



JZ CAPITAL PARTNERS LIMITED (the "Company" or "JZCP")

(a closed-end investment company incorporated with limited liability under the laws of Guernsey with registered number 48761)

**INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED
31 AUGUST 2017**

LEI: 549300TZCK08Q16HHU44

(Classified Regulated Information, under DTR 6 Annex 1 section 1.1)

8 November 2017

JZ Capital Partners, the London listed fund that invests in US and European micro-cap companies and US real estate, announces its interim results for the six-month period ended 31 August 2017.

Results and Portfolio Highlights

- NAV of \$829.4 million (FYE 28/02/17: \$848.8 million)
- NAV per share of \$9.88 (FYE 28/02/17: \$10.12)
- Total investments of \$56.3 million, including: Felix Storch, Jordan Health Products, Peaceable Street Capital and properties in Brooklyn, New York and South Florida.
- Realisation proceeds of \$27.7 million, primarily through the sale of Fidor Bank and the recapitalisation of Jordan Health Products.
- As of 31 August 2017, the portfolio comprised:
 - **US micro-cap:** 21 businesses including four 'verticals' and 12 co-investments, across nine industries.
 - **European micro-cap:** 15 companies across five industries and six countries.
 - **US real estate:** 59 properties across five major assemblages in New York and South Florida all in various stages of (re)/development.
- JZCP made three significant post-period realisations (October and November 2017), all at or above net asset value: Nielsen-Kellerman, K2 Towers and Factor Energia.

Operational Highlights

- In May 2017, JZCP received shareholder approval for initiatives designed to maximise shareholder returns, including the discontinuation of the Company's current dividend policy and inception of a new strategy to allow for the repurchase of shares.
- In April 2017, JZCP increased its loan facility with Guggenheim Partners from approximately \$100 million to \$150 million, in order to bridge certain planned realisations.

David Zalaznick, JZCP's Founder and Investment Adviser, said: "It has been a steady six months for the Company. Whilst the underlying assets in our US, European and real estate portfolios continued to perform well, the overall NAV was impacted by pre-development real estate costs at the US real estate portfolio.

However, we remain positive about our future prospects and have made a promising start to the second half of the year, with three significant realisations, all at or above NAV.

Looking forward, the Company remains focused on returning further value from the portfolio and investing opportunistically in high-quality assets in the US and Europe."

David Macfarlane, Chairman of JZCP, said: "The Board remains confident in and continues to support the Investment Manager's focus on growing the Company's NAV and following shareholder approval during the first half of the year, we look forward to initiating a share repurchase programme as market conditions permit. We carry great momentum into the second half of the year, as the Company builds towards a more secure, long-term future."

Presentation details:

There will be an audiocast presentation for investors and analysts at 2pm UK (GMT) / 9am US (EDT) on 8 November 2017. The presentation can be accessed via <http://bit.ly/2ITkDSG> and by dialing **+44 (0)330 336 9105**

(UK) or +1 323-794-2423 (US) with the participant access code 2568566.

A playback facility will be available two hours after the conference call concludes. This facility may be accessed via the following dial in details, using the same participant access code as above: +44 (0)207 984 7568 (UK) or +1 719-457-0820 (US).

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JZ Capital Partners

About JZ Capital Partners

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

Chairman's Statement

I am pleased to report the results of JZ Capital Partners ("JZCP" or the "Company") for the six-month period ended 31 August 2017.

Performance

The Company's performance over the last six months has been set against a backdrop of short-term political and economic uncertainty, driven by US policy and Brexit nervousness, and separatist fears across the EU.

Despite this, the US economy remains in a solid and robust expansion that is now the third longest in US history. The expansion gathered pace in the second quarter of 2017, with GDP growing 3.1% from April to June, driven primarily by household spending and firmer investment by business¹. In Europe, economic growth has continued to gain momentum, supported by favourable monetary conditions, a weaker euro and better than expected export growth.

Within this market environment, it has been a steady six months for the Company, with the underlying assets in our US, European and real estate portfolios continuing to perform satisfactorily. For the six-month period ended 31 August 2017, JZCP's net asset value ("NAV") per share declined 2.4% from \$10.12 to \$9.88; primarily due to operating and debt service expenses at the US real estate portfolio, offsetting the positive performance of the US and European micro-cap portfolio.

Strategy

The Investment Adviser continues to pursue its value-added investment strategy in the US and European micro-cap sectors and the US real estate market, providing investors with access to a diversified and balanced portfolio of alternative investment opportunities.

Portfolio update

It has been an active investment period for the Company, putting \$56.3 million² to work across the US micro-cap and real estate portfolios - whilst realising \$27.7 million³, primarily through the sale of Fidor Bank, an internet-based bank licensed in Germany, and the recapitalisation of Jordan Health Products, a build-up of healthcare equipment sales, service and installation companies.

At the end of the period, the Company's portfolio consisted of 21 US micro-cap businesses, including four 'verticals' and 12 co-investments, across nine industries, 15 European micro-cap companies across five industries and six countries, and five major real estate assemblages (59 properties in total) located across Brooklyn, New York and South Florida. The portfolio continues to become more balanced by asset type and

geography.

US and European Micro-cap

The Board is pleased with the resilient performance of the US micro-cap portfolio during the period, which has seen a net valuation increase of 4 cents per share, primarily due to net accrued income of 8 cents and increased earnings at our Healthcare Revenue Cycle Management vertical (2 cents).

The US micro-cap portfolio was valued at 8.2x EBITDA, after applying an average 26% marketability discount to public comparables. The Company paid 4.8x EBITDA on average for US micro-cap acquisitions made during the period, consistent with the Investment Adviser's value-oriented investment strategy.

The European micro-cap sector remains a strategically important segment of the business. JZCP invests in the European micro-cap sector through its 75% ownership of the EuroMicrocap Fund 2010, L.P. ("EMC")⁴ and its approximately 18.8% ownership of JZI Fund III, L.P. ("Fund III"). This was demonstrated during the period when JZCP acquired stakes in two new businesses via its ownership in Fund III: Treee, Italy's first nationwide recycler of electric and electronic goods, and Eliantus, a build-up of solar plants in Spain.

As of 31 August 2017, EMC held two investments in Spain: Factor Energia and Oro. Fund III held nine investments: three in Spain, two in Scandinavia, two in Italy and one each in the UK and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance.

Real Estate

The Company's long-term partnership with Redsky Capital continues to lead to attractive investment opportunities in Brooklyn, New York, and South Florida. During the period, JZCP made investments of \$23.2 million in properties in Brooklyn, New York, and South Florida. The portfolio experienced a valuation decrease of 17 cents per share, primarily due to operating expenses and debt service at the property level.

As of August 2017, JZCP has approximately \$366 million invested in five major real estate assemblages (59 properties in total) with an approximate valuation of \$477 million. All properties are currently in various stages of development and re-development.

Realisations

The Company generated realisations totalling \$27.7 million during the period, primarily through the sale of Fidor Bank ("Fidor") and the recapitalisation of Jordan Health Products. The Company received its first tranche of proceeds totalling \$12.5 million from the sale of Fidor, and is expected to receive total gross proceeds of approximately \$25 million from the sale.

The Board is delighted with three significant post-period realisations (October 2017), all approximately at or above net asset value: Nielsen-Kellerman, K2 Towers and Factor Energia. JZCP received proceeds of \$8.6 million from the sale of NK and expects to receive total cash proceeds of \$27.1 million from the sale of K2, with further proceeds of approximately \$4.2 million being rolled into a new vehicle which is being used to fund a new portfolio of cell tower assets with the same management partners. JZCP expects to have received total gross proceeds (before carry) of approximately €69.7 million (\$82.3 million) from the sale of Factor Energia.

Outlook

I am encouraged by the level of realisation activity, post-period, which we expect will continue to feed through to positive NAV growth in the year ahead.

The Board continues to believe that generating positive NAV growth is the most effective driver to narrow the Company's persistent discount to NAV. In addition, the Board continues to evaluate its option of exercising the share buy-back programme, following shareholder approval during the first half of the year. The timing and level of the buyback is dependent on a range of factors, including the Company's liquidity from realisations, market conditions and whether or not it would be accretive to shareholder value. Subject to that, however, the Board expects to dedicate a portion of funds from realisations to a share buyback programme in 2018.

The Company's robust balance sheet and access to a wide range of quality investment opportunities means we are well positioned for the year ahead.

David Macfarlane
Chairman
7 November 2017

¹ Bureau of Economic Analysis, US Department of Commerce – 28 September 2017.

² Total investments in the period, as quoted in the Chairman's Statement and Investment Advisers' report have been adjusted to exclude short-term direct loans to investee companies (\$6.6 million) which were advanced and repaid in the period.

³ Total realisations in the period, as quoted in the Chairman's Statement and Investment Advisers' report have been adjusted to exclude short-term direct loans to investee companies (\$7.1 million) which were advanced and repaid in the period and to include Escrow receipts (\$1.2 million).

⁴ EuroMicrocap Fund 2010, L.P. and EuroMicrocap Fund-C, L.P. are defined throughout the Condensed Interim Report and Financial Statements as "EMC", both L.P.s are held by the same limited partners and in the same ownership percentages.

Investment Adviser's Report

Dear Fellow Shareholders,

We are very pleased to report three significant post-period realisations, all approximately at or above net asset value: Nielsen-Kellerman Co., K2 Towers and Factor Energia for which more details are provided later in this report.

