



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

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

**INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED  
31 AUGUST 2016**

**26 October 2016**

JZ Capital Partners, the London listed fund that invests in US and European micro-cap companies and US real estate, announces its interim results for the six-month period ended 31 August 2016.

**Results Highlights**

- NAV of \$873 million (FYE 29/02/16: \$851.7 million)
- NAV per share of \$10.40, an increase of 2.5% (FYE 29/02/16: \$10.15)
- Total NAV return per share of 3.9%. Positive total NAV return per share delivered in 26 of the past 30 quarters
- Distribution of 15 cents per share for FYE 29/02/16 paid on 10 June 2016
- Interim dividend of 15.5 cents per share declared for the period ended 31/08/16
- Implied dividend yield of 5.1% (as at 31/08/16).
- Repayment of remaining ZDPs due June 2016, for £32.9 million
- Share price trading near its all-time high as at 25 October 2016, rising 28% since 29 February 2016

**Portfolio Highlights**

- Robust investment activity, with \$97.1 million invested across the three core portfolios:
  - Invested \$8.7 million in Oncology Services International and Pacific Medical, the third and fourth investments through the Jordan Health Products platform
  - Invested \$18.6 million in Esperante Corporate Centre, a landmark office building in West Palm Beach, Florida, alongside JZCP's long-term real estate partner, RedSky Capital, LLC ("RedSky") and co-investor, The Clark Estates
- Realisations of \$76.3 million, including:
  - \$20.7 million of proceeds from the sale of JZCP's stake in Winn to a major financial institution
- As of 31 August 2016, the US micro-cap portfolio consisted of 22 business, which includes four 'verticals' and 14 co-investments, across eight industries; the European micro-cap portfolio held 13 companies across five industries and six countries
- The US real estate portfolio was primarily comprised of four major assemblages (56 properties in total) located in New York and South Florida
  - Five properties acquired during the period

**David Zalaznick, JZCP's Founder and Investment Adviser, said:** "We are pleased with the strong performance of the Company for the first half of the year. Our differentiated portfolio of US and European micro-cap and US real estate has generated consistent returns for our shareholders – with positive NAV total return in 26 of the past 30 quarters. We expect the positive performance to continue in the second half of our fiscal year."

**David Macfarlane, Chairman of JZCP, said:** "The Board has declared an interim dividend of 15.5 cents per share to be paid to shareholders in November 2016. The first half performance underscores the resilience of the Company's investment portfolio and expertise of the Investment Adviser in growing the Company's NAV in the face of a challenging market environment. We look ahead to the rest of the year with confidence."

**Presentation details:**

There will be an analyst and investor presentation to discuss JZCP's recent financial performance and portfolio developments at 09:30 on 26 October 2016 at FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. It can be accessed by dialing **+44 (0)20 3043 2026 (UK)** or **+1 719 325 2202 (US)** with the participant access code **2129309**.

A playback facility will be available two hours after the conference call concludes. This facility may be accessed by using the same dial in details and participant access code as above.

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**About JZCP**

JZCP is a London listed fund which invests in US and European micro-cap companies and US real estate. Its objective is to achieve an overall return comprised of a current yield and capital appreciation. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. ("JZAI") which is led by David Zalaznick and Jay Jordan. They have worked together for 30 years and are supported by teams of investment professionals in New York, Chicago, London and Madrid. JZAI's experts work with the existing management of micro-cap companies to help build better businesses, create value and deliver strong returns for investors. JZCP also invests in mezzanine loans, first and second lien investments and other publicly traded securities. For more information please visit [www.jzcp.com](http://www.jzcp.com)

## Chairman's Statement

I am pleased to report the results of JZ Capital Partners ("JZCP" or the "Company") for the six-month period ended 31 August 2016.

**Performance**

The Company's robust performance over the last six months has been set against a backdrop of continued political and economic uncertainty in the markets that we focus on and, in the case of the UK, extreme market volatility following the UK's decision to leave the European Union.

Despite a balanced US economic outlook, the US Federal Reserve refrained from hiking interest rates in September and will wait for confirmation of a pick-up in inflation rates before taking further action. Elsewhere, the modest recovery in the Eurozone appears to continue and the global Purchasing Managers' Index ("PMI") edged up in August, helped by improving prospects for emerging markets.

The continued uncertainty surrounding the outcome of the US presidential election in November and details of Brexit negotiations is expected to continue to weigh on the minds of investors as we enter the last quarter of 2016.

Within this market environment, the Board is delighted with JZCP's performance during the period. For the six-month period ended 31 August 2016, JZCP's net asset value ("NAV") per share increased from \$10.15 to \$10.40, or 2.5%, underpinned by positive investment performance across our three core portfolios. Total NAV return per share was 3.9%, which includes a 15 cent dividend per share paid on 10 June 2016. This marks the 26th quarter of positive NAV total return per share out of the last 30 quarterly periods.

The Company's share price is trading near its all-time high as at 25 October 2016, rising 28% since 29 February 2016.

**Strategy**

The Investment Adviser's value-driven investment approach continues to lead to exciting opportunities in the US and European micro-cap sectors and the US real estate market. We continue to implement our strategy of working with the existing management of micro-cap companies to enhance growth, and look to acquire off-market properties with a large value-added component, providing investors with access to a diversified and balanced portfolio of alternative investment opportunities.

**Portfolio update**

It has been an active investment period for the Company, putting \$97.1 million to work across the US micro-cap and real estate portfolios - whilst realising \$76.3 million, primarily through the sale of JZCP's stake in Winn; the refinancing of three properties located in Brooklyn, New York, and the partial realisation of JZCP's investment in the Bright Spruce Fund.

At the end of the period, the Company's portfolio consisted of 22 US micro-cap businesses, including four 'verticals' and 14 co-investments, across eight industries, 13 European micro-cap companies across five industries and six countries, and four major real estate assemblages (56 properties in total) located across Brooklyn, New York and South Florida. It's also important to note that the portfolio is becoming more balanced by vintage: 46% of the portfolio's value has been held for less than three years; 30% three to five years; and 24% more than five years.

*US and European Micro-cap*

The Board is pleased with the performance of the US micro-cap portfolio during the period, which has seen a net valuation increase of 23 cents per share, primarily due to increased earnings at our Healthcare Revenue Cycle Management vertical and positive performance at several co-investments.

JZCP continues to expand and diversify its investment portfolio in Western Europe through its 75% ownership of the EuroMicrocap Fund 2010, L.P. and its 18.8% ownership of JZI Fund III, L.P. The European portfolio performed well during the period due to increased earnings at Petrocorner, our petrol station build-up in Spain and Collingwood, our niche UK insurance business, as well as a write-up at our online German bank, Fidor Bank (“Fidor”).

The Company agreed to sell its interest in Fidor during the period to Groupe BPCE, the second largest banking group in France. JZCP invested a total of \$13.8 million and is expected to receive total gross proceeds of approximately \$25.7 million from the sale, following customary regulatory approvals.

#### *Real Estate*

The Company continues to explore attractive investment opportunities in Brooklyn, New York and South Florida in conjunction with our partner, RedSky Capital. During the period, JZCP invested \$53.3 million to acquire interests in five properties located in Brooklyn, New York and South Florida. Post-period, JZCP acquired a further three properties. The portfolio has seen a valuation increase of 27 cents per share, led by a significant uplift at our Roebing Portfolio property located in Williamsburg, Brooklyn.

As of August 2016, JZCP has approximately \$309 million invested in four major real estate assemblages (56 properties in total) with an approximate valuation of \$435 million. All properties are currently in various stages of development and re-development.

#### **Realisations**

The Company generated realisations totalling \$76.3 million during the period, primarily through the sale of JZCP’s stake in Winn; the refinancing of three properties located in Brooklyn, New York, and the partial realisation of its investment in the Bright Spruce Fund. The Company closed the sale of its stake in Winn, a Newcastle-based UK legal services firm, to a major financial institution receiving net sale proceeds of \$20.7 million following the receipt of regulatory approval.

#### **Distributions**

In accordance with our policy to distribute annually an amount equal to three per cent of NAV, the Board has declared an interim dividend of 15.5 cents per share for the six-month period ended 31 August 2016, compared to 16 cents (paid on a smaller number of shares due to the capital raise completed in September 2015) for the six-month period ended 31 August 2015. This implies an annualised yield as at 31 August 2016 of 5.1%.

#### **Outlook**

We are pleased with the results of the hard work that’s been completed during the period. The Company has built on the heightened levels of investment activity during 2015 with further investments and realisations across the portfolio, whilst at the same time deleveraging the Company’s balance sheet through the repayment of the remaining 2016 Zero Dividend Preference Shares in June 2016.

The Board is confident in the Investment Adviser’s ability to continue to grow the Company’s NAV, providing an attractive long-term return for investors. We look forward to the second half of the year with confidence.

**David Macfarlane**  
**Chairman**  
**25 October 2016**

## Investment Adviser's Report

Dear Fellow Shareholders,

We are pleased to report that all three of JZCP’s major asset classes – US micro-cap, European micro-cap and US real estate – continued their positive performance for the six-month period ending 31 August 2016. JZCP’s NAV per share increased from \$10.15 to \$10.40, or 2.5% during the period, whereas total NAV return per share was 3.9%, which includes a 15 cent per share dividend paid on 10 June 2016.

This quarter marks positive total NAV return per share in 26 of the past 30 quarters, which is a testament to the consistent performance of our portfolio companies across several different asset classes.

For the past twelve-month period, including a previously paid dividend of 16 cents in November 2015, the implied dividend yield, based on our stock price at 31 August 2016 is 5.2%.

In the six-month period ended 31 August 2016, JZCP invested a total of \$97.1 million, underpinned by a healthy pipeline of opportunities across our growing real estate portfolio and core US micro-cap portfolio, while realising \$76.3 million, primarily through the sale of JZCP’s stake in Winn, the refinancing of three properties located in Brooklyn, New York and the partial realisation of JZCP’s investment in the Bright Spruce Fund. In addition, we received \$11.5 million from two post-period realisations in our US micro-cap portfolio.

As of 31 August 2016, our US micro-cap portfolio consisted of 22 businesses, which includes four ‘verticals’ and 14 co-investments, across eight industries; this portfolio was valued at 8.2x EBITDA, after applying an average 26%

marketability discount to public comparables. The average underlying leverage senior to JZCP's position in our US micro-cap portfolio is 3.5x EBITDA. Consistent with our value-oriented investment strategy, we have acquired our current US micro-cap portfolio at an average 6.3x EBITDA; we paid 5.5x EBITDA on average for US micro-cap acquisitions made during the period.

As of 31 August 2016, our European micro-cap portfolio consisted of 13 companies across five industries and six countries. The European micro-cap portfolio has low leverage senior to JZCP's position, of under 2.0x EBITDA.

