



JZ CAPITAL PARTNERS LIMITED

Interim Report and Financial Statements
For the period from 1 March 2022 to 31 August 2022

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Who We Are

Corporate Objective

JZ Capital Partners Limited (“JZCP” or the “Company”) seeks to maximise the value of its investments in its US and European micro-cap companies and US real estate, to repay debt and to return capital to shareholders.

About Us

JZCP has investments in US and European micro-cap companies, as well as real estate properties in the US.

JZCP’s Investment Adviser is Jordan/Zalaznick Advisers, Inc. (“JZAI”) which was founded by David Zalaznick and Jay Jordan in 1986. JZAI has investment professionals in New York, Chicago, London and Madrid.

In August 2020, the Company’s shareholders approved changes to the Company’s investment policy. Under the new policy, the Company will make no further investments except in respect of which it has existing obligations and to continue selectively to support the existing portfolio. The intention is to realise the maximum value of the Company’s investments and, after repayment of all debt, to return capital to shareholders.

JZCP is a Guernsey domiciled closed-ended investment company authorised by the Guernsey Financial Services Commission. JZCP’s shares trade on the Specialist Fund Segment of the London Stock Exchange.

Performance and Results Highlights

Realisations

During the period from 1 March 2022 to 31 August 2022, the Company received distributions and realisation proceeds in excess of \$100 million.

	Proceeds (\$ millions)
JZHL Secondary Fund	
Distributions following the successful realisations of Flow Control and Testing Services	97.4
New Vitality	7.4
Other including escrow receipts	1.2
	106.0

Net Asset Value (“NAV”) per Share and Total NAV Returns

NAV per share at 31 August 2022 was **\$4.71** (28 February 2022: \$4.29). NAV returns below are presented in US Dollar terms and on a dividend reinvested basis and for periods ended 31 August 2022.

	6 Months	1 Year	3 Year	5 Year	7 Year	10 Year
Total NAV return	9.8%	15.4%	-51.2%	-52.3%	-53.8%	-42.2%

Following table presents the Company’s year to date NAV performance by sector:

NAV Attribution per Ordinary Share



Shareholder Returns

JZCP’s share price at 31 August 2022 was **£1.71** (28 February 2022: £1.05).

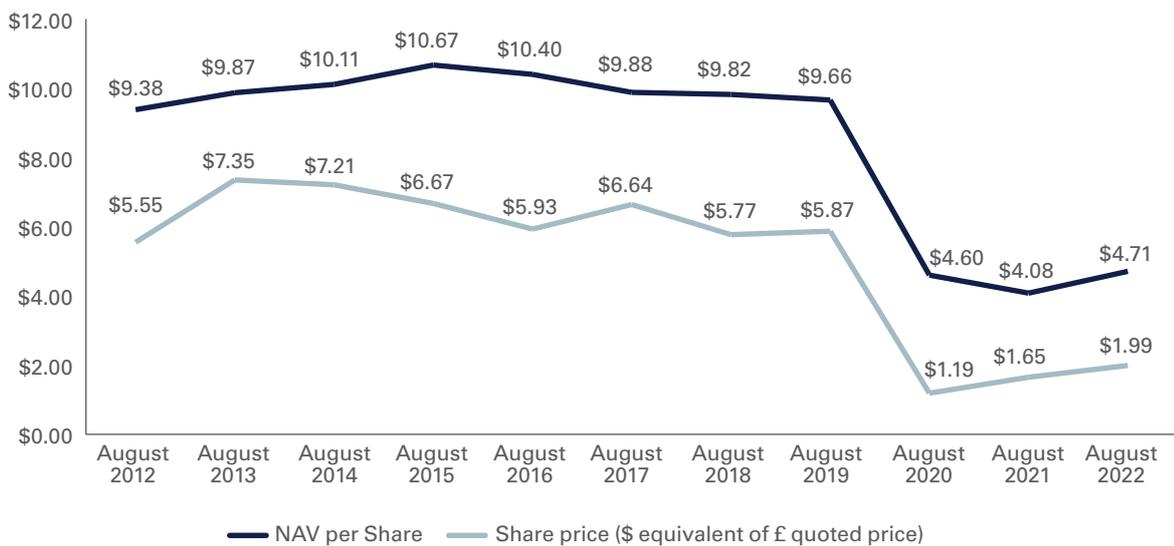
	6 Months	1 Year	3 Year	5 Year	7 Year	10 Year
Total Shareholder return	62.9%	42.5%	-64.5%	-66.0%	-57.4%	-40.0%

NAV to Market Price Discount

The data below shows the theoretical discount of the period end share price and the period end NAV per share and does not factor in the timing delay in announcing the period end NAV to the market.

	31.8.2015	31.8.2017	31.8.2019	31.8.2021	31.8.2022
Discount	-37.4%	-32.8%	-39.2%	-59.5%	-57.8%

NAV per Share versus Share Price



Total NAV return, Total Shareholder returns and NAV to Market Price discount are classified as Alternative Performance Measurements under European Securities and Market Authority guidelines and are further explained on pages 43 and 44 under Useful Information for Shareholders.

Chairman's Statement



David Macfarlane

The Directors are pleased to present the Interim Results of the Company for the six-month period ended 31 August 2022, which show that the NAV per share of the Company has increased approximately 10%, from \$4.29 as of 28 February 2022 to \$4.71 as of 31 August 2022.

This substantial increase is in large part due to write-ups and realisations above NAV in the JZHL Secondary Fund LP portfolio (the "Secondary Fund"), in which the Company holds a Special Limited Partnership interest.

Investment Policy and Liquidity

The past year and a half have been transformational for the Company. Major realisations, notably those of Salter Labs, Flow Control and Testing Services (the latter two in the Secondary Fund), increased the Company's NAV and generated substantial liquidity.

In addition to these realisations, affiliates of David Zalaznick and Jay Jordan provided the Company with a \$31.5 million facility of Subordinated Notes, which maturity was recently extended to 30 September 2023.

The Company redeemed in full its £38.8 million of Convertible Unsecured Loan Stock and £57.6 million of Zero Dividend Preference Shares on their respective maturity dates. Consequently, the Company's outstanding debt has been reduced to a \$45 million senior term loan facility (the "Senior Term Loan Facility") due 26 January 2027 and the \$31.5 million of Subordinated Notes due 30 September 2023. The Senior Term Loan Facility may be repaid early without penalty once the senior lender has received an aggregate return of 15%. No early repayment charges apply to the Subordinated Notes. In addition, the Senior Credit Facility provides for up to an additional \$25 million in first lien delayed draw term loan, none of which has been drawn on so far. The Company's cash and cash equivalents balance currently amounts to approximately \$64 million.

The Company remains focused on the implementation of its investment policy (the "New Investment Policy"), which was adopted by shareholders in August 2020. This policy is to realise the maximum value from the Company's investment portfolio and, after repaying the remainder of the Company's debt, to return capital to shareholders. The Company is only making investments where it has existing obligations or to selectively support its existing portfolio to maximise value.

While the events of the past year represent tremendous progress in meeting the goals of the New Investment Policy, the timeline to begin returning capital to shareholders remains uncertain. The climate for achieving realisations is substantially more challenging and time consuming than it was just several months ago. The Board would also like to note that in cases where the Company is a co-investor in a portfolio asset, decisions regarding realisations and their timing is not under the control of the Company. However, once the Company's debt is paid off, it remains the Company's intention to begin making interim distributions of capital as liquidity permits.

US and European Micro-cap Portfolios

Our US and, in context of difficulties in Europe, our European micro-cap portfolios have generally performed well, and we continue to work towards several realisations in both portfolios. The Board looks forward to reporting on further potential realisations at the year-end period.

Real Estate Portfolio

The Company has two remaining properties with equity value: Esperante, an office building in West Palm Beach, Florida, and 247 Bedford Avenue, a retail building with Apple as the primary tenant, in Williamsburg, Brooklyn. The Board looks forward to reporting further on these properties when there is an updated appraisal done for each at the year-end period.

Outlook

Due to the transformational events of the past year, the Company has achieved financial stability; heading towards year-end, the Board believes the Company is well-positioned to weather the current economic headwinds. Although it may take more time than might have seemed possible prior to the economic downturn, the Directors are confident that the New Investment Policy will be implemented in an orderly manner and that in due course a significant amount of capital will be able to be returned to shareholders.

David Macfarlane
Chairman
9 November 2022

Investment Adviser's Report



David Zalaznick and Jay Jordan

Dear Fellow Shareholders,

We are pleased to report that our Company has achieved some significant milestones recently, most notably the recent redemption of the Zero Dividend Preference Shares ("ZDPs") at their stated maturity in early October. JZCP heads into its fiscal year-end (February 28, 2023) with a strong balance sheet, which will provide the foundation for completing the build-out of existing assets, realizing investments, paying down debt and returning capital to shareholders.

With regards to our efforts to fortify JZCP's balance sheet over the past year and half, we successfully executed the following transactions, among others:

- We agreed to provide through our affiliates a \$31.5 million liquidity facility at 6.0% interest to JZCP (i.e., at the same rate as the CULS), which was approved by shareholders.
- JZCP paid off its CULS (£38.8 million) in full and on their stated due date while at the same time maintaining a cash cushion.
- The Company repaid its previous senior facility (the "Previous Senior Facility") with clients and funds managed by Cohanzick Management, LLC and CrossingBridge Advisors, LLC in an amount of approximately \$52.9 million, prior to such facility's maturity date of 12 June 2022.
- On 26 January 2022, the Company entered into a new five-year term senior secured loan facility (the "New Senior Facility") with WhiteHorse Capital Management LLC. The New Senior Facility consists of a \$45.0 million first lien term loan (which was drawn at close) and up to an additional \$25.0 million in first lien delayed draw term loan (which remains undrawn). The terms of the New Senior Facility represent a substantial improvement to those of the Previous Senior

Facility, including a lower interest cost and longer maturity – the New Senior Facility is due on 26 January 2027.