JZCP's NAV per share fell 2.4% during the period, from \$10.12 at 28 February 2017 to \$9.88 at 31 August 2017, primarily due to pre-development real estate costs. Unless otherwise stated, figures included in this report refer to the six-month period ended 31 August 2017.

During the period, JZCP invested a total of \$56.3 million, including investments in Felix Storch, Jordan Health Products, Peaceable Street Capital and properties in Brooklyn, New York and South Florida. We realised \$27.7 million primarily through the sale of Fidor Bank and the recapitalisation of Jordan Health Products.

As of 31 August 2017, our US micro-cap portfolio consisted of 21 businesses, which includes four 'verticals' and 12 co-investments, across nine industries; this portfolio was valued at 8.2x EBITDA, after applying an average 26% marketability discount to public comparables. The average underlying leverage senior to JZCP's position in our US micro-cap portfolio is 3.5x EBITDA. Consistent with our value-oriented investment strategy, we have acquired our current US micro-cap portfolio at an average 6.1x EBITDA; we paid 4.8x EBITDA on average for US micro-cap acquisitions made during the period.

Our European micro-cap portfolio consisted of 15 companies across five industries and six countries. The European micro-cap portfolio has low leverage senior to JZCP's position, of under 2.0x EBITDA.

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

Net Asset Value ("NAV")

JZCP's NAV per share fell 2.4% during the period, from \$10.12 at 28 February 2017 to \$9.88 at 31 August 2017.

NAV per Ordinary share as of 28 February 2017	\$10.12
<i>Change in NAV due to capital gains and accrued income</i>	
+ US Micro-cap	0.04
+ European Micro-cap	0.02
- Real estate	(0.17)
- Other investments	(0.07)
<i>Other increases/(decreases) in NAV</i>	
- Change in CULS fair value	(0.01)
- Finance costs	(0.10)
+ Net foreign exchange effect ¹	0.15
- Expenses and taxation	(0.10)
NAV per Ordinary share as of 31 August 2017	<u>\$9.88</u>

¹ Net foreign exchange gains includes 20 cents relating to translation of investments, foreign exchange losses of 3 cents on the translation of the CULS and foreign exchange losses of 2 cents as recorded in the Statement of Comprehensive Income.

The US micro-cap portfolio performed steadily, delivering a net increase of 4 cents, primarily due to net accrued income of 8 cents and increased earnings at our Healthcare Revenue Cycle Management vertical (2 cents). Also contributing to the positive portfolio performance were increases at our Logistics vertical (1 cent) and at Jordan Health Products (1 cent). We also received 1 cent of escrow payments during the period.

Offsetting these increases were declines at our Industrial Services Solutions (“ISS”) vertical (8 cents) and Nationwide, our school photography business (1 cent).

The European micro-cap portfolio continued its positive trajectory, posting a net increase of 2 cents, primarily due to accrued income of 5 cents and a positive carried interest adjustment of 3 cents, offset by a write-down of Factor Energia, our energy supply business in Spain, of 6 cents.

The real estate portfolio experienced a net decrease of 17 cents, primarily due to operating expenses and debt service at the property level.

Returns

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

	<u>31.8.2017</u>	<u>28.2.2017</u>	<u>31.8.2016</u>	<u>31.8.2014</u>	<u>31.8.2012</u>
Share price (in GBP)	£5.16	£5.38	£4.53	£4.34	£3.50
NAV per share (in USD)	\$9.88	\$10.12	\$10.40	\$10.11	\$9.38
NAV to market price discount	33%	34%	43%	29%	41%
		<u>6 month return</u>	<u>1 year</u>	<u>3 year</u>	<u>5 year return</u>
Dividends paid (in USD)		-	\$0.155	\$0.79	\$1.385
Total Shareholders' return ¹		-4.2%	16.6%	32.9%	80.8%
Total NAV return per share ¹		-2.4%	-3.6%	5.7%	21.2%

¹ Total returns are cumulative and assume that dividends were reinvested.

Portfolio Summary

Our portfolio is well-diversified by asset type and geography, with 36 US and European micro-cap investments across nine industries and five primary real estate “assemblages” (59 total properties) located in Brooklyn, New York and South Florida. The portfolio continues to become more diversified geographically across Western Europe with investments in Spain, Italy, Luxembourg, Scandinavia and the UK.

Below is a summary of JZCP’s assets and liabilities at 31 August 2017 as compared to 28 February 2017. An explanation of the changes in the portfolio follows:

	<u>31.8.2017</u>	<u>28.2.2017</u>
	<u>US\$'000</u>	<u>US\$'000</u>
US micro-cap portfolio	439,745	423,137
European micro-cap portfolio	166,244	154,277
Real estate portfolio	477,384	468,599
Other investments	16,145	23,167
Total private investments	<u>1,099,518</u>	<u>1,069,180</u>
Cash	35,766	29,063
Total listed investments and cash	<u>1,135,284</u>	<u>1,098,243</u>
Other assets	544	520
Total assets	<u>1,135,828</u>	<u>1,098,763</u>
Zero Dividend Preference (2022) shares	57,278	53,935
Convertible Unsecured Loan Stock	60,089	57,063

Loans payable	149,137	97,396
Other payables	39,902	41,525
Total liabilities	306,406	249,919
Net Asset Value	829,422	848,844

As previously announced, in April 2017 JZCP increased its loan facility with Guggenheim Partners from approximately \$100 million to \$150 million. The purpose of this increase in borrowings is to provide additional liquidity to JZCP in order to bridge certain planned realisations. The entire \$150 million facility may be repaid, in whole or in part, at any time, without any prepayment penalties.

US micro-cap portfolio

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

New US investments – verticals

Vertical	Number of Acquisitions	JZCP Investment (\$ millions)
Technical Solutions and Services	1	1.3
Total	1	1.3

New US investments – co-investments

Portfolio Company	New/Follow-on	JZCP Investment (\$ millions)
Peaceable Street Capital	Follow-on	3.0
New Vitality	Follow-on	0.1
Felix Storch	New	12.0
Jordan Health Products ¹	Follow-on	4.5
Total		19.6

¹Jordan Health Products is classified as an "Other" US Micro-cap investment in the Investment Portfolio.

European micro-cap portfolio

JZCP invests in the European micro-cap sector through its 75% ownership of EMC and its 18.8% ownership of JZI Fund III, L.P. ("Fund III"). JZAI has offices in London and Madrid and an outstanding team with over fifteen years of experience investing together in European micro-cap deals.

As of 31 August 2017, EMC held two investments in Spain: Factor Energia and Oro. Fund III held nine investments: three in Spain, two in Scandinavia, two in Italy and one each in the UK and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance.

In November 2017 (post-period), JZCP sold its interest in Factor Energia for expected total gross proceeds (before carry) of approximately €69.7 million (\$82.3 million) (including deferred payments and interim distributions received over the course of the investment), which represents an approximate gross multiple of invested capital of 9.2x and an approximate gross IRR of 42.3% in euro-denominated terms. See below for further information.

Recent events

During the period, JZCP acquired stakes in two new businesses via its ownership in Fund III: Treee, Italy's first nationwide recycler of electric and electronic goods, and Eliantus, a build-up of solar plants in Spain.

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

In March 2017, JZCP received its first tranche of proceeds totalling \$12.5 million from the sale of portfolio company Fidor Bank to Groupe BPCE, the second largest banking group in France. The transaction had closed in December 2016. JZCP invested a total of \$13.8 million and is expected to receive total gross proceeds of approximately \$25 million from the sale.

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

Real Estate Portfolio

As of 31 August 2017, JZCP had approximately \$366 million invested in a portfolio of retail, office and residential properties in Brooklyn, New York, and South Florida which is valued at \$477 million as of that date. We have made these investments alongside our long-term real estate partner, RedSky Capital, a team with significant experience in the sector.

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

The real estate portfolio had a net decrease of 17 cents, primarily due to operating expenses and debt service at the property level.

New real estate investments

	<u>JZCP Investment (\$ millions)</u>
Follow-ons & expenses	23.2
	<u>23.2</u>

Other Investments

Our asset management business in the US, Spruceview Capital Partners, addresses the growing demand from corporate pensions, endowments, family offices and foundations for fiduciary management services through an Outsourced Chief Investment Officer (“OCIO”) model. Spruceview has a robust pipeline of opportunities and continues to provide investment oversight to a European private credit fund-of-funds tailored to the clients of an international multi-family office as well as to the pension fund of a Canadian subsidiary of an international confectionary company. Spruceview recently increased its assets under management as the Canadian pension fund incorporated the assets of another recently acquired business.

As previously reported, Richard Sabo, former Chief Investment Officer of Global Pension and Retirement Plans at JPMorgan and a member of that firm’s executive committee, is leading a team of 12 senior investment, business development, legal and operations professionals.

Realisations

<u>Investment</u>	<u>Type</u>	<u>Portfolio</u>	<u>Proceeds (\$ millions)</u>
Jordan Health Products	Dividend Recap	US	7.6
Petrocorner & Collingwood	Distribution	European	1.7
Fidor	Sale	European	12.5
Bright Spruce Fund	Liquidation	Other	4.6
Escrow		US	1.2
Other		Real Estate	0.1
			<u>27.7</u>

As previously mentioned, JZCP made three significant post-period realisations (October and November 2017), all at or above net asset value: Nielsen-Kellerman Co. (“NK”), K2 Towers (“K2”) and Factor Energia (“Factor”).

Nielsen-Kellerman

JZCP received proceeds of \$8.6 million from the sale of NK, a designer, manufacturer and distributor of rugged, waterproof environmental and sports performance instruments for active lifestyles and technical applications.

