JZ CAPITAL PARTNERS LIMITED

Condensed Interim Report and Consolidated Financial Statements
For the period from 1 March 2013 to 31 August 2013

Contents

JZ Capital Partners Limited is a member of the Association of Investment Companies.

Who we are

Corporate objective

"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."

About us

JZ Capital Partners Limited ("JZCP") is a listed private equity company which invests primarily in US and European micro cap businesses. JZCP's investment adviser is Jordan/Zalaznick Advisers, Inc. ("JZAI") which was founded by David Zalaznick and Jay Jordan in 1986. JZAI has investment professionals in New York, Chicago, London and Madrid.

JZCP's investment objective is to provide an overall total return comprised of dividend yield plus stock appreciation. The current Board policy is to pay a dividend equal to 3 per cent of net asset value, paid through semi-annual instalments.

JZAI believes that the best way to earn superior returns, on a risk-adjusted basis, is to invest in a portfolio of high-quality, niche businesses at reasonable prices. These businesses are grouped together by industry sector into "verticals" which constitute respective strategic build-ups. JZAI's team of experienced industry executives assist the portfolio companies' management teams with operational expertise, focus and accountability. JZCP also provides growth capital to its portfolio companies, both for organic growth as well as for strategic acquisitions.

Most of the companies JZCP invests in are at the smaller end of the middle market, i.e. micro cap companies that have enterprise values under US$200 million. JZCP invests in businesses that are normally not sold at auction, generally private companies where the owner is looking for a partner to help plan, fund and execute a growth plan. JZCP also invests in other asset classes such as real estate, bank loans and mezzanine debt.

JZCP is a closed-ended investment company which is admitted to trading on the Specialist Fund Market of the London Stock Exchange and listed on the Channel Islands Stock Exchange.

Our key investment principles

1. A disciplined value oriented and value added approach to deliver superior returns on a risk-adjusted basis
2. A focus on high-quality micro cap businesses in the US and Europe bought at reasonable prices in partnership with management
3. A strategy of working with our management partners at each portfolio company to enhance growth through operational focus and strategic acquisitions
4. A proprietary network of intermediaries to find investment opportunities rather than participating in auctions
5. A diversified portfolio in terms of industry sector, geography and asset class

Performance highlights

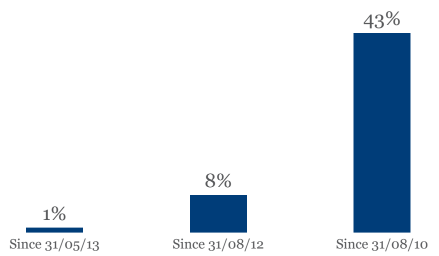
"We are very pleased with JZCP's performance, which has delivered NAV growth for 17 of the past 18 quarters. Our underlying portfolio companies continue to generate strong returns for our Shareholders and long-term NAV growth."

Results highlights

Net asset value ("NAV") per share and total NAV returns

NAV per share climbed from US$9.69 on 28 February 2013 to US$9.87. The total NAV return for the last 12 months (LTM) including dividends paid was 8 per cent.

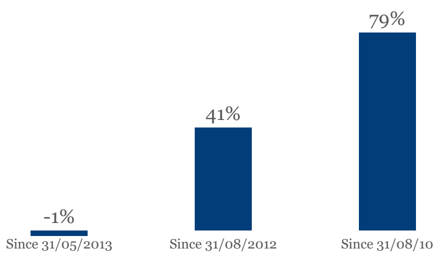
NAV total returns



Share price and Shareholder returns

The share price fell from £5.00 at 28 February 2013 to £4.75 on 31 August 2013. The total shareholder return for the LTM including dividends paid was 41 per cent.

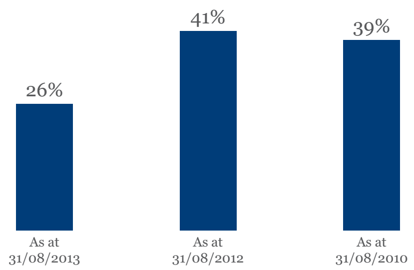
Total Shareholder returns



NAV to market price discount

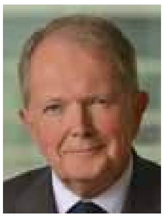
The discount has narrowed from 39 per cent on 31 August 2010 to 26 per cent on 31 August 2013.

NAV to market price discount



Chairman's statement

"I am pleased to report the results of JZ Capital Partners Limited ("JZCP" or the "Company") for the six-month period ended 31 August 2013."



Performance
It has been another steady performance from the underlying portfolio during the first six months of the year, a period that has been characterised by continued economic uncertainty amidst early signs of recovery in the US and Eurozone.

Central bank stimulus programmes heralded a strong rally during the first two months of the year as investors increased their appetite for risk. However, the strong gains in equity markets were partially offset by increased volatility in Europe due to the expected tapering of these programmes and the continued weakness of European economies.

However, the nascent recovery in the US has been reflected in the more steady performance of the Dow Jones Industrial Average and equity markets across Europe have also held steady as the Eurozone emerged from an 18-month recession during the second quarter.

Against this uneven economic background, the underlying investments in the core portfolio performed well. The Company's NAV grew 1.9 per cent from US$9.69 to US$9.87 at the end of the period and total NAV return (NAV appreciation and reinvested dividends) rose 3.4 per cent. This marks the 17th quarter of positive NAV growth out of the last 18 quarterly periods. The Company continues to provide solid long-term Shareholder return performance of 78.5 per cent over the three years to 31 August 2013, compared to 57.4 per cent from the Russell 1000 and 22.7 per cent from the FTSE 100.

Portfolio update
Following the heightened level of investment activity during the second half of last year, JZAI, our Investment Adviser and Manager, has focused on improving the performance and operational efficiency of existing assets in the core US micro cap portfolio. This has been complemented by three investments in the European micro cap portfolio and a small number of realisations.

Micro cap investments remain the Company's strategic focus. Micro cap acquisitions and investments during the period totalled US$25.6 million and at the end of the period the core portfolio comprised 38 companies operating in six industries.

The Board is pleased that during the period both private investments and the quoted values of its listed investments have increased in the US and Europe. While the value of our private investments rose 1 per cent, the largest contribution to NAV growth came from Factor Energia, the Spanish energy reseller, which contributed 14 cents per share. The gains of this company and others were partially offset by decreases across a small number of portfolio businesses including Xacom, the telecoms provider (4 cents).

The Company's NAV growth is testament to the portfolio's increased geographical diversification. European investments now constitute 20.7 per cent of investments and now include six companies in Spain, which are operating well despite the country's difficult economic conditions. During the period, the Company acquired 52.5 per cent in One World Packaging, a Spanish manufacturer of pulp-based biodegradable food trays.

The Board was also pleased that JZCP extended the focus of the European portfolio to the UK with a co-investment in Winn Group, a successful UK legal services firm and claims management business, and to Germany with an investment in Fidor Bank AG, an innovative and fast-growing online German bank. The Company continues to explore attractive investment opportunities in Europe through its investment in the EuroMicrocap Fund.

Chairman's statement continued

JZCP has also continued its strategy of investing in retail and residential property interests in New York to create additional value for Shareholders. The Company invested US$22.5 million in the acquisition of four additional retail and residential properties in rapidly growing districts to bring the total number of properties in the portfolio to seven. In addition to capital appreciation, the projected long-term cash flows generated by this portfolio will help support our dividend policy, which is to distribute an amount equal to 3 per cent of NAV, annually.

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 the absence of any other refinancing proposal prior to the June 2016 redemption date. To help with this, a modest proportion of the portfolio is already invested in gilts.

Distributions

In accordance with our stated policy to distribute annually an amount equal to 3 per cent of NAV, the directors have declared an interim dividend of 14.5 cents per share for the six months ended 31 August 2013, compared to 14.0 cents for the period ended 31 August 2012. This implies an annualised yield as at 31 August 2013 of 3.95 per cent.

Board

On behalf of all of the JZCP's directors, I look forward to welcoming Chris Waldron, who we have invited to join the Board as a non-executive director.