Our US real estate portfolio can be grouped primarily into four major "assemblages" (56 total properties), located in the Williamsburg and Downtown/Fulton Mall neighbourhoods of Brooklyn, New York and the Wynwood and Design District neighbourhoods of Miami, Florida. Five properties were acquired during the period and an additional three properties were purchased post-period in September 2016. Our assemblages are comprised of adjacent or concentrated groupings of properties that can be developed, financed and/or sold together at a higher valuation than on a stand-alone basis.

#### Net Asset Value ("NAV")

JZCP's NAV per share increased from \$10.15 to \$10.40, or 2.5%, for the six-month period ending 31 August 2016. Total NAV return per share was 3.9%, which includes a 15 cent per share dividend paid on 10 June 2016.

<b>NAV per Ordinary share as of 29 February 2016</b>	<b>\$10.15</b>
<i>Change in NAV due to capital gains and accrued income</i>	
+ US Micro-cap	0.23
+ European Micro-cap	0.08
+ Real estate	0.27
+ Other investments	0.04
<i>Other increases/(decreases) in NAV</i>	
+ Change in CULS fair value <sup>(1)</sup>	0.03
- Finance costs	(0.09)
+ Foreign exchange effect <sup>(2)</sup>	0.10
- Expenses and taxation	(0.26)
<b>NAV per Ordinary share (before dividends paid)</b>	<b>\$10.55</b>
- Dividends paid	(0.15)
<b>NAV per Ordinary share as of 31 August 2016</b>	<b>\$10.40</b>

<sup>(1)</sup> Includes fx gains of four cents

<sup>(2)</sup> Includes fx gains on investments of eight cents

The US micro-cap portfolio had a net increase of 23 cents, primarily due to increased earnings at our Healthcare Revenue Cycle Management vertical (20 cents). Also contributing to the positive portfolio performance were increases at several co-investment companies: Salter (2 cents) and Medplast (3 cents), both healthcare products manufacturers; TierPoint, a data centre business (3 cents); and Vitalyst, an IT support business (1 cent).

Offsetting these increases was a decrease at Healthcare Products Holdings, our power wheelchair company, which was written down to zero (12 cents), as further regulations have significantly damaged the company's prospects. Other assets to experience earnings declines included: our Water and Industrial Services Solutions ("ISS") verticals, (5 and 3 cents, respectively); Suzo-Happ, our co-investment manufacturer of parts for the global gaming industry (3 cents); and Sloan LED, our co-investment LED lighting business (1 cent).

The European micro-cap portfolio had a net increase of 8 cents, primarily due to a write-up at our online German bank, Fidor Bank (3 cents), which was contractually sold to a French banking conglomerate during the period. Other assets written up due to increased earnings include Petrocorner (2 cents), our petrol station build-up in Spain and Collingwood (1 cent), our niche UK insurance business.

The real estate portfolio had a net increase of 27 cents, led by a write-up at our Roebbling Portfolio property located in Williamsburg, Brooklyn (27 cents). Increases in value of our real estate properties are based upon third-party appraisals.

#### Returns

The chart below summarises the cumulative total NAV returns and total shareholder returns for the most recent three-month, six-month, twelve-month, three-year and five-year period. The number of shares at the beginning of each period (except for the three-month and six-month periods) was 65,018,607, while the number of shares at the end of each period was 83,907,516, thus negatively affecting the total NAV return per share and total shareholder return per share.

	<u>Since</u>	<u>Since</u>	<u>Since</u>	<u>Since</u>	<u>Since</u>
<u>31.8.2016</u>	<u>31.5.2016</u>	<u>29.2.2016</u>	<u>31.8.2015</u>	<u>31.8.2013</u>	<u>31.8.2011</u>

Share price (in GBP)	£4.53	£3.90	£3.97	£4.34	£4.75	£3.75
NAV per share (in USD)	\$10.40	\$10.32	\$10.15	\$10.67	\$9.87	\$9.09
Dividends paid (in USD)	-	-	\$0.15	\$0.31	\$0.94	\$1.48
Implied dividend yield	5.2%	5.4%	6.1%	4.9%	3.9%	2.6%
Total Shareholders' return <sup>3</sup>	-	16.2%	17.3%	10.0%	8.5%	51.3%
Total NAV return <sup>3</sup>	-	0.8%	4.0%	0.4%	15.8%	33.1%
NAV to market price discount	43.0%	45.0%	45.5%	37.4%	25.6%	32.9%

<sup>3</sup> Total returns are cumulative and assume that dividends were reinvested.

For 31 August dates in 2016, 2015 & 2013, implied dividend yield calculated as the addition of dividends paid in the June and November immediately preceding the 31 August date, divided by the stock price at the 31 August date. For 31 May 2016, implied dividend yield calculated as the addition of June 2016 and November 2015 dividends paid, divided by the stock price at 31 May 2016. For 29 February 2016, dividend yield calculated as the addition of the June & November 2015 dividends paid divided by the stock price at 29 February 2016. For August 2011, dividend yield calculated as the addition of the July & November 2011 dividends paid divided by the stock price at 31 August 2011.

## Portfolio Summary

Our portfolio is well diversified by asset type and geography, with 35 US and European micro-cap investments across nine industries and four primary real estate “assemblages” (56 total properties) located in Brooklyn, New York and South Florida. It continues to become more diversified geographically across Western Europe with investments in Spain, Italy, Germany, Scandinavia and the UK. It's also important to note that 46% of our investment portfolio is less than three years old.

Below is a summary of JZCP's assets and liabilities at 31 August 2016 as compared to 29 February 2016. An explanation of the changes in the portfolio follows:

	<b>31.8.2016</b>	<b>29.2.2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>
US micro-cap portfolio	438,188	386,173
European micro-cap portfolio	158,159	168,797
Real estate portfolio	435,144	366,158
Other investments	28,500	64,320
<b>Total private investments</b>	<b>1,059,991</b>	<b>985,448</b>
Listed corporate bonds	13,373	13,036
UK treasury gilts	-	45,608
Cash	53,825	91,937
<b>Total listed investments and cash</b>	<b>67,198</b>	<b>150,581</b>
Other assets	5,970	3,551
<b>Total assets</b>	<b>1,133,159</b>	<b>1,139,580</b>
Zero Dividend Preference shares	(55,325)	(101,617)
Convertible Unsecured Loan Stock	(57,004)	(59,573)
Loans payable	(107,254)	(97,011)
Other payables	(40,575)	(29,640)
<b>Total liabilities</b>	<b>(260,158)</b>	<b>(287,841)</b>
<b>Net Asset Value</b>	<b>873,001</b>	<b>851,739</b>

## US micro-cap portfolio

The US micro-cap portfolio has performed very well during the period. As described earlier, the US micro-cap portfolio had a net increase of 23 cents, due to a combination of increased earnings and accretive acquisitions.

Our US portfolio is grouped into industry verticals where we are continuing our strategy of consolidating businesses under industry executives who can add value via organic growth and cross company synergies. We made a number of acquisitions in our verticals during the period.

## New US investments – verticals

Vertical	Number of Acquisitions	JZCP Investment (\$ millions)
Industrial Services Solutions	3	No cash required from JZCP
Healthcare Revenue Cycle Management	2	1.4
Testing Services	2	0.5

Other	-	3.9
	7	5.8

#### New US investments – co-investments

Portfolio Company	New/Follow-on	JZCP Investment (\$ millions)
George Industries	New	12.6
Southern Petroleum Labs	Follow-on	0.4
Jordan Healthcare Products	New/Follow-on	8.7
Tech Industries	Follow-on	2.5
Peaceable Street Capital	Follow-on	13.8
		38.0

#### European micro-cap portfolio

##### Recent events

*JZCP completes second phase of secondary sale to major financial institution:*

Following the receipt of regulatory approval in August 2016, JZCP closed the sale of its stake in Newcastle-based UK legal services firm Winn (held through the EuroMicrocap Fund 2010, L.P. (“EMC 2010”)) to a major financial institution, receiving net sale proceeds of \$20.7 million<sup>4</sup> plus an interest distribution of \$1.2 million post-period in September 2016. These total proceeds of \$21.9 million compare against an initial investment made by JZCP in Winn of \$14.8 million in August 2013.

This marks the completion of the two-phase transaction to sell JZCP’s stake in six European investments held through EMC 2010 to the same financial institution, which was originally announced in February 2016.

*JZCP agrees to sell its interest in Fidor to second largest French banking group:*

JZCP agreed to sell its interest in Fidor Bank AG (“Fidor”) to Groupe BPCE, the second largest banking group in France. The closing of the transaction will be subject to customary regulatory change of control approval from the European Central Bank and BaFin as well as clearance from the German competition authority, expected in the fourth quarter of 2016.

JZCP first invested in Fidor in August 2013 through EMC 2010 and has since worked with the senior management team to grow and develop the business. JZCP invested a total of \$13.8 million and is expected to receive total gross proceeds of approximately \$25.7 million from the sale.

<sup>4</sup> Original gross sale price fixed in euros at €21.1 million, plus 8% interest from 1 February 2016 to 30 June 2016, minus a distribution to JZCP in that period of €1.1 million.

##### Current European portfolio

JZCP invests in the European micro-cap sector through its 75% ownership of EMC 2010 and EuroMicrocap Fund-C, L.P. (“EMC Fund-C”) and its 18.8% ownership of JZI Fund III, L.P. (“Fund III”). As you may recall, JZAI has offices in London and Madrid and an outstanding team with over fifteen years of experience investing together in European micro-cap deals.

As of 31 August 2016, EMC 2010 held one investment in Germany (Fidor) and EMC Fund-C held two investments in Spain (Factor Energia and Oro Direct<sup>5</sup>).

Fund III held six investments: two in Spain, one each in the UK and Italy, and two in Scandinavia.

<sup>5</sup> EMC 2010 transferred its interests in Factor Energia and Oro Direct to EuroMicrocap Fund-C, L.P. (“EMC Fund-C”) as of 1 February 2016 and 1 March 2016, respectively. EMC Fund-C is held by the same limited partners and in the exact same ownership percentages as EMC 2010.

##### Real Estate Portfolio

As of 31 August 2016, JZCP had more than \$309 million invested in a portfolio of retail, office and residential properties in Brooklyn, New York and South Florida that is valued at \$435 million as of the same date. We have made these investments in partnership with RedSky Capital, a team with significant experience in the sector.

Fiscal year overview:

During the period, JZCP, together with RedSky, acquired five properties, reflecting RedSky Capital’s ability to originate a

healthy pipeline of attractive investment opportunities in both New York and South Florida. Since we began investing with RedSky in April 2012, we have acquired a total of 59 properties (three post-period in September 2016), all currently in various stages of development and re-development.

The real estate portfolio had a net increase of 27 cents, led by a write-up at our Roebling Portfolio property located in Williamsburg, Brooklyn (27 cents). Increases in value of our real estate properties are based upon third-party appraisals.

