US$437,000 giving rise to a funding shortfall before realising other assets of at least US$77,799,000.

The Company has substantial amounts of other assets but it is unlikely that it would be able to realise a large enough proportion of these in the normal course of business to meet the funding shortfall of US$77,799,000 described above. Furthermore the Company does not have any borrowing facilities to meet its funding shortfall.

At the date of approval of these financial statements the Company has put proposals to shareholders and others to raise additional equity and for Zero Dividend Preference shareholders to roll over existing ZDPs ("the Proposals"). The Company has obtained irrevocable commitments for US$86,000,000 which are sufficient to meet the funding shortfall.

However, the success of the Proposals depends on shareholders voting in favour of them. Whilst the terms of the irrevocable commitments require those making them to vote in favour of the Proposals, and these represent approximately 37% of total votes, the Proposals require a 75% majority (of those voting). This gives rise to a material uncertainty that the Proposals will be successful which may cast significant doubt on the Company's ability to continue as a going concern.

Notwithstanding the above, the Directors are confident that the Proposals will be successful and that sufficient funds will be raised to enable the Company to meet the funding shortfall. Accordingly, the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

The financial statements do not include any adjustments that would be required in the event that the Proposals are not successful.

Business review

The total loss attributable to Ordinary shareholders for the period was US$91,992,000. The revenue return for the period was US$19,588,000, after charging administrative expenses of US$1,524,000 and 65% of the Investment Adviser's fee US$3,235,000. The net asset value (NAV) of the Company was US$256,984,000 on 28 February 2009 equal to US$2.63 per Ordinary share.

Report of the Directors

Continued

For the period ended 28 February 2009, the Company had US$3,385,000 of cash inflows resulting from operating activities.

The movements in investments are set out in note 11 and are described together with a review of the Company's activities and performance in the Chairman's Statement on pages 2 and 3 and the Investment Adviser's Report on pages 10 to 12. The Directors' valuation of the listed and unlisted investments are detailed on pages 14 to 18.

Dividends

An interim dividend of 4.5c per Ordinary share (total US$4,388,756) was proposed by the Board on 28 November 2008 and paid on 22 December 2008.

The directors will not make a decision whether to recommend any final dividend in respect of the period to 28 February 2009 until the Proposals become unconditional and are completed.

Directors

The Directors listed below are all non-executive and have served on the Board throughout the period and were in office at the end of the period and subsequent to the date of report.

D Macfarlane (Chairman)*
D Allison*
P Firth
J Jordan*
T Tibaldi*

*Independent Directors

The biographical details of the Directors are shown on page 4.

Annual General Meeting

The Company's first Annual General Meeting is due to be held within 15 months of incorporation.

Share capital and purchase of own shares

Details of the Zero Dividend Preference shares and the Ordinary shares can be found in Notes 15 and 16 on pages 44 and 45 respectively. During the period the Company did not buy back any of its own shares.

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

	Number of Ordinary shares 27 June 2008	Ordinary shares purchased/ (disposed)	Number of Ordinary shares 28 February 2009
David Macfarlane	45,000	15,000	60,000
James Jordan	150,000	–	150,000
Tanja Tibaldi	10,000	–	10,000
	205,000	15,000	220,000

The Directors acquired their holdings as at 27 June 2008 under the reconstruction scheme of JZEP. David Macfarlane purchased a further 15,000 shares within the period. David Allison and Patrick Firth did not hold an interest in Ordinary shares during the period. None of the Directors held any interest in the Zero Dividend Preference shares during the period. There have been no changes in the Directors' interests between 28 February 2009 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 as 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 appoint Ernst & Young LLP as auditor to the Company will be proposed at the next annual general meeting.

Report of the Directors

Continued

Substantial shareholders

As at 28 February 2009 the Company has been notified in accordance with applicable legislation of the following interests in the Ordinary share capital of the Company:

	Number of shares	% of shares
David W. Zalaznick	8,764,372	8.99
John W. Jordan	8,764,372	8.99
Leucadia Financial Corporation	6,791,346	6.96
National Financial Services	5,419,546	5.56
CIBC Wood Gundy	5,000,000	5.13
Massachusetts Mutual Life Insurance Company	4,299,817	4.41
Fairholme Capital Management LLC	4,289,439	4.40
Prudential Client HSBC GIS Nominee (UK)	4,281,464	4.39
Legal & General	4,269,355	4.38
Deutsche Bank AG London	3,910,084	4.01
Third Avenue Management	3,111,000	3.19

Statement of Directors' responsibilities

The Directors are responsible for preparing the Financial Statements in accordance with International Financial Reporting Standards ("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 and Articles of Association and International Financial Reporting Standards, 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.

So far as the Directors are aware, there is no relevant information of which the Company's auditors are unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Report of the Directors

Continued

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:

- The Financial Statements, prepared in accordance with the International Financial Reporting Standards (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 loss 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 together with a description of the principal risks and uncertainties they face.

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 22 May 2009.

David Macfarlane	**Patrick Firth**
Chairman	Director

Investment Adviser's Report

Dear Fellow Shareholders,

We are pleased to report that JZCP has navigated through the current global economic crisis in relatively good shape. The recent upheaval in the credit and equity markets clearly impacts all sectors of the economy; JZCP's portfolio of publicly quoted bank debt and equities has declined considerably. Fortunately, our private portfolio has performed well relative to the market and overall our Net Asset Value ("NAV") has outperformed the public markets.

Over the past eight months from July 2008 to February 2009, JZCP's NAV has declined 27.3%, versus the S&P 500 value decline of 42.8% and the Russell 1000 decline of 43.4%. As you will see below, most of that decline is due to lower marks in the equity and bank markets, as opposed to the performance of the underlying companies in which we have invested.

	28.02.09 US$'000	01.07.08[1] US$'000
Investments	**333,900**	414,018
Cash and cash equivalents	**104,728**	110,392
Other net assets	**1,580**	490
Zero Dividend Preference shares	**(137,858)**	(182,214)
Forward currency derivative contract	**(45,366)**	10,690
Net asset value	**256,984**	353,376
Number of Ordinary shares (000's)	**97,528**	97,528
Net asset value per Ordinary Share	**US$2.63**	US$3.62
Market price per Share	**US$0.42**[2]	US$2.22
NAV to market price discount	**84%**	39%

[1] JZCP began operations on 1 July 2008 (Unaudited Information).

[2] JZCP mid share price at 27 February 2009 was GBP0.29 this has been translated using the exchange rate at this date.

What is most apparent is the 84% discount our stock sells at from our NAV. In fact, 41% of our total assets is composed of cash (24%) and liquid securities (17%) which are priced at current market values by third parties. The other 59% is comprised of our micro-cap portfolio (36%) which is conservatively valued (5.9x EBITDA) and has performed well, only declining about 8.6% in the past eight months. The remaining investments are mezzanine debt (16%), along with our legacy portfolio investments (7%) which are valued at below market multiples against real earnings. So, we believe our NAV is very solid.

Below is a summary of our portfolio by asset category:

	28.02.09 US$'000	01.07.08 US$'000 (Unaudited)	Variance US$'000	
Micro-Cap portfolio	**158,263**	173,190	(14,927)	
Mezzanine investments	**70,978**	84,921	(13,943)	
Legacy portfolio	**29,180**	28,803	377	
Total private investments	**258,421**	286,914	(28,493)	-9.9%
Listed equity	**47,264**	75,017	(27,753)	
Bank debt	**28,215**	52,574	(24,359)	
Cash	**104,728**	110,392	(5,664)	
Total listed investments (including cash)	**180,207**	237,983	(57,776)	-24.3%
Total investments	**438,628**	524,897	(86,269)	-16.4%
Other current assets	**2,017**	11,180	(9,163)	
Total assets	**440,645**	536,077	(95,432)	

We will discuss each of the segments on the following page.

Investment Adviser's Report

Continued

Micro-Cap portfolio

Our micro-cap portfolio has always been the growth engine of JZCP's NAV, and we expect this to continue in the future. It consists of eight investments across a variety of industries. The largest investment is US$36.0 million in an environmental testing business. This portfolio is, if anything, under-levered, with debt senior to JZCP's positions at only 1.1x the last 12 months trailing EBITDA. The EBITDA for these eight investments grew 1.3% for the twelve months ended 31 December 2008, versus the twelve months ended 30 September 2008.

As always, we attribute this performance to choosing the right management/partners and the right businesses. We've always tried to buy businesses that are relatively less cyclical, and more importantly, we purchase these companies at reasonable multiples (generally 5-7x EBITDA).

Despite the positive performance of these businesses, the values for this portfolio has declined slightly as the weighted average multiple of EBITDA used for these valuations has declined from 7.0x on 1 July 2008 to 5.9x on 28 February 2009.

It is also important to note that companies in this portfolio do not face immediate refinancing risk, as the earliest maturity of third party debt in this portfolio is in late 2010.

Although we have reviewed over 250 investment opportunities since 1 July 2008, we have remained extremely cautious in this volatile world. We have not made any new "platform" investments, but have completed several new investments in our existing micro-cap companies as follows.

- On 21 November 2008, JZCP invested an additional US$2.1 million in Preferred Stock of BG Holdings, Inc. for continued expansion of its wind turbine capability.
- On 30 December 2008, JZCP invested an additional US$4.5 million in Preferred Stock of Accutest (ETL Holdings) as part of a US$9.0 million laboratory acquisition.
- On 27 February 2009, JZCP invested an additional US$0.6 million in Preferred Stock of BG Holdings, Inc. to help it make a small product add-on acquisition.

Mezzanine portfolio

The mezzanine portfolio consists of six investments that have attributable value, with 95% of this portfolio's value in subordinated debt. The largest investment is US$21.0 million in Continental Cement Company, LLC., a large Midwestern cement plant. This portfolio has an average debt multiple of 4.8x.

David Zalaznick and Jay Jordan

Regarding these six companies, a small senior debt facility matures in September 2009. The next maturity of size is late 2010.