Outlook

I am pleased with the progress the Company has made during the first half of the year amid the challenging economic environment. The Board is encouraged by the healthy pipeline of attractive investments and the potential for significant value creation through improving the operational efficiency of the US portfolio. The Board believes the Company is well positioned to use its large cash reserves to take advantage of opportunities to acquire high-quality companies at reasonable prices in both the US and Europe.

David Macfarlane
Chairman

15 October 2013

Directors' responsibilities

Statement of directors' responsibilities

The directors are responsible for preparing condensed interim consolidated financial statements which give a true and fair view of the state of affairs of the Company for that period and which are in accordance with applicable laws and interim financial reporting standards. In preparing those condensed interim consolidated financial statements the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with these requirements in preparing the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

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:

- This set of condensed interim consolidated financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union;
- The condensed interim report and consolidated financial statements includes information detailed in the Chairman's statement and Investment Adviser's report and notes to the condensed interim consolidated financial statements which provides a fair review of the information required by:

(i) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred for the period from 1 March 2013 to 31 August 2013 and their impact on the condensed set of interim consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year: and

(ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the period from 1 March 2013 to 31 August 2013 and that have materially affected the financial position or performance of the Company during that period.

Going concern and principal risks and uncertainties

The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report and accounts for the year ended 28 February 2013 (as explained within note 20 on pages 56-68 of the annual report). The directors continue to monitor the risks to the Company. These risks include the Company's exposure to Euro and Sterling currencies and the impact of austerity measures being adopted in countries within which the Company invests.

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

Approved by the Board of directors and agreed on behalf of the Board on 15 October 2013.

David Macfarlane
Chairman

Patrick Firth
Director

Investment Adviser's report

David Zalaznick and Jay Jordan

JZCP had an active investment period for the six months ended 31 August 2013, investing US$72.6 million, while realising US$69.3 million though the sale of a US micro cap business, and the refinancing of securities and mezzanine investments.

Even after deducting a 15 cent dividend, our NAV continued to grow and increased 1.9 per cent from US$9.69 on 28 February 2013 to US$9.87 on 31 August 2013. The total NAV return (NAV appreciation and reinvested dividends) was 3.4 per cent for the six months. We are pleased to report that JZCP has provided consistent NAV growth for 17 out of the past 18 quarters.

JZCP's financial position remains strong. Our liquidity (cash on hand) as of 31 August 2013 was US$79.3 million or 12 per cent of our NAV. In addition, we have US$152.1 million of publicly traded securities, government securities, equities and bank debt on our balance sheet, which is 24 per cent of NAV. We have no outstanding debt and our only long-term obligations are our Zero Dividend Preference shares which accrete to US$122.5 million due in June 2016.

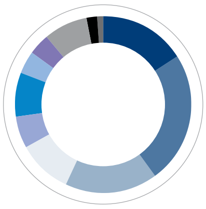
Our micro cap portfolio is valued at 7.1x EBITDA after a 26 per cent marketability discount. The underlying leverage senior to JZCP's position in our US micro cap portfolio grew slightly to 2.0x EBITDA, as we financed US$26.4 million of debt for our ISS (Industrial Solutions) vertical by refinancing JZCP's investment with a senior credit facility. Our European micro cap portfolio is levered under 2.0x EBITDA.

As many of you know, one of the tenets of our investment strategy is to pay reasonable entry prices for our investments. The average purchase price for the US micro cap portfolio is 5.9x EBITDA, while the cash multiples paid for the European portfolio was 3.5x. Six of the eight European companies are in Spain; we expect outsized returns from these businesses to more than compensate for the increased risk in investing in a distressed economy of a major industrialised country.

Our NAV growth continues to be driven by our diversified micro cap portfolio. In the US, we currently have 31 businesses across six different business sectors. The addition of three micro cap acquisitions in Europe brings the total to eight diverse businesses in Spain, Germany, and the UK. In addition, the principles of our investment strategy have been applied to building a real estate portfolio of residential and retail properties in the US. We are backing an experienced team to buy and redevelop properties in up-and-coming neighbourhoods in Brooklyn, NY; early indications are that this portfolio will significantly contribute to NAV growth in the future.

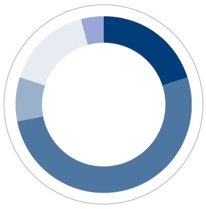
Please remember that due to realisations in 2010 to 2012, 72 per cent of our portfolio is less than three years old, while we have held only 8 per cent for three to five years.

Portfolio by industry



Cash and cash equivalents	16%
Industrial	24%
Service	17%
Healthcare	10%
Banking	6%
Insurance	8%
Transportation/logistics	4%
Consumer	4%
Real estate	8%
Financial services	2%
Gaming	1%

Portfolio by vintage year



<1 year	20%
1-3 years	52%
3-5 years	8%
5-10 years	16%
>10 years	4%

NAV growth

For the six months ended 31 August 2013, JZCP's net assets increased from US$9.69 per share to US$10.02, a 3.4 per cent increase (before the 15 cent dividend paid in the period). The chart below shows the source of this change:

Net asset value per Ordinary share as of 28 February 2013	**US$9.69**
– Change in private investments	0.14
+ Change in public investments	0.06
+ Income from investments	0.30
+ Escrows received	0.02
– ZDP dividend accrual	(0.05)
– Fees and expenses	(0.12)
+/ – Other	(0.02)
Net asset value per Ordinary share (before dividends)	**US$10.02**
– Dividends paid	(0.15)
Net asset value per Ordinary share as of 31 August 2013	**US$9.87**

The 14 cent increase in the private investments is primarily due to increases in earnings in Factor Energia, our Spanish energy reseller (14 cents), Milestone Aviation, the helicopter leasing business (7 cents), Nationwide studios, the pre-school photography company (4 cents), and the increase in value of the first real estate property we purchased in early 2012 (3 cents). In addition, NAV growth was aided by Grupo Ombuds, the Spanish personal security and facilities management business (2 cents), and Salter Laboratories, our disposable respiratory products business (2 cents).

These increases were offset by a 4 cent decrease in the NAV of Xacom, the Spanish telecom products business, as sales of new products have proved slower than expected. We wrote down MEDS, our healthcare eligibility company, by 3 cents as the business has been harder to manage than planned. Medicare's recently announced 41 per cent decrease in the price of power wheelchairs has forced our power "legacy" wheelchair company, Hoveround, to once again retool, requiring a writedown of 4 cents. Finally, the value of one of compressor entities in our ISS (Industrial Services) vertical was reduced by 3 cents as a combination of management issues and a move to purchasing supplies on the internet has hurt margins.

A positive movement in safety insurance, our publicly traded company, accounted primarily for the 6 cents increase in our public investments.

Returns

The chart below summarises the NAV and total Shareholder returns over the last three months, year and three years.

	As of 31/8/2013	Since 31/5/2013	Since 28/2/2013	Since 31/8/2012	Since 31/8/2010
Share price (in GBP)	**£4.75**	£4.89	£5.00	£3.52	£2.94
Dividends paid (in US cents)	–	15.0c	15.0c	29.0c	78.5c
Total Shareholder return	–	(1.0%)	(3.2%)	41.2%	78.5%
NAV/share (in USD)	**US$9.87**	US$9.90	US$9.69	US$9.38	US$7.44
NAV total returns	–	1.2%	3.4%	8.4%	43.2%
NAV to market price discount	**26%**	25%	22%	41%	39%
Russell 1000	–	0.5%	8.1%	17.3%	57.4%
FTSE 100	–	(2.6%)	0.8%	12.3%	22.7%

Despite our conservatively valued portfolio, the market continues to undervalue our assets, a recurring trend across much of the listed private equity sector.

Investment Adviser's report continued

Portfolio summary

Below is a summary of JZCP's assets as of 31 August 2013 compared with the position as of 28 February 2013 fiscal year-end, six months ago.

