JZ CAPITAL PARTNERS LTD

JZ CAPITAL PARTNERS LIMITED (the "Company" or "JZCP")
(a closed-end investment company incorporated with limited liability under the laws of Guernsey with registered number 48761)

ANNUAL RESULTS FOR THE TWELVE-MONTH PERIOD ENDED
28 FEBRUARY 2019

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

8 May 2019

JZ Capital Partners, the London listed fund that invests in US and European microcap companies and US real estate, announces its preliminary results for the year ended 28 February 2019.

Results and Portfolio Highlights

- NAV per share of $10.04 (FYE 28/02/18: $9.98), an increase of 0.6% during the period
- NAV of $810.3 million (FYE 28/02/18: $837.6 million)
- Total investments of $183.7 million including: new Flexible Packaging and Flow Controls verticals, a new co-investment, Deflecto, as well as follow-on investments in our Testing Services and Industrial Services Solutions verticals. The Company also made additional investments in our properties located in Brooklyn, New York and South Florida.
- Realisation of three investments significantly above NAV: Paragon Water Systems ("Paragon"), Bolder Healthcare Solutions ("BHS") and TWH Water Treatment Industries Inc. ("TWH"), with gross proceeds of more than $160 million, including escrows and potential earn-out proceeds.
- In December 2018, the Company entered into a joint venture partnership with HomeFed, a real estate investor and developer in the US, with regards to the Fulton Mall Assemblage. JZCP received gross proceeds of approximately $40.7 million from the minority sale.
- In September 2018, JZCP refinanced Esperante, its office building in West Palm Beach, Florida, resulting in gross proceeds to JZCP of $8.3 million.
- As of 28 February 2019, the portfolio comprised:
  - **US microcap**: 24 businesses, which includes five 'verticals' and 14 co-investments, across eleven industries.
  - **European microcap**: 17 companies across six industries and seven countries.
  - **US real estate**: 61 properties (including one post year-end acquisition) across five major assemblages in New York and South Florida all in various stages of (re)/development.
- JZCP made one post-period realization (April 2019) and one post-period refinancing (March 2019): Waterline Renewal and Felix Storch.

Strategic Initiatives

- JZCP's Board will be seeking shareholder approval for the return of approximately $100 million in capital to shareholders at a price no more than a 5% discount to NAV, via a series of tender offers, the first of which we are targeting in July 2019 for approximately $30 million.
- Additionally, we plan to repay approximately $100 million of debt. The $200 million of cash required to support these initiatives will be generated from realizations and the secondary sale of certain portfolio assets that are planned for this calendar year and next.
- In order to conserve cash for these strategic initiatives, we will be investing in fewer new deals or investing a smaller percentage in each new deal. As such, a strategy similar to our investment in JZI Fund III, L.P. for European microcap companies is intended to be developed, where, in effect, JZCP puts up a much smaller percentage in each new investment.
- In the coming months, we will also be seeking shareholder approval for a US Side-Car Fund ("JZ Partners II"), which will be approximately $450 million and used to invest side-by-side with JZCP in US microcap deals.
- Finally, as we are two to three years out from redeeming our Zero Dividend Preference Shares and Convertible Unsecured Loan Stock, we believe our goal should be to retire these obligations, as well as a meaningful portion of the Guggenheim term loan in the next thirty six months.

Outlook

- Strong pipeline of realizations and refinancings in the Company's overall portfolio over the next 12 months.
- Balance sheet remains strong and the Company is focused on using the liquidity achieved from realizations and refinancings to fund the series of tender offers (subject to shareholder approval) and paying down debt.

- As we repay debt, we will be de-risking JZCP overall; additionally, as we undertake tender offers of our stock (at close to NAV), we will be returning capital to shareholders.

David Zalaznick, JZCP's Co-Founder and Investment Adviser, said: "We are pleased with the continued strong underlying performance of the US and European microcap portfolios during the period. In addition, we expect the ongoing improvement in real estate performance to continue going forward, following the successful completion of the previously announced Fulton Mall Assemblage joint venture partnership.

We have continued to make significant progress in realising portfolio assets, at or above NAV, which will help fund the strategic initiatives announced today for a series of tender offers and the repayment of debt. We believe these proposals will benefit all shareholders whilst strengthening JZCP's balance sheet, hopefully ensuring our underlying performance translates into positive long-term shareholder value."

David Macfarlane, Chairman of JZCP, said: "We have worked hard during the period to better prepare the Company for a more secure, long-term future, and we fully support our Investment Adviser's ability to execute the plan our Board has approved to de-risk the Company and return capital to shareholders via a series of tender offers. We have confidence in the value of JZCP's assets and believe the measures outlined today will greatly benefit all shareholders."

Presentation details:

There will be an audiocast presentation for investors and analysts at 2pm (London, UK) / 9am (New York, US) on Wednesday 8 May, 2019. The presentation can be accessed here and by dialing **+44 (0)330 336 9125 (UK)** or **+1 323-794-2575 (US)** with the participant access code **9765331.**

Market Abuse Regulation

The information contained within this announcement is inside information as stipulated under MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of the Company is David Macfarlane, Chairman.

For further information:

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About JZ Capital Partners

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

Chairman's Statement

I am pleased to report the results of JZ Capital Partners ("JZCP" or the "Company") for the year ended 28 February 2019.

Performance

The Company's performance over the last twelve months has been set against a backdrop of continued global market uncertainty, led by a widespread increase in populism, mounting trade tensions and financial conditions tightening globally. Meanwhile, prolonged Brexit negotiations and US trade tariffs continue to undermine business confidence and investment.

Despite this, the US economy remains in a period of economic expansion, driven by large tax cuts, spending increases and falling unemployment levels.

Comparatively, the European economic outlook remains gloomy. A series of surprising election results in Italy, Sweden and Ukraine saw voters move away from traditional parties, signifying the appeal of populist rhetoric across the region, and economic expansion in 2018 occurred at a much slower pace than predicted.

Within this market environment, the Company delivered marginal net asset value ("NAV") growth during the year, with JZCP's

NAV per share increasing 0.6% from $9.98 to $10.04. The positive underlying performance of the US and European micro-cap portfolio was offset principally by the pre-development and carrying costs in our real estate portfolio.

Strategic Initiatives
The Board is seeking shareholder approval for specific initiatives that we believe will greatly benefit all of our shareholders and strengthen JZCP's balance sheet. We have formulated this plan in conjunction with our advisers, David Zalaznick and Jay Jordan, who are supportive.

We will be seeking approval for the return of approximately $100 million in capital to shareholders at a maximum discount to NAV of 5%, via a series of tender offers. In addition, the Company plans to repay approximately $100 million of debt. The $200 million of cash required to support these initiatives will be generated from ordinary realizations and the secondary sale of certain portfolio assets that are planned for this calendar year and next.

We intend to begin implementation of this plan immediately, with the first tender offer for the repurchase of shares and/or repayment of debt planned to take place in July 2019. Since we have many illiquid investments, it is important to sell them in an orderly fashion in order not to diminish their intrinsic value. Therefore, the first tender offer is intended to be for approximately $30 million.

In order to conserve cash for successive share buybacks and debt repayment, we will be investing in fewer new deals or investing a smaller percentage in each new deal. As such, the Board has asked our Investment Adviser to develop a strategy similar to our investment in JZI Fund III, L.P. for European microcap companies, where, in effect, JZCP puts up a much smaller percentage in each new investment.

In the coming months, we will be seeking shareholder approval for a US Side-Car Fund ("JZ Partners II"), which will be approximately $450 million and will be used to invest side-by-side with JZCP in US microcap deals. JZ Partners II, which will be substantially funded by third-party limited partners, should allow JZCP to conserve considerable cash over the next five years, as JZ Partners II will take up a larger percentage of each new US microcap deal. The current thinking is to hold a first closing for JZ Partners II in the fourth quarter of JZCP's current financial year.

As we are two to three years out from redeeming our Zero Dividend Preference Shares ("ZDPs") and Convertible Unsecured Loan Stock ("CULS"), we believe our goal should be to retire these obligations, as well as a meaningful portion of the Guggenheim term loan in the next thirty six months.

The Board believes that this plan will benefit all shareholders by returning capital (via tender offers at close to NAV) and by retiring debt, which de-risks JZCP overall.

Portfolio Update
It has been another active investment period for the Company, putting $183.7 million to work across our three major asset classes, whilst realisations and refinancings totaled $207.2 million, primarily through the sale of Bolder Healthcare Solutions ("BHS"), TWH Water Treatment Industries ("TWH"), Paragon Water Systems ("Paragon") and a minority stake in our Fulton Mall Assemblage.

The portfolio continues to diversify geographically across Western Europe and by asset type. At the end of the year, the Company's portfolio consisted of 41 US and European micro-cap businesses across eleven industries, and five primary real estate 'assemblages' (61 total properties) located in Brooklyn, New York and South Florida.

U.S. and European Micro-cap
The Board is pleased with the continued positive performance of the US micro-cap portfolio, which has delivered a net valuation increase of 49 cents per share during the year. This was primarily due to net accrued income (19 cents), increased earnings at Felix Storch (13 cents) and Priority Express (2 cents) and writing our Water Treatment and Waterline Renewal investments up to their respective sale values (36 cents).

The portfolio was valued at 8.1x EBITDA, after applying an average 23% marketability discount to public comparables.

The European micro-cap sector remains a strategically important segment of the business. It now represents approximately 11 per cent of the Investment Portfolio ($129 million) and consists of 17 companies across six industries and seven countries.

The portfolio performed very well during the year and has seen a valuation increase of 22 cents per share, primarily due to net accrued income (9 cents) and write-ups at Petrocorner, Fincontinuo, S.A.C, Alianzas en Aceros and Eliantus (13 cents combined).

During the year, JZCP acquired a stake in one new business through its 18.8% ownership of JZI Fund III, L.P. ("Fund III"): Karium, a platform investment which will support a strategy to acquire under-invested consumer brands in the UK and European personal care sector.

Real Estate
The Company continues to make significant progress in building a diversified portfolio of retail, office and residential properties in Brooklyn, New York, and South Florida.

As of 28 February 2019, JZCP, in partnership with its long-term real estate partner, RedSky Capital, had invested approximately $374 million in 61 properties, all currently in various stages of development and re-development.

Whilst the real estate portfolio is performing in line with expectations, it produced a net decrease of 33 cents per share, primarily due to operating expenses and debt service at the property level. As previously announced, the Company has held discussions with several institutional joint venture partners in order to address the impact of these costs on JZCP's NAV.

In December 2018, JZCP and HomeFed Corporation ("HomeFed"), a real estate investor and developer of mixed-use projects in the United States, announced a joint venture partnership with regards to JZCP's Fulton Mall assemblage. As part of this, HomeFed acquired a minority stake in JZCP's Fulton Mall assemblage for approximately $52.5 million, of which approximately $40.7 million is attributable to JZCP. JZCP and RedSky Capital plan to develop the Fulton Mall assemblage in partnership with HomeFed.

Realisations

The Company generated realisations and refinancings totaling $207.2 million during the year, primarily through the sale of three US micro-cap companies and the joint venture partnership with HomeFed.

The Company realised its investment in BHS, a healthcare revenue cycle management services company, and expects to achieve a gross multiple of capital invested of 4.0x and a gross IRR of 33.7%. In addition, the Company received initial gross proceeds of $31.3 million from the merger of TWH and DuBois Chemicals, Inc., and expects to realize approximately $16.2 million in gross proceeds from the sale of Paragon Water Systems.

Board

In June 2018, Sharon Parr was appointed to the Board following a proposal by the Nomination Committee. Sharon was considered a suitable candidate due to her wealth of industry experience and her audit and accounting expertise, which will be essential as she replaces Patrick Firth as Chairman of the Audit Committee.

Patrick therefore intends to retire as Chairman of the Audit Committee and as a Director. The Board is extremely grateful for the substantial contribution that he has made to the Company and wishes him well.

The Board's policy on the Chairman's tenure is that continuity and experience are considered to add significantly to the strength of the Board and as such these attributes need to be weighed against any advantages that a new appointment may bring. Therefore, no limit on the overall length of service of the Chairman is imposed.

However, given my tenure on the Board since the Company's inception in April 2008, as well as that of other long-serving directors, the Board acknowledges that succession to the role needs to be anticipated in line with effective succession planning. We are therefore currently considering a plan for my succession as Chairman of JZCP, and for the refreshment of the Board, and it is intended that a new Chairman will be appointed to the Board in 2021. As part of the wider succession planning, we will also be looking to recruit new directors before then.

Outlook

The Board has great confidence in the value of JZCP's assets; we believe our NAV has been fairly, if not conservatively, valued.

We have worked hard during the year to better prepare the Company for a more secure, long-term future, and we hope shareholders will support our proposals for a series of tender offers (at close to NAV) and the repayment of debt. It is our hope that the stock price will adjust to reflect these improvements to shareholder returns and JZCP's strengthened balance sheet overall.

The Board is confident in the Investment Adviser's ability to execute on the proposed initiatives for the benefit of all shareholders.

David Macfarlane
Chairman
7 May 2019

Investment Adviser's Report

Dear Fellow Shareholders,

As the Chairman's Statement accompanying the financial results discusses, we believe that return of capital to shareholders via tender offers close to NAV and repayments of debt will benefit all shareholders and strengthen JZCP's balance sheet. As the Adviser to JZCP, we have been asked by the Board to formulate certain initiatives to raise the required cash to achieve these important objectives.

JZCP's Board will be seeking shareholder approval to return approximately $100 million in capital to shareholders at a price no more than a 5% discount to NAV, via a series of tender offers, the first of which we are targeting in July 2019. Additionally, we plan to repay approximately $100 million of debt. The $200 million of cash required to support these initiatives will be generated from realizations and secondary sales of certain portfolio assets that are planned for this and the next calendar year. As these strategic initiatives might be seen to compromise the continuity of our investment program, we have developed a strategy alongside our Board to mitigate this potential impact. In the coming months, our Board will be seeking shareholder approval for a US Side-Car Fund ("JZ Partners II"), which will be approximately $450 million and used to invest side-by-side with JZCP in US microcap deals. JZ Partners II, which will be substantially funded by third-party limited partners, should allow JZCP to conserve considerable cash over the next five years, as JZ Partners II will take up a larger percentage of each US microcap deal. The current thinking is to hold a first closing for JZ Partners II in the fourth quarter of JZCP's current fiscal year.

As we are two to three years out from redeeming our Zero Dividend Preference Shares ("ZDPs") and Convertible Unsecured

Loan Stock ("CULS"), we believe our goal should be to generate enough capital to retire these obligations, as well as a meaningful portion of the Guggenheim term loan during the next three years.

Investment Performance
It is disappointing that our stock's performance has not kept pace with our investment performance. We'd like to highlight what we think is the key measure of our progress, our strong underlying returns. This is underscored by the positive performance of our realized US and European microcap transactions over the past five years (2014-2019).

In that period, for our US microcap portfolio, we have realized 14 portfolio companies[1], receiving gross proceeds of approximately $500 million and a multiple of invested capital of approximately 2.0x. For our European microcap portfolio, we have realized 10 portfolio companies, receiving gross proceeds of more than €200 million and a multiple of invested capital of approximately 2.1x.

In addition to several significant realizations and refinancings totaling more than $207 million in gross proceeds to JZCP during the fiscal year, JZCP invested a total of $183.7 million. Investments made during the year include a new Flexible Packaging vertical, a new Flow Controls vertical and a new co-investment, Deflecto, as well as follow-on investments in our healthcare products build-up Avante, our cell towers build-up K2 Towers II, our co-investment Orizon, and our Testing and Industrial Services verticals as well as investments in our properties located in Brooklyn, New York, and South Florida.

As of 28 February 2019, our US micro-cap portfolio consisted of 24 businesses, which includes five 'verticals' and 14 co-investments, across eleven industries; this portfolio was valued at 8.1x EBITDA, after applying an average 23% marketability discount to public comparables. The average underlying leverage senior to JZCP's position in our US micro-cap portfolio is 4.3x EBITDA. Consistent with our value-oriented investment strategy, we have acquired our current US micro-cap portfolio at an average 6.1x EBITDA. The acquisitions made during the year ended 28 February 2019 were acquired on average at 5.7x EBITDA.

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

As of the same date, our US real estate portfolio consisted of 61 properties (including one post year-end acquisition) and can be grouped primarily into five major 'assemblages', located in the Williamsburg, Greenpoint and Downtown/Fulton Mall neighborhoods of Brooklyn, New York, and the Wynwood and Design District neighborhoods of Miami, Florida. Our assemblages are comprised of adjacent or concentrated groupings of properties that can be developed, financed and/or sold together at a higher valuation than on a stand-alone basis.

[1]Analysis includes full exits of US microcap businesses (14 full exits from 2014-2019) and European microcap businesses (10 full exits from 2014-2019). Excludes partial exits and re-capitalizations. Returns are presented on a "gross" basis (i.e., they do not reflect the management fees or incentive fees that may be paid by investors, which may be significant and may lower returns). Includes interim proceeds and takes into account the receipt of full escrow and earn-out proceeds, if applicable, (for companies that still have outstanding escrow balances and potential earn-outs).

Net Asset Value ("NAV")
JZCP's NAV per share increased 0.6% during the fiscal year, from $9.98 at 28 February 2018 to $10.04 at 28 February 2019.

NAV bridge

NAV per Ordinary share as of 1 March 2018	**$9.98**
Change in NAV due to capital gains and accrued income	
+ US Micro-cap	0.49
+ European Micro-cap	0.22
- Real Estate	(0.33)
+ Other Investments	0.01
Other increases/(decreases) in NAV	
+ Change in CULS market price	0.05
- Foreign exchange effect	(0.03)
- Finance costs	(0.23)
- Expenses and taxation	(0.28)
+ Appreciation from share buy backs	0.16
NAV per Ordinary share as of 28 February 2019	**$10.04**

The US micro-cap portfolio continued to perform well during the year, delivering a net increase of 49 cents per share. This was primarily due to net accrued income of 19 cents, increased earnings at co-investment Felix Storch (13 cents), increased earnings at Priority Express (2 cents) and writing our Water Treatment and Waterline Renewal investments up to their respective sale values (36 cents). We also received 4 cents of escrow payments during the year.

Offsetting these increases were declines at our Industrial Services Solutions ("ISS") vertical (6 cents), our co-investment Sloan LED (3 cents), our Testing vertical (3 cents), our Healthcare vertical (3 cents) and Nationwide, our school photography business (10 cents).

The European micro-cap portfolio has performed very well during the year, posting a net increase of 22 cents, primarily due to accrued income of 9 cents and write-ups at Fund III portfolio companies Petrocorner, Fincontinuo, S.A.C, Alianzas en Aceros and Eliantus (13 cents combined).

Returns

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

	28.2.2019	31.8.2018	28.2.2018	29.2.2016	28.2.2014
Share price (in GBP)	£4.35	£4.44	£4.51	£3.97	£4.45
NAV per share (in USD)	$10.04	$9.82	$9.98	$10.15	$10.25
NAV to market price discount	42%	41%	38%	46%	27%
		6 month return	1 year return	3 year return	5 year return
Dividends paid (in USD)		$0.00	$0.00	$0.305	$0.95
Total Shareholders' return (GBP)[1]		-2.0%	-3.5%	14.0%	13.1%
Total NAV return per share (USD)[1]		2.2%	0.6%	1.9%	7.6%
Adjusted NAV return per share (USD)[1,2]		1.1%	-1.0%	0.3%	16.7%

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

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

Portfolio Summary

Our portfolio is well-diversified by asset type and geography, with 41 US and European micro-cap investments across eleven industries and five primary real estate 'assemblages' (61 total properties, including one post year-end acquisition) located in Brooklyn, New York and South Florida. The portfolio continues to become more diversified geographically across Western Europe with investments in Spain, Italy, Portugal, Luxembourg, Scandinavia and the UK.

Below is a summary of JZCP's assets and liabilities at 28 February 2019 as compared to 28 February 2018. An explanation of the changes in the portfolio follows:

	28.2.2019 US$'000	28.2.2018 US$'000
US micro-cap portfolio	478,970	488,258
European micro-cap portfolio	128,698	103,457
Real estate portfolio	443,044	463,391
Other investments	18,302	15,302
Total Private Investments	1,069,014	1,070,408
Treasury bills	3,314	49,975
Cash and cash equivalents	50,994	33,987
Total Listed Investments and Cash	54,308	83,962
Other assets	1,286	2,158
Total Assets	1,124,608	1,156,528
Zero Dividend Preferred shares	63,838	62,843
Convertible Unsecured Loan Stock	54,274	59,970
Loans payable	149,227	150,125
Investment Adviser's incentive fee	42,771	41,606
Investment Adviser's base fee	2,102	2,225

Other payables	2,134	2,186
Total Liabilities	314,346	318,955
Total Net Assets	810,262	837,573

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

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

New US investments - verticals

Vertical	**# Acquisitions**	**JZCP Investment ($ millions)**
Flexible Packaging	4	10.0
Flow Controls	1	14.0
Industrial Services Solutions	-	15.1 [1]
Testing Services	7	11.3
	12	50.4

[1]*Utilised to fund previously announced acquisitions of PTI Industries (May 2016), Buna Electric Motor Service (July 2016), CPL Systems (October 2016) and IPEC (December 2016).*

New US investments - co-investments

Co-investments	**New/Follow-on**	**JZCP Investment ($ millions)**
Deflecto	New/Follow-on	39.1
Orizon	Follow-on	4.8
K2 Towers II	Follow-on	4.2
		48.1

New US investments - Other US micro-cap

Portfolio Company	**New/Follow-on**	**JZCP Investment ($ millions)**
Nationwide Studios	Follow-on	2.7
Avante	Follow-on	5.3
		8.0

European micro-cap portfolio
The European micro-cap portfolio continued its positive trajectory over the past year (net increase of 22 cents), highlighted by write-ups at the following portfolio companies: Petrocorner, Fincontinuo, S.A.C, Alianzas en Aceros and Eliantus.

JZCP invests in the European micro-cap sector through its approximately 18.8% ownership of Fund III. As of 28 February 2019, Fund III held 12 investments: four in Spain, two in Scandinavia, two in Italy, two in the UK and one each in Portugal and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance.

JZAI has offices in London and Madrid and an outstanding team with over fifteen years of experience investing together in

European micro-cap deals.

Recent Events
During the year, JZCP realized its investment in Petrocorner, a network of petrol stations throughout Spain, through the sale of Petrocorner by Fund III to British Petroleum. Headquartered in Madrid, Petrocorner is a strategic build-up in the Spanish retail petrol station market, comprised of 65 petrol stations located across Spain with annualized sales volume of approximately 250 million[1] litres of petrol. JZCP expects to receive cumulative gross proceeds of €12.1 million from the sale (including interim proceeds and escrows), which represents a gross multiple of invested capital ("MOIC") of approximately 2.0x and a gross internal rate of return ("IRR") of approximately 23.0%.

During the year, JZCP acquired a stake in one new business via its ownership in Fund III: Karium, a platform investment which will support a strategy to acquire under-invested consumer brands in the United Kingdom and European personal care sector. Karium, which owns five brands and distributes two other brands under licence, is a free-standing group that was sold as the parent company (an Indian conglomerate) wished to focus on emerging markets.

