JZ CAPITAL PARTNERS LTD

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

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

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED

31 AUGUST 2019

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(Classified Regulated Information, under DTR 6 Annex 1 section 1.2)

27 November 2019

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 2019.

Results and Portfolio Highlights

- NAV of $748.2 million (FYE 28/02/19: $810.2 million)
- NAV per share of $9.66 (FYE 28/02/19: $10.04)
- Total realisations and refinancings of $121.2 million, including: the sale of JZCP's 80% stake in Avante & Orizon for gross proceeds of approximately $65.5 million, and the sale of Waterline Renewal for gross proceeds of approximately $24.6 million (including escrows).
- JZCP made one post-period realisation (October 2019), selling Priority Express for $18.8 million in gross proceeds (including escrows and a potential earn-out), a 60% uplift to NAV.
- As of 31 August 2019, the portfolio comprised:
    - **US micro-cap**: 23 businesses, which includes four 'verticals' and 14 co-investments, across nine industries.
    - **European micro-cap**: 17 companies across six industries and seven countries.
    - **US real estate**: 61 properties across five major assemblages in New York and South Florida all in various stages of (re)/development.

Appraisal of Real Estate Portfolio

- Further to the announcement of 30 October 2019, the Company asked its independent third-party appraiser to accelerate the annual appraisal process and update its valuations for the real estate portfolio.

- The reports received indicate minimal differences from the appraiser's year-end values as at 28 February 2019; however, the fair value of JZCP's real estate investments at 31 August 2019 decreased to $422.7 million from $443.1 million at 28 February 2019. The net movement in unrealised losses between the fair value and cost of JZCP's real estate investment between 28 February 2019 and 31 August 2019 totalled $64 million, largely due to the carrying costs of the portfolio.

- The Board believes that significant uncertainty remains as to whether the real estate portfolio could be realised at these values. Due to financing constraints and the requirement to generate liquidity in line with the Company's recently approved investment policy, this will likely require assets to be realised on an accelerated basis.

Strategic Initiatives

- On 24 October 2019 (post-period), the Board received shareholder approval for the adoption of a revised investment policy, whereby JZCP will look to realise investments and materially reduce commitments to new investments in order to return a substantial amount of capital to shareholders and pay down a substantial amount of debt.

- The Company's focus continues to be its revised investment policy; however, potential impairment to the value of the real estate portfolio dictates that the Company must protect its balance sheet in the near term by prioritizing debt repayment over the return of capital to shareholders.

- In the past eighteen months, the Company has returned approximately $50 million to shareholders in a combination of open market purchases and a tender offer at close to NAV.

- JZCP is currently in the market with a portfolio of certain US microcap assets and expects to realise $150–170 million in gross proceeds from this transaction before 29 February 2020.

Outlook

- Strong pipeline of realisations and refinancings in JZCP's overall portfolio.

- JZCP expects to pay down a significant amount of debt in the near term upon completion of the secondary sale of a portfolio of certain US microcap assets.

David Macfarlane, Chairman of JZCP, said: "The Board regrets the delay in publication of the Company's results as well as the uncertainty regarding the value of the real estate portfolio.

The Company remains focused on implementing its revised investment policy; however, due to potential provisions against the real estate portfolio, the Company must protect its balance sheet in the near term by prioritizing debt repayment over the return of capital to shareholders. Consequently, new capital allocations will be largely limited to follow-on investments in existing portfolio companies as well as other existing obligations.

The Board is confident in the Investment Adviser's ability to execute on the strategic initiatives announced today, which have been designed to maximise value for JZCP's shareholders."

Presentation details:

There will be an audiocast presentation for investors and analysts at 3.30pm London time / 10.30am New York time on 27 November 2019. The presentation can be accessed here and by dialing **+44 (0)330 336 9411 (UK)** or **+1 323-994-2093 (US)** with the participant access code **2869534.**

The information contained within this announcement is considered by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for arranging the release of this announcement on behalf of the Company is David Macfarlane, Chairman.

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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 now able to report the results of JZ Capital Partners ("JZCP" or the "Company") for the six-month period ended 31 August 2019. The Board regrets the delay in publication of JZCP's results as well as the uncertainty created by the announcement of the delay made on 30 October 2019. As described further in that announcement, discussions in the ordinary course of business between the Company's Investment Adviser and certain third-party real estate brokers gave rise to questions as to whether the Company's real estate portfolio was overvalued. The Board therefore came to the view that a delay in publication of the results and an announcement to the market were necessary while the situation was further assessed.

Immediately, the Company asked its independent third-party appraiser to accelerate the annual appraisal process and update its valuations as at 31 August 2019. The reports received were in accordance with the Company's accounting policies as per the financial statements at 28 February 2019 and indicate minimal differences from the appraiser's year-end values at 28 February 2019; however, the fair value of JZCP's real estate investments at 31 August 2019 decreased to $422.7 million from $443.1 million at 28 February 2019. The net movement in unrealised losses between the fair value and cost of JZCP's real estate investment between 28 February 2019 and 31 August 2019 totalled $64 million. Notwithstanding the revised appraisals, the Board believes that significant uncertainty remains as to whether the real estate portfolio could be realised at these values. This uncertainty results from both financing constraints at the underlying property level and the requirement to generate liquidity in line with the Company's recently approved investment policy, which will likely require assets to be realised on an accelerated basis. As disclosed in the Company's published financial statements historically, 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 sale transaction and those differences could be material.

Not publishing the Company's interim results by 30 November 2019 would have resulted in the temporary suspension of the listing of JZCP's securities (until the actual date of publication). In the short period between the availability of the appraiser's report and the deadline for publication it would not have been possible for the Company's auditors to have been able to complete their customary review of the interim results and related report. While best practice for the publication of interim results contemplates an interim auditor review, it is not a regulatory requirement; under these unusual circumstances, the Board has determined that shareholders would be better served by avoiding a temporary suspension and accordingly did not ask the auditors to review these interim results.

Strategic Initiatives

On 24 October 2019 (post-period), the Board received shareholder approval for the adoption of a revised investment policy, whereby JZCP will look to realise investments and materially reduce commitments to new investments in order to return a substantial amount of capital to shareholders and pay down a substantial amount of debt.

As part of this strategy, the Company announced that it planned to raise approximately $400-500 million in liquidity by the end of the fiscal year ending February 2023, through realisations, the secondary sale of certain asset portfolios, the formation of joint venture partnerships and the US Side-Car Fund, in which the Company would be an initial investor.

Return of capital

In the past eighteen months, the Company has returned approximately $50 million to shareholders in a combination of open market purchases and a tender offer at close to NAV. Subject to the achievement of liquidity objectives, the Company expects to continue to return capital to shareholders; however, the near term priority is debt repayment.

Realisations

In August 2019, JZCP finalized the sale of 80% of its interest in portfolio companies Orizon and Avante for $65.5 million in gross proceeds, a 23% uplift to the July 2019 NAV of those assets. In October 2019 (post-period), JZCP closed the sale of its portfolio company Priority Express for $18.8 million in gross proceeds (including escrows and a potential earn out), a 60% uplift to the July 2019 NAV.

These transactions, together with others, bring total gross proceeds realised this fiscal year through November 2019 to more than $135 million. A process is currently underway for the sale of a portfolio of US microcap assets, which is expected to generate between $150-170 million in gross proceeds to JZCP by 29 February 2020.

Alterations to the investment policy

The Company's focus continues to be its revised investment policy; however, potential impairment to the value of the real estate portfolio dictates that the Company must protect its balance sheet in the near term by prioritizing debt repayment over the return of capital to shareholders. Consequently, new capital allocations will be largely limited to follow-on investments in existing portfolio companies as well as other existing obligations.

As part of curtailing new investments, the Company will not proceed to make a commitment to the recently announced US Side-Car Fund, which was approved by shareholders to be up to $25 million. Furthermore, JZCP's commitment to JZI Fund IV, L.P. ("Fund IV"), which shareholders previously approved at up to €64 million, is intended to be limited to a maximum of €15 million. The Board expects this contribution to be made over a period of five years. Because of JZCP's commitment reduction, Jay Jordan and David Zalaznick expect to increase their aggregate commitment to Fund IV by up to approximately €10 million.

Additionally, the Board has requested that the Investment Adviser relieve the Company of its future subscription obligations to certain managed funds where the Company has current and projected future commitments of approximately up to $44 million. In consultation with the Board, Jay Jordan and David Zalaznick have agreed in principle to provide for or replace these commitments to certain managed funds in an amount of up to approximately $50-60 million, including the increased commitment to Fund IV.

Over time, the Board believes that the above measures will conserve cash of up to approximately $100 million.

In addition, the Investment Adviser has volunteered to forego payment of the remainder of its currently earned capital incentive fee on the basis that (i) $3.9 million of it can be immediately paid to the members of the JZAI team other than Jay Jordan and David Zalaznick and (ii) the net gains underpinning the realised incentive fee are rolled forward and netted against future losses. Additionally, the Investment Adviser has volunteered to forego future capital incentive fees until the Company and the Investment Adviser mutually agree to reinstate such payments.

Following the implementation of the above strategic initiatives, the Board will consider the Company's strategy in light of the circumstances prevailing at that time. The Board believes that a continuation of the aforementioned policy changes will likely be adopted, involving further realisations, limited investment activity, remaining debt repayments and the return of further capital to shareholders.

Shareholders owning more than 50% of the Company's ordinary shares have confirmed to the Board that they support continuance based on the repayment of debt and capital detailed above.

