

JZ CAPITAL PARTNERS LIMITED

Condensed Interim Report & Financial Statements

For the period from 1 March 2012 to 31 August 2012

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Corporate Objective



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



Chairman's Statement

I am pleased to report the results of JZ Capital Partners Limited ("JZCP" or the "Company") for the six-month period ended 31 August 2012.

The first six months of the year was a particularly busy period for the Company. JZCP's NAV total return (NAV appreciation and reinvested dividends) was 1% during the period, driven by a solid underlying performance from our core micro cap portfolio, some opportunistic investments and some timely realisations. The Board has also implemented a number of strategic initiatives that are designed to simplify our shareholder structure and to provide a solid foundation on which to continue growing the Company. I am delighted that the Company and our shareholders are already benefiting from these initiatives.

Performance

The period was marked by steady performance from the underlying assets. Operationally, the core micro cap portfolio continues to deliver positive results, with the combined EBITDA of the companies in the portfolio increasing by 10%.

The Company experienced a particularly strong period of investment activity with US\$130.8 million put to work across 17 new investments predominantly across the verticals in the core US micro cap portfolio, whilst realisations from 11 investments generated US\$44.0 million.

There was a modest reduction in the value of our private investments, as a number of outperforming investments in the US micro cap portfolio were offset by a write down in Accutest Holdings, Inc., our environmental testing company.

The return of a more buoyant equity market backdrop during the period led to an uplift in the value of the listed equity portfolio. However, this was offset by a movement in the euro / dollar exchange rate leading to a small negative impact on the value of the portfolio.

Importantly the financial strength of the business remains robust: 43% of the NAV is invested in liquid assets (cash and publically traded securities) and other than in respect of the Zero Dividend Preference shares, there is no outstanding debt on the balance sheet.

Strategic Initiatives

In August, we received overwhelming shareholder support for a number of proposals introduced by the Board that has resulted in the Company enjoying a simplified capital structure that is more suited to our mix of shareholders and will support the Company's continued commitment to provide shareholders with future profitable growth.

As a result of the new capital structure, the Company has de-listed from the main board of the London Stock exchange and I am pleased that our new listing on the Specialist Fund Market ("SFM") has progressed well and trading volumes in the stock have remained at or near to historic levels.

JZCP's investment expertise and track record has and always will be orientated around its successful micro-cap investment strategy. While this focus will continue to form the core of our investment focus, the Investment Adviser is also taking advantage of some additional exciting investment opportunities that we are seeing in the real estate and credit markets.

While these assets will form a small part of the Company's overall NAV, it's important to highlight the Investment Adviser's proven track record in both asset classes, which importantly share a similar risk / return profile to the broader portfolio. Having analysed the strategy in detail, the Board is confident that they will provide an attractive, long-term and alternative revenue stream which will ultimately further enhance returns for our shareholders.

The Company made its first US\$16.8 million real estate investment in Brooklyn, New York in April. The investment is already progressing well and subsequently a further US\$4.6 million has been invested in similar assets in the Brooklyn area.

The portfolio is also becoming more geographically diversified – following shareholder approval, up to 30% of NAV can now be invested outside of the US, an increase from the previous limit of 20%. While the focus outside of the US has traditionally been on European investments, the Company has seen some exciting investment opportunities elsewhere. In April, the Company applied its value orientated investment approach through its first co-investment in Brazil. It has invested US\$6.1 million (1% of NAV) in BSM Engenharia S.A, in conjunction with ACON Latin America, a fund with over 15 years investment experience in Latin America.

An amendment to our distribution policy was also approved, which I will address on page 3.

Core Portfolio Update

Investment in high quality micro cap companies continues to be the fundamental driver of the Company's investment strategy. In the US, some US\$85.7 million was invested which increased the size of the portfolio by 41% to US\$289.6 million. Highlights included an investment in MEDS, a healthcare services provider, which was the first in the new Healthcare Revenue Cycle Management vertical. Following strong performance, Amptek, Inc. and Nielsen Kellerman in the sensors vertical were written

Chairman's Statement

Continued

up but this was offset by the negative impact of commercial real estate on our environmental testing business, Accutest Holdings, Inc. Alongside the verticals strategy, the Company also made three investments in the US with partners such as Baird Capital Partners and ACON group.

The Company's investments in the European Micro Cap Fund (EMF) reached US\$81.3 million following an investment in March 2012 in Oro Direct, a buyer of precious metals which is based in Spain. The other four EMF companies are continuing to operate well despite the difficult economic conditions in Spain. These European investments constituted 14% of the Company's total assets at the end of the period. The manager of EMF, JZ International, is continuing to explore opportunities for the Company to invest in high quality micro cap companies throughout Europe.

Distributions

The Company, along with the vast majority of single manager listed private equity companies, continues to trade at a significant discount to NAV. In May the Board proposed a new dividend policy to provide a long-term solution to narrow the discount by providing regular and more predictable distributions. The new policy, which was approved by shareholders in July, provides distributions at a rate of 3% of NAV per year in two instalments. The Directors have accordingly declared a dividend of 14 cents per share. This implies an annualised yield as at 31 August 2012 of 5%.

Outlook

I am pleased with the progress the Company has made during the first half of the year. As I outlined above, the strategic initiatives that have been approved in this period put the Company in a better position to provide superior returns to our shareholders. Our SFM listing and simplification of our share capital structure is now more suitable to our shareholder profile; our investment strategy is better placed to take advantage of the opportunities we are seeing to invest in high quality micro cap businesses; and the dividend policy is more appropriate for our investors.

I believe that the Company is on course to create significant further value for shareholders. Even in the challenging economic environment that we can anticipate during the coming year, we can expect to make good progress.

David Macfarlane

Chairman

9 October 2012

Directors' Responsibilities

Statement of Directors' Responsibilities

The Directors are responsible for preparing condensed interim financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and which are in accordance with applicable laws and interim financial reporting standards. In preparing those condensed interim financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the interim financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the condensed interim financial statements and that the going concern basis for the preparation of the condensed interim financial statements is appropriate.

The condensed interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Responsibility Statement of the Directors in Respect of the Condensed Interim Financial Report and Financial Statements

We confirm that at the best of knowledge:

- this set of condensed interim financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union;
- the condensed interim report and financial statements includes information detailed in the Chairman's Statement and Investment Adviser's Report and Notes to the Condensed Interim Financial Statements which provides a fair review of the information required by:
 - (i) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred for the period from 1 March 2012 to 31 August 2012 and their impact on the condensed set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

- (ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the period from 1 March 2012 to 31 August 2012 and that have materially affected the financial position or performance of the Company during that period.

Going Concern and Principal Risks and Uncertainties

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report and accounts for the year ended 29 February 2012 (as explained within note 21 on pages 50 to 58 of the annual report). The Directors continue to monitor the risks to the Company as identified by the Investment Adviser. These risks include the Company's exposure to Euro and Sterling currencies and the impact of austerity measures being adopted in countries within which the Company invests.

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

Approved by the Board of Directors and agreed on behalf of the Board on 9 October 2012.

David Macfarlane
Chairman

Patrick Firth
Director

Investment Adviser's Report

Dear Fellow Shareholders,

We are pleased to report that JZCP had an active investment period for the six months ending 31 August 2012, taking advantage of attractive investment and realization opportunities across our portfolios. The Company has also been busy with a number of strategic initiatives, all of which received strong support from shareholders, and are aimed at permitting JZCP to generate further profitable growth going forward.

We invested US\$130.8 million in 17 new investments and realized US\$44.0 million from 11 investments. During this period, JZCP's total NAV return (which we define as the percentage change in JZCP's Net Asset Value during the relevant period inclusive of dividends paid to shareholders) was 1%. Before paying an 18.5 cent dividend in July 2012, our NAV per share increased from US\$9.47 to US\$9.56; after paying the dividend the NAV per share was US\$9.38.

The financial condition of JZCP continues to be strong. Our liquidity (cash and government securities) as of 31 August 2012 was US\$97.2 million, 16% of our NAV. In addition we have US\$164.8 million of publicly traded securities, equities, and bank debt. Overall, the cash and publicly traded securities portion of our portfolio is 43% of our NAV. We have no outstanding debt and our only long term obligations are our Zero Dividend Preference shares which accrete to US\$122.5 million due in June 2016.

Against an ongoing uncertain macro-economic backdrop, JZCP's underlying portfolio companies, both in the US and Europe, have performed well on an operating basis during this interim period. On a combined basis, EBITDA of all of our micro cap businesses increased 10% over the relevant six months.