	Investments as of 31/8/2013	31/08/2013 US$'000	28/02/2013 US$'000	Change %
US micro cap portfolio	32	299,477	342,567	(12.6%)
European investments	8	137,159	107,463	27.6%
Mezzanine investments	3	3,713	11,294	(67.1%)
Real estate	7	57,820	30,860	85.8%
Other	5	10,780	11,080	(3.3%)
Total private investments	**55**	**508,949**	**503,264**	**1.0%**
Listed equity	2	58,716	55,069	6.6%
Bank debt	1	11,769	11,690	0.7%
Listed corporate bonds	3	41,316	26,450	56.2%
Cash		79,324	102,740	(22.8%)
UK treasury gilts		40,241	31,809	26.5%
Total listed investments (including cash)	**6**	**231,366**	**227,758**	**1.6%**
Total investments and cash	**61**	**740,315**	**731,022**	**1.2%**

US micro cap portfolio

Following a very active investment period prior to this period, we have focused the past six months on ensuring the US micro cap portfolio investments are running as effectively as possible. In our five verticals, for example, we added a significant amount of expenses and have spent a lot of time upgrading management, expanding sales forces and enhancing systems to position these businesses for their anticipated growth.

In March 2013, we sold Horsburgh and Scott, one of our US micro cap investments that makes large diameter gears, which we acquired in November 2007. Over time, we realised US$38.6 million on our US$21.8 million investment, for a 1.8x multiple of capital invested and a 13 per cent IRR. Given that we had been writing this investment up over time, there was a negligible effect on NAV.

We also refinanced US$26.4 million of JZCP-held investments in our ISS (Industrial Services) vertical with a senior debt facility. ISS's underlying businesses has experienced sufficient earnings growth, organically and through strategic acquisitions, to achieve this partial realisation.

European investments

During the six months ended 31 August 2013, we added three new European micro cap investments, which brings our total European portfolio to eight businesses. Please note that the descriptions below are for the entire EuroMicrocap 2010, LP (EMC). JZCP owns 75 per cent of EMC.

One World Packaging is a Spanish business which manufactures disposable trays for the food service industry in Europe. Its proprietary product is unique in that it outperforms plastic and is biodegradable. The company plans to sell to large food manufacturers and distributors in European countries that value the environmentally sound and sustainable nature of its products. EMC purchased 70 per cent of One World for €5.0 million in April 2013 and will support the company's development.

EMC has co-invested £9.5 million to acquire 36 per cent of the **Winn Group**, a successful UK legal services firm specialising in personal injury cases and claims management. It also provides replacement car hire, credit repair advice and medical treatment services. The Winn Group was founded in 2002 and employs nearly 300 people in Newcastle. The Winn Group is well positioned to benefit from the rapid consolidation of the personal injury sector in the UK due to its efficient business model. EMC's investment will further enhance its strong growth trajectory. The Winn Group generated revenues of £40 million in the year to 31 March 2013.

EMC has also invested €7.7 million to acquire 25.2 per cent of **Fidor Bank AG**, an innovative and fast-growing online German bank. It was founded in 2003 and is one of the only banks in Europe to allow customers to transfer money through social media. It also provides deposit and savings accounts, foreign exchange transactions, a credit card and crowdfunding, which enables small businesses to secure finance from individual lenders. The bank's deposits in the year to 31 March 2013 have almost doubled and EMC's investment and experience will help Fidor Bank to expand globally. Fidor Bank currently has 200,000 customers and is listed on the Open Market of the Frankfurt Stock Exchange.

Other assets

Our mezzanine portfolio continues to be realised, with the refinancing of US$7.9 million of HAAS TMC subordinated debt, at par. We are still holding PETCO stock that was a yield enhancement to a mezzanine investment, the debt of which was paid off.

JZCP's real estate portfolio has grown considerably with the purchase of financial interests in four new properties in up-and-coming sections of Brooklyn, New York. We now own interests in seven properties in Brooklyn, via our investment in JZCP Realty. Our real estate partner is RedSky Capital, an experienced team who invests, develops and operates properties in increasingly sought-after areas of Brooklyn. All of these locations have several things in common. We bought these properties in neighbourhoods with strong demographics for what we believe are very reasonable prices. They have the potential to create significant value following redevelopment and retenanting.

The first is essentially a square block on Bedford Street in Williamsburg, Brooklyn which is a major retail area. JZCP's investment for this property was US$14.9 million. This is both a retail and residential property and has begun to sign leases with new tenants. Construction will begin shortly on its renovation.

JZCP also invested US$3.5 million in a freestanding building just across the street from the new Barclays Center and a major railroad terminal. This will be a retail property leased by one tenant, most likely sports related.

The third investment is on the Fulton Mall, the third most trafficked retail street in New York City. JZCP invested US$14.5 million for three buildings which will be combined when fully developed into a retail and residential building.

JZCP invested US$14.3 million in three properties on Flatbush Avenue, for both retail and residential use. Near the Barclays Center, these properties are well situated to take advantage of the influx of higher-end shoppers and residents.

Finally, JZCP invested US$8.2 million for a property on Driggs Avenue, which is adjacent to our Bedford Street property. This will be a mixed use property and will take advantage of the influx of "Manhattanites" looking for better value than in Manhattan, yet with the energy and excitement of Williamsburg.

We also have deposits on several other Brooklyn properties under letter of intent and are proceeding with due diligence.

Balance sheet

Below is a summary of our balance sheet:

	31/08/2013 US$'000	28/02/2013 US$'000
Cash	79,324	102,740
UK treasury gilts	40,241	31,809
Listed equity	58,715	55,069
Listed corporate bonds	41,316	26,450
Bank debt	11,767	11,690
Private investments	508,952	503,264
Other assets	550	552
Total assets	**740,865**	**731,574**
– Liabilities	(4,048)	(11,553)
– Zero Dividend Preferred shares	(95,156)	(89,839)
Net asset value	**641,661**	**630,182**

Principal risks and uncertainties

As an investment fund, our principal risks are those that are associated with our 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.

Outlook

We are value oriented investors and pursue opportunities where we can invest at below market multiples. Our returns are a combination of growth in the underlying business and the multiple expansions on exit – that has been the case historically and we think will continue to be what drives our NAV.

We believe JZCP's strong balance sheet will enable us to take advantage of investment opportunities. We have a robust pipeline and look forward to the second half of this fiscal year, putting your (and our) money to work in a diverse portfolio of reasonably priced assets.

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

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.
15 October 2013

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 12 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 recent 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

Company	JZCP book cost* US$'000	Historical book cost** US$'000	Directors' valuation at 31 August 2013 US$'000	Carrying value including accrued interest 31 August 2013 US$'000	Percentage of portfolio %
US MICRO CAP PORTFOLIO					
US MICRO CAP (VERTICALS)					
Industrial Service Solutions					
BAY VALVE SERVICES Provider of industrial valve services and repair throughout the Western US Bay Valve is a subsidiary of ISS #2, part of Industrial Services business	11,257	11,257	11,327	11,610	1.8
ISS COMPRESSORS INDUSTRIES, INC. Acquirer 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	6,902	6,902	3,517	3,610	0.5
MADISON SMITH MACHINE & TOOL COMPANY Provider of industrial motor services and repair services to manufacturing plants operating in a variety of end markets	4,776	4,776	5,906	6,035	0.9
ISS MOTORS INDUSTRIES, INC. Acquirer 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	6,182	6,182	6,228	6,385	1.0
Healthcare Revenue Cycle Management					
MEDS HOLDINGS, INC. An outsourced provider of patient benefit eligibility, enrolment and revenue recovery services to hospitals and health systems. Meds Holdings is a subsidiary of Bolder Healthcare Solutions, LLC	13,289	13,289	11,785	12,207	1.8
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	13,908	13,908	20,845	21,560	3.1
NIELSEN-KELLERMAN Designer and manufacturer of weather, wind and timing measurement instruments and devices. Nielsen-Kellerman is a subsidiary of Sensors Solutions Holdings	2,614	2,614	4,169	4,382	0.7

Investment portfolio continued

Company	JZCP book cost* US$'000	Historical book cost** US$'000	Directors' valuation at 31 August 2013 US$'000	Carrying value including accrued interest 31 August 2013 US$'000	Percentage of portfolio %
Testing Services					
ACCUTEST HOLDINGS, INC. Provider of environmental testing laboratories to the US market	36,978	33,517	27,398	29,593	4.5
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	8,381	8,381	8,588	8,953	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	2,672	2,672	9,737	9,963	1.5
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	15,617	15,617	16,292	16,870	2.6
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	21,387	22,182	3.4
Total US micro cap (verticals)	**141,013**	**137,552**	**147,179**	**153,350**	**23.2**