NK’s sale represents a 3.3x realised gross multiple on invested capital and a 19.2% realized gross IRR. JZCP first invested in NK in March 2010.

K2 Towers

JZCP expects to receive total proceeds of \$31.3 million from the sale of K2 to one of the largest publicly traded cell tower companies, representing an overall gross multiple of invested capital of 1.5x and a gross internal rate of return of 17.6% in just over two years. Approximately \$4.2 million of these proceeds are being re-invested into a new vehicle which is being used to fund a new portfolio of cell tower assets with the same management partners. This transaction provides liquidity to JZCP at an attractive valuation while continuing to build a great cell tower portfolio with further upside.

Factor Energia

Finally, JZCP realised, at approximately net asset value, its majority equity interest in Factor held through

EMC.

Post-sale, Factor will be majority owned by an affiliate of a major North American public pension fund. As part of this transaction, Fund III, in which JZCP is an approximately 18.8% limited partner, has agreed to invest €20 million alongside the majority owner and Factor management, representing approximately 25% of the business' fully diluted equity ownership.

JZCP invested a total of approximately €7.6 million (\$9.6 million) in Factor and is expected to receive total gross proceeds, (before carry) of approximately €69.7 million (\$82.3 million) from the sale (including deferred payments and interim distributions received over the course of the investment), representing an approximate gross multiple of invested capital of 9.2x and an approximate gross IRR of 42.3% in euro-denominated terms.

Outlook

We are very pleased with how the second half of the year has started, with three outstanding post-period realisations (NK, K2 and Factor). All of these transactions validate JZCP's solid, if not conservative, net asset value.

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

We anticipate further exciting realisations over the next six months, which will in turn provide more liquidity for us to invest in our growing pipeline of attractive investment opportunities, repay debt and buy back our stock.

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

Yours faithfully,
Jordan/Zalaznick Advisers, Inc.
7 November 2017

Investment Portfolio

	Historical Book cost US\$'000	Carrying Value 31 August 2017 US\$'000	Percentage of Portfolio %
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US Micro-cap portfolio

US Micro-cap (Verticals)

Industrial Services Solutions⁽⁴⁾

INDUSTRIAL SERVICES SOLUTIONS ("ISS")

A combination of twenty five acquired businesses in the industrial maintenance, repair and service industry

Total Industrial Services Solutions valuation

33,257

78,851

7.2

Healthcare Revenue Cycle Management⁽⁴⁾

BHS HOSPITAL SERVICES

Provider of outsourced revenue cycle management solutions to hospitals. BHS Hospital Services, Inc., which owns **Bolder Outreach Services (formerly known as Monti Eligibility & Denial Solutions), Receivables Outsourcing, Inc.** and **Avectus Healthcare Solutions, LLC** is a subsidiary of Bolder Healthcare Solutions, LLC

BHS PHYSICIAN SERVICES

Provider of outsourced revenue cycle management solutions to physician groups. BHS Physician Services, Inc., which owns **Bodhi Tree Group** and **PPM Information Solutions, Inc.** is a subsidiary of Bolder Healthcare Solutions, LLC

Total Healthcare Revenue Cycle Management valuation 30,327 71,238 6.5

Technical Solutions and Services⁽⁴⁾**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

Total Testing Services Vertical valuation 12,854 11,951 1.1

Water Services⁽⁴⁾**TWH INFRASTRUCTURE INDUSTRIES, INC.**

Environmental infrastructure company that provides technology to facilitate repair of underground pipes and other infrastructure. TWH Infrastructure Industries, Inc., which owns **LMK Enterprises, Perma-Liner Industries** and **APMCS** is a subsidiary of Triwater Holdings

TWH WATER TREATMENT INDUSTRIES, INC.

Provider of water treatment supplies and services. TWH Water Treatment Industries, Inc., which owns **Nashville Chemical & Equipment** and **Klenzoid Canada Company/Eldon Water, Inc.**, is a subsidiary of Triwater Holdings

TWH FILTRATION INDUSTRIES, INC.

Supplier of parts and filters for point-of-use filtration systems, which owns **Paragon Water Systems**, is a subsidiary of Triwater Holdings

Total Water Services Vertical valuation 24,730 33,203 3.0

Total US Micro-cap (Verticals) 101,168 195,243 17.8

US Micro-cap (Co-investments)**FELIX STORCH, INC.**

Supplier of specialty, professional, commercial, and medical refrigerators and freezers, and cooking appliances

12,000 12,408 1.1

GEORGE INDUSTRIES

Manufacturer of highly engineered, complex and high tolerance products for the aerospace, transportation, military and other industrial markets

12,639 12,639 1.1

IGLOO PRODUCTS CORP⁽⁴⁾

Designer, manufacturer and marketer of coolers and outdoor products

6,040 6,040 0.5

ILLUMINATION INVESTMENTS, LLC⁽⁴⁾

Designer and manufacturer of LED lights and lighting systems

4,920 1,930 0.2

K2 TOWERS, LLC

Acquirer of wireless communication towers

20,900 19,461 1.8

NEW VITALITY HOLDINGS, INC.⁽⁴⁾

Direct-to-consumer provider of nutritional supplements and personal care products.

3,622 3,994 0.4

ORIZON⁽⁴⁾

Manufacturer of high precision machine parts and tools for aerospace and defence industries

15,843 15,843 1.4

PEACEABLE STREET CAPITAL, LLC

Specialty finance platform focused on commercial real estate

28,041 27,673 2.5

SALTER LABS, INC.⁽⁴⁾

Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets

16,762 21,474 2.0

SUZO HAPP GROUP ⁽⁴⁾ Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	2,572	11,700	1.1
TIERPOINT, LLC ⁽⁴⁾ Provider of cloud computing and collocation data centre services	44,313	46,813	4.3
VITALYST ⁽⁴⁾ Provider of outsourced IT support and training services	9,020	8,192	0.7
Total US Micro-cap (Co-investments)	176,672	188,167	17.1
US Micro-cap (Other)			
HEALTHCARE PRODUCTS HOLDINGS, INC. ^{(1),(3)} Designer and manufacturer of motorised vehicles	17,636	-	-
JORDAN HEALTH PRODUCTS, LLC Provider of new and professionally refurbished healthcare equipment	28,405	29,729	2.7
NATIONWIDE STUDIOS, INC. Processor of digital photos for preschoolers	23,074	9,860	0.9
NIELSEN-KELLERMAN Designer and manufacturer of weather, wind and timing measurement instruments and devices. Nielsen-Kellerman is a subsidiary of Sensors Solutions Holdings	2,644	6,967	0.6
PRIORITY EXPRESS, LLC Provider of same day express courier services to various companies located in north-eastern USA. Priority Express is a subsidiary of US Logistics, LLC	13,200	9,779	0.9
Total US Micro-cap (Other)	84,959	56,335	5.1
Total US Micro-cap portfolio	362,799	439,745	40.0
European Micro-cap portfolio			
EUROMICROCAP FUND 2010, L.P. At 31 August 2017, held the proceeds pending distribution from the sale of Fidor Bank	4,685	11,672	1.1
EUROMICROCAP FUND-C, L.P. At 31 August 2017, was invested in two companies in the European micro-cap sector: Factor Energia and Oro Direct JZI Fund III, L.P.	14,387	64,313	5.9
At 31 August 2017, was invested in nine companies in the European micro-cap sector: Petrocorner, Fincontinuo, S.A.C, Collingwood, My Lender, Alianzas en Aceros, ERSI, Treee and Eliantus	30,046	37,240	3.4
Direct Investments			
DOCOUT, SL Provider of digitalisation, document processing and storage services	2,777	3,723	0.3
GRUPO OMBUDS Provider of personal security and asset protection	17,155	24,401	2.2
TORO FINANCE Provides short term receivables finance to the suppliers of major Spanish companies	21,619	21,178	1.9
XACOM COMUNICACIONES SL Supplier of telecom products and technologies	2,055	3,717	0.3
Total European Micro-cap portfolio	92,724	166,244	15.1
Real Estate			
JZCP REALTY FUND ⁽²⁾ Facilitates JZCP's investment in US real estate	366,528	477,384	43.4
Total Real Estate portfolio	366,528	477,384	43.4
Other investments			

BRIGHT SPRUCE FUND, L.P. Fund investing in marketable equity, fixed income and alternative asset classes	877	100	-
BSM ENGENHARIA S.A. Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	459	0.1
INDUSTRIAL PERFORMANCE SOLUTIONS ⁽⁴⁾ Acquirer of companies providing mission critical inspection services for a variety of industries	331	450	-
JZ INTERNATIONAL, LLC ⁽³⁾ Fund of European LBO investments	-	750	0.1
MODJ, LLC ⁽⁴⁾ Acquirer of speciality retail companies located in the centre of shopping malls	208	293	-
SPRUCEVIEW CAPITAL, LLC Asset management company focusing primarily on managing endowments and pension funds	24,010	14,093	1.3
Total Other investments	31,541	16,145	1.5
Total - portfolio	853,592	1,099,518	100.0

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

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

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

⁽⁴⁾ Co-investment with Fund A, a Related Party (Note 20).

