JZ CAPITAL PARTNERS LTD

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

21 May 2013
ANNUAL RESULTS FOR THE 12 MONTHS ENDING 28 FEBRUARY 2013

~ Robust performance drives strong shareholder returns ~

21 May 2013

JZ Capital Partners (JZCP), the London listed private equity fund which invests in high-quality US, European and Latin America micro cap companies, announces its preliminary results for the twelve month period ended 28 February 2013.

Results Highlights

- A record 43% Total Shareholder Return
- 6% NAV Total Return including:
    - A record distribution of 29 cents per share (FYE 28/2/12: 25 cents per share)
    - NAV of US$630 million (FYE 28/2/12: US$615 million)
    - NAV per share of US$9.69 (FYE 28/2/12: US$9.47)
- NAV growth in 15 of the last 16 quarters
- Share price reached all-time high during the period
- NAV discount narrowed to 22% (FYE 28/2/12: 38%)

Investment Activity

- US$145.9 million of proceeds from the realization of 19 investments
- US$200.7 million invested in 25 companies in the US and Europe

Strategic Initiatives

- Period characterised by the implementation of several strategic initiatives supported by shareholders
    - A simplified share capital structure introduced to accommodate a growing number of US investors
    - Listing moved from the Main Market to the Specialist Fund Market of the London Stock Exchange
    - A new dividend policy to provide more predictable distributions at a rate of 3% of NAV per year in two instalments
    - The proportion of NAV able to be invested outside the US rose from 20% to 30%

Outlook

- Positive outlook with a strong balance sheet enabling the Company to take advantage of a healthy pipeline of micro-cap investment opportunities in the US and Europe

David Zalaznick, JZCP's Founder and Investment Adviser, said: "We are delighted with another excellent set of results for JZCP. The micro-cap sector has again provided the company with strong performance on which to generate superior returns for our shareholders."

"This is also the first time that Shareholders have benefitted from our new dividend policy which, when combined with the significant share price rise, has resulted in a record total shareholder return of 43%. This strong performance has meant the Company's discount narrowed from 38% down to 22% during the period."

"We look ahead to 2013 with confidence knowing that JZCP is well positioned with a strong balance sheet to take advantage of the many opportunities we have in our pipeline."

David Macfarlane, Chairman of JZCP, said: "2012 has been a year of significant progress for the Company, both strategically and from a performance perspective. The Investment Adviser's unrivalled track record and expertise in US and European micro-cap buyouts continues to provide shareholders with long-term profitable growth."

There will be an analyst and investor presentation to discuss JZCP's recent financial performance and portfolio developments at 9.30am on 21 May 2013 at FTI Consulting, 26 Southampton Buildings, London WC2A 1PB. It can be accessed by dialling +44 20 7784 1036 (UK) or +1 646 254 3362 (US) with the participant access code 4700243.

A playback facility will be available two hours after the conference call concludes. This facility may be accessed by dialling **+44 (0)20 3427 0598 UK or +1 347 366 9565 US** with the participant access code 4700243.

For further information:
Ed Berry / Tom Willetts +44 (0)20 7269 7237 / 7297
FTI Consulting

David Zalaznick +1 212 572 0800
Jordan/Zalaznick Advisers, Inc.

About JZCP
JZCP is a London listed private equity fund which invests in high quality US, European and Latin American micro cap companies. Our objective is to achieve a superior overall return comprised of a current yield and significant capital appreciation. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. ("JZAI"), founded by David Zalaznick and Jay Jordan, which has advised JZCP for twenty five years and has investment professionals and offices in New York, Chicago, London and Madrid. JZAI's experts work with the existing management of micro cap companies to help build better businesses, create value and deliver strong returns to our investors. JZCP also invests in mezzanine loans, first and second lien investments and other publicly traded securities. For more information please visit www.jzcp.com

The financial information set out below does not constitute the Company's statutory accounts for the year ended 28 February 2013. All figures are based on the audited financial statements for the year ended 28 February 2013.

The announcement is prepared on the same basis as will be set out in the audited financial statements for the year ended 28 February 2013.

The annual report and audited financial statements for the year ended 28 February 2013 will shortly be posted to shareholders and will also be available on the company website: www.jzcp.com

Chairman's Statement

I am pleased to report the results of JZ Capital Partners Limited ("JZCP" or the "Company") for the twelve-month period ended 28 February 2013.

JZCP has produced another twelve months of steady growth during a year that has been characterised by the implementation of several strategic initiatives. The measures have been designed to broaden the shareholder base, build on the Company's core micro cap investment strategy and lay the foundations for long-term future profitable growth. We have been delighted by the significant support received from shareholders for the changes.

A simplified share capital structure was introduced to accommodate a growing number of US investors and JZCP moved from the Main Market to the Specialist Fund Market (SFM) of the London Stock Exchange. Trading volumes in the stock have remained at or near to historic levels. A new dividend policy provides a long-term solution to narrowing the discount by offering more predictable distributions at a rate of 3% of NAV per year in two instalments. The proportion of NAV which can be invested outside the US has risen from 20% to 30% to enable the Company to apply its expertise in originating and investing in high quality micro cap opportunities in other regions.

These initiatives were successfully implemented against the backdrop of the continuing uncertainty in the global economy. The temporary resolution of the US fiscal cliff drama helped to renew optimism in our core US market while action by the European Central Bank in the summer of 2012 improved sentiment and allayed fears about the break-up of the Eurozone. However, the global economy remains weak and growth in developed markets continues to be anaemic, despite the equity market rally which saw the FTSE 100 rise 7.2% and the Dow Jones climb by 8.3% over the period. Interest rates in both the US and Europe also remain at historic lows.

Performance

Despite this renewed macroeconomic uncertainty, the Directors are delighted with JZCP's excellent performance. During the period, NAV (including dividends paid) rose by 6%, from US$9.47 per share to US$9.69 per share (US$10.02 before dividends paid). The Company's share price rallied to an all-time high, rising 44.3% during the period following the transfer to the SFM. This share price performance was in the top quartile of JZCP's peer group during the period.

The discount to NAV has significantly narrowed, reducing from 38% to 18% as at 30 April 2013. The Board remains convinced that the corporate actions it has already taken combined with the Investment Adviser's ability to generate long-term NAV growth will reduce the discount to NAV even further.

Strategy

The continuing robust performance of the Company is a result of its disciplined and value orientated strategy which uses a proprietary network to find high quality micro cap companies with the potential for significant further growth. Activities continue to be focused on the US, where JZCP predominantly follows a buy-and-build strategy which focuses on thoroughly researched industry sectors with substantial growth potential known as 'Verticals'. These micro cap investments constitute 29% of NAV, and are the main driver of growth for the Company. Supervisors regarded as the leaders in their field support the existing management of these companies to help build better businesses, create value and deliver strong returns to investors.

The Company's only gearing is through its zero dividend preference shares. The Board will from 2014 have the Company's portfolio managed to ensure there is sufficient cash available to repay the ZDPs in absence of any other refinancing proposal. To help with this, a modest proportion of the portfolio is also now invested in gilts.

Portfolio

The underlying portfolio companies have performed well and the EBITDA of all of the US micro cap businesses increased 7% over the past year.

The portfolio saw 19 realisations generating US$146 million but with new investment, the portfolio comprises 51 investments across 10 industry sectors at the end of the period. US micro cap investments increased by US$137 million during the period.

Exposure to the European micro cap sector complements the US micro cap investments. Spain continues to be the main focus of the European portfolio as distressed valuations and a lack of traditional bank lending to the SME sector has created excellent investment opportunities for the Company. The portfolio currently holds five companies which are located in the region that are performing despite the country's challenging trading environment. These investments constituted 17% of NAV at period end. The Company is continuing to seek good quality and performing companies across Europe through its network of intermediaries. There is scope to pursue micro cap opportunities in other regions, such as in Latin America, but the bulk of the portfolio will remain in the US.

Distributions

In May 2012 the Board proposed a new dividend policy to provide a long-term solution to narrow the discount by providing regular and more predictable distributions. The new policy provides distributions at a rate of 3% of NAV per year in two instalments.

The Directors declared and paid an Interim Dividend of 14 cents per share for the six months ended 31 August 2012. The Board has declared a second dividend for the year of 15 cents per share. Therefore, the total distribution for the year will be 29 cents per share, compared to 25 cents for the year ended 28 February 2012. This implies an annualised yield as at 28 February 2013 of 4%.

Rotation of Directors

At the forthcoming Annual General Meeting, David Macfarlane and James Jordan will each retire by rotation and will each offer themselves for re-election.

Outlook

While the Board is mindful of the uncertain economic environment, we remain positive about the ability of JZCP and the broader private equity sector to outperform public markets, as has been evidenced over the last twelve months.

Furthermore, there is scope for these returns to be enhanced further by JZCP's disciplined micro cap strategy. The Company has performed well yet again and the new dividend policy is providing stable and regular distributions to investors.

The Directors are confident in the Investment Adviser's ability to continue to grow NAV given its significant experience in the US and Europe, the Company's strong balance sheet and a healthy pipeline of realisation and investment opportunities.

We have worked hard during the period to prepare the Company for a more secure, long-term future and we enter 2013 with a positive outlook, renewed confidence and well positioned to generate significant returns to our shareholders.

David Allison

I am sad to report the recent tragic death in an accident of our colleague, David Allison. He contributed substantially to our Company and we shall miss him and his wise counsel greatly.

David Macfarlane Chairman
20 May 2013

Special Business for the Annual General Meeting

Last year, proposals which were put to shareholders and adopted included restructuring the Ordinary share capital of the Company so as to accommodate the weight of US ownership of the Company's equity and at the same time avoid the associated threat of delinquency under US securities law and to obtain admission to listing on the Official List of the Channel Islands Stock Exchange (the "CISX"). As part of the process pursuant to which the Company's ordinary shares were admitted to the CISX" in July 2012, the CISX required certain changes to be made to the Company's Articles of

Incorporation at the first annual general meeting following the CISX listing. The required changes are: that the voting provisions relating to shareholder resolutions on the appointment or removal of directors be moved from article 5 to article 14; and to ensure that the directors' discretion to restrict transfers of ordinary shares to Restricted Persons and other Non-Qualified Holders (as defined in the Articles of Incorporation) may only be exercised where failure to do so may result in a regulatory, pecuniary, legal, taxation or material administrative disadvantage to the Company or its shareholders as a whole and where such exercise would not disturb the market in the ordinary shares. The changes required by the CISX satisfy their requirements regarding the equality of treatment for shareholders without impacting upon the effectiveness of last year's restructuring arrangements as regards US securities laws. Special Resolution 1 (Agenda Item No. 9) is therefore proposed to adopt the amended Articles of Incorporation in place of the Company's current Articles of Incorporation.

A copy of the proposed new Articles of Incorporation and a copy of the current Articles of Incorporation marked to show the proposed changes are available for inspection at the Company's registered office and at the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA during normal business hours from the date of this document until the close of the Annual General meeting to be held on 24 June 2013 (Saturdays, Sundays and public holidays in the UK excepted) and will be available at the place of the Annual General Meeting for at least 15 minutes prior to, and during, the meeting.

Report of the Directors

The Directors present their annual report together with the audited financial statements of JZ Capital Partners Limited (the "Company") for the year ended 28 February 2013.

Principal activities

JZ Capital Partners 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 Share Capital consists of Ordinary shares and Zero Dividend Preference ("ZDP") shares. The Ordinary and ZDP shares were admitted to the official list of the London Stock Exchange ("LSE") on 27 June 2008.

The Company was granted consent on 8 May 2008 by the Guernsey Financial Services Commission under The Control of Borrowing (Bailiwick of Guernsey) Ordinance,1959 to raise up to £300,000,000 by the issue of shares.

The Company's corporate objective is to create a portfolio of investments in businesses primarily in the United States, providing a superior overall return comprised of a current yield and significant capital appreciation. The Company's present strategies include investments in micro cap buyouts, mezzanine loans (sometimes with equity participations) and high yield securities, senior secured debt and second lien loans, real estate and other debt and equity opportunities, including distressed debt and structured financings, derivatives and opportunistic purchase of publicly traded securities.

On 31 July 2012 the Company announced the cancellation of the listing of its Ordinary shares on the premium segment of the Official List and trading on the London Stock Exchange's main market for listed securities. Subsequently the Company's shares were admitted to trading on the SFM. The Company also announced the admission to listing on Channel Islands Stock Exchange ("CISX").

Business Review

The total profit attributable to Ordinary shareholders for the year ended 28 February 2013 was US$35,850,000 (year ended 29 February 2012: profit of US$45,044,000). The revenue return for the year was US$27,113,000 (year ended 29 February 2012: US$25,202,000), after charging administrative expenses of US$2,785,000 (year ended 29 February 2012: US$2,786,000) and Investment Adviser's base fee US$10,707,000 (year ended 29 February 2012: US$10,247,000) and an income incentive fee payable to the investment adviser of US$Nil (29 February 2012: US$4,410,000). The net asset value ("NAV") of the Company at the year end was US$630,182,000 (29 February 2012: US$615,462,000) equal to US$9.69 (29 February 2012: US$9.47) per Ordinary share.

For the year ended 28 February 2013, the Company had US$2,197,000 (year ended 29 February 2012: US$1,633,000) of cash inflows resulting from operating activities.

A review of the Company's activities and performance is detailed in the Chairman's Statement and the Investment Adviser's Report.

Dividends

It is the Board's policy to distribute 3% of the Company's net assets in the form of dividends.

For the year ended 28 February 2012 an interim dividend of 14.0 cents per Ordinary share (total US$9,102,605) was declared by the Board on 10 October 2012 and paid on 5 November 2012.

A second dividend of 15.0 cents per Ordinary share (total US$9,752,792) was declared by the Board on 20 May 2013.

Directors

The Directors listed below are all non-executive and have 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.

David Macfarlane (Chairman)
Patrick Firth

James Jordan
Tanja Tibaldi

All Directors are independent at the year end, throughout the year and to the date of this report.

David Allison served as a Director until his death on 26 April 2013.

Annual General Meeting
The Company's Annual General Meeting is due to be held on 24 June 2013.

Share capital and purchase of own shares
Details of the Zero Dividend Preference shares and the Ordinary shares can be found in Notes 15 and 16 respectively. During the year the Company did not buy back any of its own shares.

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

	Number of Ordinary shares 1 March 2012	Ordinary shares purchased/ (sold)	Number of Ordinary shares 28 February 2013
David Macfarlane	43,000	7,000	50,000
James Jordan	30,000	-	30,000
Tanja Tibaldi	2,000	-	2,000
	75,000	7,000	82,000

Patrick Firth did not hold an interest in Ordinary shares during the year. 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 between 28 February 2013 and the date of this report.

Directors' statement as to the disclosure of information to the auditors
All the present Directors were members of the Board at the time of approving this report, and each of the Directors confirms that:

- To the best of his/her knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- He/she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor
A resolution to re-appoint Ernst & Young LLP as auditor to the Company will be proposed at the next annual general meeting.

Substantial shareholders
As at 28 February 2013 and at the date of this report the Company has been notified in accordance with applicable legislation of the following interests in the Ordinary share capital of the Company:

	As at 28 February 2013		As at 30 April 2013	
	Ordinary shares	% of Ordinary shares	Ordinary shares	% of Ordinary shares
Edgewater Growth Capital Partners	13,494,037	20.75%	13,494,037	20.75%
John W. Jordan	7,719,240	11.87%	7,719,240	11.87%
David W. Zalaznick	7,717,377	11.87%	7,717,377	11.87%
Abrams Capital Management L.P.	5,614,390	8.64%	4,914,389	7.56%
Rothschild Wealth Management	5,428,531	8.35%	5,461,009	8.40%
Leucadia Financial Corporation	4,527,563	6.96%	4,527,563	6.96%
Third Avenue Management LLC	3,407,535	5.24%	4,151,226	6.38%

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 shareholder to notify the Company of any change to their shareholdings when it reaches 3% of shares in issue and any change which moves up or down through any whole percentage figure above 3%.

Ongoing Charges
During the year, the Association of Investment Companies ("AIC") recommended that Ongoing Charges disclosure should

replace the Total Expense Ratio which has traditionally been calculated by investment companies. Ongoing charges for the year ended 28 February 2013 and 29 February 2012 have been prepared in accordance with the AIC's recommended methodology. The Ongoing charges for the year ended 28 February 2013 were 2.22 per cent. (29 February 2012: 2.21 per cent.) excluding incentive fees and 3.69 per cent. Including incentive fees (29 February 2012: 3.86 per cent.).

Corporate Governance

The Company's Corporate Governance report forms part of the Directors report for the year ended 28 February 2013.

Statement of Directors' Responsibilities

The Directors are responsible for preparing Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and The Companies (Guernsey) Law, 2008 for each financial period which give a true and fair view of the state of affairs of the Company and its profit or loss for that period. International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

In preparing Financial Statements the Directors are required to:

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

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

Responsibility statement of the Directors in respect of the financial statements

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

- The Financial Statements, prepared in accordance with IFRS and in accordance with the requirements of the London Stock Exchange (LSE), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Investment Advisers' report includes a fair review of the development and performance of the business and the position of the Company. The financial statements describe the principal risks and uncertainties faced by the Company.

The Directors are also responsible for the keeping of 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 comply with The Companies (Guernsey) Law, 2008 and the Listing Rules of the London Stock Exchange and Channel Islands Stock Exchange. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and agreed on behalf of the Board on 20 May 2013.