Portfolio Update

At the end of the period, the Company's portfolio consisted of 24 US microcap businesses (including four 'verticals' and 15 co-investments) across nine industries, 17 European microcap companies across six industries and seven countries, and five major real estate assemblages (61 properties in total) located across Brooklyn, New York and South Florida.

US and European Microcap

The US microcap portfolio performed very well during the period, delivering a net increase in NAV per share of 63 cents, primarily due to net accrued income of 11 cents per share and increased earnings at the Company's co-investments Peaceable Street Capital (11 cents), New Vitality (3 cents) and K2 Towers II (3 cents) as well as writing the Orizon, Avante and Logistics investments up to their respective sale values (18, 7 and 6 cents per share, respectively).

The European microcap portfolio (via JZI Fund III, L.P. or "Fund III") delivered a net increase of 9 cents per share during the period, due to write-ups at S.A.C, My Lender, Treee, Eliantus, Factor Energia, BlueSites, Luxida and Karium. However, these gains were offset by a write-down on the Company's direct loan to Ombuds (16 cents).

As of 31 August 2019, Fund III held 12 investments: four in Spain, two in Scandinavia, two in Italy, two in the UK and one each in Portugal and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance.

Real Estate

The real estate portfolio experienced a net decrease of 82 cents during the period, primarily due to operating expenses and debt service at the property level. As of 31 August 2019, the Company has approximately $416 million invested in a portfolio of retail, office and residential properties in Brooklyn, New York, and South Florida, alongside its real estate partner, RedSky Capital. The total portfolio is comprised of 61 properties, which, following the newly received appraisals mentioned above, is valued at $422.7 million, subject to the reservations of the Board and Investment Adviser regarding the realisable value of the portfolio as discussed above. During the period, JZCP made follow-on investments and paid expenses totalling approximately $43 million.

As part of its focus on liquidity, the Company does not expect to make any new investments in the real estate sector other than in its existing portfolio, primarily where additional capital is required for debt service payments, accretive pre-development expenditures or the acquisition of a remaining property to complete an assemblage. The Board, Investment Adviser and RedSky Capital are working closely to establish the best course of action (development, sale or joint venture) to maximise value and liquidity from each real estate asset. The Investment Adviser has taken a much more direct role in the day-to-day management of both Redsky Capital and the real estate portfolio.

Spruceview Capital Partners

Spruceview Capital Partners ("Spruceview"), the Company's asset management business in the US, continues to make progress. Spruceview looks to address the growing demand from corporate pensions, endowments, family offices and foundations for fiduciary management services through an Outsourced Chief Investment Officer ("OCIO") model as well as customized products/solutions per asset class.

After successfully deploying an initial committed amount of $300 million for a portfolio of alternative investments for a Mexican trust (or "CERPI"), Spruceview's mandate was extended in August by an additional commitment of $400 million, with the potential remaining to increase the size of the CERPI to up to $1.0 billion over the coming years. Spruceview continues to have a healthy pipeline of potential client opportunities.

The Board

As previously announced, the Board intends to seek new appointments and this process has begun. I must report, however, that Chris Waldron has indicated his wish to step down. He does so with our thanks for his contribution and our best wishes for the future.

Outlook

The Board regrets the uncertainty regarding the realisable value of the real estate portfolio but can reaffirm that the Investment Adviser is committed to the strategy of maximising value for JZCP's shareholders by realising assets, paying down a substantial amount of debt and continuing to return capital to shareholders.

David Macfarlane
Chairman
26 November 2019

Investment Adviser's Report

Dear Fellow Shareholders,

On 24 October 2019, shareholders voted to approve a revised investment policy, whereby JZCP will look to realise investments and materially reduce commitments to new investments in order to return capital to shareholders and pay down debt. We have achieved several realisations and are making progress on many more.

In August 2019, JZCP finalized the sale of 80% of its interest in portfolio companies Orizon and Avante for $65.5 million in gross proceeds, a 23% uplift to the July 2019 NAV of those assets. In October 2019 (post- period), JZCP closed the sale of its portfolio company Priority Express for $18.8 million in gross proceeds (including escrows and a potential earn out), a 60% uplift to the July 2019 NAV of that asset. These transactions bring total gross proceeds realised this fiscal year through November 2019 to more than $135 million.

In addition to realisations, we plan to raise liquidity for JZCP from secondary sales of certain asset portfolios and joint venture partnerships. We are currently in the market with a portfolio of select US microcap assets and expect to realise between $150-170 million in gross proceeds prior to 29 February 2020 from these transactions.

As of 31 August 2019, our US micro-cap portfolio consisted of 23 businesses, which includes four 'verticals' and 14 co-investments, across nine industries; this portfolio was valued at 8.2x EBITDA, after applying an average 23% marketability discount to public comparables. The average underlying leverage senior to JZCP's position in our US micro-cap portfolio is 4.4x EBITDA. Consistent with our value-oriented investment strategy, we have acquired our current US micro-cap portfolio at an average 6.0x EBITDA.

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

As of the same date, our US real estate portfolio consisted of 61 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 decreased 38 cents, or 3.8%, during the six-month period from 28 February 2019 to 31 August 2019.

NAV per Ordinary share as of 28 February 2019	**$10.04**
Change in NAV due to capital gains and accrued income	
+ US Micro-cap	0.63
- European Micro-cap	(0.07)
- Real estate	(0.82)
Other increases/(decreases) in NAV	
+ Net foreign exchange effect	0.08
- Finance costs	(0.13)
- Expenses and taxation	(0.09)
+ Appreciation from share buybacks	0.02
NAV per Ordinary share as of 31 August 2019	**$9.66**

The US micro-cap portfolio performed well during the period, delivering a net increase of 63 cents per share. This was primarily due to net accrued income of 11 cents, increased earnings at co-investments Peaceable Street Capital (11 cents), New Vitality (3 cents) and K2 Towers II (3 cents) as well as writing our Orizon, Avante and Logistics investments up to their respective sale values (18, 7 and 6 cents, respectively). We also received 4 cents of escrow payments during the period.

Our JZI Fund III, L.P. ("Fund III") portfolio performed very well during the period, posting a net increase of 9 cents, primarily due to write-ups at Fund III portfolio companies S.A.C, My Lender, Treee, Eliantus, Factor Energia, BlueSites, Luxida and Karium. Gains at our Fund III portfolio companies were offset by a write-down on our direct loan to Ombuds (16 cents).

The real estate portfolio experienced a net decrease of 82 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 and five-year periods.

	31.8.2019	28.2.2019	31.8.2018	31.8.2016	31.8.2014
Share price (in GBP)	£4.82	£4.35	£4.44	£4.53	£4.34
NAV per share (in USD)	$9.66	$10.04	$9.82	$10.40	$10.11
NAV to market price discount	39.2%	42.4%	41.2%	43.0%	28.7%
		6 month return	**1 year return**	**3 year return**	**5 year return**
Dividends paid (in USD)		-	-	$0.155	$0.790
Total Shareholders' return (GBP)[1]		10.8%	8.6%	9.1%	25.8%
Total NAV return per share (USD)1		-3.8%	-1.6%	-5.7%	3.3%
Total Adjusted NAV return per share (USD)1,2		0.2%	1.3%	-3.4%	16.7%

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

[2] *Adjusted NAV returns reflect the return per share before (i) the dilution resulting from the issue of 18,888,909 ordinary shares at a discount to NAV on 30 September 2015 and (ii) subsequent appreciation from the buyback of ordinary shares at a discount.*

Portfolio Summary

Our portfolio is well-diversified by asset type and geography, with 40 US and European micro-cap investments across eleven industries and five primary real estate 'assemblages' (61 total properties) located in Brooklyn, New York and South Florida. The portfolio continues to become more diversified geographically across Western Europe with investments in Spain, Italy, Portugal, Luxembourg, Scandinavia and the UK.

Below is a summary of JZCP's assets and liabilities at 31 August 2019 as compared to 28 February 2019. An explanation of the changes in the portfolio follows:

	31.8.2019	28.2.2019
	US$'000	**US$'000**
US microcap portfolio	424,913	478,970
European microcap portfolio	104,863	128,698
Real estate portfolio	422,656	443,044
Other investments	20,916	18,302
Total investments	973,348	1,069,014
Treasury bills	3,323	3,314
Cash	71,686	50,994

Total cash equivalents	75,009	54,308
Other assets	623	1,286
Total assets	1,048,980	1,124,608
Zero Dividend Preference shares	59,946	63,838
Convertible Unsecured Loan Stock	50,167	54,274
Loans payable	149,490	149,227
Other liabilities	41,151	47,007
Total liabilities	300,754	314,346
Net Asset Value	748,226	810,262

JZCP's loan facility with Guggenheim Partners may be repaid, in whole or in part, at any time, without any prepayment penalties.

US microcap 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.

The US micro-cap portfolio performed well during the period, delivering a net increase of 63 cents per share. This was primarily due to net accrued income of 11 cents, increased earnings at co-investments Peaceable Street Capital (11 cents), New Vitality (3 cents) and K2 Towers II (3 cents) as well as writing our Orizon, Avante and Logistics investments up to their respective sale values (18, 7 and 6 cents, respectively). We also received 4 cents of escrow payments during the period.