On 10 February 2009, JZCP invested an additional US$2.9 million in Senior Subordinated Notes in Continental Cement Company to assist the Company's growth plans. This is the first of two additional investments. We like this business and are confident as the US builds out its infrastructure, this new low cost producing plant will do very well.

Legacy investments

The legacy investments are those that were in JZEP's portfolio prior to 2002 and transferred to JZCP upon the restructuring of JZEP. About 87% of this segment's portfolio is attributable to two investments: US$13.3 million in Healthcare Products Holdings, Inc. and US$12.1 million is common stock in Apparel Ventures, Inc. Both companies are performing well and we are

Investment Adviser's Report

Continued

confident they will be realized at their full value. The remaining US$3.8 million is scattered across nine companies.

Listed equities

Listed equities consist of three investments in transactions in which JZCP had a significant position, which were redeemed via successful IPOs. Twenty-two percent is in TAL, an international container company while 77% is in Safety Insurance. Both companies did very well in 2008 and continue to perform solidly. These investments have been hit significantly by the equity market collapse and we hope their valuation recovers. As they are publicly listed, you can look at them and see if you agree with our assessment that they are undervalued.

Bank debt

Ten of the eleven investments classified as bank debt are actively traded; the eleventh is in a smaller facility. Fifty percent of this bank portfolio is in first lien loans, while the remainder is in second lien facilities. The upheaval in the bank debt market has driven the quoted prices in this segment down significantly. Two large positions, Kinetek and Harrington, represent a portion of the bank debt of two portfolio companies of the Resolute Fund, our upper middle market private equity fund.

The value of this segment's portfolio is currently at 42% of par. Given the historical recovery rates of 65% to 70% in first lien loans, even in the worst of times, we feel these quoted values reflect more on poor bank market conditions than on the underlying performance and/or value of these businesses.

The earliest maturity of this bank portfolio is mid-2011.

Other events

- On 4 November 2008, JZCP received an escrow payment from Professional Paint for US$0.5 million.
- On 4 November 2008, JZCP received an escrow payment from Mid America Recycling for US$3.6 million.

Since 28 February 2009, we have made two additional investments:

- On 27 March 2009, JZCP invested an additional US$1.5 million of Preferred Stock of B&G Holdings, Inc. to help it complete its wind turbine cell.
- On 31 March 2009, JZCP invested an additional US$2.8 million of Senior Subordinated Notes in Continental Cement, the second funding of the afore-mentioned investment.

Despite the worldwide economic situation, we feel JZCP is well positioned to take advantage of the opportunities that will inevitably emerge. We will continue to invest your money in high quality businesses at reasonable multiples, to generate a total return (income and capital appreciation) of over 15%. As many of you know, we are the largest individual shareholders of JZCP. Since we "eat our own cooking", please be assured that we invest your money very carefully. For our team at JZAI, that means maintaining our discipline on quality and price.

Outlook

As we all know, the debt, equity and private equity markets have been extremely volatile over the past eight months. Related is the negative impact of the credit crunch, significantly reducing access to financing for acquisitions and dispositions. Finally, we feel the recession we are in currently will be a particularly deep one. All these factors have left a restricted market place in terms of buying or selling businesses.

Although the underlying health of our portfolio appears solid, some companies' future performance is at risk, especially those with exposure to the housing market and general manufacturing business.

In conclusion, JZCP will be well-positioned to take advantage of any opportunities coming out of the financial crisis if we are successful in the proposed placing of new equity money. We are committed to maintaining our discipline and adherence to the basic fundamentals of our investment strategy.

We appreciate your support and will endeavour to achieve superior returns and avoid losing money.

Yours faithfully,

David W. Zalaznick
John W. Jordan II

22 May 2009

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 Balance Sheet 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 original effective interest rate.

(ii) Unquoted preferred shares, micro cap loans, unquoted equities and equity related securities:

Investments are normally valued at cost for the first twelve months. Adjustments to fair value, however, will be made, if appropriate, in the light of adverse circumstances. An increase in value of investments will be effected in light of actual or expected third party transactions reflecting the risks associated with the transaction. These investments are classified in the Balance Sheet as Investments at fair value through profit or loss.

Investments held for more than one year 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. 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. Unquoted equities are classified in the Balance Sheet as Investments at fair value through profit or loss.

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 investments are determined by reference to the attrributable 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 a decrease in the fair value would be reflected across all financial instruments invested in a 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 Balance Sheet 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 Balance Sheet as Investments at fair value through profit or loss.

Investment Review

Company	Book cost US$'000*	Original JZEP Historical cost US$'000**	Directors valuation at 28 February 2009 US$'000	Carrying value Including Accrued Interest 28 February 2009 US$'000	Percentage of portfolio %
BANK DEBT: FIRST LIEN PORTFOLIO					
BHM TECHNOLOGIES HOLDINGS, INC. Designer and producer of welded assemblies and components	580	1,894	160	160	–
EMDEON BUSINESS SERVICES, LLC Healthcare service provider	2,658	2,821	2,426	2,453	0.7
HARRINGTON HOLDINGS, INC.*** Distributor of healthcare products	4,579	4,912	4,077	4,096	1.2
INFONXX, INC. Worldwide provider of directory assistance	2,807	2,940	2,367	2,389	0.7
INTERGRAPH CORPORATION Designer and provider of SIM software	806	837	716	716	0.2
KINETEK, INC.*** Manufacturer of electric motors and gearboxes	4,392	4,786	1,196	1,215	0.4
PETCO ANIMAL SUPPLIES, INC. Retailer of pet food, supplies and services	1,809	1,961	1,627	1,637	0.5
SCS HOLDINGS II, INC. IT solutions provider	1,286	1,472	884	897	0.3
TOTES ISOTONER CORPORATION Leading designer and retailer of cold weather and rain products	630	815	391	397	0.1
WP EVENFLO HOLDINGS, INC. Manufacturer of children's products	825	955	272	285	0.1
Total Bank Debt: First Lien Portfolio	**20,372**	**23,393**	**14,116**	**14,245**	**4.2**
BANK DEBT: SECOND LIEN PORTFOLIO					
BHM TECHNOLOGIES HOLDINGS, INC. Designer and producer of welded assemblies and components	60	6,121	60	60	–
DEKKO TECHNOLOGIES, LLC Distributor of electrical sub-components	10,000	9,950	5,700	5,763	1.7
EMDEON BUSINESS SERVICES, LLC Healthcare service provider	465	500	345	352	0.1
HARRINGTON HOLDINGS, INC. Distributor of healthcare products	9,300	10,000	6,200	6,242	1.9
KINETEK, INC.*** Manufacturer of electric motors and gearboxes	13,425	15,000	1,500	1,553	0.5
Total Bank Debt: Second Lien Portfolio	**33,250**	**41,571**	**13,805**	**13,970**	**4.2**

Investment Review

Continued

Company	Book cost US$'000*	Original JZEP Historical cost US$'000**	Directors valuation at 28 February 2009 US$'000	Carrying value Including Accrued Interest 28 February 2009 US$'000	Percentage of portfolio %
MEZZANINE PORTFOLIO					
BRAXTON-BRAGG CORPORATION Distributor of equipment to stone fabricators	1,324	1,324	–	–	–
CONTINENTAL CEMENT COMPANY, LLC Mines and processes limestone	20,422	20,422	20,422	20,990	6.3
GED HOLDINGS, INC. Manufacturer of windows	–	6,100	–	–	–
HAAS TCM GROUP, INC. Speciality chemical distribution	7,584	7,584	7,584	7,764	2.3
M/C COMMUNICATIONS, LLC Provision of marketing services to the medical profession	800	800	–	–	–
METPAR INDUSTRIES, INC. Manufacturer of restroom partitions	6,751	8,652	4,000	4,083	1.2
PETCO ANIMAL SUPPLIES, INC.**** Retailer of pet food, supplies and services	17,650	17,508	17,508	17,938	5.4
ROOFING SUPPLY GROUP, INC. Distributor of roofing products	12,479	18,593	11,500	11,895	3.6
TRANSAMERICA AUTO PARTS, INC. Distributes parts and accessories for trucks	6,315	6,315	–	–	–
TTS, LLC Provider of technical facilities for mechanical services	8,424	8,189	8,189	8,308	2.5
WIZA INDUSTRIES, LLC Manufacturer of machined parts and components	7,329	7,253	–	–	–
Total Mezzanine Portfolio	**89,078**	**102,740**	**69,203**	**70,978**	**21.3**

Investment Review

Continued

Company	Book cost US$'000*	Original JZEP Historical cost US$'000**	Directors valuation at 28 February 2009 US$'000	Carrying value Including Accrued Interest 28 February 2009 US$'000	Percentage of portfolio %
MICRO CAP PORTFOLIO					
ACCUTEST HOLDINGS, INC. Provision of environmental testing laboratories to the US market	39,834	35,241	35,241	35,947	10.8
BG HOLDINGS, INC. Manufacturer of industrial gears	21,971	21,237	19,407	19,819	5.9
DANTOM SYSTEMS, INC. Outsourcing of debt collection	17,514	20,591	18,103	18,432	5.5
DENTAL SERVICES GROUP, INC. Manufacturer of dental services	29,411	22,952	23,614	24,093	7.2
GHW HOLDINGS, INC. Manufacturer and distributor of orthodontic products	14,908	8,215	15,173	15,367	4.6
NATIONWIDE STUDIOS, INC. Processor of digital photos for pre-schoolers	17,062	16,986	10,130	10,424	3.1
SECHRIST INDUSTRIES, INC.*** Manufacturer of oxygen chambers and other respiratory products	15,959	6,333	14,410	14,553	4.4
WOUND CARE SOLUTIONS, LLC*** Chronic wound care treatment	35,483	53,172	19,091	19,628	5.9
Total Micro Cap Portfolio	**192,142**	**184,727**	**155,169**	**158,263**	**47.4**
WARRANTS					
BROOKE CREDIT CORPORATION	72	–	–	–	–
Total Warrants	**72**	**–**	**–**	**–**	**–**