- In June and August 2022, the JZHL Secondary Fund LP (the "Secondary Fund") made two distributions to JZCP, totaling approximately \$97.4 million. Pursuant to the Secondary Fund's waterfall, in which JZCP has a Special LP Interest, the Company expects to receive approximately 37.5% of all further distributions received by the Secondary Fund. As of 31 August 2022, JZCP still has approximately \$74.5 million of remaining value in the Secondary Fund.
- In October 2022, JZCP paid off its ZDPs (£57.6 million) in full and on their stated maturity while maintaining a significant cash cushion.

While our US micro-cap portfolio has overall performed well, our European portfolio has been challenged by the economic effects of the recession in Europe, including soaring energy prices, falling commodity prices and the impact of the war in the Ukraine.

The Company's two remaining real estate assets that have equity value are 247 Bedford Avenue in Brooklyn, New York (where Apple is the principal tenant), and the Esperante office building in West Palm Beach, Florida. We look forward to receiving new appraisals for both properties at the year-end.

As of 31 August 2022, our US micro-cap portfolio consisted of 12 businesses, which includes three 'verticals' and five co-investments, across nine industries. Our European micro-cap portfolio consisted of 17 companies across six industries and seven countries.

Net Asset Value ("NAV")

JZCP's NAV per share increased 42 cents, or approximately 9.8%, during the six-month period.

NAV per Ordinary share as of	
28 February 2022	\$4.29
<i>Change in NAV due to capital gains and accrued income</i>	
+ US micro-cap	0.66
- European micro-cap	(0.03)
- Real estate	(0.01)
- Other investments	(0.01)
<i>Other decreases in NAV</i>	
- Net foreign exchange effect	(0.06)
- Finance costs	(0.06)
- Expenses and taxation	(0.07)
NAV per Ordinary share as of	
31 August 2022	\$4.71

The US micro-cap portfolio continued to perform well during the six-month period, delivering a net increase of 66 cents per share. This was primarily due to net accrued income of 4 cents and write-ups at co-investment Deflecto (3 cents) and the JZHL Secondary Fund portfolio (71 cents).

Offsetting these increases were decreases at co-investment New Vitality and another US micro-cap portfolio company Avante (5 cents and 7 cents respectively).

Our European portfolio decreased 3 cents during the six-month period, due to net write downs at European portfolio companies in our JZI Fund III, L.P. portfolio.

The real estate portfolio was mostly flat for the six-month period.

Returns

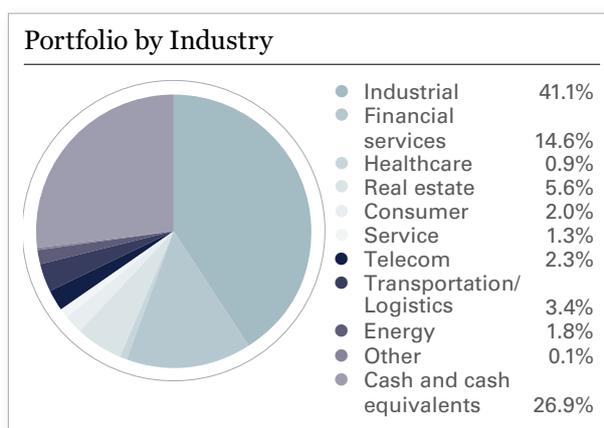
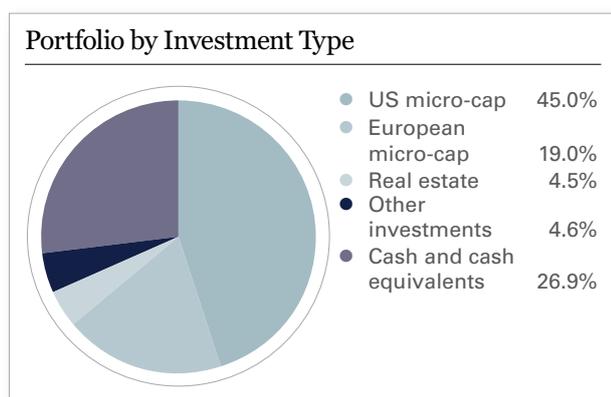
The chart below summarises cumulative total shareholder returns and total NAV returns for the most recent six-month, one-year, three-year and five-year periods.

	31.8.2022	28.2.2022	31.8.2021	31.8.2019	31.8.2017
Share price (in GBP)	£1.71	£1.05	£1.20	£4.82	£5.16
NAV per share (in USD)	\$4.71	\$4.29	\$4.08	\$9.66	\$9.88
NAV to market price discount	57.8%	67.2%	59.5%	39.2%	32.8%
		6 month return	1 year return	3 year return	5 year return
Dividends paid (in USD)		–	–	–	\$0.155
Total Shareholders' return (GBP) ¹		62.9%	42.5%	(64.5%)	(66.0%)
Total NAV return per share (USD) ¹		9.8%	15.4%	(51.2%)	(52.3%)

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

Portfolio Summary

Our portfolio is well-diversified by asset type and geography, with 29 US and European micro-cap investments across eleven industries. The European portfolio itself is well-diversified geographically across Spain, Italy, Portugal, Luxembourg, Scandinavia and the UK.



Investment Adviser's Report continued

Portfolio Summary continued

Below is a summary of JZCP's assets and liabilities at 31 August 2022 as compared to 28 February 2022. An explanation of the changes in the portfolio follows:

	31.8.2022 US\$'000	28.2.2022 US\$'000
US micro-cap portfolio	228,386	284,162
European micro-cap portfolio	96,624	105,475
Real estate portfolio	23,075	23,597
Other investments	23,279	23,533
Total Private Investments	371,364	436,767
Treasury bills	53,340	3,394
UK gilts	67,105	–
Cash	15,953	43,656
Total cash and cash equivalents	136,398	47,050
Other assets	310	70
Total Assets	508,072	483,887
Senior Credit Facility	42,804	42,573
Subordinated Notes	32,296	32,293
Zero Dividend Preferred shares	66,740	75,038
Other liabilities	1,170	1,719
Total Liabilities	143,010	151,623
Total Net Assets	365,062	332,264

US microcap portfolio

As you know from previous reports, our US portfolio is grouped into industry 'verticals' and co-investments. As of December 4, 2020, certain of our verticals and co-investments are now grouped under JZHL Secondary Fund, LP ("JZHL" or the "Secondary Fund"). JZCP has a continuing interest in the Secondary Fund through a Special LP Interest, which entitles JZCP to certain distributions from the Secondary Fund.

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 continued to perform well during the six-month period, delivering a net increase of 66 cents per share. This was primarily due to net accrued income of (4) cents and write-ups at co-investment Deflecto (3 cents) and the JZHL Secondary Fund portfolio (71 cents).

Offsetting these increases were decreases at co-investment New Vitality and another US micro-cap portfolio company Avante (5 cents and 7 cents respectively).

European microcap portfolio

Our European portfolio decreased 3 cents during the six-month period, due to net write downs at European portfolio companies in our JZI Fund III, L.P. portfolio. Given the ongoing challenges of the recession in Europe and the war in Ukraine, we expect there to be further write-downs in the European portfolio by our fiscal year-end.

JZCP invests in the European micro-cap sector through its approximately 18.8% ownership of JZI Fund III, L.P. As of 31 August 2022, Fund III held 13 investments: five 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 two companies in Spain: Docout and Toro Finance.

Real estate portfolio

The Company's two remaining real estate assets that have equity value are 247 Bedford Avenue in Brooklyn, New York (where Apple is the principal tenant), and the Esperante office building in West Palm Beach, Florida.

We look forward to reporting on our progress at both properties in the coming months.

Other investments

Our asset management business in the US, Spruceview Capital Partners, has continued to make encouraging progress since our last report 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.

During the period, Spruceview's mandate for a portfolio of alternative investments for a Mexican trust (or "CERPI") was increased by \$200 million, bringing total assets to \$1.2 billion, with the potential to further increase the size of the CERPI to \$1.5 billion, pending regulatory approvals, over the coming year. In addition, Spruceview won a \$200 million advisory mandate for a portfolio of alternative investments sponsored by a Colombian public pension fund administrator. Further, the firm received over \$31 million in additional contributions to the pension plans to which it provides advisory services.

Spruceview also maintained a pipeline of potential client opportunities and continued to provide investment management oversight to the pension funds of the Mexican and Canadian subsidiaries of an international packaged foods company, as well as portfolios for family office clients, and a growing series of private market funds.

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 22 investment, business and product development, legal and operations professionals.

Realisations

New Vitality

In July 2022, JZCP received a distribution from the sale of co-investment New Vitality totaling approximately \$7.4 million.

JZHL Secondary Fund LP

In June and August 2022, the Secondary Fund made two distributions to JZCP, totaling approximately \$97.4 million. Pursuant to the Secondary Fund's waterfall, in which JZCP has a Special LP Interest, the Company expects to receive approximately 37.5% of all further distributions received by the Secondary Fund.

