JZ CAPITAL PARTNERS LTD

JZ CAPITAL PARTNERS LIMITED (the "Company" or "JZCP")
(a closed-end investment company incorporated with limited liability under the laws of Guernsey with registered number 48761)

ANNUAL RESULTS FOR THE TWELVE-MONTH PERIOD ENDED 28 FEBRUARY 2018

LEI: 549300TZCK08Q16HHU44
(Classified Regulated Information, under DTR 6 Annex 1 section 1.1)

22 May 2018

JZ Capital Partners, the London listed fund that invests in US and European micro-cap companies and US real estate, announces its annual results for the twelve-month period ended 28 February 2018.

Results and Portfolio Highlights

- NAV of $837.6 million (FYE 28/02/17: $848.8 million)
- NAV per share of $9.98 (FYE 28/02/17: $10.12)
- Total investments of $96.5 million, including: Felix Storch, ABTB (Taco Bell franchises) and properties in Brooklyn, New York and South Florida.
- Realisation proceeds of $133.7 million, primarily through the sale of Factor Energia, Fidor Bank, K2 Towers and Neilsen-Kellerman.
- As of 28 February 2018, the portfolio comprised:
    - **US micro-cap**: 21 businesses including four 'verticals' and 12 co-investments, across nine industries.
    - **European micro-cap**: 17 companies across six industries and seven countries.
    - **US real estate**: 59 properties across five major assemblages in New York and South Florida all in various stages of (re)/development.
- JZCP made two significant post-period realisations (March 2018), both above net asset value: Paragon Water Systems and Bolder Healthcare Solutions.
- Current and post-period realisations provide approximately $250 million[1] (including escrows and distributions) in gross proceeds to JZCP.

Outlook

- Balance sheet remains strong with a healthy pipeline of realisation and investment opportunities over the next 12 months.
- Renewed focus on rebalancing the Company's debt maturity profile over the course of the next fiscal year.
- Discussions underway with potential institutional joint venture partners to deleverage the real estate portfolio.

David Zalaznick, JZCP's Founder and Investment Adviser, said: "We have made significant progress in realising portfolio assets, at or above NAV.

The positive uplifts to NAV from realisations over the past year were offset by pre-development and carrying costs in our real estate portfolio. However we are exploring partnerships with several institutional investors to reduce the impact of these costs going forward.

Our goal in the coming year is to continue to realise investments and use the proceeds to buy back stock, make new investments and pay down debt."

David Macfarlane, Chairman of JZCP, said: "The Board is delighted with the level of investment and realisation activity during the period. The Company continues to make excellent progress in building a diversified portfolio of assets, both by geography and asset type. We look ahead to the rest of the year with continued confidence."

[1] Factor Energia total gross proceeds of approximately €69.7 million ($85.0 million) (including interim distributions and future expected proceeds all multiplied by a theoretical, illustrative exchange rate of $1.22 to €1.00, which is current as of April 25, 2018 per Oanda.com). K2 Towers total expected gross proceeds of approximately $31.3 million. Nielsen-Kellerman total gross proceeds of approximately $8.6 million. Paragon (post-period) expected total gross proceeds of $16.2 million. Bolder Healthcare Solutions (post-period) expected total gross proceeds of approximately $110.0 million.

Presentation details:

There will be an audiocast presentation for investors and analysts at 2pm UK (BST) / 9am US (EDT) on 22 May 2018. The presentation can be accessed via https://bit.ly/2rNx2bm and by dialing **+44 (0)330 336 9411 (UK)** or **+1 323-794-2094 (US)** with the participant access code **9762398**.

A playback facility will be available two hours after the conference call concludes. This facility may be accessed via the following dial in details, using the same participant access code as above: **+44 (0) 207 660 0134 (UK)** or **+1 719-457-0820 (US).**

For further information:

Ed Berry / Kit Dunford FTI Consulting	+44 (0) 20 3727 1046 / 1143
David Zalaznick Jordan/Zalaznick Advisers, Inc.	+1 212 485 9410
Paul Ford JZ Capital Partners	+44 (0) 1481 745383

About JZ Capital Partners

JZ Capital Partners ("JZCP") is one of the oldest closed-end investment companies listed on the London Stock Exchange. It seeks to provide shareholders with a return by investing selectively in US and European microcap companies and US real estate. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. ("JZAI") which is led by David Zalaznick and Jay Jordan. They have worked together for more than 35 years and are supported by teams of investment professionals in New York, Chicago, London and Madrid. JZAI's experts work with the existing management of micro-cap companies to help build better businesses, create value and deliver strong returns for investors. For more information please visit www.jzcp.com.

Chairman's Statement

I am pleased to report the results of JZ Capital Partners ("JZCP" or the "Company") for the twelve-month period ended 28 February 2018.

Performance

The Company's performance over the last twelve months was set against a backdrop of renewed business confidence and improving global growth outlook, whilst the year was also marked by a series of natural disasters, continued geopolitical tensions, and deep political divisions in many countries.

Global GDP growth experienced its broadest cyclical upswing since the start of the decade, boosted by a recovery in investment, global trade growth and higher employment levels.

Meanwhile, the US economy continued to gain momentum in 2017, delivering annual net growth of 2.7%, driven primarily by an uptick in consumer confidence, strong corporate profits and a booming stock market – currently the second-longest bull market in history.

In Europe, the economy ended 2017 with its strongest growth in almost seven years, boosted by an increase in service sector and manufacturing activity, and also reflects years of monetary stimulus employed by the ECB aimed at staving off deflation.

Within this market environment, the Board is pleased to announce that JZCP has made excellent progress in realising a series of investments (some post-period) at or above NAV. On a combined basis, these realisations have returned gross proceeds to JZCP of approximately $250.0 million and have contributed a combined net 55 cents in uplift to NAV during the fiscal year ended 28 February 2018.

Despite the uplifts from realisations over the past year, JZCP's net asset value ("NAV") per share declined 1.4% from $10.12 to $9.98; the positive underlying performance of the US and European micro-cap portfolio was offset principally by the pre-development and carrying costs in our real estate portfolio.

Portfolio Update

It has been an active investment period for the Company, putting $96.5 million to work across our three major asset classes – whilst realising $133.7 million, primarily through the sale of Factor Energia ("Factor"), K2 Towers and Fidor Bank.

At the end of the period, the Company's portfolio consisted of 38 US and European micro-cap businesses across nine industries and five primary real estate 'assemblages' (59 total properties) located in Brooklyn, New York and South Florida. The portfolio continues to become more diversified geographically across Western Europe with investments in Spain, Italy, Portugal, Luxembourg, Scandinavia and the UK.

US and European Micro-cap

The Board is pleased with the positive performance of the US micro-cap portfolio, which has delivered a net valuation increase of 91 cents per share during the period. This was primarily due to net accrued income (23 cents), increased earnings at Felix Storch (17 cents) and our water vertical (4 cents), and the successful realisations of the Healthcare Revenue Cycle Management vertical (44 cents), K2 Towers (11 cents) and Nielsen Kellerman (2 cents).

The portfolio was valued at 8.3x EBITDA, after applying an average 25% marketability discount to public comparables.

JZCP continues to implement its disciplined and value-oriented investment approach targeting high quality micro- cap companies in Western Europe, which now consists of 17 companies across six industries and seven countries. JZCP now, principally invests in the European micro-cap sector through its 18.8% ownership of JZI Fund III, L.P. ("Fund III"). The portfolio continues to perform well and has seen a valuation increase of 2 cents per share.

Europe continues to be a fertile ground for originating attractive investment opportunities and during the period, the Company invested in four new businesses through Fund III: Treee, Italy's first nationwide recycler of electric and electronic goods; Eliantus, a build-up of solar plants in Spain; Bluemint, a build-up of cell tower land leases in Portugal; and Luxida, a buy-and-build of electricity distribution businesses in Spain.

Real Estate

The Company continues to make significant progress in building a diversified portfolio of retail, office and residential properties in Brooklyn, New York and South Florida.

As of 28 February 2018, JZCP, in partnership with its long-term real estate partner, RedSky Capital, had invested approximately $388.5 million in 59 properties, all currently in various stages of development and re-development.

Whilst the real estate portfolio is performing in line with expectations, it produced a net decrease of 60 cents per share, primarily due to operating expenses and debt service at the property level. The Company's ongoing discussions with a number of institutional joint venture partners will look to address the impact of these costs on JZCP's NAV. The Company will update the market accordingly when those discussions conclude.

Realisations

The Company generated realisations totalling $133.7 million, primarily through the sale of two US micro-cap companies and two European micro-cap companies.

The Company realised its investment in Factor, a Spanish electricity supplier to SMEs, for a gross multiple of capital invested of 9.2x and a gross IRR of 42.3%. In addition, the Company received proceeds of $28.7 million from the sale of K2 Towers, a national acquirer of wireless communication towers based in the US.

Post-period

As previously announced, the Board and the Investment Manager consider that the ability to buy back Ordinary Shares and ZDPs is beneficial to shareholders. As part of this, the Company commenced its share buyback programme in April 2018.

Furthermore, the Board is delighted with two significant post-period realisations significantly above net asset value, in March 2018. JZCP expects to receive gross proceeds of $110.0 million from the sale of Bolder Healthcare Solutions, representing a 4.5% uplift to NAV. The Company also expects to receive gross proceeds of $16.2 million from the sale of Paragon Water Systems, representing a gross multiple of invested capital of approximately 1.8x and a gross internal rate of return of approximately 18.4%.

Board

Patrick Firth has served as Chairman of JZCP's Audit Committee since the incorporation of the Company in 2008. Patrick therefore intends to retire as Chairman of the Audit Committee and as a Director. The Board is grateful to him for the substantial contribution that he has made to the Company and wishes him well. The process for appointing Patrick's successor is underway and he has kindly agreed to continue on the board for a sufficient period to ensure a smooth transition to his successor. The Board is also reviewing the wider issues of board refreshment and succession.

Outlook

We are pleased with the strong performance of the underlying portfolio and the level of realisation activity during the period.

The Company remains focused on unlocking liquidity from its mature investments, refinancings and partnerships, and redeploying capital into investment opportunities in Western Europe and the US and the Company's share buyback programme. We also intend to refocus our efforts on rebalancing the Company's debt maturity profile and paying down existing debt over the course of the next fiscal year.

The Board remains confident that the Company is well-positioned to tackle the ongoing discount to NAV through positive investment performance, further successful realisations and the ability of the Company to buy back shares.

David Macfarlane
Chairman

21 May 2018

Investment Adviser's Report

Dear Fellow Shareholders,

Our primary goal during the past fiscal year has been to achieve liquidity through realisations and refinancings. Once achieved, we plan to use the proceeds to make new investments, buy back stock or repay company debt. Importantly, with each successive realisation at or above net asset value ("NAV"), we hope to prove to the market that JZCP's NAV is solid.

Over the past six months, we have realised five investments at or above NAV: Factor Energia, K2 Towers, Nielsen-Kellerman, Paragon (post-period) and Bolder Healthcare (post-period). On a combined basis, these realisations have returned gross proceeds to JZCP of approximately $250.0 million[1] (including escrows and interim distributions) and have contributed a combined net 55 cents in uplift to NAV during the fiscal year ended 28 February 2018.

Post year end, we have begun to buy back our stock at a significant discount to NAV and plan to continue doing so as it represents an excellent investment opportunity for the Company. We also intend to pay down a portion of JZCP's existing debt over the coming fiscal year.

Even though we had significant uplifts from realisations over the past year, JZCP's NAV per share fell 1.4%, from $10.12 at 28 February 2017 to $9.98 at 28 February 2018, primarily due to pre-development and carrying costs at our real estate portfolio. We are in the process of discussing joint venture partnerships with a number of institutional investors which will reduce this drag on NAV as well as provide liquidity from our real estate portfolio. We hope to have further news regarding this in the coming months. Unless otherwise stated, figures included in this report refer to the twelve-month period ended 28 February 2018.

We have had a very busy year in each of our major asset classes - US and European micro-cap and US real estate - which continue to perform well. During the period, JZCP invested a total of $96.5 million, including new investments in Felix Storch and ABTB (Taco Bell franchises) and follow-on investments in Avante Health Solutions, Peaceable Street Capital and properties in Brooklyn, New York and South Florida. We are very excited about these investments, a number of which are featured in the Investment Review section of this annual report.

As of 28 February 2018, our US micro-cap portfolio consisted of 21 businesses, which includes four 'verticals' and 12 co-investments, across nine industries; this portfolio was valued at 8.3x EBITDA, after applying an average 25% marketability discount to public comparables. The average underlying leverage senior to JZCP's position in our US micro-cap portfolio is 3.5x EBITDA. Consistent with our value-oriented investment strategy, we have acquired our current US micro-cap portfolio at an average 6.1x EBITDA; we paid 4.1x EBITDA on average for US micro-cap acquisitions made during the period.

Our European micro-cap portfolio consisted of 17 companies across six industries and seven countries. The European micro-cap portfolio has low leverage senior to JZCP's position, of under 2.0x EBITDA.

Our US real estate portfolio consists of 59 properties and can be grouped primarily into five major 'assemblages', located in the Williamsburg, Greenpoint and Downtown/Fulton Mall neighbourhoods of Brooklyn, New York, and the Wynwood and Design District neighbourhoods of Miami, Florida. Our assemblages are comprised of adjacent or concentrated groupings of properties that can be developed, financed and/or sold together at a higher valuation than on a stand-alone basis.

[1] Factor Energia total gross proceeds of approximately €69.7 million ($85.0 million) (including interim distributions and future expected proceeds all multiplied by a theoretical, illustrative exchange rate of $1.22 to €1.00, which is current as of 25 April 2018 per Oanda.com). K2 Towers total expected gross proceeds of approximately $31.3 million. Nielsen-Kellerman total gross proceeds of approximately $8.6 million. Paragon (post-period) expected total gross proceeds of $16.2 million. Bolder Healthcare Solutions (post-period) expected total gross proceeds of approximately $110.0 million.

Net Asset Value ("NAV")

JZCP's NAV per share fell 1.4% during the period, from $10.12 at 28 February 2017 to $9.98 at 28 February 2018.

NAV bridge

	$10.12
Change in NAV due to capital gains and accrued income	
+ US Micro-cap	0.91
+ European Micro-cap	0.02
- Real Estate	(0.60)
- Other Investments	(0.08)
Other increases/(decreases) in NAV	
+ Change in CULS market price	0.03

+ Foreign exchange effect[2]	0.08
- Finance costs	(0.21)
- Expenses and taxation[3]	(0.29)
	$9.98

[2] Includes FX gains of 22 cents relating to currency translation of investments and FX losses of 7 cents relating to the translation of CULS.

[3] Includes an incentive fee provided for on capital gains of 4 cents.

The US micro-cap portfolio performed well during the period, delivering a net increase of 91 cents. This was primarily due to net accrued income of 23 cents, increased earnings at co-investment Felix Storch (17 cents) and writing our Healthcare Revenue Cycle Management vertical, K2 Towers and Nielsen Kellerman investments up to their sale values (44 cents, 11 cents and 2 cents, respectively). Also contributing to the positive portfolio performance were increases at our logistics vertical (1 cent), water vertical (4 cents) and co-investment business Avante (2 cents). We also received 2 cents of escrow payments during the period.

Offsetting these increases were declines at our Industrial Services Solutions ("ISS") vertical (13 cents) and Nationwide, our school photography business (2 cents).

The European micro-cap portfolio continued its positive trajectory, posting a net increase of 2 cents, primarily due to accrued income of 8 cents, write-ups at JZI Fund III, LP ("Fund III") portfolio companies Collingwood and S.A.C (4 cents combined) and a net positive carried interest adjustment of 2 cents. These gains were offset by write-downs at Factor Energia (6 cents) and Oro Direct (6 cents).

The real estate portfolio experienced a net decrease of 60 cents, primarily due to operating expenses, including significant pre-development costs, and debt service at the property level.

Returns

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

	28.2.2018	**30.11.2017**	**28.2.2017**	**28.2.2015**	**28.2.2013**
Share price (in GBP)	£4.51	£5.09	£5.38	£4.09	£5.02
NAV per share (in USD)	$9.98	$9.91	$10.12	$10.85	$9.69
NAV to market price discount	38%	31%	34%	42%	21%
		3 month return	**1 year return**	**3 year return**	**5 year return**
Dividends paid (in USD)		$0.00	$0.00	$0.64	$1.245
Total Shareholders' return[4]		-11.3%	-16.2%	20.7%	8.2%
Total NAV return per share[4]		0.7%	-1.4%	-2.0%	16.7%

[4] *Total returns are cumulative and assume that dividends were reinvested.*

Portfolio Summary

Our portfolio is well-diversified by asset type and geography, with 38 US and European micro-cap investments across nine industries and five primary real estate 'assemblages' (59 total properties) located in Brooklyn, New York and South Florida. The portfolio continues to become more diversified geographically across Western Europe with investments in Spain, Italy, Portugal, Luxembourg, Scandinavia and the UK.