European microcap portfolio

Our Fund III portfolio performed very well during the period, posting a net increase of 9 cents, primarily due to write- ups at Fund III portfolio companies S.A.C, My Lender, Treee, Eliantus, Factor Energia, BlueSites, Luxida and Karium. Gains at our Fund III portfolio companies were offset by a write-down on our direct loan to Ombuds (16 cents).

JZCP invests in the European micro-cap sector through its approximately 18.8% ownership of Fund III. As of 31 August 2019, Fund III held 12 investments: four in Spain, two in Scandinavia, two in Italy, two in the UK and one each in Portugal and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance.

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

During the period, JZCP received distributions totaling approximately €12.5 million (approximately $14.1 million) from its investments in: (i) Petrocorner, a network of petrol stations throughout Spain; (ii) Collingwood, a niche auto insurance business in the UK; and (iii) Fincontinuo, a niche consumer lender in Italy.

The proceeds included above from Petrocorner represent the first tranche of proceeds from the sale of Petrocorner by Fund III to British Petroleum. Headquartered in Madrid, Petrocorner is a strategic build-up in the Spanish retail petrol station market, comprised of 65 petrol stations located across Spain with annualized sales volume of approximately 250 million litres of petrol. JZCP expects to receive cumulative gross proceeds of €12.1 million from the sale (including interim proceeds and escrows), which represents a gross multiple of invested capital ("MOIC") of approximately 2.0x and a gross internal rate of return ("IRR") of approximately 23.0%.

Real estate portfolio

As discussed in the Chairman's Statement and below in the Outlook section, we believe the valuations are high for several of our real estate sites and assemblages. Accordingly, we expect to see lower valuations for the fiscal year ending 29 February 2020 beyond the approximately $64 million that the NAV has been marked down to reflect the carrying costs for the six months ending 31 August 2019.

As of 31 August 2019, JZCP had approximately $416 million invested in a portfolio of retail, office and residential properties in Brooklyn, New York, and South Florida, which is valued at $422.7 million as of that date. We have made these investments alongside our real estate partner, RedSky Capital.

Since we began investing in real estate in April 2012, we have acquired a total of 61 properties, all currently in various stages of development and re-development.

Follow-on real estate investments	JZCP Investment ($ millions)
Follow-ons and expenses	43.6

Other investments

Our asset management business in the US, Spruceview Capital Partners, has continued to make encouraging progress since we last reported to you. Spruceview addresses the growing demand from corporate pensions, endowments, family offices and foundations for fiduciary management services through an Outsourced Chief Investment Officer ("OCIO") model as well as customized products/solutions per asset class.

After the successful deployment during the period of an initial committed amount of $300 million for a portfolio of alternative investments for a Mexican trust (or "CERPI"), Spruceview's mandate was extended in August by an additional commitment of $400 million, with the potential remaining to increase the size of the CERPI to up to $1.0 billion over the coming years.

During the period, Spruceview maintained a pipeline of potential client opportunities and continued to provide investment oversight to the pension funds of the Mexican and Canadian subsidiaries of an international packaged foods company, as well as a European private credit fund-of-funds, a US middle market private equity fund-of-funds, and portfolios for family office clients.

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

Realisations

Asset	**Portfolio**	**Proceeds *($millions)***
Avante - Sale of 80% of JZCP's stake	US microcap	37.5
Orizon - Sale of 80% of JZCP's stake	US microcap	28.0
Waterine Renewal -Sale	US microcap	23.3
Fund III – Proceeds from Sale of Petrocorner / Refinancing of Collingwood & Fincontinuo	European microcap	14.5
Felix Storch - Refinancing	US microcap	14.0
Receipt of Escrow Balances	US microcap	3.9
		121.2

Avante & Orizon

In August 2019, JZCP sold 80% of its stake in US micro-cap investments Avante and Orizon to Edgewater Growth Capital Partners for $65.5 million in gross proceeds, a 23% uplift to July 2019 NAV of those assets.

Avante is a single source provider of medical, surgical, diagnostic imaging and radiation oncology equipment, including sales, service, repair, parts, refurbishing and installation in over 150 countries. Orizon is a manufacturer of integral aerospace assemblies for original equipment manufacturers and tier one suppliers to original equipment manufacturers.

Waterline Renewal

In April 2019, Waterline Renewal was acquired by Behrman Capital, a private equity investment firm based in New York and San Francisco.

Waterline Renewal is a leading provider of engineered products used in the trenchless rehabilitation of wastewater infrastructure for municipal, commercial, industrial, and residential applications. The company's patented line of products and technologies allows its customers to deliver long-lasting solutions that repair sewer systems and wastewater lines without the need for excavation or property damage, and prevent overflow created by excess inflow and infiltration of ground water into the wastewater system.

JZCP expects to realise approximately $24.6 million in gross proceeds (including escrows) from the sale.

Felix Storch

In March 2019, JZCP refinanced Felix Storch, its manufacturer of small and custom refrigeration appliances. This refinancing resulted in gross proceeds to JZCP of approximately $14.0 million, which returned JZCP's entire March 2017 investment in Felix Storch of $12.0 million. Felix Storch has continued to exhibit strong growth and we expect it to return more capital in the future.

Priority Express

In October 2019 (post-period), Priority Express was acquired by Capstone Logistics, a leading North American supply chain solutions partner.

Priority Express was founded in 2005 and provides over 500 customers in the healthcare and e-commerce end markets with expedited freight and distribution services, scheduled routed delivery services and on-demand delivery services.

JZCP expects to realise approximately $18.8 million in gross proceeds (including escrows and a potential earn-out) from the sale, a 60% uplift to July 2019 NAV.

Outlook

As discussed in the Chairman's Statement, we as the Investment Adviser have been working with the Board to alleviate many of JZCP's commitments which would require considerable cash resources. We are taking on the responsibility to provide or procure these commitments, either through increased personal investment or other avenues. Most importantly, JZCP will have up to approximately $100 million less in cash requirements to fulfill these existing commitments, which will be money that can be dedicated to debt repayment and return of capital to shareholders.

Subject to achieving our liquidity objectives, our near and medium term priority is debt repayment, including the Zero Dividend Preference Shares and Convertible Unsecured Loan Stock. After that, we will endeavor to continue to return capital to shareholders.

One near term initiative to achieve liquidity is through the secondary sale of certain of our US micro-cap assets. Hopefully, this will yield prices at or above our NAV, similar to our realisations already achieved this year. At the same time, we are minimizing the amount of capital JZCP invests in new acquisitions to preserve cash for near and medium term debt repayment and, ultimately, return of capital to shareholders.

Realising liquidity for our real estate portfolio is also an objective. We are currently evaluating the best course of action (development, sale or joint venture) to maximize value. Toward that end, we will be putting several of our properties up for sale in the next 60-90 days. It is important to note that we must support the business plan for certain of our respective assemblages and build-outs in order to complete the job and maximize value. These are the only new investments we will be making in real estate; we expect it will take 24 to 36 months to maximize the value of our current portfolio.

With regard to valuation of our real estate portfolio, we believe the valuations are high for several of the sites and assemblages. Accordingly, we expect to see lower valuations for the fiscal year ending 29 February 2020 beyond the approximately $64 million that the NAV has been marked down to reflect the carrying costs for the six months ending 31 August 2019.

We thank the Board and shareholders for their support of the revised investment strategy and we are confident that we can execute the strategy. In the coming months, we will be reporting to you how we are progressing with realisations to raise cash for debt repayment. We anticipate the next event will be the pay down of a significant amount of debt upon the successful completion of the secondary sale.

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.
26 November 2019

Board of Directors

David Macfarlane (Chairman)[1]

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

James Jordan

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

Sharon Parr[2]

Mrs Parr was appointed to the Board of JZCP in 2018. In 2003 she completed a private equity backed MBO of the trust and fund administration division of Deloitte and Touche, called Walbrook, selling it to Barclays Wealth in 2007. As a Managing Director of Barclays, she ultimately became global head of their trust and fund administration businesses, comprising over 450 staff in 10 countries. She stepped down from her executive roles in 2011 to focus on other areas and interests but has maintained directorships in several companies. She is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Society of Trust and Estate Practitioners, and is a resident of Guernsey.

Tanja Tibaldi

Ms Tibaldi was appointed to the Board of JZCP in 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[3, 4]

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

Patrick Firth
Mr Firth resigned from the Board and as Chairman of the Audit Committee in June 2019.

[1]Chairman of the nominations committee of which all Directors are members.
[2]Mrs Parr was appointed Chairman of the Audit Committee in June 2019. All Directors are members of the Audit Committee.
[3]Chairman of the management engagement committee of which all Directors are members. Mr Waldron was appointed as Senior Independent Director in May 2019.

[4]Mr Waldron proposed to resign from the Board on 26 November 2019.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Interim Report and Unaudited Condensed Interim Financial Statements (the "Interim Report and Financial Statements") in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

● the Unaudited and Condensed Interim Financial Statements (the "Interim Financial Statements") have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

● the Chairman's Statement and Investment Adviser's Report include a fair review of the information required by:

> (i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
>
> (ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the entity during that period; and any changes in the related party transactions described in the 2019 Annual Report and Financial Statements that could do so.

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 Financial Statements for the year ended 28 February 2019 (as explained annual report). The Directors continue to monitor the risks to the Company.

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 26 November 2019.