Company	JZCP book cost* US$'000	Historical book cost** US$'000	Directors' valuation at 31 August 2013 US$'000	Carrying value including accrued interest 31 August 2013 US$'000	Percentage of portfolio %
US MICRO CAP (CO-INVESTMENTS)					
JUSTRITE MANUFACTURING COMPANY A manufacturer of industrial safety products	4,428	4,428	5,977	6,215	0.9
MEDPLAST/UPG HOLDINGS Manufacturer of plastic medical components	17,344	17,344	18,017	18,642	2.8
MILESTONE AVIATION GROUP, INC. Finance provider for helicopter and private jet owners	15,138	15,138	21,667	22,676	3.4
NEW VITALITY HOLDINGS, INC. Direct-to-consumer provider of nutritional supplements and personal care products	3,280	3,280	7,944	8,169	1.3
PC HELPS SUPPORT LLC Provider of outsourced IT support and training services	9,020	9,020	9,280	9,837	1.5
SALTER LABS, INC. Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	19,163	19,163	14,473	15,254	2.3
SUZO HAPP GROUP Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	5,509	5,509	5,509	5,509	0.8
Total US micro cap (co-investments)	**73,882**	**73,882**	**82,867**	**86,302**	**13.0**
US MICRO CAP (OTHER)					
ISS#1, LLC Manufacturer of industrial gears	31	31	31	31	0.0
CHINA DENTAL HOLDINGS, INC. Acquirer of China-based dental laboratories	1,377	1,377	1,648	1,757	0.3
DENTAL HOLDINGS CORPORATION Operator of dental laboratories	34,454	28,691	27,367	28,522	4.3
ETX HOLDINGS, INC. **** Provider of services to the auto after sales market	392	392	688	721	0.1
HEALTHCARE PRODUCTS HOLDINGS, INC.**** Designer and manufacturer of motorised vehicles	9,442	17,637	16,913	17,805	2.7
NATIONWIDE STUDIOS, INC. Processor of digital photos for preschoolers	16,132	16,132	8,722	9,016	1.4
NTT ACQUISITION CORP.**** Technical education and training	–	894	–	–	0.0
US LOGISTICS SOLUTIONS, LLC Acquirer of logistics services companies	945	945	1,116	1,190	0.2
TIGER INFORMATION SYSTEMS, INC.**** Provider of temporary staff and computer training	300	400	300	300	0.0
US SANITATION, LLC Acquirer of janitorial and sanitorial product distributors and related chemical manufacturers and blenders	425	425	455	483	0.1
Total US micro cap (other)	**63,498**	**66,924**	**57,240**	**59,825**	**9.1**
Total US micro cap portfolio	**278,393**	**278,358**	**287,286**	**299,477**	**45.3**

Investment portfolio continued

Company	JZCP book cost* US$'000	Historical book cost** US$'000	Directors' valuation at 31 August 2013 US$'000	Carrying value including accrued interest 31 August 2013 US$'000	Percentage of portfolio %
EUROPEAN MICRO CAP PORTFOLIO					
EUROMICROCAP FUND 2010, LP Acquirer of Europe-based micro cap companies	82,228	82,228	113,297	113,297	17.2
DOCOUT, S.L. Provider of digitalisation, document processing and storage services	2,777	2,777	2,650	2,962	0.4
GRUPO OMBUDS Provider of personal security and asset protection	16,770	16,770	15,920	18,551	2.8
ORO DIRECT Buyer and seller of precious metals	1,275	1,275	1,319	1,537	0.2
XACOM COMUNICACIONES SL Supplier of telecom products and technologies	780	780	791	812	0.1
Total European micro cap portfolio	**103,830**	**103,830**	**133,977**	**137,159**	**20.7**
MEZZANINE PORTFOLIO					
GED HOLDINGS, INC. Manufacturer of windows	–	6,100	305	305	0.0
METPAR INDUSTRIES, INC. Manufacturer of restroom partitions	6,454	7,754	716	750	0.1
PETCO ANIMAL SUPPLIES, INC. Retailer of pet food, supplies and services	1,237	1,237	2,658	2,658	0.4
Total mezzanine portfolio	**7,691**	**15,091**	**3,679**	**3,713**	**0.5**
BANK DEBT: SECOND LIEN PORTFOLIO					
DEKKO TECHNOLOGIES, LLC Distributor of electrical sub-components	11,418	11,368	11,660	11,769	1.8
Total bank debt	**11,418**	**11,368**	**11,660**	**11,769**	**1.8**
LISTED INVESTMENTS					
EQUITIES					
SAFETY INSURANCE GROUP, INC.**** Provider of automobile insurance	42,223	6,816	58,007	58,007	8.8
UNIVERSAL TECHNICAL INSTITUTE, INC.**** Vocational training in the automotive and marine fields	835	15	709	709	0.1
Total listed equity investments	**43,058**	**6,831**	**58,716**	**58,716**	**8.9**
UK GILTS					
UK treasury 2% – maturity 22.01.2016	40,732	40,732	40,156	40,241	6.1
Total UK gilts	**40,732**	**40,732**	**40,156**	**40,241**	**6.1**

Company	JZCP book cost* US$'000	Historical book cost** US$'000	Directors' valuation at 31 August 2013 US$'000	Carrying value including accrued interest 31 August 2013 US$'000	Percentage of portfolio %
CORPORATE BONDS					
HSBC Finance Corp, 15.01.2014	4,868	4,868	5,001	5,004	0.8
JP Morgan Chase Bank NA, 30.05.2017	22,028	22,028	21,971	21,972	3.3
ING Bank NA, 03.07.2017	14,445	14,445	14,316	14,340	2.2
Total corporate bonds	**41,341**	**41,341**	**41,288**	**41,316**	**6.3**
REAL ESTATE					
JZCP REALTY*** Facilitates JZCP's investment in US real estate	55,181	55,181	57,325	57,820	8.8
Total real estate investments	**55,181**	**55,181**	**57,325**	**57,820**	**8.8**
OTHER					
BSM ENGENHARIA S.A. Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental	6,115	6,115	4,650	4,650	0.7
CONSTITUENT CAPITAL MANAGEMENT, LLC Asset management company that primarily manages smaller endowments and pension funds	2,667	2,667	2,667	2,667	0.4
JZ INTERNATIONAL, LLC**** Fund of European LBO investments	1,620	660	1,620	1,620	0.2
JZ PALATINE CO-INVESTMENT, LLC Invests in distressed debt	1,843	1,843	1,843	1,843	0.3
Total other	**12,245**	**11,285**	**10,780**	**10,780**	**1.6**
Total – portfolio	593,889	564,017	644,867	660,991	100.0
Zero Dividend Preference shares				(95,156)	
Cash and other net assets				75,826	
Net assets attributable to Ordinary shares				641,661	

* 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.

*** JZCP owns 100 per cent of the shares and voting rights of JZCP Realty Fund, Ltd. The condensed interim consolidated financial statements include the results of JZCP Realty Fund, Ltd.

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

Mezzanine portfolio includes common stock with a carrying value of US$2,713,000. These investments are classified as investments at fair value through profit or loss.