David Macfarlane Chairman	Patrick Firth Director

Investment Advisors Report

Dear Fellow Shareholders:

We are pleased to report JZCP achieved a 43% Total Return for its shareholders for the fiscal year ended 28 February 2013. The increase in our stock price was driven by a year on year growth in Net Asset Value ("NAV"), and an increased dividend. Finally, we completed the trifecta as the discount went from 38% at the beginning of the fiscal year to 18% as at 30 April 2013. The discount is heading in the right direction, but is still not where we want it to be! Our NAV (before dividends paid) was up 6%, as per share NAV went up to US$10.02 from US$9.47. JZCP's dividend will be 29 cents versus 25 cents last year. This is the first full year of our new dividend policy of paying 3% of NAV in semi-annual payments; at our current stock price, the implied dividend yield is 4%.

Our Company's balance sheet continues to be exceptionally strong with a large cash and liquid assets position of US$228.5 million and no long-term obligations other than the Zero Dividend Preference Shares ("ZDPs") which mature in 2016. Since the last annual report we have received US$145.9 million in proceeds from 19 realizations and deployed US$200.7 million in 25 new investments.

JZCP's underlying portfolio companies have performed well on an operating basis during this fiscal year. On a combined basis, EBITDA of all of our US micro cap businesses increased 7% over the past year.

Our US micro cap portfolio is valued at 6.9x EBITDA after an average 23% marketability discount. The underlying leverage senior to JZCP's position in our micro cap portfolio, both in the U.S. and Europe, is under 1.2x EBITDA (though we expect that to grow slightly as we put more third party debt onto several portfolio companies). Our European micro cap portfolio, currently consisting of five Spanish businesses, are valued using a 7.1x EBITDA multiple, after a 20% marketability discount, with 1.1x EBITDA of third party leverage.

We had two significant realizations since the last annual report. The first is the successful conclusion to one of our US micro cap investments – Horsburgh and Scott ("H & S"). In March 2013 (post-period), we sold H & S, which makes large diameter gears. Over time, we realized US$38.6 million on our US$21.8 million investment, for a 1.8x multiple of capital invested, and a 13% IRR. Given that we had been writing this investment up over time, there was a negligible effect on NAV.

Secondly, we sold our remaining position in TAL, our container leasing business. At the beginning of the year, we owned 1,065,738 shares for a NAV per share of 59 cents. We sold these shares for US$42.1 million in a secondary offering creating a 6 cent increase in NAV. Given that TAL was a listed equity portfolio company, we had been writing this investment up and down as the markets dictated. Over the course of the TAL investment we have done five secondary offerings to realize our investment. We achieved a 4.5x multiple of invested capital and a 27% IRR over 8 years.

Investing in micro cap companies has historically been the main driver of NAV growth and will continue to be so. We continue to be active in our current five business sectors, or "verticals": Industrial Service Solution (ISS), Sensors Solutions, Healthcare Revenue Cycle Management, Water Services, and Testing Services. These verticals are each managed by an experienced business professional, who is involved in both making acquisitions, and helping the business we own grow organically and through synergistic actions. For these activities, we invest with Edgewater Growth Capital Partners; together with them, we have a majority position in all of our verticals. We are also growing our micro cap portfolio by co-investing with other well-known US buyout firms whose operational focus in buying and managing small businesses overlap with ours.

Our opportunistic approach to value investing has led us to some exciting new opportunities in the real estate sector which will complement our core micro cap strategy. It is important to note that we are applying the same disciplined approach to these investments as we have always used; buying businesses at reasonable values in conjunction with excellent management teams. For our real estate investments, we have been backing a management team that has extensive (and successful) experience in buying and renovating smaller off-market properties in up and coming neighborhoods in Brooklyn, NY. The Company is also establishing a new asset management business in the US that will address the growing demand from endowments and pension funds for fiduciary management services.

NAV GROWTH

For the twelve months ending 28 February 2013, JZCP's net assets increased from US$9.47 per share to US$10.02, a 6% increase, before 32.5 cents of dividends paid, or 2% after the dividends. Note that we have had NAV growth in 15 of the last 16 quarters. The chart below shows the source of the annual growth for this fiscal year:

Net Asset Value per Ordinary Share as of 29 February 2012	**US$9.47**
+ Change in Private Investments	0.05
+ Change in Public Investments	0.18
+ Income from Investments	0.63
+ Escrows Received	0.12
- ZDP Dividend Accrual	(0.11)
- Fees and Expenses	(0.37)
+/- Other	0.05
Net Asset value Per Ordinary Share (before dividends)	**US$10.02**
- Dividends Paid	(0.33)
Net Asset value Per Ordinary Share as of 28 February 2013	**US$9.69**

Regarding the increases in the private investments above, we have prudently lowered the valuation of the US micro cap portfolio by 4 cents, driven by a 24 cent decrease in the value of Accutest, our environmental testing business. We also show a 6 cent increase in New Vitality, our co-investment in this vitamin and supplement company, due to very positive performance, and a positive resolution to a once potential lawsuit. The remaining 14 cent increase in value is comprised of small increases spread across seven different entities. The European microcap portfolio has a 7 cent increase, driven by continued very strong performance (23 cents) at Factor Energia, our energy and natural gas distribution business in Spain. Offsetting this performance is a write-down of Xacom, our supplier of parts and technologies to Spanish and South American telecom companies (14 cents), several of which have delayed orders of certain of their products. Finally, our listed equities have performed well, adding 13 cents to our NAV.

RETURNS

The chart below summarizes the cumulative total NAV returns and total shareholder returns for the most recent three months, most recent twelve months, and most recent thirty-six months (the relevant time periods since our "recapitalization" in June 2009).

	As at 28.02.13	Since 30.11.12	Since 29.02.12	Since 28.02.10
Share price (in GBP)	£5.00	£4.34	£3.66	£2.73
Dividends paid (in US cents)	-	-	32.5c	70.0c
Total shareholders return	-	15%	43%	99%
NAV per share (in USD)	$9.69	$9.41	$9.47	$7.04
NAV total returns	-	3%	6%	48%
NAV to market price discount	22%	26%	38%	41%

PORTFOLIO SUMMARY

We continue to diversify JZCP's portfolio into many different industry sectors as well as geographically across the United States and into Europe. Currently, we have a diversified portfolio of 51 businesses in 10 different sectors. In addition, our portfolio is diversified in terms of vintage years.

Below is a summary of our portfolio, comparing the assets as of 28 February 2013 to the previous year end. As you will note, our US micro cap portfolio increased by US$137.2 million due to the acquisition activity described below. Our mezzanine and bank debt portfolios continue to run off as companies are sold or refinanced. Finally, as discussed, we realized on the remainder of our TAL listed equity.

	Number of Investment	28.2.13 US$'000	29.2.12 US$'000	Change %
US micro cap portfolio	27	342,567	205,347	66.8%
European investments	5	107,463	85,129	26.2%
Mezzanine investments	4	11,294	29,632	(61.9%)
Real estate portfolio	5	30,860	-	-
Other portfolio	5	11,080	1,620	584.4%
Total private investments	**46**	**503,264**	**321,728**	**56.4%**
Listed equity	2	55,069	88,639	(37.9%)
Listed corporate bonds	2	26,450	32,129	(17.7%)
Bank debt	1	11,690	32,512	(64.0%)
UK treasury gilts	-	31,809	33,465	(4.9%)
Cash	-	102,740	202,481	(49.3%)
Total Listed Investments (and cash)	**5**	**227,758**	**389,226**	**(41.5%)**
Total Investments (and cash)	**51**	**731,022**	**710,954**	**2.9%**

Note that we have continued our program of holding highly rated listed corporate bonds as a means of earning an enhanced return on our cash. The obligors of these bonds are two highly rated banks: HSBC and JP Morgan Chase and mature from 2014 to 2016. In previous periods we have purchased UK Gilts with an eye toward the 2016 maturity date of our ZDP's.

US Micro Cap Portfolio

As mentioned, we have written down this portfolio by 4 cents, led by a decrease in value of Accutest, our environmental testing business. We feel this new valuation reflects a now-stabilized level of earnings. Offsetting this were (i) a 6 cent increase in New Vitality, our co-investment in a vitamin and supplement company, and (ii) smaller increases in values based upon improved performance across seven different businesses. We continue to value this portfolio prudently: the average multiple used, after a 23% marketability discount, was 6.9x.

New US Investments – Verticals

We made 11 investments totaling US$90.8 million across several of our verticals:

• **Industrial Services**

We made six acquisitions into our Industrial Services' vertical.

We acquired **Bay Valve** which is an industrial valve distributor and provider of valve field services and equipment repair throughout the western United States. Its primary markets are petrochemical and power generation. JZCP purchased US$18.9 million of senior and subordinated notes, and a nominal amount of common stock. JZCP's equity interest in this entity is 31%.

We also purchased **Gator Compressor**, a small independent dealer of used and refurbished air compressor equipment and associated filter, lubricant and sundry parts. The company stocks a wide variety of inventory, and is capable of supplying aftermarket equipment and parts for a wide variety of OEM compressor brands. JZCP purchased 33% of this business with US$1.5 million of senior notes.

National Compressors was the next ISS acquisition, which provides air compressor services and solutions to manufacturing plants across several end markets, including steel, power generation, automotive, and industrial and general manufacturing. We purchased US$4.4 million of senior notes, and acquired 31% of this business.

We also made an investment in **Pennsylvania Electric Motor Services**, which specializes in the repair, rebuild, maintenance and installation of electric motors in a wide variety of uses, from integrated motion control devices to more mundane electric motors installations. The company services customers in a wide variety of end markets, including mining, metals, chemicals, and automotive industries. JZCP purchased US$6.6 million of senior and subordinated notes, and acquired 34% of the business' equity.

We acquired **Madison Smith**, which provides a range of industrial services to manufacturing plants operating in a variety of end-markets, including consumer products, food, automotive, energy, agriculture, material handling, and packaging. We paid US$4.8 million for a 34% interest in this company.

Finally, we purchased **RAM Industrial Services**, a provider of repair and replacement options for motors, pumps, controls, variable frequency drives (used to adjust motor speed) and related equipment for a diversified customer base. We purchased US$7.8 million in notes for 31% of this business.

• **Healthcare Revenue Cycle Management**

We made our first investment in our new Healthcare Revenue Cycle Management vertical, **MEDS**, which is an outsourced provider of patient benefit eligibility, enrollment and revenue recovery services to hospitals and health systems. MEDS helps its customers increase cash flow and accelerate cash collections by securing government- funded reimbursement for uncompensated medical expenses provided to uninsured and underinsured patients. JZCP purchased US$7.2 million in senior notes, and US$5.9 million of preferred and common stock, and acquired 30% of the equity of this business.

Mike Shea, our CEO in this vertical, has extensive experience in helping hospitals manage their cash flows though MEDS-type vehicles. He founded, built, ran and sold a large MEDS competitor, achieving exemplary returns for his investors. His reputation in this growing segment of the healthcare industry has helped populate a very active acquisition pipeline.

• **Water Services**

We made three acquisitions in our Water Services vertical. The first acquisition was **Klenzoid Canada**, which came to us via a reference from our Nashville Chemical investment management. Klenzoid is a specialty water treatment chemicals and services business. The company treats boilers, cooling water towers and process water systems for hospitals and industrial/commercial customers. Klenzoid develops its own proprietary chemical formulations, outsources the manufacturing/blending to chemical blenders and then sells the chemicals, along with chemical feed equipment and water softeners, to middle market customers in the Great Lakes region. We acquired a 29% share of the business for US$11.2 million by purchasing US$6.0 million in notes, and US$5.2 million in preferred stock.

We also purchased two businesses in the water infrastructure repair sub-sector, a large and rapidly growing area of concern for municipalities and other water suppliers. **LMK Technologies** is a nationwide provider of non-invasive, long-lasting repair of underground water pipes. Using patent protected proprietary technologies, LMK products allow for repair of leaking pipes with minimal or no excavation. The deterioration of infrastructure in US cities and towns implies significant growth opportunities for LMK. JZCP purchased US$6.0 million of senior notes, and US$4.2 million of preferred and common stock for 20% of this business.

The second business in this sub-sector is **Perma-Liner**, whose products perform essentially the same function as LMK, but are sold through a different channel. JZCP invested US$5.2 million in US$4.0 million senior notes and US$1.2 million of preferred stock for 25% of this entity.

• **Testing Services**

We made our second acquisition in our Testing Services vertical. **Argus Group** sells, rents and services industrial hygiene and safety equipment including gas monitoring and measurement equipment and personal protective equipment. The company's clients span a wide range of industries, from environmental consulting firms to industrial businesses. JZCP purchased US$2.5 million in senior notes, and US$2.9 million in preferred and common stock, and acquired 31% of the equity in this business.

New US Investments - Co-Investments
Similar to our Verticals strategy, the combination of JZCP's and our partners' equity always creates a majority position in these companies.

We put almost US$40.0 million to work across four new businesses:

• Along with Baird Capital Partners, we acquired **MedPlast/UPG**, a precision molded medical plastics business. This company designs, engineers and produces precision molded thermoplastic, rubber and elastomer components primarily for the healthcare and pharmaceutical markets. The close tolerances and highly monitored processes allow Medplast/UPG to garner higher-than-average margins. It operates from ten locations worldwide, has eight clean room production facilities, and a complete line of sub-assembly services. JZCP purchased US$10.0 million of subordinated notes, and US$7.5 million of preferred and common stock, for an effective 11% equity interest.

• Also with Baird, we acquired **PC Helps**, a provider of on-demand "how to" support and workforce productivity training solutions associated with software applications and mobile devices used every day at Fortune 500 and middle-market companies, federal agencies and higher education institutions. The company specializes in support for Microsoft Office and other applications and for the full range of mobile devices on the market today. JZCP invested US$9.0 million (preferred and common stock), for an effective 19% equity interest in this business.

• Along with ACON Investments, we purchased **Suzo-Happ**, a designer, manufacturer and distributor of components, parts and supplies for the global gaming and amusement markets, servicing both the OEM and aftermarket channels. The growth in gaming throughout the world creates significant growth opportunities for Suzo-Happ; their products are used in most every slot machine manufacturers' products. JZCP invested US$5.0 million for 9% of its equity.

• In conjunction with ACON Latin America, a successful fund which has been investing in Latin America for 15 years, we invested in **BSM Engenharia S.A.**, a provider of supply chain logistics, infrastructure services and equipment rental to oil and gas, petrochemical, mining and energy markets in Brazil. It operates from four ports in Brazil and its blue chip customer list includes Petrobras, AcelorMittal and ThyssenKrupp. We purchased 4% of this business for US$6.1 million of stock.

European Micro Cap Portfolio
JZCP is investing in the European micro cap sector through its 75% ownership of the European Microcap Fund ("EMF"). Exposure to the European micro cap sector continues to compliment and diversify JZCP's existing micro cap portfolio. As you may recall, EMF has offices in London and Madrid and an outstanding team with over ten years of investment experience in European micro cap deals. To date, all five investments are in Spain, where we are finding value in historically profitable businesses run by entrepreneurial managers. As at 28 February 2013, the European micro cap portfolio represented 17% of total NAV.

As mentioned previously, Factor Energia, our energy and natural gas distribution business, continues to outperform expectations. The uplift in its valuation accounts for a 23 cent increase in NAV. This is offset by a 14 cent decrease in Xacom's valuation. Xacom, a supplier of products and technologies to Spanish telecoms in Spain and South America, has seen a delay in orders from its large customers, however, most recently business has picked up.

EMF made one acquisition in the past fiscal year, purchasing 30% of Oro Direct, a leading precious metals trading business in Spain. EMF invested €13.5 million alongside a co-investor, LFPI, which invested €11.5 million for 25% interest. Based in Valencia, Spain, Oro produces scrap gold and silver from 1,500 pawn shops and jewelers for the spot price less a commission per kilo transacted. The precious metals are then sold on to a refiner in Switzerland. This business is very scalable and opened an office in Vienna immediately after our transaction.

Real Estate Portfolio

We have begun to assemble a portfolio of properties, retail and residential, in Brooklyn, a borough of New York City that has experienced a rapid gentrification in certain neighborhoods. The management team we are backing is RedSky Capital, a Brooklyn based real estate and development and management company.

Brooklyn on its own would be the fourth largest city in the United States, and demographic projections suggest that significant growth is anticipated in the next 10 years. It has 2.4 million people, about the same size as Chicago in terms of population.

Brooklyn is in the early stages of a renaissance where areas that have been historically industrial, low- income and/or artist communities are beginning to see seismic population changes fueled by an influx of young and affluent ex-Manhattan residents. They migrate to Brooklyn in search of more space and a trendier community that embraces a relaxed, artistic and young lifestyle.

The RedSky team recognised this evolution in its infancy, and began acquiring retail and multifamily developments at discounts to their intrinsic value with significant upside as these communities mature and develop. We liked what they were doing; buying properties (off-market, non-auction) in a growth market, providing hands-on management (tremendous value added) and proven earnings performance. Similar to our strategic build ups, there is a multiple expansion (a lower cap rate in the real estate world) when valuing properties that have been redeveloped and are generating significantly higher cash flows.