JZCP also made follow-on investments in: (i) Treee, an electronic waste recycling business in Italy; (ii) Eliantus, a build-up of solar power plants in Spain; (iii) My Lender, a niche consumer lender in Finland; (iv) ERSI, an engineering business domiciled in Luxembourg; (v) BlueSites, a build-up of cell tower land leases in Portugal; and (vi) Luxida, a buy-and-build strategy in Spain's electricity distribution sector.

Additionally, JZCP received distributions from its investments in: (i) Collingwood, a niche auto insurance business in the UK; (ii) Fincontinuo, a niche consumer lender in Italy; and (iii) S.A.C, a van leasing business in Denmark.

[1]JZCP received initial proceeds of €10.9 million in March 2019.

Real Estate Portfolio
In December 2018, JZCP and HomeFed Corporation ("HomeFed"), a real estate investor and developer of mixed-use projects in the United States, announced they have become joint venture partners in the development of the Fulton Mall assemblage. HomeFed is approximately 70% owned by Jefferies Financial Group, Inc., a diversified financial services company.

HomeFed acquired a minority stake in JZCP's Fulton Mall assemblage for approximately $52.5 million, of which approximately $40.7 million is attributable to JZCP. The sale price was at NAV and represents a 49% markup to JZCP's cost. The Fulton Mall assemblage consists of 15 owned properties, divided into two premier development sites totaling more than 540,000 square feet of buildable space in the heart of Downtown Brooklyn, New York.

JZCP's development site lies at the corner of Downtown Brooklyn's two major thoroughfares, Flatbush Avenue and the Fulton Mall, which is the most highly foot-trafficked retail street in Brooklyn and the third most in New York City. The area immediately surrounding our assemblage is a hotbed for both new and established companies and contains many of Brooklyn's latest residential real estate developments and area attractions, including the Barclays Center, Atlantic Avenue Transportation Hub and new Apple and Whole Foods stores.

JZCP and its real estate operating partner, RedSky Capital, plan to develop the Fulton Mall assemblage in partnership with HomeFed.

In September 2018, JZCP refinanced Esperante, our office building in West Palm Beach, Florida. This refinancing resulted in proceeds to JZCP of $8.3 million, received in October 2018. To date, Esperante has returned approximately 40% of JZCP's invested capital.

JZCP has made two further significant acquisitions in our Williamsburg Retail Portfolio, 124-136 North 6th Street and 188 Bedford Avenue. These acquisitions are part of our assemblages on North 6th Street and Bedford Avenue, respectively.

The first acquisition, 124-136 North 6th Street, is an 18,000+ sq. ft. corner site which adds considerable value to our existing assemblage along North 6th Street. The second acquisition during April 2019, 188 Bedford Avenue, secures a building sitting directly between our assets at 190-192 Bedford Avenue and 184-186 Bedford Avenue. By completing this assemblage of contiguous assets on Williamsburg's main thoroughfare, we now have the flexibility to create a major retail development next to the neighbourhood's main transportation hub, the "L" train stop on Bedford Avenue.

JZCP contributed approximately $2.9 million in equity to fund these two acquisitions, with the balance being provided by a third-party lender in conjunction with a refinancing of the entire Williamsburg Retail Portfolio. In addition to funding these accretive acquisitions, the recent refinancing will cover upcoming construction costs for the assemblage as well as operating and debt service shortfalls for the next 36 months.

Over the past 12 months, we have experienced significant leasing momentum in the Williamsburg neighbourhood, signing leases with Everlane, Vans, A Land, Alo Yoga, UVA Wines, TOMS, Dig Inn and The North Face. In September 2018, LVMH opened their Sephora store in our building at 247 Bedford Avenue. Once we sign leases with tenants of this quality, we have created "core" real estate, which is the objective of our value-add strategy.

Meanwhile, in South Florida, we have made extensive progress with our first ground-up development, CUBE Wynwd (the "CUBE"), a development project in Miami's Wynwood neighbourhood totaling 90,000+ square feet and featuring seven stories of office space geared towards tech and media businesses and ground floor retail space.

As previously reported, we signed an anchor tenant prior to construction for approximately 30% of the CUBE; in January 2019, we completed construction of the building. We are experiencing strong interest from potential tenants to lease the remaining available space at the CUBE and expect significant institutional interest on a sale or joint venture. We expect to have 100% of our capital returned in the next six months (from refinancing) and will continue to own 100% of the building.

Furthermore, in early 2019, in advance of construction, we signed a long-term lease with a major media company for our entire property at 2200 NW 1st Avenue, also in Miami's Wynwood neighbourhood, dubbed "Wynwood Live". We are currently in the market to secure a joint venture partner with whom we can develop the property to the specifications of our anchor tenant.

As of 28 February 2019, JZCP had approximately $374 million invested in a portfolio of retail, office and residential properties in Brooklyn, New York, and South Florida which is valued at $443 million as of that date. We have made these investments alongside our long-term real estate partner, RedSky Capital, a team with significant experience in the sector.

Since we began investing with RedSky in April 2012, we have acquired a total of 61 properties (including post year-end acquisition of 188 Bedford Avenue), all currently in various stages of development and re-development.

Real estate investments during the year

	JZCP Investment ($ millions)
Acquisition of 571 Fulton Street & 124-136 North 6th Street[1]	3.9
Follow-ons and expenses	51.9
	55.8

[1]Additional $0.5 million in equity funded to acquire 188 Bedford Avenue post year-end in April 2019.

Other investments

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

Spruceview has a robust pipeline of opportunities and recently had a major client win, developing a portfolio of alternative investments for a Mexican trust (or "CERPI"). Spruceview expects to be able to deploy the CERPI's initial committed amount of $300 million in 2019, with the potential to increase the size of the CERPI to up to $1.0 billion over the coming years.

In 2018, Spruceview expanded its mandate with an international packaged foods company to provide investment oversight to the pension funds of its Mexican subsidiary, in addition to those of its Canadian subsidiary, which Spruceview has advised since 2016. Spruceview also in 2018 launched a US middle market private equity fund-of-funds and continues to provide investment oversight to a European private credit fund-of-funds and portfolios for family office clients.

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

<u>Realisations</u>

Investment		Portfolio	Proceeds $ millions
Bolder Healthcare Solutions	Sale	U.S.	105.7
Fulton Mall - Joint Venture	Joint Venture	Real Estate	40.7
TWH Water Treatment Industries	Sale	U.S.	31.3
Paragon Water Systems	Sale	U.S.	16.1
Esperante	Refinancing	Real Estate	8.3
K2 Towers	Escrow	U.S.	2.6
Other			2.5
			207.2

Bolder Healthcare Solutions ("BHS")

In March 2018, BHS was acquired by a subsidiary of Cognizant, one of the world's leading professional services companies.

Headquartered in Louisville, Kentucky, BHS offers a full suite of healthcare revenue cycle management services to the hospital and physician marketplace in the United States. BHS was formed through a co-investment partnership between JZCP and the Edgewater Funds.

JZCP expects to realize approximately $110.0 million in gross proceeds from this sale (including escrows). This transaction represents a gross MOIC of approximately 4.0x and a gross internal rate of return ("IRR") of approximately 33.7% (taking into account proceeds received during the investment holding period and the full receipt of escrows).

Paragon Water Systems ("Paragon")
In March 2018, Paragon was acquired by Culligan Water, the world leader in residential, office, commercial and industrial water treatment.

Founded in 1988 and headquartered in Tampa, Florida, Paragon develops and produces "point-of-use" water filtration products for leading global Original Equipment Manufacturer ("OEM") clients, big brand suppliers to specialty and big box retailers, direct sales organizations and companies with national or international water filtration dealership networks.

JZCP expects to realize approximately $16.2 million in gross proceeds (including escrows) from the sale. This transaction represents a gross MOIC of approximately 1.8x and a gross IRR of approximately 18.4%.

TWH Water Treatment Industries, Inc. ("TWH")
In September 2018, TWH merged with DuBois Chemicals, Inc. ("DuBois"), a specialty chemical company that provides value-added chemicals, equipment and services.

JZCP realized $31.3 million in initial gross proceeds from the merger (subject to post-closing adjustments), plus potentially up to $5 million of additional gross proceeds from an earn-out based on certain revenue targets of TWH. Including gross proceeds from a dividend recapitalization in November 2016, the transaction is expected to represent a gross MOIC of approximately 3.1x and a gross IRR of approximately 25%, in each case taking into account the receipt of full post-closing adjustments and earn-out proceeds.

Esperante
In September 2018, JZCP refinanced Esperante, its office building in West Palm Beach, Florida. This refinancing resulted in refinancing proceeds to JZCP of $8.3 million, received in October 2018. To date, Esperante has returned approximately 40% of JZCP's invested capital.

Fulton Mall
In December 2018, JZCP and HomeFed, a real estate investor and developer of mixed-use projects in the United States, announced they have become joint venture partners with regards to JZCP's Fulton Mall assemblage. HomeFed is approximately 70% owned by Jefferies Financial Group, Inc., a diversified financial services company.

HomeFed acquired a minority stake in JZCP's Fulton Mall assemblage for approximately $52.5 million, of which approximately $40.7 million is attributable to JZCP. The sale price was at NAV and represents a 49% markup to JZCP's cost in the asset. The Fulton Mall assemblage consists of 15 owned properties, divided into two premier development sites totaling more than 540,000 square feet of buildable space in the heart of Downtown Brooklyn, New York.

JZCP's development site lies at the corner of Downtown Brooklyn's two major thoroughfares, Flatbush Avenue and Fulton Street, which is the most highly foot-trafficked retail street in Brooklyn and the third most in New York City. The area immediately surrounding our assemblage is a hotbed for both new and established companies and contains many of Brooklyn's latest residential real estate developments and area attractions, including the Barclays Center, Atlantic Avenue Transportation Hub and new Apple and Whole Foods stores.

JZCP and its real estate operating partner, RedSky Capital, plan to develop the Fulton Mall assemblage in partnership with HomeFed.

Post year end realisations

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

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

JZCP expects to realize approximately $24 million in gross proceeds (including escrows) from the sale.

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

Outlook
We are confident that JZCP's portfolio will continue to produce excellent investment returns. Our initiatives to achieve liquidity

through realizations (including secondary sales and refinancings) will, hopefully, translate into our shareholders receiving excellent investment returns on our stock. As you may know, we own 25.1% of JZCP's stock, so our interests are aligned with yours.

As we repay debt, we will be de-risking your investment in JZCP and as we undertake tender offers of our stock (at close to NAV), we will be returning capital. As your investment In JZCP returns capital to you (and reduces your cost) and the Company itself has less leverage, you will own shares that will yield higher returns and should trade at a smaller discount to NAV. In addition, we hope investors will welcome the opportunity to buy our stock at a deep discount and tender it at close to NAV through a $100 million series of tender offers the Board is asking shareholders to approve.

We are very confident that we can execute the plan our Board has approved for the benefit of all shareholders. We look forward to reporting on our progress in the near term.

Please do not hesitate to contact us with any ideas or investment opportunities which may be beneficial to JZCP. Thank you for your continued support.

Yours faithfully,
Jordan/Zalaznick Advisers, Inc.
7 May 2019

Investment Review

The following investment review focuses on JZCP's largest investments (by value) in the US micro-cap, European micro-cap and real estate portfolios.

US MICRO-CAP

The primary US micro-cap investment strategy is the "vertical" strategy which sees JZCP invest in well researched industry sectors, or verticals. Similar companies are purchased in the vertical, being integrated as appropriate, and the resulting larger company sold as one entity. These industries sectors/verticals include Industrial Service Solutions, Water, Testing Services and Flexible Packaging. The verticals are managed by seasoned industry executives whose responsibilities include managing, integrating and growing their respective vertical.

JZCP also invests in US micro-cap companies through "Co-investments". JZCP partners with experienced and trusted investors. The strategy benefits JZCP by diversifying the US micro-cap portfolio and leveraging the expertise and resources of such investors.

Industrial Service Solutions
Portfolio: US Micro-cap (Vertical)
Date of Initial Investment: June 2011
Website: www.iss-na.com

The investment strategy for Industrial Service Solutions ("ISS") is to build a uniquely positioned industrial repair, service and manufacturing holding company with multiple value propositions across diversified industries. ISS is currently a combination of twenty-seven acquired businesses located across the United States.

ISS provides a broad set of services to critical-to-process equipment. These services include: on-site mechanical and repair, regionally based shop services, quality assurance and quality control inspection, testing, and parts supply, rental and remanufacturing. The company also sells parts and supplies for the products it services.

ISS serves a wide variety of industries, such as pulp and paper; petrochemical; tire and rubber; oil and gas; power generation; cement; metals and mining; water and waste water; and other industrial and commercial markets.

With hundreds of dedicated and skilled technicians, machinists, craftsmen, project leaders and application engineers, ISS has the experience and talent to deliver high-quality work on schedule and on budget. The increasing complexity of equipment in industrial settings, along with fewer maintenance staff at these plants, should encourage growth in ISS' customers' needs. This large and very fragmented industry is well suited for a consolidation strategy.

Business Update
ISS performed well in 2018, an increase in revenue and EBITDA was driven by new customers and growth within existing customers and operational improvements. All indications are that 2019 will be another strong year reflecting the positive economic environment and robust economic trends and the company's well positioned business model offering many value propositions and an excellent spread of risk.

	Cost 28.2.2019 US$'000	Valuation 28.2.2019 US$'000
Common stock	36	19,902
10% Preferred stock	48,214	74,744

	48,250	94,646

Pro forma sales for the year ended 31 December 2018	$452.8 million
Pro forma adjusted EBITDA for the year ended 31 December 2018	$52.0 million

TierPoint
Portfolio: US Micro-cap (Co-investments)
Sector: Data Centre
Acquisition Date: June 2014
Website: www.tierpoint.com

TierPoint is a leading provider of information technology and data center services, including colocation, cloud computing, disaster recovery and managed IT services. Tierpoint's hybrid IT solutions help clients increase business agility, drive performance and manage risk. Tierpoint operates via a network of 39 data centres in 20 markets across the United States.

There are several strong underlying demand characteristics that support continued growth in the colocation and hosting sector: growth in data demand, customer use of third-party infrastructure to minimise capital investment, continued trend of IT outsourcing, rapid adoption of cloud solutions, increased focus on compliance requirements and necessity of secure computing environments. Tierpoint is focused predominantly on Tier II markets that have strong growth prospects and a robust small-to-medium sized business customer population.

Deal summary and update
In June 2014, JZCP participated in the recapitalisation of TierPoint alongside trusted co-investment partners with whom we have a long-term relationship. The transaction was led by RedBird Capital Partners and TierPoint management. At the time of the initial investment, TierPoint generated $27 million of EBITDA and has since grown organically and via acquisitions to over $140 million of Pro Forma Adjusted EBITDA.

High quality business
The data centre business is attractive due to a highly visible recurring revenue model, sticky customer relationships, high free cash flow generation, attractive internal reinvestment opportunities and a significant runway for growth. Furthermore, TierPoint is focused on small-to-medium sized businesses in Tier II US markets, which we believe to be an attractive niche. As Tierpoint transitions toward higher-value managed and cloud services via a series of acquisitions and strategic initiatives, we believe the result will be greater customer captivity, greater profitability and a structurally higher quality business. TierPoint is led by Jerry Kent, CEO, who has an established track record of great returns for his investors. As major shareholders of TierPoint, management's interest and focus is fully aligned with investors.

	Cost 28.2.2019 US$'000	Valuation 28.2.2019 US$'000
Common stock	44,313	46,813

Pro forma revenue for the year ended 31 December 2018	$379.9 million
Pro forma annualised adjusted EBITDA for the year ended 31 December 2018	$153.0 million

Avante Health Solutions
Portfolio: US Micro-cap
Sector: Healthcare
Acquisition Date: August 2015
Website: https://avantehs.com

Avante focuses on providing new and professionally refurbished medical, surgical and diagnostic imaging equipment. The growing healthcare market is highly fragmented and Avante is executing a build-up strategy. So far Avante has completed eight acquisitions: Global Medical Imaging, Transtate Equipment, DRE, Pacific Medical, Integrated Rental Services, Oncology Services International, Equipment Maintenance Solutions and Ultra Solutions.

Business Update
During 2018, Avante acquired Ultra Solutions for $8.5 million, Ultra Solutions sells, services, refurbishes, and repairs ultrasound equipment.

The focus on 2019 is on operating initiatives to build a 'one company' look and feel under the Avante brand.

	Cost 28.2.2019 US$'000	Valuation 28.2.2019 US$'000
Common stock	181	181
10% Preferred stock	35,710	40,141
	35,891	40,322

Pro forma revenue for the year ended 31 December 2018	$184.4 million
Pro forma adjusted EBITDA for the year ended 31 December 2018	$30.6 million

Deflecto
Portfolio: US Micro-cap (Co-investments)
Sector: Consumer Products
Acquisition Date: July 2018
Website: www.deflecto.com

Deflecto is a diversified designer, distributor and manufacturer of consumer and commercial products operating across five industry segments. The company's customers include major retailers, wholesalers and OEMs including major big box and online retailers.

Deflecto is the world's largest chair mat, bicycle reflector and dryer venting manufacturer and a global leader in sign and literature holders, office workspace accessories and other air distribution products.

Added value is expected from the implementation of business processes to simplify operations and improve profitability. Increased revenues and lower costs are expected by focusing on largest customers and most popular products.

During the year, Deflecto completed the acquisition of Evriholder Products which is currently run as a standalone operating company. Evriholder has expertise in managing retail relationships, new product introductions and has an international supply chain.

	Cost 28.2.2019 US$'000	Valuation 28.2.2019 US$'000
8% Preferred stock	39,073	40,701
	39,073	40,701

Pro forma revenue for the year ended 31 December 2018	$187.4 million
Pro forma adjusted EBITDA for the year ended 31 December 2018	$13.4 million

Felix Storch, Inc
Portfolio: US Micro-cap
Sector: Refrigeration
Acquisition Date: March 2017
Website: www.felixstorchinc.com

Felix Storch is a leading provider of specialty refrigeration and custom appliances to residential small kitchen, professional, life sciences, food service and hospitality markets. Felix Storch is a second generation family business, founded in 1969 and based in The Bronx, NY. Felix Storch's products now include a wide range of major appliances sold both nationally and internationally.

Through its Summit Appliance division, Felix Storch manufactures the industry's largest collection of undercounter and ADA compliant refrigeration products, as well as a large selection of outdoor appliances and cooking appliances. The Summit Commercial division focuses on the commercial foodservice market. Felix Storch's Accucold brand has a growing line of medical, pharmacy, laboratory, and scientific products.

Business Update
Post year end, Felix Storch recapitalised its debt enabling the return to JZCP of Preferred Equity of approximately $14 million.

	Cost	Valuation
	28.2.2019	28.2.2019

	US$'000	US$'000
Common stock	50	24,500
10% Preferred stock	11,950	13,870
	12,000	38,370

Pro forma revenue for the year ended 31 December 2018	$87.2 million
Pro forma adjusted EBITDA for the year ended 31 December 2018	$15.9 million

Peaceable Street Capital
Portfolio: US Micro-cap (Co-investments)
Sector: Finance
Acquisition Date: March 2016
Website: www.peaceablestreet.com

Peaceable Street Capital ("PSC") is a specialty finance platform focused on making structured investments in small and mid-sized income producing commercial real estate. The company is built on a foundation of know-how, creatively structuring preferred equity to provide senior equity in even the most complex situations. With extensive investment experience throughout the United States and Canada, Peaceable Street Capital’s underwriting and decision making process is designed to deliver creative, flexible and dependable solutions quickly.

PSC focuses on a diverse portfolio of property types including multi-family, office, self-storage, industrial, retail, RV parks, mobile home parks, parking health care, hotels, etc.

PSC has a business plan to build a $300-$500 million portfolio in 3-5 years with a management team with a track record of success.

	Cost 28.2.2019 US$'000	Valuation 28.2.2019 US$'000
Common stock	28,041	27,674

EUROPEAN MICRO-CAP

JZCP currently invests in the European micro-cap sector through its 18.75% stake in JZI Fund III, which completed its final fund raising in December 2015. Previously, JZCP's investments were made through EuroMicrocap Fund 2010, L.P. The European investment team has worked together for over ten years and has a proprietary network of intermediaries to deliver micro-cap buy-and-build opportunities throughout the continent.

As at 28 February 2019, JZI Fund III was invested in twelve European micro-cap companies. The portfolio has four investments in Spain, two in Scandinavia, UK and Italy and one each in Portugal and Luxembourg.

Summary of JZCP's investments in JZI Fund III's Investment Portfolio at 28 February 2019

Company	Industry	Cost 28.2.2019 Euro'000	Valuation[1] 28.2.2019 Euro'000	Valuation[1] 28.2.2019 US$'000
S.A.C	S.A.C is an operational van leasing company in Denmark, specialising in providing vans on operational lease contracts to large engineering companies.	3,262	6,544	7,452
Fincontinuo	Fincontinuo is an Italian provider of Cessione del Quinto ("CdQ") personal loans. CDQ loans are salary-backed and are a uniquely low risk market niche.	4,825	6,681	7,608
Collingwood	A niche UK motor insurer with operations in Newcastle and Gibraltar.	3,110	5,629	6,410
myLender	myLender is a Finnish provider of unsecured personal lending products.	3,938	3,938	4,484

Alianzas en Aceros	Alianzas is a growing network of specialised steel service centres across Spain. The company is unique due to its combination of strategic asset acquisitions at a discount, its low cost structure and the management's extensive know-how/industry relationships.	2,906	3,656	4,163
ERSI	ERSI operates within the reinforced steel sector. It provides an integrated solution to contractors, which encompasses the entire value chain of reinforced steel used in concrete structures. ERSI's international expansion is a success story with iconic projects awarded in Lima, Quito, Guadalajara and Riyadh.	5,536	5,536	6,304
Treee	Treee comprises six Italian companies involved in the treatment and recycling of electronic goods. Fund III's strategy is to increase Treee's market share in Italy whilst looking into potentially expanding into other European countries.	5,468	5,468	6,226
Eliantus	Eliantus is a build-up, with the aim to be a leading platform in the Spanish solar power industry.	2,714	6,581	7,494
Factor Energia	Factor Energia is a leading independent supplier of electricity in Spain. The company is focused on the highly profitable SME segment.	3,750	3,750	4,270
Bluemint	Fund III has entered into a transaction with an experienced management team to execute a build-up strategy to acquire cell tower land leases in Portugal.	751	751	855
Luxida	Luxida is a build-up in the Spanish last-mile energy distribution sector, presenting the opportunity to acquire high-quality assets with long-term regulated revenues at attractive entry multiples.	1,920	1,920	2,186
Karium	Karium has a buy-and- build strategy of consumer brands in the UK and European personal care sector.	7,614	7,969	9,074

[1]*JZCP's 18.75% share of Fund III gross investment valuation, excluding any liabilities attributable to Fund III.*

Ombuds
JZCP also invests directly in the debt of European Micro-cap companies, the largest investment by value being Ombuds.

Ombuds is a provider of security, surveillance and facility services to the public sector and blue chip clients in Spain. JZCP has a direct investment in the debt of Ombuds.

	Cost 28.2.2019 US$'000	Valuation 28.2.2019 US$'000
Loan	17,198	27,367

REAL ESTATE

JZCP invests in real estate through JZCP, a wholly owned subsidiary. The same disciplined investment strategy is applied, as with the micro-cap portfolio; buying assets at reasonable prices in conjunction with excellent management teams. The real estate portfolio has been assembled in partnership with **RedSky Capital**, a Brooklyn based real estate development and management company.