David Macfarlane
Chairman

Sharon Parr
Director

Investment Portfolio

	31 August 2019 Cost[1] US$'000	Value US$'000	Percentage of Portfolio %
US Microcap portfolio			
US Microcap (Verticals)			
Industrial Services Solutions[2]			
INDUSTRIAL SERVICES SOLUTIONS ("ISS") Provider of aftermarket maintenance, repair, and field services for critical process equipment throughout the US			
Total Industrial Services Solutions valuation	48,250	95,893	9.8

Testing Services Holdings[2]			
TECHNICAL SOLUTIONS AND SERVICES Provider of safety focused solutions for the industrial, environmental and life science related markets CONTAMINATION CONTROL & CERTIFICATION Provider of testing, certification and validation services for cleanroom, critical environments and containment systems			
Total Technical Solutions and Services Vertical valuation	23,731	23,210	2.4
Flexible Packaging Vertical			
ACW FLEX PACK, LLC Provider of a variety of custom flexible packaging solutions to converters and end-users			
Total Flexible Packaging Vertical valuation	10,033	11,064	1.1
Flow Controls			
FLOW CONTROL, LLC Manufacturer and distributor of high-performance, mission-critical flow handling products and components utilized to connect processing line equipment			
Total Flow Control Vertical valuation	14,040	14,924	1.5
Total US Microcap (Verticals)	*96,054*	*145,091*	*14.8*
US Microcap (Co-investments)			
ABTB Acquirer of franchises within the fast-casual eateries and quick-service restaurants sector	8,760	8,760	0.9
DEFLECTO Deflecto designs, manufactures and sells innovative plastic products to multiple industry segments	40,112	44,334	4.5
EXER URGENT CARE Emergency Room alternative that combines clinical expertise, care & convenience	2,400	2,400	0.3
GEORGE INDUSTRIES Manufacturer of highly engineered, complex and high tolerance products for the aerospace, transportation, military and other industrial markets	12,683	12,681	1.3
IGLOO[2] Designer, manufacturer and marketer of coolers and outdoor products	6,572	6,450	0.7
K2 TOWERS II Acquirer of wireless communication towers	8,463	10,963	1.1
NEW VITALITY2 Direct-toconsumer provider of nutritional supplements and personal care products	3,431	6,303	0.7
ORIZON Manufacturer of high precision machine parts and tools for aerospace and defence industries	4,127	7,000	0.7
PEACEABLE STREET CAPITAL Specialty finance platform focused on commercial real estate	28,041	36,541	3.8

SALTER LABS[2] Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	16,762	21,717	2.2
SLOAN LED[2] Designer and manufacturer of LED lights and lighting systems	6,030	452	0.0
SUZO HAPP GROUP[2] Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	2,572	11,700	1.2
TIERPOINT[2] Provider of cloud computing and collocation data centre services	44,313	46,813	4.8
VITALYST[2] Provider of outsourced IT support and training services	9,020	8,192	0.8
Total US Microcap (Co-investments)	*193,286*	*224,306*	*23.0*
US Microcap (Other)			
AVANTE HEALTH SOLUTIONS Provider of new and professionally refurbished healthcare equipment	7,178	9,375	1.0
FELIX STORCH Supplier of specialty, professional, commercial, and medical refrigerators and freezers, and cooking appliances	50	24,500	2.5
HEALTHCARE PRODUCTS HOLDINGS[3] Designer and manufacturer of motorised vehicles	17,636	-	0.0
NATIONWIDE STUDIOS Processor of digital photos for pre-schoolers	26,324	5,000	0.5
PRIORITY EXPRESS[2] Provider of same day express courier services to various companies located in north-eastern USA. Priority Express is a subsidiary of US Logistics	13,200	16,641	1.7
Total US Microcap (Other)	*64,388*	*55,516*	*5.7*
Total US Microcap portfolio	***353,728***	***424,913***	***43.5***
European Microcap portfolio			
EUROMICROCAP FUND 2010, L.P. Invested in European Microcap entities	-	3,854	0.4
JZI FUND III, L.P. At 31 August 2019, was invested in twelve companies in the European microcap sector: Fincontinuo, S.A.C, Collingwood, My Lender, Alianzas en Aceros, ERSI, Treee, Eliantus, Factor Energia, BlueSites, Luxida and Karium	35,200	57,010	5.8
Total European Microcap (measured at Fair Value)	35,200	60,864	*6.2*
Direct Investments			
DOCOUT[4] Provider of digitalisation, document processing and storage services	2,777	3,836	0.4
OMBUDS[4] Provider of personal security, asset protection and facilities management services	17,198	13,650	1.4
TORO FINANCE[4] Provides short term receivables finance to the suppliers of major Spanish companies	21,619	22,436	2.3

XACOM[4] Supplier of telecom products and technologies	2,055	4,077	0.4
Total European Microcap (Direct Investments)	43,649	43,999	*4.5*
Total European Microcap portfolio	***78,849***	***104,863***	***10.7***
Real Estate portfolio			
JZCP REALTY[5] Facilitates JZCP's investment in US real estate	437,577	422,656	43.3
Total Real Estate portfolio	***437,577***	***422,656***	***43.3***
Other investments			
BSM ENGENHARIA[2] Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	459	0.0
CERPI Spruceview managed investment product	619	619	0.1
JZ INTERNATIONAL[3] Fund of European LBO investments	-	750	0.1
SPRUCEVIEW CAPITAL Asset management company focusing primarily on managing endowments and pension funds	30,005	19,088	2.0
Total Other investments	***36,739***	***20,916***	***2.2***
Listed investments			
U.S. Treasury Bill 0.00% Maturity 6th-February-2020	3,321	3,323	0.3
Total Listed investments	*3,321*	*3,323*	*0.3*
Total - portfolio	**910,214**	**976,671**	**100.0**

[1]Original book cost incurred by JZCP adjusted for subsequent transactions. The book cost represents cash outflows and excludes PIK investments.
[2]Co-investment with Fund A, a Related Party (Note 19) .
[3]Legacy Investments. Legacy investments are excluded from the calculation of capital and income incentive fees.
[4]Classified as Loans at Amortised Cost .
[5]JZCP invests in real estate indirectly through its investments in JZCP Realty Ltd. JZCP owns 100% of the shares and voting rights of JZCP Realty, Ltd.

Statement of Comprehensive Income (Unaudited)
For the Period from 1 March 2019 to 31 August 2019

	Note	Six Month Period Ended 31 August 2019 US$'000	Six Month Period Ended 31 August 2018 US$'000
Income			
Realisations from investments held in escrow accounts	21	3,923	2,085
Net foreign currency exchange gains		3,765	1,045
Gain on financial liabilities at fair value through profit or loss		4,107	5,925
Investment Income	8	19,984	14,300
Bank and deposit interest		225	289
		32,004	*23,644*
Expenses			

Net loss on investments at fair value through profit or loss	6	(31,575)	(25,720)
Expected credit losses	7	(14,727)	-
Investment Adviser's base fee	10	(8,301)	(8,498)
Investment Adviser's incentive fee	10	2,895	3,843
Administrative expenses		(1,660)	(1,423)
Directors' remuneration		(230)	(219)
		(53,598)	*(32,017)*
Operating loss		*(21,594)*	*(8,373)*
Finance costs	9	*(10,463)*	(9,126)
Loss for the period		(32,057)	(17,499)
Weighted average number of Ordinary shares in issue during the period	20	80,614,784	83,456,487
Basic loss per Ordinary share	20	(39.77)c	(20.97)c
Diluted loss per Ordinary share	20	(39.84)c	(24.27)c

The format of the Statement of Comprehensive Income (Unaudited) has changed from prior periods in that it now presents income in one column format rather than a split between capital and revenue.

The accompanying notes form an integral part of the Interim Financial Statements.

Statement of Financial Position (Unaudited)

As at 31 August 2019

	Note	31 August 2019 US$'000	28 February 2019 US$'000
Assets			
Investments at fair value through profit or loss	11	932,672	1,014,316
Loans at amortised cost	11	43,999	58,012
Other receivables	12	623	1,286
Cash at bank		71,686	50,994
Total assets		1,048,980	1,124,608
Liabilities			
Zero Dividend Preference shares	13	59,946	63,838
Convertible Unsecured Loan Stock	14	50,167	54,274
Loan payable	15	149,490	149,227
Investment Adviser's incentive fee	10	36,876	42,771
Investment Adviser's base fee	10	2,079	2,102
Other payables	16	2,196	2,134
Total liabilities		300,754	314,346
Equity			
Share capital		216,625	246,604
Other reserve		353,528	353,528
Retained earnings		178,073	210,130
Total equity		748,226	810,262
Total liabilities and equity		1,048,980	1,124,608
Number of Ordinary shares in issue at period/year end	17	77,474,175	80,666,838

Net asset value per Ordinary share	$9.66	$10.04

These Interim Financial Statements were approved by the Board of Directors and authorised for issue on 26 November 2019. They were signed on its behalf by:

David Macfarlane
Chairman

Sharon Parr
Director

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

Statement of Changes in Equity (Unaudited)
For the Period from 1 March 2019 to 31 August 2019

	Note	Share Capital US$'000	Other Reserve US$'000	Retained Earnings US$'000	Total US$'000
Balance as at 1 March 2019		246,604	353,528	210,130	810,262
Loss for the period		-	-	(32,057)	(32,057)
Buy back of Ordinary shares	17	(29,979)	-	-	(29,979)
Balance at 31 August 2019		216,625	353,528	178,073	748,226

Comparative for the period from 1 March 2018 to 31 August 2018

	Share Capital US$'000	Other Reserve US$'000	Retained Earnings US$'000	Total US$'000
Balance at 1 March 2018	265,685	353,528	218,360	837,573
Impact of adoption of IFRS 9	-	-	(1,395)	(1,395)
Adjusted Balance at 1 March 2018	**265,685**	**353,528**	**216,965**	**836,178**
Loss for the period	-	-	(17,499)	(17,499)
Buy back of Ordinary shares	(6,707)	-	-	(6,707)
Balance at 31 August 2018	258,978	353,528	199,466	811,972

The accompanying notes form an integral part of the Interim Financial Statements.