Investment Review

Continued

Company	Book cost US$'000*	Original JZEP Historical cost US$'000**	Directors valuation at 28 February 2009 US$'000	Carrying value Including Accrued Interest 28 February 2009 US$'000	Percentage of portfolio %
LEGACY PORTFOLIO					
ADVANCED CHEMISTRY & TECHNOLOGY, INC. Manufacturer of aircraft sealants	–	1,607	1,607	1,674	0.5
APPAREL VENTURES, INC. Swimwear designer, manufacturer and marketeer	13,744	12,085	12,085	12,085	3.6
ETX HOLDINGS, INC. Provider of services to the auto after sales market	394	379	379	386	0.1
GEAR FOR SPORTS, INC. Sports and active-wear designer and manufacturer	–	1,496	–	–	–
GRAM TEL, LLC Provider of data back up and colocation services	1	1	–	–	–
HEALTHCARE PRODUCTS HOLDINGS, INC. Designer and manufacturer of motorised vehicles	14,116	26,931	12,603	13,295	4.0
JACKSON PRODUCTS, INC. Manufacturer and distributor of safety products	–	2,224	–	–	–
JORDAN INDUSTRIES, INC. Conglomerate	–	18	–	–	–
JORDAN SPECIALITY PLASTICS, INC. Manufacturer of plastic products and parts	–	3	–	–	–
JZ INTERNATIONAL LLC Fund of European LBO investments	1,425	439	1,400	1,440	0.4
NTT ACQUISITION CORP Technical education and training	–	894	–	–	–
STAFFING CONSULTANTS HOLDINGS, INC. Provider of professional and technical staff	–	6,305	–	–	–
TIGER INFORMATION SYSTEMS, INC. Provider of temporary staff and computer training	300	400	300	300	0.1
Total Legacy Portfolio	**29,980**	**52,782**	**28,374**	**29,180**	**8.7**
LISTED INVESTMENTS					
SAFETY INSURANCE GROUP, INC. Provider of automobile insurance	42,223	6,816	36,218	36,218	10.9
TAL INTERNATIONAL GROUP, INC.*** Lessor of intermodal shipping containers	31,959	13,798	10,312	10,312	3.1
UNIVERSAL TECHNICAL INSTITUTE, INC. Vocational training in the automotive and marine fields	835	15	734	734	0.2
Total Listed Investments	**75,017**	**20,629**	**47,264**	**47,264**	**14.2**
TOTAL – PORTFOLIO	**439,911**	**425,842**	**327,931**	**333,900**	**100.00**
Zero Dividend Preference shares				(137,858)	
Forward currency derivative contract				(45,366)	
Cash and other net assets				106,308	
Net assets attributable to Ordinary shares				**256,984**	

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP plus accrued income and adjusted for transactions in the period from 1 July 2008 to 28 February 2009.

** Original book cost incurred by JZEP adjusted for transactions in the period from 1 July 2008 to 28 February 2009.

*** Jointly invested in deals with the Resolute Fund – see Note 26.

**** Includes US$1,636,000 of common stock.

Note: Legacy Portfolio – Investments not subject to capital incentive fee.

Investment Review Major Holdings

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

Safety Insurance Group, Inc.

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

Safety Insurance Group, Inc., which is listed on NASDAQ, 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.

Valuation	**Book cost* US$'000**	**Original JZEP historical cost** US$'000**	**Directors' valuation at 28 February 2009 US$'000**
Common Stock with an effective equity interest of 7.3%	42,223	6,816	36,218
Year ended 31 December, 2008 Sales			US$641.0m
Year ended 31 December, 2008 Adjusted EBITDA			US$109.4m

Accutest Holdings, Inc.

Headquarters: Datton, New Jersey, USA
Sector: Research 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.

Valuation	**Book cost* US$'000**	**Original JZEP historical cost** US$'000**	**Directors' valuation at 28 February 2009 US$'000**
12.5% Senior Subordinated Notes	12,305	12,226	12,226
10% Preferred Stock	24,029	22,976	22,976
Common Stock with an effective equity interest of 38.7%	3,500	39	39
	39,834	35,241	35,241
Year ended 31 December, 2008 Sales			US$60.6m
Year ended 31 December, 2008 Adjusted EBITDA			US$16.3m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP plus accrued income at 1 July 2008 and adjusted for transactions in the period from 1 July 2008 to 28 February 2009.
** Original book cost incurred by JZEP adjusted for transactions in the period from 1 July 2008 to 28 February 2009.

Investment Review Major Holdings

Continued

Dental Services Group, Inc.

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

Dental Holdings Corporation is the parent of Dental Services Group ("DSG"). DSG is an acquirer and operator of laboratories which manufacture fixed and 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.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2009 US$'000
12.5% Subordinated Notes	8,246	8,154	8,154
8% Series "B" Cumulative Preferred Stock	8,826	8,536	8,536
10% Series "B" Cumulative Preferred Stock	6,539	6,224	6,224
Common Stock with an effective equity interest of 35.4%	5,800	38	700
	29,411	22,952	23,614
Year ended 31 December, 2008 Sales			US$97.5m
Year ended 31 December, 2008 Adjusted EBITDA			US$11.7m

BG Holdings, Inc.

Headquarters: Cleveland, Ohio, USA
Sector: Industrial Gears

BG Holdings Inc owns The Horsburgh & Scott Co ("H&S"). 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, the Company 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. The Company 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.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2009 US$'000
12.5% Senior Subordinated Notes	4,989	4,852	4,852
Preferred Stock	16,941	16,344	14,555
Common Stock with an effective equity interest of 40.8%	41	41	–
	21,971	21,237	19,407
Year ended 31 December, 2008 Sales			US$63.2m
Year ended 31 December, 2008 Adjusted EBITDA			US$8.1m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP plus accrued income at 1 July 2008 and adjusted for transactions in the period from 1 July 2008 to 28 February 2009.
** Original book cost incurred by JZEP adjusted for transactions in the period from 1 July 2008 to 28 February 2009.

Investment Review Major Holdings

Continued

Wound Care Solutions, LLC

Headquarters: Nashua, New Hampshire, USA
Sector: Healthcare Equipment and Services

WCS Clinics provides management services for the development, implementation and operation of Comprehensive Wound Healing Centres. These centres are designed as outpatient departments in hospitals and are committed to the successful treatment and prevention of chronic, non healing wounds.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2009 US$'000
12.5% Senior Subordinated Notes	4,927	5,829	5,829
13.5% Demand Loan Notes	27,596	25,805	13,262
15% Preferred Stock	2,960	21,446	–
Common Stock with an effective equity interest of 22.2%	–	92	–
	35,483	53,172	19,091
Year ended 31 December, 2008 Sales			US$80.6m
Year ended 31 December, 2008 Adjusted EBITDA			US$15.9m

Dantom Systems, Inc.

Headquarters: Novi, Missouri, USA
Sector: Outsourcing of Debt Collection

Dantom Systems, Inc. provides integrated services to the debt collections industry as a single source provider of customized collection letter designing, processing, printing, mailing and data management. The Company serves over 500 collection agencies and purchasers of credit card, health care, automobile and other consumer debt from a wide range of industries.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2009 US$'000
8% Senior Subordinated Notes	10,367	10,367	10,367
12.5% Senior Subordinated Notes	3,936	3,936	3,936
8% Preferred Stock	3,211	6,239	3,800
Common Stock with an effective equity interest of 42.5% (or 37.4% diluted)	–	49	–
	17,514	20,591	18,103
Year ended 31 December, 2008 Sales			US$71.5m
Year ended 31 December, 2008 Adjusted EBITDA			US$4.4m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP plus accrued income at 1 July 2008 and adjusted for transactions in the period from 1 July 2008 to 28 February 2009.
** Original book cost incurred by JZEP adjusted for transactions in the period from 1 July 2008 to 28 February 2009.

Investment Review Major Holdings

Continued

Continental Cement Company, LLC

Headquarters: Hannibal, Missouri, USA
Sector: Cement Manufacturer

Continental Cement Company is located in Hannibal, Missouri 3,500 acres adjacent to the Mississippi River. Continental Cement Company employs 240 people and mines, manufactures and processes limestone, clay and other materials into what is commonly known as Portland Cement. The Company operates from one production facility in Hannibal, Missouri, two distribution facilities, a clay mining operation and one sales office. It recently completed construction of a state of the art plant to replace its old facility.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2009 US$'000
17% Senior Subordinated Notes	20,422	20,422	20,422
Year ended 31 December, 2008 Sales			US$76.9m
Year ended 31 December, 2008 Adjusted EBITDA			US$19.9m

PETCO Animal Supplies, Inc.

Headquarters: San Diego, California, USA
Sector: Food and Beverages

PETCO Animal Supplies, Inc. is a leading speciality retailer of premium pet food, supplies and services, operating in the District of Columbia.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2009 US$'000
10.5% Subordinated Notes	16,016	15,872	15,872
1st Lien Loan Notes	1,809	1,961	1,627
Common Stock with an effective diluted equity interest of 0.21%	1,636	1,636	1,636
	19,461	19,469	19,135
Year ended 31 January, 2009 Sales***			US$2,578.0m
Year ended 31 January, 2009 Adjusted EBITDA***			US$285.2m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP plus accrued income at 1 July 2008 and adjusted for transactions in the period from 1 July 2008 to 28 February 2009.
** Original book cost incurred by JZEP adjusted for transactions in the period from 1 July 2008 to 28 February 2009.
*** Estimated figures.

Investment Review Major Holdings

Continued

GHW Holdings, Inc.