Outlook

We believe that 2022 has been a transformational year for JZCP. Having now paid off the CULS and ZDPs in full and at their stated maturities, the Company has the ability to continue to build-out and maximize the value of its remaining portfolio.

As a result of the payoff of the CULS and ZDPs, our current balance sheet is in a much stronger position than previously reported, with key outstanding debt obligations of just \$45.0 million outstanding on the New Senior Facility due 26 January 2027 and \$31.5 million of Subordinated Notes due 30 September 2023.

Fortunately, we had significant realizations in the Secondary Fund portfolio in the past year which provided much needed liquidity to pay down debt. However, since the world has changed dramatically in the past six months – with rising interest rates and macroeconomic challenges – asset values cannot be realized as easily as in the recent past. Furthermore, we may see asset values decline before they go up again.

We will take advantage of realization opportunities as market conditions permit. In the meantime, we will continue to build our existing portfolio companies which we believe is the most effective way to return significant capital to our ordinary shareholders.

Thank you again for your continued support through a difficult period. We firmly believe that the Company is in a much stronger position than at any point in the past three years.

As always, we remain dedicated to maximizing value for our fellow shareholders.

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.

9 November 2022

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 a Director of Pro Natura de Yucatan.



Sharon Parr²

Mrs Parr was appointed to the Board of JZCP in June 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.



Ashley Paxton

Mr Paxton was appointed to the board in August 2020. He has more than 25 years of funds and financial services industry experience, with a demonstrable track record in advising closed-ended London listed boards and their audit committees on IPOs, capital market transactions, audit and other corporate governance matters. He was previously C.I. Head of Advisory for KPMG in the Channel Islands, a position he held from 2008 through to his retirement from the firm in 2019. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a resident of Guernsey. Amongst other appointments he is Chairman of the Youth Commission for Guernsey & Alderney, a locally based charity whose vision is that all children and young people in the Guernsey Bailiwick are ambitious to reach their full potential.

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

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

Report of the Directors

Statement of Directors' Responsibilities

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

The Directors confirm that to the best of their knowledge:

- the Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted in the European Union 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 of the United Kingdom's Financial Conduct Authority, 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 of the United Kingdom's Financial Conduct Authority, 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 2022 Annual Report and Financial Statements that could do so.

Principal Risks and Uncertainties

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

Portfolio Liquidity

The Company invests predominantly in unquoted companies and real estate. Therefore, this potential illiquidity means there can be no assurance investments will be realised at their latest valuation or on the timing of such realisations. The Board considers this illiquidity when planning to meet its future obligations, whether committed investments or the repayment of the ZDP shares (redeemed post period-end), Senior Credit Facility and subordinated, second lien Subordinated Notes (the "Subordinated Notes"). On a quarterly basis, the Board reviews a working capital model produced by the Investment Adviser which highlights the Company's projected liquidity and financial commitments.

Investment Performance and Impact on NAV

The Company is reliant on the Investment Adviser to support the Company's investment portfolio by executing suitable investment decisions. The Investment Adviser provides the Board with an explanation of all investment decisions and also provides quarterly investment reports and valuation proposals of investee companies. The Board reviews investment performance quarterly and investment decisions are checked to ensure they are consistent with the agreed investment strategy.

Macroeconomic Risks and Impact on NAV

The Company's performance, and underlying NAV, is influenced by economic factors that affect the demand for products or services supplied by investee companies and the valuation of Real Estate interests held. Economic factors will also influence the Company's ability to invest and realise investments and the level of realised returns. Approximately 20% (28 February 2022: 24%) of the Company's investments are denominated in non-US dollar currencies, primarily the euro. Fluctuations to these exchange rates will affect the NAV of the Company.

Report of the Directors continued

Principal Risks and Uncertainties continued

Macroeconomic Risks and Impact on NAV continued

Uncertainties in today's world that influence economic factors include:

(i) COVID-19

Whilst the Company's portfolio has performed robustly throughout the pandemic, the Board acknowledge world economies face lasting challenges as they emerge from the pandemic.

(ii) War in Ukraine and resulting energy crisis

The Board strongly condemn the actions of the Russian government and the devastating events that have unfolded since Russia's unprovoked invasion of Ukraine.

JZCP's investments are predominantly focused in the U.S. and Western Europe, and as such, the portfolio has no direct exposure to the affected regions. However, certain portfolio companies have exposure to the rising energy costs resulting from the conflict. The Board continue to receive reports from the Investment Adviser on the impact of these increased costs. The Board is not aware that the Company has any Russian investors.

(iii) Global warming

The Board considers the impact of climate change on the firm's business strategy and risk profile and, where appropriate will make timely climate change related disclosures. Regular updates, given by the Investment Adviser on portfolio companies and properties will include potential risk factors pertaining to climate change and how/if these risks are to be mitigated.

The Board also has regard to the impact of the Company's operations on the environment and other stakeholders. There are expectations that portfolio companies operate in a manner that contributes to sustainability by considering the social, environmental, and economic impacts of doing business. The Board requests the Investment Adviser report on any circumstances where expected standards are not met.

Share Price Trading at Discount to NAV

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

Operational and Personnel

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

The Board considers the principal risks and uncertainties above are broadly consistent with those reported at the prior year end, but wish to note the following:

- The Board recognises the Company will have an increased exposure to liquidity risk as future debt obligations near maturity.
- The effect of the war in Ukraine on market conditions means that there are challenges to completing corporate transactions within the European micro-cap portfolio and planned realisations may be delayed.
- The Board deems the risks posed by COVID-19 to the Company's investment portfolio, in terms of valuation and ability to complete realisations continue to lessen as economies learn to live and adapt to the virus.

Going Concern

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

In reaching its conclusion, the Board has considered the risks that could impact the Company's liquidity over the period from 9 November 2022 to 30 November 2023 (the "Going Concern period").

As part of their assessment, the Board considered whether there was a reasonable expectation that the Company has and will generate adequate liquidity to meet its debt obligations over the Going Concern period including the redemption of its Subordinated Notes payable 30 September 2023.

Recent events impacting liquidity

- realisation proceeds during the interim period in excess of \$100 million;
- post period end, the extension of the maturity date of the Subordinated Notes to 30 September 2023; and
- post period end, the redemption and cancellation of the Company's ZDP shares.

Update on material liabilities due for settlement and the Company's net debt position

The below table shows the Company's improved net debt position as at 1 October 2022 (reflecting the post-period redemption of the ZDP shares) compared to previous period ends:

	1.10.2022 \$'000	31.8.2022 \$'000	28.2.2022 \$'000	31.8.2021 \$'000	28.2.2021 \$'000
Senior Credit Facility	43,271	42,804	42,573	36,629	68,694
Subordinated Notes	31,505	32,296	32,293	31,669	–
ZDP Shares	–	66,740	77,281	75,014	80,527
CULS	–	–	–	–	54,332
Total debt	74,776	141,840	152,147	143,312	203,553
Cash and cash equivalents held ¹	65,672	136,398	47,050	44,582	63,178
Net debt position	9,104	5,442	105,097	98,730	140,375

¹ Includes investments in Treasury Bills and UK Gilts

Realisations and refinancings during the interim period and previous two fiscal years

		Period End 31.8.2022 \$ million		Year End 28.2.2022 \$ million		Year End 28.2.2021 \$ million		
JZHL Secondary Fund	U.S.	97.4	Salter Labs	U.S.	41.1	Secondary Sale	U.S.	87.7
New Vitality	U.S.	7.4	George Industries	U.S.	9.5	Real estate		13.6
Fund III	Euro	0.2	Orangewood Fund	U.S.	6.2	ABTA	U.S.	9.4
			Igloo	U.S.	3.8	Eliantus	Euro	9.4
			Vitalyst	U.S.	1.9	K2 Towers II	Euro	9.2
			EMC 2010	Euro	2.2	Other	U.S.	9.0
					1.1	Cerpi	Other	1.2
		105.0			65.8			139.5

The Board takes account of the levels of realisation proceeds historically generated by the Company's micro-cap portfolios as well as the accuracy of previous forecasts to assess the predicted accuracy of forecasts presented. The Company continues to work on the realisation of various investments within a timeframe that will enable the Company to maximise the value of its investment portfolio.

Report of the Directors^{continued}

Going Concern Conclusion

Considering the Company's projected cash position, including the Company's ongoing operating costs and the anticipated further investment required to support the Company's portfolio, the Board is satisfied, as of today's date, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period to 30 November 2023.

Approved by the Board of Directors and agreed on behalf of the Board on 9 November 2022.