In the past year, JZ RedSky has acquired four properties with an additional five properties under contract. The current capitalization of the existing portfolio is US$93.0 million, with $42.7 million in total equity, of which $34.4 million was funded by separate JZ REIT entities. The properties are in Williamsburg, Flatbush and Fulton Mall.

The first acquired property is almost a square block on Bedford Street, in the Williamsburg section of Brooklyn; JZCP's investment is US$14.3 million. This retail/residential building is in a premier location of an area that is in the biggest and most valuable retail redevelopment in Northern Brooklyn. The team is in process of finding new, high end tenants for this property which should be fully repositioned in the next two years.

The second property, with a total investment by JZCP of US$10.0 million, is an assemblage of three properties on the Fulton Mall area, the third largest retail center in New York City and second only to Times Square in terms of transit density. We have purchased the first two properties and have a deposit on the third, and will close soon.

Finally, we invested US$3.5 million in Flatbush across the street from the entrance to the newly opened US$1.2 billion Barclays Center, a 20,000 person arena in Brooklyn, home of the NBA franchise Brooklyn Nets. The Barclays Center has been the focus of a newly revitalized neighborhood in the center of Brooklyn. Our team plans to renovate the building and build an additional floor and premium signage and lease it to a sports retailer.

Other Assets

As mentioned, our **Listed Equity** portfolio has been reduced by the final sale of our remaining interest in TAL, the container leasing company. See below for details of these sales. Remaining in the Listed Equities is primarily Safety Insurance, the Massachusetts-based property-casualty insurer. It has performed well, creating an 8 cent increase in NAV over the course of the year.

The only asset of any size that remains in our **Mezzanine, Bank Debt and Legacy** portfolios is Healthcare Products, our power wheelchair manufacturer, marketer and seller. We have written Healthcare Products down by 8 cents to reflect the on-going challenges the company has with its largest customer – the US Medicare system.

We also made a commitment of up to US$15.0 million into a new asset management portfolio company, run by David Russ. David brings with him an impressive track record as Chief Investment Officer of Dartmouth College's endowment, as well as having senior investment roles at Stanford University and the Regents of the University of California. His plan is to approach smaller endowments and pension funds who have limited resources and offer them an institutional grade investment management program; this type of asset management business is known as an "outsourced CIO/Endowment model." We are excited to be working with David and his team, and will report more on this business as developed.

Significant Realizations

We had 19 realizations across all our business sectors, totaling US$145.9 million. Of note are the following:
In our micro cap portfolio, we had two significant realizations. First, as mentioned above, in March 2013 (post- period), we sold Horsburgh and Scott, the large diameter gear business. Over time, we realized US$38.6 million on our US$21.8 million investment, for a respectable 1.8x multiple of capital invested, and a 13% IRR. Given that we had been writing this investment up over time, there was a negligible effect on NAV. We also realized US$9.2 million from the refinancing of some of the debt we put into our micro cap Sensors vertical.

We realized US$28.9 million from our Mezzanine portfolio, as four investments paid off their debt; we are left with some yield enhancement equity stubs in these successful ventures. We had US$23.9 million of our Bank Debt paid off with refinancing, across five businesses.

Perhaps most importantly, we sold our remaining interest in TAL, the container leasing business. Over the course of the year, we sold 1,065,738 shares for a total of US$42.1 million. As this investment was listed, it increased and decreased in NAV depending of the public markets. However, we did get a 6 cent increase in NAV from this successful secondary offering.

Principal Risks and Uncertainties

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

In Memorium

As most of our shareholders are aware, we lost a valued colleague and JZCP Director, David Allison, in a tragic biking accident in Guernsey last month. David was a considerate and thoughtful man and very helpful as a director. Everyone always knew David was only interested in what was best for the shareholders, having no personal agenda or ego to satisfy. We will miss him.

OUTLOOK

Our philosophy and style of investing has remained consistent for the past thirty plus years. We believe the best way to achieve superior returns is by maintaining investment discipline and investing your (and our) money in a diversified portfolio of good quality niche businesses at reasonable prices. We are value oriented investors i.e. we like to buy things that we hope have more intrinsic value and growth prospects than we have to pay in cash. As the market has become more competitive, we have responded by increasing the value-added/operations management component of our strategy significantly. We are pleased to have excellent managers as partners and together we develop growth strategies and work on operational efficiencies for the respective portfolio companies. This approach to investing offers superior risk adjusted returns for our shareholders over the long- term.

We are delighted that JZCP achieved what we like to call the "trifecta" this past year – increased stock price, increased NAV and dividend, and narrowing of the discount. We are very optimistic that our NAV and dividend will grow. We can only hope the stock market cooperates as well.

Having said that, it is clearly a good time for publicly quoted private equity stocks. The liquidity it affords shareholders is now better appreciated than before the financial crisis. Investors who want exposure to this asset class have no other way of participating with seasoned managers other than the traditional LP route which has a 10 year lock-up. So, we're hopeful that our "sector" will continue to be more in favor in the future and our discount will eventually become a premium.

In the meantime, we're sticking to the fundamentals that have worked well for us over JZCP's 26 year history. Our entire JZAI team, both in the US and Europe, appreciate your support and don't take it for granted.

Please feel free to contact us with any ideas that might be beneficial to JZCP.

Yours Faithfully,

Jordan/Zalaznick Advisers, Inc.

Valuation Policy

Principles of valuation

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

Investments are valued according to one of the following methods:

i) Mezzanine loans

Investments are generally valued at amortised cost except where there is deemed to be impairment in value which indicates that a provision should be made. Mezzanine loans are classified in the Statement of Financial Position as loans and receivables and are accounted for at amortised cost using the effective interest method less accumulated impairment allowances in accordance with IFRS.

The Company assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the net present value of expected cash flows discounted at the original effective interest rate.

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

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

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

(iii) Traded loans

Traded loans including first and second lien term securities are valued by reference to the last indicative bid price from recognised market makers. These investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss.

(iv) Listed investments

Listed investments are valued at the last quoted bid price. These investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss.

Investment Portfolio – Major Holdings

The investments listed represent the top ten investments in terms of Director's valuation:

EUROMICROCAP FUND 2010, LP

Headquarters: London, UK
Sector: Acquiror of Europe-based micro cap companies

EuroMicroCap Fund 2010, LP is a private equity fund built around the investment team at JZ International, the European private equity platform founded in 1999 with Jock Green-Armytage, a former chairman of JZEP. The fund's aim is to make investments in Europe-based micro cap companies.
Summary of JZCP's 75% share of underlying investments in the EuroMicrocap Fund 2010, LP:

	Directors' Valuation at 28/02/2013 US$'000
Factor Energia SA	52,032
Oro Direct	13,237
Grupo Ombuds SA	9,446
Docout SL	7,877
Xacom Comunicaciones SL	6,177
Other net assets less carried interest	(1,202)
	87,567

At 28 February 2013, JZCP had invested US$62,428,000 in the EuroMicrocap Fund 2010 LP.

SAFETY INSURANCE GROUP, INC.

Headquarters: Boston, Massachusetts, USA
Sector: Property and Casualty Insurance

Safety Insurance Group, Inc., which is listed on NASDAQ (NASDAQ: SAFT), provides personal property and casualty insurance focused exclusively on the Massachusetts market. The Company's principal product line is private passenger automobile insurance. In addition, Safety Insurance offers commercial automobile, homeowners, dwelling fire, umbrella and business owning policies.

	Historical Book cost* US$'000	Directors' Valuation at 28/02/2013 US$'000
Common stock	6,816	54,992

Year ended 31 December 2012 Sales	US$703.864m
Year ended 31 December 2012 Adjusted EBITDA	US$95.83m

BG HOLDINGS INC.

Headquarters: Cleveland, Ohio,
USA Sector: Industrial Gears

BG Holdings Inc owns The Horsburgh & Scott Co ("H&S") and Mid-American Machine & Equipment Co ("MAM"). H&S is a privately held manufacturer of highly engineered industrial gears and mechanical gear drives, with a market leading position in the large-diameter gear market. Founded in 1886, H&S offers a wide array of large gear types and engineering services for new or replacement installations, as well as custom industrial gears, repair, spare parts, heat treatment and other technical solutions. H&S also provides field service for its customers. H&S' products are used in a variety of applications in steel, mining, sugar, aluminium, and power generation among other industries. MAM is a provider of service, repair and equipment refurbishments primarily to the tyre and rubber industry.

	Historical Book cost* US$'000	Directors' Valuation at 28/02/2013 US$'000
12.5% Senior Subordinated Notes	2,624	3,297
Preferred Stock	17,031	27,475
Common stock with an equity interest of 37.3%	78	3,112
	19,733	33,884

Year ended 31 December 2012 Sales US$93.279m
Year ended 31 December 2012 Adjusted EBITDA US$15.934m

ACCUTEST HOLDINGS, INC.

Headquarters: Dalton, New Jersey, USA
Sector: Environmental Testing
Laboratories

Accutest Laboratories is a full service, independent testing laboratory successfully delivering legally defensive data for more than 50 years. Founded in 1956, they provide a full range of water, soil and air testing services to industrial, engineering/consulting and government clients throughout the United States.

	Historical Book cost* US$'000	Directors' Valuation at 28/02/2013 US$'000
12.5% Senior Subordinated Notes	7,425	8,967
10% Preferred Stock	24,052	17,202
Common stock with an equity interest of 38.7%	39	-
	31,516	26,169

Year ended 31 December 2012 Sales US$76.022m
Year ended 31 December 2012 Adjusted EBITDA US$9.563m

DENTAL HOLDINGS CORPORATION

Headquarters: Minneapolis, Minnesota,
USA Sector: Healthcare Equipment and
Services

Dental Holdings Corporation is the parent of Dental Services Group ("DSG"). DSG is an operator of laboratories which manufacture oral appliances for dentists and dental centres. It runs both full service labs and "sale and delivery" sites in the United States, Canada and Mexico, making it one of the largest companies of its kind.

	Historical Book cost* US$'000	Directors' Valuation at 28/02/2013 US$'000
15% Senior Notes	7,500	10,033
12.5% Senior Notes	8,404	12,156
8% Preferred Stock	6,713	3,908

10% Preferred Stock	4,950	-
Common stock with an equity interest of 35.4%	37	-
	27,604	26,097

Year ended 31 December 2012 Sales	US$74.230m
Year ended 31 December 2012 Adjusted EBITDA	US$2.744m

AMPTEK, INC.

Headquarters: Bedford, Massachusetts,
USA Sector: Non-destructive Testing

Amptek, Inc. ("Amptek") designs and manufactures instrumentation used in numerous non-destructive testing and elemental analysis applications. Amptek's instruments are typically used both in the field and within laboratory settings to quickly and easily identify the composition of materials using Amptek's industry-leading x-ray detectors. Amptek is the largest manufacturer of x-ray detectors in the world that utilize the x-ray fluorescence method.

	Historical Book cost* US$'000	Directors' Valuation at 28/02/2013 US$'000
7% Preferred Stock	13,361	14,348
Common Stock	37	6,900
	13,398	21,248

Year ended 31 December 2012 Sales	US$30.288m
Year ended 31 December 2012 Adjusted EBITDA	US$12.224m

BAY VALVE SERVICE & ENGINEERING, INC.

Headquarters: Seattle, Washington,
USA Sector: Industrial Valves

Bay Valve Service & Engineering, Inc. ("BVS") is a leading provider of valve field services and equipment repair throughout the Western U.S. BVS specializes in valves used in petrochemical/refineries, power generation, upstream oil and gas and other industries where there is a need to isolate, control or direct flow of media. BVS provides valve service and repair as well as engineered valve solutions from eight regional locations.

	Historical Book cost* US$'000	Directors' Valuation at 28/02/2013 US$'000
10% Senior Notes	13,740	14,330
11% Subordinated Notes	4,950	5,438
	18,690	19,768

Year ended 31 December 2012 Sales	US$41.571m
Year ended 31 December 2012 Adjusted EBITDA	US$5.552m

TWH WATER TREATMENT INDUSTRIES, INC.

Headquarters: Nashville, Tennessee, USA and Mississauga, Ontario, Canada
Sector: Water Treatment Products and Services

TWH Water Treatment Industries, Inc. is the parent of Nashville Chemical & Equipment Company, Klenzoid Canada Company and Eldon Water, Inc. TWH Water Treatment Industries, Inc. companies provide water treatment supplies and services to various end markets in the United States and Canada.

	Historical Book cost*	Directors' Valuation at 28/02/2013
	US$'000	US$'000
10% Senior Notes	9,752	9,752
10% Preferred Stock	8,666	9,334
Common stock	19	550
	18,437	19,636

Year ended 31 December 2012 Sales	US$41.636m
Year ended 31 December 2012 Adjusted EBITDA	US$5.470m

HEALTHCARE PRODUCTS HOLDINGS, INC.

Headquarters: Sarasota, Florida, USA Sector:
Healthcare Services & Equipment

Healthcare Products Holdings, Inc's operating subsidiary is Hoveround Corporation, a designer, manufacturer and distributor of motorised wheelchairs and other patented mobility vehicles. Hoveround Corporation utilizes a direct-to-the-customer marketing concept to sell and deliver its products.

	Historical Book cost*	Directors' Valuation at 28 February 28/02/2013
	US$'000	US$'000
12.5% Second Lien Notes	3,250	9,432
12% Subordinated Notes	8,149	9,587
14% Subordinated Notes	2,450	222
6% Preferred Stock	3,550	-
Common stock with an equity interest of 2%	237	-
	17,636	19,241

Year ended 31 December 2012 Sales	US$94.013m
Year ended 31 December 2012 Adjusted EBITDA	US$6.032m

MEDPLAST/UPG HOLDINGS

Headquarters: Tempe, Arizona, USA
Sector: Medical/Industrial Plastic Injection Molding

Medplast designs, engineers, and produces precision custom molded thermoplastic, rubber, and elastomer components and molds for the healthcare and pharmaceutical, and consumer/industrial markets. UPG Holdings operates as a manufacturer of precision plastic products for electronics, automotive, industrial, medical, datacenter, and consumer markets.

	Historical Book cost*	Directors' Valuation at 28/02/2013
	US$'000	US$'000

14.5% Subordinated Notes	9,800	9,962
7% Preferred Stock	6,824	7,232
Common stock	720	720
	17,344	17,914

Year ended 31 December 2012 Sales	US$223.054m
Year ended 31 December 2012 Adjusted EBITDA	US$19.914m

**Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions. The book cost represents the cash outflow and excludes the notional cost of PIK investments.*

Directors' Remuneration Report

The Directors' remuneration report has been prepared on behalf of the Directors in accordance with the UK Corporate Governance Code ("the Code") as issued by the UK Listing Authority.

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 states 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, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The remuneration policy set out above is the one applied for the year ended 28 February 2013 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.

Directors' term of appointment

Each Director retires from office at the third annual general meeting after his appointment or (as the case may be) the general meeting at which he was last reappointed and is eligible for reappointment.

The Directors were appointed as non-executive Directors by letters issued in April 2008 which state that their appointment and any subsequent termination or retirement shall be subject to three-months’ notice from either party and otherwise to 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.

Remuneration for qualifying services

	Fees for services to the Company for the year to 28 February 2013	Fees for services to the Company for the year to 29 February 2012
	US$	**US$**
David Macfarlane (Chairman)	140,000	140,000
David Allison	60,000	60,000
Patrick Firth	60,000	60,000
James Jordan	60,000	60,000
Tanja Tibaldi	60,000	60,000
	380,000	380,000

The amounts payable to Directors as shown above were for services as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed. Signed on behalf of the Board of Directors on 20 May 2013 by:

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 published in October 2010 (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in 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 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.

The Company has considered the recommendations of the AIC Code and 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

For the reasons set out in the AIC guide, and as explained in the UK Corporate Governance Code, 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.

Guernsey Code of Corporate Governance

The Guernsey Financial Services Commission's (GFSC) "Finance Sector Code of Corporate Governance" (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.

The Board

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

The Board considers that all of the Directors are independent of the Investment Adviser. The Board considers the Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The Board reviews the independence of the Directors at least annually.

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 and performance of the Company and the performance of the Company’s functionaries, and to monitor compliance with the Company's objectives. The Directors hold regular meetings to review the Investment Adviser's investment decisions and valuations and to decide if the levels of gearing within the investment portfolio are appropriate. The Directors deem it appropriate to review the valuations on a quarterly basis.

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 investment strategy and performance.

Supply of information

The Chairman ensures that all Directors are properly briefed on issues arising at 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

The 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.

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 the Administrator. The Board has considered whether a senior independent Director should be appointed. However, as the Board comprises entirely non-executive Directors, the appointment of a senior independent Director for the time being, is not considered necessary. Any of the non-executive Directors are available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Re-election of Directors

The principle set out in the UK Corporate Governance Code is that Directors should submit themselves for re- election at regular intervals and at least every three years, and in any event as soon as it is practical after their initial appointment to the Board. It is a further requirement that non-executive Directors are appointed for a specific period.

The Letters of Appointment of the non-executive Directors suggest that it is appropriate for Directors to retire and be nominated for re-election after three years of service, subject to the recommendation of the General Meeting. The Nominations Committee met on 15 May 2013 it was decided David Macfarlane and James Jordan would put themselves forward for re-election at the 2013 Annual General Meeting. Mr Firth and Ms Tibaldi were re-elected to the Board at the 2011 Annual General Meeting.