Headquarters: Franklin, Indiana, USA

Sector: Healthcare Equipment and Services

G&H is a manufacturer of orthodontic arch wires and elastics and a distributor of other orthodontic products. The company specializes in "ortho force" products that make teeth move, primarily wires and elastics (rubber bands) versus products that anchor teeth in the orthodontic process. G&H also distributes many of the necessary tools and accessories used in the orthodontic practice.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2009 US$'000
12.5% Senior Subordinated Notes	4,002	3,960	3,960
10% Preferred Stock	4,406	4,213	4,213
Common Stock with an effective equity interest of 42.3%	6,500	42	7,000
	14,908	8,215	15,173
Year ended 31 December, 2008 Sales			US$18.3m
Year ended 31 December, 2008 Adjusted EBITDA			US$6.6m

Sechrist Industries, Inc.

Headquarters: Anaheim, California, USA

Sector: Healthcare

Sechrist is the largest US manufacturer of hyperbaric oxygen chambers, as well as related respiratory care products. Its products are sold primarily to hospitals and clinic management companies, and are primarily used to treat patients with chronic wounds.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2009 US$'000
12.5% Senior Subordinated Notes	3,195	3,161	3,161
8% Preferred Stock	3,264	3,149	3,149
Common Stock with an effective equity interest of 20.7%	9,500	23	8,100
	15,959	6,333	14,410
Year ended 31 December, 2008 Sales			US$32.6m
Year ended 31 December, 2008 Adjusted EBITDA			US$12.6m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP plus accrued income at 1 July 2008 and adjusted for transactions in the period from 1 July 2008 to 28 February 2009.
** Original book cost incurred by JZEP adjusted for transactions in the period from 1 July 2008 to 28 February 2009.

Directors' Remuneration Report

The Directors' remuneration report has been prepared on behalf of the Board. Although as a Guernsey registered company JZCP is exempt from the requirements of the Combined Code ("the Code") as issued by the UK Listing Authority the Directors have carefully considered the recommendations of the Code whilst preparing this report.

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

Remuneration policy

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. All of the matters recommended by the Combined 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 are 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 period ended 28 February 2009 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 shall retire 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 shall be eligible for reappointment.

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 which meets at least once a year, 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.

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

Directors' Remuneration Report

Continued

Remuneration for qualifying services

	Fees for services to the Company for the period to 28 February 2009 US$
David Macfarlane (Chairman)	60,781
David Allison	42,904
Patrick Firth	42,904
James Jordan	42,904
Tanja Tibaldi	42,904
	232,397

The amounts paid to Directors as shown above were for services as non-executive Directors, and no Director received a benefit, taxable in their own hands, during the year.

The payment of Patrick Firth's Directors fees was made to a third party, namely Butterfield Fulcrum Group (Guernsey) Limited.

David Macfarlane has been paid post period end an additional fee of US$75,000 for extra work on transitional matters and the financing proposals.

Corporate Governance

Introduction

JZ Capital Partners Limited, being a company registered in Guernsey is exempt from the requirements of the Combined Code ("the Code") as issued by the UK Listing Authority. However, the directors recognise the importance of the Code and the AIC Code (which establishes a framework of best practice specifically for Boards of investment companies) and the Company does and will comply with the recommendations of the Combined Code, AIC Code and the Transparency Directive to the extent they consider appropriate and practicable. Outlines of the main principles are stated below:

The Board

Corporate Governance of JZCP is monitored by the Board which at the end of the period, 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 has overall responsibility for the Company's activities and the determination of its investment policy and strategy. The Company has entered into an investment advisory and management agreement with its investment adviser, JZ Advisers, pursuant to which, subject to the overall supervision of the Board, 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 Board (following consultation with the investment adviser). Within its strategic responsibilities the Board regulary considers corporate strategy as well as dividend policy, the policy on share buy backs and corporate governance issues.

The Board meets 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 Board holds 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 Board currently deems it appropriate to review the valuations on a quarterly basis, given current market volatility, usually the valuations would be reviewed semi-annually. The schedule of Board and Committee meetings is shown on page 27.

Board balance and independence of Directors

The Board considers that all of the Directors are independent of the Investment Adviser. 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. The Board considers, with the exception of Patrick Firth, the Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Patrick Firth is the Managing Director of Butterfield Fulcrum Group (Guernsey) Limited the Company's provider of Administration, Registrar and Secretarial services. The Board reviews the independence of the Directors at least annually.

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. 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.

Corporate Governance

Continued

Re-election of Directors

The principle set out in the Combined 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 Nominations Committee. The first Meeting of the Nominations Committee was held on 20 November 2008 and due to the short period of time since the Company's incorporation, no Directors have retired.

Board committees

In accordance with the Combined 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 membership of these committees and their terms of reference 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 meets at least once a year, and 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 met once during the period ended 28 February 2009.

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, and each of the other directors are also members. Members of the Committee are independent of the Company's external auditors and the Investment Adviser. The Audit Committee meets at least once a year and will meet the external auditors at least once a year. The Audit Committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Committee also considers the nature, scope and results of the auditors' work and reviews, and 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 once during the period ended 28 February 2009 on 20 November 2008.

Furthermore the Board has reviewed the need for an internal audit function, as recommended by the Code. Due to the size of JZCP an internal audit function is not considered necessary, although this will be kept under review.

Corporate Governance

Continued

Board and committee meeting attendance

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

	Number of meetings			
	Board			
	Main	Administrative	Nominations	Audit
Total number of meetings	**5**	**5**	**1**	**1**
David Macfarlane	5	–	1	1
David Allison	5	5	1	1
Patrick Firth	5	4	–	1
James Jordan	5	2	–	1
Tanja Tibaldi	5	1	1	1

During the period ended 28 February 2009 the Board met formally 10 times. The Directors also met twice, in order to review the investment portfolio and to consider the portfolio valuation with the Investment Adviser.

Relations with shareholders

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

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

Internal controls and the management of risk

Under the 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.

Identification and evaluation of business risk

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, JZ Advisers, who are highly regarded in the US and have many years of experience of making successful US investments. JZ Advisers are able to identify potential investments through a wide network of contacts and review these investments in conjunction with US 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 20 on pages 47 to 55.

Corporate Governance

Continued

Control procedures

The main controls which relate to investments have been delegated to JZ Advisers, and the Audit Committee reviews their performance.

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.

A control report is provided to the Audit Committee 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.

The Company's system of internal controls are 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.

Independent Auditors' Report

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

We have audited the accompanying financial statements of JZ Capital Partners Limited for the period from incorporation on 14 April 2008 to 28 February 2009 which comprise the income statement, balance sheet, statement of changes in shareholders' equity, cash flow statement and the related notes 1 to 30. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 under International Standards on Auditing (UK and Ireland) to state to them in an auditors' report and for no other purpose. To the fullest extent required 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 described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the Companies (Guernsey) Law, 2008.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Corporate Objective, Chairman's Statement, Board of Directors, Company Advisers, Investment Adviser's Report, Valuation Policy, Investment Review, Major Holdings, Directors Remuneration Report, Corporate Governance and Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 28 February 2009, of its loss for the period ended 28 February 2009 and have been properly prepared in accordance with International Financial Reporting Standards and the Companies (Guernsey) Law 2008.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The matters explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Ernst & Young LLP
Guernsey, Channel Islands

22 May 2009

Income Statement

For the period from incorporation 14 April 2008 to 28 February 2009

	Notes	Revenue return US$'000	Capital return US$'000	Total US$'000
Income				
Net unrealised losses on investments at fair value through profit or loss	11	–	(83,920)	(83,920)
Impairments on loans and receivables	11	–	(18,053)	(18,053)
Realised gains on investments held in escrow accounts		–	4,102	4,102
Net foreign currency exchange losses	5	–	(3,849)	(3,849)
Investment income	6	24,236	–	24,236
Bank and deposit interest	7	869	–	869
Total income/(loss)		25,105	(101,720)	(76,615)
Expenses				
Formation costs	9	–	(267)	(267)
Investment Adviser's base fee	9	(3,235)	(1,742)	(4,977)
Administrative expenses	9	(1,524)	–	(1,524)
Total expenses		(4,759)	(2,009)	(6,768)
Finance costs				
Finance costs in respect of Zero Dividend Preference shares	8	–	(7,851)	(7,851)
Net income/(loss) before taxation		20,346	(111,580)	(91,234)
Taxation	10	(758)	–	(758)
Profit/(loss) for the period		19,588	(111,580)	(91,992)
Weighted average number of Ordinary shares outstanding	22			97,527,916
Basic and diluted loss per Ordinary share		20.08c	(114.41)c	(94.32)c

All items in the above statement are derived from continuing operations.
All net income is attributable to the Ordinary shareholders of the Company.
The Company's investment activities commenced on 1 July 2008 upon transfer of investments following the liquidation of JZEP.
The format of the Income Statement follows the recommendations of the AIC Statement of Recommended Practice.

The accompanying notes on pages 34 to 58 form an integral part of the financial statements.

Balance Sheet

As at 28 February 2009

	Notes	US$'000
Non-current assets		
Investments at fair value through profit or loss	11	264,558
Investments classified as loans and receivables	11	69,342
		333,900
Current assets		
Other receivables	13	2,017
Cash and cash equivalents	12	104,728
		106,745
Total assets		440,645
Current liabilities		
Zero Dividend Preference shares	15	(137,858)
Forward currency derivative contract	25	(45,366)
Other payables	14	(437)
Total liabilities		(183,661)
Net assets		256,984
Capital and reserves	18	
Share premium account		353,365
Other reserves		(96,381)
Total shareholders' equity		256,984
Net asset value per Ordinary share	23	US$2.63

These audited financial statements were approved by the Board of Directors and authorised for issue on 22 May 2009.
They were signed on its behalf by:

David Macfarlane
Chairman

Patrick Firth
Director

The accompanying notes on pages 34 to 58 form an integral part of the financial statements.