Unaudited consolidated statement of comprehensive income

For the period from 1 March 2013 to 31 August 2013

	Notes	**Six-month period from 1 March 2013 to 31 August 2013**			Six-month period from 1 March 2012 to 31 August 2012		
		Revenue return US$'000	**Capital return US$'000**	**Total US$'000**	Revenue return US$'000	Capital return US$'000	Total US$'000
Income							
Net gain on investments at fair value through profit or loss	5	**–**	**7,546**	**7,546**	–	2,653	2,653
(Net impairment)/net write back of impairments on loans and receivables	6	**–**	**(25)**	**(25)**	–	597	597
Share of associate's net income/(expense)	11	**–**	**5,930**	**5,930**	–	(2,443)	(2,443)
Realisations from investments held in escrow accounts		**–**	**1,265**	**1,265**	–	2,145	2,145
Net foreign currency exchange (losses)/gains		**–**	**(2,093)**	**(2,093)**	–	345	345
Investment income	7	**20,161**	**–**	**20,161**	19,882	–	19,882
Bank and deposit interest		**105**	**–**	**105**	187	–	187
		20,266	**12,623**	**32,889**	20,069	3,297	23,366
Expenses							
Investment Adviser's base fee	9	**(5,574)**	**–**	**(5,574)**	(5,323)	–	(5,323)
Investment Adviser's capital incentive fee	9	**–**	**(807)**	**(807)**	–	(4,966)	(4,966)
Administrative expenses	9	**(1,322)**	**–**	**(1,322)**	(1,285)	–	(1,285)
Share class restructuring costs	9	**–**	**–**	**–**	–	(1,608)	(1,608)
		(6,896)	**(807)**	**(7,703)**	(6,608)	(6,574)	(13,182)
Operating profit/(loss)		**13,370**	**11,816**	**25,186**	13,461	(3,277)	10,184
Finance costs							
Finance costs in respect of Zero Dividend Preference shares	8	**–**	**(3,528)**	**(3,528)**	–	(3,410)	(3,410)
Profit/(loss) before taxation		**13,370**	**8,288**	**21,658**	13,461	(6,687)	6,774
Withholding taxes	10	**(426)**	**–**	**(426)**	(644)	–	(644)
Profit/(loss) for the period		**12,944**	**8,288**	**21,232**	12,817	(6,687)	6,130
Weighted average number of Ordinary shares in issue during the period	13			**65,018,607**			65,018,607
Basic and diluted profit/(loss) per Ordinary share using the weighted average number of Ordinary shares in issue during the period		**19.91c**	**12.75c**	**32.66c**	19.71c	(10.28)c	9.43c

All items in the above statement are derived from continuing operations.
The profit for the period is attributable to the Ordinary Shareholders of the Company.
The format of the income statement follows the recommendations of the AIC Statement of Recommended Practice.
The "Total" column of this statement represents the Company's unaudited consolidated statement of comprehensive income, prepared in accordance with IFRS.
There was no comprehensive income other than the profit for the year.

The accompanying notes on pages 20 to 38 form an integral part of the consolidated financial statements.

Unaudited consolidated statement of financial position

As at 31 August 2013

	Notes	31 August 2013 US$'000	28 February 2013 US$'000
Assets			
Non-current assets			
Investments at fair value through profit or loss	11	**546,694**	531,950
Investment in associate	11	**113,297**	87,567
Investments classified as loans and receivables	11	**1,000**	8,765
		660,991	628,282
Current assets			
Cash, cash equivalents and cash held on deposit		**79,324**	102,740
Other receivables		**550**	552
		79,874	103,292
Total assets		**740,865**	731,574
Liabilities			
Current liabilities			
Other payables		**4,048**	11,553
Non-current liabilities			
Zero Dividend Preference shares	12	**95,156**	89,839
Total liabilities		**99,204**	101,392
Equity			
Stated capital account		**149,269**	149,269
Distributable reserve		**353,528**	353,528
Capital reserve		**58,800**	50,512
Revenue reserve		**80,064**	76,873
Total equity		**641,661**	630,182
Total liabilities and equity		**740,865**	731,574
Number of Ordinary shares in issue at year end	13	**65,018,607**	65,018,607
Net asset value per Ordinary share		**US$ 9.87**	US$ 9.69

These unaudited consolidated financial statements were approved by the Board of directors and authorised for issue on 15 October 2013. They were signed on its behalf by

David Macfarlane Chairman

Patrick Firth Director

The accompanying notes on pages 20 to 38 form an integral part of the consolidated financial statements.

Unaudited consolidated statement of changes in equity

For the period from 1 March 2013 to 31 August 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 2013		**149,269**	**353,528**	**92,834**	**(42,322)**	**76,873**	**630,182**
Profit for the period		–	–	**4,220**	**4,068**	**12,944**	**21,232**
Dividends paid	22	–	–	–	–	**(9,753)**	**(9,753)**
Balance at 31 August 2013		**149,269**	**353,528**	**97,054**	**(38,254)**	**80,064**	**641,661**

Comparative for the period from 1 March 2012 to 31 August 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 2012	149,269	353,528	68,107	(26,332)	70,890	615,462
Profit/(loss) for the period	–	–	7,505	(14,192)	12,817	6,130
Dividends paid	–	–	–	–	(12,027)	(12,027)
Balance at 31 August 2012	149,269	353,528	75,612	(40,524)	71,680	609,565

The accompanying notes on pages 20 to 38 form an integral part of the consolidated financial statements.

Unaudited consolidated statement of cash flows

For the period from 1 March 2013 to 31 August 2013

	Notes	**Six month period from 1 March 2013 to 31 August 2013 US$'000**	Six month period from 1 March 2012 to 31 August 2012 US$'000
Operating activities			
Net cash outflow from operating activities	17	**(6,382)**	(4,764)
Cash outflow for purchase of investments		**(64,005)**	(119,624)
Cash outflow for capital calls by the EuroMicrocap Fund 2010, LP		**(19,800)**	(13,275)
Cash outflow for purchase of corporate bonds/UK gilts		**(22,747)**	(57,288)
Cash outflow for fixed deposits and money market funds		**–**	(18,259)
Cash inflow from repayment and disposal of investments		**99,271**	68,136
Cash inflow for fixed deposits and money market funds		**–**	10,841
Net cash outflow before financing activities		**(13,663)**	(134,233)
Financing activity			
Dividends paid to Shareholders		**(9,753)**	(12,027)
Net cash outflow from financing activities		**(9,753)**	(12,027)
Decrease in cash and cash equivalents		**(23,416)**	(146,260)
Reconciliation of net cash flow to movements in cash and cash equivalents			
Cash and cash equivalents at 1 March		**102,740**	194,513
Decrease in cash and cash equivalents as above		**(23,416)**	(146,260)
Cash and cash equivalents at period end		**79,324**	48,253

The accompanying notes on pages 20 to 38 form an integral part of the consolidated financial statements.

Notes to the consolidated 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.

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 period under review the Company was administered by Northern Trust International Fund Administration Services (Guernsey) Limited. Prior to 1 September 2012, the Company was administered by Butterfield Fulcrum Group (Guernsey) Limited (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 these condensed interim consolidated financial statements have been consistently applied during the period, unless otherwise stated.

Statement of compliance

The condensed interim consolidated financial statements of the Company for the period 1 March 2013 to 31 August 2013 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the CISX and SFM. The condensed interim consolidated financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the annual report and audited financial statements at 28 February 2013.

Basis of preparation

The condensed interim consolidated financial statements have been prepared under the historical cost or amortised cost basis, modified by the revaluation of certain financial instruments designated at fair value through profit or loss upon initial recognition. The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with the accounting policies stated in note 2 of the annual financial statements for the year ended 28 February 2013, with the exception noted in the prior period presentation note below and for the adoption of the new standards and interpretations effective for periods beginning on or after 1 January 2013 which had no impact on the financial position or performance of the Company.

- IAS 34 – Interim Financial Reporting (amendments) – (effective 1 January 2013)
- IFRS 13 – Fair Value Measurement – (effective 1 January 2013)

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. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements, thereby affecting the interim unaudited condensed financial statements. The Company provides these disclosures in note 14.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34, "Interim Financial Reporting" as adopted by the EU, 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.

Basis of consolidation

The condensed interim consolidated financial statement comprise the financial statements of the Company and JZCP Realty Fund, Ltd a Cayman Islands company. JZCP Realty Fund, Ltd was incorporated with the purpose of facilitating the purchase of the Company's real estate investments. The Company owns 100 per cent of the share capital of JZCP Realty Fund, Ltd.

Prior period presentation

As stated above, the condensed interim consolidated financial statements include the financial statements of JZCP Realty Fund, Ltd. In the previous financial reporting year, JZ Realty Fund, Ltd was accounted for as an investment at fair value through profit or loss on the statement of financial position and movements in fair value were accounted for as net gains on investments at fair value through profit or loss in the statement of comprehensive income. Had JZCP Realty Fund, Ltd been accounted for on a consolidated basis, the following line items on the statement of comprehensive income would have been affected:

	US$000's
Investment income	297
Administrative expenses	(115)
Net gain on investments at fair value through profit or loss	182

In the opinion of the directors there would have been no overall impact in the prior period financial statements.