Below is a summary of JZCP's assets and liabilities at 28 February 2018 as compared to 28 February 2017. An explanation of the changes in the portfolio follows:

	28.2.2018 US$'000	**28.2.2017 US$'000**
US micro-cap portfolio	488,258	423,137
European micro-cap portfolio	103,457	154,277
Real estate portfolio	463,391	468,599
Other investments	15,302	23,167
Total Private Investments	1,070,408	1,069,180
Treasury bills	49,975	-

Cash and cash equivalents[6]	33,987	29,063
Total Listed Investments and Cash	83,962	29,063
Other assets	2,158	520
Total Assets	1,156,528	1,098,763
Zero Dividend Preferred shares	62,843	53,935
Convertible Unsecured Loan Stock	59,970	57,063
Loans payable	150,125	97,396
Investment Adviser's incentive fee	41,606	37,293
Investment Adviser's base fee	2,225	2,026
Other payables	2,186	2,206
Total Liabilities	318,955	249,919
Total Net Assets	837,573	848,844

As previously announced, in April 2017 JZCP increased its loan facility with Guggenheim Partners from approximately $100 million to $150 million. The entire $150 million facility may be repaid, in whole or in part, at any time, without any prepayment penalties.

[6] Cash and cash equivalents includes cash held of $9.0 million and $25.0 million being receivables from the sale of Treasury Bills (received 1 March 2018).

US Micro-Cap Portfolio

As you know from previous reports, our US portfolio is grouped into industry 'verticals' and co-investments. Our 'verticals' strategy focuses on consolidating businesses under industry executives who can add value via organic growth and cross company synergies. Our co-investments strategy allows for greater diversification of our portfolio by investing in larger companies alongside well known private equity groups.

New US investments - verticals

Vertical	# Acquisitions	JZCP Investment ($ millions)
Technical Solutions	2	1.2
	2	1.2

New US investments - co-investments

Vertical	New/Follow-on	JZCP Investment ($ millions)
ABTB (Taco Bell franchises)	New	8.8
K2 Towers II	New	4.2
Peaceable Street Capital	Follow-on	3.0
Sloan LED	Follow-on	1.1
New Vitality	Follow-on	0.1
		17.2

Portfolio Company	New/Follow-on	JZCP Investment ($ millions)

Felix Storch	New	12.0
Avante Health Solutions (f/k/a Jordan Health Products)	Follow-on	4.5
		16.5

European micro-cap portfolio

The European micro-cap portfolio continued its positive trajectory over the past year (net increase of 2 cents), highlighted by the sale of Factor Energia ("Factor") for an approximate gross multiple of invested capital of 9.2x and an approximate gross IRR of 42.3% in euro-denominated terms. JZCP expects to receive total gross proceeds (before carry) from Factor of approximately €69.7 million (including deferred payments and interim distributions received over the course of the investment). Although inconsistent with the exceptional returns described above, we wrote down Factor by 6 cents over the year to approximate its sale value as the transaction became formalised.

JZCP currently invests in the European micro-cap sector through its approximately 18.8% ownership of JZI Fund III, L.P. ("Fund III"). As of 28 February 2018, Fund III held 12 investments: five in Spain, two in Scandinavia, two in Italy and one each in the UK, Portugal and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance.

JZAI has offices in London and Madrid and an outstanding team with over fifteen years of experience investing together in European micro-cap deals.

Recent Events

During the period, JZCP acquired stakes in four new businesses via its ownership in Fund III: (i) Treee, Italy's first nationwide recycler of electric and electronic goods, (ii) Eliantus, a build-up of solar plants in Spain, (iii) Bluemint, a build-up of cell tower land leases in Portugal, and (iv) Luxida, a buy-and-build of electricity distribution businesses in Spain.

Additionally, as part of Factor's acquisition (described above) by a public-sector asset manager, on behalf of a major Canadian pension fund, Fund III agreed to invest €20 million alongside the majority owner and Factor management, representing approximately 25% of the business' fully diluted equity ownership.

JZCP also made follow-on investments in My Lender, a consumer lending business in Finland, and Alianzas en Aceros, a steel transformation company in Spain, both of which are owned by Fund III.

In March and December 2017, JZCP received proceeds totalling $23.5 million from the sale of portfolio company Fidor Bank to Groupe BPCE, the second largest banking group in France. The transaction had closed in December 2016. JZCP invested a total of $13.8 million in the business.

In July 2017, JZCP received proceeds totalling $1.5 million from the refinancing of Petrocorner, a build-up of petrol stations in Spain, and a distribution on loan notes from Collingwood, a niche motor insurance business in the UK.

Real Estate Portfolio

We are very excited with the progress of our first ground-up development in South Florida, CUBE Wynwd (the "CUBE"), a development project in Miami's Wynwood neighbourhood totalling 90,000 square feet and featuring seven stories of office space geared towards tech and media businesses and ground floor retail space.

JZCP anticipates excellent returns from the CUBE, underpinned by (i) having acquired the land at a significant discount to market comparables and (ii) having pre-leased approximately 30% of the building to Spaces, a full service, creative co-working environment with a unique entrepreneurial spirit. We are experiencing strong interest from potential tenants to lease the remaining available space at the CUBE and we expect to deliver the project to our anchor tenant in the first quarter of 2019.

Wynwood, where we own four additional development sites and one cash flowing retail property, is an exciting neighbourhood that can be described as the "Williamsburg of Miami". The vibrant atmosphere is attracting tech and other businesses to office spaces in the neighbourhood where their employees would like to work. We have significantly progressed development plans for our other sites in the neighbourhood and look forward to reporting further on our progress in Wynwood over the coming year.

As of 28 February 2018, JZCP had approximately $388.5 million invested in a portfolio of retail, office and residential properties in Brooklyn, New York, and South Florida which is valued at $463.4 million as of that date. We have made these investments alongside our long-term real estate partner, RedSky Capital, a team with significant experience in the sector.

Since we began investing with RedSky in April 2012, we have acquired a total of 59 properties, all currently in various stages of development and re-development.

The real estate portfolio had a net decrease of 60 cents, primarily due to operating expenses and debt service at the property level.

Real estate investments during the period

	JZCP Investment ($ millions)
Follow-ons & expenses	47.2
	47.2

Other investments

Our asset management business in the US, Spruceview Capital Partners, addresses the growing demand from corporate pensions, endowments, family offices and foundations for fiduciary management services through an Outsourced Chief Investment Officer ("OCIO") model. Spruceview has a robust pipeline of opportunities and has recently added another international pension OCIO client in the second quarter of 2018.

Spruceview continues to provide investment oversight to the pension fund of a Canadian subsidiary of an international packaged foods company, a European private credit fund-of-funds, and portfolios for family office clients.

As previously reported, Richard Sabo, former Chief Investment Officer of Global Pension and Retirement Plans at JPMorgan and a member of that firm's executive committee, is leading a team of 14 investment, business development, legal and operations professionals.

<u>Realisations</u>

Investment	Portfolio	Proceeds $ millions
Factor Energia - Sale	Europe	54.7
K2 Towers - Sale	U.S.	28.7
Fidor - Sale	Europe	23.5
Nielsen-Kellerman - Sale	U.S.	8.6
Avante Health Solutions (f/k/a Jordan Health Products)- Recapitalisation	U.S.	7.6
Bright Spruce Fund - Liquidation	Other	4.7
JZ Realty - Flatbush Sale & Esperante Distribution	Real Estate	2.5
Escrows	U.S.	1.9
JZI Fund III - Petrocorner & Collingwood Distribution	Europe	1.5
		133.7

As previously mentioned, JZCP made two post-period realisations (March 2018), both significantly above NAV: Paragon Water Systems ("Paragon") and Bolder Healthcare Solutions ("BHS").

Paragon Water Systems

In March 2018, Paragon was acquired by Culligan Water, the world leader in residential, office, commercial and industrial water treatment.

Founded in 1988 and headquartered in Tampa, Florida, Paragon develops and produces "point-of-use" water filtration products for leading global Original Equipment Manufacturer ("OEM") clients, big brand suppliers to specialty and big box retailers, direct sales organisations and companies with national or international water filtration dealership networks.

JZCP expects to realise approximately $16.2 million in gross proceeds (including escrows) from the sale, representing an increase of approximately $3.7 million, or 29.6% on the carrying value of Paragon of approximately $12.5 million as of 31 January 2018. This transaction represents a gross multiple of invested capital ("MOIC") of approximately 1.8x and a gross internal rate of return ("IRR") of approximately 18.4%.

Bolder Healthcare Solutions

In March 2018, BHS was acquired by a subsidiary of Cognizant, one of the world's leading professional services companies.

Headquartered in Louisville, Kentucky, BHS offers a full suite of healthcare revenue cycle management services to the hospital and physician marketplace in the United States. BHS was formed through a co-investment partnership between JZCP and the Edgewater Funds.

JZCP will realise approximately $110.0 million in gross proceeds from this sale (including escrows), which represents an increase in NAV of approximately $37.1 million, or 4.5% of NAV, as of January 31, 2018.

<u>Outlook</u>

We hope to build on the significant momentum we have achieved during the period, following the successful realisations of Factor Energia, K2 Towers, Nielsen-Kellerman, Paragon (post-period) and Bolder Healthcare (post period). With regards to our real estate portfolio, we are in the process of discussing joint venture partnerships with a number of institutional investors, which will provide JZCP liquidity for a portion of its investment as well as reduce the drag on NAV due to pre-development carrying costs for the properties.

Our goal is to re-deploy the liquidity unlocked from realisations, refinancings and partnerships into making new investments and buying back our stock at a significant discount. In addition, we hope to pay down a portion of the Company's existing debt over the coming fiscal year.

Our continued objective is to validate JZCP's NAV and we are confident that further realisations will enhance this validation.

We are also pleased to have initiated our share buyback programme in April 2018, and fully intend to continue repurchasing our own shares following the "closed period". While JZCP's ordinary shares were down by 16.2% for the year, they have rebounded since 28 February 2018 by approximately 7% in value.

We remain committed to pursuing our value-added investment strategy and are pleased with the current composition of JZCP's portfolio, which we believe is well-balanced by geography and asset type.

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

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.
21 May 2018

Investment Portfolio

	28 February 2018 Cost[1] US$'000	Value US$'000	Percentage of Portfolio %
US Micro-cap portfolio			
US Micro-cap (Verticals)			
Industrial Services Solutions[4]			
INDUSTRIAL SERVICES SOLUTIONS ("ISS") A combination of twenty seven acquired businesses in the industrial maintenance, repair and service industry			
Total Industrial Services Solutions valuation	33,174	77,885	7.0
Healthcare Revenue Cycle Management[4]			
BOLDER HEALTHCARE SOLUTIONS			
BHS HOSPITAL SERVICES Provider of outsourced revenue cycle management solutions to hospitals. BHS Hospital Services, which owns **Bolder Outreach Services (formerly known as Monti Eligibility & Denial Solutions)**, **Receivables Outsourcing** and **Avectus Healthcare Solutions** is a subsidiary of Bolder Healthcare Solutions			
BHS PHYSICIAN SERVICES Provider of outsourced revenue cycle management solutions to physician groups. BHS Physician Services, which owns **Bodhi Tree Group** and **PPM Information Solutions** is a subsidiary of Bolder Healthcare Solutions			
Total Healthcare Revenue Cycle Management vertical valuation	30,327	108,026	9.6
Testing Services Holdings[4]			

TECHNICAL SOLUTIONS AND SERVICES Sells**,** rents and services safety & testing equipment and sells protective & safety apparel to a variety of industries. Technical Solutions and Services is a subsidiary of Testing Services Holdings			
Total Technical Solutions and Services Vertical valuation	12,854	12,425	1.1
Water Services[(4)]			
WATERLINE RENEWAL TECHNOLOGIES Environmental infrastructure company that provides technology to facilitate repair of underground pipes and other infrastructure. TWH Infrastructure Industries, Inc., which owns **LMK Enterprises, Perma-Liner Industries** and **APMCS** is a subsidiary of Triwater Holdings			
WATER TREATMENT SYSTEMS Provider of water treatment supplies and services. TWH Water Treatment Industries, Inc., which owns **Nashville Chemical & Equipment, Klenzoid Canada Company/Eldon Water** and **Chemco**, is a subsidiary of Triwater Holdings			
WATER FILTRATION SYSTEMS Supplier of parts and filters for point-of-use filtration systems, which owns **Paragon Water Systems,** is a subsidiary of Triwater Holdings			
Total Water Services Vertical valuation	24,730	39,126	3.5
Total US Micro-cap (Verticals)	*101,085*	*237,462*	*21.2*
US Micro-cap (Co-investments)			
ABTB Acquirer of franchises within the fast-casual eateries and quick-service restaurants sector	8,760	8,760	0.8
GEORGE INDUSTRIES Manufacturer of highly engineered, complex and high tolerance products for the aerospace, transportation, military and other industrial markets	12,639	12,637	1.1
IGLOO[(4)] Designer, manufacturer and marketer of coolers and outdoor products	6,040	6,040	0.5
K2 TOWERS II Acquirer of wireless communication towers	4,211	4,211	0.4
NEW VITALITY[(4)] Direct-to-consumer provider of nutritional supplements and personal care products	3,622	3,994	0.4
ORIZON[(4)] Manufacturer of high precision machine parts and tools for aerospace and defence industries	15,843	15,843	1.4
PEACEABLE STREET CAPITAL Specialty finance platform focused on commercial real estate	28,041	27,673	2.5
SALTER LABS[(4)] Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	16,762	21,529	1.9
SLOAN LED[(4),(6)] Designer and manufacturer of LED lights and lighting systems	6,030	3,044	0.3
SUZO HAPP GROUP[(4)] Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	2,572	11,700	1.0

TIERPOINT(4) Provider of cloud computing and collocation data centre services	44,313	46,813	4.2
VITALYST(4) Provider of outsourced IT support and training services	9,020	8,192	0.7
Total US Micro-cap (Co-investments)	*157,853*	*170,436*	*15.2*
US Micro-cap (Other)			
FELIX STORCH Supplier of specialty, professional, commercial, and medical refrigerators and freezers, and cooking appliances	12,000	27,342	2.4
HEALTHCARE PRODUCTS HOLDINGS(1),(3) Designer and manufacturer of motorised vehicles	17,636	-	-
AVANTE HEALTH SOLUTIONS Provider of new and professionally refurbished healthcare equipment	30,641	33,133	3.0
NATIONWIDE STUDIOS Processer of digital photos for preschoolers	23,599	10,024	0.9
PRIORITY EXPRESS Provider of same day express courier services to various companies located in north-eastern USA. Priority Express is a subsidiary of US Logistics	13,200	9,861	0.9
Total US Micro-cap (Other)	*97,076*	*80,360*	*7.2*
Total US Micro-cap portfolio	***356,014***	***488,258***	***43.6***
European Micro-cap portfolio			
EUROMICROCAP FUND 2010, L.P. Invested in European Micro-cap entities	-	33	-
EUROMICROCAP FUND-C, L.P. Invested in European Micro-cap entities	-	3,784	0.3
JZI FUND III, L.P. At 28 February 2018, was invested in twelve companies in the European micro-cap sector: Petrocorner, Fincontinuo, S.A.C, Collingwood, My Lender, Alianzas en Aceros, ERSI, Treee, Eliantus, Factor Energia, Bluemint and Luxida	30,987	42,291	3.8
Direct Investments			
DOCOUT Provider of digitalisation, document processing and storage services	2,777	4,010	0.3
OMBUDS Provider of personal security, asset protection and facilities management services	17,198	26,764	2.4
TORO FINANCE Provides short term receivables finance to the suppliers of major Spanish companies	21,619	22,498	2.0
XACOM Supplier of telecom products and technologies	2,055	4,077	0.4
Total European Micro-cap portfolio	***74,636***	***103,457***	***9.2***
Real Estate portfolio			
JZCP REALTY(2) Facilitates JZCP's investment in US real estate	388,509	463,391	41.4
Total Real Estate portfolio	***388,509***	***463,391***	***41.4***
Other investments			

BSM ENGENHARIA Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	459	-
JZ INTERNATIONAL[(3)] Fund of European LBO investments	-	750	0.1
SPRUCEVIEW CAPITAL Asset management company focusing primarily on managing endowments and pension funds	25,010	14,093	1.3
Total Other investments	**31,125**	***15,302***	***1.4***
LISTED INVESTMENTS US TREASURY BILLS 15.3.2018	49,845	49,975	4.4
Total Listed investments	***49,845***	***49,975***	***4.4***
Total - portfolio	**900,129**	**1,120,383**	**100.0**

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

(2) JZCP owns 100% of the shares and voting rights of JZCP Realty Ltd.

(3) Legacy Investments. Legacy investments are excluded from the calculation of capital and income incentive fees.

(4) Co-investment with Fund A, a Related Party (Note 24).

(5) Jordan Health Products was rebranded as Avante.

(6) Sloan LED was previously named Illumination Investments, Llc in the February 2017 investment portfolio.

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.

Patrick Firth[2]

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

James Jordan

Mr Jordan is a private investor who was appointed to the Board of JZCP in 2008. He is a director of the First Eagle family of mutual funds, and of Alpha Andromeda Investment Trust Company, S.A. Until 30 June 2005, he was the managing director of Arnhold and S. Bleichroeder Advisers, LLC, a privately owned investment bank and asset management firm; and until 25 July 2013, he was a non-executive director of Leucadia National Corporation. He is an Overseer of the Gennadius Library of the American School of Classical Studies in Athens and is a Director of Pro Natura de Yucatan.