In 2012, JZCP started to invest in properties in Brooklyn, a borough of New York City with a population of 2.5 million, which is in the process of a renaissance where areas that have been historically industrial and low income are beginning to see population changes, fuelled by an influx of young and affluent ex-Manhattan residents. The revival of the area along with positive demographic projections is providing exciting investment opportunities for JZCP.

2015 saw JZCP begin to invest in the Wynwood and Design District neighbourhoods of Miami, Florida, two locations where rapidly increasing retail rents amid a thriving arts scene are again providing very attractive opportunities.

In 2016, JZCP invested in Esperante Corporate Center, a trophy office building in West Palm Beach, Florida.

At 28 February 2018, JZCP has invested over $388.5 million across 59 properties. The independent year end valuation process valued the JZ Realty portfolio at $463.4 million.

JZCP's Real Estate portfolio at 28 February 2019, includes the following property portfolios:

		Cost 28.2.2019 US$'000	Valuation 28.2.2019 US$'000
Bedford Ave, Williamsburg	JZ Realty's first acquisition. A prime retail asset in northern Brooklyn purchased at a price to enable substantial returns. In 2016, Apple opened its first Brooklyn store occupying the prime corner retail unit.	16,038	31,492
Roebling Portfolio, Williamsburg	The Roebling Portfolio includes 126,500 square feet over three properties which will be redeveloped and re-tenanted. The portfolio is within two blocks of our Bedford Ave properties.	10,665	27,153
Fulton Mall, Downtown Brooklyn	JZ Realty has assembled thirteen separate buildings. Once complete, the development will span an entire city block and offer premier retail and residential space in a vibrant and transforming neighbourhood.	22,669	53,167
Flatbush Portfolio, Downtown Brooklyn	JZ Realty owns two mixed residential/retail properties within immediate proximity of the Barclays Center, a 19,000 seat arena and home to the Brooklyn Nets.	7,563	9,878
Triangle, Downtown Brooklyn	Triangle is an iconic retail building across from the Barclay's Center.	4,438	5,746
Driggs Portfolio, Williamsburg	JZ Realty owns two separate development sites on Driggs Avenue, with potential 40,000 square feet retail/residential use, the sites are being developed to maximise rental income.	6,579	6,305
India Street, Greenpoint	750,000 square foot buildable development site on the revitalised East River waterfront. Plan is to build a class A mixed-use property.	43,091	59,688
Williamsburg Retail Portfolio	A twelve asset assemblage, the portfolio was acquired to reposition the properties into top-class retail spaces and lease them at the rapidly rising market rents.	68,180	67,633
Hart St., Bushwick	Hart St. is a loft building in the Bushwick neighbourhood of Brooklyn	3,153	2,542
Wynwood Collection, Miami Florida	The Wynwood collection is comprised of six separate retail and office buildings in one of Miami's most up and coming neighbourhoods. The valuation reflects the on-going development costs of the project.	62,751	57,582
Design District, Miami Florida	The Design District is an internationally recognised luxury shopping destination with a focus on fashion, design, architecture and dining. JZ Realty's planned development will feature multi-level retail, Class-A office space and substantial parking. The valuation reflects the on-going development costs of the project.	135,045	98,494
Esperante, Palm Beach Florida	Esperante Corporate Center is a landmark building on the downtown West Palm Beach skyline. We aim to create the most attractive office building in the market place and re-lease office space at premium rates.	13,790	22,479
Other			885
Total			443,044

Cost represents JACP Realty's initial investment plus follow-on property additions and development costs.

Investment Portfolio

	28 February 2019 Cost[1] US$'000	Value US$'000	Percentage of Portfolio %

US Micro-cap portfolio

US Micro-cap (Verticals)

Industrial Services Solutions[2]			
INDUSTRIAL SERVICES SOLUTIONS ("ISS") Provider of aftermarket maintenance, repair, and field services for critical process equipment throughout the US			
Total Industrial Services Solutions valuation	48,250	94,646	8.8
Testing Services Holdings[2]			
TECHNICAL SOLUTIONS AND SERVICES Provider of safety focused solutions for the industrial, environmental and life science related markets			
Total Technical Solutions and Services Vertical valuation	23,771	22,545	2.1
Water Services[2]			
WATERLINE RENEWAL TECHNOLOGIES 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			
Total Water Services Vertical valuation	6,682	24,000	2.3
Flexible Packaging Vertical			
ACW FLEX PACK, LLC Provider of a variety of custom flexible packaging solutions to converters and end-users			
Total Flexible Packaging Vertical valuation	10,033	10,638	1.0
Flow Controls			
FLOW CONTROL, LLC Manufacturer and distributor of high-performance, mission-critical flow handling products and components utilized to connect processing line equipment.			
Total Flow Control Vertical valuation	14,040	14,349	1.3
Total US Micro-cap (Verticals)	*102,776*	*166,178*	*15.5*

US Micro-cap (Co-investments)

ABTB Acquirer of franchises within the fast-casual eateries and quick-service restaurants sector	8,760	8,760	0.8
DEFLECTO Deflecto designs, manufactures and sells innovative plastic products to multiple industry segments	39,073	40,701	3.8
GEORGE INDUSTRIES Manufacturer of highly engineered, complex and high tolerance products for the aerospace, transportation, military and other industrial markets	12,639	12,637	1.2
IGLOO[2] Designer, manufacturer and marketer of coolers and outdoor products	6,040	5,919	0.5
K2 TOWERS II Acquirer of wireless communication towers	8,422	8,422	0.8
NEW VITALITY[2] Direct-to-consumer provider of nutritional supplements and personal care products	3,431	3,803	0.3

ORIZON Manufacturer of high precision machine parts and tools for aerospace and defence industries	20,637	20,627	1.9
PEACEABLE STREET CAPITAL Specialty finance platform focused on commercial real estate	28,041	27,674	2.6
SALTER LABS[2] Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	16,762	21,652	2.0
SLOAN LED[2] Designer and manufacturer of LED lights and lighting systems	6,030	452	-
SUZO HAPP GROUP[2] Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	2,572	11,700	1.1
TIERPOINT[2] Provider of cloud computing and collocation data centre services	44,313	46,813	4.4
VITALYST[2] Provider of outsourced IT support and training services	9,020	8,192	0.8
Total US Micro-cap (Co-investments)	*205,740*	*217,362*	*20.2*
US Micro-cap (Other)			
AVANTE HEALTH SOLUTIONS Provider of new and professionally refurbished healthcare equipment	35,891	40,322	3.8
FELIX STORCH Supplier of specialty, professional, commercial, and medical refrigerators and freezers, and cooking appliances	12,000	38,370	3.6
HEALTHCARE PRODUCTS HOLDINGS[3] Designer and manufacturer of motorised vehicles	17,636	-	-
NATIONWIDE STUDIOS Processor of digital photos for pre-schoolers	26,324	5,000	0.5
PRIORITY EXPRESS Provider of same day express courier services to various companies located in north-eastern USA. Priority Express is a subsidiary of US Logistics	13,200	11,738	1.1
Total US Micro-cap (Other)	*105,051*	*95,430*	*9.0*
Total US Micro-cap portfolio	***413,567***	***478,970***	***44.7***
European Micro-cap portfolio			
EUROMICROCAP FUND 2010, L.P. Invested in European Micro-cap entities	-	3,870	0.4
JZI FUND III, L.P. At 28 February 2019, was invested in twelve companies in the European micro-cap sector: Fincontinuo, S.A.C, Collingwood, My Lender, Alianzas en Aceros, ERSI, Treee, Eliantus, Factor Energia, BlueSites, Luxida and Karium	48,513	66,816	6.2
Total European Micro-cap (measured at Fair Value)	48,513	70,686	*6.6*
Direct Investments			
DOCOUT[5] Provider of digitalisation, document processing and storage services	2,777	3,967	0.4
OMBUDS[5] Provider of personal security, asset protection and facilities management services	17,198	27,367	2.5

TORO FINANCE[5] Provides short term receivables finance to the suppliers of major Spanish companies	21,619	22,462	2.1
XACOM[5] Supplier of telecom products and technologies	2,055	4,216	0.4
Total European Micro-cap (Direct Investments)	43,649	58,012	*5.4*
Total European Micro-cap portfolio	***92,162***	***128,698***	***12.0***
Real Estate portfolio			
JZCP REALTY[4] Facilitates JZCP's investment in US real estate	393,962	443,044	41.3
Total Real Estate portfolio	***393,962***	***443,044***	***41.3***
Other investments			
BSM ENGENHARIA Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	459	-
JZ INTERNATIONAL[3] Fund of European LBO investments	-	750	0.1
SPRUCEVIEW CAPITAL Asset management company focusing primarily on managing endowments and pension funds	28,010	17,093	1.6
Total Other investments	**34,125**	***18,302***	***1.7***
Listed investments			
U.S. Treasury Bill 0.00% Maturity 8th-August-2019	3,312	3,314	0.3
Total Listed investments	***3,312***	***3,314***	***0.3***
Total - portfolio	**937,128**	**1,072,328**	**100.0**

[1]Original book cost incurred by JZCP adjusted for subsequent transactions. The book cost represents cash outflows and excludes PIK investments.

[2]Co-investment with Fund A, a Related Party (Note 24).

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

[4]JZCP invests in real estate indirectly through its investments in JZCP Realty Ltd. JZCP owns 100% of the shares and voting rights of JZCP Realty, Ltd.

[5]Classified as Loans at Amortised Cost.

Board of Directors

David Macfarlane (Chairman)[1]

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

Patrick Firth[2,4]

Mr Firth was appointed to the Board of JZCP in 2008. He is also a director of a number of offshore funds and management companies, including ICG-Longbow Senior Secured UK Property Debt Investments Limited, Riverstone Energy Limited and NextEnergy Solar Fund Limited. He is Chairman of GLI Finance Limited. He is a member of the Institute of Chartered

Accountants in England and Wales and The Chartered Institute for Securities and Investment. He is a resident of Guernsey.

James Jordan

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

Sharon Parr

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

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[3]

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

[1]*Chairman of the nominations committee of which all Directors are members.*
[2]*Chairman of the audit committee of which all Directors are members.*
[3]*Chairman of the management engagement committee of which all Directors are members.*
[4]*Mr Firth intends to retire from the Board and as chairman of the audit committee before the Company's AGM in June 2019.*

Report of the Directors

The Directors present their annual report together with the audited financial statements of JZ Capital Partners ("JZCP" or the "Company") for the year ended 28 February 2019.

Principal Activities
JZ Capital Partners Limited is a closed-ended investment company with limited liability which was incorporated in Guernsey on 14 April 2008 under the Companies (Guernsey) Law, 1994. The Company is subject to the Companies (Guernsey) Law, 2008. The Company's Capital consists of Ordinary shares, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS"). The Company's Ordinary shares, ZDP Shares and CULS are traded on the London Stock Exchange's Specialist Fund Segment.

The Company's Investment Policy is to target predominantly private investments, seeking to back exceptional 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 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 in both the US and Europe; and
(b) real estate interests.

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

The Investment Adviser is able to invest globally but with a particular focus on opportunities in the United States and Europe.

Business Review
The total loss attributable to Ordinary shareholders for the year ended 28 February 2019 was $6,835,000 (year ended 28

February 2018: loss of $11,271,000). The revenue return for the year was $9,516,000 (year ended 28 February 2018: $11,913,000), after charging directors fees and administrative expenses of $3,099,000 (year ended 28 February 2018: $3,085,000) and Investment Adviser's base fee of $16,733,000 (year ended 28 February 2018: $16,912,000). The net asset value ("NAV") of the Company at the year end was $810,262,000 (28 February 2018: $837,573,000) equal to $10.04 (28 February 2018: $9.98) per Ordinary share.

A review of the Company's activities and performance is detailed in the Chairman's Statement and the Investment Adviser's Report. The valuations of the unlisted investments are detailed in the Investment Portfolio section.

Dividends
No dividends were paid or proposed for the years ended 28 February 2019 and 28 February 2018.

Directors
The Directors listed below are all deemed independent and non-executive, other than Sharon Parr they have all served on the Board throughout the year and were in office at the end of the year and subsequent to the date of this report. The biographical details of the Directors are shown on Board of Directors' section.

David Macfarlane (Chairman)
Patrick Firth
James Jordan
Sharon Parr (appointed June 2018)
Tanja Tibaldi
Christopher Waldron

Annual General Meeting
The Company's Annual General Meeting is due to be held on 27 June 2019.

Substantial Shareholders
As at 7 May 2019, the Company has been notified in accordance with the Disclosure and Transparency Rules of the following interests of 5% or more of the total Ordinary share capital of the Company (and save as set out below the Company is unaware of any significant changes to the below holdings at the date of signing this report). The number and percentage of Ordinary shares relate to the number informed by shareholders on the relevant notification rather than the current share register.

	Ordinary shares	% of Ordinary shares
Edgewater Growth Capital Partners L.P.[1]	18,335,944	22.7%
David W. Zalaznick[1]	10,550,294	13.1%
John W. Jordan II & Affiliates[1]	10,550,294	13.1%
Leucadia Financial Corporation[1]	8,021,552	9.9%
Abrams Capital Management L.P.[2]	7,744,366	9.6%
Finepoint Capital L.P.	4,413,067	5.5%
Arnhold, LLC	4,573,007	5.7%

The percentage of Ordinary shares shown above represents the ownership of voting rights at the year end, before weighting for votes on Directors.

It is the responsibility of the shareholders to notify the Company of any change to their shareholdings when it reaches 5% of shares in issue and any subsequent change when the shareholding increases or decreases by a further 5% (up to 30% of shares in issue i.e. 10%, 15%, 20%, 25% and 30%) and thereafter 50% and 75%.

[1] The notifiable interests set out in the table above for each of Edgewater Growth Capital Partners L.P., David W. Zalaznick, John (Jay) W. Jordan II and Affiliates and Leucadia Financial Corporation do not reflect the number of Ordinary shares bought back from each of those shareholders pursuant to certain share buy backs of Ordinary shares undertaken by the Company and as announced in during the year ended 28 February 2019. Each of those shareholders had Ordinary shares repurchased from them off-market by the Company and as such, as at 7 May 2019 and so far as the Company is aware, Edgewater Growth Capital Partners L.P. holds 17,623,578 Ordinary shares (being 21.9% of the issued Ordinary shares), David W. Zalaznick holds 10,142,814 Ordinary shares (being 12.6% of the issued Ordinary shares), John (Jay) W. Jordan II and Affiliates holds 10,142,814 Ordinary shares (being 12.6% of the issued Ordinary shares) and Leucadia Financial Corporation holds 7,986,002 Ordinary shares (being 9.9% of the issued Ordinary shares).

[2] The figure set out in the table above for Abrams Capital Management L.P. does not reflect the number of Ordinary shares bought back from them pursuant to share buy backs of Ordinary shares undertaken by the Company and as announced in during the year ended 28 February 2019. As at 7 May 2019 and so far as the Company is aware, Abrams Capital Management L.P. holds 7,163,507 Ordinary shares (being 9.5% of the issued Ordinary shares).

Share Capital, Purchase of own Shares and Convertible Unsecured Loan Stock "CULS"
Details of the ZDP shares and the Ordinary shares can be found in Notes 16 and 19. Details of the CULS can be found in Note 15.

The beneficial interests of the Directors in the Ordinary shares of the Company are shown below:

	Number of Ordinary shares at 1 March 2018	Purchased in year	Sold in year	Number of Ordinary shares at 28 February 2019
David Macfarlane	74,800	5,000	(5,000)	74,800
Patrick Firth	5,440	-	-	5,440
James Jordan	40,800	-	-	40,800
Sharon Parr	-	-	-	-
Tanja Tibaldi	2,720	-	-	2,720
Christopher Waldron	4,000	-	-	4,000
	127,760	5,000	(5,000)	127,760

The beneficial interests of the Directors in the CULS of the Company are shown below (no change from 28 February 2018 position):

	Number of CULS of £10 nominal value at 28 February 2019
David Macfarlane	734
Patrick Firth	734
Tanja Tibaldi	367
	1,835

None of the Directors held any interest in the Zero Dividend Preference shares during the year. There have been no changes in the Directors' interests of any share class between 28 February 2019 and the date of this report.

Ongoing Charges
Ongoing charges for the years ended 28 February 2019 and 28 February 2018 have been prepared in accordance with the Association of Investment Companies ("AIC") recommended methodology. The ongoing charges ratio represents annualised recurring operational expenses as a percentage of the average net asset value. The Ongoing charges for the year ended 28 February 2019 were 2.42% (28 February 2018: 2.35%) excluding incentive fees of 0.30% (28 February 2018: 0.52%).

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

NAV Factors

(i) Macroeconomic Risks
The Company's performance, and underlying NAV, is influenced by economic factors that affect the demand for products or services supplied by investee companies and the valuation of Real Estate interests held. Economic factors will also influence the Company's ability to invest and realise investments and the level of realised returns. Approximately 9% of the Company's investments are denominated in non-US dollar currencies, primarily the euro. Also the Company has issued debt denominated in non-US dollar currencies, primarily sterling. Fluctuations to these exchange rates will affect the NAV of the Company.

(ii) Underlying Investment Performance
The Company is reliant on the Investment Adviser to source and execute suitable investment opportunities. The Investment Adviser provides to the Board an explanation of all investment decisions and also quarterly investment reports and valuation proposals of investee companies. The Board reviews investment performance quarterly and investment decisions are checked to ensure they are consistent with the agreed long term investment strategy.

Portfolio Liquidity
The Company invests predominantly in unquoted companies and real estate. Therefore, this potential illiquidity means there can be no assurance investments will be realised at their latest valuation. The Board considers this illiquidity when planning to meet its future obligations, whether committed investments or the repayment of debt facilities or the future repayment of CULS and ZDP shares. On a quarterly basis, the Board receives from the Investment Adviser and reviews a working capital model produced by the Investment Adviser which highlights the Company's projected liquidity and financial commitments.

Gearing and Financing Costs in the Real Estate Portfolio
The cost of servicing debt in the underlying real estate structures may impact the net valuation of the real estate portfolio and

subsequently the Company's NAV. Gearing in the underlying real estate structures will increase any losses arising from a downturn in property valuations.

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

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

The Board considers the principal risks and uncertainties above are consistent with the prior year and the Company's exposure to these risks is neither greater nor any less during the year ended 28 February 2019 compared to the year ended 28 February 2018.

Viability Statement
In accordance with the UK Corporate Governance Code (the "UK Code") the Board has assessed the expectations that the Company will be able to continue in operation and meet ongoing debt obligations. In order to make the assessment the Board has carried out a robust review of the Company's principal risks and uncertainties, as noted above, to which the Company is exposed and that potentially threaten future performance and liquidity and has assessed the Company's current position and prospects as detailed in the Chairman's statement and Investment Adviser's report. The period covered by the viability statement is the next three financial years to 28 February 2022.

The Board believes that a viability assessment of three years aligns with the Company's review of working capital models provided by the Investment Adviser which detail expected investment activity and estimated liquidity over a three year period. The Board also considers the underlying investment portfolio, which consists primarily of unlisted micro-cap businesses and real estate investments which are not publicly traded. Micro-cap investments are held for the medium term, typically a period of 3 to 5 years and it is anticipated real estate developments will take a similar time-frame to realise returns.

The Board will continue to review the period of assessment on an annual basis and may in future years extend the period if it is considered appropriate.

Factors considered whilst reviewing the Company's future prospects and viability, include:

(i) Financing obligations
The Company has obligations to repay loan debt in June 2021, the balance outstanding to Guggenheim Partners at 28 February 2019 was $149.2 million (28 February 2018: $150.1 million). It is expected the debt facility will be repaid in full or part from the proceeds of realisations and refinancing of investments. It is anticipated the Company will repay a significant proportion of the loan over the next three years.

The Company will potentially redeem CULS in July 2021 amounting to £38.9 million, assuming holders of CULS do not convert their holdings to equity. JZCP is due to redeem £57.6 million of ZDP shares on 1 October 2022, again it is expected the redemption of both CULS and ZDPs will be met from the proceeds of realisations and refinancing of investments. At 28 February 2019, the Company had outstanding investment commitments of $43.6 million (28 February 2018: $73.7 million). The Board will continue to consider the Company's position in meeting debt obligations and commitments falling outside the three year review and will continue to consider appropriate gearing levels to enable the financing of debt and ongoing investment/operating activities.

(ii) Investment performance and portfolio liquidity
The Board reviews, on a quarterly basis, the valuation and prospects of all underlying investee companies. The Board is confident that the diversity of the portfolio and ability of the Investment Adviser to select suitable investment opportunities will negate the risk of a significant fall in NAV, similar to the one the Company suffered during the financial crisis of 2008 which saw a reduction in NAV for the 7 month period ended 28 February 2009 of approximately 30%. Whilst a similar fall in NAV would not directly threaten the Company's viability the Board is mindful that in a similar financial environment, the Company will be exposed to a possible lack of liquidity due to the difficulty in realising investments and the possibility of investments defaulting on interest obligations to the Company. JZCP has had realisations from unlisted investments over the last 3 financial years that have averaged cash inflows of $157 million per annum and has invested an average of $147 million per annum over the same period in unlisted investments.

In order to return capital, meet debt obligations and continue to participate in investment opportunities the Board will be seeking approval for a U.S. Side-Car Fund ("JZ Partners II"), which will be used to invest side-by-side with JZCP in U.S. microcap deals. The intention is that JZ Partners II will be able to free up a significant amount of cash for JZCP over the next three to five years as JZ Partners II will potentially purchase certain JZCP assets (at or above NAV) as part of a secondary sale.

The Board is confident that future cash inflows will be sufficient to enable the Company to meet its investment and operational obligations.

(iii) Mitigation of other risks as outlined in the Principal Risks and Uncertainties.
The Board is confident the performance of the Company over the period of review will be robust and the investment strategy will deliver returns and liquidity. Therefore the Board has been able to form a reasonable expectation that the Company will

continue in operation and meet its liabilities as they fall due over the next three financial years.

Going Concern
The Board considers that the Company has adequate financial resources, in view of its cash balances, liquid investments and the income streams deriving from its investments and believes that the Company is well placed to manage its business risks successfully to continue in operational existence for a period of at least 12 months from signing of the financial statements and that it is appropriate to prepare the financial statements on the going concern basis.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable Guernsey Law and generally accepted accounting principles. Guernsey Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year. They are also responsible for ensuring that the Annual Report, Financial Statements, and Company comply with the provisions of the Disclosure and Transparency Rules of the UK Listing Authority which, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions, of the corporate governance code applicable to the Company.

In preparing Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- confirm that there is no relevant audit information of which the Company's Auditor is unaware; and
- confirm that they have taken all reasonable steps which they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008 and International Financial Reporting Standards as adopted by the European Union ("IFRS"). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility Statement of the Directors in respect of the Financial Statements
The Directors confirm that to the best of their knowledge:

- the Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities and financial position, and profit or loss of the Company;
- the Annual Report includes a fair review of the development and performance of the business and position of the Company together with the description of the principal risks and uncertainties that the Company faces, as required by the Disclosure and Transparency Rules of the UK Listing Authority; and
- the Directors confirm that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance and strategy.

Directors' Statement
So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board of Directors and agreed on behalf of the Board on 7 May 2019.