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.

Notes to the consolidated financial statements continued

3. Segment information continued

For the period from 1 March 2013 to 31 August 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	**15,950**	**987**	**163**	**658**	**–**	**495**	**–**	**18,253**
Dividend revenue	**–**	**–**	**–**	**–**	**1,402**	**–**	**–**	**1,402**
Net gain/(loss) on investments at fair value through profit or loss	**1,143**	**1,140**	**184**	**–**	**3,646**	**2,143**	**(800)**	**7,456**
Share of associate's net income	**–**	**5,930**	**–**	**–**	**–**	**–**	**–**	**5,930**
Net write back of impairments on loans and receivables	**–**	**–**	**(25)**	**–**	**–**	**–**	**–**	**(25)**
Investment Adviser's base fee	**(2,252)**	**(1,031)**	**(28)**	**(89)**	**(1,059)**	**(435)**	**(84)**	**(4,978)**
Investment Adviser's capital incentive fee[1]	**(807)**	**–**	**–**	**–**	**–**	**–**	**–**	**(807)**
Total segmental operating profit	**14,034**	**7,026**	**294**	**569**	**3,989**	**2,203**	**(884)**	**27,231**

For the period from 1 March 2012 to 31 August 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	13,396	665	1,670	1,415	–	–	–	17,146
Dividend revenue	–	–	–	–	2,148	–	–	2,148
Net (loss)/gain on investments at fair value through profit or loss	(2,212)	(881)	67	562	3,438	–	(745)	229
Share of associate's net expense	–	(2,443)	–	–	–	–	–	(2,443)
Net write back of impairments on loans and receivables	–	–	597	–	–	–	–	597
Investment Adviser's base fee	(2,180)	(748)	(194)	(243)	(492)	(157)	(66)	(4,080)
Investment Adviser's capital incentive fee[1]	(303)	–	(651)	–	(3,928)	–	–	(4,882)
Total segmental operating profit	8,701	(3,407)	1,489	1,734	1,166	(157)	(811)	8,715

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.

At 31 August 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	**299,477**	**23,862**	**2,713**	**11,769**	**58,716**	**57,820**	**10,780**	**465,137**
Investments classified as loans and receivables	–	–	**1,000**	–	–	–	–	**1,000**
Investment in associate	–	**113,297**	–	–	–	–	–	**113,297**
Other receivables	–	–	–	–	**486**	–	–	**486**
Other payables and accrued expenses	**(1,443)**	**(291)**	**(8)**	**(25)**	**(1,303)**	**(123)**	**(24)**	**(3,217)**
Total segmental net assets	**298,034**	**136,868**	**3,705**	**11,744**	**57,899**	**57,697**	**10,756**	**576,703**

At 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
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 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

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.

Notes to the consolidated financial statements continued

3. Segment information continued

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

	Period ended 31/08/2013 US$'000	Period ended 31/08/2012 US$'000
Net reportable segment profit	**27,231**	8,715
Net gains on treasury gilts and corporate bonds	**89**	2,424
Realised gains on investments held in escrow accounts	**1,265**	2,145
Net foreign exchange (losses)/gains	**(2,093)**	345
Interest on treasury gilts and corporate bonds	**506**	588
Interest on cash	**105**	187
Fees payable to Investment Adviser based on non-segmental assets	**(596)**	(1,327)
Expenses not attributable to segments	**(1,321)**	(1,285)
Share class restructuring costs	**–**	(1,608)
Operating profit	**25,186**	10,184

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.

	31/08/2013 US$'000	28/02/13 US$'000
Total net segmental assets	**576,703**	560,568
Non-segmental assets and liabilities:		
Treasury gilts	**40,241**	31,809
Corporate bonds	**41,316**	26,450
Cash and cash equivalents	**79,324**	102,740
Other receivables and prepayments	**64**	66
Zero Dividend Preference shares	**(95,156)**	(89,839)
Other payables and accrued expenses	**(831)**	(1,612)
Total non-segmental net assets	**64,958**	69,614
Total net assets	**641,661**	630,182

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 of the annual financial statements for the year ended 28 February 2013 and the valuation policy on page 10. 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 of the annual financial statements for the year ending 28 February 2013 and the valuation policy on page 10. 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 judgement. Full details are disclosed in note 2c of the annual statements for the year ended 28 February 2013.

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

	Period ended 31/08/2013 US$'000	Period ended 31/08/2012 US$'000
Net movement in unrealised gains/(losses) in the period	**7,810**	1,038
Proceeds from investments realised	**91,687**	67,452
Cost of investments realised	**(88,079)**	(52,810)
Realised gains (proceeds less cost to JZCP)	**3,607**	14,642
Total gains in prior periods now realised	**(3,872)**	(13,027)
Total realised (losses)/gains in the period	**(264)**	1,615
Total gain on investments in the period	**7,546**	2,653

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

	Period ended 31/08/2013 US$'000	Period ended 31/08/2012 US$'000
Impairments on loans and receivables	**(25)**	(87)
Proceeds from investments previously written off	–	684
Proceeds from investments repaid	**7,583**	–
Cost of investments repaid	**(7,583)**	–
Net realised gain	–	684
Net write back of impairments/(impairments) on loans and receivables	**(25)**	597

Notes to the consolidated financial statements continued

7. Investment income

	Period ended 31/08/2013 US$'000	Period ended 31/08/2012 US$'000
Income from investments classified as FVTPL	**19,998**	18,221
Income from investments classified as loans and receivables	**163**	1,661
	20,161	19,882

Income for the period ended 31 August 2013

	Preference Dividend			Loan note			
	Dividends US$'000	**PIK US$'000**	**Cash US$'000**	**PIK US$'000**	**Cash US$'000**	**Other interest US$'000**	**Total US$'000**
US micro cap portfolio	–	**7,025**	**193**	**4,668**	**4,064**	–	**15,950**
European micro cap portfolio	–	–	–	–	**987**	–	**987**
Mezzanine portfolio	–	–	–	**25**	**138**	–	**163**
Bank debt	–	–	–	–	–	**658**	**658**
Listed investments	**1,402**	–	–	–	–	–	**1,402**
Treasury gilts and corporate bonds	–	–	–	–	–	**506**	**506**
Real estate	–	–	–	**495**	–	–	**495**
	1,402	**7,025**	**193**	**5,188**	**5,189**	**1,164**	**20,161**

Income for the period ended 31 August 2012

	Preference Dividend			Loan note			
	Dividends US$'000	PIK US$'000	Cash US$'000	PIK US$'000	Cash US$'000	Other interest US$'000	Total US$'000
US micro cap portfolio	–	6,124	–	3,956	3,316	–	13,396
European micro cap portfolio	–	–	–	–	665	–	665
Mezzanine portfolio	–	9	–	195	1,466	–	1,670
Bank debt	–	–	–	–	–	1,415	1,415
Listed investments	2,148	–	–	–	–	–	2,148
Treasury gilts	–	–	–	–	–	588	588
	2,148	6,133	–	4,151	5,447	2,003	19,882

Interest on unlisted investments totalling US$5,148,248 for the six month period ended 31 August 2013 (year ended 28 February 2013: US$9,575,000) has not been recognised in accordance with the Company's accounting and valuation policy.

8. Finance costs

	Period ended 31/08/2013 US$'000	Period ended 31/08/2012 US$'000
Zero Dividend Preference shares	**3,528**	3,410
	3,528	3,410

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 12.

9. Expenses

	Period ended 31/08/2013 US$'000	Period ended 31/08/2012 US$'000
Investment Adviser's base fee	**5,574**	5,323
Investment Adviser's capital incentive fee	**807**	4,966
	6,381	10,289
Administrative expenses:		
Legal and professional fees	**446**	473
Other expenses	**421**	286
Directors' remuneration	**160**	190
Accounting, secretarial and administration fees	**150**	211
Auditors' remuneration	**111**	113
Custodian fees	**34**	12
	1,322	1,285
Other:		
Share class restructuring costs	**–**	1,608
Total expenses	**7,703**	13,182

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 period ended 31 August 2013, total directors' fees included in the statement of comprehensive income were US$160,000 (period ended 31 August 2012: US$190,000), of this amount US$54,000 was outstanding at the period end (28 February 2013: US$62,000) 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.