Our micro cap portfolio is valued at 6.7x EBITDA after a 24% marketability discount. The underlying leverage senior to JZCP's position in our micro cap portfolio, both in the US and Europe, is under 1.5x EBITDA. Our European micro cap portfolio, currently consisting of five Spanish businesses, is performing well in a challenging macro-environment. They are high quality companies

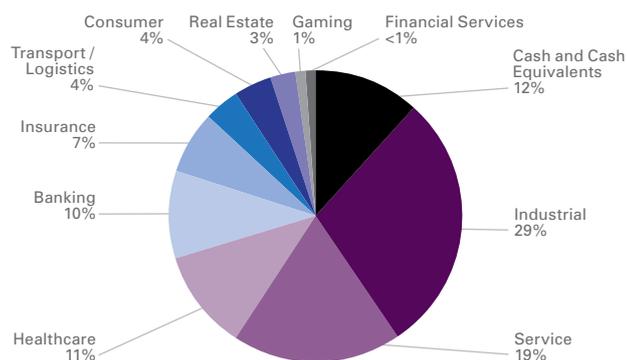


David Zalaznick and Jay Jordan

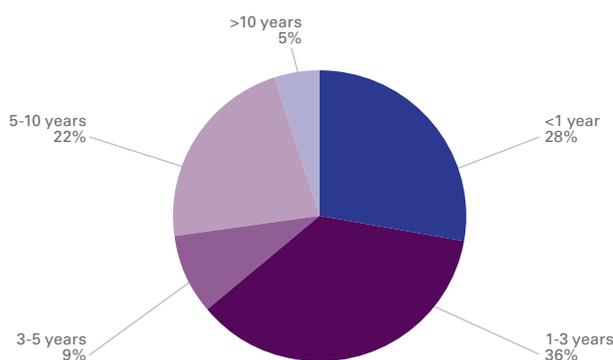
that grew through the recent recession. Given the financial environment in Spain, we have been able to buy these businesses at very attractive cash multiples – 3.8x. We expect outsized returns from these businesses to more than compensate the increased risk in investing in a distressed economy.

Our core business and predominant driver of NAV growth comes from our diversified micro cap portfolios, which consists of 30 businesses across 6 different principal business sectors. The portfolios are diversified geographically with the majority of the investments in the US while 14% of total assets are in Europe and earlier this year we made our first investment in Latin America. In addition, our portfolio is well diversified across vintage years.

Portfolio by Industry



Portfolio by Vintage Year



Investment Adviser's Report

Continued

We remain focused on securing attractive opportunities in the micro cap sector using our proprietary networks of intermediaries in both the US and Europe. Our specialist co-investment partners have successful track records of investing globally, such as Baird Capital Partners in the US, JZ International in Europe and ACON Latin America in Brazil.

Strategic Initiatives

In July 2012, we completed the restructuring of our Ordinary and Limited Voting Shares to create a single class of ordinary shares which are listed on the Specialist Funds Market of the London Stock Exchange.

The new Ordinary share class structure is more appropriate to the mix of investors who own the Company and has removed a structural inadequacy that had restricted the Company's ability to accommodate US investors. The SFM listing will also help ensure that the full market capitalization of the Company is represented accurately by suppliers of market data (whereas previously the market capitalization was often reported without reference to the Limited Voting Ordinary shares) without any dilution to our shareholders.

Investing in micro cap companies has historically been the main driver of NAV growth and will continue to be so. However, our opportunistic approach has led us to some exciting new opportunities in the credit and real estate sectors which will complement our core micro cap strategy. As we mentioned in the recent annual report, we have started to diversify the portfolio into asset classes, such as real estate and distressed debt. It is important to note that we are applying the same disciplined approach to these investments as we have always used; buying businesses at reasonable values in conjunction with excellent management teams. For our real estate investments, we have been backing a management team that has extensive (and successful) experience in buying smaller off-market properties that are priced accordingly. The Company is also establishing a new asset management business in the US that will address the growing demand from endowments and pension funds for fiduciary management services.

The shareholder support for the recent strategic initiatives has been encouraging and as expected the Company is progressing well under its new listing and share structure. We look forward to updating the market on the progress of the early stage investments later in the year.

NAV Growth

For the six months ending 31 August 2012, JZCP's net assets increased from US\$9.47 per share to US\$9.56, a 1% increase,

before the 18.5 cent dividend paid in July 2012. The chart below shows the source of this change:

Net Asset Value per Ordinary Share as of 29 February 2012		US\$9.47
- Change in private investments		(0.04)
+ Change in public investments		0.10
- Foreign exchange effect on investments		(0.05)
+ Income from investments		0.30
- ZDP dividend accrual		(0.05)
- Fees and expenses		(0.20)
+/- Other		0.03
Net Asset Value per Ordinary share (before dividends)		US\$9.56
- Dividends paid		(0.18)
Net Asset Value per Ordinary Share as of 31 August 2012		US\$9.38

Note that most of the reduction in the Private Investments is due to a write down (13 cents) in our environmental testing company (Accutest Holdings, Inc.), as the continued malaise in the commercial real estate market has negatively affected the pricing and response times in this industry. This was offset by an increase in our sensor companies (11 cents), as both businesses (Amptek, Inc. and Nielsen-Kellerman) continue to outperform expectations.

The euro / dollar exchange rate change had a negative impact on our NAV, by 5 cents. Since 31 August 2012, the Euro has appreciated against the dollar; we have entered into a currency hedge of €13 million, to protect our position in direct loans made to European Micro Cap Fund (EMF) businesses.

Returns

The chart below summarizes the total NAV returns and total shareholder returns for the most recent three months, year and since the refinancing and restructuring in June 2009:

	As at 31.08.12	Since 31.05.12	Since 31.08.11	Since 31.08.09
Share price (in GBP)	£3.50	£3.68	£3.75	£2.21
Dividends paid (in US cents)	-	18.5c	25.0c	65.0c
Total shareholders return	-	(1.6%)	(2.3%)	22.3%
NAV per share (in USD)	\$9.38	\$9.38	\$9.09	\$6.65
NAV total returns	-	2.0%	6.0%	15.2%
NAV to market price discount	41%	40%	33%	46%

Despite our fairly valued portfolio, the market continues to undervalue our assets, a recurring trend across most of the listed private equity sector.

Investment Adviser's Report

Continued

Portfolio Summary

Below is a summary of JZCP's assets as of 31 August 2012 compared with the position as of 29 February 2012 fiscal year-end, six months ago.

	Number of investments as at 31.08.12	31.08.12 US\$'000	29.02.12 US\$'000	Change %
US micro cap portfolio	24	289,605	205,347	41.0%
European investments	5	99,344	85,129	16.7%
Mezzanine investments	5	25,795	29,632	(12.9%)
Real estate portfolio	4	20,798	–	–
Other portfolio	4	8,742	1,620	439.6%
Total private investments	42	444,284	321,728	38.1%
Listed equity	3	65,359	88,639	(26.3%)
Listed corporate bonds	4	67,284	32,129	109.4%
Bank debt	4	32,200	32,512	(1.0%)
UK Treasury gilts		33,629	33,465	0.5%
Cash and cash deposits		63,528	202,481	(68.6%)
Total listed investments (and cash)	11	262,000	389,226	(32.7%)
Total investments (and cash)	53	706,284	710,954	(0.7%)

As mentioned on page 9, the reduction in the Listed Equities is due to a successful sale of a significant portion of our TAL stock.

US micro cap portfolio

Our core US micro cap portfolio continues to perform well and on a combined basis the investee companies have achieved year-over-year EBITDA growth, an impressive achievement in this market environment. All of these investments employ low leverage, currently under 1.5x EBITDA of debt senior to JZCP's position. The average multiple used in valuing these entities continues to be low at 6.8x.

As mentioned on page 6, we have written up two of our US micro cap investments (Amptek, Inc. and Nielsen Kellerman) in the sensors industry, as they continue to outperform our expectations. Offsetting this uplift is the effect that the commercial real estate downdraft has had on our environmental testing business (Accutest Holdings, Inc.); we have written this investment down, and continue to keep a close eye on this business.

We were able to put US\$85.7 million to work in our US micro cap portfolio, primarily from the following:

New Investments – Verticals

We invest in our verticals with Edgewater Growth Capital Partners. When combined with Edgewater, we have a majority position in all of our verticals.

- **Industrial Services**
We made four acquisitions into our **Industrial Services'** vertical.

In April, we acquired Bay Valve which is an industrial valve distributor and provider of valve field services and equipment repair throughout the western United States. Its primary markets are petrochemical and power generation. JZCP purchased US\$18.9 million of senior and subordinated notes, and a nominal amount of common stock. JZCP's equity interest in this entity is 31%.

In May, we purchased Gator Compressor, a small independent dealer of used and refurbished air compressor equipment and associated filter, lubricant and sundry parts. The company stocks a wide variety of inventory, and is capable of supplying aftermarket equipment and parts for a wide variety of OEM compressor brands. JZCP purchased 33% of this business with US\$1.5 million of senior notes.

In June, we purchased National Compressors, which provides air compressor services and solutions to manufacturing plants across several end markets, including steel, power generation, automotive, and industrial and general manufacturing. We purchased US\$4.4 million of senior notes, and acquired 31% of this business.

Finally, we made an investment in Pennsylvania Electric Motor Services, which specializes in the repair, rebuild, maintenance and installation of electric motors in a wide variety of uses, from integrated motion control devices to more mundane electric motors installations. The company services customers in a wide variety of end markets, including mining, metals, chemicals, and automotive industries. JZCP purchased US\$6.6 million of senior and subordinated notes, and acquired 34% of the business' equity.

- **Health Revenue Cycle Management**
We made our first investment in our new **Healthcare Revenue Cycle Management** vertical. MEDS is an outsourced provider of patient benefit eligibility, enrollment and revenue recovery services to hospitals and health systems. MEDS helps its customers increase cash flow and accelerate cash collections by securing government-funded reimbursement for uncompensated medical expenses provided to uninsured and underinsured patients. JZCP purchased US\$7.2 million in senior notes, and US\$5.9 million of preferred and common stock, and acquired 30% of the equity of this business.