Unaudited Statement of Comprehensive Income

For the Period from 1 March 2017 to 31 August 2017

	Note	Six month period from 1 March 2017 to 31 August 2017			Six month period from 1 March 2016 to 31 August 2016		
		Revenue return US\$'000	Capital return US\$'000	Total US\$'000	Revenue return US\$'000	Capital return US\$'000	Total US\$'000
Income							
Net (loss)/gain on investments at fair value through profit or loss	6	-	(12,258)	(12,258)	-	38,903	38,903
(Loss)/gain on financial liabilities at fair value through profit or loss		-	(3,026)	(3,026)	-	2,569	2,569
Net write back of impairments on loans and receivables	7	-	-	-	-	183	183
Realisations from investments held in escrow accounts	22	-	1,173	1,173	-	5,315	5,315
Net foreign currency exchange (loss)/gains		-	(2,609)	(2,609)	-	1,944	1,944
Investment income	8	13,787	-	13,787	14,343	-	14,343
Bank and deposit interest		30	-	30	28	-	28
		<u>13,817</u>	<u>(16,720)</u>	<u>(2,903)</u>	<u>14,371</u>	<u>48,914</u>	<u>63,285</u>
Expenses							
Investment Adviser's base fee	10	(8,458)	-	(8,458)	(8,724)	-	(8,724)
Investment Adviser's incentive fee	10	-	1,812	1,812	-	(11,197)	(11,197)
Administrative expenses		(1,565)	-	(1,565)	(1,292)	-	(1,292)
Directors' remuneration		(209)	-	(209)	(200)	-	(200)
		<u>(10,232)</u>	<u>1,812</u>	<u>(8,420)</u>	<u>(10,216)</u>	<u>(11,197)</u>	<u>(21,413)</u>
Operating (loss)/profit		3,585	(14,908)	(11,323)	4,155	37,717	41,872

Finance costs	9	-	(8,332)	(8,332)	-	(8,024)	(8,024)
(Loss)/profit before taxation		<u>3,585</u>	<u>(23,240)</u>	<u>(19,655)</u>	<u>4,155</u>	<u>29,693</u>	<u>33,848</u>
Withholding taxes	11	233	-	233	-	-	-
(Loss)/profit for the period		<u><u>3,818</u></u>	<u><u>(23,240)</u></u>	<u><u>(19,422)</u></u>	<u><u>4,155</u></u>	<u><u>29,693</u></u>	<u><u>33,848</u></u>
Weighted average number of Ordinary shares in issue during period	21			83,907,516			83,907,516
Basic earnings per Ordinary share	21	4.55c	(27.70)c	(23.15)c	4.95c	35.39c	40.34c
Diluted earnings per Ordinary share	21	4.55c	(27.70)c	(23.15)c	4.60c	31.88c	36.48c

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

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

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

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS.

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

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

Statement of Financial Position

As at 31 August 2017

	Note	31 August 2017 US\$'000 <i>Unaudited</i>	28 February 2017 US\$'000 <i>Audited</i>
Assets			
Investments at fair value through profit or loss	12	1,099,518	1,069,180
Cash at bank		35,766	29,063
Other receivables	13	544	520
Total assets		<u>1,135,828</u>	<u>1,098,763</u>
Liabilities			
Convertible Unsecured Loan Stock	14	60,089	57,063
Zero Dividend Preference (2022) shares	15	57,278	53,935
Loans payable	16	149,137	97,396
Investment Adviser's incentive fee	10	35,481	37,293
Investment Adviser's base fee	10	2,264	2,026
Other payables	17	2,157	2,206
Total liabilities		<u>306,406</u>	<u>249,919</u>
Equity			
Stated capital		265,685	265,685
Other reserve		353,528	353,528
Capital reserve		150,631	173,871
Revenue reserve		59,578	55,760
Total equity		<u>829,422</u>	<u>848,844</u>
Total liabilities and equity		<u>1,135,828</u>	<u>1,098,763</u>
Number of Ordinary shares in issue at period end	18	83,907,516	83,907,516
Net asset value per Ordinary share		\$9.88	\$10.12

These unaudited condensed interim financial statements were approved by the Board of Directors and authorised for issue on 7 November 2017. They were signed on its behalf by:

David Macfarlane

Chairman

Patrick Firth
Director

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

Unaudited Statement of Changes in Equity

For the period from 1 March 2017 to 31 August 2017

	Note	Stated Capital US\$'000	Other Reserve US\$'000	Capital Reserve Realised US\$'000	Capital Reserve Unrealised US\$'000	Revenue Reserve US\$'000	Total US\$'000
Balance as at 1 March 2017		265,685	353,528	28,034	145,837	55,760	848,844
(Loss)/profit for the period		-	-	(4,604)	(18,636)	3,818	(19,422)
Balance at 31 August 2017		<u>265,685</u>	<u>353,528</u>	<u>23,430</u>	<u>127,201</u>	<u>59,578</u>	<u>829,422</u>

Comparative for the Period from 1 March 2016 to 31 August 2016

	Note	Stated Capital US\$'000	Other Reserve US\$'000	Capital Reserve Realised US\$'000	Capital Reserve Unrealised US\$'000	Revenue Reserve US\$'000	Total US\$'000
Balance at 1 March 2016		265,685	353,528	59,560	97,226	75,740	851,739
Profit for the period		-	-	19,468	10,225	4,155	33,848
Prior period finance costs now realised		-	-	(45,752)	45,752	-	-
Dividends paid	24	-	-	-	-	(12,586)	(12,586)
Balance at 31 August 2016		<u>265,685</u>	<u>353,528</u>	<u>33,276</u>	<u>153,203</u>	<u>67,309</u>	<u>873,001</u>

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

Unaudited Statement of Cash Flows

For the Period from 1 March 2017 to 31 August 2017

	Note	Six Month Period Ended 31 August 2017 US\$'000	Six Month Period Ended 31 August 2016 US\$'000
Operating activities			
Net cash outflow from operating activities	23	(6,980)	(7,011)
Cash outflow for investments (direct investments and capital calls)	12	(62,893)	(94,039)
Cash inflow from repayment and disposal of investments	12	33,643	118,670
Net cash (outflow)/inflow before financing activities		(36,230)	17,620
Financing activities			
Proceeds from loan facilities	16	50,000	9,512
Loan issue costs paid	16	(1,840)	-
Finance costs paid		(5,557)	(5,108)
Redemption of Zero Dividend Preference (2016) shares	15	-	(47,863)
Dividends paid to Shareholders	24	-	(12,586)
Net cash inflow/(outflow) from financing activities		42,603	(56,045)
Increase/(decrease) in cash at bank		<u>6,373</u>	<u>(38,425)</u>
Reconciliation of net cash flow to movements in cash at bank			
Cash and cash equivalents at 1 March		29,063	91,937
Increase/(decrease) in cash at bank		6,373	(38,425)

Unrealised foreign exchange movements on cash at bank	330	313
Cash and cash equivalents at period end	35,766	53,825

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

Notes to the Financial Statements

1. General Information

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

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

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

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

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

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

The unaudited condensed interim financial statements (the "interim financial statements") are presented in US\$'000 except where otherwise indicated.

2. Significant Accounting Policies

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

Statement of Compliance

The interim financial statements of the Company for the period 1 March 2017 to 31 August 2017 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted in the European Union, together with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Listing Rules of the London Stock Exchange's Specialist Fund Segment. The 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 28 February 2017.

Basis of Preparation

The interim financial statements have been prepared under the historical cost basis, modified by the revaluation of financial instruments designated at fair value through profit or loss ("FVTPL") upon initial recognition. The principal accounting policies adopted in the preparation of these interim financial statements are consistent with the accounting policies stated in Note 2 of the annual financial statements for the year ended 28 February 2017. The preparation of these interim financial statements are in conformity with IAS 34, "Interim Financial Reporting" as adopted in the European Union, 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 materially differ from those estimates.

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

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

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. IFRS 9, also contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

Effect on the financial statements

The standard is effective on or after 1 January 2018 and will be adopted for the year ending 28 February 2019.

The Company's financial instruments consist of equity instruments and debt instruments. The Company's financial assets under equity and debt instruments will continue to be valued at fair value through profit or loss. Due to the cash flow characteristics of such financial instruments, on application of IFRS 9, they will continue to be classified as fair value through the profit or loss.

Although early adoption is permitted the Company has established that the impact will be minimal. In addition, the Company does not apply hedge accounting and the valuation model is consistent with the Company's current methodology. It is anticipated that this application of IFRS 9 will not change the measurement and presentation of the current financial instruments.

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

3. Estimates and Judgements

Estimates

The following are the key judgements 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 financial year:

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

Investments are classified as FVTPL, and valued accordingly, as disclosed in Note 2 of the annual financial statements for the year ended 28 February 2017. The key source of estimation uncertainty is on the valuation of unquoted equities, equity-related securities and real estate investments.

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

Judgements

Investment in Associates

The Board will evaluate whether investee companies meet the definition of an Associate. An Associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Full details are disclosed in Note 3 of the annual financial statements for the year ended 28 February 2017.

Assessment as an Investment Entity

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

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

The Company has a wide range of investors, being listed on the London Stock Exchange the Company obtains funding from a diverse group of external shareholders. Through its Investment Adviser's expertise it enables investors to access private equity, real estate and similar investments.