David Macfarlane
Chairman

Sharon Parr
Director

Investment Portfolio

	31 August 2022		Percentage of Portfolio %
	Cost ¹ US\$'000	Value US\$'000	
US Micro-cap portfolio			
US Micro-cap Fund			
JZHL SECONDARY FUND L.P. ²			
JZCP's investment in the JZHL Secondary Fund is further detailed on page 17			
<i>Total JZHL Secondary Fund L.P. valuation</i>	34,876	74,470	15.2
US Micro-cap (Vertical)			
INDUSTRIAL SERVICES SOLUTIONS ("ISS") ³			
Provider of aftermarket maintenance, repair, and field services for critical process equipment throughout the US			
<i>Total Industrial Services Solutions valuation</i>	48,250	95,944	19.5
US Micro-cap (Co-investments)			
DEFLECTO			
Deflecto designs, manufactures and sells innovative plastic products to multiple industry segments	45,010	45,384	9.2
ORIZON			
Manufacturer of high precision machine parts and tools for aerospace and defence industries	3,899	7,000	1.4
Total US Micro-cap (Co-investments)	48,909	52,384	10.6
US Micro-cap (Other)			
AVANTE HEALTH SOLUTIONS			
Provider of new and professionally refurbished healthcare equipment	8,140	4,588	0.9
HEALTHCARE PRODUCTS HOLDINGS			
Designer and manufacturer of motorised vehicles	17,636	–	–
NATIONWIDE STUDIOS			
Processor of digital photos for pre-schoolers	26,324	1,000	0.2
Total US Micro-cap (Other)	52,100	5,588	1.1
Total US Micro-cap portfolio	184,135	228,386	46.4

Investment Portfolio continued

	31 August 2022		Percentage of Portfolio %
	Cost ¹ US\$'000	Value US\$'000	
European Micro-cap portfolio			
EUROMICROCAP FUND 2010, L.P. Invested in European Micro-cap entities	1	596	0.1
JZI FUND III, L.P. JZCP's investment in JZI Fund III is further detailed on page 17	59,316	70,430	14.4
Total European Micro-cap (measured at Fair Value)	59,317	71,026	14.5
Debt Investments			
DOCOUT Provider of digitalisation, document processing and storage services	2,777	3,503	0.7
TORO FINANCE Provides short term receivables finance to the suppliers of major Spanish companies	21,619	22,095	4.5
XACOM Supplier of telecom products and technologies	2,055	–	–
Debt Investments (classified at amortised cost)	26,451	25,598	5.2
Total European Micro-cap portfolio	85,768	96,624	19.7
Real Estate portfolio			
247 BEDFORD AVENUE Prime retail asset in northern Brooklyn, NY	17,717	8,832	1.8
ESPERANTE An iconic building on the downtown, West Palm Beach skyline	14,158	14,243	2.9
JZCP REALTY Other Properties held – no equity value	8,409	–	–
Total Real Estate portfolio	40,284	23,075	4.7
Other investments			
BSM ENGENHARIA Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	459	0.1
JZ INTERNATIONAL Fund of European LBO investments	–	750	0.1
SPRUCEVIEW CAPITAL Asset management company focusing primarily on managing endowments and pension funds	32,605	22,070	4.5
Total Other investments	38,720	23,279	4.7
Listed investments			
U.S. Treasury Bills – Maturity 16 February 2023	16,646	16,648	3.4
U.S. Treasury Bills – Maturity 17 November 2022	33,285	33,308	6.8
U.S. Treasury Bills – Maturity 20 October 2022	3,393	3,384	0.7
UK Gilts – Maturity 7 September 2022	69,824	67,105	13.6
Total Listed investments	123,148	120,445	24.5
Total – portfolio	472,055	491,809	100.0

1 Original book cost incurred by JZCP adjusted for subsequent transactions. Other than JZHL Secondary Fund (see foot note 2), the book cost represents cash outflows and excludes PIK investments.

2 Notional cost of the Company's interest in JZHL Secondary Fund is calculated in accordance with IFRS, and represents the fair value of the Company's LP interest on recognition adjusted for subsequent distributions.

3 Co-investment with Fund A, a Related Party (Note 19).

Summary of JZCP's investments in JZHL Secondary Fund

	JZHL Valuation ¹ As at 31.8.2022 \$'000s
US Micro-cap investments	
ACW FLEX PACK, LLC Provider of a variety of custom flexible packaging solutions to converters and end-users	5,568
FLOW CONTROL, LLC Manufacturer and distributor of high-performance, mission-critical flow handling products and components utilized to connect processing line equipment	17
SAFETY SOLUTIONS HOLDINGS Provider of safety focused solutions for the industrial, environmental and life science related markets.	3,051
FELIX STORCH Supplier of specialty, professional, commercial, and medical refrigerators and freezers, and cooking appliances	41,625
PEACEABLE STREET CAPITAL Specialty finance platform focused on commercial real estate	13,703
TIERPOINT Provider of cloud computing and colocation data centre services	11,112
	75,076
Hurdle amount due to Secondary Investors	(606)
JZCP's interest in JZHL Secondary Fund	74,470

¹ JZCP's valuation being the 37.5% Special L.P. interest in the underlying investment in JZHL Secondary Fund.

Summary of JZCP's investments in JZI Fund III

		JZCP Cost (EURO) ¹ As at 31.8.2022 €'000s	JZCP Value (EURO) ¹ As at 31.8.2022 €'000s	JZCP Value (USD) As at 31.8.2022 \$'000s
	Country			
ALIANZAS EN ACEROS – Steel service center	Spain	4,354	4,652	4,678
BLUESITES – Build-up in cell tower land leases	Portugal	3,615	5,512	5,543
COLLINGWOOD – Niche UK motor insurer	UK	3,014	3,038	3,054
ERSI – Reinforced steel modules	Lux	8,544	1,861	1,871
FACTOR ENERGIA – Electricity supplier	Spain	3,281	8,063	8,107
FINCONTINUO – Niche consumer lender	Italy	4,762	5,473	5,504
GUANCHE – Build-up of petrol stations	Spain	4,590	4,983	5,011
KARIUM – Personal care consumer brands	UK	4,321	9,712	9,767
LUXIDA – Build-up in electricity distribution	Spain	3,315	4,969	4,996
MY LENDER – Niche consumer lender	Finland	4,865	1,411	1,419
S.A.C – Operational van leasing	Denmark	3,497	8,100	8,145
TREEE – e-waste recycling	Italy	3,818	9,581	9,634
UFASA – Niche consumer lender	Spain	5,119	6,810	6,847
Other net Liabilities				(4,146)
Total valuation				70,430

¹ Represents JZCP's 18.75% of Fund III's investment portfolio.

Independent Review Report to JZ Capital Partners Limited

Conclusion

We have been engaged by the Company to review the Unaudited Interim Financial Statements (“Interim Financial Statements”) for the six months ended 31 August 2022 which comprises the Statement of Comprehensive Income (Unaudited), Statement of Financial Position (Unaudited), Statement of Changes in Equity (Unaudited), Statement of Cash Flows (Unaudited) and related Notes 1 to 22. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Financial Statements.

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Interim Financial Statements for the six months ended 31 August 2022 are not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”, as adopted by the European Union (“IAS 34”), and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority (“DTR”).

Basis for conclusion

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

As disclosed in Note 2, the annual financial statements of the Company are prepared in accordance with IFRS as adopted by the European Union. The Interim Financial Statements have been prepared in accordance with IAS 34.

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with International Standard on Review Engagements 2410 (UK) “Review of

Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The Directors are responsible for preparing the Interim Report and Interim Financial Statements in accordance with Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

In preparing the Interim Report and Interim Financial Statements, the Directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the review of the financial information

In reviewing the Interim Report and Interim Financial Statements, we are responsible for expressing to the Company a conclusion on the Interim Financial Statements. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Guernsey, Channel Islands
9 November 2022

Notes

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

Statement of Comprehensive Income (Unaudited)

For the Period from 1 March 2022 to 31 August 2022

	Note	Six Month Period Ended 31 August 2022 US\$'000	Six Month Period Ended 31 August 2021 US\$'000
Income, investment and other gains			
Net gain on investments at fair value through profit or loss	6	27,671	–
Investment income	8	8,607	9,119
Bank and deposit interest		85	75
Realisations from investments held in escrow accounts	21	999	–
Net foreign currency exchange gains		6,108	–
		43,470	9,194
Expenses and losses			
Expected credit losses	7	(916)	(1,405)
Investment Adviser's base fee	10	(3,872)	(3,888)
Administrative expenses		(1,331)	(2,154)
Directors' remuneration		(145)	(145)
Net loss on investments at fair value through profit or loss	6	–	(4,809)
Loss on financial liabilities at fair value through profit or loss	15	–	(1,869)
Net foreign currency exchange losses		–	(202)
		(6,264)	(14,472)
Operating profit/(loss)		37,206	(5,278)
Finance costs	9	(4,806)	(6,981)
Profit/(loss) before taxation		32,400	(12,259)
Withholding Tax		398	–
Profit/(loss) for the period		32,798	(12,259)
Other comprehensive loss that will not be reclassified to the Income Statement			
Loss on financial liabilities due to change in credit risk	15	–	(1,074)
Total comprehensive profit/(loss) for the period		32,798	(13,333)
Weighted average number of Ordinary shares in issue during the period	20	77,477,214	77,474,670
Basic and diluted earnings/(loss) per Ordinary share	20	42.33c	(15.82)c

The profits for the period all derive from continuing operations.