Mike Shea, our industry executive in this vertical has extensive experience in helping hospitals manage their cash flows through MEDS-type vehicles. He founded, built, ran and sold a large MEDS competitor, achieving exemplary returns for his investors. His reputation in this growing segment of the healthcare industry has helped populate a very active acquisition pipeline.

Investment Adviser's Report

Continued

Portfolio Summary (continued)

US micro cap portfolio (continued)

New Investments – Verticals (continued)

- **Water Services**
We made our second acquisition in our **Water Services** vertical. LMK is a nationwide provider of non-invasive, long-lasting repair of underground water pipes. Using patent protected proprietary technologies, LMK products allow for repair of leaking pipes with minimal or no excavation. The deterioration of infrastructure in US cities and towns implies significant growth opportunities for LMK. JZCP purchased US\$6.0 million of senior notes, and US\$4.2 million of preferred and common stock for 20% of this business.
- **Testing Services**
We made our second acquisition in our **Testing Services** vertical. Argus Group sells, rents and services industrial hygiene and safety equipment including gas monitoring and measurement equipment and personal protective equipment. The company's clients span a wide range of industries, from environmental consulting firms to industrial businesses. JZCP purchased US\$2.5 million in senior notes, and US\$2.9 million in preferred and common stock, and acquired 31% of the equity in this business.

New Investments – Co-Investments

Similar to our Verticals strategy, the combination of JZCP's and our partners' equity always creates a majority position in these companies.

- Along with Baird Capital Partners, we purchased 11% of MedPlast/UPG, a precision molded medical plastics business. This company designs, engineers and produces precision molded thermoplastic, rubber and elastomer components primarily for the healthcare and pharmaceutical markets. The close tolerances and highly monitored processes allow Medplast/UPG to garner higher-than-average margins. It operates from ten locations worldwide, has eight clean room production facilities, and a complete line of sub-assembly services. JZCP purchased US\$10.0 million of subordinated notes, and US\$7.5 million of preferred and common stock.
- Also with Baird, we purchased 19% of PC Helps, a provider of on-demand "how to" support and workforce productivity training solutions associated with software applications and mobile devices used every day at Fortune 500 and middle-market companies, federal agencies and higher education institutions. The company specializes in support for Microsoft Office and other applications and for the full range of mobile devices on the market today. JZCP invested US\$9.0 million (preferred and common stock) into this business. This was a post-period acquisition, made in September 2012.

- Along with the ACON Investments group, we purchased 9% of Suzo-Happ, a designer, manufacturer and distributor of components, parts and supplies for the global gaming and amusement markets, servicing both the OEM and aftermarket channels. The growth in gaming throughout the world creates significant growth opportunities for Suzo-Happ; their products are used in most every slot machine manufacturers' products. JZCP invested US\$5.0 million for its equity.
- In conjunction with ACON Latin America, a successful fund which has been investing in Latin America for 15 years, we invested in BSM Engenharia S.A., a provider of supply chain logistics, infrastructure services and equipment rental to oil and gas, petrochemical, mining and energy markets in Brazil. It operates from four ports in Brazil and its blue chip customer list includes Petrobras, Acelor Mittal and ThyssenKrupp. We purchased 4% of this business for US\$6.1 million of stock.

European investments

As previously highlighted, JZCP has invested in a European Micro Cap Fund (EMF) which was established in 2010. It is managed by JZ International, a private equity company set up in 1999 by David Zalaznick, Jay Jordan, and Jock Green-Armytage, the former chairman of JZ Equity Partners. The fund invests in established and consistently profitable European micro cap companies with experienced management teams. Prior to the establishment of EMF, JZ International invested its own capital in a wide range of platform and add-on companies across Europe, including the UK, Spain, Italy, the Netherlands, Sweden, Norway and Finland.

JZCP now has US\$62.4 million invested in the EMF which has a carrying value of US\$80.8 million. This includes a new 30% investment in Oro Direct, which EMF purchased for €13.5 million alongside a co-investor in March 2012. Oro Direct is a leading buyer of precious metals in Spain; Oro also sells investment grade gold and silver. This business is very scalable and opened an office in Austria immediately after the EMF transaction closed.

The other four EMF businesses are operating well, despite the continued negative news from Spain. With the exception of exchange rate movements, their underlying valuations since the beginning of this fiscal year have not changed.

All five investments represent approximately 14% of JZCP's total assets as of 31 August 2012.

Other assets

Over the past year, the bulk of our **Mezzanine Portfolio** has been re-paid. We currently have two investments of size, TTS Service Logic (a heating, ventilation and air conditioning services business) and HAAS (an automobile paint system supplier company). Both companies are performing well, and paying cash interest per their terms.

Investment Adviser's Report

Continued

Portfolio Summary (continued)

Other assets (continued)

The only **Legacy** investment left of any size is Healthcare Products, our power wheelchair company. Despite the myriad of issues surrounding Medicare, its primary customer, this company continues to perform to plan.

Our **Listed Equities** have risen since the beginning of the year: TAL (the international container leasing company) and Safety Insurance (a Massachusetts based insurance company) together accounted for a NAV per share increase of 5 cents or US\$3.4 million. Note that during this period we were able to sell 66% of our remaining TAL position for US\$26.7 million; we have 357,418 TAL shares remaining from our initial position of 1.4 million shares.

As outlined above, we are continuing to pursue a number of **Real Estate** opportunities. As previously reported, we have invested US\$16.8 million in what is almost an entire city block in the Williamsburg area of Brooklyn. That investment is progressing well as we begin a two to three year renovation program and start to acquire new retail and residential tenants. Post this interim period, we closed on another Brooklyn property across the street from the new Barclay's Center; the investment was approximately US\$3.1 million. We also have deposits on two other properties and are proceeding with due diligence.

Balance Sheet

Below is a summary of our Balance Sheet:

	31.08.2012	29.02.2012
	US\$'000	US\$'000
Cash	63,528	202,481
UK treasury gilts	33,629	33,465
Listed equity	65,359	88,639
Listed corporate bonds	67,284	32,129
Bank debt	32,200	32,512
Private investments	444,284	321,728
Other assets	712	451
Total assets	706,996	711,405
– Liabilities	(7,130)	(8,662)
– Zero Dividend Preference shares	(90,301)	(87,281)
Net asset value	609,565	615,462

Principal Risks and Uncertainties

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

Outlook

Our investment strategy is to achieve superior returns by investing your (and our) money in a diversified portfolio of good quality niche businesses at reasonable prices. As the uncertainty in the world is manifested by deleveraging across many asset classes, JZCP's strong balance sheet and liquid assets will enable us to take advantage of great investment opportunities. We think our value oriented, value-added approach will yield strong NAV growth and we look forward to the second half of the year with confidence. Since our Board has initiated a policy of paying an annual dividend (in two installments) equal to 3% of NAV, we expect the dividend growth will follow accordingly.

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

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.

9 October 2012

Valuation Policy

Principles of Valuation

In valuing investments in accordance with International Financial Reporting Standards, the Directors follow a number of general principles as detailed in the International Private Equity and Venture Capital Association ("IPEVCA") guidelines. Investments held by the Company's associate "EuroMicrocap Fund 2010, LP" are also valued on the basis set out below.

Investments are valued according to one of the following methods:

(i) Mezzanine loans:

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

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

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

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

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

(iii) Traded loans:

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

(iv) Listed investments:

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

Investment Review

Company	JZCP Book Cost* US\$'000	Historical Book Cost** US\$'000	Directors Valuation at 31 August 2012 US\$'000	Carrying Value Including Accrued Interest 31 August 2012 US\$'000	Percentage of Portfolio %
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US MICRO CAP PORTFOLIO

ACCUTEST HOLDINGS, INC.

Provision of environmental testing laboratories to the US market 34,977 31,516 30,078 32,401 5.0

AMPTEK, INC.

Designer and manufacturer of instrumentation used in numerous non-destructive testing and elemental analysis applications.

Amptek, Inc. is a subsidiary of Sensors Solutions Holdings 13,920 13,920 19,877 20,539 3.2

ARGUS GROUP HOLDINGS

Sells, rents and services safety and testing equipment to a variety of industries. Argus Group Holdings is a subsidiary of Testing Services Holdings

5,616 5,616 5,628 5,691 0.9

BAY VALVE SERVICES

Provider of industrial valve services and repair throughout Western US. Bay Valve is a subsidiary of ISS #2, part of Industrial Services business

19,030 19,030 19,418 19,795 3.1

BG HOLDINGS, INC.

Manufacturer of industrial gears

19,732 19,732 28,253 30,047 4.7

CHINA DENTAL HOLDINGS, INC.

Acquiror of China-based dental laboratories

1,376 1,376 1,502 1,596 0.2

DENTAL HOLDINGS CORPORATION

Operator of dental laboratories

33,367 27,605 24,415 25,445 4.0

ETX HOLDINGS, INC.***

Provider of services to the auto after sales market

392 392 617 649 0.1

GALSON LABORATORIES

Provider of analytical air testing services as well as industrial hygiene rental equipment. Galson Laboratories is a subsidiary of Testing Services Holdings

2,855 2,855 8,330 8,548 1.3

HEALTHCARE PRODUCTS HOLDINGS, INC.***

Designer and manufacturer of motorised vehicles

13,849 17,637 21,809 23,012 3.6

ISS COMPRESSORS INDUSTRIES, INC.