David Macfarlane **Chairman**	**Patrick Firth** **Director**

Corporate Governance

Introduction
The Board of JZ Capital Partners Limited has considered the principles and recommendations of the AIC Code of Corporate Governance (including the supplement for Guernsey-domiciled companies) published in July 2016 (the "AIC Code"). The AIC Code addresses all the principles set out in the 2016 UK Corporate Governance Code (the "UK Corporate Governance Code "),

as well as setting out additional principles and recommendations on issues that are of specific relevance to JZ Capital Partners Limited. The AIC Code can be found at www.theaic.co.uk and the UK Corporate Governance Code can be found at www.frc.org.uk.

The Company is a member of the Association of Investment Companies (the "AIC") and by complying with the AIC Code is deemed to comply with both the UK Corporate Governance Code and Guernsey Code of Corporate Governance.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders. To ensure ongoing compliance with these principles the Board receives and reviews a report from the Corporate Secretary, at each quarterly meeting, identifying how the Company is in compliance and identifying any changes that might be necessary.

Throughout the accounting period the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance code includes provisions relating to:

- the role of the chief executive
- executive directors remuneration
- the need for an internal audit function
- appointment of a senior independent director
- whistle blowing policy

The Board considers these provisions are not relevant to the position of JZ Capital Partners Limited, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are non-executive and the Company does not have employees, hence no whistle blowing policy is required. However the Directors have satisfied themselves that the Company's service providers have appropriate whistle blowing policies and procedures and have received confirmation from the service providers that nothing has arisen under those policies and procedures which should be brought to the attention of the Board. There have been no other instances of non-compliance, other than those noted above.

Guernsey Code of Corporate Governance
The Guernsey Financial Services Commission’s (GFSC) “Finance Sector Code of Corporate Governance” (the "Guernsey Code") came into effect on 1 January 2012. The introduction to the Guernsey Code states that companies which report against the UK Corporate Governance Code or the AIC’s Code of Corporate Governance are deemed to meet the Guernsey Code.

2019 AIC Code of Corporate Governance
Following the publication of the 2018 UK Corporate Governance Code published in July 2018 the AIC subsequently published the 2019 AIC Code of Corporate Governance which will apply to JZCP’s accounting year ended 29 February 2020. The Board is currently implementing the 2019 AIC Code of Corporate Governance and while this Annual Report provides some additional information on board succession planning, board independence and stakeholder engagement, we expect to report in more detail on these matters and others when the new reporting requirements apply to the Company in the next financial year.

The Board
Corporate Governance of JZCP is monitored by the Board which at the end of the year comprised six Directors, all of whom are non-executive. Biographical details of the Board members at the date of signing these Financial Statements are shown in the Board of Directors' section and their interests in the shares of JZCP are shown in the Report of the Directors. The Directors' biographies highlight their wide range of relevant financial and sector experience. Biographical details of the Board members at the date of signing these Financial Statements are shown in the Board of Directors' section and their interests in the shares of JZCP are shown in the Report of the Directors.

Directors' Independence
The Board continually considers the independence of the Directors, including in light of the circumstances which are set out in the AIC Code as likely to impair a director's independence.

There are no circumstances that exist, including those under the AIC Code (2016), which the Board considers likely to impair the independence of any of the Directors.

A number of the Directors have, however, served on the Board for a period of longer than nine years which is one of those circumstances set out in the AIC Code. The conclusion the Board has reached is that despite having served on the Board for more than nine years, this has not impacted the independence of such Directors. However, the Board will continue to assess on an annual basis how length of service could impair judgement and decision making both on the basis of an individual Director and the Board as a whole.

Further details on the Board’s processes and criteria for the appointment of directors can be found under the section of this Annual Report detailing the work of the Nomination Committee.

Succession Planning
The Board acknowledges that the Board and its Committees should have a combination of skills, experience and knowledge and that membership should be regularly refreshed. The Board annually evaluates its composition, diversity and how effectively each member contributes and how they work together to achieve objectives. Further details on the evaluation of the Board and its Committees can be found below in this section of the Annual Report.

The Board this year welcomed the appointment of Sharon Parr. Patrick Firth is to retire from the Board and it is intended that Sharon will replace Patrick as Chairman of the Audit Committee.

Chairman Tenure

The Board's policy on the Chairman's tenure is that continuity and experience are considered to add significantly to the strength of the Board and as such these attributes need to be weighed against any advantages that a new appointment may bring. Therefore, no limit on the overall length of service of the Chairman is imposed.

The Chairman has served on the Board since the Company's inception (April 2008), the Board therefore acknowledges that succession to the role needs to be anticipated in line with effective succession planning. The Board is currently considering a plan for the Chairman's succession and it is intended that a new Chairman will be appointed in 2021. Proposals for further refreshment of the board are under consideration and will be notified in due course.

Proceedings of the Board

The Directors have overall responsibility for the Company's activities and the determination of its investment policy and strategy. The Company has entered into an investment advisory and management agreement with its Investment Adviser, JZAI, pursuant to which, subject to the overall supervision of the Directors, the Investment Adviser acts as the investment manager to the Company and manages the investment and reinvestment of the assets of the Company in pursuit of the investment objective of the Company and in accordance with the investment policies and investment guidelines from time to time of the Company and any investment limits and restrictions notified by the Directors (following consultation with the Investment Adviser). Within its strategic responsibilities the Board regularly considers corporate strategy as well as dividend policy, the policy on share buy backs and corporate governance issues.

The Directors meet at least quarterly to direct and supervise the Company's affairs. This includes reviewing the investment strategy, risk profile, gearing strategy and performance of the Company and the performance of the Company's functionaries, and monitoring compliance with the Company's objectives.

The Directors visit the Investment Adviser at least annually for a comprehensive review of the portfolio, its valuation methodology and general strategy. The Directors deem it appropriate to review the valuations of the investment portfolio on a quarterly basis. The schedule of Board and Committee meetings is shown in the table below.

Continuing terms of Investment Adviser agreement

In the opinion of the Directors, the continuing appointment of the Investment Adviser on the terms agreed continues to be in the interests of Shareholders. In reaching its conclusion the Board considers the Investment Adviser's performance and expertise and is confident of the Investment Adviser's ability to source compelling future investment opportunities.

Supply of information

The Chairman ensures that all Directors are properly briefed on issues arising at, and when necessary in advance of, Board meetings. The Company's advisers provide the Board with appropriate and timely information in order that the Board may reach proper decisions. Directors can, if necessary, obtain independent professional advice at the Company's expense.

Directors' training

he Board is provided with information concerning changes to the regulatory or statutory regimes as they may affect the Company, and are offered the opportunity to attend courses or seminars on such changes, or other relevant matters. An induction programme is available for any new Director appointments. The induction programme offers training about the company, its managers, their legal responsibilities and investment company industry matters.

Chairman and senior independent Director

The Chairman is a non-executive Director, together with the rest of the Board. There is no executive Director position within the Company. Day-to-day management of the Company's affairs has been delegated to third party service providers. Chris Waldron was appointed as senior independent director on 7th May 2019.

Board diversity

The Board has also given careful consideration to the recommendations of the Davies Review and the findings of the Hampton-Alexander Review on the evolving gender diversity debate. The Board continues to review its composition in terms of diversity, appropriate range of skills and experience and the Board is committed to ensuring that diversity is considered when appointments to the Board are under consideration – as indeed has always been its practice.

Re-election of Directors

Previously, each Director having served longer than nine years was subject to annual re-election and each Director having served less than nine years was subject to re-election at the third annual general meeting after appointment or (as the case may be) the general meeting at which he or she was last appointed.

In line with the 2019 AIC Code of Corporate Governance, it is intended that in the next financial year, all Directors, and not just those Directors who have served on the Board for over nine years, will be subject to annual re-election. Therefore at the 2019 AGM, it is intended that all of the Directors will seek re-election with the exception of Patrick Firth, who is retiring prior to the 2019 AGM, and Sharon Parr, who is seeking election for the first time.

The Board's evaluation

The Board, Audit Committee, and Nomination Committee undertake an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board and its Committees carry out a process of formal self-appraisal. The Board and Committees consider how they function as a whole and also review the individual performance of its members. This process is conducted by the respective Chairman reviewing each member's performance, contribution and their commitment to the Company. The Board as a whole reviews the performance of the Chairman. Each Board member is also required to submit details of training they have undertaken on an annual basis. Currently, no third party evaluation of the Directors effectiveness is undertaken. The results of the evaluation process concluded the Board was functioning effectively and the Board and its committees provided a suitable mix of skills and experience.

Board Committees

In accordance with the AIC Code, the Board has established an Audit Committee and a Nomination Committee, in each case with formally delegated duties and responsibilities within written terms of reference. The identity of each of the chairmen of the committees referred to below is reviewed on an annual basis. The Board, consisting of all non-executive Directors, has decided that the entire Board should fulfil the role of the Audit and Nomination Committees. The terms of reference of the committees are kept under review and can be viewed on the Company's website www.jzcp.com.

Nomination Committee

In accordance with the Code, the Company has established a Nomination Committee. The Nomination Committee leads the process for all board appointments, oversees the development of and reports on, amongst other things, its approach to a diverse pipeline for succession.

The Nomination Committee takes into consideration the Code's rules on independence of the Board in relation to the Company, its senior management and major shareholders. The Nomination Committee is chaired by David Macfarlane, and each of the other Directors is also a member. The members of the committee are independent of the Investment Adviser. The Nomination Committee has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board.

Due to the nature of the Company being a listed investment company investing in private equity with an international shareholder base, the Company needs Directors with a broad range of financial experience. For this reason, Directors use external consultants as well as using their own contacts to identify suitable candidates.

The final decision with regard to appointments always rests with the Board and all such appointments are subject to confirmation by shareholders.

In June 2018, Sharon Parr was appointed to the Board following a proposal by the Nomination Committee. Sharon Parr was recommended as a suitable candidate, by an external consultant, due to her wealth of industry experience and her audit and accounting expertise which will be essential once she replaces Patrick Firth as Chairman of the Audit Committee.

Audit Committee

The Audit Committee is chaired by Patrick Firth. All the other Directors are members. Members of the Committee are independent of the Company's external auditors and the Investment Adviser. All members have the necessary financial and sector experience to contribute effectively to the Committee. The Audit Committee meets at least twice a year and meets the external auditors at least twice a year. The Audit Committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Committee also considers the nature, scope and results of the auditors' work and reviews, and develops and implements policies on the supply of any non-audit services that are to be provided by the external auditors.

A report of the Audit Committee detailing responsibilities and activities is presented after Directors' Remuneration Report.

As referred to above, Patrick Firth will retire from the Board and it is intended that Sharon Parr will replace Patrick as Chairman of the Audit Committee.

Management Engagement Committee

The Management Engagement Committee, established in September 2018 is chaired by Chris Waldron and comprises the entire board. Responsibilities include reviewing the performance and contractual arrangements of the Company's service providers.

Remuneration Committee

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee as prescribed by the AIC Code. The process for agreeing the non-executive Directors' fees is set out in the Directors' Remuneration Report.

Board and Committee meeting attendance

The number of formal meetings of the Board and its committees held during the year and the attendance of individual Directors at these meetings was as follows:

			Number of meetings			
	Board Main	AGM	Ad Hoc Meetings	Audit Committee	Nomination Committee	Management Engagement Committee
Total number of meetings	**5**	**1**	**4**	**5**	**1**	**1**
David Macfarlane	5	1	3	5	1	1
Patrick Firth	5	-	4	5	1	1
James Jordan	4	1	3	4	1	-

Sharon Parr (appointed June 2018)	4	-	1	4	-	1
Tanja Tibaldi	5	1	3	5	1	1
Christopher Waldron	5	-	3	5	1	1

The main Board meetings are held to agree the Company's valuation of its investments, agree the Company's financial statements and discuss and agree other strategic issues. Other meetings are held when required to agree board decisions on ad-hoc issues.

UK Criminal Finances Act 2017

In respect of the UK Criminal Finances Act 2017 which has introduced a new Corporate Criminal Offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

The Board also keeps under review developments involving other social and environmental issues, such as Modern Slavery and General Data Protection Regulation, and will report on those to the extent they are considered relevant to the Company's operations.

Internal Controls

The Board is ultimately responsible for establishing and maintaining the Company’s system of internal financial and operating control and for maintaining and reviewing its effectiveness on an annual basis. The Company's risk matrix continues to be the core element of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Board which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements and is reviewed by the Board and is in accordance with the Internal controls: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Board has evaluated the systems of internal controls of the Company. In particular, it has prepared a process for identifying and evaluating the principal risks affecting the Company and the policies by which these risks are managed.

The Board has delegated the day to day responsibilities for the management of the Company’s investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Company and providers of these services.

Even though the Board has delegated responsibility, it retains accountability for these functions and is responsible for the systems of internal control. At each quarterly board meeting, compliance reports are provided by the Administrator, Company Secretary and Portfolio Manager. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report.

The Company’s risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its quarterly meetings and annually by the Board.

The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

International Tax Reporting

For purposes of the US Foreign Account Tax Compliance Act (“FATCA”), the Company registered with the US Internal Revenue Services (“IRS”) as a Guernsey reporting Foreign Financial Institution (“FFI”), received a Global Intermediary Identification Number CAVBUD.999999.SL.831, and can be found on the IRS FFI list.

The Common Reporting Standard (“CRS”) is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development (“OECD”), which has been adopted by Guernsey and which came into effect on 1 January 2016. The CRS replaced the intergovernmental agreement between the UK and Guernsey to improve international tax compliance that had previously applied.

The Board will take necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

Relations with Shareholders

The Directors believe that the maintenance of good relations with both institutional and retail shareholders is important for the long term prospects of the Company. It therefore seeks active engagement with investors, bearing in mind the duties regarding equal treatment of shareholders and the dissemination of inside information. The Board receives feedback on shareholder views from its Corporate Broker and Investment Adviser, and is circulated with Broker reports on the Company.

The Directors believe that the Annual General Meeting, a meeting for all shareholders, is the key point in the year when the Board of Directors accounts to all shareholders for the performance of the Company. It therefore encourages all shareholders to attend where Directors will be present and available to engage with shareholders.

The Directors believe that the Company policy of reporting to shareholders as soon as possible after the Company's year end and the holding of the Annual General Meeting at the earliest opportunity is valuable.

The Company also provides an Interim Report and Accounts in accordance with IAS 34 and Interim Management statements for the quarterly periods.

Directors' Remuneration Report

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of shareholders.

Remuneration policy

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. All of the matters recommended by the Code that would be delegated to such a committee are considered by the Board as a whole.

It is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman who will have given the matter proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chairman's remuneration is decided separately and is approved by the Board as a whole.

The Company's Articles state that Directors' remuneration payable in any accounting year shall not exceed in the aggregate an annual sum of US$650,000. Each Director is also entitled to reimbursement of their reasonable expenses. There are no commission or profit sharing arrangements between the Company and the Directors. Similarly, none of the Directors is entitled to pension, retirement or similar benefits. No element of the Directors' remuneration is performance related.

The remuneration policy set out above is the one applied for the year ended 28 February 2019 and is not expected to change in the foreseeable future.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Remuneration for services as non-executive Directors

	Fees for services to the Company for the year to 28 February 2019	Fees for services to the Company for the year to 28 February 2018
	US$	US$
David Macfarlane (Chairman)	160,000	160,000
Patrick Firth	70,000	70,000
James Jordan	60,000	60,000
Sharon Parr (appointed June 2018)	41,000	-
Tanja Tibaldi	60,000	60,000
Christopher Waldron[1]	67,000	65,000
	458,000	415,000

[1]During the year ended 28 February 2019, Mr Waldron fees were increased to $70,000 from $65,000 to reflect further responsibilities undertaken being the chairing of the management engagement committee .

No Director has a service contract with the Company, nor are any such contracts proposed.

Directors' Term of Appointment

In the financial year ended 28 February 2019, each Director having served longer than nine years was subject to annual re-election. Each Director who served less than nine years being subject to re-election only at the third annual general meeting after appointment or (as the case may be) the general meeting at which he or she was last appointed and being eligible for re-appointment.

In line with the 2019 AIC Code of Corporate Governance, it is intended that in the next financial year, all Directors, and not just those Directors who have served on the Board for over nine years, will be subject to annual re-election. Therefore at the 2019 AGM, it is intended that all of the Directors will seek re-election with the exception of Patrick Firth, who is retiring prior to the 2019 AGM, and Sharon Parr, who is seeking election for the first time.

The Directors were appointed as non-executive Directors by letters issued in April 2008, October 2013 and June 2018 which state that their appointment and any subsequent termination or retirement shall be subject to three-months' notice from either party in accordance with the Articles. Each Director's appointment letter provides that, upon the termination of his/her appointment, that he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Signed on behalf of the Board of Directors on 7 May 2019 by:

David Macfarlane **Chairman**	**Patrick Firth** **Director**

Audit Committee Report

Dear Shareholder,

We present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities in 2018/2019. The Audit Committee has reviewed the Company's financial reporting, the independence and effectiveness of the external auditor and the internal control and risk management systems of the Company's service providers. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received and reviewed from the Investment Manager, Administrator and external auditor.

A member of the Audit Committee will continue to be available at each Annual General Meeting to respond to any shareholder questions on the activities of the Audit Committee.

Responsibilities
The terms of reference of the Audit Committee include the requirement to:

- monitor the integrity of the published Financial Statements of the Company
- review and report to the Board on the significant issues and judgements made in the preparation of the Company's published Financial Statements, (having regard to matters communicated by the external Auditors) and other financial information
- monitor and review the quality and effectiveness of the external Auditors and their independence
- consider and make recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's external Auditor
- advise the Board that the annual report and accounts, taken as a whole, is fair, balanced and understandable
- review and consider the Company's Principal risks and uncertainties
- consider the long term viability of the Company
- review the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption
- monitor and review the internal control and risk management systems of the service providers
- consider and make representations to the Board regarding Directors' remuneration

The Audit Committee's full terms of reference can be viewed on the Company's website www.jzcp.com.

Key Activities of the Audit Committee
The following sections discuss the assessments made by the Audit Committee during the year:

Financial Reporting:
The Audit Committee's review of the Annual Financial Statements focused on the following significant areas:

- Valuation of unquoted investments
  The fair value of the Company's unquoted securities at 28 February 2019, which are valued using tecniques detailed in note 5 of the financial statements, was $1,014,000,000 accounting for 90% of the Company's assets. The Committee has concentrated on ensuring the Investment Manager has applied appropriate valuation methodologies to these investments in producing the net asset value of the Company.

  Members of the Audit Committee meet the Investment Adviser at least annually to discuss the valuation process. The Committee gains comfort in the valuations produced by reviewing the methodologies used. The valuations were challenged and approved by the Audit Committee in a recent visit to the Investment Adviser. The Audit Committee has thus satisfied itself that the valuation techniques are appropriate and accurate.

- Impairment of direct loans measured at amortised cost

Risk that the carrying value of the direct loans might be misstated due to application of inappropriate methodologies, inputs and/or judgemental factors determining the expected credit loss in accordance with IFRS 9.

- NAV-Based Fees
  The Board has identified that there is a risk that management and incentive fees which are calculated based on the NAV of the Company could potentially be misstated if there were to be an error in the calculation of the NAV. However, as each monthly NAV calculation is approved by the Investment Adviser and the year end NAV has been audited, the Board are satisfied that the fees have been correctly calculated as stated in the Annual Report and Financial Statements.

Audit Tender
As anticipated in last year's annual report, because Ernst & Young LLP's tenure had extended to 10 years (in April 2018), the Company put the audit contract out to tender during the current year and, on the recommendation of the Audit Committee, the Board agreed to re-appoint Ernst & Young LLP as auditors of the Company for the year ended 29 February 2020, subject to approval by the members at the forthcoming Annual General Meeting to be held on 27 June 2019.

Audit Tender Approach and Process
The Audit Committee instigated and led an audit tender process which was designed to be fair and transparent, and to give each participating firm an equal opportunity to tender for the audit. The Audit Committee took the principal role in implementing the agreed process.

Four audit firms (including the incumbent) were approached to participate in the tender process. The four firms were selected because of their known industry knowledge and technical expertise. All firms were within the "big four" , others were considered but excluded on the basis they were less likely to be able to offer as much expertise in sectors such as U.S. real estate.

The Process:

- A detailed request for proposal (RFP) was sent to the selected firms;
- Meetings were arranged with firms and members of the Audit Committee to discuss the content and answer questions on the RFP;
- Meetings were arranged with the Investment Adviser to help assist firms develop further knowledge of the Company and the audit requirements;
- The Audit Committee received and reviewed proposals from the audit firms;
- On the basis of proposals received, the audit firms were invited to present to the Audit Committee and engage in a Q&A session. The firms' performance during their presentation and the demonstration of critical assessment factors were measured using a score card approach;
- The Audit Committee considered the results of the score card approach, liaised with the Investment Adviser and considered due diligence performed to reach a decision; and
- The successful firm was notified and feedback provided to unsuccessful providers where requested.

The critical factors when assessing the firms were:

- The understanding of the business and experience of the sectors in which the Company invests;
- Would the firm establish an effective working relationship with Audit Committee and Investment Adviser;
- Could the firm add value and drive efficiencies for Company;
- Would services be provided at a competitive price; and
- Did the firm have sufficient resources and the ability to provide a stable and effective team in both the U.S. and Guernsey.

Conclusion
At the completion of the review the Audit Committee concluded that, while all four firms demonstrated they had the ability to provide an excellent audit service, there was a clear advantage to retaining the services of Ernst & Young LLP. Since the Company's inception in 2008, Ernst & Young has collated vast corporate knowledge of the Company and its underlying investment structures and has consistently maintained an effective working relationship with the Company's Investment Adviser and the Audit Committee. In addition, the tender proposal was at a competitive price. The benefits to the Company of this developed relationship were deemed to outweigh the benefits of a fresh audit approach from a newly appointed firm. The Audit Committee remains satisfied by the effectiveness of the audit provided by Ernst & Young and of the firm's independence. The Audit Committee recommended this decision to the Board and the Board agreed with the recommendation.

Risk Management:
The Audit Committee continued to consider the process for managing the risk of the Company and its service providers. Risk

management procedures for the Company, as detailed in the Company's risk assessment matrix, were reviewed and approved by the Audit Committee. New risks were added to the matrix in the year including the potential impact to the net asset value of the Company arising from the real estate portfolio's debt financing.

Fraud, Bribery and Corruption:
The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that there have been no instances of fraud or bribery.

The External Auditor
Ernst & Young LLP have acted as external auditor since the Company's inception in April 2008. This is the first year of Andrew Dann’s anticipated five year tenure as audit partner.

Independence, objectivity and fees:
The independence and objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. The Audit Committee has established pre-approval policies and procedures for the engagement of the auditor to provide non-audit and assurance services. The audit committee ensure the appointment does not create a scenario which:

- places the external auditor in a position to audit their own work
- creates a mutuality of interest
- results in the external auditor developing close relationships with service providers of the Company
- results in the external auditor functioning as a manager or employee of the Company
- puts the external auditor in the role of advocate of the Company

As a general rule, the Company does not utilise external auditors for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted but will be pre-approved by the Audit Committee.

The following table summarises the remuneration paid and payable by the Company to Ernst & Young LLP and to other Ernst & Young LLP member firms for audit and other services during the years ended 28 February 2019 and 28 February 2018.