Statement of Changes in Shareholders' Equity

For the period from incorporation 14 April 2008 to 28 February 2009

	Share premium account US$'000	Capital Reserve Realised US$'000	Capital Reserve Unrealised US$'000	Revenue reserve US$'000	Total US$'000
Unrealised losses on investments	–	–	(101,973)	–	(101,973)
Unrealised loss on derivative financial instrument	–	–	(56,056)	–	(56,056)
Unrealised gain on translation of foreign currency	–	–	52,207	–	52,207
Realised gains on investments held in escrow accounts	–	4,102	–	–	4,102
Finance costs in respect of Zero Dividend Preference shares	–	(7,851)	–	–	(7,851)
Formation costs	–	(267)	–	–	(267)
Profit retained for the period	–	–	–	19,588	19,588
Expenses charged to capital	–	(1,742)	–	–	(1,742)
(Loss)/profit for the period	–	(5,758)	(105,822)	19,588	(91,992)
Issue of Ordinary shares	353,376	–	–	–	353,376
Dividend paid	–	–	–	(4,389)	(4,389)
Increase in provisions/receivables relating to JZ Equity Partners Plc	(11)	–	–	–	(11)
Balance as at 28 February 2009	353,365	(5,758)	(105,822)	15,199	256,984

The accompanying notes on pages 34 to 58 form an integral part of the financial statements.

Cashflow Statement

For the period from incorporation 14 April 2008 to 28 February 2009

	Notes	US$'000
Operating activities		
Net cash inflow from operating activities	24	3,385
Cash outflow from purchase of investments	11	(10,234)
Cash inflow from repayment of investments	11	1,472
Cash inflow from investments held in escrow accounts		4,102
Net cash outflow before financing activities		(1,275)
Financing activity		
Cash received in consideration for Ordinary and Zero Dividend Preference shares		110,392
Distributions paid to shareholders		(4,389)
Net cash inflow from financing activities		106,003
Increase in cash and cash equivalents		104,728
Reconciliation of net cash flow to movements in cash and cash equivalents		
Increase in cash and cash equivalents as above		104,728
Cash and cash equivalents as at 28 February 2009	12	104,728

The accompanying notes on pages 34 to 58 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, which came in to effect on 1 July 2008. The Company's Share Capital consists of Ordinary shares and Zero Dividend Redeemable 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 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.

Net assets of the Company on 1 July 2008

	US$'000
Investments	414,018
Forward currency derivative contract	10,690
Cash and cash equivalents	110,392
Zero Dividend Preference shares	(182,214)
Other net assets	490
	353,376

The Company's corporate objective is to create a portfolio of investments in businesses primarily in the United States, providing a superior overall return comprised of a current yield and significant capital appreciation. The Company's present strategies include investments in micro-cap buyouts, mezzanine loans (sometimes with equity participations) and high yield securities, senior secured debt and second lien loans 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 monthly management fee and may also be 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).

Going concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the assumption that an entity will normally continue in existence as a going concern. The Company have prepared the financial statements on the going concern basis, however there exists a material uncertainty over our ability to continue as a going concern as described below.

The Company has a liability of GBP98,581,509 (US$137,858,000) payable on 24 June 2009 arising from the redemption of its ZDPs. There is also an associated forward foreign exchange contract which is due to be settled on 1 June 2009. The combined liability arising from these two positions at the balance sheet date was US$183,224,000. At the balance sheet date the Company had cash and cash equivalents of US$104,728,000 other operating trade receivables of US$1,134,000 and other trade payables of US$437,000 giving rise to a funding shortfall before realising other assets of at least US$77,799,000.

The Company has substantial amounts of other assets but it is unlikely that it would be able to realise a large enough proportion of these in the normal course of business to meet the funding shortfall of US$77,799,000 described above. Furthermore the Company does not have any borrowing facilities to meet its funding shortfall.

At the date of approval of these financial statements the Company has put proposals to shareholders and others to raise additional equity and for Zero Dividend Preference shareholders to roll over existing ZDPs ("the Proposals"). The Company has obtained irrevocable commitments for US$86,000,000 which are sufficient to meet the funding shortfall.

However, the success of the Proposals depends on shareholders voting in favour of them. Whilst the terms of the irrevocable commitments require those making them to vote in favour of the Proposals, and these represent approximately 37% of total votes, the Proposals require a 75% majority (of those voting). This gives rise to a material uncertainty that the Proposals will be successful which may cast significant doubt on the Company's ability to continue as a going concern.

Notes to the Financial Statements

Continued

1. General Information continued

Going concern continued

Notwithstanding the above, the Directors are confident that the Proposals will be successful and that sufficient funds will be raised and existing ZDPs roll over to enable the Company to meet the funding shortfall. Accordingly, the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

The financial statements do not include any adjustments that would be required in the event that the Proposals are not successful.

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 ("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, 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 derivative financial instruments and certain 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

The financial statements have been prepared on the going concern basis (see note 1).

Early adoption of standards and interpretations

The Company has not elected to early adopt any Standards or Interpretations.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

Amendments to IFRS 7 were issued by the IASB in March 2009 and become effective for annual periods beginning on or after 1 January 2009 with early application permitted. The amendment to IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy:

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

In addition the amendment revises the specified minimum liquidity risk disclosures including amongst others the contractual maturity of non derivative and derivative financial liabilities, and a description of how this is managed.

The Company intends to adopt this standard from 1 March 2009, it is currently reviewing the impact this disclosure will have on its financial statements.

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, and all values were presented to the nearest thousand except where otherwise stated.

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 balance sheet 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 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 income statement. 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 "Other losses".

Derivatives

The Company may use derivatives for the purpose of efficient portfolio management, including for hedging purposes and potentially in order to take a synthetic exposure to an investment position in circumstances where the derivative contract is more efficient than a position would be in the underlying security. Open forward currency contracts are valued at the relevant exchange rate on that day.

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 fair value through profit or loss at inception. Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of sale or repurchase in the short term. All derivatives are included in this category.

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 liabilities at fair value through profit or loss are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Income Statement. 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 Income Statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement within gross income when the Company's right to receive payment is established.

(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.

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.

Fair value estimation methods for the other classes of financial assets and liabilities at fair value through profit or loss are presented in the valuation policy on page 13.

(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.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as net unrealised (losses)/gains 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 unrealised (losses)/gains on loans and receivables.

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.

Other receivables

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

Other payables are not interest-bearing and are stated at their nominal value.

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.

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.

Incentive fee provision

A provision is recognised where the Company has a legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required in the future. Under the advisory agreement, the Company has no obligation to pay an incentive fee to the Investment Adviser at 28 February 2009.

Income

Investment income and other income receivable are included on an accruals basis. 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 65% to revenue and 35% to realised capital reserve. This represents the Director's expectations of the long term split between revenue and capital. The incentive fee is attributed to those parts to which it relates.

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.

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Formation costs

Expenses directly attributable to the set up of the Company or the issue of share capital are charged against capital.

Finance costs

Finance costs are interest expenses in respect of the ZDP shares and are recognised in the income statement 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.

3. Segmental Reporting

Business and geographical segments

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in micro-cap buyouts, mezzanine loan, high yield securities, senior secured debt, second lien loans, other debt and equity opportunities, issued by companies operating and generating revenue mainly in the United States, and therefore no segmental reporting is provided.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 2 to the financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from their sources. The estimates and associated assumptions are based on historical experience of JZEP and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions and other key sources of estimation uncertainty at the Balance Sheet date, 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 on page 13. The key source of estimation uncertainty is on the valuation of unquoted equities and equity-related securities.

Loans and receivables

Certain investments are classified as loans and receivables, and valued accordingly, as disclosed in note 2 and the valuation policy on page 13. The key estimation is the impairment review and the key assumptions as disclosed in note 2.

5. Net Foreign Currency Exchange Losses

	Period ended 28.02.09 US$'000
Net movement in unrealised foreign exchange losses on derivative financial instrument (note 25)	(56,056)
Net unrealised gain on foreign currency translations	52,207
	(3,849)

Notes to the Financial Statements

Continued

6. Investment Income

	Period ended 28.02.09 US$'000
Income from investments classified as FVTPL	16,961
Income from investments classified as loans and receivables	7,275
	24,236

	Gross Period ended 28.02.09 US$'000	Income written off on impaired investments Period ended 28.02.09 US$'000	Net receivable Period ended 28.02.09 US$'000
1st and 2nd Lien bank debt interest	2,807	–	2,807
Mezzanine portfolio			
– Non impaired investments	4,642	–	4,642
– Impaired investments	4,229	1,596	2,633
Total interest on Mezzanine portfolio	8,871	1,596	7,275
Micro Cap portfolio			
– Non impaired investments	8,522	–	8,522
– Impaired investments	4,784	3,132	1,652
Total interest on Micro Cap portfolio	13,306	3,132	10,174
Legacy portfolio			
– Non impaired investments	304	–	304
– Impaired investments	1,848	740	1,108
Total interest on Legacy portfolio	2,152	740	1,412
Total interest on investments	27,136	5,468	21,668
Dividends from listed investments	2,527	–	2,527
Other income	41	–	41
	29,704	5,468	24,236

Total gross interest earned on impaired assets totalled US$10,861,000. A write down of US$5,468,000 was included on interest earned on investments that were deemed to be impaired. The write down was calculated in proportion to the principal amount that was deemed to be fully or partially impaired.

Notes to the Financial Statements

Continued

6. Investment Income continued

The following table analyses net interest receivable in the period between interest receivable in the form of cash and interest receivable in the form of Payment in Kind (PIK). PIK – is interest on securities satisfied by the issue of further securities (with or without a right to subscribe for further equity and/or debt).