Tanja Tibaldi

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

Christopher Waldron

Mr Waldron was appointed to the Board of JZCP in 2013. He has more than thirty years' experience as an asset manager and director of investment funds. He is Chairman of UK Mortgages Limited, Ranger Direct Lending PLC and Crystal Amber Fund Limited. He began his career with James Capel and subsequently held investment management positions with Bank of Bermuda, the Jardine Matheson Group and Fortis prior to joining the Edmond de Rothschild Group in Guernsey as Investment Director in 1999. He was appointed Managing Director of the Edmond de Rothschild companies in Guernsey in 2008, a position he held until 2013, when he stepped down to concentrate on non-executive work and investment consultancy. He is a member of the States of Guernsey's Investment and Bond Management Sub-Committee and a

Fellow of the Chartered Institute for Securities and Investment.

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

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

Report of the Directors

The Directors present their annual report together with the audited financial statements of JZ Capital Partners ("JZCP" or the "Company") for the year ended 28 February 2018.

Principal Activities

JZ Capital Partners Limited is a closed-ended investment company with limited liability which was incorporated in Guernsey on 14 April 2008 under the Companies (Guernsey) Law, 1994. The Company is subject to the Companies (Guernsey) Law, 2008. The Company's Capital consists of Ordinary shares, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS"). The Company's Ordinary shares, ZDP Shares and CULS are traded on the London Stock Exchange's Specialist Fund Segment.

The Company's Investment Policy is to target predominantly private investments, seeking to back exceptional management teams to deliver on attractive investment propositions. In executing strategy, the Company takes a long term view. The Company seeks to invest directly in its target investments, although it may also invest through other collective investment vehicles. The Company may also invest in listed investments, whether arising on the listing of its private investments or directly.

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

The Investment Adviser takes a dynamic approach to asset allocation and, though it doesn't expect to, in the event that the Company were to invest 100% of gross assets in one area, the Company will, nevertheless always seek to maintain a broad spread of investment risk. Exposures are monitored and managed by the Investment Adviser under the supervision of the Board.

The Investment Adviser is able to invest globally but with a particular focus on opportunities in the United States and Europe.

Business Review

The total loss attributable to Ordinary shareholders for the year ended 28 February 2018 was $11,271,000 (year ended 28 February 2017: profit of $22,697,000). The revenue return for the year was $11,913,000 (year ended 28 February 2017: $5,612,000), after charging directors fees and administrative expenses of $3,085,000 (year ended 28 February 2017:$2,550,000) and Investment Adviser's base fee of $16,912,000 (year ended 28 February 2017: $16,865,000). The net asset value ("NAV") of the Company at the year-end was $837,573,000 (28 February 2017: $848,844,000) equal to $9.98 (28 February 2017: $10.12) per Ordinary share.

For the year ended 28 February 2018, the Company had $16,542,000 of cash outflows resulting from operating activities (year ended 28 February 2017: outflows of $9,239,000).

A review of the Company's activities and performance is detailed in the Chairman's Statement and the Investment Adviser's Report. The valuation of the unlisted investments are detailed in the Investment Portfolio section.

Dividends

During 2017, the dividend policy of distributing approximately 3% of the Company's net assets in the form of dividends was discontinued. Shareholder approval was received to adopt a new strategy where purchases by the Company of its Ordinary Shares may be undertaken when opportunities in the market permit, and as the Company's cash resources allow.

Directors

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

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

Annual General Meeting

The Company's Annual General Meeting is due to be held on 26 June 2018.

Stated Capital, Purchase of own Shares and Convertible Unsecured Loan Stock "CULS"

Details of the ZDP shares and the Ordinary shares can be found in Notes 16 and 19. During the year the Company did not buy back any of its own shares. Post year end, the Company repurchased 188,685 of its own shares. Details of the CULS can be found in Note 15.

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

	Number of Ordinary shares at 1 March 2017	Purchased in year	Sold in year	Number of Ordinary shares at 28 February 2018
David Macfarlane	74,800	17,500	(17,500)	74,800
Patrick Firth	5,440	-	-	5,440
James Jordan	40,800	-	-	40,800
Tanja Tibaldi	2,720	-	-	2,720
Christopher Waldron	4,000	-	-	4,000
	127,760	17,500	(17,500)	127,760

The beneficial interests of the Directors in the CULS of the Company are shown below (no change from 28 February 2017 position):

	Number of CULS of £10 nominal value at 28 February 2018
David Macfarlane	734
Patrick Firth	734
Tanja Tibaldi	367
	1,835

None of the Directors held any interest in the Zero Dividend Preference shares during the year. There have been no changes in the Directors' interests of any share class between 28 February 2018 and the date of this report.

Substantial Shareholders

As at 21 May 2018, the Company has been notified in accordance with the Disclosure and Transparency Rules of the following interests of 5% or more of the total Ordinary share capital of the Company (and save as set out below the Company is unaware of any significant changes to the below holdings at the date of signing this report). The number and percentage of Ordinary shares relate to the number informed by shareholders on the relevant notification rather than the current share register.

	Ordinary shares	As at 21 May 2018 % of Ordinary shares
Edgewater Growth Capital Partners L.P.[1]	18,335,944	21.9%
David W. Zalaznick[1]	10,550,294	12.6%
John W. Jordan II & Affiliates[1]	10,550,294	12.6%
Leucadia Financial Corporation	8,021,552	9.6%
Abrams Capital Management L.P.	7,744,366	9.3%
Finepoint Capital L.P.	4,413,067	5.3%
Arnhold, LLC[2]	Company not notified[2]	5.5%

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

It is the responsibility of the shareholders to notify the Company of any change to their shareholdings when it reaches 5% of shares in issue and any subsequent change when the shareholding increases or decreases by a further 5% (up to 30% of shares in issue i.e. 10%, 15%, 20%, 25% and 30%) and thereafter 50% and 75%.

[1] The notifiable interests set out in the table above for each of Edgewater Growth Capital Partners L.P., David W. Zalaznick, and John (Jay) W. Jordan II and Affiliates do not reflect the number of Ordinary shares bought back from each of those shareholders pursuant to certain share buy backs of Ordinary shares undertaken by the Company as announced on 4 April 2018 and 18 April

2018. Each of those shareholders had Ordinary shares repurchased from them by the Company in proportion to their then current shareholdings of Ordinary shares at the time and as such, as at 21 May 2018 and so far as the Company is aware, Edgewater Growth Capital Partners L.P. holds 18,294,711 Ordinary shares (being 21.9% of the issued Ordinary shares), David W. Zalaznick holds 10,526,568 Ordinary shares (being 12.6% of the issued Ordinary shares), and John (Jay) W. Jordan II and Affiliates holds 10,526,568 Ordinary shares (being 12.6% of the issued Ordinary shares).

[2] On 6 February 2018, First Eagle Investment Management notified a change of major shareholding in the Company's securities and specifically that the accounts through which it held Ordinary shares and that related to its previously reported notifiable interest had ceased to be managed by it. Subsequently on 14 March 2018, Arnhold LLC notified a change of major shareholding in the Company's securities and specifically that it had assumed management of accounts holding Ordinary shares which were previously managed by First Eagle Investment Management. The notifiable interest of Arnhold LLC was notified as 5.45% of the issued Ordinary shares of the Company; the total number of Ordinary shares the subject of the notifiable interest was not notified. The notifiable interest relating to Arnhold LLC set out in the table above has been revised upwards to 5.5% on account of rounding and the reduction in the total number of Ordinary shares in issue by virtue of the Company having undertaken certain share buy backs of Ordinary shares announced on 4 April 2018 and 18 April 2018 (and on the assumption that Arnhold LLC did not have any Ordinary shares repurchased from them as part of those share buy backs).

Ongoing Charges

Ongoing charges for the years ended 28 February 2018 and 28 February 2017 have been prepared in accordance with the Association of Investment Companies ("AIC") recommended methodology. The ongoing charges ratio represents annualised recurring operational expenses as a percentage of the average net asset value. The Ongoing charges for the year ended 28 February 2018 were 2.35% (28 February 2017: 2.26%) excluding incentive fees of 0.52% (28 February 2017: 1.45%).

Principal Risks and Uncertainties

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

(i) Macroeconomic Risks

The Company's performance, and underlying NAV, is influenced by economic factors that affect the demand for products or services supplied by investee companies and the valuation of Real Estate interests held. Economic factors will also influence the Company's ability to invest and realise investments and the level of realised returns. Approximately 9% of the Company's investments are denominated in non-US dollar currencies, primarily the euro. Also the Company has issued debt denominated in non-US dollar currencies, primarily sterling. Fluctuations to these exchange rates will affect the NAV of the Company.

(ii) Underlying Investment Performance

The Company is reliant on the Investment Adviser to source and execute suitable investment opportunities. The Investment Adviser provides to the Board an explanation of all investment decisions and also quarterly investment reports and valuation proposals of investee companies. The Board reviews investment performance quarterly and investment decisions are checked to ensure they are consistent with the agreed long term investment strategy.

Portfolio Liquidity

The Company invests predominantly in unquoted companies. Therefore this potential illiquidity means there can be no assurance investments will be realised at their latest valuation. The Board considers this illiquidity when planning to meet its future obligations, whether committed investments or the repayment of debt facilities or the future repayment of CULS and ZDP shares. On a quarterly basis, the Board receives from the Investment Adviser and reviews a working capital model produced by the Investment Adviser which highlights the Company's projected liquidity and financial commitments.

Share Price Trading at Discount to NAV

JZCP's share price is subject to market sentiment and will also reflect any periods of illiquidity when it may be difficult for shareholders to realise shares without having a negative impact on share price. The Directors review the share price in relation to Net Asset Value on a regular basis and determine whether to take any action to manage the discount. The Directors with the support of the Investment Adviser work with brokers to maintain interest in the Company’s shares through market contact and research reports.

Operational and Personnel

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

The Board considers the principal risks and uncertainties above are consistent with the prior year and the Company's exposure to these risks is neither greater nor any less than in May 2017.

Viability Statement

In accordance with the UK Corporate Governance Code (the "UK Code") the Board has assessed the expectations that the Company will be able to continue in operation and meet ongoing debt obligations. In order to make the assessment the Board has carried out a robust review of the Company's principal risks and uncertainties, as noted above, to which the Company is exposed and that potentially threaten future performance and liquidity and has assessed the Company's current position and prospects as detailed in the Chairman's statement and Investment Adviser's report. The period covered by the viability statement is the next three financial years to 28 February 2021.

The Board believes that a viability assessment of three years aligns with the Company's review of working capital models provided by the Investment Adviser which detail expected investment activity and estimated liquidity over a three year period. The Board also considers the underlying investment portfolio, which consists primarily of unlisted micro-cap businesses and real estate investments which are not publicly traded. Micro-cap investments are held for the medium term, typically a period of 3 to 5 years and it is anticipated real estate developments will take a similar time frame to realise returns.

The Board will continue to review the period of assessment on an annual basis and may in future years extend the period if it is considered appropriate.

Factors considered whilst reviewing the Company's future prospects and viability, include:

(i) Financing obligations

The Company has obligations to repay loan debt in June 2021, the balance outstanding to Guggenheim Partners at 28 February 2018 was $150.1 million (28 February 2017: $97.4 million). It is expected the debt facility will be repaid from the proceeds of realisations and refinancing of investments. The Company will potentially redeem CULS in July 2021 amounting to £38.9 million, assuming holders of CULS do not convert their holdings to equity. JZCP is due to redeem £57.6 million of ZDP shares on 1 October 2022, again it is expected the redemption of both CULS and ZDPs will be met from the proceeds of realisations and refinancing of investments. At 28 February 2018, the Company had outstanding investment commitments of $73.7 million (28 February 2017: $76.8 million). The Board will continue to consider the Company's position in meeting debt obligations and commitments falling outside the three year review and will continue to consider appropriate gearing levels to enable the financing of debt and ongoing investment/operating activities.

(ii) Investment performance and liquidity

The Board reviews, on a quarterly basis, the valuation and prospects of all underlying investee companies. The Board is confident that the diversity of the portfolio and ability of the Investment Adviser to select suitable investment opportunities will negate the risk of a significant fall in NAV, similar to the one the Company suffered during the financial crisis of 2008 which saw a reduction in NAV for the 7 month period ended 28 February 2009 of approximately 30%. Whilst a similar fall in NAV would not directly threaten the Company's viability the Board is mindful that in a similar financial environment, the Company will be exposed to a possible lack of liquidity due to the difficulty in realising investments and the possibility of investments defaulting on interest obligations to the Company. JZCP has had realisations from unlisted investments over the last 3 financial years that have averaged cash inflows of $159 million per annum and has invested an average of $178 million per annum over the same period in unlisted investments. The Board's current view is that whilst a reduction in realisations may curtail scope of future investment opportunities, cash inflows will be sufficient to enable the Company to meets its investment and operational obligations.

(iii) Mitigation of risk as outlined in the Principal Risks and Uncertainties.

The Board is confident the performance of the Company over the period of review will be robust and the investment strategy will deliver returns and liquidity. Therefore the Board has been able to form a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the next three financial years.

Going Concern

The Board considers that the Company has adequate financial resources, in view of its cash balances and cash equivalents and liquid investments and the income streams deriving from its investments and believes that the Company is well placed to manage its business risks successfully to continue in operational existence for a period of at least 12 months from signing of the financial statements and that it is appropriate to prepare the financial statements on the going concern basis.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable Guernsey Law and generally accepted accounting principles. Guernsey Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year. They are also responsible for ensuring that the Annual Report, Financial Statements, and Company comply with the provisions of the Disclosure and Transparency Rules of the UK Listing Authority which, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions, of the corporate governance code applicable to the Company.

In preparing Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;

- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- confirm that there is no relevant audit information of which the Company's Auditor is unaware; and
- confirm that they have taken all reasonable steps which they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

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

Responsibility Statement of the Directors in respect of the Financial Statements

The Directors confirm that to the best of their knowledge:

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

Directors' Statement

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board of Directors and agreed on behalf of the Board on 21 May 2018.

David Macfarlane

Chairman

Patrick Firth

Director

Corporate Governance

Introduction

The Board of JZ Capital Partners Limited has considered the principles and recommendations of the AIC Code of Corporate Governance published in July 2016 (the "AIC Code"). The AIC Code addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to JZ Capital Partners Limited. The AIC Code can be found at www.theaic.co.uk and the UK Code can be found at. www.frc.org.uk.

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

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

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

The UK Corporate Governance code includes provisions relating to:

- the role of the chief executive
- executive directors remuneration
- the need for an internal audit function

- appointment of a senior independent director
- whistle blowing policy

The Board considers these provisions are not relevant to the position of JZ Capital Partners Limited, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are non-executive and the Company does not have employees, hence no whistle blowing policy is required. However the Directors have satisfied themselves that the Company's service providers have appropriate whistle blowing policies and procedures and have received confirmation from the service providers that nothing has arisen under those policies and procedures which should be brought to the attention of the Board. There have been no other instances of non-compliance, other than those noted above.

Guernsey Code of Corporate Governance

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

The Board

Corporate Governance of JZCP is monitored by the Board which at the end of the year comprised five Directors, all of whom are non-executive. Biographical details of the Board members at the date of signing these Financial Statements are shown on Board of Directors section and their interests in the shares of JZCP are shown in the Report of the Directors. The Directors' biographies highlight their wide range of relevant financial and sector experience.

Directors' Independence

The Board considers the Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. However, the Board notes the Financial Reporting Council's consultation document, "Proposed Revisions to the UK Corporate Governance Code". If accepted, the proposals will apply to accounting periods beginning on or after 1 January 2019. The proposed changes include a statement that on reaching a term of nine years a director will be deemed to be non-independent. The Board awaits the final FRC report, but notes and agrees with the AIC's response to the proposed revisions, in particular its recommendation that length of service should be an indicator to consider when assessing independence, not a threshold.

Proceedings of the Board

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

The Directors meet at least quarterly to direct and supervise the Company's affairs. This includes reviewing the investment strategy, risk profile, gearing strategy and performance of the Company and the performance of the Company's functionaries, and monitoring compliance with the Company's objectives.

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

Continuing terms of Investment Adviser agreement

In the opinion of the Directors, the continuing appointment of the Investment Adviser on the terms agreed continues to be in the interests of Shareholders. In reaching its conclusion the Board considers the Investment Adviser's performance and expertise and is confident in the Investment Adviser's ability to source excellent future investment opportunities.

Supply of information

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

Directors' training

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

Chairman and senior independent Director

The Chairman is a non-executive Director, together with the rest of the Board. There is no executive Director position within the Company. Day-to-day management of the Company's affairs has been delegated to third party service providers. The

Board has considered whether a senior independent Director should be appointed. However, as the Board comprises entirely of 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.

Board diversity

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

Re-election of Directors

Each Director having served longer than nine years is subject to annual re-election. Each Director who has served less than nine years retires from office at the third annual general meeting after appointment or (as the case may be) the general meeting at which he was last appointed and is eligible for reappointment.

The Letters of Appointment of the non-executive Directors suggest that it is appropriate for Directors to retire and be nominated for re-election after three years of service. Subject to the recommendation of the General Meeting David Macfarlane, James Jordan and Tanja Tibaldi are seeking re-election to the Board at the 2018 Annual General Meeting ("AGM") because they have served more than nine years.

As discussed in the Chairman's statement Patrick Firth intends to retire as a director and as Chairman of the audit committee. However, Patrick will seek re-election to the board at the 2018 AGM, in order to ensure a smooth transition to his successor.

The Board's evaluation

The Board, Audit Committee, and Nomination Committee undertake an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board and its Committees carry out a process of formal self-appraisal. The Board and Committees consider how they function as a whole and also review the individual performance of its members. This process is conducted by the respective Chairman reviewing each member's performance, contribution and their commitment to the Company. The Board as a whole reviews the performance of the Chairman. Each Board member is also required to submit details of training they have undertaken on an annual basis. Currently, no third party evaluation of the Directors effectiveness is undertaken. The results of the evaluation process concluded the Board was functioning effectively and the Board and its committees provided a suitable mix of skills and experience.