#### New real estate investments

<u>Geography</u>	<u>Number of Acquisitions</u>	<u>JZCP Investment (\$ millions)</u>
Brooklyn, New York	1	9.3
South Florida	4	42.8
Other	-	1.2
	<u>5</u>	<u>53.3</u>

#### **Other Investments**

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

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

#### **Listed Investments**

We have continued our strategy of holding highly-rated listed corporate bonds as a means of earning an enhanced return on our cash. Currently, Goldman Sachs is the sole obligor of these bonds, which mature in January 2017.

#### Realisations

<u>Asset</u>	<u>Type</u>	<u>Portfolio</u>	<u>Proceeds (\$ millions)</u>
Bright Spruce Fund	Partial realisation	Other	39.7
Suzo Happ	Distribution	US	1.3
K2 Towers	Partial buy down	US	1.1
Dental Services	Escrow receipt	US	3.1
Amptek	Escrow receipt	US	1.6
Galson	Escrow receipt	US	0.5
JZ International	Various	Other	0.9
Winn	Sale	European	20.7
Roebling	Refinance	Real estate	1.2
Redbridge Bedford	Refinance	Real estate	3.9
Flatbush	Refinance	Real estate	0.8
Other		Other	1.5
			<u>76.3</u>

In addition, post-period we realised \$11.5 million from the sale of Southern Petroleum Laboratories (\$8.4 million), a provider of petroleum and environmental testing services, and Metpar (\$3.1 million), a manufacturer of restroom partitions.

#### **Outlook**

We anticipate that the positive performance across our three major asset classes – US micro-cap, European micro-cap and US real estate – will continue in the second half of JZCP's fiscal year.

Our teams in the US and Europe are working with our respective management partners to grow JZCP's portfolio investments in a low interest environment. Of course, we will be pursuing several realisations, both sales and refinancings.

Our stock has risen about 25% since the end of our fiscal year at 29 February 2016. While that is gratifying, we feel there is still a long way to go from the current discount of approximately 40%. In consideration of the constant validation of our growing NAV, we hope investors will realise the opportunity JZCP offers for long-term superior returns with a healthy yield (currently 5%) while you wait.

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

Yours faithfully,  
Jordan/Zalaznick Advisers, Inc.  
25 October 2016

## Investment Portfolio

	Historical Book cost <sup>(1)</sup> US\$'000	Carrying Value 31 August 2016 US\$'000	Percentage of portfolio %
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### US Micro-cap portfolio

#### US Micro-cap (Verticals)

##### Industrial Services Solutions<sup>(4)</sup>

###### INDUSTRIAL SERVICES SOLUTIONS ("ISS")

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

*Total Industrial Services Solutions valuation*

33,256 84,045 7.8

##### Healthcare Revenue Cycle Management<sup>(4)</sup>

###### BHS HOSPITAL SERVICES

Provider of outsourced revenue cycle management solutions to hospitals.

BHS Hospital Services, Inc., which owns **Bolder Outreach Services**

**(formerly known as Monti Eligibility & Denial Solutions), Receivables**

**Outsourcing, Inc.** and **Avectus Healthcare Solutions, LLC** is a

subsidiary of Bolder Healthcare Solutions, LLC

###### BHS PHYSICIAN SERVICES

Provider of outsourced revenue cycle management solutions to physician

groups. BHS Physician Services, Inc., which owns **Bodhi Tree Group**

and **PPM Information Solutions, Inc.** is a subsidiary of Bolder Healthcare

Solutions, LLC

*Total Healthcare Revenue Cycle Management valuation*

30,327 55,649 5.2

##### Sensors Solutions<sup>(4)</sup>

###### NIELSEN-KELLERMAN

Designer and manufacturer of weather, wind and timing measurement instruments and devices. Nielsen-Kellerman is a subsidiary of Sensors Solutions Holdings

*Total Sensors Solutions Vertical valuation*

2,644 6,514 0.6

##### Testing Services<sup>(4)</sup>

###### ARGUS GROUP HOLDINGS

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

*Total Testing Services Vertical valuation*

11,174 10,273 1.0

##### Logistics Solutions<sup>(4)</sup>

###### PRIORITY EXPRESS, LLC

Provider of same day express courier services to various companies located in northeastern USA. Priority Express is a subsidiary of US Logistics, LLC

*Total Logistics Vertical valuation*

13,200 8,873 0.8

##### Water Services<sup>(4)</sup>

###### TWH INFRASTRUCTURE INDUSTRIES, INC.

Environmental infrastructure company that provides technology to facilitate repair of underground pipes and other infrastructure. TWH Infrastructure

Industries, Inc., which owns **LMK Enterprises, Perma-Liner Industries**

and **APMCS** is a subsidiary of Triwater Holdings

###### TWH WATER TREATMENT INDUSTRIES, INC.

Provider of water treatment supplies and services. TWH Water Treatment

Industries, Inc., which owns **Nashville Chemical & Equipment** and

**Klenzoid Canada Company/Eldon Water, Inc.**, is a subsidiary of Triwater Holdings

###### TWH FILTRATION INDUSTRIES, INC.

Supplier of parts and filters for point-of-use filtration systems, which owns

**Paragon Water Systems**, is a subsidiary of Triwater Holdings

*Total Water Services Vertical valuation*

33,457 41,571 3.9

#### **Total US Micro-cap (Verticals)**

124,058 206,925 19.3

## US Micro-cap (Co-investments)

### GEORGE INDUSTRIES

Manufacturer of highly engineered, complex and high tolerance products for the aerospace, transportation, military and other industrial markets 12,639 12,639 1.2

### IGLOO PRODUCTS CORP<sup>(4)</sup>

Designer, manufacturer and marketer of coolers and outdoor products 6,039 6,039 0.6

### ILLUMINATION INVESTMENTS, LLC<sup>(4)</sup>

Designer and manufacturer of LED lights and lighting systems 4,920 1,930 0.2

### JORDAN HEALTH PRODUCTS, LLC

Provider of new and professionally refurbished healthcare equipment 26,685 26,685 2.5

### K2 TOWERS, LLC

Acquirer of wireless communication towers 20,900 20,900 1.9

### MEDPLAST/UPG HOLDINGS<sup>(4)</sup>

Manufacturer of plastic medical components 17,983 28,035 2.6

### NEW VITALITY HOLDINGS, INC.<sup>(4)</sup>

Direct-to-consumer provider of nutritional supplements and personal care products. 3,280 3,653 0.3

### PEACEABLE STREET CAPITAL, LLC

Specialty finance platform focused on commercial real estate 17,500 17,500 1.6

### VITALYST<sup>(4)</sup>

Provider of outsourced IT support and training services 9,020 7,000 0.6

### SALTER LABS, INC.<sup>(4)</sup>

Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets 16,762 18,118 1.7

### SOUTHERN PETROLEUM LABORATORIES<sup>(4)</sup>

Provider of petroleum and environmental testing services

SUZO HAPP GROUP<sup>(4)</sup> 4,334 8,935 0.8

Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets

2,572 11,700 1.1

### TECH INDUSTRIES<sup>(4)</sup>

Manufacturer of high precision machine parts and tools for aerospace and defense industries 9,717 9,717 0.9

### TIERPOINT, LLC<sup>(4)</sup>

Provider of cloud computing and colocation data center services 44,313 46,813 4.4

### **Total US Micro-cap (Co-investments)**

196,664 219,664 20.4

## US Micro-cap (Other)

### INDUSTRIAL PERFORMANCE SOLUTIONS<sup>(4)</sup>

Acquirer of companies providing mission critical inspection services for a variety of industries 331 409 -

### HEALTHCARE PRODUCTS HOLDINGS, INC.<sup>(3)</sup>

Designer and manufacturer of motorised vehicles 17,636 - -

### MODJ, LLC<sup>(4)</sup>

Acquirer of speciality retail companies located in the centre of shopping malls 208 267 -

### NATIONWIDE STUDIOS, INC.

Processor of digital photos for preschoolers 20,092 10,295 1.0

### US SANITATION, LLC<sup>(4)</sup>

Acquirer of janitorial and sanitorial product distributors and related chemical manufacturers and blenders 425 628 0.1

### **Total US Micro-cap (Other)**

38,692 11,599 1.1

### **Total US Micro-cap portfolio**

**359,414 438,188 40.8**

## European Micro-Cap portfolio

### EUROMICROCAP FUND 2010, L.P.

At 31 August 2016, was invested in one company in the European micro-cap sector: **Fidor Bank** 19,693 24,555 2.3

### EUROMICROCAP FUND-C, L.P.

At 31 August 2016, was invested in two companies in the European micro-cap sector: **Factor Energia** and **Oro Direct** 13,937 64,341 6.0

### JZI Fund III, L.P.

At 31 August 2016, was invested in six companies in the European micro-cap sector: **Petrocorner**, **Fincontinuo**, **S.A.C**, **Collingwood**, **My Lender** and **Alianzas en Acero** 21,417 24,532 2.3

## Direct investments

DOCOUT, SL Provider of digitalisation, document processing and storage services	2,777	3,010	0.3
GRUPO OMBUDS Provider of personal security and asset protection	17,155	20,279	1.9
TORO FINANCE Provides short term receivables finance to the suppliers of major Spanish companies	21,619	18,414	1.7
XACOM COMUNICACIONES SL Supplier of telecom products and technologies	2,055	3,028	0.3
<b>Total European Micro-cap portfolio</b>	<b>98,653</b>	<b>158,159</b>	<b>14.8</b>
<b>Real estate</b>			
JZCP REALTY FUND <sup>(2)</sup> Facilitates JZCP's investment in US real estate	308,660	435,144	40.5
<b>Total Real estate portfolio</b>	<b>308,660</b>	<b>435,144</b>	<b>40.5</b>
<b>Other investments</b>			
BSM ENGENHARIA S.A. Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	459	-
METPAR INDUSTRIES, INC. <sup>(5)</sup> Manufacturer of restroom partitions	7,754	750	0.1
SPRUCEVIEW CAPITAL, LLC Asset management company focusing primarily on managing endowments and pension funds	18,010	18,010	1.7
BRIGHT SPRUCE FUND, L.P. Fund investing in marketable equity, fixed income and alternative asset classes	10,301	8,531	0.8
JZ INTERNATIONAL, LLC <sup>(3)</sup> Fund of European LBO investments	-	750	0.1
<b>Total Other investments</b>	<b>42,180</b>	<b>28,500</b>	<b>2.7</b>
<b>Listed investments</b>			
<b>Corporate bonds</b>			
Goldman Sachs, 30.1.2017	16,590	13,373	1.2
<b>Total Listed investments</b>	<b>16,590</b>	<b>13,373</b>	<b>1.2</b>
<b>Total - portfolio</b>	<b>825,497</b>	<b>1,073,364</b>	<b>100.0</b>

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

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

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

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

<sup>(5)</sup> Investment in mezzanine debt is classified as a Loan and Receivable in the financial statements.