	Interest PIK Period ended 28.02.09 US$'000	Interest cash Period ended 28.02.09 US$'000	Total net interest Period ended 28.02.09 US$'000
1st and 2nd Lien bank debt interest	–	2,807	2,807
Mezzanine portfolio	3,657	3,618	7,275
Micro Cap portfolio	6,399	3,775	10,174
Legacy portfolio	1,372	40	1,412
	11,428	10,240	21,668

7. Bank and Deposit Interest

	Period ended 28.02.09 US$'000
Other operating income arising on financial assets not at fair value through profit or loss:	
Interest on short term fixed deposits	669
Bank interest	200
	869

8. Finance Costs

	Period ended 28.02.09 US$'000
Finance costs arising on financial liabilities not at fair value through profit or loss:	
Zero Dividend Preference shares	7,851

The ZDP shares have no right to any of the income available for distribution but have an entitlement, on a predetermined growth basis, to the available assets at any winding-up date prior to 24 June 2009. The ZDP shares had an entitlement of 200.0129 pence on 1 July 2008 and will have a pre-determined final capital entitlement of 215.8925 pence on 24 June 2009. The ZDPs are entitled to an annual 8% return compounding on a monthly basis.

Notes to the Financial Statements

Continued

9. Expenses

	Period ended 28.02.09 US$'000
Investment adviser's base fee	4,977
Administrative expenses	
Legal and professional fees	451
Other expenses	271
Directors' remuneration	286
Accounting, secretarial and administration fees	324
Auditors' remuneration	187
Custodian fees	5
	1,524
Formation costs	267
Total expenses	6,768

Directors fees

The Chairman is entitled to a fee of US$85,000 per annum. Each of the other Directors are entitled to a fee of US$60,000 per annum. For the period from incorporation 14 April 2008 to 28 February 2009 total Directors' fees included in the Income Statement were US$286,000, of this amount US$53,450 was outstanding at the period end and included within Other Payables.

The Chairman has been paid post period end an additional fee of US$75,000 for extra work on transitional matters and the financing proposals.

Investment advisory and performance fees

The Company entered into an investment advisory and management agreement with Jordan/Zalaznick Advisers, Inc (the "Investment Adviser") during May 2008.

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, payable quarterly in arrears. Since the advisory agreement was entered into, it has been agreed that the Company will make payments in advance to the Investment Adviser on account of the base management fee.

The incentive fee has two parts. The first part is calculated by reference to the net investment income of the Company and is equal to up to 20 per cent. of such income, 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 and the preceding 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 25 per cent. of the hurdle, and (b) 20 per cent. of the net investment income of the Company above 125 per cent. of the hurdle.

The second part of the incentive fee is calculated by reference to the net realised capital gains 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 on Investments for the year less (b) the excess (for prior years since the Effective Date) (if any) of (i) the aggregate of all previous capital gains incentive fees paid by the Company to the Investment Adviser over (ii) 20 per cent. of (x) all realised capital gains of the Company less (y) all realised capital losses of the Company, payable annually in arrears.

For the period from incorporation 14 April 2008 to 28 February 2009 total Investment advisory and management expenses were included in the Income Statement of US$4,977,000. The Company had prepaid the Investment Adviser by US$364,000 and this amount was included within Other Receivables.

Notes to the Financial Statements

Continued

9. Expenses continued

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 in arrears. Fees payable are subject to an annual fee review. For the period from incorporation 14 April 2008 to 28 February 2009 total expenses payable to the Administrator of US$324,000 were included in the Income Statement, of this amount US$65,000 was outstanding at the period end and included within Other Payables. Total formation costs payable to the administrator of US$70,000 were charged against capital.

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 period from incorporation 14 April 2008 to 28 February 2009 total expenses were included in the Income Statement of US$5,000 of which US$1,000 was outstanding at the period end and included within Other Payables.

10. Taxation

With effect from 1 January 2008, the standard rate of income tax for companies in Guernsey moved from 20% to 0% under the Income Tax (Zero Ten) (Guernsey) Law, 2007 passed by the States of Guernsey on 26 September 2007. Close-ended investment vehicles such as the Company can continue to apply for exempt status for Guernsey tax purposes. Alternatively they may choose to automatically become tax resident, paying the nil rate. The Company elected for exempt status on incorporation.

The Company suffered withholding tax of US$758,000 on income from listed investments, for the period from incorporation 14 April 2008 to 28 February 2009.

11. Investments

Categories of investments	Listed 28.02.09 US$'000	Unlisted 28.02.09 US$'000	Carrying value 28.02.09 US$'000
Fair value through profit or loss (FVTPL)	47,264	217,294	264,558
Loans and receivables (L&R)	–	69,342	69,342
	47,264	286,636	333,900

Notes to the Financial Statements

Continued

11. Investments continued

	FTVPL 28.02.09 US$'000	L&R 28.02.09 US$'000	Total 28.02.09 US$'000
Cost at 1 July 2008	332,968	81,050	414,018
Cash outflow from purchase of investments	7,280	2,954	10,234
PIK – Purchase of investments	13,693	3,438	17,131
Cash inflow from repayment of investments	(1,472)	–	(1,472)
Cost at 28 February 2009	352,469	87,442	439,911
Impairments on loans and receivables			
Impairments on Mezzanine loans	–	(18,053)	(18,053)
Unrealised losses on investments classified as FVTPL			
Movement in unquoted debt and preferred shares in Micro Cap investments and unquoted equities and equity related securities	(30,426)	–	(30,426)
Movement in unrealised losses on traded loans for the period	(25,670)	–	(25,670)
Movement in unrealised losses on listed investments for the period	(27,824)	–	(27,824)
	(83,920)	–	(83,920)
Movement on accrued interest on investments for the period	(3,991)	(47)	(4,038)
Carrying value at 28 February 2009	264,558	69,342	333,900

12. Cash and Cash Equivalents

	28.02.09 US$'000
Cash at bank	74,909
Fixed deposits	29,819
	104,728

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.

At 28 February 2009 the Company held cash at bank of US$74,644,000 which had been pledged to satisfy the commitment under the foreign currency derivative contract. There are no other significant terms associated with the use of this collateral. The counterparty is not allowed to repledge the cash in the absence of default by the Company.

Notes to the Financial Statements

Continued

13. Other Receivables

	28.02.09 US$'000
Accrued dividend income on listed investments	1,121
Due from the liquidation of JZEP	431
Prepayment of Investment Adviser's fee	364
Other prepayments	88
Bank and deposit interest	13
	2,017

14. Other Payables

	28.02.09 US$'000
Auditors' remuneration	115
Other expenses	110
Legal fees	94
Fees due to administrator	65
Directors' remuneration	53
	437

15. Zero Dividend Preference ("ZDP") shares

Authorised capital

Unlimited number of ZDP shares of no par value.

Issued capital

	US$'000
Fair value at 1 July 2008	182,214
Finance costs in respect of ZDP shares	7,851
Unrealised currency gain on translation at period end	(52,207)
Attributable net assets at 28 February 2009	137,858
Total number of ZDP shares in issue	45,662,313
Price per ZDP share US$	US$3.0191
Price per ZDP share GBP	GBP2.1043

On 1 July 2008, a total of 45,662,313 ZDP shares were issued on a one-to-one basis to holders of old JZ Equity Partners Plc ZDP shares under the terms of the reconstruction scheme.

The ZDP shares are designed to provide a pre-determined final capital entitlement of 215.8925 pence on 24 June 2009 which ranks behind the Company's creditors but in priority to the capital entitlements of the Ordinary shares. They carry no entitlement to income and the whole of their return will therefore take the form of capital. The capital appreciation of 8% per annum is calculated monthly. In certain circumstances, ZDP shares will carry the right to vote at general meetings of the Company as detailed in the Company's Memorandum of Articles and Association.

Notes to the Financial Statements

Continued

16. Share Capital

Authorised capital

Unlimited number of ordinary shares of no par value.

Issued capital	28.02.09 US$'000
97,527,916 Ordinary shares of no par value	–

The Company's Ordinary shares were listed on the London Stock Exchange as from 1 July 2008. The shares were 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 (UK law). 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 that they held.

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

In addition to receiving the income distributed, the Ordinary shares are entitled to the net assets of the Company on a winding up, after all liabilities have been settled and the entitlement of the ZDP shares have been met. In addition, holders of Ordinary shares will be entitled on a winding up to receive any accumulated but unpaid Revenue reserves of the Company, subject to all creditors having been paid out in full but in priority to the entitlements of the ZDP shares.

Any distribution of Revenue reserves on a winding up is currently expected to be made by way of a final special dividend prior to the Company's eventual liquidation.

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

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 to prevent the emergence of a significant discount on the Company's market price to the Company's Net Asset Value. The Directors continue to review opportunities to buy back Ordinary or Zero Dividend shares but their readiness to do so in respect of the Ordinary shares has been tempered by the forthcoming redemption date of the Zero Dividend Preference shares and uncertainty as to the effect of such an exercise in recent market conditions and their ability to do so has been inhibited by the gestation of the proposals to raise new capital and roll over the ZDP shares.

17. Capital Management

The Company's capital is represented by the Ordinary shares and Zero Dividend Preference ("ZDP") shares.

As a result of the ability to issue, repurchase and resell shares, the capital of the Company can vary depending on the demand for redemptions and subscriptions to the Fund. The Company is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of Ordinary and ZDP 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 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 uses a foreign currency hedge to manage the Capital Risk exposure to the ZDP shares which are repayable in Sterling.

Notes to the Financial Statements

Continued

17. Capital Management continued

The Company has an obligation to pay a pre determined final capital entitlement of 215.8925 pence on 24 June 2009 arising from the redemption of its ZDPs which translates into GBP98,581,509 payable on the same date. There is also an associated forward foreign exchange contract which is due to be settled on 1 June 2009. The total liability at the balance sheet date was US$183,224,000. At the balance sheet date the Company had cash and cash equivalents of US$104,728,000, other operating trade receivables of US$1,134,000 and other trade payables of US$437,000 giving rise to a funding shortfall before realising other assets of at least US$77,799,000. The Company does not have any borrowing facilities to meet this shortfall in funding and as a result the Company will be presenting the Proposals to the shareholders to address this working capital deficit. Refer to note 1.

The Company continues to keep under review opportunities to buy back Ordinary or ZDP shares but the readiness to do so in respect of the Ordinary shares is tempered by the forthcoming redemption date of the ZDP shares and uncertainty as to the effect of such an exercise in recent market conditions and their ability to do so has been inhibited by the gestation of the Proposals.