The format of the Statement of Changes in Equity has changed from prior periods in that it now reflects the one column income presentation in the Statement of Comprehensive Income format. The Company's profit/loss are now posted to retained earnings rather than individual revenue/capital reserves.

Statement of Cashflows (Unaudited)
For the Period from 1 March 2019 to 31 August 2019

	Note	Six Month Period Ended 31 August 2019 US$'000	Six Month Period Ended 31 August 2018 US$'000

Cash flows from operating activities			
Cash inflows			
Realisation of investments[1]	11	117,341	159,385
Maturity of treasury bills[2]	11	3,350	49,845
Escrow receipts received	21	3,923	2,085
Interest received from unlisted investments		677	1,103
Income distributions received from investments		1,192	-
Bank Interest received		225	289
Cash outflows			
Direct investments and capital calls[3]	11	(51,228)	(131,482)
Purchase of treasury bills	11	(3,321)	(3,267)
Investment Adviser's base fee paid	10	(8,324)	(8,513)
Investment Adviser's incentive fee paid	10	(3,000)	(996)
Other operating expenses paid		(1,865)	(1,641)
Foreign exchange (loss)/gain realised		(306)	17
Net cash inflow before financing activities		58,664	66,825
Financing activities			
Finance costs paid:			
● Convertible Unsecured Loan Stock		(1,515)	(1,631)
● Loan Payable		(6,453)	(5,720)
Payments to buy back Company's Ordinary shares		(29,979)	(6,707)
Net cash outflow from financing activities		(37,947)	(14,058)
Increase in cash at bank		20,717	52,767

Reconciliation of net cash flow to movements in cash at bank

	US$'000	**US$'000**
Cash and cash equivalents at 1 March	50,994	9,000
Increase in cash at bank	20,717	52,767
Unrealised foreign exchange movements on cash at bank	(25)	(213)
Cash and cash equivalents at period end	71,686	61,554

[1]*Total realisations quoted in the interim report of $121.2 million, include escrow receipts of $3.9 million and income distributions received of $1.2 million and exclude a short term debt repayment of $1.2 million.*
[2]*Includes $38,000 of treasury bill interest received on maturity.*
[3]*Total investments in period include $0.7 million of deposits held at 28 February 2019*.

The accompanying notes form an integral part of the Interim Financial Statements.

Notes to the Interim Financial Statements (Unaudited)

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, 2008 (as amended). 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.

Jordan/Zalaznick Advisers, Inc. (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 2019 to 31 August 2019 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 Disclosure Guidance and Transparency Rules. The Interim Financial Statements do not include all the information and disclosure required in the Annual Audited Financial Statements and should be read in conjunction with the Annual Report and Financial Statements for the year ended 28 February 2019.

Independent Review of Interim Financial Statements

These Interim Financial Statements and information in the accompanying Interim Report have not been audited or reviewed by the Company's Auditor.

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 2019. The preparation of these Interim Financial Statements are in conformity with IAS 34, "Interim Financial Reporting" as adopted in the European Union, and requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

The Statement of Comprehensive Income is now presented in a one column format rather than AIC SORP recommended presentation which allocated profit/loss between capital and revenue.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 28 February 2019. The has been no early adoption, by the Company, of any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations to standards apply for the first time in 2019, but do not have an impact on the interim financial statements of the Company.

3. Estimates and Judgements

The estimates and judgements made by the Board of Directors are consistent with those made in the Audited Financial Statements for the year ended 28 February 2019.

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 - (not falling into above categories)

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

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 2019 to 31 August 2019

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Interest revenue	15,980	2,742	32	-	18,754
Dividend revenue	-	1,192	-	-	1,192
Total segmental revenue	15,980	3,934	32	-	19,946
Net gain/(loss) on investments at FVTPL	29,331	3,097	(64,003)	-	(31,575)
Expected credit losses	-	(14,727)	-	-	(14,727)
Realisations from investments held in Escrow	3,923	-	-	-	3,923
Investment Adviser's base fee	(3,420)	(827)	(3,379)	(147)	(7,773)
Investment Adviser's capital incentive fee[1]	(10,074)	240	12,729	-	2,895
Total segmental operating profit/(loss)	35,740	(8,283)	(54,621)	(147)	(27,311)

For the period from 1 March 2018 to 31 August 2018

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Interest revenue	10,649	3,565	59	-	14,273
Total segmental revenue	10,649	3,565	59	-	14,273
Realisations from investments held in Escrow	2,085	-	-	-	2,085

Net gain/(loss) on investments at FVTPL	8,152	2,778	(36,650)	-	(25,720)
Investment Adviser's base fee	(3,311)	(859)	(3,501)	(122)	(7,793)
Investment Adviser's capital incentive fee[1]	(3,922)	435	7,330	-	3,843
Total segmental operating profit/(loss)	13,653	5,919	32,762)	(122)	(13,312)

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

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

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

	Period ended 31.8.2019 US$ '000	Period ended 31.8.2018 US$ '000
Total segmental operating loss	(27,311)	(13,312)
Gain on financial liabilities at fair value through profit or loss	4,107	5,925
Net foreign exchange gain	3,765	1,045
Bank and deposit interest	225	289
Expenses not attributable to segments	(1,890)	(1,642)
Fees payable to investment adviser based on non-segmental assets	(528)	(705)
Interest on US treasury bills	38	27
Operating loss	(21,594)	(8,373)

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

	Period ended 31.8.2019 US$ '000	Period ended 31.8.2018 US$ '000
Total segmental revenue	19,946	14,273
Non-segmental revenue		
Bank and deposit interest	225	289
Interest on US treasury bills	38	27
Total revenue	20,209	14,589

Segmental Net Assets

At 31 August 2019

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Segmental assets					
Investments at FVTPL	424,913	60,864	422,656	20,916	929,349
Loans at amortised cost	-	43,999	-	-	43,999
Other receivables	-	-	495	-	495
Total segmental assets	424,913	104,863	423,151	20,916	973,843
Segmental liabilities					
Payables and accrued expenses	(45,805)	1,594	2,146	3,259	(38,806)

Total segmental liabilities	(45,805)	1,594	2,146	3,259	(38,806)
Total segmental net assets	379,108	106,457	425,297	24,175	935,037

At 28 February 2019

	US Micro-Cap US$ '000	European Micro-Cap US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Segmental assets					
Investments at FVTPL	478,970	70,686	43,044	18,302	1,011,002
Loans at amortised cost	-	58,012	-	-	58,012
Other receivables	-	-	1,275	-	1,275
Total segmental assets	478,970	128,698	444,319	18,302	1,070,289
Segmental liabilities					
Payables and accrued expenses	(38,768)	1,321	(10,573)	1,850	(46,170)
Total segmental liabilities	(38,768)	1,321	(10,573)	1,850	(46,170)
Total segmental net assets	440,202	130,019	433,746	20,152	1,024,119

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

	31.8.2019 US$ '000	28.2.2019 US$ '000
Total segmental assets	973,843	1,070,289
Non segmental assets		
Treasury Bills	3,323	3,314
Cash at bank	71,686	50,994
Other receivables	128	11
Total assets	1,048,980	1,124,608
Total segmental liabilities	(38,806)	(46,170)
Non segmental liabilities		
Zero Dividend Preference shares	(59,946)	(63,838)
Convertible Unsecured Loan Stock	(50,167)	(54,274)
Loans payable	(149,490)	(149,227)
Other payables	(2,345)	(837)
Total liabilities	(300,754)	(314,346)
Total net assets	748,226	810,262

5. Fair Value of Financial Instruments

The Company classifies fair value measurements of its financial instruments at FVTPL using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The financial instruments 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 when assets/liabilities with quoted prices, that would normally meet the criteria of Level 1, do not meet the definition of being traded on an active market. At the period end, the Company had assessed that the liabilities valued at FVTPL being the CULS and valued using the quoted ask price, would be classified as level 2 within the valuation method as they are not regularly traded.

Level 3

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

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

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

Financial assets at 31 August 2019

	Level 1	Level 2	Level 3	Total
	US$ '000	US$'000	US$ '000	US$ '000
US micro-cap	-	-	424,913	424,913
European micro-cap	-	-	60,864	60,864
Real estate	-	-	422,656	422,656
Other investments	-	-	20,916	20,916
Listed investments	3,323	-	-	3,323
	3,323	-	929,349	932,672

Financial assets at 28 February 2019

	Level 1	Level 2	Level 3	Total
	US$ '000	US$'000	US$ '000	US$ '000
US micro-cap	-	-	478,970	478,970
European micro-cap	-	-	70,686	70,686
Real estate	-	-	443,044	443,044
Other investments	-	-	18,302	18,302
Listed investments	3,314	-	-	3,314
	3,314	-	1,011,002	1,014,316

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

Financial liabilities at 31 August 2019	Level 1	Level 2	Level 3	Total
	US$ '000	US$'000	US$ '000	US$ '000
CULS	-	50,167	-	50,167
	-	50,167	-	50,167

Financial liabilities at 28 February 2019	Level 1	Level 2	Level 3	Total
	US$ '000	US$'000	US$ '000	US$ '000
CULS	54,274	-	-	54,274
	54,274	-	-	54,274

Transfers between levels

Transactions for the CULS do not take place with sufficient frequency and volume to provide adequate pricing information on an ongoing basis, as defined by IFRS. Therefore, it is considered the CULS' are not traded in an active market and are therefore categorised at level 2.