## Unaudited Statement of Comprehensive Income

For the Period from 1 March 2016 to 31 August 2016

	Note	Six month period from 1 March 2016 to 31 August 2016			Six month period from 1 March 2015 to 31 August 2015		
		Revenue return US\$'000	Capital return US\$'000	Total US\$'000	Revenue return US\$'000	Capital return US\$'000	Total US\$'000
<b>Income</b>							
Net gains on investments at fair value through profit or loss	6	-	38,903	38,903	-	2,357	2,357
Gains on financial liabilities at fair value through profit or loss		-	2,569	2,569	-	324	324
Net write back of impairments on loans and receivables	7	-	183	183	-	2,651	2,651
Realisations from investments held in escrow accounts	22	-	5,315	5,315	-	644	644
Net foreign currency exchange gains		-	1,944	1,944	-	455	455
Investment income	8	14,343	-	14,343	14,510	-	14,510
Bank and deposit interest		28	-	28	114	-	114

		14,371	48,914	63,285	14,624	6,431	21,055
<b>Expenses</b>							
Investment Adviser's base fee	10	(8,724)	-	(8,724)	(7,413)	-	(7,413)
Investment Adviser's incentive fee	10	-	(11,197)	(11,197)	-	(3,072)	(3,072)
Administrative expenses		(1,292)	-	(1,292)	(1,325)	-	(1,325)
Directors' remuneration		(200)	-	(200)	(200)	-	(200)
		<u>(10,216)</u>	<u>(11,197)</u>	<u>(21,413)</u>	<u>(8,938)</u>	<u>(3,072)</u>	<u>(12,010)</u>
<b>Operating profit</b>		<b>4,155</b>	<b>37,717</b>	<b>41,872</b>	<b>5,686</b>	<b>3,359</b>	<b>9,045</b>
Finance costs	9	-	(8,024)	(8,024)	-	(9,127)	(9,127)
<b>Profit/(loss) before taxation</b>		<b>4,155</b>	<b>29,693</b>	<b>33,848</b>	<b>5,686</b>	<b>(5,768)</b>	<b>(82)</b>
Withholding taxes	11	-	-	-	(398)	-	(398)
<b>Profit/(loss) for the period</b>		<b>4,155</b>	<b>29,693</b>	<b>33,848</b>	<b>5,288</b>	<b>(5,768)</b>	<b>(480)</b>
Weighted average number of Ordinary shares in issue during period							
	21			83,907,516			65,018,607
Basic earnings per Ordinary share	21	4.95c	35.39c	40.34c	8.13c	(8.87)c	(0.74)c
Diluted earnings per Ordinary share	21	4.60c	31.88c	36.48c	8.13c	(8.87)c	(0.74)c

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

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

The format of the Income Statement follows the recommendations of the 2014 AIC Statement of Recommended Practice.

The "Total" column of this statement represents the Company's statement of comprehensive income, prepared in accordance with IFRS.

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

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

## Statement of Financial Position

As at 31 August 2016

	Note	31 August 2016 US\$'000 <i>Unaudited</i>	29 February 2016 US\$'000 <i>Audited</i>
<b>Assets</b>			
Investments at fair value through profit or loss	12	1,072,614	1,043,342
Investments classified as loans and receivables	12	750	750
Cash and cash equivalents		53,825	91,937
Other receivables	13	5,970	3,551
<b>Total assets</b>		<b>1,133,159</b>	<b>1,139,580</b>
<b>Liabilities</b>			
Convertible Unsecured Loan Stock	14	57,004	59,573
Zero Dividend Preference (2022) shares	15	55,325	57,400
Zero Dividend Preference (2016) shares	15	-	44,217
Loans payable	16	107,254	97,011
Investment Adviser's incentive fee	10	36,086	24,889
Investment Adviser's base fee	10	2,342	2,145
Other payables	17	2,147	2,606
<b>Total liabilities</b>		<b>260,158</b>	<b>287,841</b>
<b>Equity</b>			
Stated capital		265,685	265,685
Distributable reserve		353,528	353,528
Capital reserve		186,479	156,786
Revenue reserve		67,309	75,740
<b>Total equity</b>		<b>873,001</b>	<b>851,739</b>

<b>Total liabilities and equity</b>		1,133,159	1,139,580
<b>Number of Ordinary shares in issue at period end</b>	18	83,907,516	83,907,516
<b>Net asset value per Ordinary share</b>		\$10.40	\$10.15

These unaudited condensed interim financial statements were approved by the Board of Directors and authorised for issue on 25 October 2016. They were signed on its behalf by:

David Macfarlane  
**Chairman**

Patrick Firth  
**Director**

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

## Unaudited Statement of Changes in Equity

For the Period from 1 March 2016 to 31 August 2016

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

Comparative for the period from 1 March 2015 to 31 August 2015

	Note	Stated Capital US\$'000	Distributable Reserve US\$'000	Capital Reserve Realised US\$'000	Capital Reserve Unrealised US\$'000	Revenue Reserve US\$'000	Total US\$'000
<b>Balance at 1 March 2015</b>		149,269	353,528	104,657	10,539	87,517	705,510
Loss for the period		-	-	(388)	(5,380)	5,288	(480)
Dividends Paid	24	-	-	-	-	(11,378)	(11,378)
<b>Balance at 31 August 2015</b>		<u>149,269</u>	<u>353,528</u>	<u>104,269</u>	<u>5,159</u>	<u>81,427</u>	<u>693,652</u>

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

## Unaudited Statement of Cash Flows

For the Period from 1 March 2016 to 31 August 2016

	Note	Six Month Period Ended 31 August 2016 US\$'000	Six Month Period Ended 31 August 2015 US\$'000
<b>Operating activities</b>			
Net cash outflow from operating activities	23	(7,011)	(13,420)
Cash outflow for purchase of investments		(94,039)	(108,518)
Cash outflow for Capital Call by the EuroMicrocap Fund 2010, L.P.		-	(7,275)
Cash inflow from repayment and disposal of investments		118,444	19,511
Cash inflow from the repayment of loans and receivables		226	2,886

Net cash inflow/(outflow) before financing activities		17,620	(106,816)
<b>Financing activity</b>			
Redemption of Zero Dividend Preference (2016) shares	15	(47,863)	-
Proceeds from loan facilities	16	9,512	100,283
Loan/share issue costs paid	16	-	(4,033)
Repayment of loan facility	16	-	(50,201)
Finance costs paid		(5,108)	(3,498)
Dividends paid to Shareholders	24	(12,586)	(11,378)
Net cash (outflow)/inflow from financing activities		(56,045)	31,173
Decrease in cash and cash equivalents		(38,425)	(75,643)

#### Reconciliation of net cash flow to movements in cash and cash equivalents

Cash and Cash Equivalents at 1 March		91,937	101,323
Decrease in cash and cash equivalents		(38,425)	(75,643)
Unrealised foreign exchange movements on cash at bank		313	161
Cash and cash equivalents at period end		53,825	25,841

#### Reconciliation of cash outflows/inflows from investments and realisations (above), to numbers presented in the Chairman's statement and Investment Adviser's report and note 12 (Investment Reconciliation) to the financial statements.

	Six Month Period Ended 31 August 2016 US\$'000
Cash outflow for purchase of investments	94,039
Deposits paid during prior period invested in current period	3,018
Purchases in period (note 12)	97,057
	US\$'000
Cash inflow from repayment and disposal of investments	118,444
Cash inflow from the repayment of loans and receivables	226
Proceeds from investments realised (note 12)	118,670
Escrow receipts	5,315
Less proceeds received from maturity of UK treasury gilt	(47,694)
Total realisations in period	76,291

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

## Notes to the Financial Statements

### 1. General Information

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

The Company's objective is to create a portfolio of investments providing a superior overall return comprised of a current yield and significant capital appreciation.

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

opportunities in the United States and Europe.

The Company is focused on investing in the following areas:

- (a) small or micro-cap buyouts in the form of debt and equity and preferred stock;
- (b) real estate or real estate linked investments

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

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

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

## 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 2016 to 31 August 2016 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted in the European Union, together with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Listing Rules of the London Stock Exchange's Specialist Fund Market. The interim financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the annual report and audited financial statements at 29 February 2016.

### **Basis of Preparation**

The interim financial statements have been prepared under the historical cost basis, modified by the revaluation of certain financial instruments designated at Fair value through Profit or Loss upon initial recognition. The accounting policies adopted in the preparation of these interim financial statements are consistent with the accounting policies stated in Note 2 of the annual financial statements for the year ended 29 February 2016. The preparation of condensed interim financial statements in conformity with IAS 34, "Interim Financial Reporting" as adopted in the European Union, requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

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

IFRS 9 Financial Instruments: Classification and Measurement. The adoption of the first phase of IFRS 9 (tentatively effective for periods beginning on after 1 January 2018), awaiting EU endorsement, may have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

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

## 3. Estimates and Judgements

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

### *Estimates*

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

Certain investments are classified as FVTPL, and valued accordingly, as disclosed in Note 2 of the annual financial statements for the year ended 29 February 2016. The key source of estimation uncertainty is on the valuation of unquoted equities and equity-related securities.

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

#### *Loans and Receivables*

Certain investments are classified as Loans and Receivables, and valued accordingly, as disclosed in Note 2 of the

annual financial statements for the year ended 29 February 2016 as stated in Note 2. The key estimation is the impairment review and the key assumptions are as disclosed in Note 2 of the financial statements for the year ended 29 February 2016.

#### *Judgements*

##### *Investment in Associates*

The policies applied in accounting for the Company's associates require significant judgement. Full details are disclosed in Note 3 of the annual financial statements for the year ended 29 February 2016.

##### *Assessment as an Investment Entity*

The Board has concluded that the Company meets the definition of an investment entity and as such, does not consolidate its subsidiaries but rather values them at fair value through profit or loss as described in Note 3 of the annual financial statements for the year ended 29 February 2016.

#### *Going Concern*

A fundamental principle of the preparation of financial statements in accordance with IFRS is the assumption that an entity will normally continue in existence as a going concern. The Company has assessed its future working capital requirements, and is confident it can meet its future financial obligations for the twelve months from the signing of the interim financial statements. The Company has prepared the interim financial statements on the going concern basis.

#### 4. Segment Information

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

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

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

Investments in corporate bonds and treasury gilts are not considered part of any individual segment and have therefore been excluded from this segmental analysis.