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

Statement of Financial Position (Unaudited)

As at 31 August 2022

	Note	31 August 2022 US\$'000	28 February 2022 US\$'000
Assets			
Investments at fair value through profit or loss	11	466,211	411,568
Loans at amortised cost	11	25,598	28,593
Other receivables		310	70
Cash at bank		15,953	43,656
Total assets		508,072	483,887
Liabilities			
Senior Credit Facility	12	42,804	42,573
Zero Dividend Preference Shares	13	66,740	75,038
Subordinated Notes	14	32,296	32,293
Other payables	16	713	1,443
Investment Adviser's base fee	10	457	276
Total liabilities		143,010	151,623
Equity			
Share capital		216,650	216,650
Other reserve		353,528	353,528
Retained deficit		(205,116)	(237,914)
Total equity		365,062	332,264
Total liabilities and equity		508,072	483,887
Number of Ordinary shares in issue at period/year end	17	77,477,214	77,477,214
Net asset value per Ordinary share		\$4.71	\$4.29

These Interim Financial Statements on pages 19 to 41 were approved by the Board of Directors and authorised for issuance on 9 November 2022. They were signed on its behalf by:

David Macfarlane Sharon Parr
Chairman 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 2022 to 31 August 2022

	Share Capital US\$'000	Other Reserve US\$'000	Retained Deficit US\$'000	Total US\$'000
Balance as at 1 March 2022	216,650	353,528	(237,914)	332,264
Profit for the period	–	–	32,798	32,798
Balance at 31 August 2022	216,650	353,528	(205,116)	365,062

Comparative for the Period from 1 March 2021 to 31 August 2021

	Share Capital US\$'000	Other Reserve US\$'000	Retained Deficit US\$'000	Total US\$'000
Balance as at 1 March 2021	216,625	354,602	(241,668)	329,559
Loss for the period	–	–	(12,259)	(12,259)
Loss on financial liabilities due to change in credit risk	–	(1,074)	–	(1,074)
Issue of Ordinary shares	25	–	–	25
Balance at 31 August 2021	216,650	353,528	(253,927)	316,251

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

Statement of Cash Flows (Unaudited)

For the Period from 1 March 2022 to 31 August 2022

	Note	Six Month Period Ended 31 August 2022 US\$'000	Six Month Period Ended 31 August 2021 US\$'000
Cash flows from operating activities			
Cash inflows			
Realisation of investments	11	105,024	56,929
Maturity of treasury bills	11	3,395	–
Escrow receipts received	21	999	–
Income distributions received from investments		372	234
Bank interest received		85	75
Cash outflows			
Direct investments and capital calls	11	(4,945)	(7,381)
Purchase of Treasury Bills and UK Gilts	11	(123,132)	–
Investment Adviser's base fee paid	10	(3,691)	(4,652)
Other operating expenses paid		(2,048)	(2,515)
Net cash (outflow)/inflow before financing activities		(23,941)	42,690
Financing activities			
Repayment of Senior Credit Facility		–	(33,264)
Redemption of Convertible Unsecured Loan Stock		–	(54,005)
Issue of Subordinated Notes		–	31,500
Finance costs paid:			
• Senior Credit Facility		(1,834)	(2,385)
• Subordinated Notes		(945)	–
• Convertible Unsecured Loan Stock		–	(2,679)
Net cash outflow from financing activities		(2,779)	(60,833)
Decrease in cash at bank		(26,720)	(18,143)
Reconciliation of net cash flow to movements in cash at bank			
		US\$'000	US\$'000
Cash and cash equivalents at 1 March		43,656	59,784
Decrease in cash at bank		(26,720)	(18,143)
Foreign exchange movements on cash at bank		(983)	(454)
Cash and cash equivalents at period end		15,953	41,187

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, 1994. The Company is now subject to the Companies (Guernsey) Law, 2008. The Company is classified as an authorised fund under the Protection of Investors (Bailiwick of Guernsey) Law 1987. As at 31 August 2022, the Company's capital consisted of Ordinary shares and Zero Dividend Preference ("ZDP") shares. Post period end, the Company redeemed and cancelled the ZDP shares. The Company's shares trade on the London Stock Exchange's Specialist Fund Segment ("SFS").

The Company's new investment policy, adopted in August 2020, is for the Company to make no further investments outside of its existing obligations or to the extent that investment may be made to support selected existing portfolio investments. The intention is to realise the maximum value of the Company's investments and, after repayment of all debt, to return capital to shareholders. The Company's previous Investment Policy was to target predominantly private investments and back management teams to deliver on attractive investment propositions. In executing this strategy, the Company took a long term view. The Company looked to invest directly in its target investments and was able to invest globally but with a particular focus on opportunities in the United States and Europe.

The Company is currently mainly focused on supporting its investments in the following areas:

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

The Company has no direct employees. For its services, the Investment Adviser receives a management fee as described in 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 2022 to 31 August 2022 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 of the United Kingdom's Financial Conduct Authority. 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 2022.

Basis of preparation

The Interim Financial Statements have been prepared under the historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss ("FVTPL"). 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 2022. The preparation of these Interim Financial Statements is 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.

Notes to the Interim Financial Statements

(Unaudited) continued

2. Significant Accounting Policies continued

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 2022, which were prepared in accordance with IFRS as adopted by the European Union. There has been no early adoption, by the Company, of any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2022.

Directors' assessment of going concern

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

In reaching its conclusion, the Board has considered the risks that could impact the Company's liquidity over the period from 9 November 2022 to 30 November 2023 (the "Going Concern Period").

As part of their assessment, the Board considered whether there was a reasonable expectation that the Company has and will generate adequate liquidity to meet its debt obligations over the Going Concern Period including the redemption of its Subordinated Notes payable 30 September 2023.

Recent events impacting liquidity

- realisation proceeds during the interim period in excess of \$100 million;
- post period end, the extension of the maturity date of the Subordinated Notes to 30 September 2023; and
- post period end, the redemption and cancellation of the Company's ZDP shares.

Update on material liabilities due for settlement and the Company's net debt position

The below table shows the Company's improved net debt position as at 1 October 2022 (reflecting the post-period redemption of the ZDP shares) compared to previous period ends:

	1.10.2022	31.8.2022	28.2.2022	31.8.2021	28.2.2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Senior Credit Facility	43,271	42,804	42,573	36,629	68,694
Subordinated Notes	31,505	32,296	32,293	31,669	–
ZDP Shares	–	66,740	77,281	75,014	80,527
CULS	–	–	–	–	54,332
Total debt	74,776	141,840	152,147	143,312	203,553
Cash and cash equivalents held ¹	65,672	136,398	47,050	44,582	63,178
Net debt position	9,104	5,442	105,097	98,730	140,375

1 Includes investments in Treasury Bills and UK Gilts

Realisations and refinancings during the interim period and previous two fiscal years

		Period End 31.8.2022 \$ million			Year End 28.2.2022 \$ million			Year End 28.2.2021 \$ million
JZHL Secondary Fund	U.S.	97.4	Salter Labs	U.S.	41.1	Secondary Sale	U.S.	87.7
New Vitality	U.S.	7.4	George Industries	U.S.	9.5	Real estate		13.6
Fund III	Euro	0.2	Orangewood Fund	U.S.	6.2	ABTA	U.S.	9.4
			Igloo	U.S.	3.8	Eliantus	Euro	9.4
			Vitalyst	U.S.	1.9	K2 Towers II	Euro	9.2
			EMC 2010	Euro	2.2	Other	U.S.	9.0
					1.1	Cerpi	Other	1.2
		105.0			65.8			139.5

The Board takes account of the levels of realisation proceeds historically generated by the Company's micro-cap portfolios as well as the accuracy of previous forecasts to assess the predicted accuracy of forecasts presented. The Company continues to work on the realisation of various investments within a timeframe that will enable the Company to maximise the value of its investment portfolio.

Going concern conclusion

Considering the Company's projected cash position, including the Company's ongoing operating costs and the anticipated further investment required to support the Company's portfolio, the Board is satisfied, as of today's date, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for the period to 30 November 2023.

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 and UK gilts 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.

Notes to the Interim Financial Statements (Unaudited) continued

4. Segment Information continued

Segmental operating profit/(loss)

For the period from 1 March 2022 to 31 August 2022

	US Micro-cap US\$ '000	European Micro-cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Interest revenue	7,081	916	–	–	7,997
Dividend revenue	372	–	–	–	372
Total segmental revenue	7,453	916	–	–	8,369
Net gain/(loss) on investments at FVTPL	41,604	(9,988)	(522)	(504)	30,590
Expected credit losses	–	(916)	–	–	(916)
Realisations from investments held in Escrow	999	–	–	–	999
Investment Adviser's base fee	(2,237)	(776)	(179)	(178)	(3,370)
Total segmental operating profit/(loss)	47,819	(10,764)	(701)	(682)	35,672

For the period from 1 March 2021 to 31 August 2021

	US Micro-cap US\$ '000	European Micro-cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
Interest revenue	7,479	1,405	–	–	8,884
Dividend revenue	234	–	–	–	234
Total segmental revenue	7,713	1,405	–	–	9,118
Net (loss)/gain on investments at FVTPL	(570)	349	(4,588)	–	(4,809)
Expected credit losses	–	(1,405)	–	–	(1,405)
Investment Adviser's base fee	(2,156)	(899)	(167)	(174)	(3,396)
Total segmental operating profit/(loss)	4,987	(550)	(4,755)	(174)	(492)

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 segmental allocation is consistent with that of the previous year end.