Valuation techniques

The same valuation methodology and process was deployed as for the year ended 28 February 2019.

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 2019 and 28 February 2019 are shown below:

	Value 31.8.2019 US$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used [1]	Approx. Impact on Fair Value US$'000	
US micro-cap investments	424,913	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 12.6x (8.4x)	-0.5x /+0.5x	(32,697)	34,114
			Discount to Average Multiple	15% - 35% (22.5%)	+5% / -5%	(43,856)	42,066
European micro-cap investments	60,864	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x-13.8x (9.7x)	-0.5x /+0.5x	(4,143)	4,131
			Discount to Average Multiple	-31.4% - 33.9% (-0.7%)	+5% / -5%	(3,910)	3,910
Real estate[2]	273,538	Comparable Sales	Market Value Per Square Foot	$324 - $3,113 per sq ft($1,598)	-5% / +5%	(30,902)	30,902
	42,313	DCF Model /Income Approach[3]	Discount Rate	5.5% - 6.5% (6.15%)	+25bps /-25bps	(3,544)	3,544
	106,805	Cap Rate/ Income Approach	Capitalisation Rate	3.25 - 5.5% (3.9%)	+25bps /-25bps	(20,292)	20,292
Other investments	19,088	AUM Approach	AUM	$3.0 Bn - $3.7 Bn	+10%/-10%	4,503	(4,234)
			% Applied to AUM	2.3%	+10%/-10%	1,921	(1,921)

	Value 28.2.2019 US$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used [1]	Approx. Impact on Fair Value US$'000	
US micro-cap investments	478,970	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 16.3x (8.5x)	-0.5x /+0.5x	(37,624)	39,780
			Discount to Average Multiple	15% - 35% (23%)	+5% / -5%	(47,352)	49,662
European micro-cap investments	70,686	EBITDA Multiple	Average EBITDA Multiple of Peers	5.2x - 12.1x (8.7x)	-0.5x /+0.5x	(8,934)	8,934

			Discount to Average Multiple	0% - 29% (19%)	+5% / -5%	(7,316)	7,316
	271,863	Comparable Sales	Market Value Per Square Foot	$324 - $3,113 ($1,441)per sq ft	-5% / +5%	(30,902)	30,902
Real estate[2]	43,954	DCF Model /Income Approach[3]	Discount Rate	5.5% - 6.5% (6.2%)	+25bps /- 25bps	(3,544)	3,544
	127,226	Cap Rate/ Income Approach	Capitalisation Rate	3.25 - 5.5% (4.5%)	+25bps /- 25bps	(20,292)	20,292
Other investments	17,093	AUM Approach	AUM	$2.0 Bn - $2.6 Bn	+10%/-10%	3,294	3,112
			% Applied to AUM	2.5%	+10%/-10%	1,727	(1,727)

[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.*

[3]*Certain investments in the Roebling, Williamsburg and Wynwood real estate portfolios are valued using an income capitalisation approach*.

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 2019

	US Micro-Cap US$ '000	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
At 1 March 2019	478,970	70,686	443,044	18,302	1,011,002
Investments in year including capital calls	5,305	394	43,615	2,614	51,928
Payment in kind ("PIK")	5,618	-	-	-	5,618
Proceeds from investments realised	(104,028)	(13,313)	-	-	(117,341)
Net gain/(loss) on investments	29,331	3,097	(64,003)	-	(31,575)
Movement in accrued interest	9,717	-	-	-	9,717
At 31 August 2019	424,913	60,864	422,656	20,916	929,349

Post period end, the Company requested a full appraisal of its real estate portfolio. The net loss above of $64 million is mainly attributable to carrying costs of the properties.

Year ended 28 February 2019

	US Micro-Cap US$ '000	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
At 1 March 2018	488,258	46,108	463,391	15,302	1,013,059
Investments in year including capital calls	106,540	18,388	57,965	3,000	185,893
Payment in kind ("PIK")	20,514	-	-	-	20,514
Proceeds from investments realised	(153,371)	(863)	(51,800)	-	(206,034)

Net gain/(loss) on investments	16,686	7,053	(26,512)	-	(2,773)
Movement in accrued interest	343	-	-	-	343
At 28 February 2019	478,970	70,686	443,044	18,302	1,011,002

The fair value of the ZDP shares is deemed to be their quoted market price. As at 31 August 2019 the ask price for the ZDP (2022) shares was £4.46 (28 February 2019: £4.36 per share) the total fair value of the ZDP shares was $64,678,000 (28 February 2019: $69,056,000) which is $4,732,000 (28 February 2019: $5,218,000) 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 2 hierarchy if valued at FVTPL.

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

	Period ended 31.8.2019 US$ '000	Period ended 31.8.2018 US$ '000
Loss on investments held in investment portfolio at period end		
Net movement in period end unrealised gain position	(55,727)	(91,838)
Unrealised gains in prior periods now realised	13,259	66,753
Net unrealised losses in the period	(42,468)	(25,085)
Net gains/(losses) on investments realised in the period		
Proceeds from investments realised	120,691	172,523
Cost of investments realised	(96,539)	(106,405)
Unrealised gains in prior periods now realised	(13,259)	(66,753)
Total net gain/(loss) in the period on investments realised in the period	10,893	(635)
Net loss on investments in the period	(31,575)	(25,720)

7. Expected Credit Losses

	Period ended 31.8.2019 US$ '000	Period ended 31.8.2018 US$ '000
Impairment on loans during period	14,727	-

Total Expected Credit Losses ("ECL") at 31 August 2019 are $16,197,000 (28 February 2019: $1,470,000). During the period, JZCP's portfolio company Ombuds entered administration. JZCP acting as lender, has a direct holding of debt in Ombuds. At 31 August 2019, JZCP's had invested a total of €12.4 million and had subsequently accumulated interest totalling. An ECL calculation for the investment in Ombuds, prepared in accordance with IFRS 9 has supported a total impairment of €14.0 ($15.4) million and is included in the portfolio's total ECL of €14.7 ($16.2) million.

8. Investment Income

	Period ended 31.8.2019 US$ '000	Period ended 31.8.2018 US$ '000
Interest calculated using the effective interest rate method	2,742	3,565
Other interest and similar income	17,242	10,735
	19,984	14,300

Income for the period ended 31 August 2019

	Preferred Interest[1] US$ '000	Loan note Interest PIK US$ '000	Cash US$ '000	Dividend US$ '000	Other Interest US$ '000	Total US$ '000
US micro-cap	15,231	104	645	-	-	15,980
European micro-cap	-	2,742	-	1,192	-	3,934
Real estate	-	-	-	-	32	32
Listed investments	-	-	-	-	38	38
	15,231	2,846	645	1,192	70	19,984

[1]*Preferred accumulated interest recognised in the period includes $5,139,000 realised on the disposal of investments*.

Income for the period ended 31 August 2018

Portfolio	Preferred Interest US$ '000	Loan note Interest PIK US$ '000	Cash US$ '000	Dividend US$ '000	Other Interest US$ '000	Total US$ '000
US micro-cap	9,899	112	638	-	-	10,649
European micro-cap	-	3,159	406	-	-	3,565
Real estate	-	-	-	-	59	59
Listed investments	-	-	-	-	27	27
	9,899	3,271	1,044	-	86	14,300

9. Finance Costs

	Period ended 31.8.2019 US$ '000	Period ended 31.8.2018 US$ '000
Interest expense calculated using the effective interest method		
ZDP shares (Note 13)	1,563	1,572
Loan payable - (Note 15)	7,385	5,923
	8,948	*7,495*
Other interest and similar expense		
CULS interest paid (Note 14)	1,515	1,631
	10,463	9,126

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 2019, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of $8,301,000 (period ended 31 August 2018: $8,498,000). Of this amount $2,079,000 (28 February 2019: $2,102,000) 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 2019 and 31 August 2018 there was no income incentive fee payable.

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 are excluded from the calculation of the fee. Assets of JZI Fund III and EuroMicrocap Fund 2010, L.P. are also excluded from the Capital Gains Incentive fee ("CGIF"). Carried interest, of an amount equivalent to the CGIF payable under the Advisory Agreement, is payable by the funds to an affiliate of JZAI.

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 2019, a CGIF of $27,444,000 (28 February 2019: $21,429,000) based on net realised gains was payable. The Investment Adviser has agreed to defer the receipt of $23,544,000 of the total provision and also any further fee becoming payable for the current fiscal year. Any future realised gains/losses will be added/offset to/against the deferred net realised gains of $117,720,000 and the applicable incentive fee will be paid once the Company and Investment Advisor have mutually agreed to reinstate such payments.

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 2019 a provision of $9,432,000 (28 February 2019: $21,342,000) has been included.