#### **Segmental profit/(loss)**

For the period from 1 March 2016 to 31 August 2016

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Listed Equities US\$ '000	Total US\$ '000
Interest revenue	11,450	2,643	199	43	-	14,335
Total segmental revenue	11,450	2,643	199	43	-	14,335
Realisations from investments held in Escrow accounts	5,315	-	-	-	-	5,315
Net gain on investments at fair value through profit or loss	2,482	8,042	22,628	3,143	-	36,295
Write back of Impairments on loans and receivables	-	-	-	183	-	183
Investment Adviser's base fee	(3,065)	(1,286)	(3,081)	(433)	-	(7,865)
Investment Adviser's capital incentive fee	(5,499)	(176)	(4,526)	(483)	-	(10,684)
Total segmental operating profit	10,683	9,223	15,220	2,453	-	37,579

For the period from 1 March 2015 to 31 August 2015

	US Micro-Cap US\$ '000	European Micro-Cap US\$ '000	Real Estate US\$ '000	Other Investments US\$ '000	Listed Equities US\$ '000	Total US\$ '000
Interest revenue	10,245	1,838	99	593	-	12,775
Dividend revenue	1,325	-	-	-	-	1,325
Total segmental revenue	11,570	1,838	99	593	-	14,100
Realisations from investments held in Escrow accounts	644	-	-	-	-	644

Net gain/(loss) on investments at fair value through profit or loss	8,050	(502)	(1,943)	(55)	(2,669)	2,881
Write back of Impairments on loans and receivables	-	-	-	2,651	-	2,651
Investment Adviser's base fee	(2,372)	(1,839)	(1,757)	(96)	(459)	(6,523)
Investment Adviser's capital incentive fee	(2,962)	(2)	389	(1,136)	534	(3,177)
<b>Total segmental operating profit/(loss)</b>	<b>14,930</b>	<b>(505)</b>	<b>(3,212)</b>	<b>1,957</b>	<b>(2,594)</b>	<b>10,576</b>

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

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

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

	<b>Period ending 31.8.2016 US\$ '000</b>	<b>Period ending 31.8.2015 US\$ '000</b>
<b>Total segmental operating profit</b>	37,579	10,576
Net gain/(loss) on treasury gilts and corporate bonds	2,425	(524)
Gain on financial liabilities at fair value through profit or loss	2,569	324
Net foreign exchange gains	1,944	455
Interest on treasury notes and corporate bonds	8	410
Interest on cash	28	114
Fees payable to investment adviser based on non segmental assets	(1,372)	(785)
Expenses not attributable to segments	(1,492)	(1,525)
<b>Operating profit</b>	<b>41,689</b>	<b>9,045</b>

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

	<b>31.8.2016 US\$ '000</b>	<b>31.8.2015 US\$ '000</b>
Total segmental revenue	4,335	14,100
<i>Non-segmental revenue</i>		
Interest on treasury gilts and corporate bonds	8	410
Bank and deposit interest	28	114
<b>Total revenue</b>	<b>14,371</b>	<b>14,624</b>

### Segmental Net Assets

At 31 August 2016

	<b>US Micro-Cap US\$ '000</b>	<b>European Micro-Cap US\$ '000</b>	<b>Real Estate US\$ '000</b>	<b>Other Investments US\$ '000</b>	<b>Listed Investments US\$ '000</b>	<b>Total US\$ '000</b>
<b>Segmental assets</b>						
Investments at fair value through profit or loss	438,188	158,159	435,144	27,750	-	1,059,241
Investments classified as loans and receivables	-	-	-	750	-	750
Other receivables	-	-	5,920	-	-	5,920
<b>Total segmental assets</b>	<b>438,188</b>	<b>158,159</b>	<b>441,064</b>	<b>28,500</b>	<b>-</b>	<b>1,065,911</b>
<b>Segmental liabilities</b>						
Payables and accrued expenses	(17,351)	1,150	(26,158)	3,002	(1,401)	(40,758)
<b>Total segmental liabilities</b>	<b>(17,351)</b>	<b>1,150</b>	<b>(26,158)</b>	<b>3,002</b>	<b>(1,401)</b>	<b>(40,758)</b>
<b>Total segmental net assets</b>	<b>420,837</b>	<b>159,309</b>	<b>414,906</b>	<b>31,502</b>	<b>(1,401)</b>	<b>1,025,153</b>

At 29 February 2016

	<b>US Micro-Cap US\$ '000</b>	<b>European Micro-Cap US\$ '000</b>	<b>Real Estate US\$ '000</b>	<b>Other Investments US\$ '000</b>	<b>Listed Investments US\$ '000</b>	<b>Total US\$ '000</b>
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<b>Segmental assets</b>						
Investments at fair value through profit or loss	386,173	168,797	366,158	63,570	-	984,698
Investments classified as loans and receivables	-	-	-	750	-	750
Other receivables	-	-	3,513	-	-	3,513
<b>Total segmental assets</b>	<b>386,173</b>	<b>168,797</b>	<b>369,671</b>	<b>64,320</b>	<b>-</b>	<b>988,961</b>
<b>Segmental liabilities</b>						
Payables and accrued expenses	(11,714)	1,263	(21,405)	3,456	(1,401)	(29,801)
<b>Total segmental liabilities</b>	<b>(11,714)</b>	<b>1,263</b>	<b>(21,405)</b>	<b>3,456</b>	<b>(1,401)</b>	<b>(29,801)</b>
Total segmental net assets	374,459	170,060	348,266	67,776	(1,401)	959,160

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

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

	<b>31.8.2016</b>	<b>29.2.2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Total segmental assets</b>	1,065,911	988,961
<b>Non segmental assets</b>		
Treasury gilts	-	45,608
Corporate bonds	13,373	13,036
Cash and cash equivalents	53,825	91,937
Other receivables and prepayments	50	38
<b>Total assets</b>	<b>1,133,159</b>	<b>1,139,580</b>
<b>Total segmental liabilities</b>	<b>(40,758)</b>	<b>(29,801)</b>
<b>Non segmental liabilities</b>		
Zero Dividend Preference (2022) shares	(55,325)	(57,400)
Zero Dividend Preference (2016) shares	-	(44,217)
Convertible Unsecured Loan Stock	(57,004)	(59,573)
Loans payable	(107,254)	(97,011)
Other payables and accrued expenses	183	161
<b>Total liabilities</b>	<b>(260,158)</b>	<b>(287,841)</b>
<b>Total net assets</b>	<b>873,001</b>	<b>851,739</b>

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

#### Level 1

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

#### Level 2

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

#### Level 3

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

Differentiating between Level 2 and Level 3 fair value measurements i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs

used to measure fair value including consideration of factors specific to the asset or liability.

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

#### Financial assets at 31 August 2016

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
US micro-cap portfolio	-	-	438,188	438,188
European micro-cap portfolio	-	-	158,159	158,159
Real estate portfolio	-	-	435,144	435,144
Other investments	-	-	27,750	27,750
Listed investments	13,373	-	-	13,373
	<u>13,373</u>	<u>-</u>	<u>1,059,241</u>	<u>1,072,614</u>

#### Financial assets at 29 February 2016

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
US micro-cap portfolio	-	-	386,173	386,173
European micro-cap portfolio	-	-	168,797	168,797
Real estate portfolio	-	-	366,158	366,158
Other investments	-	-	63,570	63,570
Listed investments	58,644	-	-	58,644
	<u>58,644</u>	<u>-</u>	<u>984,698</u>	<u>1,043,342</u>

Investments classified as loans and receivables and recorded at amortised cost would fall into Level 3 hierarchy if valued at FTVPL.

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

##### Financial liabilities at 31 August 2016

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Convertible Subordinated Unsecured Loan Stock	57,004	-	-	57,004
	<u>57,004</u>	<u>-</u>	<u>-</u>	<u>57,004</u>

##### Financial liabilities at 29 February 2016

	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Convertible Subordinated Unsecured Loan Stock	59,573	-	-	59,573
	<u>59,573</u>	<u>-</u>	<u>-</u>	<u>59,573</u>

#### Transfers between levels

There were no transfers between the levels of hierarchy of financial assets and liabilities recognised at fair value through profit or loss within the period ended 31 August 2016 and the year ended 29 February 2016.

#### Valuation techniques

In valuing investments in accordance with International Financial Reporting Standards, the Directors follow a number of general principles as detailed in the International Private Equity and Venture Capital Association ("IPEVCA") guidelines.

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

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

#### Real estate

JZCP makes its real estate investments through JZCP Realty Fund Limited 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. The fair value techniques used in the underlying valuations are:

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

- Discounted Cash Flow ("DCF") analysis, using the relevant rental stream, less expenses, for future periods, discounted at a Market Capitalization ("MC") rate, or interest rate.
  - Relevant rental stream less expenses divided by the market capitalisation rate; this method approximates the enterprise value construct used for non-real estate assets.
- For each of the above techniques third party debt is deducted to arrive at fair value.

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

#### **Mezzanine loans**

Investments are generally valued at amortised cost except where there is deemed to be impairment in value which indicates that a provision should be made. Mezzanine loans are classified in the Statement of Financial Position as loans and receivables and are accounted for at amortised cost using the effective interest method less accumulated impairment allowances in accordance with IFRS. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the net present value of expected cash flows discounted at the original effective interest rate.

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

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

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

#### **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 2016 and 29 February 2016 are shown below:

	Value 31.8.2016 US\$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used <sup>1</sup>	Effect on Fair Value US\$'000	
US micro-cap investments	438,188	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 18.7x (8.2x)	0.5x / -0.5x	(37,103)	36,067
			Discount to Average Multiple	15% - 40% (26%)	5% / -5%	(48,273)	50,646
European micro-cap investments	158,159	EBITDA Multiple	Average EBITDA Multiple of Peers	6.5x - 9.7x (7.5x)	0.5x / -0.5x	(5,640)	5,708
			Discount to Average Multiple	0% - 42% (22%)	5.0% / - 5.0%	(4,530)	4,598
Real estate <sup>2</sup>	435,144	Comparable Sales DCF Model/Income Approach Cap Rate/ Income Approach	Market Value Per Square Foot	\$286 - \$2,999 per sq ft	-5% / +5%	(11,947)	12,187
			Discount Rate	6.2% to 7.5%	+25bps / -25bps	(2,016)	2,294
			Capitalisation Rate	3.5% - 5.5%	+25bps / -25bps	(6,230)	8,298

Other investments	27,750	EBITDA Multiple	Average EBITDA Multiple of Peers	5.0x	0.5x / -0.5x	(444)	444
			Discount to Average Multiple	25%	5% / -5%	-	-
		Adjusted NAV	Discount for Lack of Liquidity	5%	5% / -5%	(427)	427
	<b>Value</b>	<b>Valuation</b>	<b>Unobservable</b>	<b>Range</b>	<b>Sensitivity</b>	<b>Effect on Fair Value</b>	
	<b>29.2.2016</b>	<b>Technique</b>	<b>input</b>	<b>(weighted average)</b>	<b>used</b>	<b>US\$'000</b>	
	<b>US\$'000</b>				<b>1</b>		
US micro-cap investments	386,173	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 18.7x (8.1x)	0.5x / -0.5x	(29,855)	29,254
			Discount to Average Multiple	15% - 35% (24%)	5% / -5%	(38,104)	36,129
European micro-cap investments	168,797	EBITDA Multiple	Average EBITDA Multiple of Peers	6.5x - 10.0x (8.2x)	0.5x / -0.5x	(4,181)	4,181
			Discount to Average Multiple	0% - 42% (16%)	5.0% / -5.0%	(2,748)	2,748
Real estate <sup>2</sup>	366,158	Comparable Sales	Market Value Per Square Foot	\$380 - \$575 per sq ft	-5% / +5%	(5,607)	5,809
		DCF Model/Income Approach	Discount Rate	7%	+25bps / -25bps	(1,236)	1,055
		Cap Rate/Income Approach	Capitalisation Rate	3.75% - 5.5%	+25bps / -25bps	(11,619)	12,399
Other investments	63,570	EBITDA Multiple	Average EBITDA Multiple of Peers	7.5x	0.5x / -0.5x	(295)	295
			Discount to Average Multiple	25%	5% / -5%	-	-
		Adjusted NAV	Discount for Lack of Liquidity	5%	5% / -5%	(2,418)	2,666