	Year ended 28.2.2019	**$ Equivalent Year ended 28.2.2019**	**Year ended 28.2.2018**	**$ Equivalent Year ended 28.2.2018**
Ernst & Young LLP				
- Annual audit	£237,250	$269,000	£218,000	$306,000
- Auditor's interim review	£42,500	$56,000	£41,000	$55,000
Other Ernst & Young LLP affiliates				
- Passive Foreign Investment Company tax services	-	$65,000	-	$65,000

In line with the policies and procedures above, the Audit Committee does not consider that the provision of non-audit services, which includes determining whether the Company is a passive foreign investment company as defined by the U.S. Internal Revenue Code, to be a threat to the objectivity and independence of the external auditor.

Performance and effectiveness:
During the year, when considering the effectiveness of the external auditor, the Audit Committee has taken into account the following factors:

- the audit plan presented to them before each audit;
- the post audit report including variations from the original plan;
- changes in audit personnel;
- the external auditor's own internal procedures to identify threats to independence; and
- feedback received from both the Investment Adviser and Administrator.

The Audit Committee reviewed and challenged the audit plan and the post audit report of the external auditor and concluded that audit risks had been sufficiently identified and were sufficiently addressed. The Audit Committee considered reports from the external auditor on their procedures to identify threats to independence and concluded that the procedures were sufficient to identify potential threats to independence.

There were no significant adverse findings from this evaluation.

The Audit Committee has examined the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor and considers Ernst & Young LLP, as external auditor, to be independent of the Company.

Internal control and risk management systems:
Additional work performed by the Audit Committee in the areas of internal control and risk management are disclosed in the Corporate Governance report.

The Audit Committee has also reviewed the need for an internal audit function. The Audit Committee has decided that the systems and procedures employed by the Investment Adviser and the Administrator, including the Administrator's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

In finalising the Annual Report and Accounts for recommendation to the Board for approval, the Audit Committee has satisfied itself that the Annual Report and Accounts taken as a whole are fair, balanced and understandable.

The Audit Committee Report was approved by the Board on 7 May 2019 and signed on its behalf by:

Patrick Firth
Chairman, Audit Committee
7 May 2019

Independent Auditor's Report

To The Members of JZ Capital Partners Limited

Opinion

We have audited the financial statements of JZ Capital Partners Limited (the 'Company') for the year ended 28 February 2019, 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 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRS').

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out in the Report of the Directors that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report and in Note 3 that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the annual report in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report set out in the Report of the Directors as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Valuation of unquoted investments including the impact of management and incentive fees: and • Impairment of direct loans measured at amortised cost.
Audit scope	• We performed an audit of the complete financial statements of the Company for the year ended 28 February 2019.
Materiality	• Overall materiality of $16.2 million (2018: $16.8 million), which represents 2% (2018: 2%) of total equity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of unquoted investments including the impact of management and incentive fees (2019: $1.014 billion; 2018: US$ 1.063 billion) 99% (2018: 97%) of the carrying value of investments relates to the Company's holdings in unquoted investments, which are valued using different valuation techniques, as described in note 5 to the financial statements. The valuation is subjective, with a high level of judgement and estimation linked to the determination of the values with limited market information available. As a result, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model/calculation being selected including the possible impact on the management and incentives fees. The valuation of the unquoted investments is the key driver of the Company's net asset value and total return. Incorrect valuation could have a significant impact on the net asset value of the Company and therefore the return generated	Our audit procedures consisted of: • Updating and confirming our understanding of the Company's processes, policies and methodologies, including the use of industry specific measures, and policies for valuing unquoted investments held by the Company; • Obtaining and inspecting the valuation decks and independent appraisals regarding the real estate assets, and supporting data to assess whether the data used is appropriate and relevant, and discussing these with the JZAI to evaluate whether the fair value of the Company's investments is reasonably stated, challenging the assumptions made by management; • Attending fair value discussions in relation to 31 December 2018 and 28 February 2019 valuations. These included the Investment Adviser, EY Guernsey, EY valuation specialists, RedSky (Real Estate Asset Advisor) and CBRE (independent valuation specialists appointed by the Company); • Vouching valuation inputs that do not require specialist knowledge to independent sources and	We reported to the Audit Committee that overall there were no material matters arising from our audit work on the valuation of the Company's investments that we wished to bring to their attention.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
for shareholders. *Refer to the Audit Committee Report; Accounting policies in Notes 2, 3 and 5, and Note 12 to the Financial Statements* **Valuation of unquoted investments (continued)**	testing the arithmetical accuracy of the Company's calculations; • Performing back testing to get an overview of how management values the investments on an overall view compared to prior year values; • For a sample of investments (private equity and real estate assets) engaged EY Canada ("EY VME"), EY New York and Miami (collectively "EY TRE") as valuation specialists to: ○ use their knowledge of the market to assess and corroborate management's market related judgements and valuation inputs (i.e. discount rates, recent relevant transaction and comparable data, rental PSF, selling price PSF and buildable square foot) by reference to comparable transactions, and independently compiled databases/indices; ○ assist us to determine whether the methodologies used to value private equity investments were consistent with methods usually used by market participants for these types of private equity investments; ○ performed roll forward procedures to capture any material fair value changes between 31 December 2018 and 28 February 2019, with specific focus on changes in macro factors such as company specific and industry specific events and agree to supporting evidence; ○ performed procedures to assess whether, in light of market data, the fair values of certain recently acquired investments continue to approximate to their consideration paid; and ○ assist us in determining whether the Company's specialist was appropriately qualified and independent. • Updating our previous discussions with JZAI and RedSky with respect to the	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	qualitative factors and other information used to value investments; • We re-performed the management and incentive fee calculations for mathematical accuracy and consistency with the terms of the investment advisory agreement; and • Reporting to the Audit Committee on the calibration of investment valuations against EY's ranges.	
Impairment of direct loans measured at amortised cost (2019: $58 million; 2018 $57 million) Risk that the carrying value of the direct loans might be misstated due to application of inappropriate methodologies, inputs and/or judgemental factors determining the expected credit loss in accordance with IFRS 9. *Refer to the Audit Committee Report; Accounting policies in Notes 2 and 3, and Notes 7, 12 and 22 to the Financial Statements*	For all loans greater than materiality we have performed the following procedures: • We obtained copies of the signed loan agreements including any changes to the terms and conditions of the loans; • We re-performed the amortised cost calculations for mathematical accuracy and consistency with the terms of the loan agreements; and • We obtained the expected credit loss calculation from the Investment Advisor for each material loan, re-performed the calculation for mathematical accuracy and assessed the inputs, estimates and judgements applied by management specific to each loan.	We confirmed that there were no material matters arising from our audit work on the judgments and estimates made by management regarding the expected credit loss that we wished to bring to the attention of the Committee. We confirmed that the expected credit loss was not materially misstated.

Existence and ownership of real estate investments and the calculation of management and incentive fees have been removed from key audit matters. In the current year, we reduced the risk regarding the existence and ownership of real estate investments because there were no changes to the structure since the prior year and we have not identified any audit issues in the past. The calculation of management an incentive fees, have been included as part of the valuation of unquoted investments. Impairment of direct loans measured at amortised cost has been included as a key audit matter as a result of reclassifying the loans as amortised cost and the changes to the impairment model as a result of adopting IFRS 9 Financial Instruments.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is the magnitude of omissions or misstatements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be $16.2 million (2018: $16.2 million), which is 2% (2018: 2%) of total equity. We believe that total equity provides us with an appropriate basis for audit materiality as it is a key published performance measure and is a key metric used by management in assessing and reporting on overall performance.

During the course of our audit, we reassessed initial materiality and noted no matters leading us to amend the basis of materiality (2% of total equity). However, the materiality amount was adjusted to reflect total equity at year end rather than total equity at the audit planning stage.

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely $12.2 million (2018: $12.6 million). We have set performance materiality at this percentage because we have considered the likelihood of misstatements to be low. We have considered both quantitative and qualitative factors when determining the expected level of detected misstatements and setting the performance materiality at this level.

Reporting threshold

The reporting threshold is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.81 million (2018: $0.84 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit is materially inconsistent with our knowledge obtained in the audit; or

- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or

- the financial statements are not in agreement with the Company's accounting records and returns; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out in the Report of the Directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Andrew Jonathan Dann, FCA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
7 May 2019

1. The maintenance and integrity of the Company's web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors Report for audit conducted in accordance with auditing standards generally accepted in the United States[1]

To The Directors of JZ Capital Partners Limited

We have audited the accompanying financial statements of JZ Capital Partners Limited (the "Company") for the year ended 28 February 2019, 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 to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in conformity with United States Generally Accepted Accounting Principles ('U.S. GAAP'); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JZ Capital Partners Limited at 28 February 2019, and the consolidated results of its operations, changes in its net assets, and its cash flows for the year then ended, in conformity with United States Generally Accepted Accounting Principles.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or

- the financial statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the Financial Statements as a whole. The accompanying Supplemental U.S. GAAP Disclosures and Certain Regulatory Disclosures are presented for the purposes of additional analysis and are not a required part of the Financial Statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Financial Statements. The information has been subjected to the auditing procedures applied in the audit of the Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Financial Statements or to the Financial Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the Financial Statements as a whole.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Guernsey, Channel Islands
7 May 2019

[1] In order to comply with the U.S. Securities and Exchange Commission's custody rule, an audit opinion was requested, by the Company's Investment Adviser, which satisfies the requirements of auditing standards generally accepted in the United States.

Statement of Comprehensive Income

		Year Ended 28 February 2019			Year Ended 28 February 2018		
	Note	Revenue Return US$'000	Capital Return US$'000	Total US$'000	Revenue Return US$'000	Capital Return US$'000	Total US$'000
Income							
Net (loss)/gain on investments at fair value through profit or loss ("FVTPL")	6	-	(2,773)	(2,773)	-	586	586[1]
Expected credit losses	7	-	(75)	(75)	-	-	-
Gain/(loss) on financial liabilities at fair value through profit or Loss	15	-	5,696	5,696	-	(2,907)	(2,907)
Realisations from investments held in escrow accounts	28	-	3,303	3,303	-	1,922	1,922
Net foreign currency exchange loss		-	(1,354)	(1,354)	-	(903)	(903)[1]
Interest revenue calculated using the effective interest method	8	7,884	-	7,884	8,569	-	8,569[1]
Other interest and similar income	8	20,939	-	20,939	23,182	-	23,182 [1]
Bank and deposit interest		525	-	525	128	-	128
		29,348	*4,797*	*34,145*	*31,879*	*(1,302)*	*30,577*
Expenses							
Investment Adviser's base fee	10	(16,733)	-	(16,733)	(16,912)	-	(16,912)
Investment Adviser's incentive fee	10	-	(2,161)	(2,161)	-	(4,313)	(4,313)
Administrative expenses	10	(2,641)	-	(2,641)	(2,670)	-	(2,670)
Directors' remuneration	10	(458)	-	(458)	(415)	-	(415)

	Note						
		(19,832)	*(2,161)*	*(21,993)*	*(19,997)*	*(4,313)*	*(24,310)*
Operating Profit/(Loss)		*9,516*	*2,636*	*12,152*	*11,882*	*(5,615)*	*6,267*
Finance costs							
Interest expense calculated using the effective interest method	9	-	(15,832)	(15,832)	-	(14,547)	(14,547)[1]
Other interest and similar expense	9	-	(3,155)	(3,155)	-	(3,022)	(3,022)[1]
		-	*(18,987)*	*(18,987)*	-	*(17,569)*	*(17,569)*
Profit/(Loss) before Taxation		*9,516*	*(16,351)*	*(6,835)*	*11,882*	*(23,184)*	*(11,302)*
Withholding taxes	11	-	-	-	31	-	31
Profit/(Loss) for the Year		9,516	(16,351)	(6,835)	11,913	(23,184)	(11,271)
Weighted average number of Ordinary shares in issue during the year	25			82,757,833			83,907,516
Basic earnings/(loss) per Ordinary share	25	11.50c	(19.76)c	(8.26)c	14.20c	(27.63)c	(13.43)c
Diluted earnings/(loss) per Ordinary share	25	10.68c	(21.20)c	(10.52)c	14.20c	(27.63)c	(13.43)c

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

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

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

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

IFRS 9 Financial Instruments has been applied from date of initial application being 1 March 2018. The Company has not restated the prior year comparatives.

[1]Certain comparative information has been reclassified for consistency with current year presentation (Note 2).

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

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

Statement of Financial Position

As at 28 February 2019

	Note	28 February 2019 US$'000	28 February 2018 US$'000
Assets			
Investments at fair value through profit or loss	12	1,014,316	1,063,034[1]
Loans at amortised cost	12	58,012	57,349[1]
Securities sold receivable	13	-	24,987
Other receivables	14	1,286	2,158
Cash at bank		50,994	9,000
Total Assets		1,124,608	1,156,528

Liabilities			
Convertible Unsecured Loan Stock	15	54,274	59,970
Zero Dividend Preference (2022) shares	16	63,838	62,843
Loans payable	17	149,227	150,125
Investment Adviser's incentive fee	10	42,771	41,606
Investment Adviser's base fee	10	2,102	2,225
Other payables	18	2,134	2,186
Total Liabilities		314,346	318,955
Equity			
Share capital	19	246,604	265,685
Other reserve	21	353,528	353,528
Capital reserve	21	132,941	150,687
Revenue reserve	21	77,189	67,673
Total Equity		810,262	837,573
Total Liabilities and Equity		1,124,608	1,156,528
Number of Ordinary shares in issue at year end	19	80,666,838	83,907,516
Net Asset Value per Ordinary share	27	$10.04	$9.98

These audited financial statements were approved by the Board of Directors and authorised for issue on 7 May 2019. They were signed on its behalf by:

David Macfarlane
Chairman

Patrick Firth
Director

[1]Certain comparative information has been reclassified for consistency with current year presentation (Note 2).

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

Statement of Changes in Equity

For the Year Ended 28 February 2019

		Share	Other	Capital Reserve		Revenue	
		Capital	Reserve	Realised	Unrealised	Reserve	Total
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 March 2018		265,685	353,528	70,777	78,515	67,673	836,178
Impact of adoption of IFRS 9	7				(1,395)		(1,395)
Adjusted Balance as at 1 March 2018		265,685	353,528	70,777	78,515		836,573
Profit/(loss) for the year		-	-	50,717	(67,068)	9,516	(6,835)
Buy back of Ordinary shares		(19,081)	-	-	-	-	(19,081)

Balance at 28 February 2019	246,604	353,528	121,494	11,447	77,189	810,262

Comparative for the Year ended 28 February 2018

	Share Capital US$'000	Other Reserve US$'000	Capital Reserve Realised US$'000	Capital Reserve Unrealised US$'000	Revenue Reserve US$'000	Total US$'000
Balance as at 1 March 2017	265,685	353,528	28,034	145,837	55,760	848,844
Profit/(loss) for the year	-	-	42,743	(65,927)	11,913	(11,271)
Balance at 28 February 2018	265,685	353,528	70,777	79,910	67,673	837,573

IFRS 9 Financial Instruments has been applied from date of initial application being 1 March 2018. The Company has not restated the prior year comparatives. In accordance with IFRS 9, the opening unrealised capital reserve at 1 March 2018 includes $1.395 million being the Expected Credit Losses calulated retrospectively.

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

Statement of Cash Flows

For the Year Ended 28 February 2019

	Note	28 February 2019 US$'000	28 February 2018 US$'000
Operating Activities			
Net cash outflow from operating activities	29	(18,594)	(19,457)[1]
Cash outflow for acquisition of investments held at FVTPL		(188,706)	(177,806)
Cash outflow for advance of loans at amortised cost		(12,304)	-
Cash inflow from disposal of investments held at FVTPL		281,961	138,593
Cash inflow from repayment of loans at amortised cost		11,720	-
Interest received	29	2,601	2,915[1]
Net cash inflow/(outflow) before financing activities		76,678	(55,755)
Financing Activities			
Finance costs paid		(15,297)	(12,772)
Buy back of Ordinary shares	19	(19,081)	-
Proceeds from loan facilities	17	-	50,000
Loan issue costs paid	17	-	(1,840)
Net cash (outflow)/inflow from financing activities		(34,378)	35,388
Increase/(decrease) in cash and cash equivalents		42,300	(20,367)

Reconciliation of Net Cash Flow to Movements in Cash and Cash Equivalents		
Cash at bank at 1 March	9,000	29,063

Increase/(decrease) in cash and cash equivalents as above	42,300	(20,367)
Unrealised foreign exchange movements on cash at bank	(306)	304
Cash at bank at year end	50,994	9,000

Reconciliation of Cash Outflows/Inflows from Investments and Realisations to numbers presented in the Chairman's Statement, Investment Adviser's Report and Note 12 of the financial statements

	Year Ended 28 February 2019 US$'000	Year Ended 28 February 2018 US$'000
Investments		
Cash outflow for investments (direct investments and capital calls)	188,706	177,806
Deposits paid during prior year invested in current year	1,595	-
Investments in year (direct investments and capital calls) - note 12[2]	190,301	177,806
Adjusted to reconcile to totals quoted in Annual Report		
Investment in treasury bills	(6,579)	
Total investment for the year	183,722	
Realisations		
Cash inflow from repayment and disposal of investments	281,961	138,593
Proceeds received post year end from realisation of treasury bills	(24,987)	24,987
Proceeds from Investments Realised - note 12[2]	256,974	163,580
Adjusted to reconcile to totals quoted in Annual Report		
Escrow receipts	3,303	
Proceeds from repayment of treasury bills	(53,112)	
Total realisations for the year	207,165	

[1]Certain comparative information has been reclassified for consistency with current year presentation (Note 29).
[2]Excludes the advance and repayment of short term loans.

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

Notes to the Financial Statements

1. General Information

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

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

The Company is currently mainly focused on investing in the following areas:
(a) small or micro-cap buyouts in the form of debt and equity and preferred stock in both the US and Europe; and
(b) real estate interests.

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

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

2. Significant Accounting Policies

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

Statement of compliance
The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") together with applicable legal and regulatory requirements of Guernsey Law, and the SFS.

Basis of preparation
The financial statements of the Company have been prepared in accordance with IFRS. The financial statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities held at fair value through profit or loss ("FVTPL").

The financial statements are presented in US dollars, which is the functional currency of the Company, and all values are rounded to the nearest thousand dollars ($000), except where otherwise indicated.

The Company's Statement of Financial Position's is presented in order of liquidity, which provides information in a format that is deemed relevant to the Company.

The presentation of the financial statements and certain disclosures follows the guidance as outlined in the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP").

Financial Instruments
In the current period the Company has adopted IFRS 9 Financial Instruments. See notes 7 and 12 for an explanation of the impact.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed overleaf.

Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at FVTPL on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

i) Financial assets measured at amortised cost
A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("SPPI") amount outstanding. The Company includes in this category loans at amortised cost, short-term non-financing receivables and other receivables.

ii) Financial assets measured at FVTPL
A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding; Or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect

contractual cash flows and sell; Or

- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ii a) Classification

Financial assets classified at FVTPL are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's investment strategy as documented in its prospectus.

The Company includes in this category:

Investments in the equity and preferred stock of micro cap, real estate and other investments;

Investments in subsidiaries and associates:

- Investment in subsidiaries: In accordance with the exception under IFRS 10, the Company does not consolidate subsidiaries in the financial statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Company's investment activities. The Company has no consolidated subsidiaries.

- Investment in associates: In accordance with the exemption in IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investments in associates using the equity method. Instead, the Company has elected to measure its investments in associates at FTVPL.

Investments in debt instruments which include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

ii b) Measurement

Investments made by the Company are measured initially and subsequently at fair value, with changes in fair value taken to the Statement of Comprehensive Income. Transaction costs are expensed in the Statement of Comprehensive Income in the year in which they arise for those financial instruments classified at FVTPL.

ii c) Fair value estimate

The fair value of financial assets traded in active markets (such as publicly traded securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Company is the bid price.

Unquoted preferred shares, micro cap loans, unquoted equities and equity related securities 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 the International Private Equity and Venture Capital Association ("IPEVCA") valuation 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.

The valuation techniques to derive the fair value of real estate interests and other investments are detailed in Note 5.

iii) Other receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

iv) Cash on deposit and cash and cash equivalents

Cash on deposit comprises bank deposits with an original maturity of three months or more. Cash and cash equivalents comprise bank balances and cash held by the Company, including short-term bank deposits with a maturity of three months or less. Cash also includes amounts held in interest-bearing overnight accounts.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities, other than CULS (see overleaf) are recorded at the amount of proceeds received, net of issue costs.

For financial liabilities designated as FVTPL using the fair value option ("FVO"), the amount of change in the fair value of such financial liabilities that is attributable to changes in the Company's credit risk must be presented in Other Comprehensive Income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Financial liabilities may be designated at fair value through profit or loss rather than stated at amortised cost, when the board have considered the appropriate accounting treatment for the specific liability.

Financial liabilities measured at FVTPL

Convertible Unsecured Loan Stock ("CULS")

The CULS issued by the Company is denominated in a currency (GBP) other than the Company's functional currency and hence fails the 'fixed-for-fixed' criteria for equity classification. Rather than account for the host debt and embedded conversion element separately, the Company elects to account for the CULS in its entirety in accordance with the IFRS 9 'Fair Value Option'.

The CULS' fair value is deemed to be the listed offer price at the year end. CULS is translated at the exchange rate at the reporting date and both differences in fair value due to the listed offer price and exchange rates are recognised in the Statement of Comprehensive Income.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category, Zero Dividend Preference ("ZDP") shares, Guggenheim loan and other short-term payables.

i) Zero Dividend Preference ("ZDP") shares

In accordance with International Accounting Standard 32 – 'Financial Instruments: Presentation', ZDP shares have been disclosed as a financial liability as the shares are redeemable at a fixed date and holders are entitled to a fixed return. ZDP shares are recorded at amortised cost using the effective interest rate method.

ii) Guggenheim loan

The loan is recorded at amortised cost using the effective interest rate method.

iii) Other payables

Other payables (include the accrual of Investment Adviser's fees) are classified as financial liabilities at amortised cost. Other payables are not interest-bearing and are stated at their nominal value.

Equity

Equity is classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity are recorded at the amount of proceeds received, net of issue costs. Ordinary Shares are classified as equity in accordance with IAS 32 – "Financial Instruments: Presentation" as these instruments include no contractual obligation to deliver cash and the redemption mechanism is not mandatory.

Reclassification of prior year numbers

Certain comparative information has been reclassified where appropriate to enhance comparability. The reclassifications do not impact the Company's prior year net asset value. The balances changed by the reclassifications are:

i. Direct loans to European microcap companies valued at $57,349,000 reclassified as loans at amortised cost
ii. Foreign exchange gains of $5,554,000 reclassified within 'net foreign exchange loss', the gains were recorded in the prior year as 'net gain on investments at fair value through profit or loss'.
iii. Interest revenue of $8,569,000 calculated using the effective interest method shown separately on face of Statement of Comprehensive Income.
iv. Interest payments of $14,547,000 calculated using the effective interest method shown separately on face of Statement of Comprehensive Income.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The new standards or amendments to existing standards and interpretations, effective from 1 March 2018, did not have a material impact of the Company's Financial Statements, except as described below. It is not anticipated that any standard which is not yet effective, will have a material impact on the Company's financial position or performance of the Company statements.