The Board's evaluation

An appraisal system has been agreed by the Board to evaluate its performance and that of the Chairman and individual Directors on an annual basis. The evaluation takes the form of a questionnaire followed by a discussion of the results and any issues subsequently raised. The questionnaire is designed to highlight areas of the Board's activities, policies or processes which could be improved. 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. As the Board has no executive Directors and is comprised solely of non-executive Directors a Remuneration Committee is deemed unnecessary. The process for agreeing the non-executive Directors' fees is set out in the Directors' Remuneration Report. The identity of each of the chairmen of the committees referred to above are reviewed on an annual basis. The Board 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.

Nomination Committee

In accordance with the Code the Company has established a Nomination Committee. The main role of the committee is to propose candidates for election to the Board of Directors, including the Chairman. The Nomination

Committee takes into consideration the Codes 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.

The Committee did not meet during the year ended 28 February 2013, because there were no matters to discuss in terms of nominations. The committee met on 15 May 2013.

The vacancy following the tragic death only recently of David Allison remains under discussion.

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

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 believe that it is more appropriate to use their own contacts as a source of suitable candidates as no one external consultancy or advertising source is likely to be in a position to identify suitable candidates.

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. 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.

The Committee receives and reviews reports from the Investment Adviser and the Company's external Auditors relating to the Company's annual report and accounts. The Committee also focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remain with the Board. The Committee met twice during the year ended 28 February 2013 on 14 May 2012 and 9 October 2012.

Furthermore the Board has reviewed the need for an internal audit function, as recommended by the Code. Due to the size of JZCP and its outsourced functions an internal audit function is not considered necessary, although this is kept under review.

Management Engagement Committee

The Company currently does not have a separate Management Engagement committee. The recommended functions and responsibilities of such a committee are exercised by the full board each member of which is unassociated with the managers.

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	Board Other	Other Committee	Audit Committee
Total number of meetings	**4**	**7**	**1**	**2**
David Macfarlane	4	3	0	2
David Allison	4	7	1	2
Patrick Firth	4	6	1	2
James Jordan	4	5	0	2
Tanja Tibaldi	4	4	1	2

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.

Going Concern

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

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, and all Directors are present unless unusual circumstances prevail.

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 Interim Report and Accounts in accordance with IAS 34 and Interim Management statements for the quarterly periods in line with the requirements of the Transparency Directive.

Principal risks and uncertainties

As an investment fund, the principal risks are those that are associated with its investment portfolio. Given the nature of the portfolio, the principal risks are associated with the financial and operating performance of the underlying investments, along with market risk associated with the publicly listed equities. Note 20 of the financial statements describes the Company's risk management processes.

Internal controls and the management of risk

Under the AIC Code the Board has overall responsibility for the Company's system of internal controls, including its financial, operational and compliance controls, risk management, and for reviewing their effectiveness.

The key risk of the Company is the identification and evaluation of investments. As the principal objective of the Company is to invest in US and European businesses, the responsibility of identifying appropriate investments has been delegated to the Company's Investment Advisers, JZAI, who are highly regarded in the US and Europe and have many years of experience of making successful investments. JZAI are able to identify potential investments through a wide network of contacts and review these investments in conjunction with lawyers and accountants.

Other business risks identified by the Board include the risks associated with the various financial instruments issued by the investee companies such as market price, interest rate changes, foreign currency exchange rates and liquidity are explained more fully in Note 20.

Control procedures

The main controls which relate to investments have been delegated to JZAI, and the Board reviews their performance.

A control report is provided to the Board incorporating a key risk table that identifies the risks to which the Company is exposed, the controls in place to mitigate them and details of any known internal control concerns. The report is reviewed by the Audit Committee. Controls relating to the risks identified, covering financial, operational, compliance and risk management, are embedded in the operations of the Investment Adviser, Administrator and Secretary and other outsourced service providers. There is a monitoring and reporting process to track risks identified by auditors and compliance functions of these service providers.

The Company's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. However, no system can provide absolute assurance against material misstatement or loss. The Company's system is designed to assist the Directors in obtaining reasonable, but not absolute, assurance that problems are being identified on a timely basis and are dealt with appropriately.

Internal control and risk management over financial reporting

Overall control environment

The Audit Committee is responsible for monitoring the internal control and risk management systems related to the financial reporting process on an ongoing basis.

The internal control and risk management systems are designed to mitigate rather than eliminate the risks identified in the financial reporting process. Internal controls related to the financial reporting process are established to mitigate, detect and correct material misstatements in the financial statements.

Risk assessment

The risk assessment process related to financial reporting is conducted annually.

Significant transactions, balances and changes to accounting standards are identified. The associated risks are identified based on the evaluation of the materiality of the impact and the likelihood of the risks identified occurring.

Control activities
Financial controls are also in place in order to enable the Board to meet its responsibilities regarding the integrity and accuracy of the Company's accounting records. The Board delegates this responsibility to the Administrator who provides the Board with regular updates on the Company's net asset value, income statement and cash balances.

Monitoring

The monitoring of the internal control and risk management systems related to financial reporting is performed by the Audit Committee.

Related party transactions
The responsibility of identifying relationships or potential transactions with related parties has been delegated to the Company's Investment Advisers, JZAI. The Investment Advisers will report on a regular basis to the Board. The Board will determine if shareholder support is appropriate to authorise the transaction.

Foreign Account Tax Compliance Act
The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. However, the States of Guernsey has recently announced that it has decided to enter into an intergovernmental agreement ("IGA") with US Treasury in order to facilitate the requirements under FATCA and is currently in negotiations with regards to how this is to be implemented and as a result, the impact this will have on the Company remains unknown. The Board is in the process of ensuring the Company complies with FATCA's requirements.

Independent Auditors' Report

Independent auditors' report to the members of JZ Capital Partners Limited

We have audited the financial statements of JZ Capital Partners Limited for the year ended 28 February 2013 which comprise the Investment Portfolio, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 32. 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.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report for the year ended 28 February 2013 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP
Guernsey, Channel Islands
20 May 2013

Notes:

1. The maintenance and integrity of the JZ Capital Partners Limited website is the responsibility of the directors; the work carried out by the auditor 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 website.

2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Investment Portfolio

Company	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors Valuation at 28 February 2013 US$'000	Carrying Value Including Accrued Interest 28 February 2013 US$'000	Percentage of portfolio %
US Micro Cap Portfolio					
Industrial Service Solutions					
BAY VALVE SERVICES Provider of industrial valve services and repair throughout the Western U.S. Bay Valve is a subsidiary of ISS #2, part of Industrial Services business	18,989	18,989	20,149	20,496	3.3
ISS COMPRESSORS INDUSTRIES, INC. Acquiror of industrial air compressor services and repair companies. ISS Compressors Industries, Inc., which owns **Worthington Compressor** (combination of **Southern Parts & Engineering Company** and **Gator Compressor**) and **National Compressors**, is a subsidiary of ISS #2, part of Industrial Services business	12,564	12,514	11,744	11,943	1.9
MADISON SMITH MACHINE & TOOL COMPANY Provider of industrial motor services and repair services to manufacturing plants operating in a variety of end markets.	4,881	4,881	4,903	4,987	0.8
ISS MOTORS INDUSTRIES, INC. Acquiror of industrial motor services and repair companies. ISS Motors Industries, Inc., which owns **Pennsylvania Electric Motor Services** and **RAM Industrial Services, Inc**., is a subsidiary of Industrial Service Solutions.	14,431	14,431	14,771	14,902	2.4
Healthcare Revenue Cycle Management					
MEDS HOLDINGS, INC. An outsourced provider of patient benefit eligibility, enrollment and revenue recovery services to hospitals and health systems. Meds Holdings is a subsidiary of Bolder Healthcare Solutions, LLC	13,289	13,289	13,552	13,772	2.2
Sensors Solutions					

AMPTEK, INC. Designer and manufacturer of instrumentation used in numerous non-destructive testing and elemental analysis applications. Amptek, Inc. is a subsidiary of Sensors Solutions Holdings	13,909	13,909	20,845	21,019	3.3
NIELSEN-KELLERMAN Designer and manufacturer of weather, wind and timing measurement instruments and devices. Nielsen-Kellerman is a subsidiary of Sensors Solutions Holdings	2,613	2,613	4,169	4,221	0.7
Testing Services					
ACCUTEST HOLDINGS, INC. Provision of environmental testing laboratories to the US market	34,976	31,515	26,169	26,949	4.3
ARGUS GROUP HOLDINGS Sells, rents and services safety and testing equipment to a variety of industries. Argus Group Holdings is a subsidiary of Testing Services Holdings	8,382	8,382	8,589	8,724	1.4
GALSON LABORATORIES Provider of analytical air testing services as well as industrial hygiene rental equipment. Galson Laboratories is a subsidiary of Testing Services Holdings	2,671	2,671	9,735	9,790	1.6
Water Services					
TWH INFRASTRUCTURE INDUSTRIES, INC. Environmental infrastructure company that provides technology to facilitate repair of underground pipes and other infrastructure. TWH Infrastructure Industries, Inc., which owns **LMK Enterprises** and **Perma-Liner Industries**, is a subsidiary of Triwater Holdings	15,618	15,618	16,438	16,704	2.7
TWH WATER TREATMENT INDUSTRIES, INC. Provider of water treatment supplies and services. TWH Water Treatment Industries, Inc., which owns **Nashville Chemical & Equipment** and **Klenzoid Canada Company / Eldon Water, Inc**., is a subsidiary of Triwater Holdings.	18,437	18,437	19,636	19,952	3.2
US Micro Cap Portfolio					
BG HOLDINGS, INC. Manufacturer of industrial gears	19,732	19,732	33,883	34,467	5.5
CHINA DENTAL HOLDINGS, INC. Acquiror of China-based dental labratories	1,377	1,377	1,648	1,675	0.3
DENTAL HOLDINGS CORPORATION Operator of dental laboratories	33,368	27,605	26,096	26,949	4.3
ETX HOLDINGS, INC. *** Provider of services to the auto after sales market	391	391	671	684	0.1
HEALTHCARE PRODUCTS HOLDINGS, INC.*** Designer and manufacturer of motorised vehicles	13,849	17,637	19,241	20,309	3.2
JUSTRITE MANUFACTURING COMPANY A manufacturer of industrial safety products	4,428	4,428	5,977	6,035	1.0
MEDPLAST/UPG HOLDINGS Manufacturer of plastic medical components	17,344	17,344	17,915	18,246	2.9
MILESTONE AVIATION GROUP, INC. Finance provider for helicopter and private jet owners	15,138	15,138	16,867	17,120	2.7
NATIONWIDE STUDIOS, INC. Processer of digital photos for preschoolers	16,132	16,132	6,026	6,201	1.0
NEW VITALITY HOLDINGS, INC. Direct-to-consumer provider of nutritional supplements and personal care products	3,280	3,280	7,944	8,000	1.3
PC HELPS SUPPORT LLC Provider of outsourced IT support and training services	9,020	9,020	9,282	9,422	1.5
NTT ACQUISITION CORP.*** Technical education and training	-	894	-	-	0.0

SALTER LABS, INC. Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	19,163	19,163	12,866	13,147	2.1
SUZO HAPP GROUP Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	4,958	4,958	4,958	4,958	0.8
TAP HOLDINGS, INC. Acquiror of food product manufacturers or distributors	945	945	1,116	1,133	0.2
TIGER INFORMATION SYSTEMS, INC.*** Provider of temporary staff and computer training	300	400	300	300	0.0
US SANITATION, LLC Acquiror of janitorial and sanitorial product distributors and related chemical manufacturers and blenders	425	425	455	462	0.1
Total US Micro Cap Portfolio	**320,610**	**316,118**	**335,945**	**342,567**	**54.8**
European Micro Cap Portfolio					
EUROMICROCAP FUND 2010, LP**** Acquiror of Europe-based micro cap companies	62,428	62,428	87,567	87,567	13.9
DOCOUT, S.L. Provider of digitalisation, document processing and storage services	2,777	2,777	2,628	2,833	0.5
GRUPO OMBUDS Provider of personal security and asset protection	14,795	14,795	13,771	15,640	2.5
ORO DIRECT Buyer and seller of precious metals	1,275	1,275	1,307	1,423	0.2
Total European Micro Cap Portfolio	***81,275***	***81,275***	***105,273***	***107,463***	***17.1***
Mezzanine Portfolio					
GED HOLDINGS, INC. Manufacturer of windows	-	6,100	305	305	0.0
HAAS TCM GROUP, INC. Speciality chemical distribution	7,500	7,500	7,584	7,764	1.2
METPAR INDUSTRIES, INC. Manufacturer of restroom partitions	6,450	7,754	741	750	0.1
PETCO ANIMAL SUPPLIES, INC. Retailer of pet food, supplies and services	1,237	1,237	2,475	2,475	0.4
Total Mezzanine Porfolio	***15,187***	***22,591***	***11,105***	***11,294***	**1.7**
Bank Debt: Second Lien Portfolio					
DEKKO TECHNOLOGIES, LLC Distributor of electrical sub-components	11,418	11,368	11,590	11,690	1.9
Total Bank Debt	***11,418***	***11,368***	***11,590***	***11,690***	**1.9**
Listed Investments					
Equities					
SAFETY INSURANCE GROUP, INC.*** Provider of automobile insurance	42,223	6,816	54,292	54,292	8.6
UNIVERSAL TECHNICAL INSTITUTE, INC.*** Vocational training in the automotive and marine fields	835	15	777	777	0.1
Total Listed Equity Investments	***43,058***	***6,831***	***55,069***	***55,069***	**8.7**
UK Gilts					

UK treasury 2% - maturity 22.01.2016	32,431	32,431	31,745	31,809	5.1
Total UK Gilts	***32,431***	***32,431***	***31,745***	***31,809***	**5.1**
Corporate Bonds					
HSBC Finance Corp, 01.15.2014	4,868	4,868	4,994	4,997	0.8
JP Morgan Chase Bank NA, 05.30.2017	22,028	22,028	21,453	21,453	3.4
Total Corporate Bonds	***26,896***	***26,896***	***26,447***	***26,450***	**4.2**
Real Estate					
REDBRIDGE BEDFORD, LLC Acquiror of several buildings compromising almost a square block in Williamsburg, Brooklyn, New York	14,258	14,258	14,258	14,258	2.2
REDSKY JZ FULTON, LLC Facilitating the purchase of a mixed use development site on the Fulton Mall in Brooklyn, New York	10,077	10,077	10,077	10,077	1.6
REDSKY JZ TRIANGLE, LLC Facilitating the purchase of a freestanding building on Flatbush Avenue, across from the newly built Barclay's Center, in Brooklyn, New York	3,510	3,510	3,510	3,510	0.6
REDSKY ROEBLING, LLC Facilitating the purchase of a full block front and 35% of a total city block in Brooklyn, New York	3,015	3,015	3,015	3,015	0.5
Total Real Estate Investments	***30,860***	***30,860***	***30,860***	***30,860***	**4.9**
Other					
BSM ENGENHARIA S.A. Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	6,115	5,450	5,450	0.9
CONSTITUENT CAPITAL MANAGEMENT, LLC Asset management company that primarily manages smaller endowments and pension funds	2,167	2,167	2,167	2,167	0.3
JZ INTERNATIONAL, LLC*** Fund of European LBO investments	1,620	660	1,620	1,620	0.3
JZ PALATINE CO-INVESTMENT, LLC Invests in distressed debt	1,843	1,843	1,843	1,843	0.3
Total Other	***11,745***	***10,785***	***11,080***	***11,080***	**1.8**
Total - Portfolio	573,480	539,155	619,114	628,282	100
Zero Dividend Preference shares				(89,839)	
Cash and other net assets				91,739	
Net assets attributable to Ordinary shares				630,182	

** Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP and adjusted for subsequent transactions. The book cost excludes the transfer value and subsequent Payment In Kind ("PIK") investments.*

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

**** Legacy Investments. Legacy investments are excluded from the calculation of capital and income incentive fees.*

***** The underlying investments in EuroMicrocap Fund 2010, LP are disclosed within the major holdings review.*

Mezzanine Portfolio includes common stock with a carrying value of US$2,530,000 these investments are classified as Investments at fair value through profit or loss.

Statement of Comprehensive Income
For the year ended 28 February 2013

	Notes	Year ended 28 February 2013 Revenue return US$'000	Capital return US$'000	Total US$'000	Year ended 29 February 2012 Revenue return US$'000	Capital return US$'000	Total US$'000
Income							
Net gain on investments at fair value through profit or loss	5	-	9,544	9,544	-	7,054	7,054
Net write back of impairments on loans and receivables	6	-	1,025	1,025	-	142	142
Share of associate's net income	11	-	4,342	4,342	-	20,797	20,797
Realisations from investments held in escrow accounts		-	7,528	7,528	-	2,093	2,093
Net foreign currency exchange gains		-	3,915	3,915	-	1,694	1,694
Investment income	7	41,343	-	41,343	43,558	-	43,558
Bank and deposit interest		393	-	393	460	-	460
		41,736	*26,354*	*68,090*	*44,018*	*31,780*	*75,798*
Expenses							
Investment Adviser's base fee	9	(10,707)	-	(10,707)	(10,247)	-	(10,247)
Investment Adviser's capital incentive fee	9	-	(9,030)	(9,030)	-	(5,357)	(5,357)
Investment Adviser's income incentive fee	9	-	-	-	(4,410)	-	(4,410)
Administrative expenses	9	(2,785)	-	(2,785)	(2,786)	-	(2,786)
Share class restructuring costs	9	-	(1,580)	(1,580)	-	-	-
		(13,492)	*(10,610)*	*(24,102)*	*(17,443)*	*(5,357)*	*(22,800)*
Operating profit		*28,244*	*15,744*	*43,988*	*26,575*	*26,423*	*52,998*
Finance costs							
Finance costs in respect of Zero Dividend Preference shares	8	-	(7,007)	(7,007)	-	(6,581)	(6,581)
Profit before taxation		*28,244*	*8,737*	*36,981*	*26,575*	*19,842*	*46,417*
Withholding taxes	10	(1,131)	-	(1,131)	(1,373)	-	(1,373)
Profit for the year		27,113	8,737	35,850	25,202	19,842	45,044
Weighted average number of Ordinary shares in issue during year	16			65,018,607			65,018,607
Basic and diluted profit per Ordinary share using the weighted average number of Ordinary shares in issue during the year		41.70c	13.44c	55.14c	38.76c	30.52c	69.28c

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

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

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

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS There was no comprehensive income other than the profit for the year.