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

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

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

Period ended 31 August 2016

	<b>US</b>	<b>European</b>	<b>Real</b>	<b>Other</b>	<b>Total</b>
	<b>Micro-Cap</b>	<b>Micro-Cap</b>	<b>Estate</b>	<b>Investments</b>	<b>Total</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
At 1 March 2016	386,173	168,797	366,158	63,570	984,698
Purchases	42,277	-	53,280	1,500	97,057
Payment in kind ("PIK")	1,444	-	-	-	1,444
Proceeds from investments realised	(2,443)	(20,739)	(6,922)	(40,646)	(70,750)
Net gains on investments	2,482	8,042	22,628	3,326	36,478
Movement in accrued interest	8,255	2,059	-	-	10,314
At 31 August 2016	438,188	158,159	435,144	27,750	1,059,241

Year ended 29 February 2016

**US**      **European**      **Real**      **Other**

	Micro-Cap US\$ '000	Micro-Cap US\$ '000	Estate US\$ '000	Investments US\$ '000	Total US\$ '000
At 1 March 2015	297,340	245,884	216,781	75,993	835,998
Purchases/calls	103,125	59,319	104,677	5,593	272,714
Payment in kind ("PIK")	16,996	-	-	78	17,074
Proceeds from investments realised	(41,441)	(137,289)	(8,012)	(13,982)	(200,724)
Net gains/(losses) on investments	10,167	(188)	52,712	(4,031)	58,660
Movement in accrued interest	(14)	1,071	-	(81)	976
At 29 February 2016	386,173	168,797	366,158	63,570	984,698

Net gains/(losses) on Investments at FVTPL are analysed between gains/(losses) on investments realised in the period and those still held at the period end.

	Level 1 31.8.2016 US\$ '000	Level 3 31.8.2016 US\$ '000	Total 31.8.2016 US\$ '000	Level 1 29.2.2016 US\$ '000	Level 3 29.2.2016 US\$ '000	Total 29.2.2016 US\$ '000
<b>Investments realised during the period</b>						
Net gain/(loss) on investments realised	2,313	10,251	12,564	(4,694)	(32,002)	(36,696)
Net (gain)/loss recognised in prior periods	(227)	(9,965)	(10,192)	1,331	30,305	31,636
Net realised gain/(loss) in current period	2,086	286	2,372	(3,363)	(1,697)	(5,060)
<b>Investments held at period end</b>						
Net (loss)/gain on investments	339	36,192	36,531	(209)	60,357	60,148
	2,425	36,478	38,903	(3,572)	58,660	55,088

#### 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 2016 the ask price for the ZDP (2022) shares was £4.16 (29 February 2016: £3.85 per share) the total fair value of the ZDP shares was \$64,877,000 (29 February 2016: \$63,889,000) which is \$9,552,000 higher (29 February 2016: \$6,489,000) higher than the liability recorded in the Statement of Financial Position.

ZDP shares are recorded at amortised cost and would fall in to the Level 3 hierarchy if valued at FVTPL.

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

	Period ended 31.8.2016 US\$ '000	Period ended 31.8.2015 US\$ '000
<i>Gains on investments held in investment portfolio at period end</i>		
Net movement in unrealised gains in period	26,339	2,113
Unrealised gains in prior periods now realised	10,192	72
Net movement in unrealised gains in the period	36,531	2,185
<i>Net gains on investments realised in period</i>		
Proceeds from investments realised	118,444	19,511
Cost of investments realised	(105,880)	(19,267)
Unrealised gains in prior periods now realised	(10,192)	(72)
Total net gains in the period on investments realised in period	2,372	172
Net gains on investments in the period	38,903	2,357

#### 7. Net Write Back of Impairments on Loans and Receivables

	Period ended 31.8.2016 US\$ '000	Period ended 31.8.2015 US\$ '000
Net unrealised impairments on loans and receivables	13	118
Proceeds from loans repaid	226	2,886
Cost of loans repaid	(56)	(353)
Realised gains on repayment of investments classified on loans and receivables	170	2,533
Net write back of impairments on loans and receivables	183	2,651

## 8. Investment Income

	Period ended 31.8.2016 US\$ '000	Period ended 31.8.2015 US\$ '000
Income from investments classified as FVTPL	14,300	14,497
Income from investments classified as loans and receivables	43	13
	<u>14,343</u>	<u>14,510</u>

Income for the period ended 31 August 2016

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

Income for the period ended 31 August 2015

	Dividends US\$ '000	Preferred Interest US\$ '000	Loan note Interest		Other Interest US\$ '000	Total US\$ '000
			PIK US\$ '000	Cash US\$ '000		
US micro-cap portfolio	1,325	6,434	1,639	2,172	-	11,570
European micro-cap portfolio	-	-	1,838	-	-	1,838
Real estate	-	-	-	-	99	99
Other investments	-	-	13	-	580	593
Treasury gilts and corporate bonds	-	-	-	-	410	410
	<u>1,325</u>	<u>6,434</u>	<u>3,490</u>	<u>2,172</u>	<u>1,089</u>	<u>14,510</u>

## 9. Finance Costs

	Period ended 31.8.2016 US\$ '000	Period ended 31.8.2015 US\$ '000
Zero Dividend Preference shares (Note 15)	2,625	4,171
CULS interest paid (Note 14)	1,676	1,726
Loan - Guggenheim (Note 16)	3,673	1,596
Loan - Guggenheim administration cost	38	16
Loan - Deutsche Bank (Note 16)	12	187
Loan - Jefferies Finance, LLC (Note 16)	-	1,431
	<u>8,024</u>	<u>9,127</u>

## 10. Fees Payable to the Investment Adviser

### *Investment Advisory and Performance fees*

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

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

For the six-month period ended 31 August 2016, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of US\$8,724,000 (period ended 31 August 2015: US\$7,413,000). Of this amount US\$2,342,000 (29 February 2016: US\$2,145,000) was due and payable at the period end.

The incentive fee has two parts. The first part is calculated by reference to the net investment income of the

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

For the periods ended 31 August 2016 and 31 August 2015 there was no income incentive fee.

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

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

At 31 August 2016 and 29 February 2016, due to accumulative realised capital losses in the prior year ended 29 February 2016, there was no provision for an incentive fee based on realised gains. At 31 August 2016, for the purpose of the capital gains incentive fee ("CGIF") calculation JZCP had cumulative net realised capital losses of \$15,046,000 (29 February 2016: \$22,667,000), an amount which the Investment Adviser must cover through realised gains before being able to earn an incentive fee going forward.

The Company also provides for a CGIF based on unrealised gains, calculated on the same basis as that of the fee on realised gains/losses. For the period ended 31 August 2016 a provision of \$36,086,000 (29 February 2016: \$24,889,000) has been included.

	Provision At 31.8.2016 US\$ '000	Provision At 29.2.2016 US\$ '000	Paid during period US\$ '000	Movement in provision for the period ended 31.8.2016 US\$ '000
CGIF on unrealised investments	36,086	24,889	n/a	11,197
CGIF on realised investments	-	-	-	-
				11,197

  

	Provision At 31.8.2015 US\$ '000	Provision At 28.2.2015 US\$ '000	Paid during period US\$ '000	Movement in provision for the period ended 31.8.2015 US\$ '000
CGIF on unrealised investments	12,511	9,439	n/a	3,072
CGIF on realised investments	13,156	13,156	-	-
				3,072

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

## 11. Taxation

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

## 12. Investments

Categories of financial instruments

	Listed 31.8.2016 US\$ '000	Unlisted 31.8.2016 US\$ '000	Carrying Value 31.8.2016 US\$ '000
Fair value through profit or loss (FVTPL)	13,373	1,059,241	1,072,614
Loans and receivables	-	750	750
	13,373	1,059,991	1,073,364

	<b>Listed</b> <b>31.8.2016</b> <b>US\$ '000</b>	<b>Unlisted</b> <b>31.8.2016</b> <b>US\$ '000</b>	<b>Total</b> <b>31.8.2016</b> <b>US\$ '000</b>
Book cost at 1 March 2016	61,971	832,007	893,978
Purchases in period	-	97,057	97,057
Payment in kind ("PIK")	-	1,444	1,444
Proceeds from investments realised	(47,694)	(70,976)	(118,670)
Net realised gains	2,313	10,421	12,734
Book cost at 31 August 2016	16,590	869,953	886,543
Unrealised (losses)/gains at 31 August 2016	(3,217)	168,732	165,515
Accrued interest at 31 August 2016	-	21,306	21,306
Carrying value at 31 August 2016	13,373	1,059,991	1,073,364

	<b>Listed</b> <b>29.2.2016</b> <b>US\$ '000</b>	<b>Unlisted</b> <b>29.2.2016</b> <b>US\$ '000</b>	<b>Carrying Value</b> <b>29.2.2016</b> <b>US\$ '000</b>
Fair value through profit or loss (FVTPL)	58,644	984,698	1,043,342
Loans and receivables	-	750	750
	58,644	985,448	1,044,092

	<b>Listed</b> <b>29.2.2016</b> <b>US\$ '000</b>	<b>Unlisted</b> <b>29.2.2016</b> <b>US\$ '000</b>	<b>Total</b> <b>29.2.2016</b> <b>US\$ '000</b>
Book cost at 1 March 2015	57,321	775,225	832,546
Purchases in year	45,381	218,630	264,011
Capital calls during year	-	54,085	54,085
Payment in kind ("PIK")	-	17,146	17,146
Proceeds from investments realised	(36,037)	(203,610)	(239,647)
Net realised gains	(4,694)	(29,469)	(34,163)
Book cost at 29 February 2016	61,971	832,007	893,978
Unrealised (losses)/gains at 29 February 2016	(3,329)	142,492	139,163
Accrued interest at 29 February 2016	2	10,949	10,951
Carrying value at 29 February 2016	58,644	985,448	1,044,092

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

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

### 13. Other Receivables

	<b>31.8.2016</b> <b>US\$ '000</b>	<b>29.2.2016</b> <b>US\$ '000</b>
Deposits paid on behalf of JZCP Realty Fund	5,425	3,018
Accrued interest due from JZCP Realty Fund	495	495
Other receivables and prepayments	50	38
	5,970	3,551

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

On 30 July 2014, JZCP issued £38,861,140 6% CULS raising the dollar equivalent of \$65,687,000. Holders of CULS may convert the whole or part (being an integral multiple of £10 in nominal amount) of their CULS into Ordinary Shares. Conversion Rights may be exercised at any time during the period from 30 September 2014 to 10 business days prior to the Maturity date being the 30 July 2021. The initial conversion price is £6.0373 per Ordinary Share, which shall be subject to adjustment to deal with certain events which would otherwise dilute the conversion of the CULS. These events include consolidation of Ordinary Shares, dividend payments made by the Company, issues of shares, rights, share-related securities and other securities by the Company and other events as detailed in the Prospectus.