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

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

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

Going Concern

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

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

4. Segment Information

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

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

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

Segmental operating profit/(loss)

For the period from 1 March 2017 to 31 August 2017

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Interest revenue	9,836	3,916	-	35	13,787
Total segmental revenue	9,836	3,916	-	35	13,787
Realisations from investments held in Escrow	1,173	-	-	-	1,173
Net (loss)/gain on investments at FVTPL	(6,974)	14,356	(14,235)	(5,405)	(12,258)
Investment Adviser's base fee	(3,305)	(1,177)	(3,558)	(137)	(8,177)
Investment Adviser's capital incentive fee ⁽¹⁾	(1,117)	(914)	2,847	996	1,812
Total segmental operating (loss)/profit	(387)	16,181	(14,946)	(4,511)	(3,663)

For the period from 1 March 2016 to 31 August 2016

US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
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Interest revenue	11,450	2,643	199	43	14,335
Total segmental revenue	11,450	2,643	199	43	14,335
Realisations from investments held in Escrow	5,315	-	-	-	5,315
Net gain on investments at FVTPL	2,482	8,042	22,628	3,326	36,478
Write back of Impairments on loans and receivables	-	-	-	183	183
Investment Adviser's base fee	(3,065)	(1,286)	(3,081)	(433)	(7,865)
Investment Adviser's capital incentive fee ⁽¹⁾	(5,499)	(176)	(4,526)	(483)	(10,684)
Total segmental operating profit	10,683	9,223	15,220	2,636	37,762

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.

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

The following table provides a reconciliation between total segmental operating (loss)/profit and operating (loss)/profit:

	Period ended 31.8.2017 US\$ '000	Period ended 31.8.2016 US\$ '000
Total segmental operating (loss)/profit	(3,663)	37,762
(Loss)/gain on financial liabilities at fair value through profit or loss	(3,026)	2,569
Net foreign exchange (loss)/gain	(2,609)	1,944
Interest on cash	30	28
Expenses not attributable to segments	(1,774)	(1,492)
Fees payable to investment adviser based on non-segmental assets	(281)	(1,372)
Net gains and interest on treasury gilts and corporate bonds	-	2,433
Operating (loss)/profit	<u>(11,323)</u>	<u>41,872</u>

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

	31.8.2017 US\$ '000	31.8.2016 US\$ '000
Total segmental revenue	13,787	14,335
<i>Non-segmental revenue</i>		
Bank and deposit interest	30	28
Interest on treasury gilts and corporate bonds	-	8
Total revenue	<u>13,817</u>	<u>14,371</u>

Segmental Net Assets

At 31 August 2017

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Segmental assets					
Investments at fair value through profit or loss	439,745	166,244	477,384	16,145	1,099,518
Other receivables	-	-	495	-	495
Total segmental assets	<u>439,745</u>	<u>166,244</u>	<u>477,879</u>	<u>16,145</u>	<u>1,100,013</u>
Segmental liabilities					
Payables and accrued expenses	<u>(20,877)</u>	<u>684</u>	<u>(23,124)</u>	<u>3,012</u>	<u>(40,305)</u>

Total segmental liabilities	(20,877)	684	(23,124)	3,012	(40,305)
Total segmental net assets	418,868	166,928	454,755	19,157	1,059,708

At 28 February 2017

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Segmental assets					
Investments at fair value through profit or loss	423,137	154,277	468,599	23,167	1,069,180
Other receivables	-	-	495	-	495
Total segmental assets	423,137	154,277	469,094	23,167	1,069,675
Segmental liabilities					
Payables and accrued expenses	(19,666)	1,646	(25,796)	3,398	(40,418)
Total segmental liabilities	(19,666)	1,646	(25,796)	3,398	(40,418)
Total segmental net assets	403,471	155,923	443,298	26,565	1,029,257

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

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

	31.8.2017 US\$ '000	28.2.2017 US\$ '000
Total segmental assets	1,100,013	1,069,675
Non segmental assets		
Cash at bank	35,766	29,063
Other receivables	49	25
Total assets	1,135,828	1,098,763
Total segmental liabilities	(40,305)	(40,418)
Non segmental liabilities		
Zero Dividend Preference (2022) shares	(57,278)	(53,935)
Convertible Unsecured Loan Stock	(60,089)	(57,063)
Loans payable	(149,137)	(97,396)
Other payables	403	(1,107)
Total liabilities	(306,406)	(249,919)
Total net assets	829,422	848,844

5. Fair Value of Financial Instruments

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

Level 1

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

Level 2

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

Level 3

Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Investments in JZCP's portfolio valued using unobservable inputs such as multiples, capitalisation rates, discount rates (see Note 5) fall within Level 3.

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

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

Financial assets at 31 August 2017

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
US micro-cap portfolio	-	-	439,745	439,745
European micro-cap portfolio	-	-	166,244	166,244
Real estate portfolio	-	-	477,384	477,384
Other investments	-	-	16,145	16,145
	<u>-</u>	<u>-</u>	<u>1,099,518</u>	<u>1,099,518</u>

Financial assets at 28 February 2017

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
US micro-cap portfolio	-	-	423,137	423,137
European micro-cap portfolio	-	-	154,277	154,277
Real estate portfolio	-	-	468,599	468,599
Other investments	-	-	23,167	23,167
	<u>-</u>	<u>-</u>	<u>1,069,180</u>	<u>1,069,180</u>

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

Financial liabilities at 31 August 2017

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Convertible Subordinated Unsecured Loan Stock	60,089	-	-	60,089
	<u>60,089</u>	<u>-</u>	<u>-</u>	<u>60,089</u>

Financial liabilities at 28 February 2017

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Convertible Subordinated Unsecured Loan Stock	57,063	-	-	57,063
	<u>57,063</u>	<u>-</u>	<u>-</u>	<u>57,063</u>

Transfers between levels

There were no transfers between the levels of hierarchy of financial assets and liabilities recognised at fair value through profit or loss within the period ended 31 August 2017 and the year ended 28 February 2017.

Valuation techniques

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.

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

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

Real estate

JZCP makes its Real Estate investments through a wholly-owned subsidiary, which in turn owns interests in

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

- Use of comparable market values per square foot of properties in recent transactions in the vicinity in which the property is located, and in similar condition, of the relevant property, multiplied by the property's square footage.
- Discounted Cash Flow ("DCF") analysis, using the relevant rental stream, less expenses, for future periods, discounted at a Market Capitalisation ("MC") rate, or interest rate.
- Relevant rental stream less expenses divided by the MC rate; this method approximates the enterprise value construct used for non-real estate assets.

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

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

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

Unquoted preferred shares, micro-cap loans, unquoted equities and equity related securities investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss. These investments are typically valued by reference to their enterprise value, which is generally calculated by applying an appropriate multiple to the last twelve months' earnings before interest, tax, depreciation and amortisation ("EBITDA"). In determining the multiple, the 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 generally calculated by a multiple of EBITDA reduced by senior debt and a marketability discount) covering the aggregate of the unquoted equity, unquoted preferred shares and debt instruments invested in the underlying company. The increase of the fair value of the aggregate investment is reflected through the unquoted equity component of the investment and a decrease in the fair value is reflected across all financial instruments invested in an underlying company.

New Investments

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

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

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 31 August 2017 and 28 February 2017 are shown below:

	Value 31.8.2017 US\$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used ¹	Effect on Fair Value US\$'000	
US micro-cap investments	439,745	EBITDA Multiple	Average EBITDA Multiple of Peers Discount to Average Multiple	6.0x - 18.7x (8.2x) 10% - 35% (26%)	-0.5x / 0.5x 5% / -5%	(42,312) (55,207)	41,098 56,756
European micro-cap investments	166,244	EBITDA Multiple	Average EBITDA Multiple of	6.0x - 10.0x (7.2x)	-0.5x / 0.5x	(5,17)	5,447

			Peers				
			Discount to Average Multiple	0% - 38% (18%)	5% / -5%	(4,575)	4,575
Real estate portfolio ²	477,384	Comparable Sales Model/Income Approach Cap Rate/Income Approach	Market Value Per Square Foot	\$286 - \$3,106 per sq ft	-5% /5% +25bps /- 25bps	(14,398)	15,496
			Discount Rate	6.2% to 7.5%		(1,234)	1,520
			Capitalisation Rate	4% - 5%	+25bps /- 25bps	(8,609)	9,632
	Value 28.2.2017 US\$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used ¹	Effect on Fair Value US\$'000	
US micro-cap investments	423,137	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 18.7x (8.3x)	-0.5x / 0.5x	(37,665)	36,186
			Discount to Average Multiple	10% - 35% (26%)	5% / -5%	(50,801)	49,462
European micro-cap investments	154,277	EBITDA Multiple	Average EBITDA Multiple of Peers	6.2x - 11.3x (8.6x)	-0.5x / 0.5x	(3,511)	3,511
			Discount to Average Multiple	41% discount - 63% premium (5% premium)	5% / -5%	(4,512)	4,492
Real estate portfolio ²	468,599	Comparable Sales Model/Income Approach Cap Rate/Income Approach	Market Value Per Square Foot	\$286 - \$3,106 per sq ft	-5% / 5% +25bps /- 25bps	(13,706)	14,786
			Discount Rate	6.25% - 6.75%		(1,228)	1,515
			Capitalisation Rate	4% - 5%	+25bps /- 25bps	(8,357)	9,349

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

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

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

Period ended 31 August 2017

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
At 1 March 2017	423,137	154,277	468,599	23,167	1,069,180
Investments in year including capital calls	22,243	14,480	23,170	3,000	62,893
Payment in kind ("PIK")	131	-	-	-	131
Proceeds from investments realised	(7,623)	(21,227)	(150)	(4,643)	(33,643)
Net gain on investments	(6,974)	14,356	(14,235)	(5,405)	(12,258)

Movement in accrued interest	8,831	4,358	-	26	13,215
At 31 August 2017	439,745	166,244	477,384	16,145	1,099,518

Year ended 28 February 2017

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

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

The fair value of the ZDP shares is deemed to be their quoted market price. As at 31 August 2017 the ask price for the ZDP (2022) shares was £4.24 (28 February 2017: £4.22 per share) the total fair value of the ZDP shares was \$65,057,000 (28 February 2017: \$65,532,000) which is \$7,779,000 (28 February 2017: \$8,597,000) higher than the liability recorded in the Statement of Financial Position.