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

Statement of Financial Position

As at 28 February 2013

	Notes	28 February 2013 US$'000	29 February 2012 US$'000
Assets			
Non-current assets			
Investments at fair value through profit or loss	11	531,950	414,549
Investments classified as loans and receivables	11	8,765	23,974
Investment in associate	11	87,567	69,950

	Notes	2013	2012
		628,282	508,473
Current assets			
Cash, cash equivalents and cash held on deposit	12	102,740	202,481
Other receivables	13	552	451
		103,292	202,932
Total assets		731,574	711,405
Liabilities			
Current liabilities			
Other payables	14	11,553	8,662
Non-current liabilities			
Zero Dividend Preference shares	15	89,839	87,281
Total liabilities		101,392	95,943
Equity			
Share capital account	18	149,269	149,269
Distributable reserve	18	353,528	353,528
Capital reserve	18	50,512	41,775
Revenue reserve	18	76,873	70,890
Total equity		630,182	615,462
Total liabilities and equity		731,574	711,405
Number of Ordinary shares in issue at year end	16	65,018,607	65,018,607
Net asset value per Ordinary share		US$ 9.69	US$ 9.47

These audited financial statements were approved by the Board of Directors and authorised for issue on 20 May 2013. They were signed on its behalf by:

David Macfarlane
Chairman

Patrick Firth
Director

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

Statement of Changes in Equity
For the year ended 28 February 2013

	Notes	Share Capital Account US$'000	Distributable Reserve US$'000	Capital Reserve Realised US$'000	Capital Reserve Unrealised US$'000	Revenue Reserve US$'000	Total US$'000
Balance as at 1 March 2012		149,269	353,528	68,107	(26,332)	70,890	615,462
Profit/(loss) for the year		-	-	24,727	(15,990)	27,113	35,850
Dividends paid	29	-	-	-	-	(21,130)	(21,130)
Balance at 28 February 2013		149,269	353,528	92,834	(42,322)	76,873	630,182

Comparative for the year ended 29 February 2012

	Share Capital Account US$'000	Distributable Reserve US$'000	Capital Reserve Realised US$'000	Capital Reserve Unrealised US$'000	Revenue Reserve US$'000	Total US$'000

Balance at 1 March 2011 *	149,269	353,528	14,525	7,408	56,058	580,788
Profit/(loss) for the year	-	-	53,582	(33,740)	25,202	45,044
Dividends paid	-	-	-	-	(10,370)	(10,370)
Balance at 29 February 2012	49,269	353,528	68,107	(26,332)	70,890	615,462

* The opening balances at 1 March 2011 have been adjusted to reflect the reallocation of ZDP interest totalling US$9,826,000 from realised capital to unrealised capital.

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

Statement of Cash Flows
For the year ended 28 February 2013

	Notes	1 March 2012 to 28 February 2013 US$'000	1 March 2011 to 29 February 2012 US$'000
Operating activities			
Net cash inflow from operating activities	24	2,196	1,633
Cash outflow for purchase of investments		(174,607)	(73,729)
Cash outflow for capital calls by the EuroMicrocap Fund 2010, LP		(13,275)	(49,153)
Cash inflow/(outflow) from deposits with maturity greater than 3 months		7,968	(7,901)
Cash outflow for purchase of corporate bonds		(79,316)	(64,293)
Cash inflow from repayment and disposal of investments		186,391	226,059
Net cash (outflow)/inflow before financing activities		(70,643)	32,616
Financing activity			
Dividends paid to shareholders	29	(21,130)	(10,370)
Net cash outflow from financing activities		(21,130)	(10,370)
(Decrease)/increase in cash and cash equivalents		(91,773)	22,246
Reconciliation of net cash flow to movements in cash and cash equivalents			
Cash and cash equivalents at 1 March		194,513	172,267
(Decrease)/increase in cash and cash equivalents as above		(91,773)	22,246
Cash and cash equivalents at year end		102,740	194,513

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

Notes to the Financial Statements

1. **General Information**

JZ Capital Partners Limited (the "Company") is a Guernsey domiciled closed-ended investment company which was incorporated in Guernsey on 14 April 2008 under The Companies (Guernsey) Law, 1994. The Company is now subject to The Companies (Guernsey) Law, 2008. The Company's Share Capital consists of Ordinary shares and Zero Dividend Preference ("ZDP") shares. The Ordinary shares and ZDP shares were admitted to trading on the London Stock Exchange's Specialist Fund Market ("SFM") and were admitted to listing on the Channel Islands Stock Exchange ("CISX") on 31 July 2012.

The Company was granted consent on 8 May 2008 by the Guernsey Financial Services Commission under The Control of Borrowing (Bailiwick of Guernsey) Ordinance,1959 to raise up to £300,000,000 by the issue of shares.

On 31 July 2012 the Company reorganised its capital structure to enable the Company to have a single class of Ordinary shares in place of the previous capital structure that consisted of Ordinary and LVO shares. The new, simplified structure is more appropriate to the mix of investors who own the Company and removes a structural inadequacy that restricted the Company's ability to accommodate US investors.

The Company is classed as an authorised fund under The Protection of Investors (Bailiwick of Guernsey) Law 1987. The Company's corporate objective is to create a portfolio of investments in businesses primarily in the United States, providing a superior overall return comprised of a current yield and significant capital appreciation. The Company's present strategies include investments in micro cap buyouts, mezzanine loans (sometimes with equity participations) and high yield securities, senior secured debt and second lien loans, real estate and other debt and equity opportunities, including distressed debt and structured financings, derivatives and opportunistic purchase of publicly traded securities.

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 9). The Company has no ownership interest in the Investment Adviser. During the year under review the Company was administered by Butterfield Fulcrum Group (Guernsey) Limited (note 9) until 1 September 2012, from when the Company appointed Northern Trust International Fund Administration Services (Guernsey) Limited, as the new Company Secretary and Administrator (note 9).

The financial statements are presented in US$'000 except where otherwise indicated.

2. **Significant Accounting Policies**

The accounting policies adopted in the preparation of the 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") and International Accounting Standards ("IAS") and Standing Interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and have been adopted by the European Union, together with applicable legal and regulatory requirements of Guernsey Law, the SFM and the CISX.

Basis of Preparation

The financial statements have been prepared under the historical cost or amortised cost basis, modified by the revaluation of financial instruments designated at fair value through profit or loss upon initial recognition. The principal accounting policies adopted are set out below. The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The financial statements follow the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP") issued on 21 January 2009.

Going Concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the assumption that an entity will continue in existence as a going concern, 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 liquid investments and the income streams deriving from its investments and believe that the Company is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

(i) Standards, amendments and interpretations effective during the year

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 March 2012 that had a material impact on the Company.

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

IAS 27 Separate Financial Statements. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures. As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement. The adoption of the first phase of IFRS 9 (effective for periods beginning on after 1 January 2015) will have an effect on the classification and measurement of the Company’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

IFRS 10 Consolidated Financial Statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent. Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) was issued on 31 October 2012 and provides an exception to the consolidation requirements of IFRS 10. The amendment requires that investment entities measure subsidiaries at fair value through profit or loss, rather than consolidate them. This standard becomes effective on 1 January 2014 but early adoption is permitted to allow investment entities to apply the provisions at the same time they first apply the rest of IFRS 10. The Company is currently assessing the impact that this standard will have on the financial position and performance.

IFRS 12 Disclosure of Involvement with Other Entities. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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

Functional and presentational currency

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company as determined in accordance with IFRS is the US Dollar because this is the currency that best reflects the economic substance of the underlying events and circumstances of the Company. The financial statements are presented in US Dollars, as the Company has chosen the US Dollar as its presentation currency.

Foreign exchange

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate of exchange ruling at the end of the reporting period date. Transactions in foreign currencies during the course of the period are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities and non-monetary assets and liabilities that are denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Net foreign exchange gains or losses on monetary financial assets and liabilities other than those classified as at fair value through profit or loss are included in the line item 'Net foreign currency exchange gains'.

Financial assets and financial liabilities

(a) Financial assets and liabilities at fair value through profit or loss

(i) Classification

The Company classifies its investments in listed investments, investments in first and second lien debt securities, other equity opportunities and other investments within its Micro Cap and Real Estate portfolios as financial assets at fair value through profit or loss. These financial assets are designated by the Board of Directors as at fair value through profit or loss at inception.

Financial assets and financial liabilities designated at fair value through profit or loss at inception 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 and includes those investments over which the Company has significant influence except for the investment in the Associate (see (c) below). Information about these financial assets and financial liabilities are evaluated by the management of the Company on a fair value basis together with other relevant financial information.

(ii) Recognition / derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within investment income when the Company's right to receive payment is established.

Realised surpluses and deficits on the partial sale of investments are arrived at by deducting the average cost of such investments from the sales proceeds.

(iii) Fair value estimation

The fair value of financial instruments 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 IPEVCA guidelines, a marketability discount is applied which reflects the discount that in the opinion of the Directors, market participants would apply in a transaction in the investment in question.

Traded loans including first and second lien term securities are valued by reference to the last indicative bid price from recognised market makers. These investments are classified in the Statement of Financial Position as Investments at fair value through profit or loss.

(b) Loans and receivables

(i) Classification

The Company classifies unquoted senior subordinated debt within Mezzanine investments as loans and receivables. Investments are generally accounted for at amortised cost using the effective interest method except where there is deemed to be impairment in value which indicates that a provision should be made.

(ii) Recognition / derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(iii) Measurement

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(iv) Impairment

The Company assesses at each reporting date whether the loans and receivables are impaired. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the net present value of expected cash flows discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income as net impairments on loans and receivables.

Impaired debts together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to net impairments/write back of impairments on loans and receivables.

(c) Investment in an associate

The Company's investment in its associate is accounted for using the equity method. An associate is an entity in 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 Directors have determined that although the Company has over 50% economic partnership interest in Euromicrocap Fund 2010, LP (the "Partnership"), it does not have the power to govern the financial and operating policies of the partnership. Such powers are vested with the General Partner. However the Company does have significant influence over the Partnership.

Under the equity method, the investment in the associate is carried in the Statement of Financial Position at cost plus post acquisition changes in the Company's share of net assets of the associate. The Statement of Comprehensive Income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The share of profit of an associate is shown on the face of the Statement of Comprehensive Income. This is the profit attributed to holders of partnership interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of associate's net income' in the Statement of Comprehensive Income. Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in Statement of Comprehensive Income.

(d) Cash on deposit

Cash on deposits comprise bank deposits with an original maturity of three months or more.

(e) Cash and cash equivalents

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

(f) Other receivables and payables

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. Other payables are not interest- bearing and are stated at their nominal value.

(g) Financial liabilities and equity

Financial liabilities and equity are 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. Financial liabilities and equity are recorded at the amount of proceeds received, net of issue costs.

(h) 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.

Income

Interest income for all interest bearing financial instruments is included on an accruals basis using the effective interest method. 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 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.

Finance costs

Finance costs are interest expenses in respect of the ZDP shares and are recognised in the Statement of Comprehensive Income using the effective interest method.

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 are expected in the future.

3. 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 has been organised into the following segments:

- Portfolio of US micro cap investments.
- Portfolio of European micro cap investments.
- Portfolio of Mezzanine investments,
- Portfolio of Bank debt.
- Portfolio of Listed investments.
- Portfolio of Real Estate investments
- Portfolio of Other investments

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

Investment in corporate bonds, money market funds and treasury gilts are not considered part of any individual segment and have therefore been excluded from this segmental analysis.

During the year the Investment Manager restructured its reportable segments. Investments within the Legacy portfolio, which consisted of investments made prior to 22 July 2002, have been reanalysed as either US Micro Cap or Other. The comparative data shown below has been amended to reflect this change. The segment information provided is presented to the Board of the Company on the same basis.

For the year ended 28 February 2013

	Micro Cap US US$ '000	Micro Cap European US$ '000	Mezzanine Portfolio US$ '000	Bank Debt US$ '000	Listed Investments US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Interest revenue	29,131	1,607	2,223	2,290	-	-	-	35,251
Dividend revenue	-	-	1,023	-	3,771	-	29	4,823

Other revenue	-	-	-	189	-	-	-	189
Net gain/(loss) on investments at fair value through profit or loss	(2,768)	(200)	1,704	1,817	8,481	-	(681)	8,353
Share of associate's net income	-	4,342	-	-	-	-	-	4,342
Impairments on loans and receivables	-	-	1,025	-	-	-	-	1,025
Investment Adviser's base fee	(5,014)	(1,573)	(163)	(172)	(813)	(452)	(162)	(8,349)
Investment Adviser's capital incentive fee[1]	(1,329)	-	(812)	-	(6,280)	-	(609)	(9,030)
Total segmental operating profit	20,020	4,176	5,000	4,124	5,159	(452)	(1,423)	36,604

For the year ended 28 February 2012

	Micro Cap US US$ '000	Micro Cap European US$ '000	Mezzanine Portfolio US$ '000	Bank Debt US$ '000	Listed Investments US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Interest revenue	24,785	1,377	5,387	2,483	-	-	4,301	38,333
Dividend revenue	-	-	-	-	4,577	-	-	4,577
Other revenue	-	-	-	249	-	-	-	249
Net gain/(loss) on investments at fair value through profit or loss	2,130	(576)	3,080	4,246	(5,529)	-	3,098	6,449
Share of associate's net income	-	20,797	-	-	-	-	-	20,797
Impairments on loans and receivables	-	-	142	-	-	-	-	142
Investment Adviser's base fee	(3,949)	(1,424)	(695)	(593)	(977)	-	(921)	(8,559)
Investment Adviser's capital Incentive fee[1]	(3,267)	(486)	(63)	-	(1,541)	-	-	(5,357)
Investment Adviser's income incentive fee[2]	(3,922)	(68)	(255)	(104)	(61)		-	(4,410)
Total segmental operating profit	15,777	19,620	7,596	6,281	(3,531)	-	6,478	52,221

[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.

[2]The income incentive fee is allocated across segments in the ratio of the investment income earned during the quarter in which the fee became payable.

At 29 February 2013

	Micro Cap US US$ '000	Micro Cap European US$ '000	Mezzanine Portfolio US$ '000	Bank Debt US$ '000	Listed Investments US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Investments at fair value through profit or loss	342,566	19,896	2,530	11,690	55,069	30,860	11,080	473,691
Investments classified as loans and receivables	-	-	8,765	-	-	-	-	8,765
Investment in an associate	-	87,567	-	-	-	-	-	87,567
Other receivables	-	-	-	-	486	-	-	486
Other payables and accrued expenses	(1,664)	(105)	(823)	(11)	(7,338)	-	-	(9,941)
Total segmental net assets	340,902	107,358	10,472	11,679	48,217	30,860	11,080	560,568

	Micro Cap US US$ '000	Micro Cap European US$ '000	Mezzanine Portfolio US$ '000	Bank Debt US$ '000	Listed Investments US$ '000	Real Estate US$ '000	Other Investments US$ '000	Total US$ '000
Investments at fair value through profit or loss	205,347	15,179	5,658	32,512	88,639	-	1,620	348,955
Investments classified as loans and receivables	-	-	23,974	-	-	-	-	23,974
Investment in an associate	-	69,950	-	-	-	-	-	69,950

Total segmental net assets	205,347	85,129	29,632	32,512	88,639	-	1,620	442,879

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, custodian and administration fees, directors' fees and other general expenses.

The following table provides a reconciliation between net reportable segment income and operating profits.

	Year ended 29/02/2013 US$ '000	Year ended 29/02/2012 US$ '000
Net reportable segment profit	36,604	52,221
Net gains on treasury gilts and corporate bonds	1,194	605
Realised gains on investments held in escrow accounts	7,528	2,093
Net foreign exchange	3,915	1,694
Interest on treasury notes and corporate bonds	1,077	399
Interest on cash	393	460
Other dividend income	-	-
Fees payable to investment adviser based on non segmental assets	(2,358)	(1,688)
Expenses not attributable to segments	(2,785)	(2,786)
Share class restructuring costs	(1,580)	-
Operating profit	43,988	52,998

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 net segment assets and total net assets.