18. Reserves

Share premium account

	28.02.09 US$'000
Net assets received from the liquidation of JZEP in consideration for Ordinary shares*	353,376
Increase in provisions/receivables relating to JZ Equity Partners Plc	(11)
	353,365

*Assets transferred under the liquidation of JZEP of US$353,376,000 represent US$353,863,000 (unaudited) JZEP NAV at 1 July 2008 less US$487,000 adjustment resulting from a review of the JZCP opening balances at 1 July 2008.

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.

	Realised 28.02.09 US$'000	Unrealised 28.02.09 US$'000	Total 28.02.09 US$'000
Unrealised losses on investments	–	(101,973)	(101,973)
Unrealised loss on derivative financial instrument	–	(56,056)	(56,056)
Unrealised gain on translation of foreign currency	–	52,207	52,207
Realised gains on amounts received held in escrow accounts	4,102	–	4,102
Expenses charged to capital	(2,009)	–	(2,009)
Finance costs in respect of Zero Dividend Preference shares	(7,851)	–	(7,851)
	(5,758)	(105,822)	(111,580)

Revenue reserve	28.02.09 US$'000
Profit for the period attributable to revenue	19,588
Dividend paid	(4,389)
	15,199

Notes to the Financial Statements

Continued

18. Reserves continued

Summary of reserves attributable to Ordinary Shareholders	28.02.09 US$'000
Share premium account	353,365
Capital reserve	(111,580)
Revenue reserve	15,199
	256,984

19. Financial Instruments

Categories of financial instruments	Carrying value 28.02.09 US$'000
Financial assets	
Fair value through profit or loss (FVTPL)	264,558
Loans and receivables	69,342
Trade receivables	2,017
Cash and cash equivalents	104,728
Total assets	440,645
Financial liabilities	
Valued at amortised cost	
– Zero Dividend Preference ("ZDP") shares	137,858
Held for trading	
– Derivative Instruments	45,366
Trade payables	437
Total liabilities	183,661

Derivative instruments above represent forward foreign exchange contracts to hedge exposure to movement in foreign exchange rates in respect of liabilities on ZDP shares.

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 balance sheet.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the Financial Statements.

20. 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.

20. Financial Risk and Management Objectives and Policies continued

Risk management structure

The Company's Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach within the Company.

Risk mitigation

The Company's prospectus set out it's overall business strategies, its tolerance for risk and its general risk management philosophy.

The Company may use derivatives and other instruments for trading purposes and in connection with its risk management activities.

Market risk

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

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.

Although the Company has no direct investments in mortgages or sub-prime debt, the current economic conditions has led to a general economic downturn in the United States where the Company is active and in which its portfolio investments are located. A general economic downturn in these markets could have an adverse effect on the Company's portfolio, which would impact interest income, gains on investments and the level of impairment provisions.

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 Board 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$47,264,000 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 result from the successful flotation of unlisted investments.

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

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

Markets	Change in indice	Carrying value of listed equities 28.02.09 US$'000	Effect on net assets attributable to shareholders 28.02.09 US$'000
NYSE	10%	11,046	1,105
NASDAQ	10%	36,218	3,622
		47,264	4,727

Notes to the Financial Statements

Continued

20. Financial Risk and Management Objectives and Policies continued

Equity price risk (listed investments) continued

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

Industry	Percentage of equity securities
Property and Casualty Insurance	76.6%
Education and Training Services	1.6%
Rental and Leasing Services	21.8%
	100.0%

The Company has certain financial instruments (common stock private investments) that are recorded at fair value using valuation techniques such as an EBITDA 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 counter party credit risk and limitations in the model.

For the financial instruments whose fair value is estimated using valuation techniques with no market observable inputs, the net unrealised amount recorded in the income statement in the year due to changes in the inputs amounts to losses of US$10,346,000.

The table below analyses the Company's concentration of common stock private investments by industrial distribution and the Management's best estimate of the effect on the net assets attributable to shareholders and on the increase/(decrease) in net assets attributable to shareholders 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	Percentage of total common stock of private investments	Carrying value US$'000	Change in EBITDA	Effect on net assets attributable to shareholders US$'000
Dental Services and Products	24%	7,700	10% /-10%	3,652 / (1,818)
Apparel	39%	12,085	10% /-10%	1,845 / (1,845)
Specialized Equipment Manufacturers	26%	8,100	10% /-10%	1,674 / (1,674)
Pet Supplies	5%	1,636	10% /-10%	n/a
Industrial Investment Firms	3%	975	10% /-10%	n/a
Chemical	2%	587	10% /-10%	n/a
Strategic Workforce Solutions	1%	300	10% /-10%	n/a
Other	0%	54	10% /-10%	0 / (39)
	100%	31,437		7,171 / (5,376)

Notes to the Financial Statements

Continued

20. 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 Directors believe that the effectiveness of such instruments does not justify the costs involved.

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

	Fixed rate 28.02.09 US$'000	Floating rate 28.02.09 US$'000	Non interest bearing 28.02.09 US$'000	Total 28.02.09 US$'000
Investments at fair value through profit or loss	157,642	28,215	78,701	264,558
Loans and receivables	69,342	–	–	69,342
Other receivables and prepayments	–	–	2,017	2,017
Cash and cash equivalents	29,819	74,909	–	104,728
Zero Dividend Preference shares	(137,858)	–	–	(137,858)
Forward currency derivative contract	(45,366)	–	–	(45,366)
Other payables	–	–	(437)	(437)
Total net assets	73,579	103,124	80,281	256,984

The majority of the Company's income bearing financial assets are fixed-interest bearing. As a result, 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 rates securities is unaffected by changes in interest rates, the investments are subject to risk in the movement of fair value. The Company may not be able to secure equivalent rates when securities mature.

Of the money held on deposit, US$74,909,000 earns interest at variable rates and the income may rise and fall depending on changes to interest rates. US$29,819,000 is held on fixed deposit and whilst the return is guaranteed future fixed term interest rates may fluctuate. Fixed deposits have a maturity date of less than three months.

The market value of bank debt is influenced by factors such as the performance of the issuer and bank liquidity. Therefore the sensitivity of the bank debt's market value is not influenced by a change in prevailing interest rates.

Notes to the Financial Statements

Continued

20. 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 period to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit/(loss) for the period on interest received on cash and cash equivalents is the effect of the assumed changes in the daily interest rates on accounts where cash is held throughout the eight month period to 28 February 2009.

The sensitivity of the profit/(loss) for the period 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 28.02.09 US$'000	Sensitivity of interest income increase/(decrease) receivable on bank debt 28.02.09 US$'000
+25 / -25	229 / (201)	111 / (111)
+100 / -100	1,565 / (295)	444 / (444)

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

	0-3 months US$'000	4-12 months US$'000	1-2 years US$'000	2-5 years US$'000	More than 5 years US$'000	No maturity date US$'000	Non-interest bearing US$'000	Total US$'000
Cash and cash equivalents	104,728	–	–	–	–	–	–	104,728
Financial asset at fair value through profit or loss	–	–	10,571	54,219	31,555	89,512	78,701	264,558
Loans and receivables	–	–	4,083	41,193	24,066	–	–	69,342
Zero Dividend Preference shares	–	(137,858)	–	–	–	–	–	(137,858)
Forward currency deals awaiting settlement	–	–	–	–	–	–	(45,366)	(45,366)
Other receivables /payables	–	–	–	–	–	–	1,580	1,580
	104,728	(137,858)	14,654	95,412	55,621	89,512	34,915	256,984

The Directors monitor 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

20. 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 AFVPL, debt investments, loans and receivables, cash & cash equivalents and derivatives.

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.

The current credit crisis and financial down turn may, in due course, result in higher default rates in the Company's portfolio. The Directors monitor the Company's credit position on a regular basis.

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 Manager monitors the Company's credit position and the Board of Directors reviews it on a quarterly basis.

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

	Total 28.02.09 US$'000
Bank debt: First lien	14,245
Bank debt: Second lien	13,970
Legacy portfolio debt	29,180
Mezzanine debt	70,978
Micro Cap debt	158,263
Cash and cash equivalents	104,728
Accrued dividend income	1,121
	392,485

A proportion of Micro Cap and Mezzanine debt held does not entitle the Company to interest payment in cash. This interest is capitalised (PIK) and as a result have 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$7,275,000 interest receivable on investments classified as loans and receivables US$3,657,000 was receivable in the form of PIK Investments. There is no collateral held in respect of Mezzanine debt forming the loans and receivables.

The Company restricts the exposure to credit losses on the derivative instrument it holds by entering into a master netting arrangement with the counterparty. Such an arrangement provides for a single net settlement of the financial instrument covered by the agreement in the event of default.

An impairment review is performed on a bi-annual and/or quarterly basis and this impairment review is further considered by the Board of Directors on an investment by investment basis.

Notes to the Financial Statements

Continued

20. Financial Risk and Management Objectives and Policies continued

Credit risk continued

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

	US$'000
Balance at 01.07.08	15,485
Impaired loss recognised	18,053
Balance at 28.02.09	33,538

A provision of US$1,596,000 was offset against total interest of US$8,871,000 for the period on investments classified as loans and receivable.

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

		Carrying value	
	Impaired 28.02.09 US$'000	Past due 28.02.09 US$'000	Total 28.02.09 US$'000
Legacy portfolio debt	10,871	1,674	12,545
Mezzanine debt	15,978	–	15,978
Micro cap debt	16,767	–	16,767
Total	43,616	1,674	45,290

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

It is the Company's policy that the Investment Manager closely monitors the counterparty's creditworthiness of mezzanine debt and other loans and receivables and upon unfavourable change, may seek to terminate the agreement or to obtain collateral. The creditworthiness is monitored by the reviewing of quarterly covenant agreements and by the Investment Manager 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 Moody's detailed below.