IAS 39 Financial Instruments: Recognition and Measurement

IAS 39 Financial Instruments: Recognition and Measurement was superseded by IFRS 9, being adopted by the Company on 1st March 2018. Under IAS 39, during the prior year Loans and Receivables were measured at amortised cost and potential impairments were assessed using an "incurred loss" model.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 March 2018. As permitted by IFRS 9 comparative figures have not been restated.

(a) Classification and measurement

The Company has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. The classification is based on two criteria: the Company's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

Based on that assessment the Company continues to classify and measure its financial instruments under IFRS 9 as follows:

i. Financial assets previously held at fair value are managed on a fair value basis in accordance with a documented investment strategy and continue to be measured at fair value. These financial assets are also not expected to meet the SPPI criterion and accordingly, these financial assets will still be classified and measured at FVTPL.

ii. Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payment of principal and interest ("SPPI"). Thus, such instruments continue to be measured at amortised cost.

iii. Investments in subsidiaries and associates are measured at fair value in accordance with IFRS 10 and IAS 28, respectively, as the Company is an investment entity.

iv. The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVTPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss.

(b) Impairment

The Company considers a financial asset in default when contractual payment is past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Company.

During the prior year Loans and receivables under IAS 39 were also measured at amortised cost. Impairment was measured on an "incurred loss" model. Under this method no impairment was provided for on Loans and Receivables at 28 February 2018.

(c) Hedge accounting

The Company has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

Impact of adoption of IFRS 9

In line with the characteristics of the Company's financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. All financial assets that were classified as FVTPL under IAS 39 are still classified as FVTPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

In addition, the application of the ECL model under IFRS 9 has not significantly changed the carrying amounts of the Company's amortised cost financial assets. An ECL allowance of $1,470,000 has been recorded against the Company's investment debt instruments compared to no impairment recorded under IAS 39.

The carrying amounts of amortised cost instruments were not significantly different to the instruments' fair values on the date of transition to IFRS 9.

Interest revenue

Interest revenues are recognised in the Statement of Comprehensive Income for all interest-bearing financial instruments using the effective interest method.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established. When there is reasonable doubt that income due to be received will actually be received, such income is not accrued until it is clear that its receipt is probable. Where, following an accrual of income, receipt becomes doubtful, the accrual is either fully or partly written off until the reasonable doubt is removed.

Expenses

Investment Adviser's basic fees are allocated to revenue. The Company also provides for a Capital Gains Incentive fee based on net realised and unrealised investments gains.

Expenses which are deemed to be incurred wholly in connection with the maintenance or enhancement of the value of the investments are charged to realised capital reserve. All other expenses are accounted for on an accruals basis and are presented as revenue items.

Escrow accounts

Where investments are disposed of, the consideration given may include contractual terms requiring that a percentage of the consideration is held in an escrow account pending resolution of any indemnifiable claims that may arise and as such the value of these escrow amounts is not immediately known. The Company records gains realised on investments held in escrow in the

Statement of Comprehensive Income following confirmation that any such indemnifiable claims have been resolved and none is expected in the future.

Taxation
The company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended). However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income in the Statement of Comprehensive Income.

3. Estimates and Judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Estimates

Fair Value of Investments at Fair Value Through Profit or Loss
Certain investments are classified as FVTPL, and valued accordingly, as disclosed in note 2. The key source of estimation uncertainty is on the valuation of unquoted equities, equity-related securities and real estate investments.

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

Judgements

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

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

The Company has a wide range of investors; through its Investment Adviser management services it enables investors to access private equity, real estate and similar investments.

The Company's objective to provide a "significant capital appreciation" is consistent with that of an investment entity. The Company has clearly defined exit strategies for each of its investment classes, these strategies are again consistent with an investment entity.

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

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

Investment in Associates

An associate is an entity over which the Company has significant influence. An entity is regarded as a subsidiary only if the Company has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Company's activities.

In accordance with the exemption within IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in EuroMicrocap Fund 2010, L.P., JZI Fund III GP, L.P., Spruceview Capital Partners, LLC and Orangewood Partners Platform LLC using the equity method. Instead, the Company has elected to measure its investment in its associates at fvpl

The Directors have determined that although the Company has over 50% economic interest in EuroMicrocap Fund 2010, L.P., JZI Fund III GP, L.P. and Orangewood Partners Platform LLC, it does not have the power to govern the financial and operating policies of the entities, but does have significant influence over the strategic, operating and financial policies.

Expected Credit Losses ("ECL")
Certain financial assets are classified as Loans at Amortised cost, and valued accordingly as disclosed in note 2. The key source of estimation uncertainty is on the various default scenarios for prescribed future periods and the probability of each scenario occurring which are considered when estimating the ECLs.

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

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

4. Segment Information

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

- Portfolio of US micro-cap investments
- Portfolio of European micro-cap investments
- Portfolio of Real estate investments
- Portfolio of Other investments - (not falling into above categories)

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

Segmental Profit/(Loss)

For the year ended 28 February 2019	**US Micro-Cap US$ '000**	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
Interest revenue	22,135	6,486	142	-	28,763
Total segmental revenue	22,135	6,486	142	-	28,763
Net gain/(loss) on investments at FVTPL	16,686	7,053	(26,512)	-	(2,773)
Expected credit losses	-	(75)	-	-	(75)
Realisations from investments held in Escrow	3,303	-	-	-	3,303
Investment Adviser's base fee	(6,725)	(1,772)	(6,852)	(255)	(15,604)
Investment Adviser's capital incentive fee[1]	(8,074)	637	5,291	(15)	(2,161)
Total segmental operating profit/(loss)	27,325	12,329	(27,931)	(270)	11,453

For the year ended 28 February 2018	**US Micro-Cap US$ '000**	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
Interest revenue	24,426	6,829	301	-	31,556

Total segmental revenue	24,426	6,829	301	-	31,556
Realisations from investments held in Escrow	1,922	-	-	-	1,922
Net gain/(loss) on investments at FVTPL	50,549	12,990	(50,210)	(7,189)	6,140
Investment Adviser's base fee	(6,594)	(2,295)	(7,057)	(254)	(16,200)
Investment Adviser's capital incentive fee[1]	(14,530)	(1,111)	9,982	1,360	(4,299)
Total segmental operating profit/(loss)	55,773	16,413	(46,984)	(6,083)	19,119

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

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

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

		28.2.2019
	US$ '000	**US$ '000**
Total Segmental Operating Profit	11,453	19,119
Gain/(loss) on financial liabilities at fair value through profit or loss	5,696	(2,907)
Net foreign exchange loss	(1,354)	(6,457)
Interest on treasury notes and corporate bonds	60	195
Interest on cash	525	128
Fees payable to investment adviser based on non-segmental assets	(1,129)	(726)
Expenses not attributable to segments	(3,099)	(3,085)
Operating Profit	12,152	6,267

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

	28.2.2019	**28.2.2018**
	US$ '000	**US$ '000**
Total segmental revenue	28,763	31,556
Non-segmental revenue		
Interest on treasury bills	60	195
Bank and deposit interest	525	128
Total revenue	29,348	31,879

Segmental Net Assets

At 28 February 2019	**US**	**European**	**Real**	**Other**	
	Micro-Cap	**Micro-Cap**	**Estate**	**Investments**	**Total**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Segmental assets					
Investments at FVTPL	478,970	70,686	443,044	18,302	1,011,002
Loans at amortised cost	-	58,012	-	-	58,012
Other receivables	-	-	1,275	-	1,275

Total segmental assets	478,970	128,698	444,319	18,302	1,070,289
Segmental liabilities					
Payables and accrued expenses	(38,768)	1,321	(10,573)	1,850	(46,170)
Total segmental liabilities	(38,768)	1,321	(10,573)	1,850	(46,170)
Total segmental net assets	440,202	130,019	433,746	20,152	1,024,119

At 28 February 2018	**US Micro-Cap US$ '000**	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
Segmental assets					
Investments at FVTPL	488,258	46,108	463,391	15,302	1,013,059
Loans at amortised cost	-	57,349	-	-	57,349
Other receivables	-	-	2,090	-	2,090
Total segmental assets	488,258	103,457	465,481	15,302	1,072,498
Segmental liabilities					
Payables and accrued expenses	(34,274)	493	(15,973)	4,777	(44,977)
Total segmental liabilities	(34,274)	493	(15,973)	4,777	(44,977)
Total segmental net assets	453,984	103,950	449,508	20,079	1,027,521

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

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

	28.2.2019 US$ '000	**28.2.2018 US$ '000**
Total Segmental Assets	1,070,289	1,072,498
Non Segmental Assets		
Cash at bank	50,994	9,000
Treasury bills	3,314	49,975
Other receivables	11	68
Securities sold receivable	-	24,987
Total Assets	1,124,608	1,156,528
Total Segmental Liabilities	(46,170)	(44,977)
Non Segmental Liabilities		
Zero Dividend Preference (2022) shares	(63,838)	(62,843)
Convertible Unsecured Loan Stock	(54,274)	(59,970)
Loans payable	(149,227)	(150,125)

Other payables	(837)	(1,040)
Total Liabilities	(314,346)	(318,955)
Total Net Assets	810,262	837,573

5. Fair Value of Financial Instruments

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

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Those involving inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For example, investments which are valued based on quotes from brokers (intermediary market participants) are generally indicative of Level 2 when the quotes are executable and do not contain any waiver notices indicating that they are not necessarily tradable. Another example would be derivatives such as interest rate swaps or forward currency contracts where inputs are observable and therefore may also fall into Level 2. At the year 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 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 28 February 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
US Micro-cap	-	-	478,970	478,970
European Micro-cap	-	-	70,686	70,686
Real Estate	-	-	443,044	443,044
Other Investments	-	-	18,302	18,302
Listed Investments	3,269	-	-	3,269
	3,269	-	1,011,002	1,014,271

Financial assets at 28 February 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
US Micro-cap	-	-	488,258	488,258
European Micro-cap	-	-	46,108	46,108
Real Estate	-	-	463,391	463,391
Other Investments	-	-	15,302	15,302
Listed Investments	49,975	-	-	49,975
	49,975	-	1,013,059	1,063,034

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

Financial liabilities at 28 February 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
Convertible Subordinated Unsecured Loan Stock	54,274	-	-	54,274

	54,274	-	-	54,274

Financial liabilities at 28 February 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
Convertible Subordinated Unsecured Loan Stock	59,970	-	-	59,970
	59,970	-	-	59,970

Transfers between levels
There were no transfers between the levels of hierarchy of financial assets and liabilities recognised at fair value within the year ended 28 February 2019 and the year ended 28 February 2018.

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

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

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

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

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

- Discounted Cash Flow ("DCF") analysis, using the relevant rental stream, less expenses, for future periods, discounted at a Market Capitalisation ("MC") rate, or interest rate.

- Relevant rental stream less expenses divided by the market capitalization rate; this method approximates the enterprise value construct used for non-real estate assets.

- Income capital approach using the relevant sell out analysis, less expenses and costs.

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

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

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

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

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

When the Company invests in micro-cap loans and does not hold an equity position in the underlying investee company these loans are valued at amortised cost in accordance with IFRS 9 (note 2).

Other Investments
Other investments at year end, comprise of mainly the Company's investment in the asset management business -Spruceview Capital Partners ("Spruceview"). Spruceview is valued using a valuation model which considers both current assets under management ("AUM") and the potential for new AUM.

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 28 February 2019 and 28 February 2018 are shown below:

	Value 28.2.2019 US$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used [1]	Effect on Fair Value US$'000	
US micro-cap investments	478,970	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 16.3x (8.5x)	-0.5x / 0.5x	(37,624)	39,780
			Discount to Average Multiple	15% - 35% (23%)	+5% / -5%	(47,352)	49,662
European micro-cap investments	70,686	EBITDA Multiple	Average EBITDA Multiple of Peers	5.2x - 12.1x (8.7x)	-0.5x / 0.5x	(8,934)	8,934
			Discount to Average Multiple	0% - 29% (19%)	+5% / -5%	(7,316)	7,316
Real estate [2]	443,043	Comparable Sales	Market Value Per Square Foot	$324 - $3,113 ($1,441) per sq ft	-5% /+5%	(13,852)	13,141
		DCF Model/Income Approach[3]	Discount Rate	5.5% - 6.5% (6.2%)	+25bps /-25bps	(939)	1,479
		Cap Rate/ Income Approach	Capitalisation Rate	3.25 - 5.5% (4.5%)	+25bps /-25bps	(6,692)	7,116
Other investments	17,093	AUM Approach	AUM	$2.6 Bn - $2.0 Bn	10% / -10%	3,294	3,112

	Value 28.2.2018 US$'000	Valuation Technique	Unobservable input	Range (weighted average)	Sensitivity used [1]	Effect on Fair Value US$'000	
US micro-cap investments	488,258	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 12.6x (8.3x)	-0.5x / 0.5x	(32,783)	33,044
			Discount to Average Multiple	15% - 35% (25%)	+5% / -5%	(43,208)	45,083
European micro-cap investments	46,108	EBITDA Multiple	Average EBITDA Multiple of Peers	5.5x - 12.6x (8.1x)	-0.5x / 0.5x	(3,324)	3,324
			Discount to Average Multiple	13% - 45% (30%)	+5% / -5%	(2,833)	2,833
Real estate [2]	463,391	Comparable Sales	Market Value Per Square Foot	$314 - $3,106 per sq ft	-5% /+5%	(14,057)	12,708
		DCF Model/Income Approach	Discount Rate	5.5% - 7.5%	+25bps /-25bps	(1,729)	2,345
		Cap Rate/ Income Approach	Capitalisation Rate	3.25 - 5.5%	+25bps /-25bps	(9,527)	9,713

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

[2] The Fair Value of JZCP's investment in financial interests in Real Estate, is measured as JZCP's percentage interest in the value of the underlying properties. The Board 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.

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

capitalisation approach.

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

Year ended 28 February 2019	**US Micro-Cap US$ '000**	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
At 1 March 2018	488,258	46,108	463,391	15,302	1,013,059
Investments in year including capital calls	106,540	18,388	57,965	3,000	185,893
Payment In Kind ("PIK")	20,514	-	-	-	20,514
Proceeds from investments realised	(153,371)	(863)	(51,800)	-	(206,034)
Net gains/(losses) on investments	16,686	7,053	(26,512)	-	(2,773)
Movement in accrued interest	343	-	-	-	343
At 28 February 2019	478,970	70,686	443,044	18,302	1,011,002

Year ended 28 February 2018	**US Micro-Cap US$ '000**	**European Micro-Cap US$ '000**	**Real Estate US$ '000**	**Other Investments US$ '000**	**Total US$ '000**
At 1 March 2017	423,137	109,694	468,599	23,167	1,024,597
Investments in year including capital calls	36,592	8,649	47,227	4,000	96,468
Payment In Kind ("PIK")	22,287	-	-	69	22,356
Proceeds from investments realised	(44,911)	(79,673)	(2,225)	(4,745)	(131,554)
Net gains/(losses) on investments	50,549	7,438	(50,210)	(7,189)	588
Movement in accrued interest	604	-	-	-	604
At 28 February 2018	488,258	46,108	463,391	15,302	1,013,059

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 28 February 2019 the ask price for the ZDP (2022) shares was £4.36 (28 February 2018: £4.38) the total fair value of the ZDP shares was $69,056,000 (28 February 2018: $71,863,000) which is $5,218,000 (28 February 2018: $9,020,000) higher than the liability recorded in the Statement of Financial Position.

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

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

	Year Ended 28.2.2019 US$ '000	**Year Ended 28.2.2018 US$ '000**
Net loss on investments held in investment portfolio at year end		
Net movement in unrealised gains/losses position in year	(86,839)	(53,574)
Net unrealised gains in prior years now realised	79,476	45,718
Net unrealised loss on investments held at the year end	(7,363)	(7,856)
Gains on investments realised in year		
Proceeds from investments realised	256,974	156,475
Cost of investments realised	(172,908)	(102,315)
Net realised gains	84,066	54,160

Net unrealised gains in prior years now realised	(79,476)	(45,718)
Total gains in the year on investments realised	4,590	8,442
Net (loss)/gain on investments in the year	(2,773)	586

[1]For the year ended 28 February 2018, the foreign exchange gains ($5.554 million) on loans now classified as loans at amortised cost have now been reclassified within 'net foreign exchange loss', the gains were recorded in the prior year as 'net gain on investments at fair value through profit or loss'.

7. Expected credit losses

	Year Ended 28.2.2019 US$ '000	Year Ended 28.2.2018 US$ '000
Impairment on loans during year	75	-

In accordance with IFRS 9, the Comany has retrospectively calculated the Expected Credit Losses ("ECL") at the date of initial application ("DOIA") being 1 March 2018. Therefore, the total ECL calculated on DOIA of $1,395,000 million has been included in the opening unrealised capital reserve. Total ECL at 28 February 2019 is $1,470,000 (28 February 2018: 1,395,000). Comparative numbers have not been restated, the balance calculated at 28 February 2018 is included as an opening reserve adjustment.

8. Investment income

	Year Ended 28.2.2019 US$ '000	Year Ended 28.2.2018 US$ '000
Interest revenue calculated using the effective interest method	7,884	8,569
Other interest and similar income	20,939	23,182
	28,823	31,751

Income for the year ended 28 February 2019

	Preferred Dividends US$ '000	Loan note PIK US$ '000	Cash US$ '000	Other Interest US$ '000	Total US$ '000
US micro-cap portfolio	20,737	119	1,279	-	22,135
European micro-cap portfolio	-	6,079	407	-	6,486
Real estate	-	-	-	142	142
Treasury Bills	-	-	-	60	60
	20,737	6,198	1,686	202	28,823

Income for the year ended 28 February 2018

	Preferred Dividends US$ '000	Loan note PIK US$ '000	Cash US$ '000	Other Interest US$ '000	Total US$ '000
US micro-cap portfolio	22,686	328	1,412	-	24,426

European micro-cap portfolio	-	5,950	879	-	6,829
Real estate	-	-	-	301	301
Treasury Bills	-	-	-	195	195
	22,686	6,278	2,291	496	31,751

During the year, an amendment to IAS 1 - Presentation of Financial Statements instructed that income calculated using the effective interest rate method should be disclosed separately on the face of the Statement of Comprehensive Income. The comparative number has also been shown for consistent presentation.

9. Finance costs

	Year Ended 28.2.2019 US$ '000	Year Ended 28.2.2018 US$ '000
Interest expense calculated using the effective interest method		
ZDP shares (Note 16)	3,148	2,996
Loan interest (Note 17)	12,684	11,551
	15,832	14,547
Other interest and similar expense		
CULS finance costs paid (Note 15)	3,155	3,022
Total finance costs	18,987	17,569

10. Expenses

	Year Ended 28.2.2019 US$ '000	Year Ended 28.2.2018 US$ '000
Investment Adviser's base fee	16,733	16,912
Investment Adviser's incentive fee	2,161	4,313
Directors' remuneration	458	415
	19,352	*21,640*
Administrative expenses:		
Legal fees	956	1,216
Other professional fees	482	352
Accounting, secretarial and administration fees	370	350
Auditors' remuneration	290	281
Auditors' remuneration - non-audit fees	121	127
Custodian fees	45	48
Other expenses	377	296
	2,641	*2,670*
Total expenses	21,993	24,310

Administration Fees

Northern Trust International Fund Administration Services (Guernsey) Limited was appointed as Administrator to the Company on 1 September 2012. The Administrator is entitled to an annual fee of $350,000 (28 February 2018: $350,000) payable quarterly in arrears. Fees payable to the Administrator are subject to an annual fee review. A further fee of $20,000 was paid to the Administrator during the year in relation to services provided for facilitating share buy backs.

Directors' remuneration
For the year ended 28 February 2019 total Directors' fees included in the Statement of Comprehensive Income were $458,000 (year ended 28 February 2018: US$415,000), of this amount $80,000 was outstanding at the year end (28 February 2018: $69,000). The Directors' remuneration report in the annual report provides further details of the remuneration paid.

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 excluded assets as defined under the terms of the Advisory 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 year ended 28 February 2019, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of $16,733,000 (year ended 28 February 2018: $16,912,000). Of this amount $2,102,000 (28 February 2018: $2,225,000) was due and payable at the year 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 years ended 28 February 2019 and 28 February 2018 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 EuroMicrocap Fund 2010, 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 28 February 2019, JZCP had cumulative net realised capital gains, subject to the Capital Gains Incentive fee ("CGIF"), of $107,143,000 (28 February 2018: cumulative net realised gains of $4,981,000). Therefore, at 28 February 2019 a CGIF of $21,429,000 (28 February 2018: $996,000) was payable to the Investment Adviser. Cumulative net realised capital losses are offset against the unrealised provision for capital gains until a net realised gain provision arises.

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 year ended 28 February 2019 a provision of $21,429,000 (28 February 2018: $40,610,000) has been included.

	Provision At 28.2.2019 US$ '000	**Provision At 28.2.2018 US$ '000**	**Paid In Year 28.2.2019 US$ '000**	**Expense 28.2.2019 US$ '000**
Provision for CGIF on unrealised investments	21,342	40,610	n/a	(19,268)
CGIF on realised investments	21,429	996	(996)	21,429
	42,771	41,606	(996)	2,161

	Provision At 28.2.2018 US$ '000	**Provision At 28.2.2017 US$ '000**	**Paid In Year 28.2.2018 US$ '000**	**Expense 28.2.2018 US$ '000**
Provision for CGIF on unrealised investments	40,610	37,293	n/a	3,317
CGIF on realised investments	996	-	-	996
	41,606	37,293	-	4,313

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).

Custodian Fees
HSBC Bank (USA) N.A, (the "Custodian") was appointed on 12 May 2008 under a custodian agreement. The Custodian is entitled to receive an annual fee of $2,000 and a transaction fee of $50 per transaction. For the year ended 28 February 2019, total Custodian expenses of $45,000 (28 February 2018: $48,000) were included in the Statement of Comprehensive Income of which $13,000 (28 February 2018: $10,000) was outstanding at the year end and is included within Other Payables.

Auditors' Remuneration
During the year ended 28 February 2019, the Company incurred fees for audit services of $290,000 (28 February 2018: $281,000). Fees are also payable to Ernst & Young for non-audit services (reporting accountant services, interim review and taxation services in relation to the Company's status as a Passive Foreign Investment Company).

	28.2.2019	**28.2.2018**
Audit fees	**US$ '000**	**US$ '000**
Audit fees - 2019: £205,000	269	-
Disbursements relating to 2019 audit	13	-
Audit fees - 2018: £218,000	8	298
Audit fees - 2017: £211,500 (2016: £163,000)	-	(17)
Total audit fees	290	281
Non-audit fees paid to Ernst & Young	**US$ '000**	**US$ '000**
Interim Review - 2019: £42,500 (2018: £41,000)	56	55
Taxation services	65	72
Total non-audit fees	121	127

11. Taxation

The Company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended).