	28/02/2013 US$ '000	29/02/2012 US$ '000
Total net segmental assets	560,568	442,879
Non segmental assets and liabilities:		
Treasury gilts	31,809	33,465
Floating rate notes	26,450	32,129
Cash held on deposit and investments in money market funds	-	7,968
Cash and cash equivalents	102,740	194,513
Other receivables and prepayments	66	451
Zero Dividend Preference Shares	(89,839)	(87,281)
Other payables and accrued expenses	(1,612)	(8,662)
Total non segmental net assets	69,614	172,583
Total net assets	630,182	615,462

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Fair value of investments at fair value through profit or loss ("FVTPL")

Certain investments are classified as FVTPL, and valued accordingly, as disclosed in Note 2 and the valuation policy. The key source of estimation uncertainty is on the valuation of unquoted equities and equity-related securities.

In reaching its valuation of the unquoted equities and equity-related securities the key judgements the Board have to make relate to the selection of the multiples and the discount factors used in the valuation models.

Loans and receivables

Certain investments are classified as Loans and Receivables, and valued accordingly, as disclosed in Note 2 and the valuation policy. The key estimation is the impairment review and the key assumptions are as disclosed in Note 2.

Investment in associate

The policies applied in accounting for the Company's associate require significant judgment. Full details are disclosed in Note 2c.

5. Net gains on investments at fair value through profit or loss

	Year ended 29/02/2013 US$ '000	Year ended 29/02/2012 US$ '000
Net movement in unrealised gains/(losses) in the year	251	(11,284)
Proceeds from investments realised	185,577	197,663
Cost of investments realised	(158,074)	(141,696)
Unrealised gains in prior periods now realised	(18,210)	(37,629)
Total net realised gains in the year	9,293	18,338
Net gain on investments in the year	9,544	7,054

6. **Net write back of impairments/(impairments) on loans and receivables**

	Year ended 28/02/2013 US$ '000	Year ended 29/02/2012 US$ '000
Net write back of/(impairments on) loans and	211	(174)
Proceeds from investments previously	814	29,118
Proceeds from loans repaid	15,226	-
Cost of investments	-	(28,227)
Cost of investments repaid	(15,226)	-
Unrealised gains in prior periods now	-	(575)
Net realised gain	814	316
Net write back of impairments/(impairments) on loans	1,025	142

7. **Investment income**

	Year ended 28/02/2013 US$ '000	Year ended 29/02/2012 US$ '000
Income from investments classified as FVTPL	39,129	38,202
Income from investments classified as loans and receivables	2,214	5,356
	41,343	43,558

Income for the year ended 28 February 2013

		Preference Dividend		Loan note		Other	Other	
	Dividends US$ '000	PIK US$ '000	Cash US$ '000	PIK US$ '000	Cash US$ '000	Interest US$ '000	Income US$ '000	Total US$ '000
US micro cap portfolio	-	13,353	-	8,887	6,891	-	3	29,134
European micro cap portfolio	-	-	-	-	1,607	-	-	1,607
Mezzanine portfolio	1,023	9	-	195	2,019	-	-	3,246
Bank debt	-	-	-	-	-	2,290	189	2,479
Listed investments	3,771	-	-	-	-	-	-	3,771
Treasury gilts and corporate bonds	-	-	-	-	-	1,077	-	1,077
Other	-	-	-	-	-	-	29	29
	4,794	13,362	-	9,082	10,517	3,367	221	41,343

Income for the year ended 29 February 2012

		Preference Dividend		Loan note		Other	Other	
	Dividends US$ '000	PIK US$ '000	Cash US$ '000	PIK US$ '000	Cash US$ '000	Interest US$ '000	Income US$ '000	Total US$ '000
US micro cap portfolio	-	16,634	-	6,432	6,016	-	-	29,082
European micro cap portfolio	-	-	-	-	1,377	-	-	1,377
Mezzanine portfolio	-	31	-	360	4,996	-	-	5,387
Bank debt	-	-	-	-	-	2,483	249	2,732
Listed investments	4,577	-	-	-	-	-	-	4,577

Treasury gilts	-	-	-	-	-	399	-	399
Other	-	34	-	-	-	-	-	34
	4,577	16,699	-	6,792	12,389	2,882	249	43,588

Interest on unlisted investments totaling US$9,575,000 (year ended 28 February 2012: US$7,704,000) has not been recognised in accordance with the Company's accounting and valuation policy.

8. **Finance costs**

	Year ended 28/02/2013 US$ '000	Year ended 29/02/2012 US$ '000
Zero Dividend Preference shares	7,007	6,581
	7,007	6,581

Finance costs arising are allocated to the statement of comprehensive income using the effective interest rate method. The rights and entitlements of the ZDP shares, which are accounted for at amortised cost are described in Note 15.

9. **Expenses**

	Year ended 28/02/2013 US$ '000	Year ended 29/02/2012 US$ '000
Investment Adviser's base fee	10,707	10,247
Investment Adviser's capital incentive fee	9,030	5,357
Investment Adviser's income incentive fee	-	4,410
	19,737	20,014
Administrative expenses:		
Legal and professional fees	1,086	1,308
Other expenses	565	504
Directors' remuneration	380	380
Accounting, secretarial and administration fees	451	400
Auditors' remuneration	190	99
Auditors' remuneration - non-audit fees	65	65
Custodian fees	48	30
	2,785	2,786
Other:		
Share class restructuring costs	1,580	-
Total expenses	24,102	22,800

Directors fees

The Chairman is entitled to a fee of US$140,000 per annum. Each of the other Directors are entitled to a fee of US$60,000 per annum. For the year ended 28 February 2013 total Directors' fees included in the Statement of Comprehensive Income were US$380,000 (year ended 29 February 2012: US$380,000), of this amount US$62,000 was outstanding at the year end (29 February 2012: US$63,000) and included within other payables.

Investment Advisory and Performance fees

The Company entered into an investment advisory and management agreement with Jordan/Zalaznick Advisers, Inc (the "Investment Adviser") in May 2008 which was then amended and restated on 20 May 2009 and again on 23 December 2010 (the ”Advisory Agreement”).

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

For the year ended 28 February 2013, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of US$10,707,000 (year ended 29 February 2012: US$10,247,000). Of this amount US$715,000 (29 February 2012: US$1,105,000) was outstanding at the year end and is included within Other Payables.

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. Change in the valuation of income related (PIK) investments are also classed as an increase or decrease to investment income. 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 year ended 28 February 2013 there was no income incentive fee. For the year ended 29 February 2012 an amount of US$4,410,000 was paid on the basis that the net investment income of the Company as determined in the Advisory Agreement exceeded the hurdle rate of 2% (8% per annum). This is further discussed in Note 28.

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: 20 per cent. of the realised capital gains of the Company for each financial year less all realised capital losses of the Company for the year less (b) the aggregate of all previous capital gains incentive fees paid by the Company to the Investment Adviser. The capital gains incentive is payable in arrears within 90 days of the fiscal year end. Investments categorised as legacy investments and assets of the Euro Microcap Fund 2010, LP are excluded from the calculation of the fee.

The Company provides for a capital gains incentive fee based on cumulative net realised and unrealised investments gains. For the year ended 28 February 2013 US$9,030,000 (29 February 2012: US$ 5,357,000) was paid to the Investment Advisor in relation to the capital gains incentive fee.

The Advisory agreement may be terminated by the Company or the Investment Advisor 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).

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 a fee payable quarterly in arrears. Fees payable to the Administrator are fixed for the three years from the date of appointment and are then subsequently subject to an annual fee review. The Administrator is also due an initial set up fee.

During the period from 1 March 2012 to 31 August 2012, Butterfield Fund Services (Guernsey) Limited ("BFGL") acted as Administrator, Secretary and Registrar. BFGL was entitled to a quarterly fee payable monthly in arrears and further fees for services provided with the Company's transition to the new service provider.

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 US$2,000 and a transaction fee of US$50 per transaction. For the year ended 28 February 2013 total Custodian expenses of US$48,000 (29 February 2012: US$30,000) were included in the Statement of Comprehensive Income of which US$6,000 (29 February 2012: US$nil) was outstanding at the year end and is included within Other Payables.

Auditors remuneration

All of the auditors remuneration relates to the annual audit and half year review report. During the year ended 28 February 2013, professional fees of US$65,000 were paid to Ernst & Young for taxation services (28 February 2012:$65,000).

10. **Taxation**

For both 2013 and 2012 the Company applied for and was granted exempt status for Guernsey tax purposes under the terms of The Income Tax (Zero 10) (Guernsey) Law, 2007.

For the year ended 28 February 2013 the Company incurred withholding tax of US$1,131,000 (29 February 2012: US$1,373,000) on dividend income from listed investments.

11. **Investments**

Categories of financial instruments

	Listed 28/02/2013 US$ '000	Unlisted 28/02/2013 US$ '000	Carrying Value 28/02/2013 US$ '000
Fair value through profit or loss (FVTPL)	113,328	418,622	531,950

Loans and receivables	-	8,765	8,765
Investment in an associate	-	87,567	87,567
	113,328	514,954	628,282

	Listed 28/02/2013 US$ '000	Unlisted 28/02/2013 US$ '000	Total 28/02/2013 US$ '000
Book cost at 1 March 2012	132,577	381,086	513,663
Purchases in year	79,316	174,607	253,923
Capital calls during year	-	13,275	13,275
Payment in kind ("PIK")	-	21,466	21,466
Proceeds from investments disposed/realised	(129,934)	(56,457)	(186,391)
Realised gains on disposal	20,425	7,892	28,317
Book cost at 28 February 2013	102,384	541,869	644,253
Unrealised gains/(losses) at 28 February 2013	10,877	(36,016)	(25,139)
Accrued interest at 28 February 2013	67	9,101	9,168
Carrying value at 28 February 2013	113,328	514,954	628,282

	Listed 29/02/2012	Unlisted 29/02/2012	Carrying Value 29/02/2012
Fair value through profit or loss (FVTPL)	154,233	260,316	414,549
Loans and receivables	-	23,974	23,974
Investment in an associate	-	69,950	69,950
	154,233	354,240	508,473

	Listed 29/02/2012 US$ '000	Unlisted 29/02/2012 US$ '000	Total 29/02/2012 US$ '000
Book cost at 1 March 2011	75,017	394,118	469,135
Purchases in year	64,847	73,729	138,576
Capital calls during year	-	49,153	49,153
Payment in kind ("PIK")	-	25,995	25,995
Proceeds from investments disposed/realised	(10,850)	(215,204)	(226,054)
Realised gains on disposal	3,563	53,295	56,858
Book cost at 29 February 2012	132,577	381,086	513,663
Unrealised gains/(losses) at 29 February 2012	21,514	(33,310)	(11,796)
Accrued interest at 29 February 2012	142	6,464	6,606
Carrying value at 29 February 2012	154,233	354,240	508,473

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

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

Investment in associate

At 29 February 2012 the Company had one associate carrying on business which affects the profits and assets of the Company. The Company's associate consists solely of a limited partnership interest directly held in the Partnership.

Entity	**Principal activity**	**% Interest**
EuroMicrocap Fund 2010, LP	Acquiror of Europe-based microcap companies	75%

The Company's share of the aggregated financial information of the equity accounted associate is set out below. The balance as at 28 February 2013 includes the share of results and net assets in the associate.

	28/02/2013 US$ '000	29/02/2012 US$ '000
Share of result in associate	4,342	20,797
Non current assets	83,451	68,795
Current assets	4,116	1,155
Share of limited partner' interest in associate	87,567	69,950

12. **Cash and cash equivalents**

	28/02/2013 US$ '000	29/02/2012 US$ '000
Cash at bank	39,612	194,513
Money Market Funds	55,497	-
Cash held on deposit with maturity of less than 3 months	7,631	-
	102,740	194,513
Cash held on deposit with maturity of greater than 3 months	-	7,968
Cash, cash equivalents and cash held on deposits	102,740	202,481

Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits and investments in money market funds with an original maturity of three months or less. In the prior year cash held on deposit had a maturity date of greater than 3 months. The carrying value of these assets approximates to their fair value.

13. **Other receivables**

	28/02/2013 US$ '000	29/02/2012 US$ '000
Accrued dividend income on listed investments	486	405
Other receivables and prepayments	66	44
Bank and deposit interest	-	2
	552	451

Other receivables and prepayments include $7,123 in respect of a structured forward currency contract entered into during the year (note 20).

14. **Other payables**

	28/02/2013 US$ '000	29/02/2012 US$ '000
Investment Adviser's base and capital incentive fee	9,745	6,462
Provision for tax on dividends received not withheld at source	1,004	679
Legal fees	250	300
Fees due to administrator	174	67
Other expenses	201	222
Auditors' remuneration	110	79
Directors' remuneration	62	63
Custody fees	7	-
Payable on unsettled trades	-	790
	11,553	8,662

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

	28/02/2013 US$ '000	29/02/2012 US$ '000
ZDP shares issued 22 June 2009		
Amortised cost at 1 March	87,281	82,341
Finance costs allocated to statement of comprehensive income	7,007	6,581
Unrealised currency gain on translation during the year	(4,449)	(1,641)
Amortised cost at year end	89,839	87,281
Total number of ZDP shares in issue	20,707,141	20,707,141

Price per ZDP share US$	USD 4.3466	USD 4.2254
Price per ZDP share GBP	GBP 2.8634	GBP 2.6513

ZDP shares were issued on 22 June 2009 at a price of 215.80 pence and are designed to provide a pre-determined final capital entitlement of 369.84 pence on 22 June 2016 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. The capital appreciation of approximately 8% per annum is calculated monthly. 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.

16. **Share Capital**

Authorised Capital

Unlimited number of ordinary shares of no par value.

Ordinary shares - Issued Capital	28/02/2013	29/02/2012
	Number of shares	Number of shares
Balance at 1 March	37,319,238	42,913,133
Converted from Limited Voting Ordinary shares	27,699,369	1,300,000
Converted to Limited Voting Ordinary shares	-	(6,893,895)
Total ordinary shares in issue	65,018,607	37,319,238

Limited Voting Ordinary shares - Issued Capital

	28/02/2013	29/02/2012
	Number of shares	Number of shares
Balance at 1 March	27,699,369	22,105,474
Converted to Ordinary shares	(27,699,369)	(1,300,000)
Converted from Ordinary shares	-	6,893,895
Total limited voting ordinary shares in issue	-	27,699,369
Total shares in issue	**65,018,607**	**65,018,607**

On 3 July 2012 a shareholder resolution was passed which approved the conversion of all of the Limited Voting Ordinary ("LVO") shares into Ordinary shares on the basis that one LVO share would convert into one Ordinary share. A further resolution was passed approving the proposed transfer of the listing of the Ordinary shares to the London Stock Exchange's Specialist Fund Market ("SFM"). The move to this structure removes a structural inadequacy that had restricted the Company's ability to accommodate US investors and is more appropriate to the Company's mix of investors.

On 31 July 2012 the Company announced the cancellation of the listing of its Ordinary shares on the premium segment of the Official List and trading on the London Stock Exchange's main market for listed securities. Subsequently the Company's shares were admitted to trading on the London Stock Exchange's Specialist Fund Market ("SFM").The Company also announced the admission to listing on the Channel Islands Stock Exchange ("CISX").

LVO shares were issued so that certain of the Company’s existing Shareholders and certain US new investors could participate in the Ordinary Share Issue without causing the Company to be treated as a US domestic company for the purposes of US securities laws and/or a CFC for US tax purposes. LVO Shares were identical to, and ranked pari passu in all respects with, the New Ordinary shares except that the LVO Shares only carried a limited entitlement to vote in respect of the appointment or removal of Directors and did not carry any entitlement to vote in respect of certain other matters. The LVO shares were not listed and were not admitted to trade on or through the facilities of the London Stock Exchange.

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.

17. Capital management

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

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.

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.

18. 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 Law, including the purchase of shares and the payment of dividends.

Capital raised on issue of new shares

Subsequent amounts raised by the issue of new shares, net of issue costs, are credited to the share capital account.

Distributable reserves

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.

Summary of reserves attributable to Ordinary shareholders

	28/02/2013 US$ '000	29/02/2012 US$ '000
Distributable reserve	353,528	353,528
Share capital account	149,269	149,269
Capital reserve	50,512	41,775
Revenue reserve	76,873	70,890
	630,182	615,462

Distributable reserve	28/02/2013 US$ '000	29/02/2012 US$ '000
At 1 March 2012	353,528	353,528
At 28 February 2013	353,528	353,528

Share capital account	28/02/2013 US$ '000	29/02/2012 US$ '000
At 1 March 2012	149,269	149,269
At 28 February 2013	149,269	149,269

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.