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

6. Net (loss)/gain on Investments at Fair Value Through Profit or Loss

	Period ended 31.8.2017 US\$ '000	Period ended 31.8.2016 US\$ '000
<i>(Loss)/gains on investments held in investment portfolio at period end</i>		
Net unrealised (loss)/gain in period	(12,355)	26,339
Unrealised gains in prior periods now realised	-	10,192
Net movement in unrealised (losses)/gains in the period	(12,355)	36,531
<i>Net gains on investments realised in period</i>		
Proceeds from investments realised	33,643	118,444
Cost of investments realised	(33,546)	(105,880)
Unrealised gains in prior periods now realised	-	(10,192)
Total net gain in the period on investments realised in period	97	2,372
Net (loss)/gain on investments in the period	(12,258)	38,903

7. Net Write Back of Impairments on Loans and Receivables

	Period ended 31.8.2017 US\$ '000	Period ended 31.8.2016 US\$ '000
Net unrealised impairments on loans and receivables	-	13
Proceeds from loans repaid	-	226
Cost of loans repaid	-	(56)
Realised gains on repayment of investments classified on loans and receivables	-	170
Net write back of impairments on loans and receivables	-	183

8. Investment Income

Period ended 31.8.2017	Period ended 31.8.2016
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	US\$ '000	US\$ '000
Income from investments classified as FVTPL	13,787	14,300
Income from investments classified as loans and receivables	-	43
	<u>13,787</u>	<u>14,343</u>

Income for the period ended 31 August 2017

	Dividends US\$ '000	Preferred Interest US\$ '000	Loan note Interest		Other Interest US\$ '000	Total US\$ '000
			PIK US\$ '000	Cash US\$ '000		
US micro-cap portfolio	-	8,921	131	784	-	9,836
European micro-cap portfolio	-	-	3,037	879	-	3,916
Other investments	-	35	-	-	-	35
	<u>-</u>	<u>8,956</u>	<u>3,168</u>	<u>1,663</u>	<u>-</u>	<u>13,787</u>

Income for the period ended 31 August 2016

	Dividends US\$ '000	Preferred Interest US\$ '000	Loan note Interest		Other Interest US\$ '000	Total US\$ '000
			PIK US\$ '000	Cash US\$ '000		
US micro-cap portfolio	-	8,584	1,043	1,735	88	11,450
European micro-cap portfolio	-	-	1,889	754	-	2,643
Real estate	-	-	-	-	199	199
Other investments	-	-	43	-	-	43
Treasury gilts and corporate bonds	-	-	-	-	8	8
	<u>-</u>	<u>8,584</u>	<u>2,975</u>	<u>2,489</u>	<u>295</u>	<u>14,343</u>

9. Finance Costs

	Period ended 31.8.2017 US\$ '000	Period ended 31.8.2016 US\$ '000
CULS interest paid (Note 14)	1,454	1,676
Zero Dividend Preference shares (Note 15)	1,427	2,625
Loan - Guggenheim (Note 16)	5,451	3,711
Margin loan	-	12
	<u>8,332</u>	<u>8,024</u>

10. Fees Payable to the Investment Adviser

Investment Advisory and Performance fees

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

Pursuant to the Advisory Agreement, the Investment Adviser is entitled to a base management fee and to an incentive fee. The base management fee is an amount equal to 1.5 per cent per annum of the average total assets under management of the Company less 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 six-month period ended 31 August 2017, 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\$8,458,000 (period ended 31 August 2016: US\$8,724,000). Of this amount US\$2,264,000 (28 February 2017: US\$2,026,000) was due and payable at the period end.

The incentive fee has two parts. The first part is calculated by reference to the net investment income of the Company ("Income Incentive fee") and is payable quarterly in arrears provided that the net investment income for the quarter exceeds 2 per cent of the average of the net asset value of the Company for that quarter (the "hurdle") (8 per cent. annualised). The fee is an amount equal to (a) 100 per cent of that proportion of the net investment income for the quarter as exceeds the hurdle, up to an amount equal to a hurdle of 2.5%, and (b) 20

per cent of the net investment income of the Company above a hurdle of 2.5% in any quarter. Investments categorised as legacy investments and other assets identified by the Company as being excluded are excluded from the calculation of the fee. A true-up calculation is also prepared at the end of each financial year to determine if further fees are payable to the Investment Adviser or if any amounts are recoverable from future income incentive fees.

For the periods ended 31 August 2017 and 31 August 2016 there was no income incentive fee payable to the Investment Adviser.

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

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

At 31 August 2017 and 28 February 2017, due to accumulative realised capital losses in prior periods, there was no provision for an incentive fee based on realised gains. At 31 August 2017, for the purpose of the capital gains incentive fee ("CGIF") calculation JZCP had cumulative net realised capital losses of \$8,079,000 (28 February 2017: \$9,572,000), an amount which the Investment Adviser must cover through realised gains before being able to earn an incentive fee going forward.

The Company also provides for a CGIF based on unrealised gains, calculated on the same basis as that of the fee on realised gains/losses. For the period ended 31 August 2017, a provision of \$35,481,000 (28 February 2017: \$37,293,000) has been included.

	Provision At 31.8.2017 US\$ '000	Provision At 28.2.2017 US\$ '000	Paid during period 31.8.2017 US\$ '000	Movement in provision for the period 31.8.2017 US\$ '000
CGIF	35,481	37,293	n/a	(1,812)
				<u>(1,812)</u>
	Provision At 31.8.2016 US\$ '000	Provision At 29.2.2016 US\$ '000	Paid during period 31.8.2016 US\$ '000	Movement in provision for the period 31.8.2016 US\$ '000
CGIF	36,086	24,889	n/a	11,197
				<u>11,197</u>

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

11. Taxation

The Company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended) in exchange for a £1,200 annual fee (31 August 2016: £1,200).

During the period ended 31 August 2017, the Company was refunded \$233,000 relating to tax withheld in the prior year.

12. Investments

Categories of financial instruments

	Listed 31.8.2017 US\$ '000	Unlisted 31.8.2017 US\$ '000	Carrying Value 31.8.2017 US\$ '000
Fair value through profit or loss (FVTPL)	-	1,099,518	1,099,518
	<u>-</u>	<u>1,099,518</u>	<u>1,099,518</u>

	Listed 31.8.2017 US\$ '000	Unlisted 31.8.2017 US\$ '000	Total 31.8.2017 US\$ '000
Book cost at 1 March 2017	-	897,856	897,856
Investments in year including capital calls	-	62,893	62,893
Payment in kind ("PIK")	-	131	131
Proceeds from investments realised	-	(33,643)	(33,643)
Net realised gains	-	97	97
Book cost at 31 August 2017	-	927,334	927,334
Unrealised gains at 31 August 2017	-	145,113	145,113
Accrued interest at 31 August 2017	-	27,071	27,071
Carrying value at 31 August 2017	-	1,099,518	1,099,518
	Listed 28.2.2017 US\$ '000	Unlisted 28.2.2017 US\$ '000	Carrying Value 28.2.2017 US\$ '000
Fair value through profit or loss (FVTPL)	-	1,069,180	1,069,180
	-	1,069,180	1,069,180
	Listed 28.2.2017 US\$ '000	Unlisted 28.2.2017 US\$ '000	Total 28.2.2017 US\$ '000
Book cost at 1 March 2017	61,971	832,007	893,978
Investments in year including capital calls	-	159,523	159,523
Payment in kind ("PIK")	-	17,911	17,911
Proceeds from investments realised	(60,523)	(125,801)	(186,324)
Net realised (loss)/gain	(1,448)	14,216	12,768
Book cost at 28 February 2017	-	897,856	897,856
Unrealised gains at 28 February 2017	-	157,468	157,468
Accrued interest at 28 February 2017	-	13,856	13,856
Carrying value at 28 February 2017	-	1,069,180	1,069,180

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

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

13. Other Receivables

	31.8.2017 US\$ '000	28.2.2017 US\$ '000
Accrued interest due from JZCP Realty Fund	495	495
Other receivables and prepayments	49	25
	544	520

14. Convertible Subordinated Unsecured Loan Stock ("CULS")

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

CULS bear interest on their nominal amount at the rate of 6.00 per cent. per annum, payable semi-annually in arrears. During the six-month period ended 31 August 2017: \$1,454,000 (31 August 2016: \$1,676,000) of interest was paid to holders of CULS and is shown as a finance cost in the Statement of Comprehensive Income.

31.8.2017 **28.2.2017**

	US\$ '000	US\$ '000
Fair Value of CULS at 1 March	57,063	59,573
Unrealised movement in fair value of CULS	967	4,332
Unrealised currency gain to the Company on translation during the period	2,059	(6,842)
Fair Value of CULS based on offer price	<u>60,089</u>	<u>57,063</u>

15. Zero Dividend Preference ("ZDP") shares

ZDP (2016) shares were issued on 22 June 2009 at a price of 215.80 pence and provided a pre-determined final capital entitlement of 369.84 pence on 22 June 2016. The shares had a gross redemption yield of 8%.