Credit rating – Bank debt First and Second Lien	Percentage of debt instruments
B+	6%
BB-	25%
B-	3%
CCC+	29%
No rating	37%
	100%

Notes to the Financial Statements

Continued

20. Financial Risk and Management Objectives and Policies continued

Credit risk continued

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

	Credit ratings Moody's Outlook	Fitch LT Issuer Default Rating	28.02.09 US$'000
HSBC Bank USA NA	Negative	AA	29,818
JP Morgan Chase & Co	Negative	AA-	74,644
Butterfield Bank (Guernsey) Limited	Stable	A-	266
			104,728

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

Liquidity risk

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

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

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

There are partial restrictions on the saleability of the listed investments amounting to US$4,331,000 (being 42% of TAL International Group, Inc,) whilst the majority of the investment in Universal Technical Institute, Inc. has been sold, Jordan/Zalaznick Advisers, Inc. ("JZAI") is looking for the opportunity to realise, Safety Insurance and TAL International Group, Inc. subject to market conditions.

The table below analyses the Company's financial liabilities into relevant maturity groups based on the remaining period at the balance sheet 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.

	Less than 1 month US$'000	2-4 months US$'000	5-12 months US$'000	No stated maturity US$'000
Forward currency derivative contract	–	188,820	–	–
Other payables	119	318	–	–
Zero Dividend Preference shares	–	137,858	–	–
	119	326,996	–	–

The Company has a capital requirement to pay ZDP shareholders a pre determined final capital entitlement of 215.8925 pence on 24 June 2009. As at 28 February 2009 the liability to the ZDP shareholders and the associated forward currency derivative contract amounted to US$183,224,000. The Company holds a significant amount of cash and cash equivalents of US$104,728,000 leaving a potential shortfall of US$78,496,000.

Notes to the Financial Statements

Continued

20. Financial Risk and Management Objectives and Policies continued

Liquidity risk continued

The Directors are managing this risk by proposing to raise new capital and giving existing ZDP shareholders the option to roll over their investments. The Directors are confident of a positive reception by its shareholders to these proposals which will negate the need to liquidate any of the Company's investments. The Company will not propose a dividend, in order to reserve cash, until the obligation to the ZDP shareholders has been met.

Currency risk

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

A substantial portion of the net assets of the Company are denominated in US dollars, its functional currency. ZDP shares are denominated in Sterling. However this exposure to foreign currency is hedged by a forward currency contract therefore exposure to currency risk is considered to be minimal by Directors.

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

	US dollar 28.02.09 US$'000	GB sterling 28.02.09 US$'000	Total 28.02.09 US$'000
Assets			
Financial assets at fair value through profit or loss	264,558	–	264,558
Loans and receivables	69,342	–	69,342
Other receivables	1,498	519	2,017
Cash and cash equivalents	104,728	–	104,728
Total assets	440,126	519	440,645
Liabilities			
Zero Dividend Preference shares	–	137,858	137,858
Forward currency derivative contract	188,820	(143,454)	45,366
Other payables	249	188	437
Total liabilities	189,069	(5,408)	183,661
Net currency exposure	251,057	5,927	256,984

21. Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates.
- The fair value of the Zero Dividend Preference shares is deemed to be their quoted market price. As at 28 February 2009 the bid price was GBP2.035 per share the total fair value of the ZDP shares was US$133,321,000 which is US$4,537,000 lower than the liability recorded in the balance sheet.
- The fair value of non-derivative financial assets and financial liabilities are determined as set out in note 2.

The carrying amounts of loans and receivables are recorded at amortised cost using the effective interest method in the financial statements. The fair value of loans and receivables at 28 Februaury 2009 was US$69,342,000.

Notes to the Financial Statements

Continued

22. Basic and Diluted Earnings Per Share

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

	28.02.09 Number of Ordinary shares
Weighted average number of Ordinary shares outstanding	97,527,916

The weighted average number of Ordinary shares is based on the average number of Ordinary shares in issue during that period. On 1 July 2008 97,527,916 Ordinary shares were issued. No redemptions or further issues were made during this period.

23. Net Asset Value Per Share

The net asset value per Ordinary share of US$2.63 is based on the net assets at the period end of US$256,984,000 and on 97,527,916 Ordinary shares, being the number of Ordinary shares in issue at the period end.

24. Notes to the Cash Flow Statement

Reconciliation of the loss for the period to net cash from operating activities

	28.02.09 US$'000
Loss for the period	(91,992)
Cash inflow from investments held in escrow accounts	(4,102)
Increase in other payables	437
Increase in receivables relating to operating activities	(1,538)
Net unrealised losses	101,973
Net foreign currency exchange losses	3,849
Decrease in accrued interest on investments	4,038
Interest on investments received as PIK	(17,131)
Finance costs in respect of Zero Dividend Preference shares	7,851
Net cash from operating activities	3,385

Investment income received during the period

	Period ended 28.02.09 US$'000
Interest on investments	8,575
Interest on short term fixed deposits	669
Dividends from listed investments	648
Bank interest	188
Other income	41
	10,121

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

Notes to the Financial Statements

Continued

25. Commitments and Contingent Liabilities

The following forward foreign exchange contracts have been entered into through the Custodian.

As at 28 February 2009:

Maturity date	Contract amount	Buy	Sell	Unrealised loss US$'000
1 June 2009	GBP 100,000,000	GBP	USD	45,366
				45,366

Forward rate on contract £1: US$1.8882, and forward rate for 28 February 2009 £1: US$1.4345.

The unrealised loss on the forward foreign exchange contracts for the period is US$56,056,000.

The Company has no other financial commitments or contingent liabilities as at 28 February 2009.

26. Related Party Transactions

The remuneration of the Directors is disclosed in note 9.

In March 2004, JZEP invested US$17,500 shares of JII Holdings LLC, a subsidiary of Jordan Industries, Inc (Transferred to JZCP on 1 July 2008). The Company did not receive any income from this investment during the eight months ended 28 February 2009.

In November 2001, JZEP invested US$15,279 in the Common Stock of JZ International LLC ("JZI") a company managed by affiliates Jordan/Zalaznick Advisers, Inc. In 2007, a further investment was made in JZI of US$ 424,417 in Convertible Senior Preferred Units. The investment was subsequently transferred to JZCP as part of the in specie transfer dated 1 July 2008. The Company did not receive any income from JZI during the period ended 28 February 2009, and at the end of the period the investment was valued at US$1,400,000.

In July 1998, JZEP invested US$114,000 in the Common Stock of Gramtel, LLC., Jordan Industries, Inc., Jordan Speciality Plastics, Inc., Jordan Aftermarkets, Inc. and Motors & Gears Holdings, Inc., which are affiliates of Jordan/Zalanick Advisers, Inc. The investments were subsequently transferred to JZCP as part of the in specie transfer dated 1 July 2008. The Company has not received any income from these investments during the period and the investments in the portfolio were valued at US$ nil.

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. The Company did not receive any income from this investment during the eight months ended 28 February 2009, and at the end of the period the investment was valued at US$379,000.

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 Advisor are detailed in note 9.

During the eight months ended 28 February 2009, the Company retained Ashurst LLP, a UK based law firm. David Macfarlane was a former Senior Corporate Partner at Ashurst until 2002.

The Company has jointly invested in deals with The Resolute Fund, which is managed by the Jordan Company, which is owned jointly by David Zalaznick and Jay Jordan. These investments include: Harrington Holdings, Inc; Kinetek, Inc.; TAL International Group, Inc.; Woundcare Services, Inc. and Sechrist Industries, Inc. and represent an aggregate carrying value of US$57,599,000 at 28 February 2009.

Patrick Firth is both a Director of the Company and of the Administrator Butterfield Fulcrum Group (Guernsey) Limited. Fees paid by the Company to the Administrator are detailed in note 9.

27. 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 (revised 2003) – Related Party Disclosures.

Notes to the Financial Statements

Continued

28. Contingent Assets

Investments had been disposed of by JZEP, of which the consideration given included contractual terms requiring that a percentage of the consideration was held in an escrow account pending resolution of any indemnifiable claims that may arise. At 28 February 2009 the Company has assessed that the fair value of these investments is nil as it is not reasonably probable that these investments will be realised by the Company.

As at 28 February 2009, the Company had the following contingent assets held in Escrow accounts which had not been recognised as assets of the Company.

Company	Amount in Escrow US$'000
Lincoln Holdings, Inc.	995
N&B Industries, Inc.	776
Recycled Holdings Corporation	1,300
	3,071

29. Dividends Paid and Proposed

In accordance with the Prospectus, it is the Directors' intention to distribute substantially all of the Company's net income (after expenses) in the form of dividends paid in US dollars (Shareholders have a right to elect to receive dividends in Sterling instead). However, the Directors will not make a decision whether to recommend any final dividend in respect of the period to 28 February 2009 until the Proposals become unconditional and are completed.

A dividend of 4.5c per Ordinary share (total US$4,388,756) was proposed by the Board on 28 November 2008 and paid on 22 December 2008.

30. Subsequent Events

Since the balance sheet date, the Company had canvassed major shareholders with the intended Proposal of raising new capital and the roll over of the ZDP shares. The Company had managed to secure irrevocable commitments from investors to subscribe for US$86.0 million.

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 "JZCZ" 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	To be held within 15 months of incorporation
Interim results for the six months to 31 August 2009	October 2009
Results for the year ending 28 February 2010	June 2010

In accordance with the Transparency Directive JZCP will be issuing an Interim Management Statement for the quarters ended 31 May 2009 and 30 November 2009. 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. This may be arranged by contacting the Company's Transfer and Paying Agent, Equiniti Limited on +44 (0) 121 415 7047. Payments will be paid in US dollars unless the shareholder elects to receive the dividend in Sterling.

Share Dealing

Investors wishing to buy or sell shares in the Company may do so through a stockbrocker. 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 is GC00B2RK0R31/B2RK0R3 and the numbers of the Zero Dividend Preference shares is GC00B2RK0S48/B2RK0S4.

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 +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.

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