During the six-month period ended 31 August 2016: \$1,676,000 (31 August 2015: \$1,726,000) of interest was paid to holders of CULS and is shown as a finance cost in the Statement of Comprehensive Income.

31.8.2016

29.2.2016

	US\$ '000	US\$ '000
Fair Value of CULS at 1 March	59,573	67,563
Unrealised movement in fair value of CULS	1,083	(1,501)
Unrealised currency gain to the Company on translation during the period/year	(3,652)	(6,489)
Fair Value of CULS based on offer price	57,004	59,573

#### 15. Zero Dividend Preference ("ZDP") shares

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

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

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

#### ZDP (2022) Shares

	31.8.2016 US\$ '000	29.2.2016 US\$ '000
<i>ZDP shares issued 1 October 2015</i>		
Rollover - from ZDP (2016) shares	-	63,085
Issue costs paid prior year	-	(1,997)
Amortised cost at 1 March 2016 / 1 October 2015	57,400	61,088
Issue costs refunded	26	-
Finance costs allocated to Statement of Comprehensive Income	1,445	1,296
Unrealised currency gain to the Company on translation	(3,546)	(4,984)
Amortised cost at period/year end	55,325	57,400
Total number of ZDP shares in issue	11,907,720	11,907,720

#### ZDP (2016) Shares

	31.8.2016 US\$ '000	29.2.2016 US\$ '000
<i>ZDP shares issued 22 June 2009</i>		
Amortised cost at 1 March	44,217	106,813
Finance costs allocated to Statement of Comprehensive Income	1,180	6,459
Redeemed 22 June 2016	(47,863)	-
Realised currency loss in period on redemption	2,466	-
Rollover - to ZDP (2022) shares	-	(63,085)
Unrealised currency gain to the Company on translation	-	(5,970)
Amortised cost at period/year end	-	44,217
Total number of ZDP shares in issue	-	8,799,421

#### 16. Loans Payable

	31.8.2016 US\$ '000	29.2.2016 US\$ '000
Guggenheim Partners Limited	97,742	97,011
Deutsche Bank	9,512	-
	107,254	97,011

#### Guggenheim Partners Limited

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

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

At 31 August 2016, investments valued at \$606,837,000 were held as collateral on the loan. A covenant in the loan agreement states the fair value of the collateral must be 4x the loan value and the cost of collateral must be at least 57.5% of total assets. The Company is also required to hold a minimum cash balance of \$15 million plus 50% of interest on any new debt. At 31 August 2016 and 29 February 2016, the Company was in full compliance with covenant terms.

There is an early repayment charge of 2% of the total loan if repaid in year 1 and 1% in year 2.

	<b>31.8.2016</b>	<b>29.2.2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Amortised cost (US\$ drawdown) - 1 March 2016	77,916	-
Amortised cost (Euro drawdown) - 1 March 2016	19,095	-
Proceeds - 12 June 2015 (US\$ drawdown)	-	80,000
Proceeds - 12 June 2015 ( Euro draw down €18 million)	-	20,283
Issue costs	-	(4,033)
Finance costs charged to Statement of Comprehensive Income	3,673	5,298
Interest paid	(3,408)	(3,825)
Unrealised currency loss/(gain) on translation of Euro drawdown	466	(712)
Amortised cost at 31 August	<u>97,742</u>	<u>97,011</u>
Amortised cost (US\$ drawdown)	78,121	77,916
Amortised cost (Euro drawdown)	<u>19,621</u>	<u>19,095</u>
	<u>97,742</u>	<u>97,011</u>

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

#### **Deutsche Bank**

At 31 August 2016, JZCP had a loan facility with Deutsche Bank allowing the Company to draw down a total of \$13.4 million. As at 31 August 2016, the loan outstanding was \$9.5 million (29 February 2016: \$nil) and approximately \$3.9 million was available to draw down. The loan is secured by the Company's investment in corporate bonds, the total value of assets held as collateral at 31 August 2016 was \$13.4 million. The interest rate is charged at US 30 day LIBOR + 75 basis points. The repayment terms of the loan facility are dependant on the investments held as security.

#### **Jefferies Finance, LLC**

On 16 June 2014, JZCP entered in to a \$50.0 million loan agreement with Jefferies Finance, LLC. Proceeds of \$49.0 million were received after deduction of a 2% original issue discount. Loan interest was payable at 7%, after allowing for transaction costs and the initial discount the effective interest rate applied was 9.8%. The loan was repaid on 12 June 2015.

	<b>31.8.2016</b>	<b>29.2.2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Amortised cost at 1 March	-	50,154
Issue costs	-	-
Finance costs charged to Statement of Comprehensive Income	-	1,431
Interest paid	-	(1,585)
Repaid - 12 June 2015	-	(50,000)
	<u>-</u>	<u>-</u>

The carrying value of the loans approximates to fair value and would be designated as Level 3 in the fair value hierarchy.

#### **17. Other Payables**

	<b>31.8.2016</b>	<b>29.2.2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Provision for tax on dividends received not withheld at source	1,401	1,401
Other expenses	426	389
Legal fees	250	250
Directors' remuneration	70	80
ZDP issue costs	-	486
	<u>2,147</u>	<u>2,606</u>

#### **18. Ordinary shares – Issued Capital**

	<b>31.8.2016</b>	<b>29.2.2016</b>
	<b>Number of shares</b>	<b>Number of shares</b>
<b>Total Ordinary shares in issue</b>	<u>83,907,516</u>	<u>83,907,516</u>

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

**19. Commitments**

At 31 August 2016 and 29 February 2016 JZCP had the following financial commitments outstanding in relation to fund investments:

	<b>31.8.2016</b>	<b>29.2.2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
JZI Fund III GP, L.P.	60,446	60,446
Peaceable Street Capital, LLC	7,500	21,250
Spruceview Capital Partners, LLC	11,836	13,336
Tech Industries	10,283	12,745
Suzo Happ Group	4,491	4,491
BSM Engenharia S.A.	2,085	2,085
Igloo Products Corp	771	772
	<u>97,412</u>	<u>115,125</u>

**20. Related Party Transactions**

JZCP invests in European micro-cap companies via the EuroMicrocap Fund 2010, L.P. ("EMC 2010"), EuroMicrocap Fund-C, L.P. ("EMCC") and JZI Fund III, L.P. ("Fund III"). EMC 2010, EMC-C and Fund III are managed by an affiliate of JZAI, JZCP's investment manager. JZAI was founded by David Zalaznick and John ("Jay") Jordan. At 31 August 2016, JZCP's investments in EMC 2010 were valued at \$24,555,000 (29 February 2016: \$46,918,000), EMCC at \$64,341,000 (29 February 2016: \$57,907,000) and Fund III at \$24,532,000 (29 February 2016: \$22,159,000).

During March 2016 the investment in Oro Direct was transferred from EMC 2010 to EMC-C; the investment was transferred at fair value being \$2,780,000 or €2,559,000.

JZCP invests in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed by JZCP to this investment at 31 August 2016 was \$30,000,000 with \$11,836,000 of commitments outstanding.

JZCP has co-invested with Fund A, Fund A Parallel I, II and III Limited Partnerships in a number of US micro-cap buyouts. These Limited Partnerships are managed by JZAI. JZCP invested in a ratio of 82%/18% with the Fund A entities. At 31 August 2016, the total value of JZCP's investment in these co-investments was \$350,169,000 (29 February 2016: \$324,848,000). Fund A, Fund A Parallel I, II and III Limited Partnerships are no longer making platform investments alongside JZCP.

JZAI a US based company, provides advisory services to the Board of Directors of the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 10.

JZCP is able to invest up to \$75 million in "New JI Platform Companies". The platform companies are being established to invest primarily in buyouts and build-ups of companies and in growth company platforms in the US micro-cap market, primarily healthcare equipment companies. At 31 August 2016, JZCP had invested \$26.7 million (29 February 2016: \$18.0 million) in Jordan Health Products, LLC. JZCP co-invests 50/50 in the platform companies with other investors ("JI members"). David Zalaznick and Jay Jordan own approximately 50 per cent of the JI members ownership interests.

During the period JZCP transferred part of its investment in K2 Towers, to Jay Jordan. The investment was transferred at fair value being \$1,000,000, which equates to the cost to JZCP. Interest was paid to JZCP at a rate of 8% on cost over the period the investment was held.

**21. Basic and Diluted Earnings per share**

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

For the period ended 31 August 2016 the weighted average number of Ordinary shares outstanding during the period was 83,907,516 (31 August 2015: 65,018,607).

The weighted average of Ordinary shares is based on the average number of Ordinary shares in issue during the period. On 30 September 2015 a placing and open offer of Ordinary shares resulted in 18,888,909 Ordinary shares being issued at the price of £4.1919.

The diluted earnings per share are calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary shares. The weighted average of the number of Ordinary shares is adjusted assuming the conversion of the CULS ("If-converted method"). Conversion is assumed even though at 31 August 2016 and 31 August 2015 the exercise price of the CULS is higher than the market price of the Company's Ordinary shares and are therefore deemed 'out of the money'. Earnings are adjusted to remove the fair value gain on CULS \$2,569,000 (31 August 2015: \$324,000) and finance costs attributable to CULS \$1,676,000 (31 August 2015: \$1,726,000). At 31 August 2015 the effect of the issue of the potential conversion of the CULS to Ordinary shares were anti-dilutive to the earnings per share and therefore the comparative diluted earnings per share

equates to the comparative basic earnings per share.

## 22. Contingent Assets

### a) Amounts held in escrow accounts

Investments have been disposed by the Company, of which the consideration received included contractual terms requiring that a percentage was held in an escrow account pending resolution of any indemnifiable claims that may arise. At 31 August 2016 and 29 February 2016 the Company has assessed that the likelihood of the recovery of these escrow accounts cannot be determined and has therefore recognised the escrow accounts as a contingent asset.

As at 31 August 2016 and 29 February 2016, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

Escrow	Amount in	
	31.8.2016 US\$'000	29.2.2016 US\$'000
Dental Holdings Corporation	-	2,776
Amptek, Inc.	-	1,129
Galson Laboratories	-	475
ETX Holdings, Inc.	-	118
Petco Animal Supplies, Inc.	-	39
H&S (BG Holdings)	-	10
	-	4,547

During the period ended 31 August 2016 \$5,315,000 (31 August 2015: \$644,000) was realised relating to the escrow accounts of the Company. Of the amount realised during the period, \$768,000 had not been recognised in the Company's escrow accounts at 29 February 2016.