Board Committees

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

Nomination Committee

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

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 appropriate to use their own contacts, as well as external consultants to identify suitable candidates.

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

Audit Committee

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

A report of the Audit Committee detailing responsibilities and activities is presented in the Audit Committee Report.

Management Engagement Committee

To date, the recommended functions of a Management Engagement Committee have been exercised by the full board, each member of which is unassociated with the Investment Adviser. However, the Board now believes it appropriate to establish a Management Engagement Committee, whose responsibilities will include reviewing the performance and contractual arrangements of the Company's service providers. The new Committee will be chaired by Chris Waldron and will comprise the entire board.

Remuneration Committee

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

Board and Committee meeting attendance

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

Number of meetings

	Board Main	AGM	Ad Hoc Meetings	Audit Committee
Total number of meetings	5	1	2	3
David Macfarlane	5	1	2	3
Patrick Firth	4	1	1	3
James Jordan	5	1	1	3
Tanja Tibaldi	5	1	2	3
Christopher Waldron	5	1	2	3

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

UK Criminal Finances Act 2017

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

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

Internal Controls

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

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements and is reviewed by the Board and is in accordance with the Internal controls: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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

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

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

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

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

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

International Tax Reporting

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

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

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

Relations with Shareholders

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

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

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

The Company also provides an Interim Report and Accounts in accordance with IAS 34 and Interim Management statements for the quarterly periods.

Directors' Remuneration Report

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

Remuneration policy

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

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

The remuneration policy set out above is the one applied for the year ended 28 February 2018 and is not expected to change in the foreseeable future.

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

Remuneration for services

	Fees for services to the Company for the year to 28 February 2018	Fees for services to the Company for the year to 28 February 2017
	US$	US$
David Macfarlane (Chairman)	160,000	160,000
Patrick Firth	70,000	70,000
James Jordan	60,000	60,000
Tanja Tibaldi	60,000	60,000
Christopher Waldron	65,000	65,000
	415,000	415,000

The amounts payable to Directors as shown above were for services as non-executive Directors. No Director has a service contract with the Company, nor is any such contracts proposed.

Directors' Term of Appointment

Each Director having served longer than nine years is subject to annual re-election. Each Director who has served less than nine years retires from office at the third annual general meeting after appointment or (as the case may be) the general meeting at which he was last appointed and is eligible for reappointment.

The Directors were appointed as non-executive Directors by letters issued in April 2008 and October 2013 which state that their appointment and any subsequent termination or retirement shall be subject to three-months' notice from either party in accordance with the Articles. Each Director's appointment letter provides that, upon the termination of his/her appointment, that he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Signed on behalf of the Board of Directors on 21 May 2018 by:

David Macfarlane
Chairman

Patrick Firth
Director

Audit Committee Report

Dear Shareholder,

We present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities in 2017/2018. The Audit Committee has reviewed the Company's financial reporting, the independence and effectiveness of the external auditor and the internal control and risk management systems of the Company's service providers. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received and reviewed from the Investment Manager, Administrator and external auditor.

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

Responsibilities

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

- monitor the integrity of the published Financial Statements of the Company
- review and report to the Board on the significant issues and judgements made in the preparation of the Company's published Financial Statements, (having regard to matters communicated by the external Auditors) and other financial information
- monitor and review the quality and effectiveness of the external Auditors and their independence
- consider and make recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's external Auditor
- advise the Board that the annual report and accounts, taken as a whole, is fair, balanced and understandable
- review and consider the Company's Principal risks and uncertainties
- consider the long term viability of the Company

- review the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption
- monitor and review the internal control and risk management systems of the service providers
- consider and make representations to the Board regarding Directors' remuneration

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

Key Activities of the Audit Committee

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

Financial Reporting:

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

- Valuation of Investments:

The fair value of the Company's unlisted securities at 28 February 2018 was $1,070,408,000 accounting for 93% of the Company's assets. The Committee has concentrated on ensuring the Investment Manager has applied appropriate valuation methodologies to these investments in producing the net asset value of the Company.

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

- Ownership of Investments

The Audit Committee considered the ownership of the investments held by the Company as at 28 February 2018 to be substantiated by the periodic reconciliation of records held by the Custodian to the Company's portfolio and by confirmations provided by Lawyers, Custodian and Administrator. Following a review of the presentations and reports from the Administrator and consulting where necessary with the external auditor, the Audit Committee is satisfied that the Company duly owns its investments which are correctly stated in the Annual Report and Financial Statements.

- NAV-Based Fees

The Board has identified that there is a risk that management and incentive fees which are calculated based on the NAV of the Company could potentially be misstated if there were to be an error in the calculation of the NAV. However, as each monthly NAV calculation is approved by the Investment Adviser and the year end NAV has been audited, the Board are satisfied that the fees have been correctly calculated as stated in the Annual Report and Financial Statements.

Risk Management:

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

Fraud, Bribery and Corruption:

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

The External Auditor

Ernst & Young LLP have acted as external auditor since the Company's inception in April 2008. This is the last year of Christopher Matthews' five year tenure as audit partner.

Appointment of External Auditor

The Audit Committee will commence a tendering process for the audit of the Company. The process is scheduled to be completed during 2018 with the outcome intended to be put to shareholders for approval at next year's annual general meeting. In order to facilitate a smooth transition and give a potential new auditor the necessary time to adequately plan their audit process, the Audit Committee has recommended, to the Board, that a resolution be put to the 2018 Annual General Meeting for the reappointment of Ernst & Young LLP for the audit for the year ended 28 February 2019. The Board has accepted this recommendation.

Independence, objectivity and fees:

The independence and objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. The Audit Committee has established pre-approval policies and procedures for the engagement of the auditor to provide non-audit and assurance services. The audit committee ensures the appointment does not create a scenario which:

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

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

The following table summarises the remuneration paid by JZCP to Ernst & Young LLP and to other Ernst & Young LLP member firms for audit and other services during the years ended 28 February 2018 and 28 February 2017.

	Year ended 28.2.2018	$ Equivalent Year ended 28.2.2018	Year ended 28.2.2017	$ Equivalent Year ended 28.2.2017
Ernst & Young LLP				
- Annual audit	£218,000	$298,000	£211,500	$263,000
- Auditor's interim review	£41,000	$55,000	£40,000	$51,000
Other Ernst & Young LLP affiliates				
- Passive Foreign Investment Company tax services	-	$65,000	-	$67,600

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

Performance and effectiveness:

During the year, when considering the effectiveness of the external auditor, the Audit Committee has taken into account the following factors:

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

The Audit Committee reviewed and challenged the audit plan and the post audit report of the external auditor and concluded that audit risks had been sufficiently identified and were sufficiently addressed. The Audit Committee considered reports from the external auditor on their procedures to identify threats to independence and concluded that the procedures were sufficient to identify potential threats to independence.

There were no significant adverse findings from this evaluation.

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

Internal control and risk management systems

Additional work performed by the Audit Committee in the areas of internal control and risk management are disclosed in the Corporate Governance section.

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

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

The Audit Committee Report was approved by the Board on 21 May 2018 and signed on its behalf by:

Patrick Firth
Chairman, Audit Committee

Independent Auditor's Report

Opinion

We have audited the financial statements of JZ Capital Partners Limited (the 'Company') for the year ended 28 February 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRS').

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on Report of the Directors that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on Report of the Directors in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or
- the directors' statement set out on Report of the Directors in the annual report and on Notes to the Financial Statement about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out in the Report of the Directors in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Valuation of unquoted investments. • Existence and ownership of real estate investments. • Calculation of management and incentive fees.
Audit scope	• We performed an audit of the complete financial statements of the Company for the year ended 28 February 2018.
Materiality	• Overall materiality of \$16.8 million (2017: \$17.0 million), which represents 2% (2017: 2%) of total equity.

Key audit matters

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

Risk	**Our response to the risk**	**What we concluded to the Audit Committee**
Valuation of unquoted investments (2018: $1.07 billion; 2017: $1.07 billion) 96% (2017: 100%) of the carrying value of investments relates to the Company's holdings in unquoted investments, which are valued using different valuation techniques, as described in note 5 to the financial statements. The valuation is subjective, with a high level of judgement and estimation linked to the determination of the values with limited market information available. As a result, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model/calculation being selected. The valuation of the unquoted investments is the key driver of the Company's net asset value and total return. Incorrect valuation could have a significant impact on the net asset value of the Company and therefore The return generated for shareholders. Refer to the Audit Committee Report; Accounting policies in Note 2, 5 and 3, and Note 12 to the Financial Statements	• We documented our understanding of the processes, policies and methodologies used by management for valuing unquoted investments and performed walkthrough tests to confirm our understanding of the systems and controls implemented; • We performed the following substantive investment valuation procedures on a sample of unquoted investments held by the Company: o agreeing the valuation per the financial statements back to the models used by management; o determining and challenging the appropriateness of the valuation techniques applied to unquoted investments and determining whether they were in accordance with IFRS and International Private Equity and Venture Capital Association (IPEVCA) guidelines; o testing all the significant inputs to the models to independent sources and evaluating whether all key terms of the unquoted investments had been considered in the application of the models; o testing the mathematical accuracy of the calculations; o testing qualitative factors such as the key assumptions made by management and other information provided by the Investment Advisor that supports the EBITDA multiples used to value unquoted investments, and specifically the comparable multiples used which were based on a basket of similar listed companies and any liquidity adjustments thereafter; and o agreeing the proposed values per the valuation decks received from the Investment Advisor to the investment portfolio report prepared by the Administrator.	We confirmed that there were no material matters arising from our audit work on the inputs used and the judgments made by management that we wished to bring to the attention of the Committee. We confirmed that there were no material instances of use of inappropriate policies or methodologies and that the valuation of unquoted investments was not materially misstated.

	• We engaged our own internal valuation experts in relation to the valuation of a sample of investments in real estate assets to: o assist us in determining whether the methodologies used to value real estate assets were consistent with methods usually used by market participants for these types of real estate investments; and o use their knowledge of the market to assess and corroborate management's market related judgements and valuation inputs (i.e. discount rates, rental per square foot, selling price per square foot, recent relevant transaction data and buildable area) by reference to comparable transactions, and independently compiled databases/indices.	
Existence and ownership of real estate investments (2018: $463 million; 2017: $469 million) Risk that real estate investments presented in the financial statements do not exist or the Company does not have title of ownership. Due to the significance of the carrying value of real estate investments, there is a risk that if the Company did not have good title, the carrying value of these investments could be materially overstated. Our risk is specifically in respect of real estate investments due to the complexity of their ownership structure, the increase in relative significance of their carrying value as a percentage of the total investment portfolio and the fact that we have not historically identified issues with title to other investments held by the company for which holding structures are less complex. Refer to the Audit Committee; Accounting policies in Note 2 and 3, and Note 12 to the Financial Statements.	• We documented our understanding of the processes, used by management in respect of the existence of real estate investments and performed walkthrough tests to confirm our understanding of the systems and controls implemented. • Performance of substantive audit procedures over real estate investments existence including: o obtaining independent confirmations from all underlying investee companies through the holding structure and confirmed that the company has title to all real estate investments; o obtaining copies of the deeds and mortgage bond documents (where applicable) for a sample of properties; and o obtaining contracts/ agreements for all new investments entered into during the year to support the initial recognition and associated terms and conditions.	We confirmed that there were no matters identified during our audit work on existence and ownership of real estate investments that we wanted to bring to the attention of the audit committee.
Calculation of management and incentive fees (2018: $21 million; 2017: $ 29 million) Risk that losses may be incurred as a result of intentional or inadvertent misstatement of management and incentive fees, or as a result of errors in processing financial information. Refer to the Audit Committee Report; Accounting policies in Note 2 and Note 10 to the Financial Statements.	• We have performed specific audit procedures over the fair value of the investments on which the management and incentive fees are based, as noted above; and • We re-performed the management and incentive fee calculations for mathematical accuracy and consistency with the terms of the investment advisory agreement.	We confirmed that there were no matters identified during our audit work on the calculation of management and incentive fees that we wanted to bring to the attention of the audit committee.

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the financial statements.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be $16.8 million (2017: $17.0 million), which is 2% (2017: 2%) of total equity. We believe that total equity provides us with an appropriate basis for audit materiality as it is a key published performance measure and is a key metric used by management in assessing and reporting on overall performance.

During the course of our audit, we reassessed initial materiality and noted no matters leading us to amend the basis of materiality (2% of total equity). However, the materiality amount was adjusted to reflect total equity at year end rather than total equity at the audit planning stage.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely $12.6 million (2017: $12.7 million). We have set performance materiality at this percentage because we have considered the likelihood of misstatements to be low. We have considered both quantitative and qualitative factors when determining the expected level of detected misstatements and setting the performance materiality at this level.

Reporting threshold

The reporting threshold is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.84 million (2017: $0.85 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on Report of the Directors** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on Audit Committee Report** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on Report of the Directors** – the parts of the directors' statement relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure

from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

21 May 2018

1. The maintenance and integrity of the Company's web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

		Year Ended 28 February 2018			Year Ended 28 February 2017		
	Note	Revenue Return US$'000	Capital Return US$'000	Total US$'000	Revenue Return US$'000	Capital Return US$'000	Total US$'000
Income							
Net gain on investments at fair value through profit or loss	6	-	6,140	6,140	-	28,699	28,699
(Loss)/gain on financial liabilities at fair value through profit or Loss	15	-	(2,907)	(2,907)	-	2,510	2,510
Net write back of impairments on loans and receivables	7	-	-	-	-	2,374	2,374
Realisations from investments held in escrow accounts	28	-	1,922	1,922	-	5,942	5,942
Net foreign currency exchange		-			-	4,728	4,728

(loss)/gain			(6,457)	(6,457)			
Investment income	8	31,751	-	31,751	25,699	-	25,699
Bank and deposit interest		128	-	128	41	-	41
		31,879	*(1,302)*	*30,577*	*25,740*	*44,253*	*69,993*
Expenses							
Investment Adviser's base fee	10	(16,912)	-	(16,912)	(16,865)	-	(16,865)
Investment Adviser's incentive fee	10	-	(4,313)	(4,313)	-	(12,404)	(12,404)
Administrative expenses	10	(2,670)	-	(2,670)	(2,135)	-	(2,135)
Directors' remuneration	10	(415)	-	(415)	(415)	-	(415)
		(19,997)	*(4,313)*	*(24,310)*	*(19,415)*	*(12,404)*	*(31,819)*
Operating Profit		*11,882*	*(5,615)*	*6,267*	*6,325*	*31,849*	*38,174*
Finance costs	9	-	(17,569)	(17,569)	-	(14,764)	(14,764)
Profit/(Loss) before Taxation		*11,882*	*(23,184)*	*(11,302)*	*6,325*	*17,085*	*23,410*
Withholding taxes	11	31	-	31	(713)	-	(713)
Profit/(Loss) for the Year		11,913	(23,184)	(11,271)	5,612	17,085	22,697
Weighted average number of Ordinary shares in issue during the year	25			83,907,516			83,907,516
Basic earnings/(loss) per Ordinary share	25	14.20c	(27.63)c	(13.43)c	6.69c	20.36c	27.05c
Diluted earnings/(loss) per Ordinary share	25	14.20c	(27.63)c	(13.43)c	6.21c	19.67c	25.88c

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

The profit/(loss) for the year is attributable to the Ordinary shareholders of the Company.

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

The "Total" column of this statement represents the Company's statement of comprehensive income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

There was no comprehensive income other than the profit/(loss) for the year.

The accompanying notes form an integral part of the audited financial statements.

Statement of Financial Position

As at 28 February 2018

	Note	28 February 2018 US$'000	28 February 2017 US$'000
Assets			
Investments at fair value through profit or loss	12	1,120,383	1,069,180
Securities sold receivable	13	24,987	-
Other receivables	14	2,158	520
Cash at bank		9,000	29,063
Total Assets		1,156,528	1,098,763
Liabilities			
Convertible Unsecured Loan Stock	15	59,970	57,063

Zero Dividend Preference (2022) shares	16	62,843	53,935
Loans payable	17	150,125	97,396
Investment Adviser's incentive fee	10	41,606	37,293
Investment Adviser's base fee	10	2,225	2,026
Other payables	18	2,186	2,206
Total Liabilities		318,955	249,919
Equity			
Stated capital	19	265,685	265,685
Other reserve	21	353,528	353,528
Capital reserve	21	150,687	173,871
Revenue reserve	21	67,673	55,760
Total Equity		837,573	848,844
Total Liabilities and Equity		1,156,528	1,098,763
Number of Ordinary shares in issue at year end	19	83,907,516	83,907,516
Net Asset Value per Ordinary share	27	$9.98	$10.12

These audited financial statements were approved by the Board of Directors and authorised for issue on 21 May 2018. They were signed on its behalf by:

David Macfarlane
Chairman

Patrick Firth
Director

The accompanying notes form an integral part of the audited financial statements.