Notes to the consolidated financial statements continued

9. Expenses continued

For the period 1 March 2013 to 31 August 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$5,574,000 (31 August 2012: US$5,323,000). Of this amount US$1,574,000 (28 February 2013: US$715,000) was outstanding at the period 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 per cent, and (b) 20 per cent. of the net investment income of the Company above a hurdle of 2.5 per cent 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 period ended 31 August 2013, there was no income incentive fee (31 August 2012: US$Nil).

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 period ended 31 August 2013 US$807,000 (31 August 2012: US$4,966,000) is payable to the Investment Adviser in relation to the capital gains incentive fee.

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

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.

Auditors' remuneration

All of the auditors' remuneration relates to the annual audit and half year review report.

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 period ended 31 August 2013, the Company incurred withholding tax of US$426,000 (31 August 2012: US$644,000) on dividend income from listed investments.

11. Investments

Categories of financial instruments	**Listed 31/08/2013 US$'000**	**Unlisted 31/08/2013 US$'000**	**Carrying value 31/08/2013 US$'000**
Fair value through profit or loss (FVTPL)	**140,273**	**406,421**	**546,694**
Investment in associate	**–**	**113,297**	**113,297**
Loans and receivables	**–**	**1,000**	**1,000**
	140,273	**520,718**	**660,991**

	Listed 31/08/2013 US$'000	**Unlisted 31/08/2013 US$'000**	**Total 31/08/2013 US$'000**
Book cost at 1 March 2013	**102,384**	**541,869**	**644,253**
Purchases in period	**22,747**	**64,005**	**86,752**
Capital calls during period	**–**	**19,800**	**19,800**
Payment in kind ("PIK")	**–**	**5,452**	**5,452**
Proceeds from investments disposed/realised	**–**	**(99,271)**	**(99,271)**
Realised gains on disposal	**–**	**3,575**	**3,575**
Book cost at 31 August 2013	**125,131**	**535,430**	**660,561**
Unrealised gains/(losses) at 31 August 2013	**15,029**	**(30,855)**	**(15,826)**
Accrued interest at 31 August 2013	**113**	**16,143**	**16,256**
Carrying value at 31 August 2013	**140,273**	**520,718**	**660,991**

Notes to the consolidated financial statements continued

11. Investments continued

	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
Investment in associate	–	87,567	87,567
Loans and receivables	–	8,765	8,765
	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

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 31 August 2013, 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 micro cap companies	75%

The Company's share of the aggregated financial information of the equity accounted associate is set out below. The balance as at 31 August 2013 includes the share of results and net assets in the associate.

	31/08/2013 US$'000	31/08/2012 US$'000
Share of result in associate	**5,930**	(2,443)
Non current assets	**119,316**	79,950
Current (liabilities)/assets	**(6,019)**	832
Share of limited partner's interest in associate	**113,297**	80,782

12. Zero dividend preference ("ZDP") shares

	31/08/2013 US$'000	28/02/2013 US$'000
ZDP shares issued 22 June 2009		
Amortised cost at 1 March	**89,839**	87,281
Finance costs allocated to statement of comprehensive income	**3,528**	7,007
Unrealised currency loss/(gain) on translation during the period/year	**1,789**	(4,449)
Amortised cost at period/year end	**95,156**	89,839
Total number of ZDP shares in issue	**20,707,141**	20,707,141

ZDP shares were issued on 22 June 2009 at a price of 215.80 pence and are designed to provide a predetermined 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 cent 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.

13. Stated capital

Authorised capital

Unlimited number of ordinary shares of no par value.

Ordinary shares – issued capital

	31/08/2013 Number of shares	28/02/2013 Number of shares
Balance at 1 March	**65,018,607**	37,319,238
Converted from Limited Voting Ordinary shares	–	27,699,369
Total Ordinary shares in issue	**65,018,607**	65,018,607

Limited Voting Ordinary shares – issued capital

	31/08/2013 Number of shares	28/02/2013 Number of shares
Balance at 1 March	–	27,699,369
Converted to Ordinary shares	–	(27,699,369)
Total limited voting ordinary shares in issue	–	–
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.

Notes to the consolidated financial statements continued

13. Stated capital continued

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 new US 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 right to receive notice of, to attend and to vote at all general meetings of the Company.

14. Fair values

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 31 August 2013

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets designated at fair value through profit or loss at inception:				
Listed securities	140,273	–	–	140,273
Bank debt	–	–	11,769	11,769
Mezzanine portfolio	–	–	2,713	2,713
Us micro cap portfolio	–	–	299,477	299,477
European micro cap portfolio	–	–	23,862	23,862
Real estate portfolio	–	–	57,820	57,820
Other	–	–	10,780	10,780
	140,273	–	406,421	546,694

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 markets, 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 12 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 period ended 31 August 2013 and 28 February 2013.

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.

Notes to the consolidated financial statements continued

14. Fair values continued

At 31 August 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	Level 3 US$'000
At 1 March 2013	11,690	2,529	342,566	19,896	30,861	11,080	418,622
Purchases	–	–	28,756	2,755	31,994	500	64,005
PIK adjusted for fair value	70	–	5,382	–	–		5,452
Cost of investments repaid or sold	–	–	(84,014)	–	(7,673)	–	(91,687)
Net gains and losses recognised in statement of comprehensive income	–	337	1,088	219	2,143	(800)	2,987
Movement in accrued interest recognised in statement of comprehensive income	9	(153)	5,699	992	495	–	7,042
At 31 August 2013	11,769	2,713	299,477	23,862	57,820	10,780	406,421

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

At 31 August 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	Level 3 US$'000
Interest and other revenue	658	163	15,950	987	495	–	18,253
Net loss on investments at fair value through profit or loss	–	337	1,088	219	2,143	(800)	2,987
	658	500	17,038	1,206	2,638	(800)	21,240

For the investments measured at level 3 at the reporting date, the Company adjusted the interest 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$18,886,000 or increase the fair value by US$18,886,000.

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 31 August 2013 the ask price was £3.31 (28 February 2013: £3.24 per share) the total fair value of the ZDP shares was US$105,865,000 (28 February 2013 :US$89,839,000) which is US$10,709,000 higher (28 February 2013: US$12,002,000 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 31 August 2013 was US$1,000,000 (28 February 2013: US$7,834,000).

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

The Company has certain financial instruments 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 period due to changes in the inputs amounts to gains of US$2,940,000 (28 February 2013: gains of US$2,558,000).

The table below analyses the Company's concentration of private investments by industrial distribution and the effect on the net assets attributable to Shareholders and on the increase/(decrease) in profit for the period 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.

	Carrying value 31/08/2013 US$'000	Percentage of total private investments 31/08/2013	Unobservable inputs	Ranges	Effect on the net assets attributable to Shareholders 31/08/2013 US$'000
Industry					
US micro cap portfolio	299,179	73%	EBITDA Multiple	10%/-10%	18,374/(18,374)
European micro cap portfolio	23,861	6%	EBITDA Multiple	10%/-10%	–
Real estate	57,819	14%	Purchase Multiple	10%/-10%	–
Mezzanine portfolio	3,013	1%	EBITDA Multiple	10%/-10%	512/(512)
Bank debt	11,769	3%	EBITDA Multiple	10%/-10%	–
Other	10,780	3%	EBITDA Multiple	10%/-10%	–
	406,421	100%			18,886/(18,886)

15. 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 periods ended 31 August 2013 and 31 August 2012 the weighted average number of Ordinary shares (including Limited Voting Ordinary shares) outstanding during the period was 65,018,607.

16. Net asset value per share

The net asset value per Ordinary share of US$9.87 (28 February 2013: US$9.69) is based on the net assets at the period end of US$641,661,000 (28 February 2013: US$630,182,000) and on 65,018,607 (28 February 2013: 65,018,607) Ordinary shares, being the number of Ordinary shares in issue at the period end.