Acquiror of industrial air compressor services and repair companies.

ISS Compressors Industries, Inc., which owns Worthington Compressor (combination of Southern Parts & Engineering Company and Gator Compressor) and National Compressors, is a subsidiary of ISS #2, part of Industrial Services business

12,648 12,648 12,766 13,119 2.0

JUSTRITE MANUFACTURING COMPANY

A manufacturer of industrial safety products

4,428 4,428 5,645 5,866 0.9

LMK ENTERPRISES

Environmental infrastructure company that provides technology to facilitate repair of underground pipes and other infrastructure. LMK Enterprises is a subsidiary of Triwater Holdings

10,554 10,554 10,590 10,775 1.7

MEDPLAST/UPG HOLDINGS

Manufacturer of plastic medical components

17,344 17,344 17,405 17,874 2.8

MEDS HOLDINGS, INC.

An outsourced provider of patient benefit eligibility, enrollment and revenue recovery services to hospitals and health systems. MEDS Holdings is a subsidiary of Bolder Healthcare Solutions, LLC

13,290 13,290 13,290 13,407 2.1

MILESTONE AVIATION GROUP, INC.

Finance provider for helicopter and private jet owners

12,857 12,857 13,371 14,131 2.2

NASHVILLE CHEMICAL & EQUIPMENT COMPANY

Provider of water treatment supplies and services. Nashville Chemical & Equipment Co. is a subsidiary of Triwater Holdings

7,225 7,225 7,503 7,811 1.2

NATIONWIDE STUDIOS, INC.

Processor of digital photos for preschoolers

16,132 16,132 4,046 4,200 0.7

Investment Review

Continued

Company	JZCP Book Cost* US\$'000	Historical Book Cost** US\$'000	Directors Valuation at 31 August 2012 US\$'000	Carrying Value Including Accrued Interest 31 August 2012 US\$'000	Percentage of Portfolio %
US MICRO CAP PORTFOLIO (continued)					
NEW VITALITY HOLDINGS, INC.					
Direct-to-consumer provider of nutritional supplements and personal care products	4,000	4,000	4,589	4,840	0.8
NIELSEN-KELLERMAN					
Designer and manufacturer of environmental measurement instruments and devices. Nielsen-Kellerman is a subsidiary of Sensors Solutions Holdings	2,601	2,601	3,855	4,046	0.6
NTT ACQUISITION CORP. ***					
Technical education and training	52	946	52	52	0.0
PENNSYLVANIA ELECTRIC MOTOR SERVICES					
Provider of industrial electric motor repair, rebuild, maintenance and installation services. Pennsylvania Electric Motor Services is a subsidiary of ISS #2, part of Industrial Services business	6,745	6,745	6,779	6,924	1.1
SALTER LABS, INC.					
Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	19,163	19,163	11,527	12,056	1.9
SUZO HAPP GROUP					
Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	4,958	4,958	4,958	4,958	0.8
TAP HOLDINGS, INC.					
Acquiror of food product manufacturers or distributors	944	944	1,027	1,082	0.2
TIGER INFORMATION SYSTEMS, INC. ***					
Provider of temporary staff and computer training	300	400	300	300	0.0
US SANITATION, LLC					
Acquiror of janitorial and sanitorial product distributors and related chemical manufacturers and blenders	425	425	425	441	0.1
Total US Micro Cap Portfolio	278,780	274,339	278,055	289,605	45.2
EUROPEAN MICRO CAP PORTFOLIO					
EUROMICROCAP FUND 2010, LP					
Acquiror of Europe-based micro cap companies	62,428	62,428	80,782	80,782	12.5
DOCOUT, S.L.					
Provider of digitalisation, document processing and storage services	2,777	2,777	2,527	2,793	0.4
GRUPO OMBUDS					
Provider of personal security and asset protection	14,794	14,794	13,241	14,493	2.3
ORO DIRECT					
Buyer and seller of precious metals	1,275	1,275	1,257	1,276	0.2
Total European Micro Cap Portfolio	81,274	81,274	97,807	99,344	15.4

Investment Review

Continued

Company	JZCP Book Cost* US\$'000	Historical Book Cost** US\$'000	Directors Valuation at 31 August 2012 US\$'000	Carrying Value Including Accrued Interest 31 August 2012 US\$'000	Percentage of Portfolio %
MEZZANINE PORTFOLIO					
GED HOLDINGS, INC.					
Manufacturer of windows	–	6,100	305	305	0.0
HAAS TCM GROUP, INC.					
Speciality chemical distribution	7,500	7,500	7,584	7,770	1.2
METPAR INDUSTRIES, INC.					
Manufacturer of restroom partitions	6,450	7,754	604	750	0.1
PETCO ANIMAL SUPPLIES, INC.					
Retailer of pet food, supplies and services	1,636	1,636	1,636	1,636	0.3
TTS, LLC					
Provider of technical facilities for mechanical services	14,105	13,945	15,066	15,334	2.4
Total Mezzanine Portfolio	29,691	36,935	25,195	25,795	4.0
BANK DEBT: FIRST LIEN PORTFOLIO					
KGB (FORMERLY KNOWN AS INFONXX, INC.)					
Worldwide provider of directory assistance	765	801	785	785	0.1
KINETEK, INC.					
Manufacturer of electric motors and gearboxes	3,932	4,274	4,239	4,239	0.7
WP EVENFLO HOLDINGS, INC.					
Manufacturer of children's products	119	139	136	136	0.0
BANK DEBT: SECOND LIEN PORTFOLIO					
DEKKO TECHNOLOGIES, LLC					
Distributor of electrical sub-components	11,418	11,368	13,125	13,240	2.1
KINETEK, INC.					
Manufacturer of electric motors and gearboxes	13,425	15,000	13,800	13,800	2.1
Total Bank Debt	29,659	31,582	32,085	32,200	5.0
LISTED INVESTMENTS					
EQUITIES					
SAFETY INSURANCE GROUP, INC.***					
Provider of automobile insurance	42,223	6,816	52,406	52,406	8.2
TAL INTERNATIONAL GROUP, INC.					
Lessor of intermodal shipping containers	8,274	3,573	12,152	12,152	1.9
UNIVERSAL TECHNICAL INSTITUTE, INC.***					
Vocational training in the automotive and marine fields	835	15	801	801	0.1
Total Listed Equity Investments	51,332	10,404	65,359	65,359	10.2
UK GILTS					
UK treasury 2% – maturity 22.01.2016	32,431	32,431	33,558	33,629	5.2
Total UK Gilts	32,431	32,431	33,558	33,629	5.2
CORPORATE BONDS					
GOLDMAN SACHS, 03.22.2016	14,205	14,205	14,170	14,197	2.2
HSBC FINANCE CORP, 06.01.2016	13,709	13,709	14,200	14,234	2.2
HSBC FINANCE CORP, 01.15.2014	4,867	4,867	4,960	4,965	0.8
JP MORGAN CHASE BANK NA, 06.13.2016	18,576	18,576	19,212	19,248	3.0
WACHOVIA BANK NA, 10.28.2015	14,332	14,332	14,628	14,640	2.3
Total Corporate Bonds	65,689	65,689	67,170	67,284	10.5

Investment Review

Continued

Company	JZCP Book Cost* US\$'000	Historical Book Cost** US\$'000	Directors Valuation at 31 August 2012 US\$'000	Carrying Value Including Accrued Interest 31 August 2012 US\$'000	Percentage of Portfolio %
REAL ESTATE					
REDBRIDGE BEDFORD, LLC					
Acquiror of several buildings comprising almost a square block in Williamsburg, Brooklyn, New York	16,750	16,750	16,750	16,750	2.5
REDSKY JZ FULTON, LLC					
Facilitating the purchase of a mixed use development site on the Fulton Mall in Brooklyn, New York	638	638	638	638	0.1
REDSKY JZ TRIANGLE, LLC					
Facilitating the purchase of a freestanding building on Flatbush Avenue, across from the newly built Barclay's Center, in Brooklyn, New York	410	410	410	410	0.1
REDSKY ROEBLING, LLC					
Facilitating the purchase of a full block front and 35% of a total city block in Brooklyn, New York	3,000	3,000	3,000	3,000	0.5
Total Real Estate Investments	20,798	20,798	20,798	20,798	3.2
OTHER					
BSM ENGENHARIA S.A.					
Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	6,115	5,370	5,370	0.8
CONSTITUENT CAPITAL MANAGEMENT, LLC					
Asset management company that primarily manages smaller endowments and pension funds	833	833	833	833	0.1
JZ INTERNATIONAL, LLC***					
Fund of European LBO investments	1,621	661	1,621	1,621	0.3
JZ PALATINE CO-INVESTMENT, LLC					
Invests in distressed debt	918	918	918	918	0.1
Total Other	9,487	8,527	8,742	8,742	1.3
TOTAL – PORTFOLIO	599,141	561,979	628,769	642,756	100.0
Zero Dividend Preference shares				(90,301)	
Cash and other net assets				57,110	
Net assets attributable to Ordinary shares				609,565	

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

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

*** Legacy Investments. Legacy investments are excluded from the calculation of capital and income incentive fees.

Mezzanine Portfolio includes common stock with a carrying value of US\$1,691,000 these investments are classified as Investments at fair value through profit or loss.