Statement of Changes in Equity
For the Year Ended 28 February 2018

	Stated Capital US$'000	Other Reserve US$'000	Capital Reserve Realised US$'000	Capital Reserve Unrealised US$'000	Revenue Reserve US$'000	Total US$'000
Balance as at 1 March 2017	265,685	353,528	28,034	145,837	55,760	848,844
Profit/(loss) for the year	-	-	42,743	(65,927)	11,913	(11,271)
Balance at 28 February 2018	265,685	353,528	70,777	79,910	67,673	837,573

Comparative for the Year ended 28 February 2017

	Note	Stated Capital US$'000	Other Reserve US$'000	Capital Reserve Realised US$'000	Capital Reserve Unrealised US$'000	Revenue Reserve US$'000	Total US$'000
Balance as at 1 March 2016		265,685	353,528	59,560	97,226	75,740	851,739
Profit for the year		-	-	3,018	14,067	5,612	22,697
Prior year ZDP (2016) finance costs and currency gains now realised		-	-	(34,544)	34,544	-	-

Dividends paid	30	-	-	-	-	(25,592)	(25,592)
Balance at 28 February 2017		265,685	353,528	28,034	145,837	55,760	848,844

The accompanying notes form an integral part of the audited financial statements.

Statement of Cash Flows
For the Year Ended 28 February 2018

	Note	28 February 2018 US$'000	28 February 2017 US$'000
Operating Activities			
Net cash outflow from operating activities	29	(16,542)	(9,239)
Cash outflow for investments (direct investments and capital calls)	12	(177,806)	(156,505)
Cash inflow from repayment and disposal of investments	12	138,593	183,210
Cash inflow from the repayment of loans and receivables	12	-	3,114
Net cash (outflow)/inflow before financing activities		(55,755)	20,580
Financing Activities			
Proceeds from loan facilities	17	50,000	9,512
Loan issue costs paid	17	(1,840)	-
Finance costs paid	15,17	(12,772)	(10,395)
Redemption of Zero Dividend Preference (2016) shares		-	(47,863)
Repayment of loan facility		-	(9,512)
Dividends paid to shareholders	30	-	(25,592)
Net cash inflow/(outflow) from financing activities		35,388	(83,850)
Decrease in cash and cash equivalents		(20,367)	(63,270)

Reconciliation of Net Cash Flow to Movements in Cash and Cash Equivalents		
Cash at bank at 1 March	29,063	91,937
Decrease in cash and cash equivalents as above	(20,367)	(63,270)
Unrealised foreign exchange movements on cash at bank	304	396
Cash at bank at year end	9,000	29,063

Reconciliation of Cash Outflows/Inflows from Investments and Realisations to numbers presented in the Chairman's Statement, Investment Adviser's Report and Note 12 of the financial statements

	Year Ended 28 February 2018 US$'000	Year Ended 28 February 2017 US$'000
Investments		
Cash outflow for investments (direct investments and capital calls)	177,806	156,505
Deposits paid during prior year invested in current year	-	3,018
Investments in year (direct investments and capital calls) - note 12	177,806	159,523
Adjusted to reconcile to totals quoted		
Investment in treasury bills	(74,767)	

Investment in short term loans to Euro micro-cap companies (repaid in year)	(6,571)	
Total investment for the year	96,468	
Realisations		
Cash inflow from repayment and disposal of investments	138,593	183,210
Proceeds received post year end from realisation of treasury bills	24,987	-
Cash inflow from the repayment of loans and receivables	-	3,114
Proceeds from Investments Realised - note 12	163,580	186,324
Adjusted to reconcile to totals quoted		
Escrow receipts	1,922	
Proceeds from repayment of treasury bills	(24,987)	
Repayment of short term loans to Euro micro-cap companies	(7,104)	
Distribution of income	301	
Total realisations for the year	133,712	

The accompanying notes form an integral part of the audited financial statements.

Notes to the Financial Statements

1. General Information

JZ Capital Partners Limited ("JZCP" or the "Company") is a Guernsey domiciled closed-ended investment company which was incorporated in Guernsey on 14 April 2008 under the Companies (Guernsey) Law, 1994. The Company is now subject to the Companies (Guernsey) Law, 2008. The Company is classified as an authorised fund under the Protection of Investors (Bailiwick of Guernsey) Law 1987. The Company's Capital consists of Ordinary shares, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS"). The Company's shares trade on the London Stock Exchange's Specialist Fund Segment ("SFS").

The Company's Investment Policy is to target predominantly private investments, seeking to back management teams to deliver on attractive investment propositions. In executing its strategy, the Company takes a long term view. The Company seeks to invest directly in its target investments, although it may also invest through other collective investment vehicles. The Company may also invest in listed investments, whether arising on the listing of its private investments or directly. The Investment Adviser is able to invest globally but with a particular focus on opportunities in the United States and Europe.

The Company is currently mainly focused on investing in the following areas:

(a) small or micro-cap buyouts in the form of debt and equity and preferred stock in both the US and Europe; and
(b) real estate interests.

The Investment Adviser takes a dynamic approach to asset allocation and, though it doesn't expect to, in the event that the Company were to invest 100% of gross assets in one area, the Company will, nevertheless, always seek to maintain a broad spread of investment risk. Exposures are monitored and managed by the Investment Adviser under the supervision of the Board.

The Company has no direct employees. For its services the Investment Adviser receives a management fee and is also entitled to performance related fees (Note 10). The Company has no ownership interest in the Investment Adviser. During the year under review the Company was administered by Northern Trust International Fund Administration Services (Guernsey) Limited.

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

2. Significant Accounting Policies

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

Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") together with applicable legal and regulatory requirements of Guernsey Law, and the SFS.

Basis of Preparation

The financial statements have been prepared under the historical cost basis, modified by the revaluation of financial instruments designated at fair value through profit or loss ("FVTPL") 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 presentation of the financial statements and certain disclosures follows the guidance as outlined in the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP").

Changes in accounting policy and disclosures

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

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

Amendment to IAS 7 – Statement of Cash Flows – amendments as a result of the Disclosure initiative (“IAS 7”). The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The financial statements now include a reconciliation of changes in financing liabilities arising from both cash flow and non-cash flow items (note 29).

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

IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement.

Nature and scope of new or amended pronouncement

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognitions and Measurement" and is effective for an annual reporting periods beginning on or after 1 January 2018. It specifies how an entity should classify and measure financial assets and liabilities, hedging, and a new expected credit losses model for calculating impairment of financial assets. The standard also contains the new hedge accounting rules. The Company intends to adopt the standard once it becomes mandatory.

Classification Financial Assets and of Financial Liabilities

IFRS 9 contains three principal classification categories for financial assets measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Based on the Company's initial assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Company. This is because:

a) Other financial instruments currently measured at fair value through profit or loss under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. These investments are not expected to meet the SPPI criterion (solely payments of principal and interest) and accordingly, these financial instruments will be mandatorily measured at fair value through profit or loss under IFRS 9; and

b) Financial assets currently measured at amortised cost are: cash and cash equivalents, securities sold receivable and other receivables. These instruments meet the solely payments of principal and interest criterion and are held in a held-to collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

c) Financial liabilities currently valued at amortised cost are loans payable, other payables and ZDPs and will continued to be measured at amortised cost. CULs are measured at FVTPL currently and will continued to be under IFRS 9 as the conversion feature will be considered an embedded derivative.

d) The Company is required to consider the change in the fair value of Financial liabilities valued at FVTPL, due to any change in the Company's credit risk profile and allocate the fair value movement through Other Comprehensive Income.

Impairment of Financial Assets

IFRS 9 replaced the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Based on the Company's initial assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Company. This is because:

a) the majority of the financial assets are measured at fair value through profit or loss and the impairment requirements do not apply to such instruments; and

b) the financial assets at amortised cost are short-term (i.e. no longer than 12 months) and/or assets considered to be of high credit quality; accordingly, the expected credit losses on such assets are expected to be small.

Hedge Accounting

The Company does not apply hedge accounting; therefore, IFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Company.

There are certain other current standards, amendments and interpretations that are not materially 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.

Foreign exchange

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

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

(i) Classification

The Company classifies its investments within its micro-cap, real estate and other investments portfolios as financial assets at fair value through profit or loss. These financial assets are designated by the Board of Directors as at fair value through profit or loss at inception.

Financial assets 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.

Financial liabilities may be designated at fair value through profit or loss rather than stated at amortised cost, when the board have considered the appropriate accounting treatment for the specific liability.

(ii) Recognition/derecognition

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

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the year in which they arise.

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

(iii) Fair value estimation

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

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

The valuation techniques to derive the fair value of real estate interests and other investments are detailed in note 5.

Cash on deposit and cash and cash equivalents

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

Securities sold receivable

Securities sold 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 receivables and payables

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

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

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

Convertible Unsecured Loan Stock
The Convertible Unsecured Loan Stock ("CULS") issued by the Company is denominated in a currency (GBP) other than the Company's functional currency and hence fails the 'fixed-for-fixed' criteria for equity classification. Rather than account for the host debt and embedded conversion element separately, the Company elects to account for the CULS in its entirety in accordance with the IAS 39 'Fair Value Option'. The CULS' fair value is deemed to be the listed offer price at the year end. CULS is translated at the exchange rate at the reporting date and both differences in fair value due to the listed offer price and exchange rates are recognised in the Statement of Comprehensive Income.

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

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

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

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

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

Taxation
The company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended). However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income.

3. Estimates and Judgements

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

Estimates
Fair Value of Investments at Fair Value Through Profit or Loss ("FVTPL")

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

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

Judgements

Assessment as an Investment Entity

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

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

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

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

In determining the fair value of unlisted investments JZCP follows the principles of IPEVCA valuation guidelines. The Valuation Guidelines have been prepared with the goal that Fair Value measurements derived when using these Valuation Guidelines are compliant with IFRS. The Board of JZCP evaluates the performance of unlisted investments quarterly on a fair value basis. Listed investments are recorded at Fair Value in accordance with IFRS being the last traded market price where this price falls within the bid-ask spread.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities and it has more than one investor.

Investment in Associates

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

In accordance with the exemption within IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in EuroMicrocap Fund 2010, L.P., EuroMicrocap Fund-C, L.P. JZI Fund III GP, L.P., Spruceview Capital Partners, LLC and Orangewood Partners Platform LLC using the equity method. Instead, the Company has elected to measure its investment in its associates at fair value through profit or loss.

The Directors have determined that although the Company has over 50% economic interest in EuroMicrocap Fund 2010, L.P., EuroMicrocap Fund-C, L.P. JZI Fund III GP, L.P. and Orangewood Partners Platform LLC, it does not have the power to govern the financial and operating policies of the entities, but does have significant influence over the strategic, operating and financial policies.

Going Concern

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

The Directors consider the Company has adequate financial resources, in view of its holding in cash and cash equivalents and the income streams deriving from its investments and believe that the Company is well placed to manage its business risks successfully to continue in operational existence for a period of at least 12 months from signing of the financial statements and that it is appropriate to prepare the financial statements on the going concern basis.

4. **Segment Information**

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

Portfolio of US micro-cap investments
Portfolio of European micro-cap investments
Portfolio of Real estate investments
Portfolio of Other investments

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

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

Segmental Profit/(Loss)

For the year ended 28 February 2018

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Interest revenue	24,426	6,829	301	-	31,556
Total segmental revenue	24,426	6,829	301	-	31,556
Realisations from investments held in Escrow	1,922	-	-	-	1,922
Net gain/(loss) on investments at FVTPL	50,549	12,990	(50,210)	(7,189)	6,140
Investment Adviser's base fee	(6,594)	(2,295)	(7,057)	(254)	(16,200)
Investment Adviser's capital incentive fee[1]	(14,530)	(1,111)	9,982	1,360	(4,299)
Total segmental operating profit/(loss)	55,773	16,413	(46,984)	(6,083)	19,119

For the year ended 28 February 2017

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Interest revenue	20,485	4,580	322	301	25,688
Total segmental revenue	20,485	4,580	322	301	25,688
Realisations from investments held in Escrow	5,942	-	-	-	5,942
Net gain/(loss) on investments at FVTPL	5,263	1,102	21,236	(783)	26,818
Write back of Impairments on loans and receivables	-	-	-	2,374	2,374
Investment Adviser's base fee	(6,250)	(2,423)	(6,418)	(607)	(15,698)
Investment Adviser's capital incentive fee[1]	(7,882)	264	(4,247)	(135)	(12,000)
Total segmental operating profit	17,558	3,523	10,893	1,150	33,124

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

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

The following table provides reconciliation between total segmental operating profit and operating profit.

	28.2.2018 US$ '000	28.2.2017 US$ '000
Total Segmental Operating Profit	19,119	33,124
(Loss)/gain on financial liabilities at fair value through profit or loss	(2,907)	2,510
Net foreign exchange (loss)/gains		4,728

	(6,457)	
Interest on treasury notes and corporate bonds	195	11
Interest on cash	128	41
Fees payable to investment adviser based on non-segmental assets	(726)	(1,571)
Expenses not attributable to segments	(3,085)	(2,550)
Net gain on listed investments	-	1,881
Operating Profit	6,267	38,174

The following table provides a reconciliation between total segmental revenue and Company revenue.

	28.2.2018	**28.2.2017**
	US$ '000	**US$ '000**
Total segmental revenue	31,556	25,688
Non-segmental revenue		
Interest on treasury gilts and corporate bonds	195	11
Bank and deposit interest	128	41
Total revenue	31,879	25,740

Segmental Net Assets

At 28 February 2018

	US Micro-Cap US$ '000	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
Segmental assets					
Investments at FVTPL	488,258	103,457	463,391	15,302	1,070,408
Other receivables	-	-	2,090	-	2,090
Total segmental assets	488,258	103,457	465,481	15,302	1,072,498
Segmental liabilities					
Payables and accrued expenses	(34,274)	493	(15,973)	4,777	(44,977)
Total segmental liabilities	(34,274)	493	(15,973)	4,777	(44,977)
Total segmental net assets	453,984	103,950	449,508	20,079	1,027,521

At 28 February 2017

	US Micro-Cap US$ '000	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
Segmental assets					
Investments at FVTPL	423,137	154,277	468,599	23,167	1,069,180
Other receivables	-	-	495	-	495
Total segmental assets	423,137	154,277	469,094	23,167	1,069,675

Segmental liabilities					
Payables and accrued expenses	(19,666)	1,646	(25,796)	3,398	(40,418)
Total segmental liabilities	(19,666)	1,646	(25,796)	3,398	(40,418)
Total segmental net assets	403,471	155,923	443,298	26,565	1,029,257

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

The following table provides a reconciliation between total segmental assets/liabilities and total assets/liabilities.

	28.2.2018 US$ '000	**28.2.2017 US$ '000**
Total Segmental Assets	1,072,498	1,069,675
Non Segmental Assets		
Cash at bank	9,000	29,063
Treasury bills	49,975	-
Securities sold receivable	24,987	-
Other receivables	68	25
Total Assets	1,156,528	1,098,763
Total Segmental Liabilities	(44,977)	(40,418)
Non Segmental Liabilities		
Zero Dividend Preference (2022) shares	(62,843)	(53,935)
Convertible Unsecured Loan Stock	(59,970)	(57,063)
Loans payable	(150,125)	(97,396)
Other payables	(1,040)	(1,107)
Total Liabilities	(318,955)	(249,919)
Total Net Assets	837,573	848,844

5. Fair Value of Financial Instruments

The Company classifies fair value measurements of its financial instruments at Fair Value Through Profit or Loss ("FVTPL") using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The financial assets valued at FVTPL are analysed in a fair value hierarchy based on the following levels:

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

Level 2
Those involving inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For example, investments which are valued based on quotes from brokers (intermediary market participants) are generally indicative of Level 2 when the quotes are executable and do not contain any waiver notices indicating that they are not necessarily tradable. Another example would be derivatives such as interest rate swaps or forward currency contracts where inputs are observable and therefore may also fall into Level 2. At the year end, the Company had assessed it held no assets or liabilities valued at FVTPL that were using inputs that would be classified as Level 2 within the valuation method.

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

Differentiating between Level 2 and Level 3 fair value measurements i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

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

Financial assets at 28 February 2018

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
US Micro-cap	-	-	488,258	488,258
European Micro-cap	-	-	103,457	103,457
Real Estate	-	-	463,391	463,391
Other Investments	-	-	15,302	15,302
Listed Investments	49,975	-	-	49,975
	49,975	-	1,070,408	1,120,383

Financial assets at 28 February 2017

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
US Micro-cap	-	-	423,137	423,137
European Micro-cap	-	-	154,277	154,277
Real Estate	-	-	468,599	468,599
Other Investments	-	-	23,167	23,167
	-	-	1,069,180	1,069,180

Financial liabilities designated at fair value through profit or loss at inception

Financial liabilities at 28 February 2018

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Convertible Subordinated Unsecured Loan Stock	59,970	-	-	59,970
	59,970	-	-	59,970

Financial liabilities at 28 February 2017

	Level 1 US$ '000	Level 2 US$ '000	Level 3 US$ '000	Total US$ '000
Convertible Subordinated Unsecured Loan Stock	57,063	-	-	57,063
	57,063	-	-	57,063

Transfers between levels

There were no transfers between the levels of hierarchy of financial assets and liabilities recognised at fair value within the year ended 28 February 2018 and the year ended 28 February 2017.

Valuation techniques

In valuing investments in accordance with IFRS, the Board follow the principles as detailed in the IPEVCA guidelines.