Notes to the consolidated financial statements continued

17. Notes to the cash flow statement

Reconciliation of the profit for the period to net cash outflow from operating activities

	Period ended 31/08/2013 US$'000	Period ended 31/08/2012 US$'000
Profit for the period	**21,232**	6,130
Decrease/(increase) in other receivables	**2**	(261)
Decrease in other payables	**(7,505)**	(1,532)
Net movement in unrealised gains on investments	**(7,254)**	(1,038)
Impairments on loans and receivables	**25**	(597)
Share of associate's (income)/expense	**(5,930)**	2,443
Adjustment for foreign currency exchange losses/(gains) on ZDP shares	**1,789**	(280)
Realised (loss)/gain on investments	**271**	(1,615)
Increase in accrued interest on investments and adjustment for interest received as PIK	**(12,540)**	(11,424)
Finance costs in respect of Zero Dividend Preference shares	**3,528**	3,410
Net cash outflow from operating activities	**(6,382)**	(4,764)

18. Commitments

At 31 August 2013, JZCP had the following financial commitments outstanding in relation to fund investments:

	31/08/2013 US$'000	28/02/2013 US$'000
EuroMicrocap Fund 2010, LP (related party)	**272**	20,072
Constituent Capital Management, LLC	**12,333**	12,833
Acon AEP Co-Invest (Suzo), LP	**4,491**	5,042
Grua, LP (BSM Engenharia S.A.)	**2,085**	2,085
	19,181	40,032

19. 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 31 August 2013, the investment was valued at US$688,000 (28 February 2013: US$671,000).

At 31 August 2013, JZCP has invested US$82,228,000 (28 February 2013: US$62,248,000 in the EuroMicrocap Fund 2010 LP ("The Europe Fund"). At 31 August 2013, the investment was valued at US$113,297,000 (28 February 2013: US$87,567,000). The Europe Fund is managed by JZAM LLC ("JZAM"), an affiliate of JZAI, JZCP's investment manager. JZAI and JZAM 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. At 31 August 2013, the investments co-invested totalled US$24,334,000. During the year ended 28 February 2013, JZCP received total proceeds of US$76,576,000 from the sale of investments co-invested with the Resolute Fund.

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 31 August 2013, the total amount of these co-investments was US$151,615,000 (28 February 2013: US$117,700,275) of the total amount of the co-investment US$123,910,000 (28 February 2013: US$96,099,904) was invested by the Company and US$27,705,038 (28 February 2013: US$21,600,371) was invested by Fund A.

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.

20. 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.

21. 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 31 August 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 31 August 2013, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

	Amount in Escrow	
Company	**31/08/2013 US$'000**	28/02/2013 US$'000
GHW (G&H Wire)	**883**	2,609
Advanced Chemistry & Technology, Inc.	**1,613**	1,613
Wound Care Solutions, LLC	**1,421**	1,573
N&B Industries, Inc.	**776**	776
Apparel Ventures, Inc.	**428**	428
Dantom Systems, Inc.	**15**	15
Recycled Holdings Corporation	**1,913**	1,300
	7,049	8,314

During the period US$1,265,000 (31 August 2012: US$2,145,000) 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 (28 February 2013: US$4,409,700) relating to an income incentive fee which was paid on account to the Investment Adviser during the year ended 29 February 2012. Under the terms of the Advisory Agreement the amount paid in that 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.

Notes to the consolidated financial statements continued

22. Dividends paid and proposed

In accordance with the Company's dividend policy, it is the directors' intention for the year ended 28 February 2013 and thereafter to distribute approximately 3 per cent 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.

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) was paid on 14 June 2013.

An interim dividend of 14.5 cents per Ordinary share (total US$9,427,698) was declared by the Board on 15 October 2013 and will be paid on 13 November 2013.

23. Subsequent events

These financial statements were approved for issuance by the Board on 15 October 2013. Subsequent events have been evaluated until this date.

Independent review report

Independent review report to JZ Capital Partners Limited

Introduction

We have been engaged by the Company to review the condensed interim consolidated financial statements for the six-month period ended 31 August 2013 which comprise the unaudited consolidated statement of comprehensive income, unaudited consolidated statement of financial position, unaudited consolidated statement of changes in equity, unaudited consolidated statement of cash flows and the related notes 1 to 23. We have read the other information contained in the condensed interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of interim consolidated financial statements.

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

Directors' responsibilities

The condensed consolidated interim financial statements for the period from 1 March 2013 to 31 August 2013 are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the condensed interim consolidated financial statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements are prepared in accordance with IFRS as adopted by the European Union.

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed interim consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements for the period from 1 March 2013 to 31 August 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Guernsey, Channel Islands

15 October 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.

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

Uk transfer and paying agent
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6ZX

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

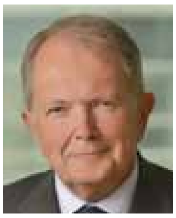
Winston & Strawn LLP
35 West Wacker Drive
Chicago IL 60601-9703

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

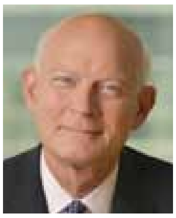
Board of directors

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.

James Jordan



Mr Jordan was appointed to the Board of JZCP in April 2008. 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. He is a non-executive Director of the First Eagle Funds and of Alpha Trust Andromeda Investment Trust S.A.

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 GLI Finance Limited. He is a member of the Institute of Chartered Accountants in England and Wales and The Chartered Institute for Securities and Investment. He is a resident of Guernsey.

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.

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 Conduct 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.

Financial diary

Results for the year ended 28 February 2014	May 2014
Annual General Meeting	June 2014
Interim report for the six months to 31 August 2014	October 2014

In accordance with the Transparency Directive, JZCP will be issuing an Interim Management Statement for the quarters ending 30 November 2013 and 31 May 2014. 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 15 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 advisers, should consider, to the extent applicable, the impact of such fiduciary rules and regulations on an investment in the Company. Among other considerations, the fiduciary of a non-ERISA plan should take into account the composition of the non-ERISA plan's portfolio with respect to diversification; the cash flow needs of the non-ERISA plan and the effects thereon of the illiquidity of the investment; the economic terms of the non-ERISA plan's investment in the Company; the non-ERISA plan's funding objectives; the tax effects of the investment and the tax and other risks associated with the investment; the fact that the investors in the Company are expected to consist of a diverse group of investors (including taxable, tax-exempt, domestic and foreign entities) and the fact that the management of the Company will not take the particular objectives of any investors or class of investors into account.

Non-ERISA plan fiduciaries should also take into account the fact that, while the Company's Board of directors and its Investment Adviser will have certain general fiduciary duties to the Company, the Board and the Investment Adviser will not have any direct fiduciary relationship with or duty to any investor, either with respect to its investment in shares or with respect to the management and investment of the assets of the Company. Similarly, it is intended that the assets of the Company will not be considered plan assets of any non-ERISA plan or be subject to any fiduciary or investment restrictions that

Useful information for Shareholders continued

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 Adviser that there is no rule, regulation or requirement applicable to such investor that is inconsistent with the foregoing description of the Company, the Board and the Investment Adviser.

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

(a) The non-ERISA plan is not a benefit plan investor;

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

(c) None of the Company, the Board, the Investment Adviser or any of their respective agents, representatives or affiliates has exercised any discretionary authority or control with respect to the non-ERISA plan's investment in the Company, nor has the Company, the Board, the Investment Adviser or any of their respective agents, representatives or affiliates rendered individualised 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 programme 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 Adviser or any of their respective agents, representatives or affiliates will be acting as a fiduciary to the non-ERISA plan under any applicable federal, state or local law governing the non-ERISA plan, with respect to either (i) the non-ERISA plan's purchase or retention of its investment in the Company or (ii) the management or operation of the business or assets of the Company. It also confirms that there is no rule, regulation, or requirement applicable to such purchaser or transferee that is inconsistent with the foregoing description of the Company, the Board and the Investment Adviser.

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 per cent 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 per cent 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.