Unaudited Statement of Comprehensive Income

For the period from 1 March 2012 to 31 August 2012

	Notes	Six month period 1 March 2012 to 31 August 2012			Six month period 1 March 2011 to 31 August 2011		
		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/(loss) on investments							
at fair value through profit or loss	5	–	2,653	2,653	–	(5,980)	(5,980)
Net write back of impairments/ (impairments) on loans and receivables	6	–	597	597	–	(87)	(87)
Share of associate's net (expense)/income	11	–	(2,443)	(2,443)	–	12,390	12,390
Realisations from investments held in escrow accounts	20	–	2,145	2,145	–	1,288	1,288
Net foreign currency exchange gains/(losses)		–	345	345	–	(152)	(152)
Investment income	7	19,882	–	19,882	23,579	–	23,579
Bank and deposit interest		187	–	187	236	–	236
Total income		20,069	3,297	23,366	23,815	7,459	31,274
Expenses							
Share class restructuring costs		–	(1,608)	(1,608)	–	–	–
Investment Adviser's base fee	9	(5,323)	–	(5,323)	(5,069)	–	(5,069)
Investment Adviser's capital incentive fee	9	–	(4,966)	(4,966)	–	(4,068)	(4,068)
Administrative expenses	9	(1,285)	–	(1,285)	(1,568)	–	(1,568)
Total expenses		(6,608)	(6,574)	(13,182)	(6,637)	(4,068)	(10,705)
Operating profit/(loss)		13,461	(3,277)	10,184	17,178	3,391	20,569
Finance costs							
Finance costs in respect of Zero Dividend Preference shares	8	–	(3,410)	(3,410)	–	(3,261)	(3,261)
Profit/(loss) before taxation		13,461	(6,687)	6,774	17,178	130	17,308
Withholding taxes	10	(644)	–	(644)	(860)	–	(860)
Profit/(loss) for the period		12,817	(6,687)	6,130	16,318	130	16,448
Weighted average number of							
Ordinary shares in issue during period	14			65,018,607			65,018,607
Basic and diluted profit/(loss) per							
Ordinary share using the weighted average number of Ordinary shares in issue during the period		19.71c	(10.28)c	9.43c	25.10c	0.20c	25.30c

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

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

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

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

The accompanying notes on pages 19 to 30 form an integral part of the financial statements.

Unaudited Statement of Financial Position

As at 31 August 2012

	Notes	31 August 2012 US\$'000	29 February 2012 US\$'000
Assets			
Investments at fair value through profit or loss	11	537,870	414,549
Investments classified as loans and receivables	11	24,104	23,974
Investment in associate	11	80,782	69,950
Cash held on deposit and investments in money market funds		15,275	7,968
Other receivables		712	451
Cash and cash equivalents		48,253	194,513
Total assets		706,996	711,405
Liabilities			
Zero Dividend Preference shares	12	90,301	87,281
Other payables		7,130	8,662
Total liabilities		97,431	95,943
Equity			
Share capital account		149,269	149,269
Distributable reserve		353,528	353,528
Capital reserve		35,088	41,775
Revenue reserve		71,680	70,890
Total equity		609,565	615,462
Total liabilities and equity		706,996	711,405
Number of Ordinary shares in issue at period/year end	13	65,018,607	65,018,607
Net Asset Value per Ordinary share	15	US\$ 9.38	US\$ 9.47

These unaudited financial statements on pages 15 to 30 were approved by the Board of Directors and authorised for issue on 9 October 2012. They were signed on its behalf by:

David Macfarlane

Chairman

Patrick Firth

Director

The accompanying notes on pages 19 to 30 form an integral part of the financial statements.

Unaudited Statement of Changes in Equity

For the period from 1 March 2012 to 31 August 2012

	Notes	Share Capital Account US\$'000	Distributable Reserve US\$'000	Capital Reserve Realised US\$'000	Capital Reserve Unrealised US\$'000	Revenue Reserve US\$'000	Total US\$'000
Balance as at 1 March 2012		149,269	353,528	68,107	(26,332)	70,890	615,462
Profit/(loss) for the period		–	–	7,505	(14,192)	12,817	6,130
Dividend paid	21	–	–	–	–	(12,027)	(12,027)
Balance as at 31 August 2012		149,269	353,528	75,612	(40,524)	71,680	609,565

Comparative for the period from 1 March 2011 to 31 August 2011

		Share Capital Account US\$'000	Distributable Reserve US\$'000	Capital Reserve Realised US\$'000	Capital Reserve Unrealised US\$'000	Revenue Reserve US\$'000	Total US\$'000
Balance as at 1 March 2011		149,269	353,528	14,525	7,408	56,058	580,788
(Loss)/profit for the period		–	–	(355)	485	16,318	16,448
Dividend paid		–	–	–	–	(6,144)	(6,144)
Balance as at 31 August 2011		149,269	353,528	14,170	7,893	66,232	591,092

The accompanying notes on pages 19 to 30 form an integral part of the financial statements.

Unaudited Statement of Cash Flows

For the period from 1 March 2012 to 31 August 2012

	Notes	Six month period from 1 March 2012 to 31 August 2012 US\$'000	Six month period from 1 March 2011 to 31 August 2011 US\$'000
Operating activities			
Net cash (outflow)/inflow from operating activities	16	(4,764)	3,939
Cash outflow for purchase of investments		(119,624)	(36,954)
Cash outflow for capital call by the EuroMicrocap Fund 2010, LP		(13,275)	(49,153)
Cash outflow for purchase of corporate bonds		(57,288)	(24,433)
Cash outflow for fixed deposits and money market funds		(18,259)	–
Cash inflow from repayment and disposal of investments	5,6	68,136	70,982
Cash inflow from fixed deposits and money market funds		10,841	–
Net cash outflow before financing activities		(134,233)	(35,619)
Financing activity			
Dividends paid to shareholders	21	(12,027)	(6,144)
Net cash outflow from financing activities		(12,027)	(6,144)
Decrease in cash and cash equivalents		(146,260)	(41,763)
Reconciliation of net cash flow to movements in cash and cash equivalents			
Cash and cash equivalents at 1 March		194,513	172,267
Decrease in cash and cash equivalents as above		(146,260)	(41,763)
Cash and cash equivalents at period end		48,253	130,504

The accompanying notes on pages 19 to 30 form an integral part of the financial statements.

Notes to the Condensed Interim Financial Statements

1. General Information

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

Prior to 31 July 2012, the Company's Share Capital consisted of Ordinary shares, Limited Voting Ordinary ("LVO") shares and ZDP shares. The Ordinary shares and ZDP shares were admitted to the official list of the London Stock Exchange on 1 July 2008.

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

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

LVO shares were issued so that certain of the Company's existing shareholders and certain new investors that are Qualifying US Persons could participate in the Ordinary share Issue without causing the Company to be treated as a US domestic company for the purposes of US securities laws and/or a CFC for US tax purposes.

On 31 July 2012 the Company reorganised its capital structure to enable the Company to have a single class of Ordinary shares in place of the previous capital structure that consisted of Ordinary and LVO shares. The new, simplified structure is more appropriate to the mix of investors who own the Company and removes a structural inadequacy that restricted the Company's ability to accommodate US investors.

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

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

The Company has no direct employees. For its services the Investment Adviser receives a management fee and is also entitled to performance related fees (note 9). The Company has no ownership interest in the Investment Adviser. During the period under review the Company was administered by Butterfield Fulcrum Group (Guernsey) Limited (note 9). With effect from 1 September 2012, the Company appointed Northern Trust International Fund Administration Services (Guernsey) Limited, as the new Company Secretary and Administrator.

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 condensed interim financial statements have been consistently applied during the period of this statement, unless otherwise stated.

Statement of compliance

The condensed interim financial statements of the Company for the period 1 March 2012 to 31 August 2012 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted in the EU, together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the CISX and SFM. The condensed interim financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the annual report and audited financial statements at 29 February 2012.

Basis of preparation

The condensed interim financial statements have been prepared under the historical cost or amortised cost basis, modified by the revaluation of certain financial instruments designated at Fair value through Profit or Loss upon initial recognition. The accounting policies adopted in the preparation of these condensed interim financial statements have been consistent with the accounting policies stated in note 2 of the annual financial statements for the year ended 29 February 2012. The preparation of condensed interim financial statements in conformity with IAS 34, "Interim Financial Reporting" as adopted in the EU, requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Condensed Interim Financial Statements

Continued

3. Segment Information

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

- Portfolio of US micro cap investments
- Portfolio of European micro cap investments
- Portfolio of Mezzanine investments
- Portfolio of Bank debt
- Portfolio of Listed investments
- Portfolio of Real Estate 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 diversified portfolios.

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

During the course of the period the Investment Manager restructured its reportable segments. Investments within the Legacy portfolio, which consisted of investments made prior to 22 July 2002, have been reanalysed as either US Micro Cap or Other. The comparative data shown below has been amended to reflect this change. The segment information provided is also presented to the Board of the Company.