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

The fair value of bank debt which is derived from unobservable data is classified as Level 3. Investments for which there are no active markets are valued according to one of the following methods:

Real Estate

JZCP makes its Real Estate investments through a wholly-owned subsidiary, which in turn owns interests in various residential, commercial, and development real estate properties. The net asset value of the subsidiary is used for the measurement of fair value. The underlying fair value of JZCP's Real Estate holdings, however, is represented by the properties themselves. The Company's Investment Adviser and Board review the fair value methods and measurement of the underlying properties on a quarterly basis. Where available, the Company will use third party appraisals on the subject property, to assist the fair value measurement of the underlying property. Third-party appraisals are prepared in accordance with the Appraisal and Valuation Standards (6th edition) issued by the Royal Institution of Chartered Surveyors. Fair value techniques used in the underlying valuations are:

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

- Discounted Cash Flow ("DCF") analysis, using the relevant rental stream, less expenses, for future periods, discounted at a Market Capitalization ("MC") rate, or interest rate.

- Relevant rental stream less expenses divided by the market capitalization rate; this method approximates the enterprise value construct used for non-real estate assets.

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

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

Unquoted preferred shares, micro-cap loans, unquoted equities and equity related securities

Unquoted preferred shares, micro-cap loans, unquoted equities and equity related securities investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss. These investments are typically valued by reference to their enterprise value, which is generally calculated by applying an appropriate multiple to the last twelve months' earnings before interest, tax, depreciation and amortisation ("EBITDA"). In determining the multiple, the Board 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 Board, market participants would apply in a transaction in the investment in question.

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

Other Investments

Other investments at year end, comprise of mainly the Company's investment in the asset management business - Spruceview Capital Partners ("Spruceview"). Spruceview is valued at impaired cost, which the Board currently considers an appropriate measure of fair value. As there are no unobservable inputs in the valuation of Spruceview no sensitivity analysis is provided in the current year.

New Investments

The fair value of a new investment, classified at Level 3, is deemed to approximate to cost for the first year the investment is held, unless there is an event or evidence which indicates a requirement for an adjustment.

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

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 28 February 2018 and 28 February 2017 are shown below:

	Value 28.2.2018 US$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used [1]	Effect on Fair Value US$'000	
US micro-cap investments	488,258	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 12.6x (8.3x)	0.5x / -0.5x	(32,783)	33,044
			Discount to Average Multiple	15% - 35% (25%)	+5% / -5%	(43,208)	45,083

European micro-cap investments	103,457	EBITDA Multiple	Average EBITDA Multiple of Peers	5.5x - 12.6x (8.1x)	0.5x / -0.5x	(3,324)	3,324
			Discount to Average Multiple	13% - 45% (30%)	+5% / -5%	(2,833)	2,833
Real estate [2]	463,391	Comparable Sales	Market Value Per Square Foot	$314 - $3,106 per sq ft	-5% /+5%	(14,057)	12,708
		DCF Model/Income Approach	Discount Rate	5.5% - 7.5%	+25bps /-25bps	(1,729)	2,345
		Cap Rate/ Income Approach	Capitalisation Rate	3.25 - 5.5%	+25bps /-25bps	(9,527)	9,713

	Value 28.2.2017 US$'000	**Valuation Technique**	**Unobservable input**	**Range (weighted average)**	**Sensitivity used [1]**	**Effect on Fair Value US$'000**	
US micro-cap investments	423,137	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 18.7x (8.3x)	0.5x / -0.5x	(37,665)	36,186
			Discount to Average Multiple	10% - 35% (26%)	+5% / -5%	(50,801)	49,462
European micro-cap investments	154,277	EBITDA Multiple	Average EBITDA Multiple of Peers	6.2x - 11.3.6x (8.6x)	0.5x / -0.5x	(3,511)	3,511
			Discount to Average Multiple	6% - 41% (8%)	+5% / -5%	(4,512)	4,492
Real estate [2]	468,599	Comparable Sales	Market Value Per Square Foot	$286 - $3,106 per sq ft	-5% /+5%	(13,706)	14,786
		DCF Model/Income Approach	Discount Rate	6.25% - 6.75%	+25bps /-25bps	(1,228)	1,515
		Cap Rate/ Income Approach	Capitalisation Rate	4% - 5%	+25bps /-25bps	(8,357)	9,349

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

2 The Fair Value of JZCP's investment in financial interests in Real Estate, is measured as JZCP's percentage interest in the value of the underlying properties. The Board consider the discount rate used, applied to the DCF, when valuing the properties as the most significant unobservable input affecting the measurement of fair value.

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

Year ended 28 February 2018	**US Micro-Cap US$ '000**	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
At 1 March 2017	423,137	154,277	468,599	23,167	1,069,180
Investments in year including capital calls	36,592	15,220	47,227	4,000	103,039
Payment In Kind ("PIK")	22,287	43	-	69	22,399

Proceeds from investments realised	(44,911)	(86,777)	(2,225)	(4,745)	(138,658)
Net gains/(losses) on investments	50,549	12,990	(50,210)	(7,189)	6,140
Movement in accrued interest	604	7,704	-	-	8,308
At 28 February 2018	488,258	103,457	463,391	15,302	1,070,408

Year ended 28 February 2017	**US Micro-Cap US$ '000**	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
At 1 March 2016	386,173	168,797	366,158	63,570	984,698
Investments in year including capital calls	62,778	2,739	89,506	4,500	159,523
Payment In Kind ("PIK")	17,793	-	-	118	17,911
Proceeds from investments realised	(46,996)	(21,906)	(8,301)	(45,484)	(122,687)
Net gains/(losses) on investments	5,263	1,102	21,236	(784)	26,817
Transfer (from)/to segment	(1,245)	-	-	1,245	-
Movement in accrued interest	(629)	3,545	-	2	2,918
At 28 February 2017	423,137	154,277	468,599	23,167	1,069,180

Fair value of Zero Dividend Preference ("ZDP") shares

The fair value of the ZDP shares is deemed to be their quoted market price. As at 28 February 2018 the ask price for the ZDP (2022) shares was £4.38 (28 February 2017: £4.22) the total fair value of the ZDP shares was $71,863,000 (28 February 2017: $62,532,000) which is $9,020,000 (28 February 2017: $8,597,000) higher than the liability recorded in the Statement of Financial Position.

ZDP shares are recorded at amortised cost and would fall in to the Level 1 hierarchy if valued at FVTPL.

6. Net Gain on Investments at Fair Value Through Profit or Loss

	Year Ended 28.2.2018 US$ '000	**Year Ended 28.2.2017 US$ '000**
(Loss)/gain on investments held in investment portfolio at year end		
Net movement in unrealised gains in year	(48,554)	16,069
Net unrealised gains in prior years now realised	45,718	11,908
Net movement in unrealised gains on investments held at the year end	(2,836)	27,977
Gains on investments realised in year		
Proceeds from investments realised	163,580	183,210
Cost of investments realised	(108,886)	(170,580)
Net realised gains	54,694	12,630
Net unrealised gains in prior years now realised	(45,718)	(11,908)
Total gains in the year on investments realised	8,976	722
Net gain on investments in the year	6,140	28,699

7. Write Back of Impairments on Loans and Receivables

	Year Ended 28.2.2018 US$ '000	**Year Ended 28.2.2017 US$ '000**

Proceeds from loans repaid	-	3,114
Cost of loans repaid	-	(2,976)
Write back of impairments recognised in earlier years	-	2,236
Write back of impairments on loans and receivables	-	2,374

8. **Investment Income**

	Year Ended 28.2.2018 US$ '000	Year Ended 28.2.2017 US$ '000
Income from investments classified as FVTPL	31,751	25,599
Income from investments classified as loans and receivables	-	100
	31,751	25,699

Income for the year ended 28 February 2018

	Preferred Dividends US$ '000	Loan note PIK US$ '000	Loan note Cash US$ '000	Other Interest US$ '000	Total US$ '000
US micro-cap portfolio	22,686	328	1,412	-	24,426
European micro-cap portfolio	-	5,950	879	-	6,829
Real estate	-	-	-	301	301
Treasury Bills	-	-	-	195	195
	22,686	6,278	2,291	496	31,751

Income for the year ended 28 February 2017

	Preferred Dividends US$ '000	Loan note PIK US$ '000	Loan note Cash US$ '000	Other Interest US$ '000	Total US$ '000
US micro-cap portfolio	16,464	940	2,993	88	20,485
European micro-cap portfolio	-	3,841	739	-	4,580
Real estate	-	-	-	322	322
Other investments	120	-	181	-	301
Corporate bonds	-	-	11	-	11
	16,584	4,781	3,924	410	25,699

9. **Finance Costs**

	Year Ended 28.2.2018 US$ '000	Year Ended 28.2.2017 US$ '000
CULS finance costs paid (Note 15)	3,022	3,190
ZDP (2022) shares (Note 16)	2,996	2,853
Loan interest (Note 17)	11,551	7,545
ZDP (2016) shares (Note 16)	-	1,180
Margin loan interest	-	70
Refund of issue costs	-	(74)
	17,569	14,764

10. **Expenses**

	Year Ended 28.2.2018 US$ '000	Year Ended 28.2.2017 US$ '000
Investment Adviser's base fee	16,912	16,865
Investment Adviser's incentive fee	4,313	12,404
Directors' remuneration	415	415
	21,640	*29,684*
Administrative expenses:		
Legal fees	1,216	584
Other professional fees	352	349
Accounting, secretarial and administration fees	350	350
Auditors' remuneration	281	322
Auditors' remuneration - non-audit fees	127	111
Custodian fees	48	43
Other expenses	296	376
	2,670	*2,135*
Total expenses	24,310	31,819

Administration Fees

Northern Trust International Fund Administration Services (Guernsey) Limited was appointed as Administrator to the Company on 1 September 2012. The Administrator is entitled to an annual fee of $350,000 (28 February 2017: $350,000) payable quarterly in arrears. Fees payable to the Administrator are subject to an annual fee review.

Directors' remuneration

For the years ended 28 February 2018 and 28 February 2017, the Chairman was entitled to a fee of $160,000 per annum and the Chairman of the Audit Committee was entitled to a fee of US$70,000 per annum, all other directors are entitled to a fee of US$60,000 with one director receiving an additional $5,000 for extra responsibilities. For the year ended 28 February 2018 total Directors' fees included in the Statement of Comprehensive Income were $415,000 (year ended 28 February 2017: US$415,000), of this amount $69,000 was outstanding at the year end (28 February 2017: $68,000).

Investment Advisory and Performance fees

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

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

For the year ended 28 February 2018, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of $16,912,000 (year ended 28 February 2017: $16,865,000). Of this amount $2,225,000 (28 February 2017: $2,026,000) was due and payable at the year end.

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

For the years ended 28 February 2018 and 28 February 2017 there was no income incentive fee.

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

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

At 28 February 2018, JZCP had cumulative net realised capital gains of $4,981,000 (28 February 2017: cumulative net realised losses of $9,572,000). Therefore, at 28 February 2018 a capital gains incentive fee ("CGIF") of $996,000 (28 February 2017: $nil) was payable to the Investment Adviser. Cumulative net realised capital losses are offset against the unrealised provision for capital gains until a net realised gain provision arises.

The Company also provides for a CGIF based on unrealised gains, calculated on the same basis as that of the fee on realised gains/losses. For the year ended 28 February 2018 a provision of $40,610,000 (2017: $37,293,000) has been included.

	Provision At 28.2.2018 US$ '000	Provision At 28.2.2017 US$ '000	Paid In Year 28.2.2018 US$ '000	Charge to Income Statement 28.2.2018 US$ '000
Provision for CGIF on unrealised investments	40,610	37,293	n/a	3,317
CGIF on realised investments	996	-	-	996
	41,606	37,293	-	4,313

	Provision At 28.2.2017 US$ '000	Provision At 28.2.2016 US$ '000	Paid In Year 28.2.2017 US$ '000	Charge to Income Statement 28.2.2017 US$ '000
Provision for CGIF on unrealised investments	37,293	24,889	n/a	12,404
CGIF on realised investments	-	-	-	-
	37,293	24,889	-	12,404

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

Custodian Fees

HSBC Bank (USA) N.A, (the "Custodian") was appointed on 12 May 2008 under a custodian agreement. The Custodian is entitled to receive an annual fee of $2,000 and a transaction fee of $50 per transaction. For the year ended 28 February 2018, total Custodian expenses of $48,000 (28 February 2017: $43,000) were included in the Statement of Comprehensive Income of which $10,000 (28 February 2017: $8,000) was outstanding at the year end and is included within Other Payables.

Auditors' Remuneration

During the year ended 28 February 2018, the Company incurred fees for audit services of $281,000 (28 February 2017:$322,000). Fees are also payable to Ernst & Young for non-audit services (reporting accountant services, interim review and taxation services in relation to the Company's status as a Passive Foreign Investment Company).

Audit fees	**28.2.2018 US$ '000**	**28.2.2017 US$ '000**
Audit fees - 2018: £218,000	298	-
Audit fees - 2017: £211,500 (2016: £163,000)	(17)	262
2016 - Additional fees charged not accrued at 29.2.2016 (£40,000)	-	60
Total audit fees	281	322
Non-audit fees paid to Ernst & Young	**US$ '000**	**US$ '000**
Interim Review - Invoiced in sterling 2018: £41,000 (2017: £40,000)	55	51

Taxation services - 2017	65	-
Taxation services - 2016	7	60
Total non-audit fees	127	111

11. **Taxation**

The Company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended) in exchange for a £1,200 annual fee.

During the year, taxes of $202,000 were withheld from the proceeds of a distribution from Company's investment in Avante. An amount of $233,000 was returned to Company in relation to an amount provided for in a prior year. During the year ended 28 February 2017, taxes of $713,000 were withheld from the proceeds from the refinancing of the Company's investment in Triwater Holdings.

12. **Investments**

Category of financial instruments	**Listed 28.2.2018 US$ '000**	**Unlisted 28.2.2018 US$ '000**	**Carrying Value 28.2.2018 US$ '000**
Investments at fair value through profit or loss	49,975	1,070,408	1,120,383
	49,975	1,070,408	1,120,383

	Listed 28.2.2018 US$ '000	**Unlisted 28.2.2018 US$ '000**	**Total 28.2.2018 US$ '000**
Book cost at 1 March 2017	-	897,856	897,856
Investments in year including capital calls	74,767	103,039	177,806
Payment in kind ("PIK")	-	22,399	22,399
Proceeds from investments realised	(24,922)	(138,658)	(163,580)
Net realised gain	-	54,694	54,694
Book cost at 28 February 2018	49,845	939,330	989,175
Unrealised gain at 28 February 2018	-	108,914	108,914
Accrued interest at 28 February 2018	130	22,164	22,294
Carrying value at 28 February 2018	49,975	1,070,408	1,120,383

Comparative reconciliation for the year ended 28 February 2017

Category of financial instruments	**Listed 28.2.2017 US$ '000**	**Unlisted 28.2.2017 US$ '000**	**Carrying Value 28.2.2017 US$ '000**
Investments at fair value through profit or loss	-	1,069,180	1,069,180
	-	1,069,180	1,069,180

	Listed 28.2.2017 US$ '000	**Unlisted 28.2.2017 US$ '000**	**Total 28.2.2017 US$ '000**
Book cost at 1 March 2016	61,971	832,007	893,978
Investments in year including capital calls	-	159,523	159,523
Payment in kind ("PIK")	-	17,911	17,911

Proceeds from investments realised	(60,523)	(125,801)	(186,324)
Net realised (loss)/gain	(1,448)	14,216	12,768
Book cost at 28 February 2017	-	897,856	897,856
Unrealised gain at 28 February 2017	-	157,468	157,468
Accrued interest at 28 February 2017	-	13,856	13,856
Carrying value at 28 February 2017	-	1,069,180	1,069,180

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

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

Investment in Associates

An associate is an entity over which the Company has significant influence. An entity is regarded as a subsidiary only if the Company has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Company's activities. The Company has elected for an exemption for 'equity accounting' for associates and instead classifies its associates as Investments at fair value through profit or loss.

.Entity	Place of incorporation	% Interest	28.2.2018 US$'000	28.2.2017 US$'000
JZI Fund III GP, L.P. (has 18.75% partnership interest in JZI Fund III, L.P.)	Cayman	75%	42,291	26,779
Orangewood Partners Platform LLC[1]	Delaware	79%	53,281	56,731
Spruceview Capital Partners, LLC	Delaware	49%	14,093	16,093
EuroMicrocap Fund-C, L.P. ("EMC-C")	Cayman	75%	3,784	61,482
EuroMicrocap Fund 2010, L.P. ("EMC 2010")	Cayman	75%	33	21,433
Investments in associates at fair value			113,482	182,518

[1]Invests in K2 Towers II, George Industries, Peaceable Street Capital and ABTB.

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

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

Entity	**28.2.2018 US$'000**	**28.2.2017 US$'000**
JZI Fund III GP, L.P.	99,489	83,189
Orangewood Partners Platform LLC[1]	53,281	56,731
Spruceview Capital Partners, LLC	19,083	24,929
EuroMicrocap Fund-C, L.P. ("EMC-C")[2]	3,784	61,482
EuroMicrocap Fund 2010, L.P. ("EMC 2010")[2]	33	21,433
	175,670	247,764

[1]Invests in K2 Towers II, George Industries, Peaceable Street Capital and ABTB.

[2]Reduction in carrying value due to the realisation of underlying investments and subsequent distribution of proceeds.