## 23. Notes to the Unaudited Statement of Cash Flows

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

	Period ended 31.8.2016 US\$ '000	Period ended 31.8.2015 US\$ '000
Profit/(loss) for the period	33,848	(480)
Increase in other receivables	(12)	(22)
(Decrease)/increase in other payables	(459)	552
Increase in amount owed to Investment Adviser	11,394	3,373
Payment for Real Estate deposits	(5,425)	(11,130)
Net unrealized gains on investments	(26,352)	(2,231)
Gains on financial liabilities at fair value through profit or loss	(2,569)	(324)
Unrealised currency gain on ZDP shares	(3,546)	(511)
Adjustment for other net unrealised foreign currency exchange loss/(gain)	153	(271)
Increase in accrued interest on investments and adjustment for interest received as PIK	(11,799)	(8,726)
Realised gain on investments	(12,734)	(2,777)
Realised currency loss on redemption of ZDP shares (reclassified as financing activity)	2,466	-
Finance costs (reclassified as financing activity)	8,024	9,127
Net cash outflow from operating activities	(7,011)	(13,420)

## 24. Dividends Paid and Proposed

In accordance with the dividend policy, the Company will distribute approximately 3% of the Company's net assets in the form of dividends paid in US dollars (Shareholders can elect to receive dividends in Sterling), in semi-annual instalments.

An interim dividend of 15.5 cents per Ordinary share (total \$13,006,000) was declared by the board on 25 October 2016.

For the year ended 29 February 2016, an interim dividend of 16 cents per Ordinary share (total \$10,403,000) was paid on 27 November 2015 and a second interim dividend of 15 cents per Ordinary share (total \$12,586,000) was paid on 10 June 2016.

For the year ended 28 February 2015, a second interim dividend of 17.5 cents per Ordinary share (total \$11,378,000) was paid on 12 June 2015.

## 25. US GAAP reconciliation

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

GAAP has been presented.

## 26. Subsequent Events

During September JZCP realised \$8.4 million from the sale of Southern Petroleum Laboratories a US micro-cap co-investment and \$3.1 million from the refinancing of its Mezzanine investment in Metpar.

These financial statements were approved by the Board on 25 October 2016. Events subsequent to the balance sheet have been evaluated until this date.

## Board of Directors

### David Macfarlane (Chairman)<sup>1</sup>

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

### Patrick Firth<sup>2</sup>

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

### James Jordan

Mr Jordan is a private investor who was appointed to the Board of JZCP in 2008. He is a director of the First Eagle family of mutual funds, and of Alpha Andromeda Investment Trust Company, S.A.. Until 30 June 2005, he was the managing director of Arnhold and S. Bleichroeder Advisers, LLC, a privately owned investment bank and asset management firm; and until 25 July 2013, he was a non-executive director of Leucadia National Corporation. He is a Trustee and Vice Chairman of the World Monuments Fund, and serves on the Chairman's Council of Conservation International.

### Tanja Tibaldi

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

### Christopher Waldron

Mr Waldron was appointed to the Board of JZCP in October 2013. He is a director of a number of Guernsey funds and investment companies including GBD Limited, Multi Manager Investment Programmes PCC Limited, DW Catalyst Fund (formerly "BH Credit Catalysts Limited") and Ranger Direct Lending Fund plc. An experienced investment manager, he was Chief Executive Officer of the Edmond de Rothschild companies in Guernsey until January 2013 and he remains a consultant to the Edmond de Rothschild Group. He is a Fellow of the Chartered Institute for Securities and Investment and a Guernsey resident.

<sup>1</sup>Chairman of the nominations committee of which all Directors are members.

<sup>2</sup>Chairman of the audit committee of which all Directors are members.

## Directors' Responsibilities

### Statement of Directors' Responsibilities

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

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

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

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

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

- this set of Condensed Interim Financial Statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union;
- the Condensed Interim Report and Financial Statements includes information detailed in the Chairman's Statement and Investment Adviser's Report and Notes to the Condensed Interim Financial Statements which provides a fair review of the information required by:
  - (i) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred for the period from 1 March 2016 to 31 August 2016 and their impact on the condensed set of interim consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year: and
  - (ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the period from 1 March 2016 to 31 August 2016 and that have materially affected the financial position or performance of the Company during that period.

#### **Going concern and principal risks and uncertainties**

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

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report and accounts for the year ended 29 February 2016 (as explained on page 29 of the annual report). The Directors continue to monitor the risks to the Company. These risks include the Company's exposure to Euro and Sterling currencies and the impact of austerity measures being adopted in countries within which the Company invests.

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

Approved by the Board of Directors and agreed on behalf of the Board on 25 October 2016.

David Macfarlane  
Chairman

Patrick Firth  
Director

## **Independent Review Report to JZ Capital Partners Limited**

#### **Introduction**

We have been engaged by JZ Capital Partners Limited (the "Company") to review the Unaudited Condensed Interim Financial Statements in the half-yearly Financial Report for the six months ended 31 August 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes 1 to 26. We have read the other information contained in the half-yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Financial Statements.

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

#### **Directors' Responsibilities**

The half-yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 2, the Annual Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Unaudited Condensed Financial Statements included in this half-yearly Financial Report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

#### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the Unaudited Condensed Interim Financial Statements in the half-yearly Financial Report based on our review.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of Interim Financial Information consists of making enquiries,

primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Condensed Interim Financial Statements in the half-yearly Financial Report for the six months ended 31 August 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Ernst & Young LLP**  
**Guernsey**  
**Channel Islands**  
**25 October 2016**

### Notes

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

## Company Advisers

### **Investment Adviser**

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

### **Jordan/Zalaznick Advisers, Inc.**

9 West, 57th Street  
New York NY 10019

### **Registered Office**

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

JZ Capital Partners Limited is registered in Guernsey  
Number 48761

### **Administrator, Registrar and Secretary**

Northern Trust International Fund Administration 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 Bankers**

HSBC Bank USA NA  
452 Fifth Avenue  
New York NY 10018

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

### **Guernsey Bankers**

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

### **Independent Auditor**

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

### **UK Solicitors**

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Broadwalk House  
5 Appold Street  
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St Peter Port  
Guernsey GY1 4HP

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

## Useful Information for Shareholders

### Listing

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

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

### ISIN/SEDOL numbers

	<u>Ticker Symbol</u>	<u>ISIN Code</u>	<u>Sedol Number</u>
Ordinary shares	JZCP	GG00B403HK58	B403HK5
ZDP (2022) shares	JZCZ	GG00BZ0RY036	Z0RY03
ZDP (2016) shares (now redeemed)	JZCN	GG00B40B7X85	B40D7X8
CULS	JZCC	GG00BP46PR08	BP46PR0

### Alternative Performance Measures

In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the interim financial statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the interim financial statements, which are unaudited and outside the scope of IFRS, are deemed to be the dividend yield, net asset value ("NAV") to market price discount, Total NAV Returns prepared on a diluted and adjusted basis and Total Shareholder Returns.

#### *Dividend Yield*

The annual dividends expressed as a percentage of the current share price. A dividend yield can give you an indication of the level of income you might get from an investment company share. However, depending on the performance of the company, future dividends may be higher or lower than indicated by the current dividend yield. The current yield for JZCP is quoted at 5.1% being the sterling equivalent of the interim dividend declared plus the 2016 second interim dividend paid as a percentage of the period end share price.

#### *NAV to market price discount*

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

#### *Total NAV Return*

The Total NAV Return measures how the net asset value (NAV) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (six months) and also three-month, one-year, three-year and five-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 dilution per share caused by the issue of shares at a discount to NAV, the result of the adjusted Total NAV return is to provide a measurement of how the Company's Investment portfolio contributed to NAV growth adjusted for the Company's expenses and finance costs.

#### *Total Shareholder Return*

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes shareholder price total return as a percentage change from the start of the

period and also three-month, one-year, three-year and five-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend.

### **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. The shares of JZ Capital Partners qualify as "excluded securities" under these new rules. Therefore shares issued by JZ Capital Partners can continue to be recommended by financial advisors as an investment for UK retail investors.

### **Financial Diary**

Results for the year ended 28 February 2016

May 2016

Annual General Meeting

June/July 2016 (date to be confirmed)

Interim report for the six months to 31 August 2016

October/November 2017 (date to be confirmed)

JZCP will be issuing an Interim Management Statement for the quarters ending 30 November 2016 and 31 May 2017. These Statements will be sent to the market via RNS within six weeks from the end of the appropriate quarter, and will be posted on JZCP's website at the same time, or soon thereafter.

### **Payment of Dividends**

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

### **Share Dealing**

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

### **Internet Address**

The Company: [www.jzcp.com](http://www.jzcp.com)

### **Foreign Account Tax Compliance Act**

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

### **Share Register Enquiries**

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

### **US Investors**

### *General*

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

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

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

### **US Securities Laws**

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

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

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

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

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

The fiduciary provisions of pension codes applicable to governmental plans, non-US plans or other employee benefit plans or retirement arrangements that are not subject to ERISA (collectively, "Non-ERISA Plans") may impose limitations on investment in the Company. Fiduciaries of Non-ERISA Plans, in consultation with their advisors, should consider, to the extent applicable, the impact of such fiduciary rules and regulations on an investment in the Company. Among other considerations, the fiduciary of a Non-ERISA Plan should take into account the composition of the Non-ERISA Plan's portfolio with respect to diversification; the cash flow needs of the Non-ERISA Plan and the effects thereon of the illiquidity of the investment; the economic terms of the Non-ERISA Plan's investment in the Company; the Non-ERISA Plan's funding objectives; the tax effects of the investment and the tax and other risks associated with the investment; the fact that the investors in the Company are expected to consist of a diverse group of investors (including taxable, tax-exempt, domestic and foreign entities) and the fact that the management of the Company will not take the particular objectives of any investors or class of investors into account.

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

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

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

- representatives or affiliates and (ii) in consultation with their advisers, have carefully considered the impact of any applicable federal, state or local law on an investment in the Company;
- (c) None of the Company, the Board, the Investment Advisor or any of their respective agents, representatives or affiliates has exercised any discretionary authority or control with respect to the Non-ERISA Plan's investment in the Company, nor has the Company, the Board, the Investment Advisor or any of their respective agents, representatives or affiliates rendered individualized investment advice to the Non-ERISA Plan based upon the Non-ERISA Plan's investment policies or strategies, overall portfolio composition or diversification with respect to its commitment to invest in the Company and the investment program thereunder; and
  - (d) It acknowledges and agrees that it is intended that the Company will not hold plan assets of the Non-ERISA Plan and that none of the Company, the Board, the Investment Advisor or any of their respective agents, representatives or affiliates will be acting as a fiduciary to the Non-ERISA Plan under any applicable federal, state or local law governing the Non-ERISA Plan, with respect to either (i) the Non-ERISA Plan's purchase or retention of its investment in the Company or (ii) the management or operation of the business or assets of the Company. It also confirms that there is no rule, regulation, or requirement applicable to such purchaser or transferee that is inconsistent with the foregoing description of the Company, the Board and the Investment Advisor.

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

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

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

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

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

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