For the period ended 31 August 2012

	Micro Cap US US\$'000	Micro Cap European US\$'000	Mezzanine Portfolio US\$'000	Bank Debt US\$'000	Listed Investments US\$'000	Real Estate US\$'000	Other Investments US\$'000	Total US\$'000
Interest revenue	13,396	665	1,670	1,415	–	–	–	17,146
Dividend revenue	–	–	–	–	2,148	–	–	2,148
Net (loss)/gain on investments at fair value through profit or loss	(2,212)	(881)	67	562	3,438	–	(745)	229
Share of associate's net expense	–	(2,443)	–	–	–	–	–	(2,443)
Impairments on loans and receivables	–	–	597	–	–	–	–	597
Investment Adviser's base fee	(2,180)	(748)	(194)	(243)	(492)	(157)	(66)	(4,080)
Investment Adviser's capital incentive fee*	(303)	–	(651)	–	(3,928)	–	–	(4,882)
Total segmental operating profit/(loss)	8,701	(3,407)	1,489	1,734	1,166	(157)	(811)	8,715

For the period ended 31 August 2011

	Micro Cap US US\$'000	Micro Cap European US\$'000	Mezzanine Portfolio US\$'000	Bank Debt US\$'000	Listed Investments US\$'000	Real Estate US\$'000	Other Investments US\$'000	Total US\$'000
Interest revenue	16,242	283	2,726	1,210	–	–	19	20,480
Dividend revenue	–	–	–	–	2,865	–	–	2,865
Other revenue	–	–	–	124	–	–	–	124
Net gain/(loss) on investments at fair value through profit or loss	8,023	530	–	1,868	(16,974)	–	–	(6,553)
Share of associate's net income	–	12,390	–	–	–	–	–	12,390
Impairments on loans and receivables	–	–	(87)	–	–	–	–	(87)
Investment Adviser's base fee	(3,086)	(708)	(446)	(319)	(231)	–	(49)	(4,839)
Investment Adviser's capital incentive fee*	(1,132)	(485)	2,690	610	(5,636)	–	–	(3,953)
Total segmental operating profit/(loss)	20,047	12,010	4,883	3,493	(19,976)	–	(30)	20,427

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

Notes to the Condensed Interim Financial Statements

Continued

3. Segment Information (continued)

At 31 August 2012	Micro Cap US US\$'000	Micro Cap European US\$'000	Mezzanine Portfolio US\$'000	Bank Debt US\$'000	Listed Investments US\$'000	Real Estate US\$'000	Other Investments US\$'000	Total US\$'000
Investments at fair value through profit or loss	289,605	18,562	1,691	32,200	65,359	20,798	8,742	436,957
Investments classified as loans and receivables	–	–	24,104	–	–	–	–	24,104
Investment in an associate	–	80,782	–	–	–	–	–	80,782
Other receivables	–	–	–	–	636	–	–	636
Other payables and accrued expenses	(566)	(90)	(674)	(29)	(4,860)	(19)	(8)	(6,246)
Total segmental net assets	289,039	99,254	25,121	32,171	61,135	20,779	8,734	536,233

At 28 February 2012	Micro Cap US US\$'000	Micro Cap European US\$'000	Mezzanine Portfolio US\$'000	Bank Debt US\$'000	Listed Investments US\$'000	Real Estate US\$'000	Other Investments US\$'000	Total US\$'000
Investments at fair value through profit or loss	205,347	15,179	5,658	32,512	88,639	–	1,620	348,955
Investments classified as loans and receivables	–	–	23,974	–	–	–	–	23,974
Investment in an associate	–	69,950	–	–	–	–	–	69,950
Other receivables	–	–	–	–	405	–	–	405
Other payables and accrued expenses	(4,376)	(619)	(109)	(51)	(2,357)	–	(2)	(7,514)
Total segmental net assets	200,971	84,510	29,523	32,461	86,687	–	1,618	435,770

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

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

	Period ending 31.08.2012 US\$'000	Period ending 31.08.2011 US\$'000
Net reportable segment profit	8,715	20,427
Net gains on treasury gilts and corporate bonds	2,424	574
Realised gains on investments held in Escrow accounts	2,145	1,288
Net foreign exchange	345	(152)
Interest on treasury notes	588	110
Interest on cash	187	236
Fees payable to investment adviser based on non segmental assets	(1,327)	(345)
Expenses not attributable to segments	(1,285)	(1,569)
Share class restructuring costs	(1,608)	–
Operating profit	10,184	20,569

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

Notes to the Condensed Interim Financial Statements

Continued

3. Segment Information (continued)

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

	31.08.2012 US\$'000	29.02.2012 US\$'000
Total net segmental assets	536,233	435,770
Non segmental assets and liabilities		
Treasury gilts	33,629	33,465
Corporate bonds	67,284	32,129
Cash held on deposit and investments in money market funds	15,275	7,968
Cash and cash equivalents	48,253	194,513
Other receivables and prepayments	76	46
Zero Dividend Preference shares	(90,301)	(87,281)
Other payables and accrued expenses	(884)	(1,148)
Total non segmental net assets	73,332	179,692
Total net assets	609,565	615,462

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Certain investments are classified as FVTPL, and valued accordingly, as disclosed in note 2 of the annual financial statements for the year ended 29 February 2012 and the valuation policy on page 10. The key source of estimation uncertainty is on the valuation of unquoted equities and equity-related securities.

In reaching its valuation of the unquoted equities and equity-related securities the key judgements the Board have to make are those relating to the multiples and the discount factors used in the valuation models.

Loans and receivables

Certain investments are classified as Loans and Receivables, and valued accordingly, as disclosed in note 2 of the annual financial statements for the year ended 29 February 2012 and the valuation policy on page 10 as stated in note 2. The key estimation is the impairment review and the key assumptions are as disclosed in note 2 of the financial statements for the year ended 29 February 2012.

5. Net Gains/(Losses) on Investments at Fair Value Through Profit or Loss

	Period ended 31.08.2012 US\$'000	Period ended 31.08.2011 US\$'000
Net movement in unrealised gains/losses in the period	1,038	(11,666)
Proceeds from investments realised	67,452	70,982
Cost of investments realised	(52,810)	(53,381)
Unrealised gains in prior periods now realised	(13,027)	(11,915)
Total net realised gains in the period	1,615	5,686
Net gain/(loss) on investments in the period	2,653	(5,980)

Notes to the Condensed Interim Financial Statements

Continued

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

	Period ended 31.08.2012 US\$'000	Period ended 31.08.2011 US\$'000
Net impairments on loans and receivables	(87)	(87)
Proceeds from investments previously written off	684	–
Net write back of impairments/(impairments) on loans and receivables	597	(87)

7. Investment Income

	Period ended 31.08.2012 US\$'000	Period ended 31.08.2011 US\$'000
Income from investments classified as FVTPL	18,221	20,868
Income from investments classified as loans and receivables	1,661	2,711
	19,882	23,579

Income for the six month period ended 31 August 2012

	Dividends US\$'000	Preference dividends PIK US\$'000	Cash US\$'000	Loan note PIK US\$'000	Cash US\$'000	Interest US\$'000	Other Income US\$'000	Total US\$'000
US micro cap portfolio	–	6,124	–	3,956	3,316	–	–	13,396
European micro cap portfolio	–	–	–	–	665	–	–	665
Mezzanine portfolio	–	9	–	195	1,466	–	–	1,670
Bank debt	–	–	–	–	–	1,415	–	1,415
Listed investments	2,148	–	–	–	–	–	–	2,148
Treasury gilts and corporate bonds	–	–	–	–	–	588	–	588
	2,148	6,133	–	4,151	5,447	2,003	–	19,882

Income for the six month period ended 31 August 2011

	Dividends US\$'000	Preference dividends PIK US\$'000	Cash US\$'000	Loan note PIK US\$'000	Cash US\$'000	Interest US\$'000	Other Income US\$'000	Total US\$'000
US micro cap portfolio	–	9,167	–	3,406	3,952	–	–	16,525
European micro cap portfolio	–	–	–	–	–	–	–	–
Mezzanine portfolio	–	15	–	167	2,544	–	–	2,726
Bank debt	–	–	–	–	–	1,210	124	1,334
Listed investments	2,865	–	–	–	–	–	–	2,865
Treasury gilts	–	–	–	–	–	110	–	110
Other	–	19	–	–	–	–	–	19
	2,865	9,201	–	3,573	6,496	1,320	124	23,579

Notes to the Condensed Interim Financial Statements

Continued

8. Finance Costs

	Period ended 31.08.2012 US\$'000	Period ended 31.08.2011 US\$'000
Zero Dividend Preference shares	3,410	3,261
	3,410	3,261

Finance costs arising are allocated to the statement of comprehensive income using the effective interest rate method. The rights and entitlements of the ZDP shares, which are accounted for at amortised cost are described in note 12.