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

	Period ended 31.8.2022 US\$ '000	Period ended 31.8.2021 US\$ '000
Total segmental operating profit/(loss)	35,672	(492)
Net loss on non-segmental investments at FVTPL	(2,919)	–
Net foreign exchange gain/(loss)	6,108	(202)
Bank and deposit interest	85	75
Other interest	238	1
Expenses not attributable to segments	(1,476)	(2,299)
Fees payable to investment adviser based on non-segmental assets	(502)	(492)
Loss on financial liabilities at fair value through profit or loss	–	(1,869)
Operating profit/(loss)	37,206	(5,278)

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

	Period ended 31.8.2022 US\$ '000	Period ended 31.8.2021 US\$ '000
Total segmental revenue	8,369	9,118
<i>Non-segmental revenue</i>		
Bank and deposit interest	85	75
Other interest	238	1
Total revenue	8,692	9,194

Segmental Net Assets

At 31 August 2022

	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	228,386	71,026	23,075	23,279	345,766
Loans at amortised cost	–	25,598	–	–	25,598
Total segmental assets	228,386	96,624	23,075	23,279	371,364
Segmental liabilities					
Payables and accrued expenses	(205)	(87)	(21)	(21)	(334)
Total segmental liabilities	(205)	(87)	(21)	(21)	(334)
Total segmental net assets	228,181	96,537	23,054	23,258	371,030

At 28 February 2022

	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	284,162	76,882	23,597	23,533	408,174
Loans at amortised cost	–	28,593	–	–	28,593
Total segmental assets	284,162	105,475	23,597	23,533	436,767
Segmental liabilities					
Payables and accrued expenses	(551)	(72)	(11)	(14)	(648)
Total segmental liabilities	(551)	(72)	(11)	(14)	(648)
Total segmental net assets	283,611	105,403	23,586	23,519	436,119

Notes to the Interim Financial Statements

(Unaudited) continued

4. Segment Information continued

Segmental Net Assets continued

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

	31.8.2022 US\$ '000	28.2.2022 US\$ '000
Total segmental assets	371,364	436,767
Non segmental assets		
Cash at bank	15,953	43,656
Listed investments – cash equivalents	120,445	3,394
Other receivables	310	70
Total assets	508,072	483,887
Total segmental liabilities	(334)	(648)
Non segmental liabilities		
Senior Credit Facility	(42,804)	(42,573)
Zero Dividend Preference Shares	(66,740)	(75,038)
Subordinated Notes	(32,296)	(32,293)
Other payables	(836)	(1,071)
Total liabilities	(143,010)	(151,623)
Total net assets	365,062	332,264

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

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.

Level 3

Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Investments in JZCP's portfolio valued using unobservable inputs such as multiples, capitalisation rates, discount rates (see page 31) 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 by the fair value hierarchy level that the fair value is based on:

Financial assets at 31 August 2022

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
US micro-cap	–	–	228,386	228,386
European micro-cap	–	–	71,026	71,026
Real estate	–	–	23,075	23,075
Other investments	–	–	23,279	23,279
Listed investments	120,445	–	–	120,445
	120,445	–	345,766	466,211

Financial assets at 28 February 2022

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
US micro-cap	–	–	284,162	284,162
European micro-cap	–	–	76,882	76,882
Real estate	–	–	23,597	23,597
Other investments	–	–	23,533	23,533
Listed investments	3,394	–	–	3,394
	3,394	–	408,174	411,568

Valuation techniques

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

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

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

Real estate

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

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

Notes to the Interim Financial Statements (Unaudited) continued

5. Fair Value of Financial Instruments continued

Valuation techniques continued

Real estate continued

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

The valuations obtained in relation to the real estate portfolio are dated 31 December 2021. Subsequent discussions with appraisers indicate there would be no significant change in property values between 31 December 2021 and 31 August 2022. Due to the inherent uncertainties of real estate valuation, the values reflected in the financial statements may differ significantly from the values that would be determined by negotiation between parties in a sales transaction and those differences could be material.

Unquoted preferred shares, unquoted equities and equity related securities

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

In respect of unquoted preferred shares the Company values these investments at fair value by reference to the attributable enterprise value as the exit strategy in respect to these investments would be a one tranche disposal together with the equity component. The fair value of the investment is determined by reference to the attributable enterprise value reduced by senior debt and marketability discount.

Micro-cap loans

Investments in micro-cap debt are valued at fair value by reference to the attributable enterprise value when the Company also holds an equity position in the investee company.

When the Company invests in micro-cap loans and does not hold an equity position in the underlying investee company these loans are valued at amortised cost in accordance with IFRS 9 (Note 2). The carrying value at amortised cost is considered to approximate to fair value.

Other Investments

Other investments at year end, comprise of mainly the Company's investment in the asset management business - Spruceview Capital Partners ("Spruceview"). Spruceview is valued using a valuation model which considers a forward looking revenue approach. Previously, Spruceview was valued using a valuation model which considered both assets under management ("AUM") and the potential for new AUM. The Board considers the new approach to be more consistent with the valuation methods used by peer companies.

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 2022 and 28 February 2022 are shown below:

	Value 31.8.2022 US\$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used	Effect on Fair Value US\$'000	
US micro-cap investments	228,386	EBITDA Multiple	Average EBITDA Multiple of Peers	6.5x-13.5x (8.3x)	-0.5x/+0.5x	(21,959)	20,354
			Discount to Average Multiple	5%-30% (13%)	+5%/-5%	(27,223)	25,731
European micro-cap investments	71,026	EBITDA Multiple	Average EBITDA Multiple of Peers	5.0x-14.3x (8.8x)	-0.5x/+0.5x	(4,399)	4,399
			Discount to Average Multiple	1%-50% (18%)	+5%/-5%	(3,590)	3,590
Real estate ^{1,2}	23,075	Cap Rate/ Income Approach	Capitalisation Rate	5.25%-6.255% (5.9%)	+50bps/ -50bps	(5,338)	6,552
Other investments ³	22,070	Forward looking Revenue Approach	Revenue Multiple	\$8.3 million	-10%/+10%	(2,206)	2,163
				5.3x	-10%/+10%	(2,206)	2,163
	Value 28.2.2022 US\$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used	Effect on Fair Value US\$'000	
US micro-cap investments	284,162	EBITDA Multiple	Average EBITDA Multiple of Peers	7.0x-13.5x (9.0x)	-0.5x/+0.5x	(23,876)	23,998
			Discount to Average Multiple	5%-30% (14.7%)	+5%/-5%	(32,217)	31,887
European micro-cap investments	76,286	EBITDA Multiple	Average EBITDA Multiple of Peers	5.5x-14.2x (9.4x)	-0.5x/+0.5x	(5,293)	5,293
			Discount to Average Multiple	2%-50% (23%)	+5%/-5%	(4,533)	4,533
Real estate ^{1,2}	23,597	Cap Rate/ Income Approach	Capitalisation Rate	5.25%-5.75% (5.56%)	+50bps/ -50bps	(5,338)	6,552
Other investments ³	22,324	Forward looking Revenue Approach	Revenue Multiple	\$8.3 million	-10%/+10%	(2,187)	1,824
				5.3x	-10%/+10%	(2,206)	1,809

1 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.

2 Sensitivity is applied to the property value and then the debt associated to the property is deducted before the impact to JZCP's equity value is calculated. Due to gearing levels in the property structures, an increase in the sensitivity of measurement metrics at property level will result in a significantly greater impact at JZCP's equity level.

3 JZCP's investment in Spruceview.

Notes to the Interim Financial Statements (Unaudited) continued

5. Fair Value of Financial Instruments continued

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/year.

Period ended 31 August 2022

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
At 1 March 2022	284,162	76,882	23,597	23,533	408,174
Investments in year including capital calls	317	4,378	–	250	4,945
Payment in kind (“PIK”)	2,086	–	–	–	2,086
Proceeds from investments realised	(104,778)	(246)	–	–	(105,024)
Net gains/(losses) on investments	41,604	(9,988)	(522)	(504)	30,590
Movement in accrued interest	4,995	–	–	–	4,995
At 31 August 2022	228,386	71,026	23,075	23,279	345,766

Year ended 28 February 2022

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Total US\$ '000
At 1 March 2021	299,339	83,968	23,376	23,147	429,830
Investments in year including capital calls	4,898	7,647	–	400	12,945
Payment in kind (“PIK”)	14,190	–	–	–	14,190
Proceeds from investments realised	(62,466)	(3,333)	–	–	(65,799)
Net gains/(losses) on investments	28,723	(11,400)	221	(14)	17,530
Movement in accrued interest	(522)	–	–	–	(522)
At 28 February 2022	284,162	76,882	23,597	23,533	408,174

Fair value of Zero Dividend Preference (“ZDP”) shares

The fair value of the ZDP shares is deemed to be their quoted market price. As at 31 August 2022, the ask price for the ZDP (2022) shares was £4.84 (28 February 2022: £4.74 per share) and the total fair value of the ZDP shares was \$67,062,000 (28 February 2022: \$75,732,000) which is \$322,000 higher (28 February 2022: \$694,000 higher) than the liability recorded in the Statement of Financial Position.

ZDP shares are recorded at amortised cost and would fall into the Level 2 hierarchy if valued at FVTPL.