	Capital reserve		
	Realised	Unrealised	Total

	28/02/2013	28/02/2013	28/02/2013
	US$ '000	US$ '000	US$ '000
At 1 March 2012	68,107	(26,332)	41,775
Net gains/(losses) on investments	28,390	(13,479)	14,911
Net gains/(losses) on foreign currency exchange	(580)	4,495	3,915
Realised gains on investments held in escrow accounts	7,528	-	7,528
Expenses charged to capital	(10,610)	-	(10,610)
Finance costs in respect of Zero Dividend Preference shares	-	(7,007)	(7,007)
At 28 February 2013	92,835	(42,323)	50,512

	Capital reserve		
	Realised	Unrealised	Total
	29/02/2012	29/02/2012	28/02/2012
	US$ '000	US$ '000	US$ '000
At 1 March 2011	14,525	7,408	21,933
Net gains on investments	56,858	(28,865)	27,993
Net gains/(losses) on foreign currency exchange	(12)	1,706	1,694
Realised gains on investments held in escrow accounts	2,093	-	2,093
Expenses charged to capital	(5,357)	-	(5,357)
Finance costs in respect of Zero Dividend Preference shares	-	(6,581)	(6,581)
At 29 February 2012	68,107	(26,332)	41,775

19. Financial Instruments

	Carrying Value 28/02/2013 US$ '000	Carrying Value 29/02/2012 US$ '000
Financial assets		
Fair value through profit or loss (FVTPL)	531,950	414,549
Loans and receivables	8,765	23,974
Investment in associate	87,567	69,950
Other receivables	552	451
Cash held on deposit (maturity date > 3 months)	-	7,968
Cash and cash equivalents	102,740	194,513
Total assets	731,574	711,405
Financial liabilities		
Zero Dividend Preference ("ZDP") shares	(89,839)	(87,281)
Trade payables	(11,553)	(8,662)
Total liabilities	(101,392)	(95,943)

Loans and receivables presented above represent mezzanine loans.

Financial liabilities measured at amortised cost presented above represent ZDP shares and trade payables as detailed in the statement of financial position.

20. **Financial risk and 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 (which includes currency risk, 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".

Market price risk

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 Net Asset Value of the Shares.

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 (listed investments)

Equity price risk is the risk of unfavourable changes in the fair values of equity investments as the result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The company has two equity investments valued at US$55,069,000 (29 February 2012: three investments valued at US$88,639,000) which are listed on the NASDAQ, and NYSE.

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

Management's best estimate of the effect on the net assets attributable to shareholders and on the profit for the year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

Sensitivity analysis for change in value of listed equity resulting from increase/decrease in relevant indicies:

Markets	Change in Indices	Carrying Value of Listed Equities 28/02/2013	Effect on the net assets attributable to shareholders 28/02/2013
		US$ '000	US$ '000
NYSE	10%	777	78
NASDAQ	10%	54,292	5,429
		55,069	5,507

Markets	Change in Indices	Carrying Value of Listed Equities 29/02/2012	Effect on the net assets attributable to shareholders 29/02/2012
		US$ '000	US$ '000
NYSE	10%	39,276	3,928
NASDAQ	10%	49,363	4,936
		88,639	8,864

The table below analyses the Company's concentration of equity price risk by industrial distribution:

Industry	Percentage of Equity Securities	
	28/02/2013	29/02/2012
Property and Casualty Insurance	98.6%	55.7%
Education and Training Services	1.4%	1.0%
Rental and Leasing Services	-	43.3%
	100.0%	100.0%

The Company has certain financial instruments (common stock private investments) that are recorded at fair value using valuation techniques such as earnings multiple model derived either from acquisition/purchase information or observable market data from comparable companies. In some cases an adjustment is made to the acquisition/purchase multiple to reflect the underlying growth of the investment. These are adjusted to reflect counter party credit risk and limitations in the model.

For the financial instruments whose fair value is estimated using valuation techniques with no market observable inputs, the net unrealised amount recorded in the statement of comprehensive income in the year due to changes in the inputs amounts to gains of US$2,558,000 (29 February 2012: losses of US$6,224,000).

The table below analyses the Company's concentration of common stock private investments by industrial distribution and the effect on the net assets attributable to shareholders and on the increase/(decrease) in profit for the year due to a reasonably possible change in the value of unobservable inputs. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

Industry	Carrying Value 28/02/2013	Percentage of total common stock of private investments 28/02/2013 US$ '000	Valuation approach	Unobservable inputs	Ranges	Effect on the net assets attributable to shareholders 28/02/2013 US$ '000
Testing Laboratory	6,343	9%	Public Multiples	EBITDA Multiple	10% /-10%	1,940/(1,940)
Industrial Investment Firms	5,055	7%	Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
Pet Supplies	2,475	3%	Public Multiples	EBITDA Multiple	10% /-10%	505/(505)
Specialized Equipment Manufacturers	6,458	9%	Public Multiples	EBITDA Multiple	10% /-10%	975/(975)
Personal Care Products	4,200	6%	Public Multiples	EBITDA Multiple	10% /-10%	1,195/(1,195)
Strategic Workforce Solutions	1,202	2%	Public Multiples	EBITDA Multiple	10% /-10%	0/0
Other	4,006	5%	Public and Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
Sensors & Instrumentation	6,900	9%	Public Multiples	EBITDA Multiple	10% /-10%	4,225/(4,225)
Water Treatment / Infrastructure	1,000	1%	Public and Purchase Multiples	EBITDA Multiple	10% /-10%	1,590/(1,000)
Real Estate	30,861	42%	Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
Logistics	5,450	7%	Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
	73,950	100%				10,340/(9,840)

Industry	Carrying Value 28/02/2013	Percentage of total common stock of private investments 28/02/2012 US$ '000	Valuation approach	Unobservable inputs	Ranges	Effect on the net assets attributable to shareholders 28/02/2012 US$ '000
Testing Laboratory	5,043	38%	Public Multiples	EBITDA Multiple	10% /-10%	715 / (715)
Roofing Supplies	3,780	28%	Public Multiples	EBITDA Multiple	10% /-10%	690 / (690)

Industrial Investment Firms	1,809	13%	Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
Pet Supplies	1,636	12%	Public Multiples	EBITDA Multiple	10% /-10%	0/0
Specialized Equipment Manufacturers	443	3%	Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
Personal Care Products	328	2%	Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
Strategic Workforce Solutions	300	2%	Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
Other	229	2%	Public and Purchase Multiples	EBITDA Multiple	10% /-10%	220 / 0
Sensors & Instrumentation	37	-	Purchase Multiples	EBITDA Multiple	10% /-10%	0/0
Water Treatment / Infrastructure	-	-	Public Multiples	EBITDA Multiple	10% /-10%	0/0
	13,605	100%				1,625/(1,405)

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	Fixed rate 28/02/2013 US$ '000	Floating rate 28/02/2013 US$ '000	bearing 28/02/2013 US$ '000	Total 28/02/2013 US$ '000
Investments at fair value through profit or loss	438,741	38,140	55,069	531,950
Loans and receivables	8,765	-	-	8,765
Investment in an associate	-	-	87,567	87,567
Other receivables and prepayments	-	-	552	552
Cash and cash equivalents	-	102,740	-	102,740
Zero Dividend Preference shares	(89,839)	-	-	(89,839)
Other payables	-	-	(11,553)	(11,553)
Total net assets	357,667	140,880	131,635	630,182

	Fixed rate 29/02/2012 US$ '000	Floating rate 29/02/2012 US$ '000	Non interest bearing 29/02/2012 US$ '000	Total 29/02/2012 US$ '000
Investments at fair value through profit or loss	247,664	64,641	102,244	414,549
Loans and receivables	23,974	-	-	23,974
Investment in an associate	-	-	69,950	69,950
Other receivables and prepayments	-	-	451	451
Cash held on deposit (maturity date > 3 months)	7,968	-	-	7,968
Cash and cash equivalents	-	194,513	-	194,513
Zero Dividend Preference shares	(87,281)	-	-	(87,281)
Other payables	-	-	(8,662)	(8,662)
Total net assets	192,325	259,154	163,983	615,462

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.

Of the money held on deposit, US$47,243,000 (29 February 2012: US$194,513,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates.

The sensitivity of the bank debt's market value is not influenced by a change in prevailing interest rates, because they are floating rate instruments. The market value of bank debt is influenced by factors such as the performance of the issuer and bank liquidity.

The data below demonstrates the sensitivity of the Company's profit/(loss) for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit on interest received on cash and cash equivalents is the effect of the assumed changes in the daily interest rates throughout the year to 28 February 2013 and year ended 29 February 2012, on accounts where cash is held:

The sensitivity of the profit for the year on investment income received on bank debt is the effect of the assumed changes in the 3 month Libor on which the interest paid was derived.

Change in basis	Sensitivity of interest income Increase/(decrease)	Sensitivity of investment income

Increase/(decrease) points	receivable on cash and cash equivalents		Increase/(decrease) receivable on bank debt	
	28/02/2013	29/02/2012	28/02/2013	29/02/2012
	US$ '000	US$ '000	US$ '000	US$ '000
+25 / -25	167/(167)	383 / (382)	45/(45)	101 / (101)
+100 / -100	666/(200)	1,527 / (458)	182/(182)	402 / (402)

The following table analyses the Company's interest rate exposure in terms of the assets and liabilities maturity dates

.28/02/2013	0-3 months	4-12 months	1-2 years	2-5 years	More than 5 years	No maturity date	Non-interest bearing	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Cash and cash equivalents	102,740	-	-	-	-	-	-	102,740
Financial asset at fair value through profit or loss	-	16,686	37,581	131,564	21,886	11,267	312,966	531,950
Loans and receivables	-	-	-	8,515	-	250	-	8,765
Investment in an associate	-	-	-	-	-	-	87,567	87,567
Zero Dividend Preference Shares	-	-	-	(89,839)	-	-	-	(89,839)
Other receivables / payables	-	-	-	-	-	-	(11,001)	(11,001)
	102,740	16,686	37,581	50,240	21,886	11,517	389,532	630,182
29/02/2012								
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Cash and cash equivalents	194,513	-	-	-	-	-	-	194,513
Cash held on deposit (maturity date > 3 months)	-	7,968	-	-	-	-	-	7,968
Financial asset at fair value through profit or loss	-	22,043	30,529	138,492	5,110	116,059	102,316	414,549
Loans and receivables	-	16,213	-	7,761	-	-	-	23,974
Investment in an associate	-	-	-	-	-	-	69,950	69,950
Zero Dividend Preference Shares	-	-	-	(87,281)	-	-	-	(87,281)
Other receivables / payables	-	-	-	-	-	-	(8,211)	(8,211)
	194,513	46,224	30,529	58,972	5,110	116,059	164,055	615,462

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

Credit risk

The Company takes on exposure 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 investment classified as FVTPL, debt investments, loans and receivables and cash & cash equivalents.

They may arise, for example, from a decline in the financial condition of a counterparty, 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 potential to pay dividends to Shareholders and to redeem the ZDP Shares.

In accordance with the Company’s policy, the Investment Adviser monitors the Company's exposure to credit risk on a regular basis, by reviewing the financial statements, budgets and forecasts of underlying investee companies.

The table below analyses the Company's maximum exposure to credit risk. The maximum exposure is shown gross at the reporting date.

	Total	Total
	28/02/2013	29/02/2012
	US$ '000	US$ '000
Bank Debt	11,690	32,512
Legacy Portfolio Debt	-	25,312
Mezzanine Debt	11,294	29,632

US Micro Cap Debt	342,567	181,655
European Micro Cap Debt	107,463	85,129
Cash and cash equivalents	102,740	202,481
Accrued dividend income	486	405
	576,240	557,126

A proportion of Micro Cap and Mezzanine debt held does not entitle the Company to interest payment in cash. This interest is capitalised (PIK) and as a result has substantial credit risk as there is no return to the Company until the loan plus all the interest, is repaid in full. Of the US$2,214,000 (29 February 2012: US$5,356,000) interest that was recognised in the Statement of Comprehensive Income on investments classified as loans and receivables during the year US$195,000 (29 February 2012: US$360,000) was receivable in the form of PIK Investments. There is no collateral held in respect of Mezzanine debt forming the loans and receivables.

	28/02/2013 US$ '000	29/02/2012 US$ '000
Balance at beginning of year	9,293	9,119
Transfers out of loans and receivables	(1,956)	-
Impairment	(211)	174
Balance at year end	7,126	9,293

An impairment review is performed by the Investment Adviser on an investment by investment basis every quarter. The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

The table below analyses the Company's loans and receivables that are either past due or impaired.

	Total of Impairment 28/02/2013 US$ '000	Past due 28/02/20 US$ '000	Total 28/02/2013 US$ '000	Total of Impairment 29/02/2012 US$ '000	Past due 29/02/2012 US$ '000	Total 29/02/2012 US$ '000
Mezzanine portfolio	7,126	-	7,126	9,293	-	9,293
Total	7,126	-	7,126	9,293	-	9,293

Mezzanine investments typically have no or a limited trading market and therefore such investments will be illiquid, and as such the Company's ability to sell them in the short term may be limited.

The Investment Adviser closely monitors the creditworthiness of mezzanine debt counterparties and other loans and receivables and upon unfavourable change, may seek to terminate the agreement or to obtain collateral. The creditworthiness is monitored by the reviewing of quarterly covenant agreements and by the Investment Adviser having board representation on a significant number of these investees. The Company has also diversified its portfolio across different industry sectors.

Bank debt designated at fair value through profit or loss

The Company had previously invested in bank debt with investment grade credit ratings as rated by Standard and Poors detailed below. As at 28 February 2013, the Company's only investment in Bank Debt was Dekko Technologies LLC, a private company whose debt was neither listed or rated :

Credit rating - Bank debt First and Second Lien

	28/02/2013	Percentage of debt instruments 29/02/2012
B	-	13%
B-	-	6%
CCC+	-	41%
No rating	100%	40%
	100%	100%

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

	28/02/2013	29/02/2012

	US$ '000	US$ '000
Healthcare Services & Equipment	25%	26%
House, Leisure & Personal Goods	3%	2%
Construction & Materials	-	1%
Support Services	9%	18%
Industrial Engineering	6%	11%
Industrial Services	22%	3%
Water Treatment / Infrastructure	9%	2%
Electronic & Electrical Equipment	5%	7%
Financial General	21%	25%
Sensors & Instrumentation	-	5%
	100%	100%

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

	Credit ratings			
	Standard & Poor's Outlook	Fitch LT Issuer Default Rating	28/02/2013 US$ '000	29/02/2012 US$ '000
Cash deposits				
HSBC Bank USA NA	Negative	AA-	7,654	7,968
Deutsche Bank	Negative	A+	47,843	-
			55,497	7,968
Cash and cash equivalents				
HSBC Bank USA NA	Negative	AA-	29,661	142,819
Deutsche Bank	Negative	A+	17,524	51,434
Northern Trust (Guernsey) Limited	Stable	AA-	58	-
Butterfield Bank (Guernsey) Limited	Negative	A-	-	260
			47,243	194,513

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.

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.

Many of the Company's investments are private equity, mezzanine loans 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.

There are no restrictions on the saleability of the listed investments (29 February 2012: US$20,206,000) (being 42% of TAL International Group, Inc,).

The Company has outstanding investment commitments at the year end of US$40,032,000 (2012: US$50,430,000) see Note 25. The Company manages liquidity levels to ensure these obligations can be met.

The table below analyses the Company's financial liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are not discounted to the net present value of the future cash outflows as it is not considered significant.

At 28 February 2013	Less than 1 month US$ '000	2-12 months US$ '000	1-5 years US$ '000	>5 years US$ '000	No stated maturity US$ '000
Other payables	11,553	-	-	-	-
Zero Dividend Preference shares	-	-	116,252	-	-
	11,553	-	116,252	-	-

At 29 February 2012	Less than 1 month US$ '000	2-12 months US$ '000	1-5 years US$ '000	>5 years US$ '000	No stated maturity US$ '000

Other payables	8,662	-	-	-	-
Zero Dividend Preference shares	-	-	139,100	-	-
	8,662	-	139,100	-	-

The Company has a capital requirement to pay ZDP shareholders a pre determined final capital entitlement of 369.84 pence on 22 June 2016. As at 28 February 2013 the liability to the ZDP shareholders amounted to US$89,839,000 (29 February 2012: US$87,281,000).

Currency risk

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

Zero dividend preference shares are denominated in Sterling. The Company has an obligation to redeem the ZDP shareholders on 22 June 2016. The total liability on the redemption date, 22 June 2016, will be GBP76,583,969. The Company currently has no hedge to manage this risk to Sterling.

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

At 28 February 2013	US dollar 28/02/2013 US$ '000	Euro 28/02/2013 US$ '000	GB sterling 28/02/2013 US$ '000	Total 28/02/2013 US$ '000
Assets				
Financial assets at fair value through profit or loss	482,435	17,706	31,809	531,950
Loans and receivables	8,765	-	-	8,765
Investment in associate	-	87,567	-	87,567
Other receivables	486	-	66	552
Cash and cash equivalents	92,202	1,435	9,103	102,740
Total assets	583,888	106,708	40,978	731,574
Liabilities				
Zero Dividend Preference shares	-	-	89,839	89,839
Other payables	11,411	-	142	11,553
Total liabilities	11,411	-	89,981	101,392
Net currency exposure	572,477	106,708	(49,003)	630,182

The Company has entered into a Structured Forward Currency Contract. If the US$/€ exchange rate reaches the trigger rate of 1.4, the Company will buy €13,000,000 at a cost of US$16,900,000.