9. Expenses

	Period ended 31.08.2012 US\$'000	Period ended 31.08.2011 US\$'000
Investment Adviser's base fee	5,323	5,069
Investment Adviser's capital incentive fee	4,966	4,068
	10,289	9,137
Administrative expenses:		
Legal and professional fees	473	717
Other expenses	286	306
Directors' remuneration	190	190
Accounting, secretarial and administration fees	211	200
Auditors' remuneration	113	147
Custodian fees	12	8
	1,285	1,568
Total expenses	11,574	10,705

Directors fees

The Chairman is entitled to a fee of US\$140,000 per annum. Each of the other Directors are entitled to a fee of US\$60,000 per annum. For the period ended 31 August 2012 total Directors' fees included in the statement of comprehensive income were US\$190,000 (period ended 31 August 2011: US\$190,000), of this amount US\$63,000 was outstanding at the period end (29 February 2012: US\$63,000) and included within other payables.

Investment Advisory and Performance fees

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

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

For the period 1 March 2012 to 31 August 2012 total investment advisory and management expenses, based on the average total assets of the Company, were included in the statement of comprehensive income of US\$5,323,000 (31 August 2011: US\$5,069,000) of this amount US\$641,000 (29 February 2012: US\$1,105,000) was outstanding at the period end and is included within other payables.

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% of the average of the net asset value of the Company for that quarter (the "hurdle") (8% annualised). The fee is an amount equal to (a) 100% 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% of the net investment income of the Company above a hurdle of 2.5% in any quarter. Change in the valuation of income related (PIK) investments are also classed as an increase or decrease to investment income. Investments categorised as legacy investments and other assets identified by the Company as being excluded are excluded from the calculation of the fee. A true-up calculation is also 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.

Notes to the Condensed Interim Financial Statements

Continued

9. Expenses (continued)

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% of (x) the realised capital gains of the Company for each financial year less (y) all realised capital losses of the Company for the year less (b) the aggregate of all previous capital gains incentive fees paid by the Company to the Investment Adviser. The capital gains incentive fee is payable in arrears within 90 days of the fiscal year end. Investments categorised as legacy investments and those assets of the Euro Microcap Fund 2010, LP are excluded from the calculation of the fee.

The Company provides for a capital gains incentive fee based on cumulative net realised and unrealised investments gains. At 31 August 2012 the provision for the capital gains incentive fee was US\$4,966,000 (29 February 2012: US\$5,357,000).

	31.08.2012 US\$'000	29.02.2012 US\$'000
Provision based on realised gains and payable within 90 days of the fiscal year end	4,966	5,357
	4,966	5,357

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

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

Administration fees

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

During the period under review Butterfield Fulcrum Group (Guernsey) Limited ("BFGGL") acted as Administrator, Secretary and Registrar. BFGGL was entitled to a quarterly fee payable monthly in arrears and further fees for services provided with the Company's transition to the new service provider.

Custodian fees

HSBC Bank (USA) N.A. (the "Custodian") was appointed on 12 May 2008 under a custodian agreement.

Auditors remuneration

All of the auditors remuneration relates to the annual audit and half year review report. During the period ended 31 August 2012 professional fees of US\$40,000 were paid in the year to Ernst & Young for taxation services.

10. Taxation

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

For the period ended 31 August 2012 the Company incurred withholding tax of US\$644,000 (31 August 2011: US\$860,000) on dividend income from listed investments.

11. Investments

Categories of financial investments

	Listed 31.08.2012 US\$'000	Unlisted 31.08.2012 US\$'000	Carrying value 31.08.2012 US\$'000
Fair value through profit or loss ("FVTPL")	166,272	371,598	537,870
Loans and receivables	–	24,104	24,104
Investment in associate	–	80,782	80,782
	166,272	476,484	642,756

Notes to the Condensed Interim Financial Statements

Continued

11. Investments (continued)

Categories of financial investments (continued)

	Listed 29.02.2012 US\$'000	Unlisted 29.02.2012 US\$'000	Carrying value 29.02.2012 US\$'000
Fair value through profit or loss ("FVTPL")	154,233	260,316	414,549
Loans and receivables	–	23,974	23,974
Investment in associate	–	69,950	69,950
	154,233	354,240	508,473

	Listed 31.08.2012 US\$'000	Unlisted 31.08.2012 US\$'000	Carrying value 31.08.2012 US\$'000
Book cost at 1 March 2012	132,577	381,086	513,663
Purchases in year	57,288	119,624	176,912
Capital calls during year	–	13,275	13,275
Payment in kind ("PIK")	–	4,044	4,044
Proceeds from investments disposed/realised	(51,155)	(16,981)	(68,136)
Realised gains on disposal	10,743	4,583	15,326
Book cost at 31 August 2012	149,453	505,631	655,084
Unrealised gains/(losses) at 31 August 2012	16,634	(42,948)	(26,314)
Accrued interest at 31 August 2012	185	13,801	13,986
Carrying value at 31 August 2012	166,272	476,484	642,756

	Listed 29.02.2012 US\$'000	Unlisted 29.02.2012 US\$'000	Carrying value 29.02.2012 US\$'000
Book cost at 1 March 2011	75,017	394,118	469,135
Purchases in year	64,847	73,729	138,576
Capital calls during year	–	49,153	49,153
Payment in kind ("PIK")	–	25,995	25,995
Proceeds from investments disposed/realised	(10,850)	(215,204)	(226,054)
Realised gains on disposal	3,563	53,295	56,858
Book cost at 29 February 2012	132,577	381,086	513,663
Unrealised gains/(losses) at 29 February 2012	21,514	(33,310)	(11,796)
Accrued interest at 29 February 2012	142	6,464	6,606
Carrying value at 29 February 2012	154,233	354,240	508,473

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

The cost of PIK investments is deemed to be 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.

Notes to the Condensed Interim Financial Statements

Continued

11. Investments (continued)

Investment in associate

At 31 August 2012 the Company had one associate carrying on business which affects the profits and assets of the Company. The Company's associate consists solely of limited partnership interest directly held in the Partnership.

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

The Company's share of the aggregated financial information of the equity accounted associate is set out below. The amounts for the period ended 31 August 2012 include the share of results and net assets in the associate for the period ended 31 August 2012.

	31.08.2012 US\$'000	31.08.2012 US\$'000
Share of result in associate	(2,443)	12,390
Non current assets	79,950	60,231
Currents assets	832	1,312
Share of limited partner interest in associate	80,782	61,543

12. Zero Dividend Preference ("ZDP") Shares

	31.08.2012 US\$'000	29.02.2012 US\$'000
ZDP shares issued 22 June 2009		
Amortised cost at 1 March	87,281	82,341
Finance costs allocated to statement of comprehensive income	3,410	6,581
Unrealised currency gain on translation during the year	(390)	(1,641)
Amortised cost at year end	90,301	87,281
Total number of ZDP shares in issue	20,707,141	20,707,141
Price per ZDP share US\$	US\$ 4.3701	US\$ 4.2254
Price per ZDP share GBP	GBP 2.7547	GBP 2.6513

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

Notes to the Condensed Interim Financial Statements

Continued

13. Share Capital

Authorised capital

Unlimited number of ordinary shares of no par value.

Ordinary shares – Issued Capital	31.08.2012	29.02.2012
	Number of shares	Number of shares
Balance at 1 March	37,319,238	42,913,133
Converted from Limited Voting Ordinary shares	27,699,369	1,300,000
Converted to Limited Voting Ordinary shares	–	(6,893,895)
Total Ordinary shares in issue	65,018,607	37,319,238

Limited Voting Ordinary shares – Issued Capital	31.08.2012	29.02.2012
	Number of shares	Number of shares
Balance at 1 March	27,699,369	22,105,474
Converted to Ordinary shares	(27,699,369)	(1,300,000)
Converted from Ordinary shares	–	6,893,895
Total Limited Voting Ordinary shares in issue	–	27,699,369
Total shares in issue	65,018,607	65,018,607

On 3 July 2012 a shareholder resolution was passed which approved the conversion of all of the Limited Voting Ordinary (“LVO”) shares into Ordinary shares on the basis that one LVO share would convert into one Ordinary share. A further resolution was passed approving the proposed transfer of the listing of the Ordinary shares to the London Stock Exchange’s Specialist Fund Market (“SFM”). The move to this structure removed a structural inadequacy that had restricted the Company’s ability to accommodate US investors and is more appropriate to the Company’s mix of investors.

On 31 July 2012 the Company announced the cancellation of the listing of its Ordinary shares on the premium segment of the Official List and trading on the London Stock Exchange’s main market for listed securities. Subsequently the Company’s shares were admitted to trading on the SFM. The Company also announced the admission to listing on the CISX.

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

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

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

Holders of Ordinary shares are entitled to receive notice of, to attend and to vote at all general meeting of the Company.

14. Basic and Diluted Earnings Per Share

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

For the periods ended 31 August 2012 and 31 August 2011 the weighted average number of Ordinary shares (including Limited Voting Ordinary shares) outstanding during the period was 65,018,607.

15. Net Asset Value Per Share

The net asset value per Ordinary share of US\$9.38 (29 February 2012: US\$9.47) is based on the net assets at the period end of US\$609,565,000 (29 February 2012: US\$615,462,000) and on 65,018,607 (29 February 2012: 65,018,607) Ordinary shares, being the number of Ordinary shares in issue at the period end.