	Provision At 31.8.2019 US$ '000	**Provision At 28.2.2019 US$ '000**	**Paid during period 31.8.2019 US$ '000**	**Expense for the period ended 31.8.2019 US$ '000**
CGIF on realised investments	27,444	21,429	(3,000)	9,015
Provision for CGIF on unrealised investments	9,432	21,342	n/a	(11,910)
	36,876	42,771	(3,000)	(2,895)

	Provision At 31.8.2018 US$ '000	**Provision At 28.2.2018 US$ '000**	**Paid during period 31.8.2018 US$ '000**	**Expense for the period ended 31.8.2018 US$ '000**
CGIF on realised investments	16,584	996	(996)	16,584
Provision for CGIF on unrealised investments	20,183	40,610	n/a	(20,427)
	36,767	41,606	(996)	(3,843)

11. Investments

	Listed FVTPL 31.8.2019 US$ '000	**Unlisted FVTPL 31.8.2019 US$ '000**	**Unlisted Loans 31.8.2019 US$ '000**	**Carrying Value Total 31.8.2019 US$ '000**
Book cost at 1 March 2019	3,312	980,120	66,849	1,050,281
Investments in period including capital calls	3,321	51,928	-	55,249

Payment in kind ("PIK")	-	5,618	2,294	7,912
Proceeds from investments matured/realised	(3,350)	(117,341)	-	(120,691)
Income received on maturity	38	-	-	38
Net realised gain	-	24,152	-	24,152
Book cost at 31 August 2019	3,321	944,477	69,143	1,016,941
Unrealised investment and foreign exchange gain/(loss)	-	(29,025)	(10,358)	(39,383)
Impairment on loans at amortised cost	-	-	(16,197)	(16,197)
Accrued interest	2	13,897	1,411	15,310
Carrying value at 31 August 2019	3,323	929,349	43,999	976,671

	Listed FVTPL 28.2.2019 US$ '000	**Unlisted FVTPL 28.2.2019 US$ '000**	**Unlisted Loans 28.2.2019 US$ '000**	**Carrying Value Total 28.2.2019 US$ '000**
Book cost at 1 March 2018	49,845	895,680	60,956	1,006,481
Investments in year including capital calls	6,579	183,722	12,304	202,605
Payment in kind ("PIK")	-	20,514	5,893	26,407
Proceeds from investments matured/realised	(53,112)	(203,862)	(11,720)	(268,694)
Net realised gain/(loss)	-	84,066	(584)	83,482
Book cost at 28 February 2019	3,312	980,120	66,849	1,050,281
Unrealised investment and foreign exchange gain/(loss)	-	26,702	(8,389)	18,313
Impairment on loans at amortised cost	-	-	(1,470)	(1,470)
Accrued interest	2	4,180	1022	5,204
Carrying value at 28 February 2019	3,314	1,011,002	58,012	1,072,328

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.

Loans at amortised cost

Interest on the loans accrues at the following rates:

	As at 31 August 2019				As At 28 February 2019			
	8%	**8.9%[1]**	**14%[2]**	**Total**	**8%**	**10%**	**14%[2]**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans at amortised cost	**22,436**	**3,760**	**17,803**	**43,999**	24,902	1,528	31,528	58,012

Maturity dates are as follows:

	As at 31 August 2019				As At 28 February 2019			
	<1 year	**1-2 years**	**Past due**	**Total**	**0-6 months**	**7-12 months**	**1-2 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans at amortised cost	**3,760**	**26,513**	**13,726**	**43,999**	35,550	-	22,462	58,012

[1]*Weighted average of interest accruing at 8% on the principal amount and 10% on the deferred interest amount.* [2]*Throughout the duration of the loan the borrower can elect to pay interest when due at 12% or to add the amount to the principal and have interest accrue at the higher rate of 14%.*

12. Other Receivables

	31.8.2019	**28.2.2019**
	US$ '000	**US$ '000**
Accrued interest due from JZCP Realty, Ltd	495	495
Other receivables and prepayments	128	91
Deposits paid on behalf of JZCP Realty, Ltd	-	700
	623	1,286

13. Zero Dividend Preference ("ZDP") shares

On 1 October 2015, the Company rolled over 11,907,720 existing ZDP (2016) shares into new ZDP shares with a 2022 maturity date. The new ZDP shares (ZDP 2022) have a gross redemption yield of 4.75% and a total redemption value of £57,598,000 (approximately $70,146,000 using the period end exchange rate).

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 and Articles of 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

	31.8.2019	**28.2.2019**
	US$ '000	**US$ '000**
Amortised cost at 1 March	63,838	62,843
Finance costs allocated to Statement of Comprehensive Income	1,563	3,148
Unrealised currency gain on translation	(5,455)	(2,153)
Amortised cost at period/year end	59,946	63,838
Total number of ZDP shares in issue	11,907,720	11,907,720

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 2019: $1,515,000 (31 August 2018: $1,631,000) of interest was paid to holders of CULS and is shown as a finance cost in the Statement of Comprehensive Income.

	31.8.2019	**28.2.2019**
	US$ '000	**US$ '000**
Fair Value of CULS at 1 March	54,274	59,970
Unrealised movement in fair value of CULS	517	(3,748)

Unrealised currency gain on translation during the period/year	(4,624)	(1,948)
Total gain to the Company on movement in the fair value of CULS	*(4,107)*	*(5,696)*
Fair Value of CULS based on offer price	50,167	54,274

15. Loan Payable

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 dollars ($80 million). During April 2017, JZCP increased its credit facility with Guggenheim Partners by $50 million.

The loan matures on 12 June 2021 (6 year term) and interest is payable at 5.75% + LIBOR(1). There is an interest rate floor that stipulates LIBOR will not be lower than 1%. In this agreement, the presence of the floor does not significantly alter the amortised cost of the instrument, therefore separation is not required and the loan is valued at amortised cost using the effective interest rate method. The loan may be repaid, in full or in part, with no penalty.

At 31 August 2019, investments valued at $881,339,000 (28 February 2019: $951,164,000) were held as collateral for the loan. A covenant on the loan states the fair value of the collateral must be 4x the loan value and the cost of collateral must be at least 57.5% of total assets. The Company is also required to hold a minimum cash balance of $15 million plus 50% of interest on any new debt. At 31 August 2019 and throughout the period, the Company was in full compliance with covenant terms.

	31.8.2019	**28.2.2019**
	US$ '000	**US$ '000**
Amortised cost (US$ drawdown) - 1 March	128,838	128,407
Amortised cost (Euro drawdown) - 1 March	20,389	21,718
Finance costs charged to Statement of Comprehensive Income	7,385	12,684
Interest and finance costs paid	(6,453)	(12,142)
Unrealised currency gain on translation of Euro drawdown	(669)	(1,440)
Amortised cost at period/year end	149,490	149,227
Amortised cost (US$ drawdown)	129,679	128,838
Amortised cost (Euro drawdown)	19,811	20,389
	149,490	149,227

The carrying value of the loans approximates to fair value.

(1) *LIBOR rates applied are the US dollar 3 month rate ($130 million) and the Euro 3-month rate (€18 million).*

16. Other Payables

	31.8.2019	**28.2.2019**
	US$ '000	**US$ '000**
Provision for tax on dividends received not withheld at source	1,401	1,401
Audit fees	186	185
Legal fees provision	250	250
Directors' remuneration	70	80
Other expenses	289	218
	2,196	2,134

17. Ordinary shares - Issued Capital

	31.8.2019 Number of shares	28.2.2019 Number of shares
Total Ordinary shares in issue	77,474,175	80,666,838

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

During the period, the Company bought back 3,192,663 of its own Ordinary shares as part of a tender offer. The shares were purchased at a price of $9.39 (£7.67) per share being a 5% discount to the NAV at 31 July 2019, the total cost of the repurchase of the shares was $29.979 million. The shares have subsequently been cancelled.

18. Commitments

At 31 August 2019 and 28 February 2019, JZCP had the following financial commitments outstanding in relation to fund investments:

	Expected date of Call	31.8.2019 US$ '000	28.2.2019 US$ '000
JZI Fund III GP, L.P. €34,326,905 (28.2.2019: €31,936,400)	< 2 years	37,803	36,366
JZI Fund IV GP, L.P. €15,000,000	Over 5 years	16,519	-
Suzo Happ Group	Over 3 years	4,491	4,491
Spruceview Capital Partners, LLC[1]	< 1 year	1,470	1,990
Igloo Products Corp	Over 3 years	240	771
		60,523	43,618

[1]During the period, JZCP increased its commitment by $1.475 million and $1.995 million was called.

19. Related Party Transactions

JZCP invests in European micro-cap companies through JZI Fund III, L.P. ("Fund III"). Previously investments were made via the EuroMicrocap Fund 2010, L.P. ("EMC 2010") and EuroMicrocap Fund-C, L.P. ("EMCC"). Fund III, EMC 2010 and EMCC are managed by an affiliate of JZAI, JZCP's investment manager. JZAI was founded by David Zalaznick and John ("Jay") Jordan, II. At 31 August 2019, JZCP's investment in Fund III was valued at $57.0 million (28 February 2019: $66.8million). JZCP's investment in EMC 2010 was valued at $3.9 million (28 February 2019: $3.9 million). EMCC was liquidated in December 2018 and its remaining assets were transferred to EMC 2010.

JZCP has invested in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed by JZCP to this investment at 31 August 2019, was $31.475 million (28 February 2019 $30.0 million), with $1.5 million (28 February 2019: $2.0 million) 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 2019, the total value of JZCP's investment in these co-investments was $233.0 million (28 February 2019: $251.5 million). Fund A, Fund A Parallel I, II and III Limited Partnerships are no longer making platform investments alongside JZCP.