At 28 February 2012	US Dollar US$ '000	Euro US$ '000	GB Sterling US$ '000	Total US$ '000
Assets				
Financial assets at fair value through profit or loss	365,905	15,179	33,465	414,549
Loans and receivables	23,974	-	-	23,974
Investment in associate	-	69,950	-	69,950
Other receivables	405	-	46	451
Cash and cash equivalents	194,513	-	7,968	202,481
Total assets	584,797	85,129	41,479	711,405
Liabilities				
Zero Dividend Preference shares	-	-	87,281	87,281
Other payables	8,498	-	164	8,662

	974	71,737	72,711	72,711
Total liabilities	8,498	-	87,445	95,943
Net currency exposure	576,299	85,129	(45,966)	615,462

21. **Fair value of financial instruments**

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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) (level 2).
- Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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

Financial assets at 28 February 2013

	Level 1	**Level 2**	**Level 3**	**Total**
	US$ '000	US$ '000	US$ '000	US$ '000
Financial assets designated at fair value through profit or loss at inception:				
Listed Securities	113,328	-	-	113,328
Bank debt	-	-	11,690	11,690
Mezzanine portfolio	-	-	2,529	2,529
US Micro Cap portfolio	-	-	342,567	342,567
European Micro Cap portfolio	-	-	19,896	19,896
Real Estate portfolio	-	-	30,860	30,860
Other	-	-	11,080	11,080
	113,328	-	418,622	531,950

Financial assets at 29 February 2012

	Level 1	**Level 2**	**Level 3**	**Total**
	US$ '000	US$ '000	US$ '000	US$ '000
Financial assets designated at fair value through profit or loss at inception:				
Listed Securities	154,233	-	-	154,233
Legacy portfolio	-	-	25,312	25,312
Bank debt	-	19,541	12,971	32,512
Mezzanine portfolio	-	-	5,658	5,658
US Micro Cap portfolio	-	-	181,655	181,655
European Micro Cap portfolio	-	-	15,179	15,179
	154,233	19,541	240,775	414,549

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.

The fair values of Bank debt which is provided by a broker is classified as Level 2. The fair value of bank debt which is derived from unobservable data is classified as Level 3.

The fair values of investments in the Micro Cap, Legacy and Mezzanine portfolios for which there are no active market, are calculated using a valuation model which is accepted in the industry. The model calculates the fair value by applying an appropriate multiple (based on comparable quoted companies, recent acquisition prices and quotes) to the Company's last twelve months EBITDA and deducting a market liquidity discount. The multiples used and marketability discount are classified as unobservable inputs therefore investments are classified as Level 3.

Transfers between levels

There were no transfers between the levels of hierarchy of financial assets recognised at fair value within the year ended 28 February 2013 and 29 February 2012.

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

At 28 February 2013

	Bank Debt US$ '000	Mezzanine Portfolio US$ '000	US Micro Cap Portfolio US$ '000	Euro Micro Cap Portfolio US$ '000	Real Estate US$ '000	Other US$ '000	Total US$ '000
At 1 March 2012	12,971	5,658	204,583	15,179	-	2,384	240,775
Purchases	-	-	128,392	-	30,861	9,361	168,614
PIK adjusted for fair value	535	-	20,684	5,993	-		27,212
Cost of investments repaid or sold	(1,808)	(4,309)	(10,341)	(2,125)	-	-	(18,583)
Net gains and losses recognised in statement of comprehensive income		1,704	(2,738)	(200)	-	(665)	(1,899)
Investment gains on warrants held at nil value		(518)					(518)
Movement in accrued interest recognised in statement of comprehensive income	(8)	(6)	1,986	1,049	-	-	3,021
At 28 February 2013	11,690	2,529	342,566	19,896	30,861	11,080	418,622

At February 2012

	Bank Debt US$ '000	Mezzanine Portfolio US$ '000	US Micro Cap Portfolio US$ '000	Euro Micro Cap Portfolio US$ '000	Real Estate US$ '000	Other US$ '000	Total US$ '000
At 1 March 2011	9,082	2,547	271,495	32,899	-	1,726	317,749
Purchases	-	-	54,659	12,202	-	764	67,625
PIK adjusted for fair value	404	30	24,208	-	-	38	24,680
Cost of investments repaid or sold	-	-	(149,782)	(30,102)	-	(137)	(180,021)
Net gains and losses recognised in statement of comprehensive income	3,474	3,080	5,265	(609)	-	-	11,210
Movement in accrued interest recognised in statement of comprehensive income	1	1	(1,262)	789	-	(7)	(468)
At 29 February 2012	12,971	5,658	204,583	15,179	-	2,384	240,775

The following table details the revenues and net gains included within the statement of comprehensive income for investments classified at Level 3 which held during the year.

At 28 February 2013	Bank Debt US$ '000	Mezzanine Portfolio US$ '000	US Micro Cap Portfolio US$ '000	Euro Micro Cap Portfolio US$ '000	Real Estate US$ '000	Other US$ '000	Total US$ '000
Interest and other revenue	2,479	3,246	29,134	1,607	-	-	36,466
Net loss on investments at fair value through profit or loss	-	1,704	(2,738)	(200)	-	(665)	(1,899)

	2,479	4,950	26,396	1,407	-	(665)	34,567

At 29 February 2012	Bank Debt US$ '000	Mezzanine Portfolio US$ '000	US Micro Cap Portfolio US$ '000	Euro Micro Cap Portfolio	Real Estate US$ '000	Other US$ '000	Total US$ '000
Interest and other revenue	1,650	31	29,052	1,377	-	34	32,144
Net gain on investments at fair value through profit or loss	3,474	3,080	5,173	(517)	-	-	11,210
	5,124	3,111	34,225	860	-	34	43,354

For the investments measured at Level 3 at the reporting date, the Company adjusted the default rate, and discount rate assumptions within a range of reasonably possible alternatives. The extent of the adjustment varied according to the characteristics of each security.

The potential effect of using reasonably possible alternative assumptions for valuing financial instruments classified as Level 3 at the reporting date would reduce the fair value by up to US$9,840,000 (29 February 2012: US$1,405,000) or increase the fair value by US$10,430,000 (29 February 2012:US$1,625,000).

The fair value of financial assets and financial liabilities measured at amortised cost are determined as follows:

- The fair value of the Zero Dividend Preference shares is deemed to be their quoted market price. As at 28 February 2013 the ask price was £4.34 (29 February 2012: £3.09 per share) the total fair value of the ZDP shares was US$90,005,000 (29 February 2012:US$101,973,000) which is US$166,000 higher (29 February 2012: US$14,476,000 higher) than the liability recorded in the Statement of Financial Position.

The carrying amounts of loans and receivables are recorded at amortised cost using the effective interest method in the financial statements. The fair value of loans and receivables at 28 February 2013 was US$7,834,000 (29 February 2012: US$23,974,000).

The carrying amounts of trade receivables and trade payables are deemed to be their fair value due to their short term nature.

22. Basic and Diluted Earnings per share

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

For the years ended 28 February 2013 and 29 February 2012 the weighted average number of Ordinary shares (including Limited voting ordinary shares) outstanding during the year was 65,018,607.

23. Net Asset Value Per Share

The net asset value per Ordinary share of US$9.69 (29 February 2012: US$9.47) is based on the net assets at the year end of US$630,182,000 (29 February 2012: US$615,462,000) and on 65,018,607 (29 February 2012: 65,018,607) Ordinary shares, being the number of Ordinary shares in issue at the year end.

24. Notes to the Cash Flow Statement

Reconciliation of the profit for the year to net cash from operating activities

	Year ended 28/02/2013 US$ '000	Year ended 29/02/2012 US$ '000
Profit for the year	35,850	45,044
Increase/(Decrease) in other receivables	(94)	13
(Decrease)/increase in other payables	2,891	4,514
Net movement in unrealised gains on investments	(533)	11,284
Net write back of/(impairments on) loans and receivables	(211)	174
Share of associate's income	(4,342)	(20,797)
Adjustment for foreign currency exchange gains on ZDP Shares	(4,449)	(1,706)
Realised gain on investments	(9,896)	(18,654)
Increase in accrued interest on investments and adjustment for interest received as PIK	(24,027)	(24,124)
Interest receivable from treasury gilts reinvested	-	(696)
Finance costs in respect of Zero Dividend Preference shares	7,007	6,581
Net cash inflow from operating activities	2,196	1,633

Investment income received during the year	Year ended 28/02/2013 US$ '000	Year ended 29.02.2012 US$ '000
Interest on investments	11,125	14,459
Dividends from listed investments	3,690	3,882
Bank interest	393	486
Other income	189	124
	15,397	18,951

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 Cash Flow Statement.

25. **Commitments**

At 28 February 2013 JZCP had the following financial commitments outstanding in relation to fund investments:

	Year ended 28/02/2013 US$ '000	Year ended 29.02.2012 US$ '000
EuroMicrocap Fund 2010, LP (related party)	20,072	33,347
Constituent Capital Management, LLC	12,833	15,000
Acon AEP Co-Invest (Suzo), LP	5,042	-
Grua, LP	2,085	-
Milestone Aviation Group, Inc.	-	2,083
	40,032	50,430

26. **Related Party Transactions**

In 2007, JZEP invested US$250,000 in ETX Holdings, Inc. which was a spin off from Jordan Auto Aftermarket Holdings, Inc., a former co-investment with The Jordan Company. The investment was subsequently transferred to JZCP as part of the in specie transfer dated 1 July 2008. A further US$142,000 has subsequently been invested in ETX Holdings, Inc. At 28 February 2013, the investment was valued at US$671,000 (29 February 2012: US$602,000).

At 28 February 2013, JZCP has invested US$62,248,000 (29 February 2012: US$49,153,000 in the EuroMicrocap Fund 2010 LP ("The Europe Fund"). At 28 February 2013 the investment was valued at US$87,567,000 (29 February 2012: US$69,950,000). The Europe Fund is managed by JZ International LLC ("JZI"), an affiliate of JZAI, JZCP's investment manager. JZAI and JZI were each founded by David Zalaznick and Jay Jordan.

The Company has invested with The Resolute Fund, which is managed by The Jordan Company, a company in which David Zalaznick and Jay Jordan are Managing Principals. Investments held by the Company and The Resolute Fund included: Kinetek, Inc.; TAL International Group, Inc.; TTS, LLC. The investments were sold/repaid during the year ended 28 February 2013. Aggregate proceeds of disposals totaled US$76,576,000, the value of these investments at 29 February 2012 were US$71,154,000).

The Company has invested with Fund A, a Limited Partnership in a number of US micro cap buyouts. Fund A is managed by JZAI. At 28 February 2013, the total amount of these co-investments was US$117,700,275 (29 February 2012: US$53,905,000) of the total amount of the co-investment US$96,099,904 (29 February 2012: US$44,203,000) was invested by the Company and US$21,600,371 (29 February 2012:US$9,702,000) was invested by Fund A. During September 2012 the Company sold to Fund A 18 per cent. of its investment in New Vitality Holdings, Inc. (being an investment in which it had been intended that Fund A would be a co-investor) for a consideration of US$881,859 being cost plus interest at a rate of 5.25 per cent.

Jordan/Zalaznick Advisers, Inc. ("JZAI"), a US based company, provides advisory services to the board of Directors of the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 9.

The Directors' remuneration is disclosed in Note 9.

27. **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.

28. **Contingent assets**

a) Amounts held in escrow accounts

Investments have been disposed by the Company, of which the consideration given included contractual terms requiring that a percentage was held in an escrow account pending resolution of any indemnifiable claims that may arise. At 28 February 2013 the Company has assessed that the fair value of these escrow accounts are nil as it is not reasonably probable that they will be realised by the Company.

As at 28 February 2013, 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
	28/02/2013	29.02.2012
	US$'000	US$'000
GHW (G&H Wire)	2,609	3,031
Advanced Chemistry & Technology, Inc.	1,613	1,772
Wound Care Solutions, Llc	1,573	5,398
N&B Industries, Inc.	776	776
Apparel Ventures, Inc.	428	835
Dantom Systems, Inc.	15	2,415
Recycled Holdings Corporation	1,300	1,300
Gear for Sports	-	186
	8,314	15,713

During the year US$7,528,000 (29 February 2012: US$2,093,000) was realised relating to the escrow accounts of the Company.

b) Income incentive fee

The Company has a contingent asset of US$4,409,700 (29 February 2012: US$4,409,700) relating to an income incentive fee which was paid to the Investment Adviser during the year ended 28 February 2012. Under the terms of the Advisory Agreement the amount paid in the year is repayable to the Company as the required annual hurdle was not met. The amount is repayable on termination of the Advisory Agreement or offset against any future income incentive fees payable. As neither a date for the termination of the Advisory Agreement or the event of any future income incentive fees becoming payable can be predicted the amount is treated as a contingent asset.

29. Dividends paid and proposed

In accordance with the Company's dividend policy, it is the Directors' intention for the year ending 28 February 2013 and thereafter to distribute approximately 3% of the Company's net assets in the form of dividends paid in US dollars (Shareholders can elect to receive dividends in Sterling). Prior to the new policy, the Directors have distributed substantially all of the Company's net cash income (after expenses) in the form of dividends.

A final dividend for the year ended 29 February 2012 of 18.5 cents per Ordinary share (total US$12,028,443) was paid on 3 July 2012.

For the year ended 28 February 2013 an interim dividend of 14.0 cents per Ordinary share (total US$9,102,605) was paid on 5 November 2012.

A second dividend for the year ended 28 February 2013 of 15.00 cents per Ordinary share (total US$9,752,791) will be paid on 14 June 2013.

30. Financial Highlights

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

	28/02/2013 US$
Net asset value per share at the beginning of the year	9.47
Performance during the year (per share):	
Net investment income	0.45
Incentive fee	(0.14)
Net realised and unrealised gains	0.34
Finance costs	(0.43)
Total return	0.22
Net asset value per share at the end of the year	9.69
Total Return	2.29%
Net investment income to average net assets excluding incentive fee	7.43%
Operating expenses to average net assets	(2.64%)
Incentive fees to average net assets	(1.47%)
Operating expenses to average net assets including incentive fee	(4.11%)
Finance costs	(4.58%)

31. 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 and US GAAP has been presented.

32. Subsequent events

These financial statements were approved for issuance by the Board on 20 May 2013. Subsequent events have been evaluated until this date.

In March 2013 the Company sold its holding in BG Holdings, Inc ("Horsburgh and Scott") realising proceeds of US$38.6m.

A second dividend for the year ended 28 February 2013 of 15.00 cents per Ordinary share (total US$9,752,791) will be paid on 14 June 2013.

Company Advisers

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

Jordan/Zalaznick Advisers, Inc.
767 Fifth Avenue
New York NY 10153

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

JZ Capital Partners Limited is registered in Guernsey
Number 48761

Administrator, Registrar and Secretary
Northern Trust International Fund Administration Services (Guernsey) Limited (appointed 1 September 2012)
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Prior to 1 September 2012 the Company's Administrator was:
Butterfield Fulcrum Group (Guernsey) Limited
The previous registered address of the Company was
2nd Floor
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3NQ

UK Transfer and Paying Agent
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 62X

US Bankers
HSBC Bank USA NA
452 Fifth Avenue
New York NY 10018
(Also provides custodian services to JZ Capital Partners Limited under the terms of a Custody Agreement).

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

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

UK Solicitors
Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

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

Mayer Brown LLP
214 North Tryon Street
Suite 3800
Charlotte NC 28202

Winston & Strawn LLP
35 West Wacker Drive
Chicago IL 60601-9703

Guernsey Lawyers
Mourant Ozannes
P.O Box 186
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

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

Board of Directors

David Macfarlane (Chairman)[1]

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

Patrick Firth[2]

Mr Firth was appointed to the Board of JZCP in April 2008. He is also a Director of a number of offshore funds and management companies, including BH Credit Catalysts Limited and ICG-Longbow Senior Secured UK Property Debt Investments Limited. He is Chairman of Greenwich Loan Income Fund 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 was appointed to the Board of JZCP in April 2008. He is also a Director of Alpha Trust Andromeda Investment Trust S.A. He is a private investor, who until 30 June 2005 was Managing Director of Arnhold and S. Bleichroeder Advisers, LLC, a New York based firm of asset managers, and is a non- executive Director of Leucadia National Corporation and the First Eagle Funds.

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.

David Allison

Mr Allison served as a Director until his death on 26 April 2013.

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

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

Useful information for Shareholders

Listing

JZCP Ordinary and Zero Dividend Preference shares are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchange Specialist fund market for listed securities. The ticker symbols are "JZCP" and "JZCN" respectively.

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

Securities and Exchange Commission ("SEC") Custody Rules

The Company has complied with the requirements of the SEC Custody Rules within these Financial Statements. These requirements include the Investment Portfolio falling within the remit of the annual audit, disclosure of the Company's Financial Highlights, as disclosed in Note 30, and a reconciliation of the accounts prepared under IFRS to US GAAP, as discussed in Note 31.

Financial diary

Annual General Meeting	24 June 2013
Interim report for the six months to 31 August 2013	31 October 2013

In accordance with the Transparency Directive JZCP will be issuing an Interim Management Statement for the quarters ending 31 May 2013 and 30 November 2013. These Statements will be sent to the market via RNS within six weeks from the end of the appropriate quarter, and will be posted on JZCP's website at the same time, or soon thereafter.

Payment of dividends

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

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

Share dealing

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

Internet address

The Company: www.jzcp.com

ISIN/SEDOL numbers

The ISIN code/SEDOL (Stock Exchange Daily Official List) numbers of the Company's Ordinary shares are BB00B403HK58/B403HK5 and the numbers of the Zero Dividend Preference shares are GG00B40B7X85/B40B7X8.

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 share capital of the Company;

(b) the Articles of Incorporation of the Company; and

(c) the terms of appointment of the Directors.

Warning to shareholders – Boiler Room Scams

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

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

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

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

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

US Securities Laws

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

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

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

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

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

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

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

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

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

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

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

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

US Tax Matters

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

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

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

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

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

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