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

	Period ended 31.8.2022 US\$ '000	Period ended 31.8.2021 US\$ '000
<i>Loss on investments held in investment portfolio at period end</i>		
Net movement in period end unrealised gain position	(31,737)	18,315
Unrealised net loss in prior periods now realised	(15,265)	(24,765)
Net unrealised loss in the period	(47,002)	(6,450)
<i>Net profit on investments realised in the period</i>		
Proceeds from investments realised	108,419	57,490
Cost of investments realised	(49,011)	(80,614)
Unrealised net loss in prior periods now realised	15,265	24,765
Total net profit in the period on investments realised in the period	74,673	1,641
Net profit/(loss) on investments in the period	27,671	(4,809)

7. Expected Credit Losses

Expected Credit Losses (“ECLs”) are recognised in three stages. Stage one being for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). Stage two being for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Stage three being credit exposures which are considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

	Period ended 31.8.2022 US\$ '000	Period ended 31.8.2021 US\$ '000
Impairment on loans classified as Stage 1	916	987
Impairment on loans classified as Stage 2	–	418
Impairment on loans classified as Stage 3	–	–
Total impairment on loans during period	916	1,405

8. Investment Income

	Period ended 31.8.2022 US\$ '000	Period ended 31.8.2021 US\$ '000
Interest calculated using the effective interest rate method	916	1,405
Other interest and similar income	7,691	7,714
	8,607	9,119

Income for the period ended 31 August 2022

	Preferred Interest US\$ '000	Loan note Interest			Other Interest US\$ '000	Total US\$ '000
		PIK US\$ '000	Cash US\$ '000	Dividend US\$ '000		
US micro-cap	7,081	–	–	372	–	7,453
European micro-cap	–	916	–	–	–	916
Listed investments	–	–	–	–	238	238
	7,081	916	–	372	238	8,607

Income for the period ended 31 August 2021

Portfolio	Preferred Interest US\$ '000	Loan note Interest			Other Interest US\$ '000	Total US\$ '000
		PIK US\$ '000	Cash US\$ '000	Dividend US\$ '000		
US micro-cap	7,479	–	–	234	–	7,713
European micro-cap	–	1,405	–	–	–	1,405
Listed investments	–	–	–	–	1	1
	7,479	1,405	–	234	1	9,119

Notes to the Interim Financial Statements (Unaudited) continued

9. Finance Costs

	Period ended 31.8.2022 US\$ '000	Period ended 31.8.2021 US\$ '000
<i>Interest expense calculated using the effective interest method</i>		
Senior Credit Facility (Note 12)	2,065	3,584
ZDP shares (Note 13)	1,793	1,892
Subordinated Notes (Note 14)	948	169
	4,806	5,645
<i>Other interest and similar expense</i>		
CULS interest (Note 15)	–	1,336
	4,806	6,981

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 2022, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of \$3,872,000 (period ended 31 August 2021: \$3,888,000). Of this amount, \$457,000 (28 February 2022: \$276,000) was due and payable at the period end.

During the year ended 29 February 2020, the Investment Adviser agreed to waive incentive fees payable by the Company relating to realised gains in the years ended February 2019 and 2020. No further incentive fees will be paid to the Investment Adviser until the Company and Investment Adviser have mutually agreed to reinstate such payments.

11. Investments

	Listed FVTPL 31.8.2022 US\$ '000	Unlisted FVTPL 31.8.2022 US\$ '000	Unlisted Loans 31.8.2022 US\$ '000	Carrying Value Total 31.8.2022 US\$ '000
Book cost at 1 March 2022	3,395	451,364	43,097	497,856
Investments in period including capital calls	123,132	4,945	–	128,077
Payment in kind ("PIK") ¹	–	2,086	219	2,305
Proceeds from investments matured/realised	(3,395)	(105,024)	–	(108,419)
Net realised gain	–	59,408	–	59,408
Book cost at 31 August 2022	123,132	412,779	43,316	579,227
Unrealised investment and foreign exchange loss	(2,919)	(74,010)	(7,586)	(84,515)
Impairment on loans at amortised cost	–	–	(11,064)	(11,064)
Accrued interest	232	6,997	932	8,161
Carrying value at 31 August 2022	120,445	345,766	25,598	491,809

1 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.

	Listed FVTPL 28.2.2022 US\$ '000	Unlisted FVTPL 28.2.2022 US\$ '000	Unlisted Loans 28.2.2022 US\$ '000	Carrying Value Total 28.2.2022 US\$ '000
Book cost at 1 March 2021	3,393	543,740	74,651	621,784
Investments in year including capital calls	3,395	12,945	–	16,340
Payment in kind ("PIK") ¹	–	14,190	2,877	17,067
Proceeds from investments matured/realised	(3,395)	(65,799)	–	(69,194)
Interest received on maturity	2	–	–	2
Net realised loss	–	(53,712)	–	(53,712)
Realised impairment loss ²	–	–	(31,757)	(31,757)
Realised currency loss ²	–	–	(2,674)	(2,674)
Book cost at 28 February 2022	3,395	451,364	43,097	497,856
Unrealised investment and foreign exchange loss	–	(45,192)	(4,664)	(49,856)
Impairment on loans at amortised cost	–	–	(10,148)	(10,148)
Accrued interest	(1)	2,002	308	2,309
Carrying value at 28 February 2022	3,394	408,174	28,593	440,161

1 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.

2 Realised impairment loss and realised currency loss is due to the Company's direct loan in Ombuds (European micro-cap). The loss was recognised in prior periods and was included within the comparative number for Impairment on loans at amortised cost.

Loans at amortised cost

Interest on the loans accrues at the following rates:

	As At 31 August 2022			As At 28 February 2022		
	8%	10%	Total	8%	10%	Total
Loans at amortised cost	23,530	2,068	25,598	26,357	2,236	28,593

The Company has extended the maturity date of all loans to European micro-cap companies to 31 December 2022.

Notes to the Interim Financial Statements (Unaudited) continued

12. Senior Credit Facility

On 26 January 2022, JZCP entered into an agreement with WhiteHorse Capital Management, LLC (the “New Senior Lender”) providing for a new five year term senior secured loan facility (the “New Senior Credit Facility”). The New Senior Credit Facility matures on 26 January 2027 and replaced the Company’s Previous Senior Secured Loan Facility with clients and funds advised and sub-advised by Cohanzick Management, LLC and CrossingBridge Advisors, LLC (the “Previous Senior Lenders”).

The New Senior Credit Facility consists of a \$45.0 million first lien term loan (the “Closing Date Term Loan”), fully funded as of the closing date (being 26 January 2022), and up to \$25.0 million in first lien delayed draw term loans (the “DDT Loans”), which remain undrawn as of the closing date and the year end. The Company can draw down the DDT Loans from time to time in its discretion in the 24 month period following the closing date. Customary fees and expenses were payable upon the drawing of the Closing Date Term Loan. The proceeds of the Closing Date Term Loan, together with cash at hand, were used by the Company to repay the Previous Senior Secured Facility of approximately \$52.9 million due 12 June 2022 and for the payment of fees and expenses related to the New Senior Facility.

The interest rate charged to The New Senior Credit Facility during the period, is the LIBOR Rate plus 7.00¹ per cent., or if the Company elects for a portion of the interest to be paid in kind, the LIBOR Rate plus 9.00 per cent., of which 4.00 per cent. would be charged as payment-in kind (PIK) interest. The Closing Date Term Loans are subject to a prepayment penalty if they are repaid before yielding an aggregate 15 per cent.

The New Senior Credit Facility Agreement includes covenants from the Company customary for an agreement of this nature, including (a) maintaining a minimum asset coverage ratio (calculated by reference to eligible assets, subject to customary ineligibility criteria and concentration limits, plus unrestricted cash) of not less than 4.00 to 1.00, and (b) ensuring the Company retains an aggregate amount of unrestricted cash and cash equivalents of not less than \$12.5 million. As at 31 August 2022, eligible assets of \$488.0 million adjusted to \$393.1 million (28 February 2022: \$471.0 million adjusted to \$351.9 million) were held as collateral. The New Senior Credit Facility allows for the repayment of the Company’s other debt obligations assuming the above covenants are not breached as a result of repayment.

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. During the year, the relevant 3 month LIBOR rates were below 1%. LIBOR regulators (including the UK Financial Conduct Authority and the US Commodity Futures Trading Commission) have announced a transition away from LIBOR, however it is expected that the 3 month USD LIBOR which is relevant to the Company will continue to be available until the end of June 2023.

New Senior Term Loan Facility

	31.8.2022 US\$ '000	28.2.2022 US\$ '000
Principal – drawdown 26 January 2022	–	45,000
Issue costs	–	(2,787)
Amortised cost – 26 January 2022	–	42,213
Amortised cost at 1 March	42,573	–
Finance costs charged to Statement of Comprehensive Income	2,065	360
Interest and finance costs paid	(1,834)	–
Amortised cost at period/year end	42,804	42,573

Previous Senior Term Loan Facility

	31.8.2022 US\$ '000	28.2.2022 US\$ '000
Amortised cost – 1 March	–	68,694
Loan advance	–	16,000
Loan repayments	–	(85,585)
Finance costs charged to Statement of Comprehensive Income	–	6,483
Interest and finance costs paid	–	(5,592)
Amortised cost at period/year end	–	–

The carrying value of the loans approximates to fair value.

13. Zero Dividend Preference (“ZDP”) shares

Post period end (3 October 2022), the Company redeemed the ZDP shares on their maturity date.

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 £57,597,000 (approximately \$67,021,000 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

	31.8.2022 US\$ '000	28.2.2022 US\$ '000
Amortised cost at 1 March	75,038	74,303
Finance costs allocated to Statement of Comprehensive Income	1,793	3,807
Unrealised currency gain on translation	(10,091)	(3,072)
Amortised cost at period/year end	66,740	75,038
Total number of ZDP shares in issue	11,907,720	11,907,720

Notes to the Interim Financial Statements (Unaudited) continued

14. Subordinated Notes

In July 2021, the Company entered into a note purchase agreement with David Zalaznick and John (Jay) Jordan, the founders and principals of the Company's investment adviser, Jordan/Zalaznick Advisers, Inc. ("JZAI"), pursuant to which they purchased directly or through their affiliates, subordinated, second lien Subordinated Notes totalling \$31.5 million, with a maturity date of 11 September 2022 (the "Subordinated Notes"). In August 2022, the Company announced the extension of the maturity date of the Subordinated Notes through to 30 September 2023.

The interest rate on the Subordinated Notes is 6 per cent. per annum payable semi-annually on each of 31 March and 30 September of each year, commencing on the first such date to occur after the issuance of the Subordinated Notes.