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

JZCP is able to invest up to $75 million in "New JI Platform Companies". The platform companies are being established to invest primarily in buyouts and build-ups of companies and in growth company platforms in the US micro-cap market, primarily healthcare equipment companies. At 31 August 2019 and 28 February 2019, JZCP had invested (before returns of capital) $41.3 million in Avante (formerly named Jordan Health Products) and is therefore able to invest a further $33.7 million. 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.

During the period, JZCP obtained shareholder approval for the sale of 80% of its holdings in both Avante and Orizon to Edgewater Growth Capital Partners ("Edgewater"). Edgewater is a substantial shareholder of JZCP and therefore a related party of the Company. JZCP received proceeds of $37.5 million for the Avante realisation and $28.0 million for Orizon.

Post period end, JZCP obtained shareholder approval for the merger of Priority Express with Capstone Logistics. The Merger has resulted in the Company realising its investment in Priority Express by disposing of its entire ownership interests as well as its debt investments therein. Capstone Logistics is a portfolio company of Resolute Fund III.

Total Directors' remuneration for the six-month period ended 31 August 2019 was $230,000 (31 August 2018:$219,000).

20. Basic and Diluted Earnings/(Loss) per Share

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

For the period ended 31 August 2019 the weighted average number of Ordinary shares outstanding during the period was 80,614,784 (31 August 2018: 83,456,487).

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 2019 and 31 August 2018 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 gain recorded $4,107,000 (31 August 2018: $5,925,000) and finance cost attributable to CULS $1,515,000 (31 August 2018: $1,631,000).

21. 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 2019 and 28 February 2019, the Company has assessed that the likelihood of the recovery of these escrow accounts cannot be determined and has therefore disclosed the escrow accounts as a contingent asset.

As at 31 August 2019 and 28 February 2019, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

	Amount in Escrow	
	31.8.2019	**28.2.2019**
	US$'000	**US$'000**
Bolder Healthcare Solutions	2,164	3,090
Waterline Renewal Technologies	431	-
Water Treatment Systems	213	6,051
Water Filtration Systems	-	120
	2,808	9,261

During the period ended 31 August 2019, proceeds of $3,923,000 (31 August 2018: $2,085,000) were realised and recorded in the Statement of Comprehensive Income. Escrows of $431,000 became potentially payable on the realisation of Waterline Renewal Technologies. Potential escrow proceeds recorded at 28 February 2019, totalling $2,961,000, from the future earnings of Water Treatment Systems are no longer receivable.

22. Reconciliation of Published NAV Per Share to NAV Per Share Per Financial Statements

	31.8.2019	**28.2.2019**

	US$	US$
Estimated NAV per share (published 23 September 2019)	10.03	10.04
Revaluation of Priority Express (net of fees)	0.05	-
Revaluation of JZCP Realty, Ltd (net of fees)	(0.42)	-
NAV per share per financial statements	9.66	10.04

23. Subsequent Events

These interim financial statements were approved by the Board on 26 November 2019. Events subsequent to the period end (31 August 2019) have been evaluated until this date.

Post period-end, the Board received shareholder approval for the adoption of a revised investment policy, whereby JZCP will look to realise investments and materially reduce commitments to new investments in order to return capital to shareholders and pay down debt.

Post period-end, JZCP realised its investment in Priority Express and expects to receive approximately $18.5 million in gross proceeds (including escrows and a potential earn-out).

Post period-end, the Company accelerated the annual appraisal process of its real estate investments in order for updated valuations to be included within the Interim Financial Statements. These updated valuations are reflected in a reduction of value of $40.7 million as from what was reported in the Interim Financial Statements.

Company Advisers

Investment Adviser
The Investment Adviser to JZ Capital Partners Limited ("JZCP") is Jordan/Zalaznick Advisers, Inc., ("JZAI") a company 4 beneficially owned by John (Jay) W Jordan II and David W Zalaznick. The company offers investment advice to the Board (of JZCP. JZAI has offices in New York and Chicago.

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

JZ Capital Partners Limited is registered in Guernsey -
Number 48761
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Les Banques
St Peter Port
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Administrator and Secretary
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(Guernsey) Limited
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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
25 Bank Street
London E14 5JP

US Bankers
HSBC Bank USA NA
52 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
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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
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Winston & Strawn LLP
35 West Wacker Drive
Chicago IL 60601-9703

Guernsey Lawyers
Mourant
Royal Chambers
St Julian's Avenue

St Peter Port
Guernsey GY1 4HP

Useful Information for Shareholders

Internet Address

The Company: www.jzcp.com

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

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

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

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

Total NAV Return
The Total NAV Return measures how the net asset value ("NAV") per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven year periods. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends. JZCP also produces an adjusted Total NAV Return which excludes the effect of the appreciation/dilution per share caused by the buy back/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 period ended 31 August 2019 was -3.8%, which only reflects the change in NAV as no dividends were paid during the period. The Total NAV Return for the year ended 28 February 2019 was 0.6%.

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 the shareholder sterling price total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend. The Shareholder Return for the six month period ended 31 August 2019 was 10.8%, which only reflects the change in

share price as no dividends were paid during the period. The Shareholder Return for the year ended 28 February 2019 was -3.5%.

NAV to market price discount

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

At 31 August 2019, JZCP's Ordinary shares traded at £4.82 (28 February 2019: £4.35) or $5.87 (28 February 2019: $5.79) being the dollar equivalent using the year end exchange rate of £1: $1.21785 (28 February 2019 £1: $1.33). The shares traded at a 39.2% (28 February 2019: 42.4%) discount to the NAV per share of $9.66 (28 February 2019: $10.04).

Criminal Facilitation of Tax Evasion

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

Non-Mainstream Pooled Investments

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

Financial Diary

Results for the year ended 29 February 2020	May 2020 (date to be confirmed)
Annual General Meeting	June/July 2020 (date to be confirmed)
Interim report for the six months ended 31 August 2020	November 2020 (date to be confirmed)

JZCP does not plan to issue an Interim Management Statement for the quarter ended 30 November 2019 due to the late announcement of the 31 August 2019 Interim Report and Financial Statements. A statement for the quarter ending 31 May 2020 will be sent to the market via RNS within six weeks from the end of the 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.

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 organization

•Check that they are properly authorised by the FCA before getting involved by visiting http://www.fca.org.uk/firms/systems-reporting/register

• Report the matter to the FCA by calling 0800 111 6768

• If the calls persist, hang up

• More detailed information on this can be found on the Money Advice Service website www.moneyadviceservice.org.uk

US Investors

General

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

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

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

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

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

US Securities Laws

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

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

Investment in the Company by "Benefit Plan Investors" is prohibited so that the assets of the Company will not be deemed to constitute "plan assets" of a "Benefit Plan Investor". The term "Benefit Plan Investor" shall have the meaning contained in 29 C.F.R. Section 2510.3-101, as modified by 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 laws 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 laws specifically applicable to such Non-ERISA Plans. Each Non-ERISA Plan will be required to acknowledge and agree in connection with its investment in any securities to the foregoing status of the Company, the board and the investment advisor that there is no rule, regulation or requirement applicable to such investor that is inconsistent with the foregoing description of the Company, the board and the investment advisor.

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

(a) The Non-ERISA Plan is not a Benefit Plan Investor;

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

(c) The Non-ERISA Plan's investment in the Company will not result in a non-exempt violation of any applicable federal, state or local law;

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

(e) 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 Board may 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 because of, among other reasons, certain US ownership and transfer restrictions that relate to "controlled foreign corporations" contained in the Articles of the Company. A Shareholder of the Company may be subject to forced sale provisions contained in the Articles in which case such shareholder could be forced to dispose of its securities if the Company's directors believe that such shareholder 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 shareholder would materially increase the risk that the Company could be or become a "controlled foreign corporation" within the meaning of the Code (a "CFC"). Shareholders of the Company may also be restricted by such provisions with respect to the persons to whom they are permitted to transfer their securities.

In general, a foreign corporation is treated as a CFC if, on any date of its taxable year, its "10% US Shareholders"collectively own (directly, indirectly or constructively within the meaning of Section 958 of the Code) more than 50% of the total combined voting power or total value of the corporation's stock. For this purpose, a "10% US Shareholder" means any US person who owns (directly, indirectly or constructively within the meaning of Section 958 of the Code) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation. The Tax Cuts and Jobs Act (the "Tax Act") eliminated the prohibition on "downward attribution" from non-US persons to US persons under Section 958(b)(4) of the Code for purposes of determining constructive stock ownership under the CFC rules. As a result, the Company's US subsidiary will be deemed to own all of the stock of the Company's non-US subsidiaries held by the Company for purposes of determining such foreign subsidiaries' CFC status. The legislative history under the Tax Act indicates that this change was not intended to cause the Company's non-US subsidiaries to be treated as CFCs with respect to a 10% US Shareholder that is not related to the Company's US subsidiary. However, the IRS has not yet issued any guidance confirming this intent and it is not clear whether the IRS or a court would interpret the change made by the Tax

Act in a manner consistent with such indicated intent. The Company's treatment as a CFC as well as its foreign subsidiaries' treatment as CFCs could have adverse tax consequences for 10% US Shareholders.

The Company has been advised that it is NOT a passive foreign investment company ("PFIC") for the fiscal years ended February 2018 and 2017. An analysis for the financial year ended February 2019 is currently being undertaken. A classification as a PFIC would likely have adverse tax consequences for US taxpayers.

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

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