12. Investments

	Category of financial instruments			
	Listed FVTPL[1]	**Unlisted FVTPL[1]**	**Unlisted Loans[2]**	**Carrying Value Total**
	28.2.2019	**28.2.2019**	**28.2.2019**	**28.2.2019**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
Book cost at 1 March 2018[3]	49,845	895,680	60,956	1,006,481
Investments in year including capital calls	6,579	183,722	12,304	202,605
Payment in kind ("PIK")	-	20,514	5,893	26,407
Proceeds from realisation and repayment of investments	(53,112)	(203,862)	(11,720)	(268,694)
Net realised investment and foreign exchange gain/(loss)	-	84,066	(584)	83,482
Book cost at 28 February 2019	3,312	980,120	66,849	1,050,281
Unrealised investment gain and foreign exchange (loss) at 28 February 2019	-	26,702	(8,389)	18,313
Impairment on loans at amortised cost	-	-	(1,470)	(1,470)
Accrued interest at 28 February 2019	2	4,180	1,022	5,204
Carrying value at 28 February 2019	3,314	1,011,002	58,012	1,072,328

Comparative reconciliation for the year ended 28 February 2018

	Category of financial instruments			
	Listed	Unlisted	Unlisted	Carrying Value
	FVTPL[1]	FVTPL[1]	Loans[2]	Total
	28.2.2018	28.2.2018	28.2.2018	28.2.2018
	US$ '000	US$ '000	US$ '000	US$ '000
Book cost at 1 March 2017	-	854,250	43,606	897,856
Investments in year including capital calls	74,767	96,468	6,571	177,806
Payment in kind ("PIK")	-	22,356	43	22,399
Proceeds from realisation and repayment of investments	(24,922)	(131,554)	(7,104)	(163,580)
Net realised investment and foreign exchange gain	-	54,161	533	54,694
Book cost at 28 February 2018	49,845	895,681	43,649	989,175
Unrealised investment gain and foreign exchange loss at 28 February 2018	-	113,541	(4,627)	108,914
Accrued interest at 28 February 2018	130	3,837	18,327	22,294
Carrying value at 28 February 2018	49,975	1,013,059	57,349	1,120,383

[1]Investments Classified as Investments at fair value through profit or loss

[2]Investments Classified as Loans at amortised cost. In the prior year the loans valued at $57.349 million were catergorised as Investments af fair value through profit or loss. The reclassification of these items in the comparative Statement of Financial position is intended to aid presentation.

[3]The book cost at 1 March 2018 has been adjusted to include securitised PIK interest on Loans at Amortised cost of $17.307 million, which was included in the prior year as accrued interest. The book cost of the comparative figures has not been adjusted as the adjustment is a reclassification between accrued interest and cost and does not change the value of investments at 28 February 2018.

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

Loans at amortised cost

Following a review of the categorisation of the Company's investments, it has been determined that loans to European micro-cap companies should be classified as Loans at amortised cost. The comparative totals within these financial statements have been adjusted to reflect the position if these investments had been categorised as Loans and Receivables under IAS 39, subsequently Loans at amortised cost under IFRS 9, and not as Investments at FVTPL. The loans were measured correctly in the past at amortised cost, therefore no change in the value recorded at 28 February 2018. It is considered the fair value of these loans equated to their amortised cost.

Interest on the loans accrues at the following rates:

	As at 28 February 2019				As at 28 February 2018			
	8% $'000	10% $'000	14%[2] $'000	Total $'000	8% $'000	10% $'000	14%[2] $'000	Total $'000
Loans at amortised cost	24,902	1,528	31,582	58,012	24,937	1,571	30,841	57,349

[2]Throughout the duration of the loan the borrower can elect to pay interest when due at 12% or to add the amount to the principal and have interest accrue at the higher rate of 14%.

Maturity dates are as follows:

	As at 28 February 2019				As at 28 February 2018			
	0-6 months $'000	7-12 months $'000	1-2 years $'000	Total $'000	0-6 months $'000	7-12 months $'000	1-2 years $'000	Total $'000
Loans at amortised cost	35,550	-	22,462	58,012	22,498	4,010	30,841	57,349

During the year loans valued at $35.550 million had their maturity date extended from 30 June 2018 to 30 June 2019.

Investment in Associates

An associate is an entity over which the Company has significant influence. An entity is regarded as a subsidiary only if the

Company has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Company's activities. The Company has elected for an exemption for 'equity accounting' for associates and instead classifies its associates as Investments at fair value through profit or loss.

Entity	**Place of incorporation**	**% Interest**	**28.2.2019 US$'000**	**28.2.2018 US$'000**
JZI Fund III GP, L.P. (has 18.75% partnership interest in JZI Fund III, L.P.)	Cayman	75%	66,816	42,291
Orangewood Partners Platform LLC[1]	Delaware	79%	57,493	53,281
Spruceview Capital Partners, LLC	Delaware	49%	17,093	14,093
EuroMicrocap Fund 2010, L.P.[2]	Cayman	75%	3,870	3,817
			145,272	113,482

Investment in associates at fair value

The principal activity of all the JZI Fund III, EuroMicrocap Fund 2010, L.P. and Orangewood Partners Platform LLC is the acquisition of micro-cap companies. The principal activity of Spruceview Capital Partners, LLC is that of an asset management company. There are no significant restrictions on the ability of associates to transfer funds to the Company in the form of dividends or repayment of loans or advances.

The Company's maximum exposure to losses from the associates (shown below) equates to the carrying value plus outstanding commitments:

Entity	**28.2.2019 US$'000**	**28.2.2018 US$'000**
JZI Fund III GP, L.P.	103,182	99,489
Orangewood Partners Platform LLC[1]	57,493	53,281
Spruceview Capital Partners, LLC	19,083	19,083
EuroMicrocap Fund 2010, L.P.[2]	3,870	3,817
	183,628	175,670

[1]Invests in K2 Towers II, George Industries, Peaceable Street Capital and ABTB.
[2]EMC-C and EMC 2010 have now merged in to one entity EuroMicrocap Fund 2010, L.P.

Investment in Subsidiaries

The principal place of business for subsidiaries is the USA. The Company meets the definition of an Investment Entity in accordance with IFRS 10. Therefore, it does not consolidate its subsidiaries but rather recognises them as investments at fair value through profit or loss.

Entity	**Place of incorporation**	**% Interest**	**28.2.2019 US$'000**	**28.2.2018 US$'000**
JZCP Realty, Ltd	Cayman	100%	443,044	463,391
JZBC, Inc. (Invests in Spruceview Capital Partners, LLC)	Delaware	99%	17,093	14,093
Investments in subsidiaries at fair value			460,137	477,484

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company. The Company has no contractual commitments to provide any financial or other support to its unconsolidated subsidiaries.

JZCP Realty Ltd has a 100% interest in the following Delaware incorporated entities: JZCP Loan 1 Corp, JZCP Loan Fulton Corp, JZCP Loan Flatbush Corp, JZCP Loan Flatbush Portfolio Corp, JZCP Loan Metropolitan Corp, JZCP Loan Greenpoint Corp, JZCP Loan Florida Corp, JZCP Loan Design Corp and JZCP Loan Esperante Corp.

JZCP Realty Ltd has a 99% interest in the following Delaware incorporated entities: JZ REIT Fund 1, LLC, JZCP Loan Fulton Corp, JZ REIT Fund Fulton, LLC, JZ REIT Fund Flatbush, LLC, JZ REIT Fund Flatbush Portfolio, LLC, JZ REIT Fund Metropolitan, LLC, JZ REIT Fund Greenpoint, LLC, JZ REIT Fund Florida LLC, JZ REIT Fund Design LLC and JZ REIT Fund Esperante LLC.

13. Securities sold receivable

	28.2.2019 US$ '000	**28.2.2018 US$ '000**

US Treasury Bills 15.3.2018	-	24,987
	-	24,987

Proceeds from the sale of US Treasury Bills were received by JZCP on 1 March 2018.

14. Other receivables

	28.2.2019 US$ '000	28.2.2018 US$ '000
Deposits paid on behalf of JZCP Realty, Ltd	700	1,595
Accrued interest due from JZCP Realty, Ltd	495	495
Other receivables and prepayments	91	68
	1,286	2,158

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

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

CULS bear interest on their nominal amount at the rate of 6.00 per cent. per annum, payable semi-annually in arrears. During the year ended 28 February 2019: $3,155,000 (28 February 2018: $3,022,000) of interest was paid to holders of CULS and is shown as a finance cost in the Statement of Comprehensive Income.

	28.2.2019 US$ '000	28.2.2018 US$ '000
Fair Value of CULS at 1 March	59,970	57,063
Unrealised movement in fair value of CULS	(3,748)	(2,901)
Unrealised currency (gain)/loss to the Company on translation during the year	(1,948)	5,808
(Gain)/loss on financial liabilities at fair value through profit or Loss	*(5,696)*	*2,907*
Fair Value of CULS based on offer price	54,274	59,970

16. Zero Dividend Preference ("ZDP") Shares

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 ZDP (2022) shares have a gross redemption yield of 4.75% and a total redemption value of £57,598,000 (approximately $87,246,000 using the exchange rate on date of rollover). The remaining 8,799,421 ZDP (2016) shares were redeemed on 22 June 2016 the total redemption value being £32,870,000.

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	28.2.2019 US$ '000	28.2.2018 US$ '000
Amortised cost at 1 March	62,843	53,935
Finance costs allocated to Statement of Comprehensive Income	3,148	2,996

Unrealised currency (gain)/loss to the Company on translation during the year	(2,153)	5,912
Amortised cost at year end	63,838	62,843
Total number of ZDP (2022) shares in issue	11,907,720	11,907,720

17. Loan payable

	28.2.2019 US$ '000	28.2.2018 US$ '000
Guggenheim Partners Limited	149,227	150,125
	149,227	150,125

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) was received and will be repaid in Euros and the remainder of the facility were received in US dollars ($80 million). During April 2017, JZCP increased its credit facility with Guggenheim Partners by $50 million.

The loan matures on 12 June 2021 (6 year term) and interest is payable at 5.75% + LIBOR(1). There is an interest rate floor that stipulates LIBOR will not be lower than 1%. In this agreement, the presence of the floor does not significantly alter the amortised cost of the instrument, therefore separation is not required and the loan is valued at amortised cost using the effective interest rate method. There was an early repayment charge of 1% of the total loan, which expired in 2017.

At 28 February 2019, investments and cash valued at $951,164,000(2) (28 February 2018: $978,090,000) were held as collateral on the loan. A covenant on the loan states the fair value of the collateral must be 4x the loan value and the cost of collateral must be at least 57.5% of total assets. The Company is also required to hold a minimum cash balance of $15 million plus 50% of interest on any new debt. At 28 February 2019 and throughout the year, the Company was in full compliance with covenant terms.

	28.2.2019 US$ '000	28.2.2018 US$ '000
Amortised cost (Dollar drawdown) - 1 March	128,407	78,572
Amortised cost (Euro drawdown) - 1 March	21,718	18,824
Proceeds - April 2017 (Dollar drawdown)	-	50,000
Issue costs	-	(1,840)
Finance costs charged to Statement of Comprehensive Income	12,684	11,551
Interest and finance costs paid	(12,142)	(9,750)
Unrealised currency (gain)/loss on translation of Euro drawdown	(1,440)	2,768
Amortised cost at year end	149,227	150,125
Amortised cost (Dollar drawdown)	128,838	128,407
Amortised cost (Euro drawdown)	20,389	21,718
	149,227	150,125

The carrying value of the loans approximates to fair value.

(1) LIBOR rates applied are the US dollar 3 month rate ($80 million) and the Euro 3 month rate (€18 million).
(2) Investments held as collateral exclude the Company's investment in Spruceview and 35% of the value of investments held by JZCP Realty.

18. Other payables

	28.2.2019 US$ '000	28.2.2018 US$ '000

Provision for tax on dividends received not withheld at source	1,401	1,401
Legal fee provision	250	250
Audit fees	185	223
Directors' remuneration	80	69
Other expenses	218	243
	2,134	2,186

19. Share capital

Authorised Capital

Unlimited number of ordinary shares of no par value.

Ordinary shares - Issued Capital

	28.2.2019 **Number of shares**	**28.2.2018** **Number of shares**
Total Ordinary shares in issue	80,666,838	83,907,516

During the year, the Company bought back 3,240,678 of its Ordinary shares. The shares have subsequently been cancelled.

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

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

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

Holders of Ordinary shares have the rights to receive notice of, to attend and to vote at all general meetings of the Company.

Capital raised on issue of new shares and capital repaid on buy back of shares
Subsequent amounts raised by the issue of new shares (net of issue costs) and amounts paid to buy back Ordinary shares, are credited/debited to the share capital account.

Share Capital Account

	28.2.2019 US$ '000	**28.2.2018** US$ '000
At 1 March	265,685	265,685
Buy back of Ordinary shares	(19,081)	-
At year end	246,604	265,685

20. Capital management

The Company's capital is represented by the Ordinary shares, ZDP shares and CULS.

As a result of the ability to issue, repurchase and resell shares, the capital of the Company can vary. The Company is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of its shares.

The Company's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.

- To achieve consistent returns while safeguarding capital by investing in a diversified portfolio.
- To maintain sufficient liquidity to meet the expenses of the Company.
- To maintain sufficient size to make the operation of the Company cost-efficient.

The Company continues to keep under review opportunities to buy back Ordinary or ZDP shares.

Purchases by the Company of its Ordinary Shares, are undertaken by discretion of management when opportunities in the market permit, and as the Company's cash resources allow.

The Company will be seeking shareholder approval for the return of capital to shareholders, via a series of tender offers.

The Company monitors capital by analysing the NAV per share over time and tracking the discount to the Company's share price. It also monitors the performance of the existing investments to identify opportunities for exiting at a reasonable return to the shareholders.

21. Reserves

Capital raised on formation of Company
The Royal Court of Guernsey granted that on the admission of the Company's shares to the Official List and to trading on the London Stock Exchange's market, the amount credited to the share premium account of the Company immediately following the admission of such shares be cancelled and any surplus thereby created accrue to the Company's distributable reserves to be used for all purposes permitted by The Companies (Guernsey) Law, 2008, including the purchase of shares and the payment of dividends.

Summary of reserves attributable to Ordinary shareholders

	28.2.2019 US$ '000	28.2.2018 US$ '000
Share capital account	246,604	265,685
Other reserve	353,528	353,528
Capital reserve	132,941	150,687
Revenue reserve	77,189	67,673
	810,262	837,573

Other reserve
There was no movement in the Company's Other reserve for the years ended 28 February 2019 and 28 February 2018.

Subject to satisfaction of the solvency test, all of the Company's capital and reserves are distributable in accordance with The Companies (Guernsey) Law, 2008.

Capital reserve
All surpluses arising from the realisation or revaluation of investments and all other capital profits and accretions of capital are credited to the Capital reserve. Any loss arising from the realisation or revaluation of investments or any expense, loss or liability classified as capital in nature may be debited to the Capital reserve.

	Realised 28.2.2019 US$ '000	Unrealised 28.2.2019 US$ '000	Total 28.2.2019 US$ '000
At 1 March 2018	70,777	78,515	149,292
Net gain/(loss) on investments at fair value through profit or loss	84,066	(86,839)	(2,773)
Impairment on loans at amortised cost	-	(75)	(75)
Net foreign currency exchange gain/(loss)	89	(1,443)	(1,354)
Realised gains on investments held in escrow accounts	3,303	-	3,303
Expenses charged to capital	(21,429)	19,268	(2,161)
Gain on financial liabilities at fair value through profit or Loss	-	5,696	5,696
Finance costs	-	-	-
At 28 February 2019	136,806	97,783	150,523

	Realised 28.2.2018 US$ '000	Unrealised 28.2.2018 US$ '000	Total 28.2.2018 US$ '000
At 1 March 2017	28,034	145,837	173,871
Net gain/(loss) on investments at fair value through profit or loss	54,694	(48,554)	6,140
Net gain/(loss) on foreign currency exchange	89	(6,546)	(6,457)
Realised gains on investments held in escrow accounts	1,922	-	1,922
Expenses charged to capital	(996)	(3,317)	(4,313)
Net loss on CULS	-	(2,907)	(2,907)
Finance costs	(12,966)	(4,603)	(17,569)
At 28 February 2018	70,777	79,910	150,687

Revenue reserve

	28.2.2019 US$ '000	28.2.2018 US$ '000
At 1 March	67,673	55,760
Profit for the year attributable to revenue	9,516	11,913
At year end	77,189	67,673

22. Financial risk management objectives and policies

Introduction
The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management structure
The Company's Investment Adviser is responsible for identifying and controlling risks. The Directors supervise the Investment Adviser and are ultimately responsible for the overall risk management approach within the Company.

Risk mitigation
The Company's prospectus sets out its overall business strategies, its tolerance for risk and its general risk management philosophy. The Company may use derivatives and other instruments for trading purposes and in connection with its risk management activities.

Market risk
Market risk is defined as "the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in variables such as equity price, interest rate and foreign currency rate".

The Company's investments are subject to normal market fluctuations and there can be no assurance that no depreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the NAV of the Company.

Changes in industry conditions, competition, political and diplomatic events, tax, environmental and other laws and other factors, whether affecting the United States alone or other countries and regions more widely, can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's performance and prospects.

The Company's market price risk is managed through diversification of the investment portfolio across various sectors. The Investment Adviser considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk/reward profile is maintained.

Equity price risk
Equity price risk is the risk of unfavourable changes in the fair values of equity investments as a result of changes in the value of individual shares. The equity price risk exposure arose from the Company's investments in equity securities.

The Company does not generally invest in liquid equity investments and the previous portfolio of listed equity investments resulted from the successful flotation of unlisted investments.

For unlisted equity and non-equity shares the market risk is deemed to be inherent in the appropriate valuation methodology (earnings, multiples, capitalisation rates etc). The impact on fair value and subsequent profit or loss, due to movements in these variables, is set out in Note 5.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. It has not been the Company's policy to use derivative instruments to mitigate interest rate risk, as the Investment Adviser believes that the effectiveness of such instruments does not justify the costs involved.

The table below summarises the Company's exposure to interest rate risks:

	Interest bearing		**Non interest**	
	Fixed rate	**Floating rate**	**bearing**	**Total**
	28.2.2019	**28.2.2019**	**28.2.2019**	**28.2.2019**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
Investments at FVTPL	281,665	-	732,651	1,014,316
Loans at amortised cost	58,012	-	-	58,012
Cash and cash equivalents	-	50,994	-	50,994
Other receivables and prepayments	-	-	1,286	1,286
Loans payable	-	(149,227)	-	(149,227)
ZDP shares (2022)	(63,838)	-	-	(63,838)
CULS	(54,274)	-	-	(54,274)
Other payables	-	-	(47,007)	(47,007)
	221,565	(98,233)	686,930	810,262

The table below summarises the Company's exposure to interest rate risks:

	Interest bearing		**Non interest**	
	Fixed rate	**Floating rate**	**bearing**	**Total**
	28.2.2018	**28.2.2018**	**28.2.2018**	**28.2.2018**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
Investments at FVTPL	246,189	-	816,845	1,063,034
Loans at amortised cost	57,349	-	-	57,349
Cash and cash equivalents	-	9,000	-	9,000
Securities sold receivable	-	-	24,987	24,987
Other receivables and prepayments	-	-	2,158	2,158
Loans payable	-	(150,125)	-	(150,125)
ZDP shares (2022)	(62,843)	-	-	(62,843)
CULS	(59,970)	-	-	(59,970)
Other payables	-	-	(46,017)	(46,017)
Total net assets	180,725	(141,125)	797,973	837,573

The following table analyses the Company's exposure in terms of the interest bearing assets and liabilities maturity dates. The Fund's assets and liabilities are included at their carrying value.

As at 28 February 2019

	0-3 months	4-12 months	1 - <3 years	3 - <5 years	<5 years	No maturity date	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Investments at FVTPL	-	3,314	17,065	-	-	261,286	281,665
Loans at amortised cost	-	35,550	22,462	-	-	-	58,012
Cash and cash equivalents	-	-	-	-	-	50,994	50,994
Loans payable	-	-	(149,227)	-	-	-	(149,227)
ZDP shares (2022)	-	-	-	(63,838)	-	-	(63,838)

	0-3 months	4-12 months	1 - <3 years	3 - <5 years	<5 years	No maturity date	Total
CULS	-	-	(54,274)	-	-	-	(54,274)
	-	38,864	(163,974)	(63,838)	-	312,280	123,332

As at 28 February 2018

	0-3 months	4-12 months	1 - <3 years	3 - <5 years	<5 years	No maturity date	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Investments at FVTPL	-	8,053	10,024	3,889	-	224,223	246,189
Loans at amortised cost	-	-	57,349	-	-	-	57,349
Cash and cash equivalents	-	-	-	-	-	9,000	9,000
Loans payable	-	-	-	(150,125)	-	-	(150,125)
ZDP shares (2022)	-	-	-	(62,843)	-	-	(62,843)
CULS	-	-	-	(59,970)	-	-	(59,970)
	-	8,053	67,373	(269,049)	-	233,223	39,600

The income receivable by the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. However, whilst the income received from fixed rate securities is unaffected by changes in interest rates, the investments are subject to risk in the movement of fair value. The Investment Adviser considers the risk in the movement of fair value as a result of changes in the market interest rate for fixed rate securities to be insignificant, hence no sensitivity analysis is provided.

The Company values the CULS issued at fair value, being the quoted offer price. As the stock has a fixed interest rate of 6% an increase/decrease of prevailing interest rates will potentially have an effect on the demand for the CULS and the subsequent fair value. Other factors such as the Company's ordinary share price and credit rating will also determine the quoted offer price. The overall risk to the Company due to the impact of interest rate changes to the CULS' fair value is deemed immaterial. Therefore no sensitivity analysis is presented.

Of the cash and cash equivalents held, $50,994,000 (28 February 2018: $9,000,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates.

The Investment Adviser monitors the Company's overall interest sensitivity on a regular basis by reference to the current market rate and the level of the Company's cash balances. The Company has not used derivatives to mitigate the impact of changes in interest rates.

The table below demonstrates the sensitivity of the Company's profit/(loss) for the year to a reasonably possible change in interest rates. The Company has cash at bank and loans payable for which interest receivable and payable are sensitive to a fluctuation to rates. The below sensitivity analysis assumes year end balances and interest rates are constant through the year.

	Interest Receivable		**Interest Payable**	
	28.2.2019	**28.2.2018**	**28.2.2019**	**28.2.2018**
Change in basis points increase/decrease	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
+100/-100	384/(345)	90/(41)	(1,300)/1,300	(1,300)/403
+300/-300	1,151/(345)	270/(41)	(4,452)/2,100	(4,324)/403

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Changes in exchange rates are considered to impact the fair value of the Company's investments denominated in Euros and Sterling. However, under IFRS the foreign currency risk on these investments is deemed to be part of the market price risk associated with holding such non-monetary investments. As the information relating to the non-monetary investments is significant, the Company also provides the total exposure and sensitivity changes on non-monetary investments on a voluntary basis.

The following table sets out the Company's exposure by currency to foreign currency risk.

Exposure to Monetary Assets/Liabilities (held in foreign currencies)

	Euro	**Sterling**	**Total**	**Euro**	**Sterling**	**Total**
	28.2.2019	**28.2.2019**	**28.2.2019**	**28.2.2018**	**28.2.2018**	**28.2.2018**

	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Loans at Amortised Cost	58,012	-	58,012	57,349	-	57,349
Cash at Bank	7,206	28	7,234	2,798	-	2,798
Other Receivables	-	11	11	-	11	11
Liabilities						
CULS	-	(54,274)	(54,274)	-	(59,970)	(59,970)
ZDP (2022) shares	-	(63,838)	(63,838)	-	(62,843)	(62,843)
Loans payable	(20,389)	-	(20,389)	(21,718)	-	(21,718)
Other payables	-	(503)	(503)	-	(316)	(316)
Net Currency Exposure	44,829	(118,576)	(73,747)	38,429	(123,118)	(84,689)

The sensitivity analysis for monetary and non-monetary net assets calculates the effect of a reasonably possible movement of the currency rate against the US dollar on an increase or decrease in net assets attributable to shareholders with all other variables held constant. An equivalent decrease in each of the aforementioned currencies against the US dollar would have resulted in an equivalent but opposite impact.