On 1 October 2015, the Company rolled over 11,907,720 existing ZDP (2016) shares in to new ZDP shares with a 2022 maturity date. The new ZDP (2022) shares have a gross redemption yield of 4.75% and a total redemption value of £57,598,000 (approximately \$75,400,000 using the period end exchange rate). The remaining 8,799,421 ZDP (2016) shares were redeemed on 22 June 2016 the total redemption value being £32,870,000 (\$48,342,000) or 373.54 pence per share. The redemption value included a 1% premium (\$479,000) agreed as part of the terms of the rollover.

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

ZDP (2022) Shares

	31.8.2017 US\$ '000	28.2.2017 US\$ '000
<i>ZDP shares issued 1 October 2015</i>		
Amortised cost at 1 March 2016	53,935	57,400
Finance costs allocated to Statement of Comprehensive Income	1,427	2,853
Unrealised currency loss/(gain) to the Company on translation	1,916	(6,318)
Amortised cost at period end	<u>57,278</u>	<u>53,935</u>
Total number of ZDP shares in issue	<u>11,907,720</u>	<u>11,907,720</u>

ZDP (2016) Shares

	31.8.2017 US\$ '000	28.2.2017 US\$ '000
<i>ZDP shares issued 22 June 2009</i>		
Amortised cost at 1 March	-	44,217
Finance costs allocated to Statement of Comprehensive Income	-	1,180
Redeemed 22 June 2016	-	(47,863)
Realised currency loss in period on redemption	-	2,466
Amortised cost at period end	<u>-</u>	<u>-</u>
Total number of ZDP shares in issue	<u>-</u>	<u>-</u>

16. Loans Payable

	31.8.2017 US\$ '000	28.2.2017 US\$ '000
Guggenheim Partners Limited	149,137	97,396
	<u>149,137</u>	<u>97,396</u>

Guggenheim Partners Limited

On 12 June 2015, JZCP entered into a loan agreement with Guggenheim Partners Limited. The agreement was structured so that part of the proceeds (€18 million) were received and will be repaid in Euros and the remainder of the facility was received in US dollar (\$80 million).

The loan matures on 12 June 2021 (6 year term) and interest is payable at 5.75% + LIBOR⁽¹⁾. There is an interest rate floor that stipulates LIBOR will not be lower than 1%.

At 31 August 2017, investments valued at \$954,107,000 (28 February 2017: \$918,140,000) were held as collateral on the loan. A covenant in the loan agreement states the fair value of the collateral must be 4x the loan

value and the cost of collateral must be at least 57.5% of total assets. The Company is also required to hold a minimum cash balance of \$15 million plus 50% of interest on any new debt. At 31 August 2017 and 28 February 2017, the Company was in full compliance with covenant terms.

During April 2017, JZCP increased its credit facility with Guggenheim Partners by \$50 million. The purpose of this increase in borrowings is to provide additional liquidity to JZCP in order to bridge certain planned realisations. The entire facility may be repaid, in whole or in part, with no penalty.

	31.8.2017	28.2.2017
	US\$ '000	US\$ '000
Amortised cost (US\$ drawdown) - 1 March	78,572	77,916
Amortised cost (Euro drawdown) - 1 March	18,824	19,095
Proceeds - April 2017 (US\$ further drawdown)	50,000	-
Issue costs paid	(1,840)	-
Interest paid	(4,103)	(6,723)
Unrealised currency loss/(gain) on translation of Euro drawdown	2,233	(437)
Finance costs charged to Statement of Comprehensive Income	5,451	7,545
Amortised cost at period end	<u>149,137</u>	<u>97,396</u>
Amortised cost (US\$ drawdown)	128,020	78,572
Amortised cost (Euro drawdown)	<u>21,117</u>	<u>18,824</u>
	<u>149,137</u>	<u>97,396</u>

⁽¹⁾ LIBOR rates applied are the US dollar 3 month rate (\$80 million) and the Euro 3-month rate (€18 million).

The carrying value of the loans approximates to fair value.

17. Other Payables

	31.8.2017	28.2.2017
	US\$ '000	US\$ '000
Provision for tax on dividends received not withheld at source	1,401	1,401
Other expenses	222	224
Legal fees	217	250
Directors' remuneration	70	68
ZDP issue costs	247	263
	<u>2,157</u>	<u>2,206</u>

18. Ordinary shares – Issued Capital

	31.8.2017	28.2.2017
	Number of shares	Number of shares
Total Ordinary shares in issue	<u>83,907,516</u>	<u>83,907,516</u>

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

During the period, the Company received shareholder approval for a new strategy, allowing the Company to purchase its Ordinary Shares when opportunities in the market permit, and as the Company's cash resources allow. No Ordinary shares were purchased by the Company during the period ended 31 August 2017.

19. Commitments

At 31 August 2017 and 28 February 2017, JZCP had the following financial commitments outstanding in relation to fund investments:

	Expected date of Call	31.8.2017	28.2.2017
		US\$ '000	US\$ '000
JZI Fund III GP, L.P. €47,690,000 (28.2.2017: €53,087,000)	Over 3 years	56,700	56,410
Spruceview Capital Partners, LLC	Over 2 years	5,836	8,836
Orizon	< 1 year	4,158	4,158
Suzo Happ Group	> 3 years	4,491	4,491

BSM Engenharia S.A.	> 3 years	2,085	2,085
Igloo Products Corp	> 3 years	771	771
		<u>74,041</u>	<u>76,751</u>

20. Related Party Transactions

JZCP invests in European micro-cap companies via the EuroMicrocap Fund 2010, L.P. ("EMC 2010"), EuroMicrocap Fund-C, L.P. ("EMCC") and JZI Fund III, L.P. ("Fund III"). EMC 2010, EMC-C and Fund III are managed by an affiliate of JZAI, JZCP's investment manager. JZAI was founded by David Zalaznick and John ("Jay") Jordan. At 31 August 2017, JZCP's investments in EMC 2010 were valued at \$11,672,000 (28 February 2017: \$21,433,000), EMCC at \$64,313,000 (28 February 2017: \$61,482,000) and Fund III at \$37,240,000 (28 February 2017: \$26,779,000).

JZCP invests in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed by JZCP to this investment at 31 August 2017 was \$30,000,000 with \$5,836,000 (28 February 2017: \$8,836,000) of commitments outstanding.

JZCP has co-invested with Fund A, Fund A Parallel I, II and III Limited Partnerships in a number of US micro-cap buyouts. These Limited Partnerships are managed by an affiliate of JZAI. JZCP invested in a ratio of 82%/18% with the Fund A entities. At 31 August 2017, the total value of JZCP's investment in these co-investments was \$312,875,000 (28 February 2017: \$326,290,000). Fund A, Fund A Parallel I, II and III Limited Partnerships are no longer making platform investments alongside JZCP.

JZAI 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 10.

JZCP is able to invest up to \$75 million in "New JI Platform Companies". The platform companies are being established to invest primarily in buyouts and build-ups of companies and in growth company platforms in the US micro cap market, primarily healthcare equipment companies. At 31 August 2017, JZCP had invested \$36.0 million (28 February 2017: \$31.5 million) and during the period received a partial redemption of \$7.6 million in Jordan Health Products, LLC. JZCP co-invests 50/50 in the platform companies with other investors ("JI members"). David Zalaznick and an affiliated entity of Jay Jordan own approximately 33.7% of the JI members ownership interests.

21. Basic and Diluted Earnings per share

Basic 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 period ended 31 August 2017 the weighted average number of Ordinary shares outstanding during the period was 83,907,516 (31 August 2016: 83,907,516).

The diluted earnings per share are calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary shares. The weighted average of the number of Ordinary shares is adjusted assuming the conversion of the CULS ("If-converted method"). Conversion is assumed even though at 31 August 2017 and 31 August 2016 the exercise price of the CULS is higher than the market price of the Company's Ordinary shares and are therefore deemed 'out of the money'. Earnings are adjusted to remove the fair value (loss) or gain on CULS (\$3,026,000) (31 August 2016: \$2,569,000) and finance cost attributable to CULS \$1,454,000 (31 August 2016: \$1,676,000). At 31 August 2017 the effect of the potential conversion of the CULS to Ordinary shares on the Total Return was anti-dilutive to the earnings per share and therefore the comparative dilutive earnings per share equates to the comparative basic earnings per share.

22. Contingent Assets

Amounts held in escrow accounts

When investments have been disposed of by the Company, proceeds may reflect contractual terms requiring that a percentage is held in an escrow account pending resolution of any indemnifiable claims that may arise. At 31 August 2017 and 28 February 2017, the Company has assessed that the likelihood of the recovery of these escrow accounts cannot be determined and has therefore recognised the escrow accounts as a contingent asset.

As at 31 August 2017 and 28 February 2017, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

Amount in Escrow	
31.8.2017	28.2.2017
US\$'000	US\$'000

During the period ended 31 August 2017 \$1,173,000 (31 August 2016: \$5,315,000) was realised relating to the escrow accounts of the Company. Of the amount realised during the period, \$1,096,000 had not been recognised in the Company's escrow accounts at 28 February 2017.