Investment in Subsidiaries

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

Entity	Place of incorporation	% Interest	28.2.2018 US$'000	28.2.2017 US$'000
JZCP Realty Fund Ltd	Cayman	100%	463,391	468,599
JZBC, Inc. (Invests in Spruceview Capital Partners, LLC)	Delaware	99%	14,093	16,093
JZCP Bright Spruce Ltd (Liquidated during year)	Cayman	100%	-	4,500
Investments in subsidiaries at fair value			477,484	489,192

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

JZ Realty Ltd has a 100% interest in the following Delaware incorporated entities: JZCP Loan 1 Corp, JZCP Loan Fulton Corp, JZCP Loan Flatbush Corp, JZCP Loan Flatbush Portfolio Corp, JZCP Loan Metropolitan Corp, JZCP Loan Greenpoint Corp, JZCP Loan Florida Corp, JZCP Loan Design Corp and JZCP Loan Esperante Corp.

JZ Realty Ltd has a 99% interest in the following Delaware incorporated entities: JZ REIT Fund 1, LLC, JZCP Loan Fulton Corp, JZ REIT Fund Fulton, LLC, JZ REIT Fund Flatbush, LLC, JZ REIT Fund Flatbush Portfolio, LLC, JZ REIT Fund Metropolitan, LLC, JZ REIT Fund Greenpoint, LLC, JZ REIT Fund Florida LLC, JZ REIT Fund Design LLC and JZ REIT Fund Esperante LLC.

13. **Securities sold receivable**

	28.2.2018 US$ '000	28.2.2017 US$ '000
US Treasury Bills 15.3.2018	24,987	-
	24,987	-

Proceeds from the sale of US Treasury Bills were received by JZCP on 1 March 2018.

14. **Other Receivables**

	28.2.2018 US$ '000	28.2.2017 US$ '000
Deposits paid on behalf of JZCP Realty	1,595	-
Accrued interest due from JZCP Realty	495	495
Other receivables and prepayments	68	25
	2,158	520

15. **Convertible Subordinated Unsecured Loan Stock ("CULS")**

On 30 July 2014, JZCP issued £38,861,140 6% CULS. Holders of CULS may convert the whole or part (being an integral multiple of £10 in nominal amount) of their CULS into Ordinary Shares. Conversion Rights may be exercised at any time during the period from 30 September 2014 to 10 business days prior to the Maturity date being the 30 July 2021. The initial conversion price is £6.0373 per Ordinary Share, which shall be subject to adjustment to deal with certain events which would otherwise dilute the conversion of the CULS. These events include consolidation of Ordinary Shares, dividend payments made by the Company, issues of shares, rights, share-related securities and other securities by the Company and other events as detailed in the Prospectus.

CULS bear interest on their nominal amount at the rate of 6.00 per cent. per annum, payable semi-annually in arrears. During the year ended 28 February 2018: $3,022,000 (28 February 2017: $3,190,000) of interest was paid to holders of CULS and is shown as a finance cost in the Statement of Comprehensive Income.

	28.2.2018 US$ '000	28.2.2017 US$ '000
Fair Value of CULS at 1 March	57,063	59,573
Unrealised movement in fair value of CULS	(2,901)	4,332
Unrealised currency loss/(gain) to the Company on translation during the year	5,808	(6,842)
Loss/(gain) on financial liabilities at fair value through profit or Loss	*2,907*	*(2,510)*

Fair Value of CULS based on offer price	59,970	57,063

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

On 1 October 2015, the Company rolled over 11,907,720 existing ZDP (2016) shares in to new ZDP shares with a 2022 maturity date. The ZDP (2022) shares have a gross redemption yield of 4.75% and a total redemption value of £57,598,000 (approximately $87,246,000 using the exchange rate on date of rollover). The remaining 8,799,421 ZDP (2016) shares were redeemed on 22 June 2016 the total redemption value being £32,870,000.

ZDP shares are designed to provide a pre-determined final capital entitlement which ranks behind the Company's creditors but in priority to the capital entitlements of the Ordinary shares. The ZDP shares carry no entitlement to income and the whole of their return will therefore take the form of capital. In certain circumstances, ZDP shares carry the right to vote at general meetings of the Company as detailed in the Company's Memorandum of Articles and Incorporation. Issue costs are deducted from the cost of the liability and allocated to the Statement of Comprehensive Income over the life of the ZDP shares.

ZDP (2022) Shares	**28.2.2018** **US$ '000**	**28.2.2017** **US$ '000**
Amortised cost at 1 March	53,935	57,400
Finance costs allocated to Statement of Comprehensive Income	2,996	2,853
Unrealised currency loss/(gain) gain to the Company on translation during the year	5,912	(6,318)
Amortised cost at year end	62,843	53,935
Total number of ZDP (2022) shares in issue	11,907,720	11,907,720

ZDP (2016) Shares	**28.2.2018** **US$ '000**	**28.2.2017** **US$ '000**
ZDP shares issued 22 June 2009		
Amortised cost at 1 March	-	44,217
Finance costs allocated to Statement of Comprehensive Income	-	1,180
Redeemed 22 June 2016	-	(47,863)
Unrealised currency loss to the Company on translation during the year	-	2,466
Amortised cost at year end	-	-

17. **Loans Payable**

	28.2.2018 **US$ '000**	**28.2.2017** **US$ '000**
Guggenheim Partners Limited	150,125	97,396
	150,125	97,396

Guggenheim Partners Limited

On 12 June 2015, JZCP entered into a loan agreement with Guggenheim Partners Limited. The agreement was structured so that part of the proceeds (€18 million) were received and will be repaid in Euros and the remainder of the facility were received in US dollars ($80 million). During April 2017, JZCP increased its credit facility with Guggenheim Partners by $50 million.

The loan matures on 12 June 2021 (6 year term) and interest is payable at 5.75% + LIBOR[(1)]. There is an interest rate floor that stipulates LIBOR will not be lower than 1%. In this agreement, the presence of the floor does not significantly alter the amortised cost of the instrument, therefore separation is not required and the loan is valued at amortised cost using the effective interest rate method.

At 28 February 2018, investments valued at $978,090,000 (28 February 2017: $918,140,000) were held as collateral on the loan. A covenant on the loan states the fair value of the collateral must be 4x the loan value and the cost of collateral must be at least 57.5% of total assets. The Company is also required to hold a minimum cash balance of $15 million2 plus 50% of interest on any new debt. At 28 February 2018 and throughout the year, the Company was in full compliance with covenant terms.

There was an early repayment charge of 1% of the total loan, which expired on 12 June 2017.

	28.2.2018	**28.2.2017**

	US$ '000	US$ '000
Amortised cost (Dollar drawdown) - 1 March	78,572	77,916
Amortised cost (Euro drawdown) - 1 March	18,824	19,095
Proceeds - April 2017 (Dollar drawdown)	50,000	-
Issue costs	(1,840)	-
Finance costs charged to Statement of Comprehensive Income	11,551	7,545
Interest and finance costs paid	(9,750)	(6,723)
Unrealised currency loss/(gain) on translation of Euro drawdown	2,768	(437)
Amortised cost at year end	150,125	97,396
Amortised cost (Dollar drawdown)	128,407	78,572
Amortised cost (Euro drawdown)	21,718	18,824
	150,125	97,396

The carrying value of the loans approximates to fair value.

(1) LIBOR rates applied are the US dollar 3 month rate ($80 million) and the Euro 3 month rate (€18 million).
(2) Treasury bills held and securities sold receivable at the year end total value $75.0 million, are classified as cash for covenant purposes.

18. Other Payables

	28.2.2018 US$ '000	28.2.2017 US$ '000
Provision for tax on dividends received not withheld at source	1,401	1,401
Legal fee provision	250	250
Audit fees	223	224
Directors' remuneration	69	68
Other expenses	243	263
	2,186	2,206

19. Stated Capital

Authorised Capital

Unlimited number of ordinary shares of no par value.

Ordinary shares - Issued Capital

	28.2.2018 Number of shares	28.2.2017 Number of shares
Total Ordinary shares in issue	83,907,516	83,907,516

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

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

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

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

Capital raised on issue of new shares
Subsequent amounts raised by the issue of new shares, net of issue costs, are credited to the stated capital account. For the years ended 28 February 2018 and 2017 there was no movement on the Stated capital account, the balance remained at $265,685,000.

20. **Capital Management**
The Company's capital is represented by the Ordinary shares, ZDP shares and CULS.

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

The Company's objectives for managing capital are:

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

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

The Company has adopted a new strategy enabling purchases by the Company of its Ordinary Shares to be undertaken when opportunities in the market permit, and as the Company’s cash resources allow.

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

21. **Reserves**

Capital raised on formation of Company
The Royal Court of Guernsey granted that on the admission of the Company's shares to the Official List and to trading on the London Stock Exchange's market, the amount credited to the share premium account of the Company immediately following the admission of such shares be cancelled and any surplus thereby created accrue to the Company's distributable reserves to be used for all purposes permitted by The Companies (Guernsey) Law, 2008, including the purchase of shares and the payment of dividends.

Summary of reserves attributable to Ordinary shareholders

	28.2.2018 US$ '000	**28.2.2017 US$ '000**
Stated capital account	265,685	265,685
Other reserve	353,528	353,528
Capital reserve	150,687	173,871
Revenue reserve	67,673	55,760
	837,573	848,844

Other reserve
There was no movement in the Company's Other reserve for the years ended 28 February 2018 and 28 February 2017.

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

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

	Realised 28.2.2018 US$ '000	**Unrealised 28.2.2018 US$ '000**	**Total 28.2.2018 US$ '000**
At 1 March 2017	28,034	145,837	173,871
Net gain/(loss) on investments	54,694	(48,554)	6,140
Net gain/(loss) on foreign currency exchange	89	(6,546)	(6,457)
Realised gains on investments held in escrow accounts	1,922	-	1,922

Expenses charged to capital	(996)	(3,317)	(4,313)
Net loss on CULS	-	(2,907)	(2,907)
Finance costs	(12,966)	(4,603)	(17,569)
At 28 February 2018	70,777	79,910	150,687

	Realised 28.2.2017 US$ '000	Unrealised 28.2.2017 US$ '000	Total 28.2.2017 US$ '000
At 1 March 2016	59,560	97,226	156,786
Net gains on investments	12,768	18,305	31,073
Net (loss)/gain on foreign currency exchange	(4,603)	9,331	4,728
Realised gains on investments held in escrow accounts	5,942	-	5,942
Expenses charged to capital	-	(12,404)	(12,404)
Net gain on CULS	-	2,510	2,510
Finance costs	(11,089)	(3,675)	(14,764)
Prior year ZDP (2016) finance costs and currency gains now realised	(34,544)	34,544	-
At 28 February 2017	28,034	145,837	173,871

Revenue reserve

	28.2.2018 US$ '000	28.2.2017 US$ '000
At 1 March	55,760	75,740
Profit for the year attributable to revenue	11,913	5,612
Dividend paid	-	(25,592)
At year end	67,673	55,760

22. **Financial Risk Management Objectives and Policies**

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

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

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

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

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

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

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

Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equity investments as a result of changes in the value of individual shares. The equity price risk exposure arose from the Company's investments in equity securities.

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

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

Interest rate risk

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

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

	Interest bearing		**Non interest**	
	Fixed rate	**Floating rate**	**bearing**	**Total**
	28.2.2018	**28.2.2018**	**28.2.2018**	**28.2.2018**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
Investments at FVTPL	303,538	-	816,845	1,120,383
Cash and cash equivalents	-	9,000	-	9,000
Securities sold receivable		-	24,987	24,987
Other receivables and prepayments	-	-	2,158	2,158
Loans payable	-	(150,125)	-	(150,125)
ZDP shares (2022)	(62,843)	-	-	(62,843)
CULS	(59,970)	-	-	(59,970)
Other payables	-	-	(46,017)	(46,017)
	180,725	(141,125)	797,973	837,573

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

	Interest bearing		**Non interest**	
	Fixed rate	**Floating rate**	**bearing**	**Total**
	28.2.2017	**28.2.2017**	**28.2.2017**	**28.2.2017**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
Investments at FVTPL	233,831	-	835,349	1,069,180
Other receivables and prepayments	-	-	520	520
Cash and cash equivalents	-	29,063	-	29,063
Loans payable	-	(97,396)	-	(97,396)
ZDP shares (2022)	(53,935)	-	-	(53,935)
CULS	(57,063)	-	-	(57,063)
Other payables	-	-	(41,525)	(41,525)
Total net assets	122,833	(68,333)	794,344	848,844

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

As at 28 February 2018

	0-3 months US$ '000	4-12 months US$ '000	1 - <3 years US$ '000	3 - <5 years US$ '000	5 years US$ '000	No maturity date US$ '000	Total US$ '000
Investments at FVTPL	-	8,053	67,373	3,889	-	224,223	303,538
Cash and cash equivalents	-	-	-	-	-	9,000	9,000
Loans payable	-	-	-	(150,125)	-	-	(150,125)
ZDP shares (2022)	-	-	-	(62,843)	-	-	(62,843)
CULS	-	-	-	(59,970)	-	-	(59,970)
	-	8,053	67,373	(269,049)	-	233,223	39,600

As at 28 February 2017

	0-3 months US$ '000	4-12 months US$ '000	1 - <3 years US$ '000	3 - <5 years US$ '000	5 years US$ '000	No maturity date US$ '000	Total US$ '000
Investments at FVTPL	18,249	-	40,809	9,734	-	165,039	233,831
Cash and cash equivalents	-	-	-	-	-	29,063	29,063
Loans payable	-	-	-	(97,396)	-	-	(97,396)
ZDP shares (2022)	-	-	-	-	(53,935)	-	(53,935)
CULS	-	-	-	(57,063)	-	-	(57,063)
	18,249	-	40,809	(144,725)	(53,935)	194,102	54,500

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

The Company values the CULS issued at fair value, being the quoted offer price. As the stock has a fixed interest rate of 6% an increase/decrease of prevailing interest rates will potentially have an effect on the demand for the CULS and the subsequent fair value. Other factors such as the Company's ordinary share price and credit rating will also determine the quoted offer price. The overall risk to the Company due to the impact of interest rate changes to the CULS' fair value is deemed immaterial. Therefore no sensitivity analysis is presented.

Of the cash and cash equivalents held, $9,000,000 (28 February 2017: $29,063,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates.

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

The table below demonstrates the sensitivity of the Company's profit/(loss) for the year to a reasonably possible change in interest rates. The Company has cash at bank and loans payable for which interest receivable and payable are sensitive to a fluctuation to rates. The below sensitivity analysis assumes year end balances and interest rates are constant through the year.

	Interest Receivable		Interest Payable	
Change in basis points increase/decrease	**28.2.2018 US$ '000**	**28.2.2017 US$ '000**	**28.2.2018 US$ '000**	**28.2.2017 US$ '000**
+100/-100	90/(41)	291/(58)	(1,300)/403	(800)/nil
+300/-300	270/(41)	872/(58)	(4,324)/403	(2,713)/nil

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

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

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

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

	Euro 28.2.2018 US$ '000	**Sterling 28.2.2018 US$ '000**	**Total 28.2.2018 US$ '000**	**Euro 28.2.2017 US$ '000**	**Sterling 28.2.2017 US$ '000**	**Total 28.2.2017 US$ '000**
Cash at Bank	2,798	-	2,798	4,803	705	5,508
Other Receivables	-	11	11	-	25	25
Liabilities						
CULS	-	(59,970)	(59,970)	-	(57,063)	(57,063)
ZDP (2022) shares	-	(62,843)	(62,843)	-	(53,935)	(53,935)
Loans payable	(21,718)	-	(21,718)	(18,824)	-	(18,824)
Other payables	-	(316)	(316)	-	(311)	(311)
Net Currency Exposure	(18,920)	(123,118)	(142,038)	(14,021)	(110,579)	(124,600)

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

Currency	**Change in Currency Rate**	**Effect on net assets attributable to shareholders (relates to monetary financial assets and liabilities)**	
		28.2.2018 US$ '000	**28.2.2017 US$ '000**
Euro	+10%	(1,892)	(1,402)
GBP	+10%	(12,312)	(11,058)

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

	Euro 28.2.2018 US$ '000	**Sterling 28.2.2018 US$ '000**	**Total 28.2.2018 US$ '000**	**Euro 28.2.2017 US$ '000**	**Sterling 28.2.2017 US$ '000**	**Total 28.2.2017 US$ '000**
Financial assets at FVTPL	98,381	5,826	104,207	150,742	4,285	155,027
Net Currency Exposure	98,381	5,826	104,207	150,742	4,285	155,027

Currency	**Change in Currency Rate**	**Effect on net assets attributable to shareholders (relates to non-monetary financial assets)**	
		28.2.2018 US$ '000	**28.2.2017 US$ '000**
Euro	+10%	9,838	15,074
GBP	+10%	583	429

Credit risk
The Company takes on exposures to credit risk, which is the risk that a counterparty to a financial instrument will cause a financial

loss to the Company by failing to discharge an obligation. These credit exposures exist within debt instruments and cash & cash equivalents.

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

In the event of any default on the Company's loan investments by a counterparty, the Company will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on the Company's income and ability to meet financial obligations.

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

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

	Total 28.2.2018 US$ '000	**Total 28.2.2017 US$ '000**
US micro-cap debt	21,966	24,209
European micro-cap debt	57,349	44,583
US Treasury Bills	49,975	-
Securities sold receivable	24,987	-
Cash and cash equivalents	9,000	29,063
	163,277	97,855

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 there is a credit risk to the Company, as there is no return until the loan plus all the interest, is repaid in full. During the year ended 28 February 2018, the Company recognised PIK interest of $6,278,000 (28 February 2017: $4,781,000) from debt investments as income in the Statement of Comprehensive Income in line with the Company's policy of recognising interest in proportion to the carrying value versus cost.