	31.8.2022 US\$ '000	28.2.2022 US\$ '000
Subordinated Notes issued in period	–	31,500
Amortised cost at 1 March	32,293	–
Finance costs charged to Statement of Comprehensive Income	948	1,108
Interest and finance costs paid	(945)	(315)
Amortised cost at period/year end	32,296	32,293

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

On 30 July 2021, JZCP redeemed 3,884,279 £10 CULS and converted on request, 1,835 £10 CULS into 3,039 Ordinary Shares at the agreed conversion price. CULS bore interest on their nominal amount at the rate of 6.00 per cent. per annum, payable semi-annually in arrears.

	31.8.2022 US\$ '000	28.2.2022 US\$ '000
Fair Value of CULS at 1 March	–	52,430
Interest expense	–	1,336
Coupon paid	–	(2,679)
Unrealised movement in value of CULS due to change in Company's Credit Risk	–	1,074
Unrealised movement in the fair value of CULS allocated to change in observed (benchmark) interest rate	–	2,170
Unrealised currency gain on translation during the period/year	–	(301)
Loss to the Company on movement in the fair value of CULS	–	1,869
Redemption of CULS	–	(54,005)
Conversion of CULS into Ordinary Shares	–	(25)
Fair Value of CULS based on offer price	–	–

16. Other Payables

	31.8.2022 US\$ '000	28.2.2022 US\$ '000
Audit fees	150	325
Legal fees provision	200	505
Directors' remuneration	48	47
Other expenses	315	168
Provision for tax on dividends received not withheld at source	–	398
	713	1,443

17. Ordinary shares – Issued Capital

	31.8.2022 Number of shares	28.2.2022 Number of shares
Balance at 1 March	77,477,214	77,474,175
Ordinary shares issued during period/year	–	3,039
Total Ordinary shares in issue	77,477,214	77,477,214

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

On 2 August 2021, the Company issued 3,039 Ordinary shares resulting from the conversion of 1,835 CULS. The conversion price was £6.0373 per Ordinary Share, resulting in a credit to the Share capital account of £18k (\$25k).

18. Commitments

At 31 August 2022 and 28 February 2022, JZCP had the following financial commitments outstanding in relation to fund investments:

	Expected date of Call	31.8.2022 US\$ '000	28.2.2022 US\$ '000
JZI Fund III GP, L.P. €10,160,906 (28.2.2022: €13,967,295)	over 3 years	10,217	15,688
Spruceview Capital Partners, LLC ¹	over 1 year	250	500
		10,467	16,188

¹ As approved by a shareholder vote on 12 August 2020, JZCP has the ability to make up to approximately \$4.1 million in further commitments to Spruceview, above the \$0.25 million unfunded commitments as at 31 August 2022.

19. Related Party Transactions

JZAI is a US based company founded by David Zalaznick and Jay Jordan, 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 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"). Fund III and EMC 2010 are managed by an affiliate of JZAI. At 31 August 2022, JZCP's investment in Fund III was valued at \$70.4 million (28 February 2022: \$76.3 million). JZCP's investment in EMC 2010 was valued at \$0.6 million (28 February 2022: \$0.6 million).

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 2022, was \$33.5 million with \$0.25 million of this amount remaining unfunded and outstanding. As approved by a shareholder vote on 12 August 2020, JZCP has the ability to make up to approximately \$4.1 million in further commitments to Spruceview, above the \$33.5 million committed as of 31 August 2022. Should this approved capital be committed to Spruceview, it would be committed on the same 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates).

During the year ended 28 February 2021, the Company sold its interests in certain US microcap portfolio companies (the "Secondary Sale") to a secondary fund led by Hamilton Lane Advisors, L.L.C. The Secondary Sale was structured as a sale and contribution to a newly formed fund, JZHL Secondary Fund LP, managed by an affiliate of JZAI. At 31 August 2022, JZCP's investment in JZHL Secondary Fund LP was valued at \$74.5 million (28 February 2022: \$99.2 million).

Notes to the Interim Financial Statements

(Unaudited) continued

19. Related Party Transactions continued

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 2022, these co-investments, with Fund A, were in the following portfolio companies: Industrial Services Solutions, Safety Solutions Holdings and Tierpoint. JZCP's investments in Safety Solutions Holdings and Tierpoint have subsequently been transferred to JZHL Secondary Fund LP (mentioned above).

During the prior year, the Company entered into a note purchase agreement with David Zalaznick and Jay Jordan, pursuant to which they have purchased directly or through their affiliates, subordinated, second lien Subordinated Notes in the amount of \$31.5 million, with an interest rate of 6 per cent. per annum and maturing on 11 September 2022 (the "Subordinated Notes"). The issuance of the Subordinated Notes was subject to a number of conditions, including shareholder approval. On 26 August 2022, the maturity date of the Subordinated Notes was extended to 30 September 2022 and subsequently after certain criteria was met extended for a further 12 months to 30 September 2023.

Total Directors' remuneration for the six-month period ended 31 August 2022 was \$145,000 (31 August 2021: \$145,000).

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

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

For the period ended 31 August 2022, the weighted average number of Ordinary shares outstanding during the period was 77,477,214 (31 August 2021: 77,474,670).

The diluted earnings/(loss) per share is calculated by considering adjustments required to the earnings/(loss) and weighted average number of shares for the effects of potential dilutive Ordinary shares. Following the redemption of the Company's CULS during the prior period, there are no longer any potential dilutive events to the Ordinary shares.

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 2022 and 28 February 2022, 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 2022 and 28 February 2022, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

	Amount in Escrow	
	31.8.2022 US\$'000	28.2.2022 US\$'000
JZHL Secondary Fund (being 37.5% of the total amount held in escrow) ¹	411	202
New Vitality – added on realisation of investment	152	–
Igloo	49	49
Salter Labs (\$528,000 received)	–	536
Southern Petroleum Laboratories (\$509,000 received)	–	509
	612	1,296

During the period ended 31 August 2022, net proceeds including a minor refund of an escrow receipt, totalled \$999,000 (31 August 2021: \$nil) were realised and recorded in the Statement of Comprehensive Income.

¹ During the period, JZHL Secondary Fund received an Escrow of \$723,000 which was distributed to its limited partners. On the closing of JZHL Secondary Fund's realisation of Testing Services \$1,096,000 was placed in Escrow.

22. Subsequent Events

These Interim Financial Statements were approved by the Board on 9 November 2022. Events subsequent to the period end 31 August 2022 have been evaluated until this date.

On 30 September 2022, the Company announced the further extension of the maturity date of the Subordinated Notes through to 30 September 2023.

On 3 October 2022, the Company announced the redemption and cancellation of its ZDP shares.

Company Advisers

Investment Adviser

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

Jordan/Zalaznick Advisers, Inc.

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New York NY 10019

Registered Office

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

JZ Capital Partners Limited is registered in Guernsey Number 48761

Administrator, Registrar and Secretary

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

UK Transfer and Paying Agent

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

US Banker

HSBC Bank USA NA
452 Fifth Avenue
New York NY 10018

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

Guernsey Banker

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435 South Tryon Street, Suite 711
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Guernsey Lawyer

Mourant
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4HP

Financial Adviser and Broker

JP Morgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Useful Information for Shareholders

Listing

JZCP Ordinary shares 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 is 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.

ISIN/SEDOL numbers

	Ticker Symbol	ISIN Code	Sedol Number
Ordinary shares	JZCP	GG00B403HK58	B403HK5

Key Information Documents

JZCP produces a Key Information Documents to assist investors’ understanding of the Company’s securities and to enable comparison with other investment products. This document is 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 Interim Report and Financial Statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the Interim 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 2022 was 15.4%, which only reflects the change in NAV as no dividends were paid during the year. The Total NAV Return for the year ended 28 February 2022 was 0.9%.

Total Shareholder Return (Ordinary shares)

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes shareholder price total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex-dividend. The Shareholder Return for the period ended 31 August 2022 was 42.5%, which only reflects the change in share price as no dividends were paid during the year. The Shareholder Return for the year ended 28 February 2022 was 34.6%.

Useful Information for Shareholders continued

Key Information Documents continued

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 2022, JZCP's Ordinary shares traded at £1.71 (28 February 2022: £1.05) or \$1.99 (28 February 2022: \$1.41) being the dollar equivalent using the period end exchange rate of £1:\$1.16 (28 February 2022 £1: \$1.34). The shares traded at a 57.8% (28 February 2022: 67.2%) discount to the NAV per share of \$4.71 (28 February 2022: \$4.29).

Criminal Facilitation of Tax Evasion

The Board has 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 advisers as an investment for UK retail investors.

Internet Address

The Company: www.jzcp.com

Financial Diary

Results for the year ended 28 February 2023
Annual General Meeting
Interim report for the six months ended 31 August 2023

May 2023 (date to be confirmed)
June/July 2022 (date to be confirmed)
November 2023 (date to be confirmed)

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

Useful Information for Shareholders continued

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" on page 48).

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 advisers, 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 adviser will have certain general fiduciary duties to the Company, the board and the investment adviser 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 adviser 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 adviser.

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 adviser 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 adviser 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 adviser 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 adviser 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 adviser 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 adviser.

Useful Information for Shareholders continued

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 to be treated as a "passive foreign investment company" ("PFIC") for the fiscal year ended February 2021. The Company's treatment as a PFIC is likely to have adverse tax consequences for US taxpayers. Previously, for the fiscal year ended February 2020 the Company was found NOT to be a PFIC. An analysis for the financial year ended 28 February 2022 will be undertaken this year.

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/firm/summary/160932>