Currency	**Change in Currency Rate**	**Effect on net assets attributable to shareholders (relates to monetary financial assets and liabilities)** 28.2.2019 US$ '000	28.2.2018 US$ '000
Euro	+10%	4,483	(1,892)
GBP	+10%	(11,858)	(12,312)

Exposure to Non-Monetary Assets (held in foreign currencies)

	Euro 28.2.2019 US$ '000	**Sterling 28.2.2019 US$ '000**	**Total 28.2.2019 US$ '000**	**Euro 28.2.2018 US$ '000**	**Sterling 28.2.2018 US$ '000**	**Total 28.2.2018 US$ '000**
Financial assets at FVTPL	55,952	15,484	71,436	46,858	5,826	52,684
Net Currency Exposure	55,952	15,484	71,436	46,858	5,826	52,684

Currency	**Change in Currency Rate**	**Effect on net assets attributable to shareholders (relates to non-monetary financial assets)** 28.2.2019 US$ '000	28.2.2018 US$ '000
Euro	+10%	5,595	9,838
GBP	+10%	1,548	583

Credit risk

The Company takes on exposures to credit risk, which is the risk that a counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. These credit exposures exist within debt instruments and cash & cash equivalents.

They may arise, for example, from a decline in the financial condition of a counterparty or from entering into derivative contracts under which counterparties have obligations to make payments to the Company. As the Company's credit exposure increases, it could have an adverse effect on the Company's business and profitability if material unexpected credit losses were to occur.

In the event of any default on the Company's loan investments by a counterparty, the Company will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on the Company's income and ability to meet financial obligations.

In accordance with the Company's policy, the Investment Adviser regularly monitors the Company's exposure to credit risk in its investment portfolio, by reviewing the financial statements, budgets and forecasts of underlying investee companies. Agency credit ratings do not apply to the Company's investment in investee company debt. The 'credit quality' of the debt is deemed to be reflected in the fair value valuation of the investee company.

The table below analyses the Company's maximum exposure to credit risk.

	Total 28.2.2019 US$ '000	Total 28.2.2018 US$ '000
US micro-cap debt	17,065	21,966
European micro-cap debt	58,012	57,349
US Treasury Bills	3,314	49,975
Cash and cash equivalents	50,994	9,000
Securities sold receivable	-	24,987
	129,385	163,277

A proportion of micro-cap debt held does not entitle the Company to interest payment in cash. This interest is capitalised (PIK) and as a result there is a credit risk to the Company, as there is no return until the loan plus all the interest, is repaid in full. During the year ended 28 February 2019, the Company recognised PIK interest of $6,198,000 (28 February 2018: $6,278,000) from debt investments as income in the Statement of Comprehensive Income in line with the Company's policy of recognising interest in proportion to the carrying value versus cost.

The following table analyses the concentration of credit risk in the Company's debt portfolio by industrial distribution.

	28.2.2019 US$ '000	28.2.2018 US$ '000
Private Security	36%	34%
Financial General	30%	28%
House, Leisure & Personal Goods	7%	13%
Logistics	11%	10%
Telecom	6%	5%
Document Processing	5%	5%
Healthcare Services & Equipment	5%	5%
	-	-
	100%	100%

Loans at Amortised Cost and Expected Credit Losses ("ECL")
The Company's direct loans to European micro-cap companies are classified as loans at amortised cost. The credit risk in these investments is deemed to be reflected in the performance and valuation of the investee company. Using IFRS 9's "expected credit loss" model, the Company calculates the allowance for credit losses by considering the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. At the reporting date, the credit risk on the loans are deemed low-risk and therefore the ECL are considered over the future 12 months. The allowance is the sum of these probability weighted outcomes. The IFRS ECL model assumed all loans and receivables carries with it some risk of default, every such asset has an expected loss attached to it—from the moment of its origination or acquisition.

ECL Provision	28.2.2019 US$ '000
ECL at 1 March	1,395
Provision during the year	75
ECL at 28 February	1,470

The table below analyses the Company's cash and cash equivalents by rating agency category.

	Credit ratings Standard & Poor's Outlook	LT Issuer Default Rating	28.2.2019 US$ '000	28.2.2018 US$ '000
HSBC Bank USA NA	Stable (2018: Stable)	Fitch- AA- (2018: AA-)	50,605	5,340
Raymond James Bank	Stable (2018: Positive)	S&P - BBB+ (2018: BBB)	6	3,277

Northern Trust (Guernsey) Limited	Stable (2018: Stable)	S&P- A-1+ (2018: AA)	383	383
			50,994	9,000

Bankruptcy or insolvency of the Banks may cause the Company's rights with respect to these assets to be delayed or limited. The Investment Adviser monitors risk by reviewing the credit rating of the Bank. If credit quality deteriorates, the Investment Adviser may move the holdings to another bank.

The Company's CULS are valued at fair value being the listed offer price at the year end. The Company has assessed the movement in the fair value of the CULS and concluded changes in the offer price are the result of increased demand due to the underlying price of the Company's Ordinary shares and underlying interest rates. Any change in the fair value due to perceived changes in the Company's credit risk is deemed immaterial.

Liquidity risk
Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. There has been no change during the year in the Company's processes and arrangements for managing liquidity.

The Company's investments are predominately private equity, real estate and other unlisted investments. By their nature, these investments will generally be of a long term and illiquid nature and there may be no readily available market for sale of these investments. None of the Company's assets/liabilities are subject to special arrangement due to their illiquid nature.

The Company has capital requirements to repay CULS and a debt facility in 2021 and ZDP shareholders in 2022. At the year end the Company has outstanding investment commitments of $43,618,000 (28 February 2018: $73,693,000) see Note 23.

The Company manages liquidity risk and the ability to meet its obligations by monitoring current and expected cash balances from forecasted investment activity.

The table below analyses JZCP's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. Amounts attributed to CULS and ZDP share include future contractual interest payments. The provision for the payment of a capital gains incentive fee is shown as 'no stated maturity', as payment depends on future realisations. Financial commitments are contractual outflows of cash and are included within the liquidity statement.

At 28 February 2019	**Less than 1 year**	**>1 year - 3 years**	**>3 years - 5 years**	**>5 years**	**No stated maturity**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
CULS	3,101	56,591	-	-	-
ZDP (2022) shares	-	-	74,387	-	-
Loans payable	12,640	170,029	-	-	-
Other payables	22,162	-	-	-	22,743
Financial commitments (see note 23)	20,173	18,183	5,262	-	-
	58,076	244,803	79,649	-	22,743

At 28 February 2018	**Less than 1 year**	**>1 year - 3 years**	**>3 years - 5 years**	**>5 years**	**No stated maturity**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
CULS	3,213	6,425	54,883	-	-
ZDP (2022) shares	-	-	79,361	-	-
Loans payable	10,660	21,320	154,962	-	-
Other payables	5,407	-	-	-	40,610
Financial commitments (see note 23)	21,066	40,122	11,505	-	-
	40,346	67,867	300,711	-	40,610

23. Commitments

At 28 February 2019 and 28 February 2018, JZCP had the following financial commitments outstanding in relation to fund investments:

	Expected date of Call	**28.2.2019**	**28.2.2018**
		US$ '000	**US$ '000**

JZI Fund III GP, L.P. €31,936,400 (28.2.2018: €46,897,000)	Over 3 years	36,366	57,198
Spruceview Capital Partners, LLC[1]	Over 1 year	1,990	4,990
Suzo Happ Group	> 3 years	4,491	4,491
Igloo Products Corp	> 3 years	771	771
Orizon		-	4,158
BSM Engenharia S.A. (Commitment expired)		-	2,085
		43,618	73,693

[1]Post year end, JZCP increased its commitment by $1.475 million.

24. Related party transactions

JZCP invests in European micro-cap companies through JZI Fund III, L.P. ("Fund III"). Previously investments were made via the EuroMicrocap Fund 2010, L.P. ("EMC 2010") and EuroMicrocap Fund-C, L.P. ("EMCC"). Fund III, EMC 2010 and EMCC are managed by an affiliate of JZAI, JZCP's investment manager. JZAI was founded by David Zalaznick and John ("Jay") Jordan, II. At 28 February 2019, JZCP's investment in Fund III was valued at $66.8 million (28 February 2018: $42.3 million). JZCP's investment in EMC 2010 was valued at $3.9 million (28 February 2018: $3.8 million). EMCC was liquidated in December 2018 and its remaining assets were transferred to EMC 2010.

JZCP has invested in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed by JZCP to this investment at 28 February 2019, was $30.0 million with $2.0 million (28 February 2018: $5.0) of commitments outstanding. Post year end, JZCP increased its commitment by an additional $1.475 million.

JZCP has co-invested with Fund A, Fund A Parallel I, II and III Limited Partnerships in a number of US micro-cap buyouts. These Limited Partnerships are managed by an affiliate of JZAI. JZCP invested in a ratio of 82%/18% with the Fund A entities. At 28 February 2019, the total value of JZCP's investment in these co-investments was $251.5 million (28 February 2018: $354.6 million). Fund A, Fund A Parallel I, II and III Limited Partnerships are no longer making platform investments alongside JZCP.

JZAI is a US based company that provides advisory services to the 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. JZAI and various affiliates provide services to certain JZCP portfolio companies and may receive fees for providing these services pursuant to the Advisory Agreement.

JZCP is able to invest up to $75 million in "New JI Platform Companies". The platform companies are being established to invest primarily in buyouts and build-ups of companies and in growth company platforms in the US micro-cap market, primarily healthcare equipment companies. At 28 February 2019, JZCP had invested $34.1 million (28 February 2018: $30.6 million) in Avante (formerly named Jordan Health Products), the investment in Avante was valued at $40.3 million (28 February 2018: $33.1 million). JZCP co-invests 50/50 in Avante with other investors ("JI members"). David Zalaznick and an affiliated entity of Jay Jordan own approximately 33.7% of the JI members' ownership interests.

During the year, JZCP obtained shareholder approval to acquire a 27.7% stake in Deflecto Holdings, LLC from Edgewater Growth Capital Partners ("Edgewater"). Edgewater is a substantial shareholder of JZCP and therefore a related party of the Company. The acquisition cost was $24.5 million and a further follow-on investment was made in the year of $14.5 million. The investment in Deflecto was valued at $40.7 million at 28 February 2019.

During the year, JZCP obtained shareholder approval for the merger through which the Company realised its investment in TWH Water Treatment Industries Inc., a segment of its Water Services vertical. JZCP received $31.3 million in initial gross proceeds from the sale. The parent company of the counterparty to the Merger, DuBois is a portfolio company of Resolute Fund III, L.P. ("Resolute Fund III") which has a 73.7 per cent. ownership interest in DuBois and is one of the funds managed by The Jordan Company, L.P. ("The Jordan Company"). David Zalaznick and Jay Jordan are founders of The Jordan Company and have economic interest in Resolute Fund III or its affiliated funds.

Total directors' remuneration for the year ended 28 February 2019 was $458,000 (28 February 2018: $415,000). The increase in remuneration was due to the appointment, during June 2018, of Sharon Parr as an additional director and an increase in fees payable to Christopher Waldron for additional responsibilities as Chairman of the Management Engagement Committee.

25. Basic and Diluted Earnings/(Loss) Per Share

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

For the year ended 28 February 2019, the weighted average number of Ordinary shares outstanding during the year was 82,757,833 (Year ended 28 February 2018: 83,907,516).

The diluted earnings/(loss) 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"). The adjusted weighted average of the number of Ordinary shares for the year ended 28 February 2019 was 89,104,674 (28 February 2018: 83,907,516). Conversion is assumed even though at 28 February 2019 and 28 February 2018 the exercise price of the CULS is higher than the market price of the Company's Ordinary shares and are therefore deemed 'out of the money'. Earnings are adjusted to remove the fair value gain of $5,696,000 (28 February 2018: loss of $(2,907,000) and finance cost attributable to CULS of $3,155,000 (28 February 2018: $3,022,000). For the year ended 28 February 2018, the potential conversion of the CULS would have been anti-dilutive to the total loss per share, therefore the diluted earnings/(loss) per share, for the comparative year, is presented as per the basic earnings/(loss) per share calculation.

26. Controlling Party

The issued shares of the Company are owned by a number of parties, and therefore, in the opinion of the Directors, there is no ultimate controlling party of the Company, as defined by IAS 24 - Related Party Disclosures.

27. Net Asset Value Per Share

The net asset value per Ordinary share of $10.04 (28 February 2018: $9.98) is based on the net assets at the year end of $810,262,000 (28 February 2018: $837,573,000) and on 80,666,838 (28 February 2018: 83,907,516) Ordinary shares, being the number of Ordinary shares in issue at the year end.

28. Contingent assets

Amounts held in escrow accounts

When investments have been disposed of by the Company, proceeds may reflect contractual terms requiring that a percentage is held in an escrow account pending resolution of any indemnifiable claims that may arise. At 28 February 2019 and 28 February 2018, 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 28 February 2019 and 28 February 2018, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

Company	**Amount in Escrow**	
	28.2.2019	**28.2.2018**
	US$'000	**US$'000**
TWH Infrastructure	6,051	-
Bolder Healthcare Solutions	4,185	-
Paragon	118	-
TWH Infrastructue	-	-
K2 Towers	-	1,551
CBO Holdings	-	294
SPL	-	107
	9,261	1,952

During the year ended 28 February 2019 proceeds of $3,303,000 (28 February 2018: $1,922,000) were realised during the year and recorded in the Statement of Comprehensive Income.

	Year Ended 28.2.2019 US$'000	**Year Ended 28.2.2018 US$'000**
Escrows at 1 March	1,952	77
Escrows added on realisation of investments	9,261	-
Additional escrows recognised in year not reflected in opening position	1,351	3,797
Escrow receipts during the year	(3,303)	(1,922)
Escrows at year end	9,261	1,952

29. Notes to the Statement of Cash Flows

Reconciliation of the (loss)/profit for the year to net cash outflow from operating activities	**Year Ended 28.2.2019 US$ '000**	**Year Ended 28.2.2018 US$ '000**

Loss for the year	(6,835)	(11,271)
Decrease in other receivables and prepayments	(23)	(43)
Decrease in other payables	(52)	(20)
Increase in amount owed to Investment Adviser	1,042	4,512
Deposits paid for real estate investments	(700)	(1,595)
Net (loss)/gain on investments at fair value through profit or loss ("FVTPL")	2,773	(586)
Unrealised foreign exchange loss/(gain) on loans at amortised cost	3,762	(5,020)
Realised foreign exchange loss/(gain) on loans at amortised cost	584	(534)
Expected credit losses	75	-
Unrealised currency (gain)/loss on liabilities	(3,593)	8,680
Unrealised foreign exchange movements on cash at bank (shown as net movement in cash)	306	(304)
Unrealised (gain)/loss on CULS valued at fair value	(5,696)	2,907
Increase in accrued interest on investments, accumulated preferred dividends and PIK	(26,623)	(30,837)
Interest received	(2,601)	(2,915)
Finance costs	18,987	17,569
Net cash outflow from operating activities	(18,594)	(19,457)

Investment income and interest received during the year	**Year Ended 28.2.2019 US$ '000**	**Year Ended 28.2.2018 US$ '000**
Interest on investments	2,076	2,787
Bank interest	525	128
	2,601	2,915

Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. The cash flows arising from these activities are shown in the Statement of Cash Flows.

Changes in financing liabilities arising from both cash flow and non-cash flow items

			Non-cash changes			
	1.3.2018	**Cash flows**	**Fair Value**	**Finance Costs**	**Foreign Exchange**	**28.2.2019**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Zero Dividend Preference (2022) shares	62,843	-	-	3,148	(2,153)	63,838
Convertible Unsecured Loan Stock	59,970	(3,155)	(3,748)	3, 155	(1,948)	54,274
Loans payable	150,125	(12,142)	-	12,684	(1,440)	149,227
	272,938	(15,1297)	(3,748)	18,987	(5,541)	267,339

			Non-cash changes			
	1.3.2017	**Cash flows**	**Fair Value**	**Finance Costs**	**Foreign Exchange**	**28.2.2018**
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Zero Dividend Preference (2022) shares	53,935	-	-	2,996	5,912	62,843
Convertible Unsecured Loan Stock	57,063	(3,022)	(2,901)	3,022	5,808	59,970
Loans payable	97,396	38,410	-	11,551	2,768	150,125
	208,394	35,388	(2,901)	17,569	14,488	272,938

30. Dividends Paid and Proposed

No dividends were paid or proposed for the years ended 28 February 2019 and 28 February 2018.

31. Financial Highlights

The following table presents performance information derived from the financial statements.

	28.2.2019 US$	28.2.2018 US$
Net asset value per share at the beginning of the year	9.98	10.12
Performance during the year (per share):		
Net investment income	0.10	0.14
Incentive fee	(0.03)	(0.05)
Net realised and unrealised gain/(loss)	0.06	(0.02)
Finance costs	(0.23)	(0.21)
Accretion from the buy back of Ordinary shares at a discount to NAV	0.16	-
Total return	0.06	(0.14)
Net asset value per share at the end of the year	10.04	9.98
Total Return	0.61%	(1.41%)
Net investment income to average net assets excluding incentive fee	1.01%	1.41%
Operating expenses to average net assets	(2.42%)	(2.41%)
Incentive fees to average net assets	(0.30%)	(0.50%)
Operating expenses to average net assets including incentive fee	(2.72%)	(2.91%)
Finance costs to average net assets	(2.33%)	(2.11%)

32. 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.

33. Subsequent events

These financial statements were approved by the Board on 7 May 2019. Subsequent events have been evaluated until this date.

In April 2019, the Company received $23.3 million from the realisation of Waterline Renewal Technologies.

Company Advisers

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

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New York NY 10019

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UK Solicitors
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Broadwalk House
5 Appold Street
London EC2A 2HA

US Lawyers
Monge Law Firm, PLLC
333 West Trade Street
Charlotte, NC 28202

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).

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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 Unsecured Loan Stock ("CULS") are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchange Specialist Fund Segment for listed securities.

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

ISIN/SEDOL numbers

	Ticker Symbol	ISIN Code	Sedol Number
Ordinary shares	JZCP	GG00B403HK58	B403HK5
ZDP (2022) shares	JZCZ	GG00BZ0RY036	BZ0RY03
CULS	JZCC	GG00BP46PR08	BP46PR0

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

Alternative Performance Measures
In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are

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

Total NAV Return
The Total NAV Return measures how the net asset value ("NAV") per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven year periods. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends. JZCP also produces an adjusted Total NAV Return which excludes the effect of the appreciation/dilution per share caused by the buy back/issue of shares at a discount to NAV, the result of the adjusted Total NAV return is to provide a measurement of how the Company's Investment portfolio contributed to NAV growth adjusted for the Company's expenses and finance costs. The Total NAV Return for the year ended 28 February 2019 was 0.6%, which only reflects the change in NAV as no dividends were paid during the year. The Total NAV Return for the year ended 28 February 2018 was -1.4%.

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 (one year) and also three-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend. The Shareholder Return for the year ended 28 February 2019 was -3.5%, which only reflects the change in share price as no dividends were paid during the year. The Shareholder Return for the year ended 28 February 2018 was -16.2%.

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

At 28 February 2019, JZCP's Ordinary shares traded at £4.35 (28 February 2018: £4.51)) or $5.79 (28 February 2018: $6.21) being the dollar equivalent using the year end exchange rate of £1: $1.33 (28 February 2018 £1: $1.38). The shares traded at a 42% (28 February 2018: 38%) discount to the NAV per share of $10.04 (2018: $9.98).

Ongoing Charges calculation
A measure expressing the Ongoing annualised expenses as a percentage of the Company's average annualised net assets over the year 2.42% (2018: 2.35%). Ongoing charges, or annualised recurring operating expenses, are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the company, excluding the Investment Adviser's Incentive fee, financing charges and gains/losses arising on investments.
Ongoing expenses for the year are $19,832,000 (2018: $19,580,000) comprising of the IA base fee $16,733,000 (2018: $16,912,000), administrative fees $2,641,000 (2018: $2,253,000) and directors fees $458,000 (2018:$415,000). Average net assets for the year are calculated using quarterly NAVs $818,383,000 (2018: $836,038,000).

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

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

Internet Address
The Company: www.jzcp.com

Financial Diary

Annual General Meeting	27 June 2019
Interim report for the six months ended 31 August 2019	November 2019 (date to be confirmed)
Results for the year ended 28 February 2020	May 2019 (date to be confirmed)

JZCP will be issuing an Interim Management Statement for the quarters ending 30 November 2018 and 31 May 2019. These Statements will be sent to the market via RNS within six weeks from the end of the appropriate quarter, and will be posted on JZCP's website at the same time, or soon thereafter.

Payment of Dividends
In the event of a cash dividend being paid, the dividend will be sent by cheque to the first-named shareholder on the register of members at their registered address, together with a tax voucher. At shareholders' request, where they have elected to receive dividend proceeds in Sterling, the dividend may instead be paid direct into the shareholder's bank account through the Bankers'

Automated Clearing System. Payments will be paid in US dollars unless the shareholder elects to receive the dividend in Sterling. Existing elections can be changed by contacting the Company's Transfer and Paying Agent, Equiniti Limited on +44 (0) 121 415 7047.

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

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

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

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

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

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

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

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

US Investors

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

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

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

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

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

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

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

Investment in the Company by "Benefit Plan Investors" is prohibited so that the assets of the Company will not be deemed to constitute "plan assets" of a "Benefit Plan Investor". The term "Benefit Plan Investor" shall have the meaning contained in 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and includes (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA; (b) a "plan" described in Section 4975(e)(1) of the US Internal Revenue Code of 1986, as amended (the "Code"), that is subject to Section 4975 of the Code; and (c) an entity whose underlying assets include "plan assets" by reason of an employee benefit plan's or a plan's investment in such entity. For purposes of the foregoing, a "Benefit Plan Investor" does not include a governmental plan (as defined in Section 3(32) of ERISA), a non-US plan (as defined in Section 4(b)(4) of ERISA) or a church plan (as defined in Section 3(33) of ERISA) that has not elected to be subject to ERISA.

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

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

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

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

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

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

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

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

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

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

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

US Tax Matters

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

The Board may decline to register a person as, or to require such person to cease to be, a holder of any class of ordinary shares or other equity securities of the Company because of, among other reasons, certain US ownership and transfer restrictions that relate to “controlled foreign corporations” contained in the Articles of the Company. A Shareholder of the Company may be subject to forced sale provisions contained in the Articles in which case such shareholder could be forced to dispose of its securities if the Company’s directors believe that such shareholder is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of ordinary shares or any other equity securities of the Company by such shareholder would materially increase the risk that the Company could be or become a "controlled foreign corporation" within the meaning of the Code (a "CFC"). Shareholders of the Company may also be restricted by such provisions with respect to the persons to whom they are permitted to transfer their securities.

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

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

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

Investment Adviser's ADV Form

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

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