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

	28.2.2018 US$ '000	**28.2.2017 US$ '000**
Private Security	34%	29%
Financial General	28%	27%
House, Leisure & Personal Goods	13%	10%
Logistics	10%	9%
Telecom	5%	4%
Document Processing	5%	4%
Healthcare Services & Equipment	5%	6%
Support Services	0%	11%
	100%	100%

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

Credit ratings

	Standard & Poor's Outlook	**LT Issuer Default Rating**	**28.2.2018 US$ '000**	**28.2.2017 US$ '000**
HSBC Bank USA NA	Stable (2017: Negative)	Fitch- AA- (2017: AA-)	5,340	25,620
Raymond James	Positive (2017: Positive)	S&P - BBB (2017: Baa2)	3,277	3,267
Northern Trust (Guernsey) Limited	Stable (2017: Stable)	S&P - AA (2017: AA)	383	176

	9,000	29,063

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

The Company's CULS are valued at fair value being the listed offer price at the year end. Movement in the fair value due to changes in the offer price are considered the result of increased demand due to the underlying price of the Company's Ordinary shares and underlying interest rates, rather than changes in the Company's credit risk.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. There has been no change during the year in the Company's processes and arrangements for managing liquidity.

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. None of the Company's assets/liabilities are subject to special arrangement due to their illiquid nature.

The Company has capital requirements to repay CULS and a debt facility in 2021 and ZDP shareholders in 2022. At the year end the Company has outstanding investment commitments of $73,693,000 (2017: $76,751,000) see Note 23.

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

The table below analyses JZCP's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. Amounts attributed to CULS and ZDP share include future contractual interest payments. The provision for the payment of a capital gains incentive fee is shown as 'no stated maturity', as payment depends on future realisations.

At 28 February 2018	**Less than 1 year US$ '000**	**>1 year - 3 years US$ '000**	**>3 years - 5 years US$ '000**	**>5 years US$ '000**	**No stated maturity US$ '000**
CULS	3,213	6,425	54,883	-	-
ZDP (2022) shares	-	-	79,361	-	-
Loans payable	10,660	21,320	154,962	-	-
Other payables	5,407	-	-	-	40,610
	19,280	27,745	289,206	-	40,610

At 28 February 2017	**Less than 1 year US$ '000**	**>1 year - 3 years US$ '000**	**>3 years - 5 years US$ '000**	**>5 years US$ '000**	**No stated maturity US$ '000**
CULS	2,902	5,803	52,469	-	-
ZDP (2022) shares	-	-	-	71,675	-
Loans payable	6,691	13,382	107,706	-	-
Other payables	4,232	-	-	-	37,293
	13,825	19,185	160,175	71,675	37,293

23. **Commitments**

At 28 February 2018 and 28 February 2017, JZCP had the following financial commitments outstanding in relation to fund investments:

	Expected date of Call	**28.2.2018 US$ '000**	**28.2.2017 US$ '000**

JZI Fund III GP, L.P. (€46,897,000 outstanding at year end)	Over 3 years	57,198	56,410
Spruceview Capital Partners, LLC	Over 2 years	4,990	8,836
Orizon	< 1 year	4,158	4,158
Suzo Happ Group	> 3 years	4,491	4,491
BSM Engenharia S.A.	> 3 years	2,085	2,085
Igloo Products Corp	> 3 years	771	771
		73,693	76,751

24. **Related Party Transactions**

JZCP invests in European micro-cap companies via JZI Fund III, L.P. ("Fund III"), previously investments were made via the EuroMicrocap Fund 2010, L.P. ("EMC 2010") and EuroMicrocap Fund-C, L.P. ("EMCC"). Fund III, EMC 2010 and EMC-C are managed by an affiliate of JZAI, JZCP's investment manager. JZAI was founded by David Zalaznick and John ("Jay") Jordan. At 28 February 2018, JZCP's investments in Fund III were valued at $42,291,000 (28 February 2017: $26,779,000). EMC 2010 were valued at $33,000 (28 February 2017: $21,433,000) and EMCC at $3,784,000 (28 February 2017: $61,482,000).

JZCP has invested in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed by JZCP to this investment at 28 February 2018, was $30,000,000 with $4,990,000 (28 February 2017: $8,836,000) of commitments outstanding.

JZCP has co-invested with Fund A, Fund A Parallel I, II and III Limited Partnerships in a number of US micro-cap buyouts. These Limited Partnerships are managed by an affiliate of JZAI. JZCP invested in a ratio of 82%/18% with the Fund A entities. At 28 February 2018, the total value of JZCP's investment in these co-investments was $354,617,000 (28 February 2017: $326,290,000). Fund A, Fund A Parallel I, II and III Limited Partnerships are no longer making platform investments alongside JZCP.

JZAI is a US based company that provides advisory services to the Board of Directors of the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 10. JZAI and various affiliates provide services to certain JZCP portfolio companies and may receive fees for providing these services pursuant to the Advisory Agreement.

JZCP is able to invest up to $75 million in "New JI Platform Companies". The platform companies are being established to invest primarily in buyouts and build-ups of companies and in growth company platforms in the US micro-cap market, primarily healthcare equipment companies. At 28 February 2018, JZCP had invested $36.0 million (28 February 2017: $31.5 million) and during the year received a partial redemption of $7.6 million in Avante (formerly named Jordan Health Products). JZCP co-invests 50/50 in the platform companies with other investors ("JI members"). David Zalaznick and an affiliated entity of Jay Jordan own approximately 33.7% of the JI member's ownership interests.

25. **Basic and Diluted Earnings/Loss) Per Share**

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

For the years ended 28 February 2018 and 28 February 2017, the weighted average number of Ordinary shares outstanding during the year was 83,907,516.

The diluted earnings/(loss) per share are calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary shares. The weighted average of the number of Ordinary shares is adjusted assuming the conversion of the CULS ("If-converted method"). Conversion is assumed even though at 28 February 2018 and 28 February 2017 the exercise price of the CULS is higher than the market price of the Company's Ordinary shares and are therefore deemed 'out of the money'. Earnings are adjusted to remove the fair value (loss)/gain of $(2,907,000) (28 February 2017: $2,510,000) and finance cost attributable to CULS of $3,022,000 (28 February 2017: $3,190,000). For the year ended 28 February 2018, the potential conversion of the CULS would be anti-dilutive to the total loss per share, therefore the diluted earnings/(loss) per share is presented as per the basic earnings/(loss) per share calculation.

26. **Controlling Party**

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

27. **Net Asset Value Per Share**

The net asset value per Ordinary share of $9.98 (28 February 2017: $10.12) is based on the net assets at the year end of

$837,573,000 (28 February 2017: $848,844,000) and on 83,907,516 (28 February 2017: 83,907,516) Ordinary shares, being the number of Ordinary shares in issue at the year end.

28. **Contingent Assets**

Amounts held in escrow accounts

When investments have been disposed of by the Company, proceeds may reflect contractual terms requiring that a percentage is held in an escrow account pending resolution of any indemnifiable claims that may arise. At 28 February 2018 and 28 February 2017, the Company has assessed that the likelihood of the recovery of these escrow accounts cannot be determined and has therefore recognised the escrow accounts as a contingent asset.

As at 28 February 2018 and 28 February 2017, 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**	
	28.2.2018	**28.2.2017**
	US$'000	**US$'000**
K2 Towers	1,551	-
CBO Holdings	294	-
SPL	107	-
ETX Holdings, Inc.	-	77
	1,952	77

During the year ended 28 February 2018 proceeds of $1,922,000 (28 February 2017: $5,942,000) were realised during the year and recorded in the Statement of Comprehensive Income.

	Year Ended	**Year Ended**
	28.2.2018	**28.2.2017**
	US$'000	**US$'000**
Escrows at 1 March	77	4,547
Additional escrows recognised in year not reflected in opening position	3,797	1,523
Escrows recognised in opening position and written off in year	-	(51)
Escrow receipts during the year	(1,922)	(5,942)
Escrows at year end	1,952	77

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

Reconciliation of the (loss)/profit for the year to net cash from operating activities

	Year Ended	**Year Ended**
	28.2.2018	**28.2.2017**
	US$ '000	**US$ '000**
(Loss)/profit for the year	(11,271)	22,697
(Increase)/decrease in other receivables and prepayments	(43)	13
(Decrease)/increase in other payables	(20)	86
Increase in amount owed to Investment Adviser	4,512	12,285
Deposits paid for real estate investments	(1,595)	-
Net gains on investments	(6,140)	(28,699)
Currency loss/(gain) on ZDP shares	5,912	(3,852)
Currency loss/(gain) on Guggenheim loan	2,768	(437)
Unrealised foreign exchange movements on cash at bank (shown as net movement in cash)	(304)	(396)
Unrealised loss/(gain) on CULS valued at fair value	2,907	(2,510)
Increase in accrued interest on investments, accumulated preferred dividends and PIK	(30,837)	(20,816)
Finance costs	17,569	14,764
Net write back of impairments on loans and receivables	-	(2,374)
Net cash outflow from operating activities	(16,542)	(9,239)

Investment income received during the year	Year Ended 28.2.2018 US$ '000	Year Ended 28.2.2017 US$ '000
Interest on investments	2,787	4,584
Bank interest	128	41
	2,915	4,625

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

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

			Non-cash changes			
	1.3.2017	**Cash flows**	**Fair Value**	**Finance Costs**	**Foreign Exchange**	**28.2.2018**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Zero Dividend Preference (2022) shares	53,935	-	-	2,996	5,912	62,843
Convertible Unsecured Loan Stock	57,063	(3,022)	(2,901)	3,022	5,808	59,970
Loans payable	97,396	38,410	-	11,551	2,768	150,125
	208,394	35,388	(2,901)	17,569	14,488	272,938

30. **Dividends Paid and Proposed**

No dividends were paid or proposed for the year ended 28 February 2018 in line with agreed discontinuation of the dividend policy. During the year ended 28 February 2017, an interim dividend of 15.5 cents per Ordinary share (total $13,006,000) was paid by the Company on 25 November 2016. A second interim dividend relating to the 2016 financial year end, of 15 cents per share (total $12,586,000) was paid on 10 June 2016.

31. **Financial highlights**

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

	28.2.2018 US$	**28.2.2017 US$**
Net asset value per share at the beginning of the year	10.12	10.15
Performance during the year (per share):		
Net investment income	0.14	0.07
Incentive fee	(0.05)	(0.15)
Net realised and unrealised (loss)/gain	(0.02)	0.53
Finance costs	(0.21)	(0.18)
Dividends paid	-	(0.305)
Total return	(0.14)	(0.03)
Net asset value per share at the end of the year	9.98	10.12
Total Return	(1.41%)	(0.34%)
Net investment income to average net assets excluding incentive fee	1.41%	0.68%

Operating expenses to average net assets	(2.41%)	(2.25%)
Incentive fees to average net assets	(0.50%)	(1.47%)
Operating expenses to average net assets including incentive fee	(2.91%)	(3.72%)
Finance costs to average net assets	(2.11%)	(1.76%)

32. **US GAAP reconciliation**

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

33. **Subsequent Events**

These financial statements were approved by the Board on 21 May 2018. Subsequent events have been evaluated until this date.

During March 2018, the Company announced the realisation of the Company's Healthcare Revenue Cycle Management vertical and its water filtration business 'Paragon Water Systems'. Gross proceeds (including escrows) are expected of approximately $110.0 and $16.2 million respectively.

During April 2018, the Company commenced its share buyback programme, buying 188,685 shares at an average cost of £4.87 per share.

Company Advisers

Investment Adviser

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

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

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

JZ Capital Partners Limited is registered in Guernsey
Number 48761

Administrator, Registrar and Secretary
Northern Trust International Fund Administration
Services (Guernsey) Limited

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

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

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

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

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

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

UK Transfer and Paying Agent
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

US Bankers
HSBC Bank USA NA
452 Fifth Avenue
New York NY 10018
(Also provides custodian services to JZ Capital Partners Limited under the terms of a Custody Agreement).

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

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

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

Useful Information for Shareholders

Listing
JZCP Ordinary, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS") are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchange Specialist Fund Segment for listed securities.

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

ISIN/SEDOL

	Ticker Symbol	ISIN Code	Sedol Number
Ordinary shares	JZCP	GG00B403HK58	B403HK5
ZDP (2022) shares	JZCZ	GG00BZ0RY036	Z0RY03
CULS	JZCC	GG00BP46PR08	BP46PR0

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

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

Total NAV Return

The Total NAV Return measures how the net asset value (NAV) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven year periods. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends. JZCP also produces an adjusted Total NAV Return which excludes the effect of the dilution per share caused by the issue of shares at a discount to NAV, the result of the adjusted Total NAV return is to provide a measurement of how the Company's Investment portfolio contributed to NAV growth adjusted for the Company's expenses and finance costs. The Total NAV Return for the year ended 28 February 2018 was -1.4%, which only reflects the change in NAV as no dividends were paid during the year. The Total NAV Return for the year ended 28 February 2017 was 2.7%, which included dividends paid of 30.5 cents.

Total Shareholder Return

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes shareholder price total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend. The Shareholder Return for the year ended 28 February 2018 was -16.2%, which only reflects the change in share price as no dividends were paid during the year. The Shareholder Return for the year ended 28 February 2017 was 42.8%, which included dividends paid (Sterling equivalent) of 23.0 cents.

NAV to market price discount

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

At 28 February 2018, JZCP's Ordinary shares traded at £4.51 (2017: £5.38)) or $6.21 (2017: $6.69) being the dollar equivalent using the year end exchange rate of £1: $1.38 (2017 £1: $1.24). The shares traded at a 38% (2017: 34%) discount to the NAV per share of $9.98 (2017: $10.12).

Ongoing Charges calculation

A measure expressing the Ongoing annualised expenses as a percentage of the Company's average annualised net assets over the year 2.35% (2017: 2.26%). Ongoing charges, or annualised recurring operating expenses, are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the company, excluding the Investment Adviser's Incentive fee, financing charges and gains/losses arising on investments.

Ongoing expenses for the year are $19,580,000 (2017: $19,415,000) comprising of the IA base fee $16,912,000 (2017: $16,865,000), administrative fees $2,253,000 (2017: $2,135,000) and directors fees $415,000 (2017:$415,000). Average net assets for the year are calculated using quarterly NAVs $836,038,000 (2017: $857,768,000).

Criminal Facilitation of Tax Evasion

The Board have approved a policy of zero tolerance towards the criminal facilitation of tax evasion, in compliance with the Criminal Finances Act 2017.

Non-Mainstream Pooled Investments

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

Financial Diary

Annual General Meeting	26 June 2018
Interim report for the six months ended 31 August 2018	November 2018 (date to be confirmed)
Results for the year ended 28 February 2019	May 2019 (date to be confirmed)

JZCP will be issuing an Interim Management Statement for the quarters ending 31 May 2018 and 30 November 2018. 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
In the event of a cash dividend being paid, the dividend will be sent by cheque to the first-named shareholder on the register of members at their registered address, together with a tax voucher. At shareholders' request, where they have elected to receive dividend proceeds in Sterling, the dividend may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System. Payments will be paid in US dollars unless the shareholder elects to receive the dividend in Sterling. Existing elections can be changed by contacting the Company's Transfer and Paying Agent, Equiniti Limited on +44 (0) 121 415 7047.

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

Internet Address
The Company: www.jzcp.com

Foreign Account Tax Compliance Act

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

Share Register Enquiries
The Company's UK Transfer and Paying Agent, Equiniti Limited, maintains the share registers. In event of queries regarding your holding, please contact the Registrar on 0871 384 2265, calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday, If calling from overseas +44 (0) 121 415 7047 or access their website at www.equiniti.com. Changes of name or address must be notified in writing to the Transfer and Paying Agent.

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

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

(a) the Register of Directors' Interests in the stated capital of the Company;
(b) the Articles of Incorporation of the Company; and
(c) the terms of appointment of the Directors.

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

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

US Investors
General
The Company's Articles contain provisions allowing the Directors to decline to register a person as a holder of any class of ordinary shares or other securities of the Company or to require the transfer of those securities (including by way of a

disposal effected by the Company itself) if they believe that the person:

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

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

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

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

US Securities Laws

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

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

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

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

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

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

Among other considerations, the fiduciary of a Non-ERISA Plan should take into account the composition of the Non-ERISA Plan's portfolio with respect to diversification; the cash flow needs of the Non-ERISA Plan and the effects thereon of the illiquidity of the investment; the economic terms of the Non- ERISA Plan's investment in the Company; the Non-ERISA Plan’s funding objectives; the tax effects of the investment and the tax and other risks associated with the investment; the fact that the investors in the Company are expected to consist of a diverse group of investors (including taxable, tax-exempt, domestic and foreign entities) and the fact that the management of the Company will not take the particular objectives of any investors or class of investors into account.

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

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

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

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

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

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

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

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

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

The Company has been advised that it is NOT a passive foreign investment company ("PFIC") for the fiscal years ended February 2017 and 2016. A classification as a PFIC would likely have an adverse tax consequences for US taxpayers.

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

Investment Adviser's ADV Form

Shareholders and state securities authorities wishing to view the Investment Adviser's ADV form can do so by following the link below:
https://adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=160932