23. Notes to the Unaudited Statement of Cash Flows

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

	Period ended 31.8.2017 US\$ '000	Period ended 31.8.2016 US\$ '000
(Loss)/profit for the period	(19,422)	33,848
Increase in other receivables	(24)	(12)
Decrease in other payables	(49)	(459)
(Decrease)/increase in amount owed to Investment Adviser	(1,574)	11,394
Net unrealised loss/(gain) on investments	12,355	(26,352)
Unrealised loss/(gain) on financial liabilities at fair value through profit or loss	3,026	(2,569)
Unrealised currency loss/(gain) on ZDP shares	1,916	(3,546)
Adjustment for other net unrealised foreign currency exchange loss	1,903	153
Increase in accrued interest on investments, accumulated preferred dividends and PIK	(13,346)	(11,799)
Realised gain on investments	(97)	(12,734)
Finance costs	8,332	8,024
Payment for Real Estate deposits	-	(5,425)
Realised currency loss on redemption of ZDP shares	-	2,466
Net cash outflow from operating activities	(6,980)	(7,011)

24. Dividends Paid and Proposed

During the period the Company received shareholder approval to discontinue the Company's dividend policy of distributing approximately 3% of the Company's net assets in the form of dividends. No dividends were paid or declared in the six-month period ended 31 August 2017.

For the year ended 29 February 2016, a second interim dividend of 15 cents (total \$12,586,000) was paid by the Company on 10 June 2016.

25. US GAAP reconciliation

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

26. Subsequent Events

Post period end, the Company made three significant realisations, all approximately at or above net asset value: Nielsen-Kellerman (proceeds: \$8.6 million), K2 Towers (expected proceeds \$31.3 million) and Factor Energia. JZCP is expected to receive total gross proceeds (before carry) of approximately \$82.3 million from the sale of Factor Energia (including deferred payments and interim distributions received over the course of the investment).

These interim financial statements were approved by the Board on 7 November 2017. Events subsequent to the period end (31 August 2017) have been evaluated until this date.

Board of Directors

David Macfarlane (Chairman)¹

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

Patrick Firth²

Mr Firth was appointed to the Board of JZCP in April 2008. He is also a director of a number of offshore funds and management companies, including DW Catalyst Fund (formerly "BH Credit Catalysts Limited"), ICG-Longbow Senior Secured UK Property Debt Investments Limited, Riverstone Energy Limited and NextEnergy

Solar Fund Limited. He is Chairman of GLI Finance Limited. He is a member of the Institute of Chartered Accountants in England and Wales and The Chartered Institute for Securities and Investment. He is a resident of Guernsey.

James Jordan

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

Tanja Tibaldi

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

Christopher Waldron

Mr Waldron was appointed to the Board of JZCP in 2013. He has more than 30 years' experience as an asset manager and is a director of a number of listed companies, including Crystal Amber Fund Limited. He is Chairman of UK Mortgages Limited and Ranger Direct Lending Fund PLC. He was Chief Executive of the Edmond de Rothschild companies in Guernsey until 2013, when he stepped down to concentrate on non-executive work and investment consultancy. He is a member of the States of Guernsey's Investment and Bond Management Sub-Committee and a Fellow of the Chartered Institute for Securities and Investment. Mr Waldron is a Guernsey resident.

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

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

Directors' Responsibilities

Statement of Directors' Responsibilities

The Directors are responsible for preparing condensed interim financial statements which give a true and fair view of the state of affairs of the Company for that period and which are in accordance with applicable laws and interim financial reporting standards. In preparing those Condensed Interim Report and Financial Statements (the "interim financial statements") the Directors are required to:

- select suitable accounting policies and apply them consistently;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- prepare the interim financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business; and
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

The Directors confirm that they have complied with these requirements in preparing the interim financial statements.

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

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

- this set of interim financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union;
- the interim financial statements includes information detailed in the Chairman's Statement and Investment Adviser's Report and Notes to the 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 2017 to 31 August 2017 and their impact on the

- condensed set of interim consolidated 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 2017 to 31 August 2017 and that have materially affected the financial position or performance of the Company during that period.

Going concern and principal risks and uncertainties

As an investment fund, the Company's principal risks are those that are associated with its investment portfolio. Given the nature of the portfolio, the principal risks are associated with the financial and operating performance of the underlying investments.

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 28 February 2017 (as explained in the annual report). The Directors continue to monitor the risks to the Company. 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 interim financial statements on the going concern basis.

Approved by the Board of Directors and agreed on behalf of the Board on 7 November 2017.

David Macfarlane
Chairman

Patrick Firth
Director

Independent Review Report to JZ Capital Partners Limited

Introduction

We have been engaged by JZ Capital Partners Limited (the "Company") to review the Unaudited Condensed Interim Financial Statements for the six months ended 31 August, 2017 which comprise the unaudited Statement of Comprehensive Income, the Statement of Financial Position, the unaudited Statement of Changes in Equity, the unaudited Statement of Cash Flows and the related notes 1 to 26. We have read the other information contained in the half-yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Unaudited Condensed 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" 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 half-yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 2, the Annual Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Unaudited 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 Unaudited Condensed Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 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 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 Unaudited Condensed Interim Financial Statements for the six months ended 31 August, 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Guernsey
Channel Islands
7 November 2017

Notes

1. The condensed interim report and financial statements are published on websites maintained by the Investment Adviser.
2. The maintenance and integrity of these websites are the responsibility of the Investment Adviser; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
3. Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Company Advisers

Investment Adviser

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

Jordan/Zalaznick Advisers, Inc.

9 West, 57th Street
New York NY 10019

Registered Office

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

JZ Capital Partners Limited is registered in Guernsey Number 48761

Administrator, Registrar and Secretary

Northern Trust International Fund Administration (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

UK Transfer and Paying Agent

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Independent Auditor

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

Financial Adviser and Broker

JP Morgan Cazenove Limited
20 Moorgate
London EC2R 6DA

US Bankers

HSBC Bank USA NA
452 Fifth Avenue
New York NY 10018

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

Guernsey Bankers

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

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

Useful Information for Shareholders**Listing**

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

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

ISIN/SEDOL numbers

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

Alternative Performance Measures

In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the annual report and financial statements which require further clarification. An APM

is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the interim financial statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

Total NAV Return

The Total NAV Return measures how the net asset value (NAV) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (six months) and also three-month, one-year, three-year, four year, five-year and seven year periods. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends. JZCP also produces an adjusted Total NAV Return which excludes the effect of the dilution per share caused by the issue of shares at a discount to NAV, the result of the adjusted Total NAV return is to provide a measurement of how the Company's Investment portfolio contributed to NAV growth adjusted for the Company's expenses and finance costs. The Total NAV Return for the six-month period ended 31 August 2017 was -2.4% (31 August 2016: 3.9%) which includes dividends paid of nil cents (31 August 2016: 15 cents).

Total Shareholder Return

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes shareholder price total return as a percentage change from the start of the period (six months) and also three-month, one year, three-year, four year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend. The Shareholder Return for the six-month period ended 31 August 2017 was -4.2% (31 August 2016: 17.3%) which includes dividends paid (Sterling equivalent) of nil (2016: 10.4 pence).

NAV to market price discount

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

At 31 August 2017, JZCP's Ordinary shares traded at £5.16 (31 August 2016: £4.53) or \$6.64 (2016: \$5.93) being the dollar equivalent using the year end exchange rate of £1: \$1.288 (31 August 2016 £1: \$1.31). The shares traded at a 33% (31 August 2016: 43%) discount to the NAV per share of \$9.88 (2016: \$10.40).

Dividend Yield

The Company no longer considers the Dividend Yield an Alternative Performance Measure. During the period ended 31 August 2017, the Company received shareholder approval to discontinue the Company's dividend policy of distributing approximately 3% of the Company's net assets in the form of dividends. No dividends were paid or declared in the six-month period ended 31 August 2017.

Non-Mainstream Pooled Investments

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

Financial Diary

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

JZCP will be issuing an Interim Management Statement for the quarters ending 30 November 2017 and 31 May 2018. These Statements will be sent to the market via RNS within six weeks from the end of the appropriate quarter, and will be posted on JZCP's website at the same time, or soon thereafter.

Payment of Dividends

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

Share Dealing

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

Internet Address

The Company: www.jzcp.com

Foreign Account Tax Compliance Act

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

Share Register Enquiries

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

Nominee Share Code

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

Documents Available for Inspection

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

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

Warning to Shareholders – Boiler Room Scams

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

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

US Investors

General

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

- (a) is a "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended) and not a "qualified purchaser" (as defined in the US Investment Company Act of 1940, as amended, and the related rules thereunder);
- (b) is a "Benefit Plan Investor" (as described under "Prohibition on Benefit Plan Investors and Restrictions on Non-ERISA Plans" below); or
- (c) is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of ordinary shares or any other equity securities of the Company by the person would materially increase the risk that the Company could be or become a "controlled foreign corporation" (as described under "US Tax Matters" 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 entitled to the protections provided by the 1940 Act.

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

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

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

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

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

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

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

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

- (a) The Non-ERISA Plan is not a Benefit Plan Investor;
- (b) The decision to commit assets of the Non-ERISA Plan for investment in the Company was made by fiduciaries independent of the Company, the Board, the Investment Advisor and any of their respective agents, representatives or affiliates, which fiduciaries (i) are duly authorised 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 individualised investment advice to the Non-ERISA Plan based upon the Non-ERISA Plan's investment policies or strategies, overall portfolio composition or diversification with respect to its commitment to invest in the Company and the investment program thereunder; and

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

US Tax Matters

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

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

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

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

The Company has been advised that it is NOT a passive foreign investment company ("PFIC") for the fiscal years ended February 2016 and 2015. An analysis for the financial year ended February 2017 is currently being undertaken. A classification as a PFIC would likely have an adverse tax consequences for US taxpayers.

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

Investment Adviser's ADV Form

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

https://adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=160932