Notes to the Condensed Interim Financial Statements

Continued

16. Notes to the Cash Flow Statement

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

	Period ended 31.08.2012 US\$'000	Period ended 31.08.2011 US\$'000
Profit for the period	6,130	16,448
Increase in other receivables	(261)	(412)
(Decrease)/increase in other payables	(1,532)	3,846
Net movement in unrealised gains on investments	(1,038)	11,666
Net impairments on loans and receivables	(597)	87
Share of associates expense/(income)	2,443	(12,390)
Adjustment for foreign currency exchange (gains)/losses	(280)	115
Realised gain on investments	(1,615)	(5,686)
Increase in accrued interest on investments and adjustment for interest received as PIK	(11,424)	(12,942)
Interest receivable from treasury gilts reinvested	–	(54)
Finance costs in respect of Zero Dividend Preference shares	3,410	3,261
Net cash (outflow)/inflow from operating activities	(4,764)	3,939

17. Commitments

At 31 August 2012 JZCP had the following financial commitments outstanding in relation to fund investments:

	Period ended 31.08.2012 US\$'000	Year ended 29.02.2012 US\$'000
EuroMicrocap Fund 2010, LP	20,072	33,347
Constituent Capital Management, LLC	14,167	15,000
Suzo Happ Group	5,042	–
BSM Engenharia S.A.	2,085	–
Milestone Aviation Group, Inc.	–	2,083
	41,366	50,430

18. Related Party Transactions

In 2007, JZEP invested US\$250,000 in ETX Holdings, Inc. which was a spin off of Jordan Auto Aftermarket Holdings, Inc., a former co-investment with The Jordan Company. The investment was subsequently transferred to JZCP as part of the *in specie* transfer dated 1 July 2008. A further US\$142,000 has subsequently been invested in ETX Holdings, Inc. During the period ended 31 August 2012 and the year ended 29 February 2012 the Company did not receive any income from this investment. At 31 August 2012 the investment was valued at US\$617,000 (29 February 2012: US\$602,000).

At 31 August 2012, JZCP has invested US\$62,428,000 (29 February 2012: US\$49,153,000) in the EuroMicrocap Fund 2010 LP ("The Europe Fund"). At 31 August 2012 the investment was valued at US\$80,782,000 (29 February 2012: US\$69,950,000). The Europe Fund is managed by JZ International LLC ("JZI"), an affiliate of JZAI, JZCP's investment manager. JZAI and JZI were each founded by David Zalaznick and Jay Jordan.

The Company has invested with The Resolute Fund, which is managed by The Jordan Company, a company in which David Zalaznick and Jay Jordan are Managing Principals. These investments include: Kinetek, Inc.; Milestone Aviation Group, Inc.; TAL International Group, Inc.; TTS, LLC and represent an aggregate value of US\$58,628,000 at 31 August 2012 (29 February 2012: US\$82,442,000).

The Company has invested with Fund A, a Limited Partnership in a number of US micro cap buyouts. Fund A is managed by JZAI. At 31 August 2012, the total amount of these co-investments was US\$92,744,000 (29 February 2012: US\$53,905,000) of the total amount of the co-investment US\$76,042,000 (29 February 2012: US\$44,203,000) was invested by the Company and US\$16,702,000 (29 February 2012: US\$9,702,000) was invested by Fund A.

Jordan/Zalaznick Advisers, Inc. ("JZAI"), a US based company, provides advisory services to the board of Directors of the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in note 9.

During the period ended 31 August 2012, the Company retained Ashurst LLP, a UK based law firm. David Macfarlane was formerly a Senior Corporate Partner at Ashurst until 2002.

The Directors remuneration is disclosed in note 9.

Notes to the Condensed Interim Financial Statements

Continued

19. 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.

20. Contingent Assets

a) Amounts held in escrow accounts

Investments have been disposed by the Company, of which the consideration given included contractual terms requiring that a percentage was held in an escrow account pending resolution of any indemnifiable claims that may arise. At 31 August 2012 the Company has assessed that the fair value of these escrow accounts are nil as it is not reasonably probable that they will be realised by the Company.

As at 31 August 2012, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

Company	31.08.2012 US\$'000	29.02.2012 US\$'000
GHW (G&H Wire)	2,609	3,031
Dantom Systems, Inc.	1,322	2,415
Wound Care Solutions, LLC	5,397	5,398
Advanced Chemistry & Technology, Inc.	1,613	1,772
Recycled Holdings Corporation	1,300	1,300
Apparel Ventures, Inc.	428	835
N&B Industries, Inc.	776	776
Gear for Sports	123	186
Roofing Supply Group, Inc.	122	–
	13,690	15,713

During the period US\$2,145,000 (31 August 2011: US\$1,288,000) was realised relating to the escrow accounts of the Company.

b) Income incentive fee

The Company has a contingent asset of US\$4,409,700 (29 February 2012: US\$4,409,700) relating to an income incentive fee which was paid to the Investment Adviser during the year ended 29 February 2012. Under the terms of the Advisory Agreement the amount paid in the year is repayable to the Company as the required annual hurdle was not met. The amount is repayable on termination of the Advisory Agreement or offset against any future income incentive fees payable. As neither a date for the termination of the Advisory Agreement or the event of any future income incentive fees becoming payable can be predicted the amount is treated as a contingent asset.

21. Dividends Paid and Proposed

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

A final dividend for the year ended 29 February 2012 of 18.5 cents per Ordinary share (total US\$12,027,000) was paid on 6 July 2012.

An interim dividend of 14.0 cents per Ordinary share (total US\$9,102,605) was declared by the Board on 9 October 2012 and will be paid on 5 November 2012.

22. Subsequent Events

With effect from 1 September 2012, the Company appointed Northern Trust International Fund Administration Services (Guernsey) Limited, as the new Company Secretary and Administrator. The Company's new registered office is recorded on page 32.

Independent Review Report

to JZ Capital Partners Limited

Introduction

We have been engaged by the company to review the condensed interim financial statements for the six month period ended 31 August 2012 which comprise the unaudited statement of comprehensive income, unaudited statement of financial position, unaudited statement of changes in equity, unaudited statement of cash flows and the related notes 1 to 22. We have read the other information contained in the condensed interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of interim financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410") issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The condensed interim financial statements for the period from 1 March 2012 to 31 August 2012 are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

As disclosed in note 2, the annual financial statements are prepared in accordance with IFRS as adopted by the European Union.

The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting" as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements for the period from 1 March 2012 to 31 August 2012 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Ernst & Young LLP

Guernsey, Channel Islands

9 October 2012

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.

767 Fifth Avenue
New York NY 10153

Registered Office

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 (appointed 1 September 2012)

Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Prior to 1 September 2012 the Company's Administrator was:

Butterfield Fulcrum Group (Guernsey) Limited

The previous registered address of the Company was:
2nd Floor
Regency Court
Gategny Esplanade
St Peter Port
Guernsey GY1 3NQ

UK Transfer and Paying Agent

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex BN99 6ZX

US Bankers

HSBC Bank USA NA
452 Fifth Avenue
New York NY 10018

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

Guernsey Bankers

Northern Trust (Guernsey) Limited

Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3DA

Independent Auditor

Ernst & Young LLP

PO Box 9
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

UK Solicitors

Ashurst LLP

Broadwalk House
5 Appold Street
London EC2A 2HA

US Lawyers

Monge Law Firm, PLLC

333 West Trade Street
Charlotte NC 28202

Mayer Brown LLP

214 North Tryon Street
Suite 3800
Charlotte NC 28202

Winston & Strawn LLP

35 West Wacker Drive
Chicago IL 60601-9703

Guernsey Lawyers

Mourant Ozannes

PO Box 186
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

Financial Adviser and Broker

JP Morgan Cazenove Limited

20 Moorgate
London EC2R 6DA

Board of Directors



David Macfarlane (Chairman)¹

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



James Jordan

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



David Allison

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



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.



Patrick Firth²

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

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

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

Useful Information for Shareholders

Listing

JZCP Ordinary and Zero Dividend Preference shares are listed on the London Stock Exchange's Specialist Fund Market and the Channel Islands Stock exchange. The ticker symbols are "JZCP" and "JZCN" respectively.

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

Financial Diary

Results for the year ending 28 February 2013	May 2013
Annual General Meeting	June 2013
Interim report for the six months to 31 August 2013	October 2013

In accordance with the Transparency Directive JZCP will be issuing an Interim Management Statement for the quarters ended 30 November 2012 and 31 May 2013. These Statements will be sent to the market via RNS within six weeks from the end of the appropriate quarter, and will be posted on JZCP's website at the same time, or soon thereafter.

Payment of Dividends

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

Share Dealing

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

Internet Address

The Company: www.jzcp.com

ISIN/SEDOL Numbers

The ISIN code/SEDOL (Stock Exchange Daily Official List) numbers of the Company's Ordinary shares are ISIN: GG00B403HK58 / SEDOL: B403HK5 and the numbers of the Zero Dividend Preference shares are ISIN: GG00B40D7X85 / SEDOL: B40D7X8.

Share Register Enquiries

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

Nominee Share Code

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

Documents Available for Inspection

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

- the Register of Directors' Interests in the share capital of the Company;
- the Articles of Association of the Company; and
- the terms of appointment of the Directors.

US Investors

General

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

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

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

Useful Information for Shareholders

Continued

US Investors (continued)

General (continued)

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

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

US Securities Laws

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

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

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

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

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

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

Useful Information for Shareholders

Continued

US Investors (continued)

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

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" (a "CFC").

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

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

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

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

